

Nestlé in society



Good Food, Good Life

Creating Shared Value
and meeting
our commitments
2013

Full report



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Nestlé in Society: Creating Shared Value

Creating Shared Value is the way we do business and the way we connect with society at large. It's an approach based on respect for other people and cultures, and for the natural environment. This chapter shares the public commitments Nestlé continues to make, provides a summary of our partnerships with external groups and explains how Creating Shared Value is intrinsically linked to the sustainable success of our business.

If you would like to send us feedback about this report, please email:
creatingsharedvalue@nestle.com

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About Nestlé

Nestlé is the leading nutrition, health and wellness company. We enhance the quality of life by offering tastier and healthier food and beverage choices, as well as information and services, for all stages of life and any time of the day, helping consumers care for themselves and their families. As the largest food and beverage manufacturer in the world offering more than 10 000 trusted products, we are committed to consistently developing superior products. This is achieved through our unmatched research and development capability, nutrition science and a passion for quality in everything we do.

10

We have added 10 new commitments in nutrition, water, rural development, sustainability and compliance

333 214

employees globally¹

196

Total number of countries with sales (operations) in 2013

Over 1 billion

products sold every day

465

factories in 86 countries

92 158 CHF million

Group sales of 92 158 CHF million in 2013

4.6%

Organic growth of 4.6% in 2013

¹ 2012 comparatives have been restated following the implementation of IFRS 11 and IAS 19 revised (see Note 22 of the Consolidated Financial Statements).

A message from our Chairman and our CEO



We believe that this 2013 report on Creating Shared Value at Nestlé represents a significant step forward in our drive to communicate transparently with our shareholders and stakeholders about our commitments and progress in all the areas where we engage with society. This report underlines our fundamental belief that for a company to be successful over the long term and create value for shareholders, it must also create value for society. At Nestlé, this begins with the creation of superior long-term value for shareholders by offering products and services that help people improve their nutrition, health and wellness.

Henri Nestlé founded the Company in 1866 on the success of a life-saving infant cereal. Today, we aim to enhance the quality of life of all our consumers by offering tastier and healthier food and beverages, as well as information and services to enable them to make the right choices at all stages of life. And we are investing for the future health and wellness of our consumers through our network of research centres, the Nestlé Institute of Health Sciences and the Nestlé Health Science business. We believe that good nutrition will play an ever more important role in the health and wellness of individuals and society.

To build a business capable of both delivering superior shareholder value and helping people improve their nutrition, health and wellness, Creating Shared Value is the approach we take to the business as a whole. In addition to nutrition, we focus on water, because water scarcity is a very serious issue in many parts of the world and water is quite simply the linchpin of food security. And we focus on rural development, because the overall well-being of farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the long-term success of our business.

We continue to actively manage our commitments to environmental and social sustainability, necessary for operating our factories and for the sustainable growth and development of the communities and countries where we operate. With this report, we also restate our support for the UN Global Compact, as a founding member of UN Global Compact LEAD – an important platform for corporate sustainability leadership. We have always believed that in order to prosper we need the communities we serve and in which we operate to prosper as well; and that over the long term, healthy populations, healthy economies and healthy business performance are mutually reinforcing. This involves substantial training and education of people inside and outside Nestlé, as well as large investments in technology with lower environmental impact.

We recognise that our position in society brings both opportunities and responsibilities: to do business in compliance with national laws, international standards and our own values and principles, as expressed in our Code of Business Conduct, Corporate Business Principles and Management and Leadership Principles. For a company like ours to prosper, we must take a long-term view, framed in a robust set of principles and values which have been developed over nearly 150 years. They are based on respect: respect for people, respect for cultures, respect for the environment and respect for the future of the world we live in. Thus, our commitments go beyond simple compliance and are based on common sense values that form the foundation upon which we build our actions in Creating Shared Value.

NESTLÉ IS ALL ABOUT QUALITY OF LIFE AND NUTRITION – THAT IS WHAT WE LIVE FOR AS A COMPANY. BUT THE RELEVANCE OF THAT IS THE VALUE THAT IT CREATES: FOR CONSUMERS, FOR SOCIETY AND FOR OUR BUSINESS – DRIVING COMPETITIVE ADVANTAGE AND R&D, BEING AHEAD OF THE CURVE, AND BUILDING OUR BRAND VALUE.”

Paul Bulcke
CEO, Nestlé

Last year, we decided to publish a set of forward-looking commitments, covering every part of our business, in order to provide a clear sense of the strategic direction we are heading in and the standards to which we hold ourselves accountable. They are real, they are credible, and we will do everything in our power to make sure they are deliverable. But we know that there will be challenges along the way, and these too we will share with you. In this report, we hope to demonstrate where we are making progress, and where there is more work to be done. We hope this report enables you – our shareholders and stakeholders – to hold us accountable and offer guidance. We have also introduced a number of new commitments and will report on them in future years. We welcome your feedback on this report, on our commitments and our performance.



Leadership in focus

Nestlé Chairman Peter Brabeck-Letmathe, with Tshebedisano Primary School pupils in Soweto, during the recent visit by the Nestlé Board of Directors to South Africa. In 2013, the school launched the Nestlé Healthy Kids Programme in South Africa, after winning a Nestlé Community Nutrition Award for their vegetable garden.

A blue ink signature of Peter Brabeck-Letmathe.

Peter Brabeck-Letmathe
Chairman



Partnerships in focus

Paul Bulcke visiting a Chilean peach farm, located in the Region of Libertador General Bernardo O'Higgins, near Nestlé's San Fernando Factory, where infant food is manufactured.

A blue ink signature of Paul Bulcke.

Paul Bulcke
Chief Executive Officer

About this report

Through our *Nestlé in Society* reporting, we aim to share information transparently about our long-term impact on society and how this is intrinsically linked to the creation of our long-term business success.

Our reporting history

We have issued global reports covering our Creating Shared Value, environmental sustainability and compliance performance every two years since 2007, and have now migrated to comprehensive online reporting about *Nestlé in Society* on an annual basis.

Our 2013 focus: delivering on our commitments

In our 2012 report, we shared a number of robust commitments to support our long-term goal of Creating Shared Value. They cover nutrition, health and wellness, rural development and responsible sourcing, water, environmental sustainability, our people, human rights and compliance. These commitments make it possible for stakeholders to hold us accountable, encouraging us to seek and achieve continuous improvement. We continue to measure our progress against clear objectives and in this report, we share our results to date and introduce 10 further commitments.

Our wider communications

Our comprehensive online *Nestlé in Society* report, the summary print report, case studies, audio content, and videos (all available in the [Nestlé in Society](#) section of our website) are companions to our 2013 Annual Report, which outlines our business and financial performance. Together, they form an integral part of our overall communication on CSV, environmental sustainability and compliance performance and cover the UN Global Compact Advanced/LEAD Communication on Progress (COP) requirements.

Our audience

We have identified a wide range of stakeholders who we expect to use the information contained within this report and to assist transparency, we engage with them regularly about our activities, for example, through the twice-annual Nestlé CSV stakeholder convenings. These stakeholders are drawn from NGOs, academic centres, governmental and intergovernmental organisations, think tanks, consultancies and social enterprises working on Nestlé's CSV focus areas of nutrition, water and rural development, as well as on human rights and compliance.

Report boundary, scope and assurance

The information contained in this full online report and our *Nestlé in Society: Creating Shared Value and Meeting our Commitments* report covers our global operations for the year ending 31 December 2013, unless otherwise stated. Data is provided for our wholly-owned companies and subsidiaries, excluding joint ventures and suppliers, unless specifically stated. The environmental data refers to factories and warehouses (excluding some recent acquisitions), and safety and health figures cover approximately 333 214 employees².

Our reporting on *Nestlé in Society* is subject to independent third-party assurance by Bureau Veritas – please see our 2013 assurance statement.

² 2012 comparatives have been restated following the implementation of IFRS 11 and IAS 19 revised (see Note 22 of the Consolidated Financial Statements).

Currency conversion

All the currencies cited in this report have been converted to Swiss francs (CHF). They were prepared on 3rd of March 2014 using the following exchange rates³:

1 CAD = 0.79 CHF

1 CFA = 0.0018 CHF

1 EUR = 1.21 CHF

1 GBP = 1.472 CHF

1 KES = 0.010 CHF

1 LKR = 0.0067 CHF

1 MYR (MR) = 0.26830 CHF

1 USD = 0.88 CHF

Future reporting

This report is aligned with Global Reporting Initiative's (GRI) G3.1 guidelines and Food Processing Sector Supplement, which we helped develop. We plan to start communicating in line with the G4 guidelines for the 2014 report (to be published in 2015).

Contact us

We hope you find this report engaging and informative, and we welcome your input and views: creatingsharedvalue@nestle.com

³ Exchange rates were taken from www.oanda.com.

Creating Shared Value at Nestlé

We believe that for a company to be successful over the long term and create value for shareholders, it must create value for society. At Nestlé, this means creating superior, long-term value for shareholders by offering products and services that help people improve their nutrition, health and wellness. Henri Nestlé founded the Company in 1866 on the success of a life-saving infant cereal and today, we aim to enhance lives by offering healthier and tastier food and beverage choices for all stages of life.

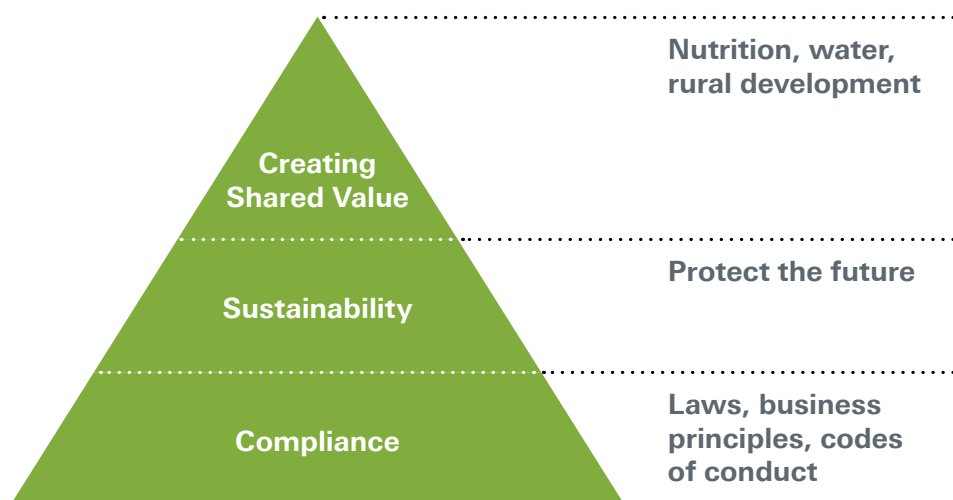
To build a business capable of both superior shareholder value and helping people improve their nutrition, health and wellness, Creating Shared Value is the approach we take to the business as a whole. Besides nutrition, we focus on water and rural development, given their critical importance not only to our business but also to our employees, farmers, suppliers, distributors and communities where we operate.

We continue to actively manage our commitments to environmental, social and economic sustainability needed for operating our factories and for the sustainable growth and development of the communities and countries where we have operations. This involves substantial training and education of people inside and outside of Nestlé, as well as large investments in technology with lower environmental impact.

Creating Shared Value requires compliance with the highest standards of business practice, including international codes and standards as well as our own Code of Business Conduct, Corporate Business Principles, and Management and Leadership Principles.

Creating Shared Value is the way we do business and the way we connect with society at large.

Creating Shared Value



The roots and development of Creating Shared Value at Nestlé

2002 – Nestlé published *The Nestlé Sustainability Review*, the first social report in its history. This report used a framework of economic, social and environmental sustainability.

2005 – Nestlé produced a regional report entitled *The Nestlé commitment to Africa*, reporting on our impact across the three-part value chain framework of agricultural raw materials, manufacturing, and management, products and consumers.

2006 – *The Nestlé concept of corporate social responsibility as implemented in Latin America* was published. This report followed an elaborated version of the same three-part value chain framework used in the Africa report.

2007 – Three Creating Shared Value areas of focus were chosen internally for company investment and communication: nutrition, water and rural development.

2008 – The Creating Shared Value pyramid was launched integrating Creating Shared Value with sustainability, compliance and Nestlé culture and values in one visual device. Our first *Nestlé Creating Shared Value Report* (the 2007 report) was published.

2009 – Nestlé publicly launched the Creating Shared Value concept and framework, as well as the Nestlé Creating Shared Value Prize, at the first Creating Shared Value Forum, held at the United Nations in New York.

2010 – The second global *Nestlé Creating Shared Value Report* (2009) was published, using for the first time the three Creating Shared Value focus areas of nutrition, water and rural development as the framework. The second Creating Shared Value Forum was held in London. The inaugural Nestlé Creating Shared Value Prize was awarded to IDE Cambodia.

2011 – The *Nestlé Creating Shared Value and Rural Development Report 2010* was issued, and the third Creating Shared Value Forum held in Washington DC. The report was written according to the Global Reporting Initiative (GRI) application level B+ and verified by Bureau Veritas. The Company then decided to apply for level A+ for the following report.

2012 – The *Nestlé Creating Shared Value Summary Report 2011: Meeting the global water challenge* was published, including summary sections on nutrition and rural development. The full report met the criteria for the highest level of transparency in reporting, GRI A+. The fourth Creating Shared Value Forum was held in India. The Nestlé Creating Shared Value Prize was awarded to Fundación Paraguaya, for setting up a self-sufficient agricultural school model.

2013 – The report *Nestlé in Society: Creating Shared Value and meeting our commitments 2012* was published, focused on nutrition and, for the first time, included forward-looking commitments. The fifth Creating Shared Value Forum was held in Colombia in partnership with the Inter-American Development Bank. President of Colombia Juan Manuel Santos gave opening remarks about the role of the private sector in the economic and social development of Colombia.



Supporting the Shared Value Initiative

We are a founding partner of the Shared Value Initiative (SVI), a global community of leading companies, civil society and government organisations committed to driving the adoption of shared value strategies. In 2012, Nestlé and our partners announced the SVI as a Commitment to Action at the Clinton Global Initiative Annual Meeting (CGI). CGI brings together global leaders to create and implement innovative solutions to the world's most pressing challenges. As a member of the SVI Leadership Council, we will help the organisation work with its members to leverage the enormous scale and reach of the private sector to help solve social problems through their core business.



At the 2013 CGI meeting in New York, we joined a panel to discuss "Shared Value Investing: Making the Shared Value Case to Investors". Our Chairman Peter Brabeck-Letmathe also addressed an audience of over 200 Creating Shared Value practitioners at the SVI summit.

Nestlé tops global corporate responsibility survey

In December 2013, KPMG named Nestlé as one of the world's top 10 companies reporting on corporate social responsibility. Nestlé was also the only food and beverage company to be among the top tier of firms analysed as part of KPMG's Survey of Corporate Responsibility Reporting.

The eighth edition of the survey assessed reporting by 4100 firms in 41 countries and across 15 industry sectors. KPMG evaluated the quality of reporting against key criteria including the firms' assessment of risks, and responses to those risks, and materiality – the issues and areas where action can have the greatest impact. It also assessed how the firms reported about their suppliers and value chain, and the level of transparency and balance in their reporting. Nestlé is among a cluster of just 10 leading firms who scored more than 90 out of 100 in these criteria.



Nestlé retains top slot on Oxfam sustainability scorecard

In September 2013, we retained our number one position in Oxfam's Behind the Brands sustainability scorecard, with improved ratings on the issues of land, workers and climate.

Behind the Brands ranks 10 food and beverage companies on their policies and commitments to improve food security and sustainability. It regularly issues updates on seven areas: transparency, farmers, women, agricultural workers, access to land, water and climate change. In the September update, Nestlé achieved a score of 61%, up from 54% in February 2013. We were also given a 'fair' grade in four out of the seven areas.

On the issue of land, Oxfam said it welcomed Nestlé's revised sourcing guidelines. The guidelines make Nestlé the first of the food firms in the index to ensure suppliers obtain the consent of communities before agreeing land deals for the sourcing of sugar, soy, palm oil and other commodities. However, Oxfam added that it would also like Nestlé to go further to ensure good practice across its supply chains.

On workers' issues, Oxfam acknowledged that Nestlé recognises workers' rights, international labour standards and UN business guidelines. And on climate, the group said Nestlé was aware of climate change and recognised requests for suppliers to reduce emissions from farmers.

But the charity said that Nestlé, along with other major players in the food industry, still had to do more. Oxfam's recommendations included ensuring the women in our supply chains receive appropriate support and doing even more for the small-scale farmers we work with. We support the efforts of Oxfam and other non-governmental organisations (NGOs) to make progress towards a sustainable food system, and support a co-operative approach by civil society, government and business.

TRANSPARENCY HELPS US ADDRESS PROBLEMS, AND THERE'S NO DOUBT IT CONTRIBUTES TO BETTER INTERACTIONS WITH EXTERNAL STAKEHOLDERS. NESTLÉ REGULARLY HOLDS FORUMS, AS WELL AS FACE-TO-FACE MEETINGS WITH KEY STAKEHOLDERS, INCLUDING NGO AND CIVIL SOCIETY REPRESENTATIVES.”

Janet Voûte,
Global Head of Public Affairs at Nestlé

Our commitments



In 2012, we shared a number of robust commitments to support our long-term goal of Creating Shared Value. They cover nutrition, health and wellness, rural development and responsible sourcing, water, environmental sustainability, our people, human rights and compliance. The commitments make it possible for stakeholders to hold us accountable for our achievements and challenges, encouraging us to seek and achieve continuous improvement in our nutrition, water, rural development, sustainability and compliance performance.

Our progress in the first year

In 2013, we added 10 new commitments and we have adopted shorter-term objectives for each one, to focus our energies and resources. This year is the first time we've reported on our progress against existing commitments. We will continue to share our performance every year, and work with stakeholders and our CSV Council to refine and update our commitments and objectives.

OUR FOCUS ON THESE AREAS IS NOT NEW. WE HAVE BEEN MEASURING OUR PERFORMANCE AND REPORTING ON OUR PROGRESS FOR MANY YEARS. WHAT IS NEW IS THAT WE ARE SHARING THE COMMITMENTS WE HAVE MADE EXTERNALLY. WE BELIEVE THAT BY PUBLISHING REALISTIC, SHORT-TERM GOALS EXTERNALLY – FOR WHICH WE CAN BE HELD ACCOUNTABLE – WE CAN REALLY MAKE AN IMPACT.”

Paul Bulcke
CEO, Nestlé



Nutrition

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Build knowledge leadership in children's nutrition through a deep understanding of their dietary intakes and lifestyle habits	51
Lead the industry in nutrition and health research through internal programmes and external collaborations with top institutions	52
Provide nutritionally sound products designed for children	52
Help reduce the risk of undernutrition through micronutrient fortification	53
Reduce sodium (salt) in our products	53
Reduce sugars in our products	54
Reduce saturated fats and remove trans fatty acids (TFAs) originating from partially hydrogenated oils in our products	55
Help increase consumption of whole grains and vegetables, including via healthier home cooking	55
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Our Corporate Business Principles

The **Nestlé Corporate Business Principles** rule the way we do business and form the basis of our culture and values. The 10 principles, which provide the foundations for our commitments and our Creating Shared Value strategy, incorporate the 10 UNGC Principles and are divided into five areas – consumers, human rights and labour practices, our people, suppliers and customers, and the environment.

Why are they important?

We believe that it's essential to have clear principles and values that are built upon respect for our consumers, our people, suppliers, customers and the environment, and a strong compliance culture that is fully embedded in our business. Demonstrating our adherence builds trust among our stakeholders, ensuring they have confidence in the Nestlé brand and what it stands for, both now and in the future.

How are they applied?

All our employees are required to comply with Nestlé's Corporate Business Principles and we continuously monitor their application and effectiveness. Our principles are implemented through relevant business codes, policies, processes and tools, which have been developed to ensure the principles are practised every single day, across the company. We set high standards, always following the Nestlé Corporate Business Principles wherever we operate – even if local laws are more lenient or non-existent.

The Nestlé Corporate Business Principles

The diagram below gives an overview of the 10 Nestlé Corporate Business Principles and what we want to achieve through them.

Consumers		
1	Nutrition, health and wellness	We aim to enhance the quality of consumers' lives by offering tastier, healthier food and drinks and encouraging a healthy lifestyle.
2	Quality assurance and product safety	We want to ensure that, everywhere in the world, the Nestlé name represents the highest levels of product safety and quality.
3	Consumer communication	We are committed to responsible, reliable communication that informs consumers, promotes healthier diets and respects consumer privacy.
Human rights and labour practices		
4	Human rights in our business activities	We fully support the UNGC's principles on human rights and labour, and aim to set an example of good human rights and labour practices throughout our business activities.
Our people		
5	Leadership and personal responsibility	While fostering a culture of respect and dignity, we provide our people with equal opportunities for development, protect their privacy and do not tolerate any form of harassment or discrimination against them. At the same time, we expect our employees to be responsible, motivated, and to respect our values.
6	Safety and health at work	We are committed to preventing work-related accidents, injuries and illnesses, and to protecting employees, contractors and others involved along the value chain.
Suppliers and customers		
7	Supplier and customer relations	We require our suppliers, agents, subcontractors and their employees to demonstrate honesty, integrity and fairness, and to adhere to our non-negotiable standards.
8	Agriculture and rural development	We aim to help rural communities become more environmentally sustainable by contributing in a range of areas, including agricultural production and the social and economic status of farmers.
The environment		
9	Environmental sustainability	We are committed to environmentally sustainable business practices and strive to use natural resources efficiently, achieve zero waste and use sustainably managed renewable resources.
10	Water	The world faces a growing water challenge, and we are committed to using water sustainably and improving our water management.

Materiality

What are material issues?

According to the Global Reporting Initiative (GRI), material issues include: “Those topics that have a direct or indirect impact on an organisation’s ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large”.

In simple terms, materiality is about identifying the issues that matter most to our business and our stakeholders. We plot economic, social and environmental issues that are of most concern to our external stakeholders against those that pose risks or present opportunities to Nestlé. Conducting a thorough materiality analysis not only helps us to identify issues that stakeholders want to see us cover in our reporting, but also helps us to decide where to focus our internal resources.

Refreshing our materiality assessment

Since 2006, we have worked with SustainAbility to identify and prioritise the issues deemed most important to our company and its stakeholders. Consulting our stakeholders during this process has allowed us to realign our priorities to match stakeholders’ expectations as closely as possible. Furthermore, their feedback enables us to identify new and increasingly important societal challenges that we must address through our work. This year, we have also started identifying interconnections between issues that overlap in order to understand how we can best manage these issues.

In 2013, we commissioned an update of our materiality assessment and revised the list of 45 material issues to make 23 broader issue categories. These issues were placed on the matrix opposite after a process of prioritising that took into account stakeholder feedback and assessed business impact.

We will continue to review and share our materiality analysis each year. Next year, a full analysis will be conducted to streamline material issues according to GRI G4 guidelines, which will in turn shape the content of our next report.

The latest report distils the list of 23 broader issues into two categories

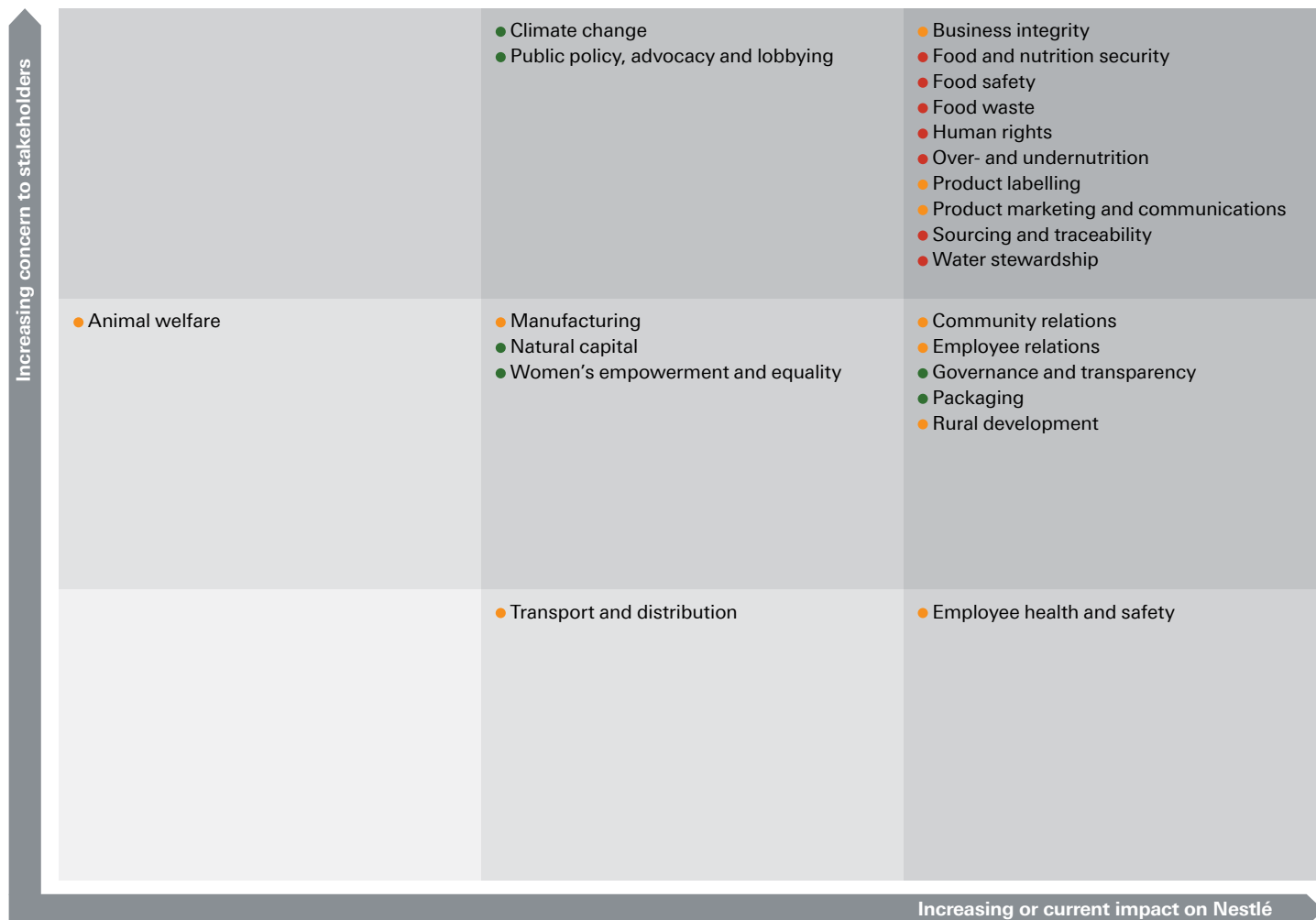
Societal issues that are material for Nestlé’s business and which Nestlé can contribute to addressing:

- Animal welfare
- Climate change
- Food and nutrition security
- Food safety
- Food waste
- Human rights
- Natural capital
- Over- and undernutrition
- Rural development
- Water stewardship
- Women’s empowerment and equality.

Nestlé issues, where there are material opportunities and risks, and where Nestlé needs to go beyond compliance with national laws, and deliver on its global business principles and codes of conduct:

- Business integrity
- Community relations
- Employee health and safety
- Employee relations
- Governance and transparency
- Manufacturing
- Packaging
- Product labelling
- Product marketing and communications
- Public policy, advocacy and lobbying
- Sourcing and traceability
- Transport and distribution.

2013 Nestlé materiality matrix



Future directionality:

- Increasing stakeholder concern and business impact
- Steady stakeholder concern and business impact
- Increase in stakeholder concern

Key performance indicators (KPIs) summary

Nestlé has developed performance indicators to provide a focus for measuring and reporting Creating Shared Value, sustainability and compliance. This performance summary forms part of our communication on progress regarding the United Nations Global Compact Principles. Unless stated otherwise, performance indicators are for the year ending 31 December 2013. The references in the GRI column are to the applicable indicator from the Global Reporting Initiative G3.1 guidelines.

Please see
www.nestle.com/csv/2013/kpis

Nestlé in society and Creating Shared Value key performance indicator	GRI	2012	2013
Economic			
Total Group sales (CHF million) ^(a)	EC1	89 721	92 158
Net profit (CHF million) ^(a)	EC1	10 228	10 015
Nutrition			
Products meeting or exceeding Nestlé Nutritional Foundation profiling criteria (as % of total sales) ^(b)	FP4	75.7	76.0
Renovated products for nutrition or health considerations ^(c)	FP7	6 692	7 789
Products with increase in nutritious ingredients or essential nutrients ^(c)	FP7	4 691	4 778
Products with reduction of sodium, sugars, trans fats, total fat, calories or artificial colourings ^(c)	FP6	3 317	4 221
Products analysed and improved or confirmed via 60/40+ programme (sales, CHF million) ^(d)	PR1	31 720	33 001
Products containing Branded Active Benefits (sales, CHF million)	FP7	6 455	6 836
Products featuring <i>Nestlé Nutritional Compass</i> labelling (% of sales worldwide) ^(e)	PR3	96.8	92.5
Products in EU with Guideline Daily Amounts (GDA) labelling on front of pack (% of sales) ^(f)	PR3	99.3	99.3
Products with specific portion guidance (sales, CHF million) ^(g)	PR3	26 190	26 700
Popularly Positioned Product SKUs	FP4	6 367	9 562
Popularly Positioned Products (sales, CHF million)	FP4	11 960	11 803
Rural development and responsible sourcing			
Farmers trained through capacity-building programmes		273 808	300 000
Markets covered by Sustainable Agriculture Initiative Nestlé (SAIN) programmes		46	48
Direct procurement markets covered by SAIN programmes (%)		100	100
Percentage of suppliers that fully comply with the Nestlé Supplier Code	FP1	89.5	74.0
Percentage of purchased volume fully compliant with the Nestlé Supplier Code	FP1	80.0	92.0
Water			
Total water withdrawal (million m ³)	EN8	138	152
Total water withdrawal (m ³ per tonne of product)	EN8	2.89	2.92
Environmental sustainability			
Production volume			
Total production volume (million tonnes)		47.7	52.1
Materials			
Raw materials used (million tonnes)	EN1	22.5	23.9
Materials for packaging purposes (million tonnes)	EN1	4.77	5.33
Packaging source optimisation (kilotonnes saved)		47.1	66.6
Energy			
Total on-site energy consumption (petajoules)		90.7	97.7
Total on-site energy consumption (gigajoules per tonne of product)		1.90	1.87
Total on-site energy consumption from renewable sources (% total)	EN3	12.2	13.3
Total direct energy consumption (petajoules)	EN3	63.7	67.1
Total direct energy consumption from renewable sources (% total direct)	EN3	9.3	10.8
Total indirect energy consumption (petajoules)	EN4	73.5	81.5
Biodiversity			
Total size of manufacturing sites located in protected areas (hectares)	EN11	42.1	32.9

Nestlé in society and Creating Shared Value key performance indicator	GRI	2012	2013
Emissions, effluents and waste			
Direct GHG emissions (million tonnes CO ₂ eq)	EN16	3.71	3.99
Direct GHG emissions (kg CO ₂ eq per tonne of product)	EN16	77.7	76.5
Indirect GHG emissions (million tonnes CO ₂ eq)	EN16	3.39	3.81
Indirect GHG emissions (kg CO ₂ eq per tonne of product)	EN16	71.1	73.2
Total water discharge (million m ³)	EN21	84	91
Total water discharge (m ³ per tonne of product)	EN21	1.77	1.74
Average quality of water discharged (mg COD/l)	EN21	94	76
By-products (kg per tonne of product)	EN22	29.9	29.1
Waste for disposal (kg per tonne of product)	EN22	6.6	4.9
Environmental sustainability governance			
Manufacturing sites certified against ISO 14001 (% of total manufacturing sites)		89	91
Human rights and compliance			
Nestlé television advertising to children under 12 in compliance with policies on responsible marketing (%) ^(h)	PR7	98.0	98.3
Contraventions to the Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes ⁽ⁱ⁾	PR7	22	27
Infant formula marketing staff in higher-risk countries trained in the WHO Code (% of staff) ⁽ⁱ⁾	PR6	100	100
Total number of significant product recalls or incidents of non-compliance	PR2	11	10
Number of human rights impact assessments completed	HR10	3	1
Number of employees trained on human rights		18 269 ^(k)	13 793
Our people			
Total workforce (number of employees) ^(a)	LA1	333 220	333 214
Total rate of new employee hires (%) ^(l)	LA2	11.8	10.7
Total rate of employee turnover (%) ^(l)		10.3	11.1
CARE gaps identified related to Business Integrity and HR		45	146
Of which: Minor		40	130
Major		5	16
Critical		0	0
Lost-time injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public)	LA7	1.9	2.2
Total recordable injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public)	LA7	3.6	4.1
Total number of fatalities (employees, on-site contractors and on-site members of public)	LA7	5	12
Average hours of training per year per employee per category ^(m)	LA10	10	23
Leadership positions held by women (%) ⁽ⁿ⁾	LA13	29.2	31.1
Local Management Committee members native to country in developing countries (%) ⁽ⁿ⁾	EC7	49.5	52.0

(a) 2012 figures have been restated following the accounting changes described in the Consolidated Financial Statements 2013 (Note 1 – Accounting policies).

(b) 2013 assessment scope: 74.9% total Nestlé sales volume.

(c) Based on reports of approximately 75% of worldwide product development teams. Products can have 'less of' one ingredient and 'more of' another at the same time.

(d) This KPI reflects the dynamic nature of our 60/40+ programme. Assessment results are valid for a maximum of three years, only if all parameters remain equal.

(e) Excludes total petcare and, for USA only, Dreyer's and licensed

brands Häagen-Dazs and California Pizza Kitchen.

(f) Across EU 28 plus Norway, Switzerland, the Adriatic Region, Ukraine and Moldova. Excludes plain coffee, tea and water, products for Nestlé Professional, gifting chocolate, seasonings, petcare, Nestlé Health Science and Nestlé Nutrition.

(g) Products sold as single servings and meeting/exceeding Nestlé Nutritional Foundation OR sold with/via a device or equipment delivering a serving meeting/exceeding Nestlé Nutritional Foundation OR sold to caregivers with detailed instructions on adjusting servings to evolving nutritional needs. This currently represents only a

subset of the portfolio with portion guidance.

(h) The percentage reflects Nestlé's full-year compliance to the stricter 35% children audience threshold as redefined in September 2011.

(i) Based on internal and external audits. Internal audits are conducted by HQ-based auditors (Nestlé Group Audit) and country-based auditors (Nestlé Market Audit). This is the first year we are reporting on country-based audits. External audits were conducted by Bureau Veritas.

(j) We follow the FTSE4Good breast-milk substitute marketing criteria, which classify countries as 'higher-risk' if they

have mortality rates for under-fives of more than ten per 1000, or more than 2% acute malnutrition among under-fives. All other countries are 'lower-risk'.

(k) 18 103 employees trained via online tool, 166 employees trained face to face.

(l) Covers Nestlé employees registered in the HR system (approximately 85% of all employees); 282 781 average over the year 2013.

(m) Covers approximately 80% of all employees through a combination of manual submission from the markets and the training system.

(n) Covers all Nestlé employees including Joint Ventures.

2013 Consolidated Nestlé environmental performance indicators

Indicator	Units	2003	2009	2012	2013	% change 2012–2013	% change 2009–2013	% change 2003–2013	GRI reference
Total production volume	10 ⁶ tonnes	33.4	41.2	47.7	52.1	9.2%	26.6%	56.2%	*
Materials									
Material used by weight	10 ⁶ tonnes	N/A	25.4	27.2	29.2	7.2%	15.2%		EN1
Raw materials used	10 ⁶ tonnes	N/A	21.2	22.5	23.9	6.3%	12.7%		EN1
Materials for packaging purposes	10 ⁶ tonnes	N/A	4.2	4.8	5.3	11.7%	27.7%		EN1
Packaging source optimisation	10 ³ tonnes saved	20.2	59.0	47.1	66.6	41.3%	12.9%	230%	*
Renewable packaging materials	% of total on-site packaging purposes	N/A	N/A	38.9	38.9	0%			EN1
Total % of recycled material in our packaging	% of materials for packaging purposes	N/A	N/A	27.1	27.1	0%			EN2
Energy									
Total on-site energy consumption	10 ¹⁵ Joules (PJ)	94.4	85.2	90.7	97.7	7.7%	14.7%	3.5%	*
Total on-site energy consumption	10 ⁹ Joules (GJ) per tonne product	2.83	2.07	1.90	1.87	-1.4%	-9.4%	-33.8%	*
Total on-site energy consumption from renewable sources	% of total on-site energy consumption	N/A	12.2	12.2	13.3	8.4%	8.8%		*
Total direct energy consumption	10 ¹⁵ Joules (PJ)	N/A	61.0	63.7	67.1	5.3%	10.1%		EN3
Direct non-renewable energy consumption	10 ¹⁵ Joules (PJ)	N/A	54.5	57.8	59.9	3.6%	9.8%		EN3
Direct energy consumption from coal	10 ¹⁵ Joules (PJ)	N/A	N/A	3.7	4.5	23.0%			EN3
Direct energy consumption from natural gas ^(a)	10 ¹⁵ Joules (PJ)	N/A	N/A	40.0	41.7	4.1%			EN3
Direct energy consumption from oil ^(a)	10 ¹⁵ Joules (PJ)	N/A	N/A	13.7	13.7	-0.2%			EN3
Direct renewable energy consumption	10 ¹⁵ Joules (PJ)	N/A	6.5	5.9	7.2	21.9%	11.1%		EN3
Direct energy consumption from spent coffee ground	10 ¹⁵ Joules (PJ)	N/A	3.7	3.1	3.5	12.8%	-7.1%		EN3
Direct energy consumption from wood	10 ¹⁵ Joules (PJ)	N/A	2.8	2.8	3.6	26.6%	29.7%		EN3
Total direct energy consumption from renewable sources	% of total direct energy consumption	N/A	N/A	9.3	10.8	15.7%			EN3
Total intermediate energy consumption	10 ¹⁵ Joules (PJ)	N/A	24.2	26.9	30.5	13.3%	26.2%		EN4
Electricity purchased from renewable sources	10 ¹⁵ Joules (PJ)	N/A	N/A	5.2	5.7	10.8%			EN4
Electricity purchased from non-renewable sources	10 ¹⁵ Joules (PJ)	N/A	N/A	20.1	21.7	8.1%			EN4
Steam purchased	10 ¹⁵ Joules (PJ)	N/A	N/A	1.6	3.0	89.6%			EN4
Heating purchased	10 ¹⁵ Joules (PJ)	N/A	N/A	0.11	0.12	9.2%			EN4
Total indirect energy consumption	10 ¹⁵ Joules (PJ)	N/A	65.1	73.5	81.5	10.8%	25.2%		EN4
Water									
Total water withdrawal	10 ⁶ m ³	193	143	138	152	10.3%	6.5%	-21.2%	EN8
Surface water	10 ⁶ m ³	N/A	N/A	14.8	19.2	29.8%			EN8
Ground water	10 ⁶ m ³	N/A	N/A	76.4	75.6	-1.1%			EN8
Municipal water	10 ⁶ m ³	N/A	N/A	46.6	57.2	22.8%			EN8
Rain water	10 ⁶ m ³	N/A	N/A	0.055	0.065	18.7%			EN8
Total water withdrawal	m ³ per tonne product	5.78	3.47	2.89	2.92	1.0%	-15.8%	-49.5%	*
Once through cooling water from surface sources	10 ⁶ m ³	N/A	N/A	9.8	8.1	-17.4%			*
Water recycled or reused	10 ⁶ m ³	N/A	N/A	6.9	6.7	-3.4%			*
Water recycled or reused	% of total water withdrawal	N/A	N/A	5.0	4.4	-12.4%			*

Indicator	Units	2003	2009	2012	2013	% change 2012–2013	% change 2009–2013	% change 2003–2013	GRI reference
Biodiversity									
Total size of manufacturing sites located in protected areas	Hectares	N/A	N/A	42.1	32.9	-22%			EN11
Emissions, Effluents and Waste									
Direct GHG emissions (scope 1)	10 ⁶ tonnes CO ₂ eq.	4.7	4.0	3.7	4.0	7.5%	0.2%	-15.9%	EN16
Direct GHG emissions (scope 1)	kg CO ₂ eq. per tonne product	142	97	78	76	-1.6%	-20.8%	-46.2%	*
Indirect GHG emissions (scope 2)	10 ⁶ tonnes CO ₂ eq.	N/A	3.0	3.4	3.8	12.5%	27.2%		EN16
Indirect GHG emissions (scope 2)	kg CO ₂ eq. per tonne product	N/A	73	71	73	3.0%	0.5%		*
Emissions of ozone-depleting substances ^(b)	tonnes R-11 eq.	9.9	6.5	1.3	1.1	-20.6%	-83.7%	-89.4%	EN19
Emissions of ozone-depleting substances ^(b)	g R-11 eq. per tonne product	0.298	0.157	0.028	0.020	-27.3%	-87.1%	-93.2%	*
Emissions of air acidifying substances	10 ³ tonnes SO _x eq.	23.4	16.6	15.8	24.0	51.8%	44.1%	2.6%	*
NO _x	10 ³ tonnes SO _x eq.	N/A	N/A	6.2	6.5	4.9%			EN20
SO _x	10 ³ tonnes	N/A	N/A	9.6	17.4	82.2%			EN20
Emissions of air acidifying substances	kg SO _x eq. per tonne product	0.70	0.40	0.33	0.46	38.9%	13.8%	-34.3%	*
Total water discharge	10 ⁶ m ³	145	91	84	91	7.6%	-0.7%	-37.6%	EN21
Total water discharge	m ³ per tonne product	4.36	2.22	1.77	1.74	-1.5%	-21.6%	-60.1%	*
Total COD load	10 ³ tonnes	N/A	8.3	7.9	6.9	-12.4%	-16.7%		EN21
Average quality of water discharge	mg COD / l	N/A	90.8	93.7	76.2	-18.6%	-16.0%		EN21
Total % of COD removal	% of COD removed	N/A	97.0	96.5	96.8	0.3%	-0.2%		EN21
By-products	10 ⁶ tonnes	1.41	1.35	1.43	1.52	6.4%	12.4%	7.6%	EN22
By-products	kg per tonne product	42.3	32.8	29.9	29.1	-2.6%	-11.2%	-31.1%	*
Waste for disposal	10 ³ tonnes	355	359	315	257	-18.4%	-28.4%	-27.7%	EN22
Hazardous waste	10 ³ tonnes	N/A	N/A	4.1	3.2	-20.8%			EN22
Waste for disposal	kg per tonne product	10.6	8.7	6.6	4.9	-25.3%	-43.5%	-53.7%	*
Number of zero waste factories	number	N/A	N/A	39	61	56.4%			*
Total number of significant spills	number	N/A	N/A	0	0				EN23
Total volume of significant spills	m ³	N/A	N/A	0	0				EN23
Compliance									
Total cost of environmental fines	kCHF	N/A	N/A	6.7	110	1531%			EN28
Environmental Sustainability Governance									
Sites ISO 14001 certified ^(c)	Total number of sites	N/A	N/A	572	601	5.1%			*

Environmental Performance Indicators cover all Nestlé factories excepted non consumer Nestlé Waters Business factories.

Non consumer Nestlé Waters Business factories resulted in an additional 6.8 million tonnes of production volume and 8.3 million m³ of water withdrawal.

(a) 2011 and 2012 data are restated in accordance with a revised definition of these fuel categories. The total energy consumption is not affected.

(b) 2007 to 2012 data are restated using the latest Ozone Depleting Potentials from recognised external sources.

(c) Factories, R&D locations and distribution centres. As per our internal policy, 100% of Nestlé factories active in the group for more than three years are ISO 14001:2004 certified (420 factories).

* Nestlé specific indicators that are not required by GRI.

Our governance and advisory structure

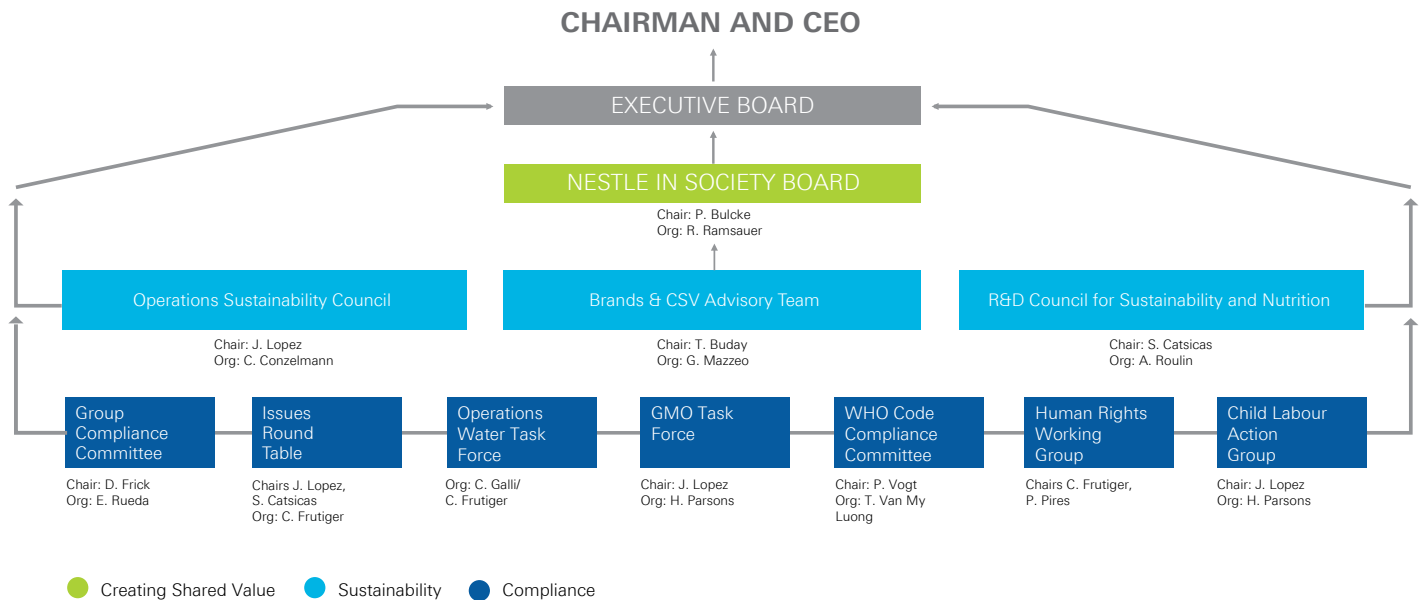


Within our general corporate governance structure, the Chairman, the CEO and other members of the Executive Board are ultimately responsible for the supervision and management of our role in society and Creating Shared Value, supported by a number of internal management bodies including: our Operations Sustainability Council, Issues Round Table, Audit Committee, Risk Management Committee, R&D Council for Sustainability and Nutrition, the Nestlé in Society Board and the Group Compliance Committee. External advisory groups specifically provide counsel on Creating Shared Value, including: the CSV Council and the Nestlé Nutrition Council.

SHORT-TERM DECISIONS ARE INTRINSICALLY AGAINST CREATING SHARED VALUE.”

Peter Brabeck-Letmathe
Chairman, Nestlé

Internal governance structure



Nestlé in Society Board

The Nestlé in Society Board, chaired by our CEO, oversees the strategic implementation of Creating Shared Value across our businesses. It also leads the development and evolution of our Creating Shared Value, environmental sustainability, and all societal objectives and strategies. Specifically, the Board works to:

- Ensure alignment and coherence of all activities and work streams related to Nestlé’s positioning in society;
- Assess and draw appropriate conclusions from societal developments affecting Nestlé;
- Further strengthen Nestlé’s credentials in Creating Shared Value – with focus on nutrition, water and rural development – environmental sustainability and compliance, thereby covering all dimensions of the Nestlé in Society pyramid; and
- Drive Nestlé’s nutrition, health and wellness agenda.

The Nestlé in Society Board reverts to the Executive Board for input and confirmation.

CSV Council

The Nestlé CSV Council brings together external experts in corporate social responsibility, nutrition, water and rural development, to assess Nestlé's progress and discuss Creating Shared Value opportunities and challenges. The CSV Council has 11 members. They are designated for three years and meet annually. In addition to advising Nestlé Management on the specific tools of implementation of the Creating Shared Value concept, the CSV Board members also participate in Nestlé's annual CSV Global Forum and select the winner of the Nestlé Prize in Creating Shared Value. CSV Council meetings are chaired by Nestlé's Head of Public Affairs, Ms Janet Voûte.

CSV Council biographies



Nancy Birdsall is the founding president of the Center for Global Development. Before founding the Center, she served for three years as Senior Associate and Director of the Economic Reform Project at the Carnegie Endowment for International Peace. From 1993 to 1998, she was Executive Vice President of the Inter-American Development Bank. Before joining the Inter-American Development Bank she spent 14 years in research, policy and management positions at the World Bank.



Robert E. Black is Chairman of the Department of International Health, Johns Hopkins University, Bloomberg School of Public Health. He has devoted his research and professional activities to reducing the number of unnecessary child deaths from diarrhoea, pneumonia, malaria, measles and malnutrition. His many studies are also focused on the impact of nutrition programmes in developing countries and the strengthening of public health training.



John Elkington is co-founder of SustainAbility, and Founding Partner and Director of Volans. He is a world authority on corporate responsibility and sustainable development. In 2004, BusinessWeek described him as "a dean of the corporate responsibility movement for three decades" and in 2008, The Evening Standard named John among the "1000 Most Influential People" in London, describing him as "a true green business guru" and "an evangelist for corporate social and environmental responsibility long before it was fashionable."



Venkatesh Mannar is former President of the Micronutrient Initiative (MI), having overseen the implementation of MI's global mandate to support national actions to eliminate micronutrient malnutrition. MI works in collaboration with major international agencies, national governments, private industry and NGOs to expand and strengthen national programmes through a combination of technical, operational and funding support.



Ruth Khasaya Oniang'o was formerly Professor of Food Science and Nutrition at Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya and adjunct Professor of Nutrition at Tufts University in the USA. She is also Founder and Executive Director of the Rural Outreach Program Kenya, as well as Founder and Editor-in-Chief of the African Journal of Food, Agriculture, Nutrition and Development. She has published and communicated widely on household food and nutritional security, women's nutrition and children's health, works in rural developments focused on women smallholder farmers and is a former member of parliament in Kenya.



Prabhu Pingali is Professor and Director of the Tata-Cornell Agriculture and Nutrition initiative at Cornell University and Full Professor in Applied Economics. He has more than 25 years of experience in assessing the extent and impact of technical change in developing agriculture in Asia, Africa and Latin America. He was formerly the Deputy Director of the Agriculture Development Program at the Bill and Melinda Gates Foundation, Director of the Agricultural and Development Economics Division of the Food and Agriculture Organization (FAO), and earned a Ph.D. in Economics from North Carolina State University in 1982.



Michael E. Porter is Bishop William Lawrence University Professor at the Harvard Business School. He is a leading authority on competitive strategy, the competitiveness and economic development of nations, states and regions, and the application of competitive principles to social problems such as healthcare, the environment and corporate responsibility.



Robert L. Thompson is a visiting scholar at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies in Washington D.C. He is Professor Emeritus of Agricultural Policy at the University of Illinois in Urbana-Champaign, is an international authority on agricultural development and international agricultural trade policy. He is a Senior Fellow of the Chicago Council on Global Affairs and serves on the USDA-USTR Agricultural Policy Advisory Committee for Trade and the International Food and Agricultural Trade Policy Council. Formerly, he was Director of Rural Development at the World Bank, Dean of Agriculture at Purdue University, and Assistant Secretary for Economics at the US Department of Agriculture.



Kraissid Tontisirin is Director of the Institute of Nutrition at Mahidol University in Thailand and FAO's former Director of the Nutrition and Consumer Protection Division. He is President of the 2009 International Congress of Nutrition Organizing Committee, which was held in Bangkok in October 2009. He has an extensive background in successful efforts to improve diets and reduce nutritional deficiencies in developing countries.



Ajay Vashee was, most recently, President of the International Federation of Agricultural Producers (IFAP), which represented farmers at the world level. Elected at the 38th IFAP World Farmers' meeting in June 2008, he was the first President from a developing country (Zambia).



Ann M. Veneman has a distinguished career in public service. Most recently, she served as Executive Director of UNICEF from May 2005 to April 2010; previously, she was US Secretary of Agriculture from 2001 to 2005. While at UNICEF, she worked to advance issues to support child health and nutrition, quality basic education for all, access to clean water and sanitation, and the protection of children and women from violence, exploitation and HIV/AIDS. In 2009, she was named in the Forbes 100 Most Powerful Women list, ranking 46th. Ann M. Veneman serves as co-Chair of Mother's Day Every Day, a bipartisan campaign to raise awareness and resources to improve the health of mothers and newborns globally.

Nestlé Nutrition Council

The Nestlé Nutrition Council is an independent advisory panel, composed of leading international nutrition scientists. The Council considers aspects of nutrition and health relevant to Nestlé and organises the Annual Nestlé International Nutrition Symposium. The Council is chaired by Executive Vice President, Stefan Catsicas, and meets twice a year.

The Nestlé Creating Shared Value Prize

Every two years we award the Nestlé Prize in Creating Shared Value to help scale up or replicate business-oriented initiatives that address challenges in nutrition, water or rural development. The winner is determined by the Nestlé CSV Council, after receiving a shortlist of finalists from the Screening Committee.

We reward innovative initiatives that have already been tested on a pilot or small scale, have demonstrated positive social and environmental impact and need support to become commercially viable. The competition is open to individuals, government bodies, NGOs, academia and private and social enterprises, and the winning entries share a total of CHF 500 000 in prize monies.

The 2012 winner – Fundación Paraguaya

In 2012, we awarded the prize to Fundación Paraguaya – a not-for-profit organisation in Paraguay – for its self-sufficient agricultural school model.

Fundación Paraguaya's schools, which are located in poor rural areas of Paraguay, give students a platform to develop the entrepreneurial and practical skills they need to lift themselves out of poverty. The organisation works with each school to identify the most suitable micro-businesses to set up. These can be anything from milk production, farming and organic gardening, to hotel services, beekeeping or egg production. The schools provide students with hands-on training. At the same time, money generated from the enterprises enables the schools to be self-sufficient and cover their operating costs – such as salaries, administration and school maintenance – without the need for government funding.

Around 450 students are currently enrolled in schools that have been set up as part of the programme, and the initiative has already reached more than 700 students in Paraguay. The Nestlé Creating Shared Value Prize is helping to scale up the project further, with CHF 300 000 being used to set up a new school in the Paraguayan city of San Pedro, one of the poorest areas of Paraguay. The school, which opened in August 2013, is the fourth to be set up by Fundación Paraguaya. It already has six full-time teachers and 50 students, ranging in age from 18 to 24. The students are taking part in a four-semester, two-year diploma to become a Promoter in rural agriculture. The course covers a wide range of topics, including planning and management, sustainable agriculture and animal production.



Student working in the vegetable garden at the school.



Students learn about agricultural machinery at the school.

Want to find out more about the prize?

You can find out more about the prize [here](#). The next Nestlé Creating Shared Value Prize winner(s) will be announced at the 2014 Creating Shared Value Forum.



2012 CSV Prize Runner Up – Excellent Development (UK): Andrew Musila Silu, Development Director of the African Sand Dam Foundation, overseeing the construction of a sand dam.



2012 CSV Prize Runner Up – arcenciel (Lebanon): arcenciel agricultural engineer talks with a farmer in Tannourine.

Measuring our progress

We measure our performance in Creating Shared Value against our own high standards and the criteria of many external organisations. This process helps us to improve. We recognise that further quantifiable evidence is needed to demonstrate the value delivered by linking business performance and social impact, and will continue to pursue it and share it.



Roll out the Nestlé Cocoa Plan

For full details [see page 124](#)

Our approach

We've been monitoring our progress across a wide range of issues for many years, whether through comprehensive KPIs or using measures attached to specific initiatives, such as the [Nestlé Cocoa Plan](#) and the [Nescafé Plan](#).



Roll out the Nescafé Plan

For full details [see page 125](#)

We use internationally recognised systems and standards, such as the GRI's G3.1 Framework, to help us monitor our social and Creating Shared Value impacts in areas where measurement is underdeveloped.



Roll out the Rural Development Framework

For full details [see page 102](#)

We are also developing internal approaches to measuring Creating Shared Value, particularly in the focus areas of nutrition, rural development and water. In 2013, we began rolling out our new Rural Development Framework, written in consultation with farmers, traders and NGOs. It helps us to align business activities with local priorities, and sets an appropriate level of ambition for this important area. The framework roll-out will continue during 2014.

In 2013, our approach and performance were analysed by leading independent environmental and sustainability rankings and indices, as follows:

Organisation	Results
Access to Nutrition Index	In March 2013, Nestlé was named as one of the top three performers in the Access to Nutrition Index, which rates how effectively some of the world's largest food and beverage manufacturers provide consumers with access to nutritious products.
Carbon Disclosure Leadership Index	In 2013, Nestlé topped a list of global companies in efforts to disclose and cut carbon emissions. We achieved the maximum score for the second year running in the CDP Climate Disclosure Leadership Index and the Climate Performance Leadership Index.
Carbon Disclosure Project Water	CDP Water promotes sustainable corporate water stewardship to safeguard water resources and address the global water crisis. Nestlé has participated in the CDP Water programme every year since its launch in 2010.
Dow Jones Sustainability Indices	The Dow Jones Sustainability Indices measure the performance of the world's sustainability leaders. In 2013, Nestlé was named as the leading food products company in the Indices for the first time.
FTSE4Good	Nestlé remains included in FTSE4Good, which measures the performance of companies that meet globally recognised corporate responsibility standards. Nestlé is the only infant formula manufacturer included in the Index.
Oxfam Behind the Brands	We scored the top rank in Oxfam's Behind the Brands scorecard, which provides people with the information they need to hold the world's 10 largest food and beverage companies to account for what happens in their supply chains.

Surveys

Nestlé also participates in independent external surveys carried out by major rating agencies such as the [STOXX Global ESG Leaders indices](#).

Stakeholder engagement

Effective dialogue with our stakeholders is central to Creating Shared Value, both in terms of understanding opinions and concerns, and in delivering our commitments. Our stakeholder engagement programme helps us to shape responses to shared challenges, drive performance improvements, and ultimately strengthen collective action.

Our approach

While we encourage our businesses to identify key stakeholders at a national level, our global engagement is co-ordinated centrally, through the Creating Shared Value Forum series and regular stakeholder convenings. Together, these are an important part of an engagement process that underpins our materiality assessment.

The [Creating Shared Value Forum](#) focuses on the role of business in development, particularly as it relates to nutrition, rural development and water. The stakeholder convenings include additional issues specific to our company, including environmental sustainability, human rights, compliance and the delivery of our commitments, as well as our three Creating Shared Value focus areas – nutrition, water and rural livelihoods. Stakeholder convenings have taken place in 2007 (Geneva); 2008 (Washington DC); 2009 (Geneva and Kuala Lumpur); 2011 (New Delhi and London); 2012 (Nairobi and London); and 2013 (London).

The outcomes of stakeholder convenings are fed back to senior management and taken into account in the development of our policies, commitments and actions for the following year. For instance, feedback from earlier convenings has been incorporated into our new Rural Development Framework and also led to our partnership with the Fair Labor Association (FLA), in which we are currently working to identify and eliminate child labour in our cocoa supply chain. Feedback from the convenings also forms the basis for our materiality analysis (see page 29).

Stakeholder convening 2013

Our London convening has become a regular event and in March 2013, we held our third convening there. Our objectives were to understand stakeholder expectations and concerns; report back on previous convenings; stimulate fresh thinking; review our new table of commitments; and prioritise key actions on Creating Shared Value, sustainability and compliance issues.

The event was attended by more than 40 representatives of NGOs, government, academia and multilaterals. Our CEO, Paul Bulcke, attended the convening, in response to previous stakeholder requests for more senior management participation, along with Nestlé staff from our Vevey headquarters and the UK. The stakeholder participants made a number of recommendations.

Key external stakeholder groups

Our global stakeholder network is vast. It ranges from people we regularly engage with as part of our operations, to those whose public positions influence our activities.

We identify the following groups as fundamental to our continuing business success (in alphabetical order):

- Academia
- Communities
- Consumers and the general public
- Customers
- Employees
- Governments
- Industry and trade associations
- Intergovernmental organisations
- NGOs
- Reporting agencies
- Shareholders and the financial community
- Suppliers (including farmers and smallholders)

Stakeholder recommendations: London convening 2013

Think more about the interconnectivity of issues in order to increase the impact of Nestlé's work	Stakeholders asked Nestlé to articulate and leverage the connections between issues. They observed, for instance, that nutrition and rural development are closely linked, citing the example of children in cocoa-growing areas who suffer from stunted growth. Nutrition and the living wage are also linked (workers and farmers who cannot afford to feed their families); as are water and human rights (all people have a right to water and a right to sanitation).
Convene NGOs, governments and competitors around Nestlé's key priorities	Stakeholders would like to see Nestlé use its influence and convening power to enable collaboration and partnerships in order to build 'the enabling environment'. Also, stakeholders continue to expect Nestlé to do more to collaborate with its competitors on issues such as the living wage, where one company cannot 'do it alone'.
Be bolder in corporate communications as part of Nestlé's leadership	Stakeholders believe that as the world's biggest food and beverage company, Nestlé has an obligation to participate in public debate, to mainstream Creating Shared Value as a way of doing business, and to inspire value chain partners and others towards a common purpose.
Be clearer about how Nestlé's Creating Shared Value policies, programmes and commitments are implemented into global operations	There was a feeling that Nestlé's Creating Shared Value work continues to be weighted too strongly towards our headquarters in Vevey. Stakeholders would like to see greater clarity on how Creating Shared Value is implemented and managed in the markets and businesses through decision-making, performance measurement processes, procurement contracts and other management tools.
Make and publish commitments relating to Nestlé's sphere of influence, as well as commitments relating to Nestlé's sphere of control	Stakeholders wanted to see commitments reflecting the full range of Nestlé's work. For example, water commitments beyond factory operations, climate commitments that cover adaptation as well as mitigation, nutritional commitments across the human lifetime from pre-natal to old age, and human rights commitments with respect to influencing suppliers.
Use Nestlé's marketing power to educate and inspire citizen-consumers	As with Nestlé's corporate communications, stakeholders expect Nestlé to use its consumer communications to raise awareness of nutrition issues, human rights and environmental issues, and to help stimulate change in consumer behaviour on issues such as food waste or climate change.

Creating Shared Value Forum 2013

On 28 October, Nestlé, in collaboration with the Inter-American Development Bank, co-hosted the fifth Creating Shared Value Forum in Cartagena, Colombia, which was opened by Colombian President Juan Manuel Santos. The theme of the event was 'Creating Shared Value: The changing role of business in development'.

Peter Brabeck-Letmathe, Nestlé's Chairman, and CEO Paul Bulcke joined more than 20 leading international and Latin American experts from government, academia, civil society and business to discuss how to accelerate sustainable development. The topics included the challenges of over- and under-nutrition across the Americas, and the connection between water, the environment and food security. Some 300 invited guests from Latin America and beyond attended in person and on the internet, the event received 5700 Twitter followers. We also transmitted a public webcast of speaker presentations, which has received over 3300 visitors to date.



The fifth Creating Shared Value Forum took place in Colombia in October 2013, with leading experts present to stimulate thought and open discussion.

Public policy and advocacy

Companies are increasingly playing an active role in society; often businesses are asked and even expected to participate in the development of laws, rules and policy documents. Providing our expertise to assist informed decision-making, in a collaborative environment with governments, authorities and other relevant bodies is therefore an important responsibility. It is also of great importance to ensure that our behaviour doesn't undercut trust and the credibility of our company, and [the Nestlé Policy on Transparent Interaction with Authorities and Organisations](#) is in place to ensure this is the case. We engage with external organisations to help implement public policies that are aligned with our Creating Shared Value commitments. Furthermore, as members of industry associations and multi-stakeholder initiatives, we advocate for the publication of collective policy positions in a number of areas:

Read more in [Partnerships and alliances](#).

on nutrition

- EU Platform for Action on Diet, Physical Activity and Health
- International Congress of Nutrition
- International Diabetes Federation
- International Food and Beverage Alliance
- PAHO Initiative on salt reduction
- The Consumer Goods Forum Global Health & Wellness Initiative

on water stewardship

- UNGC CEO Water Mandate
- 2030 Water Resources Group
- World Business Council for Sustainable Development WASH Pledge
- World Water Week

and on rural development

- WEF New Vision for Agriculture.

Operating transparently

The [Nestlé Policy on Transparent Interaction with Authorities and Organisations](#) outlines our expectation that all employees follow the company's approved processes and procedures for interacting with external bodies. It ensures that those employees involved in engagement activity with external organisations understand the high standards of transparency and professionalism we demand. We are listed in the European Union (EU) interest representation register, which provides citizens with direct access to information about who engages with EU decision makers, and we follow the register's code of conduct whenever we deal with EU institutions. In the USA, we file quarterly public reports with the US Congress, in which we outline our engagement activities.

We want all Nestlé employees to behave in a consistent and transparent way whenever they interact with our stakeholders. This is a key objective of our training course for country-level public affairs staff at our International Training Centre in Rive Reine, Switzerland. To ensure alignment across our global operations, all our key positions and policies are published on our internal intranet, which can be accessed by employees worldwide.

Going further

All of our policies are available to the public, and we describe our positions on products, packaging and labelling, quality and safety, human rights and labour relations, health and nutrition, raw materials, sourcing and the environment in the [Ask Nestlé](#) section of our website. In 2013, we launched [Tell Us](#), an online external grievance system that enables our stakeholders to raise any concerns they may have with us directly.

Partnerships and alliances

We face a range of economic, social and environmental challenges, including rising obesity, deforestation and child labour. While we are committed to confronting these issues, they are too complex to be tackled by one organisation alone. By offering our expertise and working with multiple stakeholders – including UN agencies, international organisations, governments, academia and NGOs – we aim to make a positive, sustainable impact in these areas.

A strategic approach

Collaborative initiatives are beneficial to Nestlé, as they help connect our business with the activities of other partners on a global scale. Maintaining long-term relationships is also vital for Creating Shared Value and inspiring, building and protecting trust.

We have selected strategic partnerships and industry alliances that support our Creating Shared Value strategy and can help build our reputation, while also helping to address current economic, social and environmental challenges. To be successful, these partnerships must be mutually beneficial and accomplish shared goals. The main challenge is to clearly define roles and responsibilities in each partnership, to make it as effective as possible.

Partnerships and multi-stakeholder platforms

We are engaged in collective activities with partners and platforms at a global and a local level, which helps us to listen and learn from different opinions, share experiences and assist with the implementation of best practice. In 2013, they included the following:

Organisation	Objectives	Our activity in 2013
Conservation International	Protect nature and its biodiversity for the benefit of humanity.	Examined trends within the principal regions where deforestation is occurring, helping us prioritise our efforts to ensure that no deforestation occurs in our supply chain.
Danish Institute for Human Rights (DIHR)	Strengthen corporate human rights due diligence.	Continued the assessment of our operations in high-risk countries. DIHR has also advised us in the development of the Rural Development Framework. Read more.
EPODE International Network	Prevent children from becoming overweight by promoting healthy eating habits and lifestyle patterns at an early age.	Helped the network towards its goal of supporting 40 large-scale community-based programmes on five continents by 2015. Read more.
Fair Labor Association (FLA)	Promote and protect workers' rights and improve working conditions globally through adherence to international standards.	Guided by the findings of the FLA we have continued to work on addressing child labour issues in the harvesting of hazelnuts in Turkey and cocoa farming in Côte d'Ivoire. We have broadened the work in Côte d'Ivoire to include women's empowerment. The FLA has also advised us in the development of the Rural Development Framework. Read more.

Organisation	Objectives	Our activity in 2013
Global Good	Develop technology and create market opportunities to improve the lives of low-income farmers within Nestlé's value chain.	Partnership signed with Global Good. In 2014, Global Good will analyse Nestlé's dairy supply chain in Kenya, Zimbabwe and Indonesia to identify how technology can address gaps in water, nutrition and rural development.
Global Road Safety Partnership (GRSP)	Identify and promote good road safety practice in selected low- and middle-income countries.	We renewed our partnership with the GRSP in 2013 to help and support global road safety programmes and promote the UN's initiative on the Decade of Action to reduce death and injury on the road. In 2013, we engaged with several like-minded multinational companies and NGOs to share best practices to improve road safety. Read more.
Inter-American Development Bank (IADB)	Support efforts by Latin American and Caribbean countries to reduce poverty and inequality in a sustainable, climate-friendly manner.	Provided coffee-growing farmers in Haiti with technical support, including upgrading the country's coffee value chain. Read more.
International Association of Athletics Federations (IAAF)	Promote and encourage physical activity and good nutrition.	In 2013, the IAAF Kids' Athletics Programme continued to develop and strengthen the physical activity component in the Nestlé Healthy Kids programmes in 57 markets with 73 courses, and trained 2562 lecturers and coaches. Read more.
International Diabetes Federation (IDF)	Broaden the awareness of diabetes around the world, tackle diabetes at a local and global level, and enhance the lives of people with the condition.	As a partner of IDF, we raise awareness of the prevention and control of non-communicable diseases, in particular diabetes, through our commitment to World Diabetes Day, where many of our markets are involved at a local level. In 2013, Nestlé, together with Nestlé Health Science and Nestlé Nutrition Institute, participated for the first time at the World Diabetes Congress, held in Melbourne, Australia.
International Federation of Red Cross and Red Crescent Societies	Provide vulnerable communities with access to clean water and sanitation, and help address food and nutrition insecurity.	We continued to focus on water and sanitation in Côte d'Ivoire at cocoa and coffee-growing villages, to improve health and hygiene awareness among schoolchildren, teachers and local communities. We did this through environmental sanitation projects, including the rehabilitation of existing infrastructure, and public awareness campaigns. Between 2007 and 2013, 196 546 people from 132 villages and 81 schools have benefitted from this project. Between 2010 and 2013 alone, 54 school latrines were constructed or rehabilitated, 4631 new community latrines were constructed, and 88 water points were repaired/rehabilitated. Additionally, 105 088 community members and 58 057 children received hygiene awareness training. At both global and country level, we've collaborated with national Red Cross and Red Crescent Societies, primarily in providing product and cash donations as well as employee volunteering towards emergency relief efforts. Read more.

Organisation	Objectives	Our activity in 2013
International Water Management Institute (IWMI)	Partner with governments, civil society and the private sector to develop scalable agricultural water management solutions that reduce poverty, and increase food security and ecosystem health.	We continued to work with the IWMI to identify areas where local initiatives for better water management in agriculture could be developed. Read more.
Pan American Forum for Action on Non-communicable Diseases* (PAFNCD)	Help address the NCD epidemic in the Americas, promote and contribute to the implementation of the Pan American Health Organization (PAHO) regional strategy for prevention and control of NCDs.	As a signatory of the PAHO and World Economic Forum 2011 statement on Dietary Sodium/Salt Reduction in the Americas , we continue to share our expertise on salt reduction with the SaltSmart Consortium, an initiative of the PAFNCD, to promote a multi-stakeholder approach. In 2013, we supported PAHO's Wellness Week again to promote active lifestyles among employees.
Proforest The Forest Trust (TFT)	Help people manage the world's natural resources sustainably. Help create products that respect the environment, tackle the issue of deforestation and improve people's lives.	Continued to work with Proforest (soya, sugar) and TFT (palm oil, packaging paper) in the implementation of our responsible sourcing programmes, through mapping our supply chains to provide traceability to farm or mill, and worked with suppliers on improving performance. Read more.
Rainforest Alliance	Conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviour.	Partnered with Rainforest Alliance to help us in the delivery of the Nescafé Plan and Nespresso AAA programme . The Rainforest Alliance has also advised us in the development of our Rural Development Framework . Read more.
Solidaridad	Create sustainable supply chains from the producer to the consumer, enabling producers in developing countries to get a better price for their products, while helping companies find sustainable suppliers.	Worked with Solidaridad in 2013 on our Rural Development Framework . We have also contributed to a project, funded by the Dutch Government, to improve the food security of coffee farmers in Kenya and Ethiopia. The seven-year project will also help us improve the food and nutrition security of coffee farmers supplying us through the Nescafé Plan . Read more.
Sustainable Fisheries Partnerships (SFP)	Work with major seafood buyers across the world to help businesses source seafood responsibly.	Newly signed agreements with the Sustainable Fisheries Partnership and the Wild Salmon Center , of Portland, Oregon, will enable us to roll out the requirements of our Responsible Sourcing Guideline , as well as identifying fishery improvement projects and factory boats to be prioritised for assessments. Read more.
2030 Water Resources Group (2030 WRG)	A public-private initiative with focus on the increasing water overuse worldwide and the need to improve water security. It offers analytical tools and advice to governments on cost-effective ways to bring freshwater withdrawals in watersheds back into line with sustainable supply.	Nestlé's Chairman, Peter Brabeck-Letmathe, leads the WEF Water Initiative , an influential public-private water network that seeks new insights into water scarcity, explores the opportunities and costs of possible solutions, and fosters results-based stakeholder dialogue. He chairs the 2030 Water Resources Group . Read more.

*This relationship is voluntary in nature and involves no financial support.

Industry platforms and alliances

Nestlé engages with global, regional and local platforms to help address common industry challenges and to seek opportunities for non-competitive solutions that will achieve positive change.

Organisation	Objectives	Our activity in 2013
Alliance for Water Stewardship	Drive collective responses to shared water risk through a stakeholder-endorsed International Water Stewardship Standard.	Worked with a range of stakeholders to establish a voluntary certification programme. Read more.
Cambridge Programme for Sustainability Leadership (CPSL)	Address the impacts of ecosystems and natural capital loss and degradation on business, customers and wider society.	We continue to support the Natural Capital Leadership Compact , published in 2012 by the CPSL, of which we are a signatory. Read more.
Common Code for the Coffee Community (4C Association)	Improve the economic, social and environmental conditions of those who make their living from coffee.	Through our Nescafé Plan , we continued to drive adoption of the 4C by coffee farmers that supply us. Supported the 4C organisation through membership. Read more.
EU Platform for Action on Diet, Physical Activity and Health	Support the aims of the EU Platform for Action on Diet, Physical Activity and Health through our commitments on advertising and marketing, reformulating products, modifying portion sizes and promoting healthy lifestyles.	We have been actively involved in the platform since 2005 through our membership of FoodDrinkEurope and the World Federation of Advertisers . Our commitment on advertising to children, as a member of the EU Pledge, was made within the framework of the WFA.
Global Reporting Initiative (GRI)	Promote economic, environmental and social sustainability by providing companies and organisations with a comprehensive sustainability reporting framework.	Our 2013 GRI Content Index can be found here .
International Cocoa Initiative (ICI)	Fight against child labour and forced labour in cocoa-growing areas.	Worked, through the Nestlé Cocoa Plan , to help ensure that children in cocoa-growing communities are not exploited and have access to education. Read more.
International Congress of Nutrition (ICN)	In 2013, the International Congress of Nutrition brought together more than 5000 global nutrition experts.	Nestlé representatives held satellite symposia on Public–Private Partnerships in Nutrition and The Role of Beverages in Childhood Nutrition, which considered hydration status in schoolchildren after breakfast; milk consumption in children’s growth and development; and beverage nutrient density and childhood obesity. Read more.

Organisation	Objectives	Our activity in 2013
International Food and Beverage Alliance (IFBA)	A group of leading food and non-alcoholic beverage companies who share a common goal of helping consumers in all nations to achieve balanced diets and healthy lifestyles. The group supports the World Health Organization's 2004 Global Strategy on Diet, Physical Activity and Health.	IFBA members pledged support for the WHO Global Action Plan on the Prevention and Control of Non-Communicable Diseases 2013–2020 and Global Monitoring Framework , which was adopted in May 2013. The IFBA 2012 Progress Report was submitted to the WHO, and the latest Accenture Compliance Monitoring Report on Advertising to Children. Read more.
Roundtables on Sustainable Palm Oil, Responsible Soy and Better Sugar (Bonsucro)	Promote the growth and use of sustainable palm oil products through credible global standards and engagement of stakeholders.	Continued as members of these roundtable platforms to support an alignment of industry, NGOs and other stakeholders, and set a common performance standard.
Sustainable Agriculture Initiative Platform (SAI)	The Sustainable Agriculture Initiative Platform is the main food industry initiative that supports the development of sustainable agriculture worldwide. It works towards building capacity based on research and development activities of its members, and communicates towards food industries as well as food chain stakeholders.	Nestlé is a founding member of SAI and actively participates in various working groups such as Coffee, Dairy, Fruits and Water.
The Consumer Goods Forum (CGF)	A global industry network that provides a unique platform to address non-competitively sensitive industry issues around health and wellness, sustainability, product safety and the value chain. It connects to multi-industry stakeholders, such as regional industry and trade associations, World Economic Forum, World Business Council for Sustainable Development, Tropical Forest Alliance and Round Table on Sustainable Palm Oil, NGOs, etc.	Nestlé CEO Paul Bulcke has served as the manufacturer co-chair since June 2013, and co-sponsors the health and wellness initiative. A five-year plan, including industry collective actions to support the WHO Action Plan on non-communicable diseases, has been developed. Nestlé's senior managers are actively involved in health and wellness, sustainability, food safety, digital and supply chain industry development initiatives. Nestlé is also actively involved in the Tropical Forest Alliance 2020 , a public–private partnership aiming at achieving zero net deforestation by 2020 as per The CGF sustainability resolutions. Read more.
UN Global Compact (UNGC)	A global strategic policy initiative. It encourages businesses globally to adopt sustainable and socially responsible policies through 10 universally accepted principles covering four areas – human rights, labour, environment and anti-corruption.	UNGC LEAD is a leadership platform of “champion” companies that support UNGC participants to achieve higher levels of sustainability performance. View a detailed list of our activities here .

Organisation	Objectives	Our activity in 2013
Water Footprint Network	To promote the transition towards sustainable, fair and efficient use of freshwater resources worldwide.	Nestlé is a member of the Water Footprint Network, which has developed tools that help water users to assess risk and identify areas for improvement. We are actively participating in a partnership initiative between the network and Best Foot Forward, called Energising the Drops: Towards an integrated approach to carbon and water sustainability. Read more.
World Business Council for Sustainable Development (WBCSD)	Brings the global business community together to create a sustainable future for business, society and the environment.	We signed the 2013 WBCSD WASH Pledge , which challenges companies to provide access to safe water and sanitation, and appropriate facilities to ensure personal hygiene, to employees in all premises in their direct control, within three years of signing. Read more.
World Economic Forum (WEF)	An independent international organisation committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas.	Our chairman, Peter Brabeck-Letmathe, is a member of the Foundation Board. Our CEO, Paul Bulcke, is co-chair of the WEF's Healthy Living Initiative, which aims to bring together governments, the private sector and civil society to have an impact on healthy living and non-communicable diseases.
World Water Week	Each year the Stockholm International Water Institute hosts World Water Week to encourage the exchange of ideas among its 2600 participants, which are made up of experts, practitioners and decision-makers.	The 2013 World Water Week focused on co-operation, and Nestlé actively participated in a number of seminars and presented a Vietnam case study at one of the main workshops. In addition to our annual stand presence and involvement, we also supported the joint presence in Stockholm of the Swiss Water Partnership, a group of Swiss Government, civil society, academia and private sector organisations, of which Nestlé was one of the founding participants. Read more.



Other global initiatives

Women's Empowerment Principles

When women are economically empowered, they raise healthier, better educated families. Nestlé aims to promote gender equality and education for women and girls worldwide, particularly through our supply chain. In 2013, we signed up to the Women's Empowerment Principles, a partnership initiative between the UNGC and UN Women, the United Nations organisation dedicated to promoting them.

The principles are a set of seven steps that businesses can take to advance gender equality and empower women to participate fully in economic life in three key areas. While women's entrepreneurship is recognised as an important, untapped source of economic growth, women are under-represented in leadership positions and women farmers are marginalised in business relations, with minimal control over access to resources. Nestlé focuses on empowering women in three key areas – the workplace, the marketplace and the community.

The seven principles

1	Establish high-level corporate leadership for gender equality.
2	Treat all women and men fairly at work – respect and support human rights and non-discrimination.
3	Ensure the health, safety and wellbeing of all women and men workers.
4	Promote education, training and professional development for women.
5	Implement enterprise development, supply chain and marketing practices that empower women.
6	Promote equality through community initiatives and advocacy.
7	Measure and publicly report on progress to achieve gender equality.

Workplace

We're committed to increasing gender balance across our company. To achieve this, we focus on awareness and education, flexible working, mentoring and mobility solutions. Every market also has a gender balance action plan and a Gender Balance Business Sponsor who partners with Human Resources to lead the initiative in their market.

Marketplace

We promote business entrepreneurship for urban and rural women in emerging and developing countries. By offering help such as business training, technical assistance and credit schemes we can help more and more women run their own businesses. Our current programmes, including Nestlé Até Você in Brazil, Club Barrio in the Caribbean, MYOWBU (My Own Business) in Central and West Africa and the Nescafé Street Barista campaign in Thailand, have reached more than 600 000 women.

GENDER EQUALITY AND WOMEN'S EMPOWERMENT ARE VERY IMPORTANT. WE ARE DETERMINED TO STRENGTHEN OUR BUSINESS-RELATED ACTIVITIES AND PROGRAMMES TO PROMOTE GENDER EQUALITY, CAPACITY-BUILDING AND EDUCATION FOR WOMEN AND GIRLS."

Paul Bulcke
CEO, Nestlé



My own Business, Nestlé professional programme in Central and West Africa, helps previously unemployed young people create their own business selling Nescafé coffee.



Enhance gender
balance

For full details [see page 328](#)

Community

In communities, we support female farmers who have started growing more profitable crops that are traditionally controlled by men. Through technical support, financing and capacity-building assistance, we can help women farmers gain greater access to markets and an increased contribution to agricultural supply chains.

We've already impacted an estimated 130 000 women through initiatives such as the Nestlé Cocoa Plan in Côte d'Ivoire, the Nescafé Plan in Kenya and Vietnam, the Grains Improvement Quality Project in Ghana and Nigeria, and the Women's Dairy Development Programme in India and Morocco. We strive to empower women as economic agents and increase their ability to access markets on competitive and equitable terms.

Challenges

We acknowledge there will be challenges to overcome while promoting gender equality and education for women and girls worldwide. These include securing financial resources, identifying knowledge gaps, resolving the internal and institutional challenges of women's cooperatives, and overcoming the various credit and lending barriers.

Company of the Year

Nestlé was named Company of the Year at the European Diversity Awards in September 2013.

Women's empowerment initiatives

Country	Initiative	Benefits	Reach
Central & West Africa	MYOWBU (My Own Business)	Microentrepreneur's Programme – business skills, hygiene education, improved revenues	1230
Central & West Africa	MAGGI COOKING CARAVAN	Open market sellers/women forum – healthy cooking and basic nutrition education, income	587 000
Central & West Africa	The Grain Quality Improvement Project	Price premiums for mycotoxin-free yields – increased awareness of health hazards (mycotoxin), increased income	24 000
Côte d'Ivoire	The Nestlé Cocoa Plan	High-yield, disease-resistant cocoa seedlings – technical assistance, improved revenues	600
Côte d'Ivoire	The Cassava Project	Sustainable agricultural production methods – improved economic situation of women farmers	3500
India	Village Women Dairy Development Programme	Income generation and improved livelihoods, improved dairy practices, protection of the environment	56 250
Kenya	The <i>Nescafé</i> Plan	Increased women participation from 5% to 33%, increased yields, increased incomes, fundamental business skills	1000
Morocco	Women Dairy Development Programme	Income generation and improved livelihoods, improved dairy practices, protection of the environment	109
Pakistan	Women's Livestock Extension Worker Program	Employment creation and self-entrepreneurship, improved incomes, best dairy farm practices	5000
South Asia Region	Sanitation facilities	Better yield for women milk farmers, improved incomes, best practices in dairy farming	30 191
Thailand	Nescafé Street Barista Campaign	Microentrepreneur's Programme – fundamental business skills, nutrition, hygiene, improved revenues	3000
Vietnam	The <i>Nescafé</i> Plan	Technical training, high-yield, disease-resistant coffee plantlets, improved revenue	8000
Argentina	RICO NEGOCIO	Microentrepreneur's Programme – business skills, basic nutrition and food safety, improved revenues	5000
Dominican Republic	CLUB BARRIO	Micro-structure distributors – business skills, basic nutrition education, credit, market	6000
Mexico	Nestlé's Nutrir For Moms	Nutritional education, awareness of obesity problem, improved family diet	2000
Venezuela	Escuela Del Sabor	Microentrepreneur's Programme – fundamental business skills, nutrition and culinary education	320
Total			733 200

Every Woman Every Child

Every Woman Every Child is a multi-stakeholder initiative, launched by the UN Secretary-General. It focuses on maternal and child health as well as women's empowerment. Our commitment to Every Woman Every Child is demonstrated by increasing support through five of our current Creating Shared Value programmes:

- Expanding the Healthy Kids Global Programme;
- Creating more income-generating opportunities for women in Brazil through product distribution;
- Empowering female dairy farmers in Pakistan;
- Providing access to education for women and children in Morocco; and
- Creating awareness about hygiene and sanitation in schools in India, Sri Lanka and Bangladesh.

Global Education First

Nestlé has committed to support the UN Secretary-General's Global Education First Initiative, which aims to boost child and youth education worldwide. We are doing so through the Nestlé Healthy Kids Global Programme, the World Cocoa Foundation Schools Project and through our collaboration with the International Federation of Red Cross and Red Crescent Societies, which is helping to improve water and sanitation facilities for schoolchildren, teachers and their communities in Côte d'Ivoire.



Promote healthy diets
and lifestyles/physical
activity

For full details [see page 58](#)



United Nations Global Compact

The United Nations Global Compact (UNGC) is a global strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Nestlé's own Corporate Business Principles incorporate the 10 UNGC Principles and we reflect the basic concepts of fairness, honesty and respect for people and the environment in our business actions. Nestlé is also one of 56 companies invited to join the UNGC LEAD and in this chapter, we have shared the ways in which our people are supporting the UNGC and its Blueprint for Corporate Sustainability Leadership.

UNGC LEAD

Launched in 2011, UNGC LEAD is a leadership platform comprising a group of 'champion' companies that support UNGC participants in their efforts to achieve higher levels of corporate sustainability performance. Companies that participate in the LEAD are committed to implementing the Blueprint for Corporate Sustainability Leadership, developed in 2010. Nestlé is a founding participant and member of the LEAD Steering Committee, while also engaging at a country level with UNGC local networks. In 2013, 15 of our markets were members, with Nestlé China and Nestlé Switzerland participating as board members of their networks.

We currently participate in the following LEAD Task Forces and UNGC working groups:

- [UNGC LEAD Post-2015 Development Agenda](#)
- [UNGC LEAD Task Force on UN-Business Partnerships](#)
- [UNGC CEO Water Mandate](#)
- [UNGC Food and Agriculture Business Principles](#)
- [UNGC Human Rights and Labour Working Group](#)
- [UNGC Advisory Group on Supply Chain Sustainability](#)
- UNGC LEAD Task Force on Realizing Long Term Value for Companies and Investors

UNGC LEAD Post-2015 Development Agenda

LEAD companies contribute to both the formulation of post-2015 objectives and the design of an architecture that will support the realisation of related goals. Nestlé provided input to the UNGC report on Corporate Sustainability and the UN Post-2015 Development Agenda that was submitted to the UN Secretary General in June 2013, particularly contributing to the goal and targets for water and sanitation for all.

The UNGC LEAD Group has recommended 10 goals. The targets for the goal on 'water and sanitation for all' include:

- Universal access to affordable fresh water;
- Universal access to basic sanitation facilities by 2020 and improved sanitation facilities by 2030;
- Fresh water use brought in line with supply; and
- Ensuring establishment and full implementation of national water and effluent standards.

Nestlé Chairman Peter Brabeck-Letmathe, one of the two business representatives on the High-Level Panel, has held consultations on water. Mr Brabeck-Letmathe used the CEO Water Mandate and its endorser, as well as the 2030 Water Resources Group, to collect perspectives.

UNGC LEAD

Nestlé was a founding member of UNGC LEAD.



Global Compact
LEAD
PARTICIPANT

Read more in [Global principles](#).

UNGC LEAD Task Force on UN–Business Partnerships

Nestlé is a member of this Task Force, which seeks to strengthen the UN system to engage business and enhance partnership capacities with the private sector to address global developmental challenges. Our markets in Colombia, Brazil and Kenya are collaborating with the local network at a country level and in September 2013, Nestlé's Head of Public Affairs, Ms Janet Voûte, spoke at an Executive Roundtable on Partnerships for Transformation at the UNGC Leaders Summit.

UNGC CEO Water Mandate

Nestlé is a founding signatory of the UNGC CEO Water Mandate, which is a unique public–private initiative of about 100 companies designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices. It covers six elements: Direct Operations; Supply Chain and Watershed Management; Collective Action; Public Policy; Community Engagement; and Transparency.

Nestlé is an active member of the Mandate's three working groups on water disclosure, public policy engagement and the human right to water. In 2013, we participated in and presented at CEO Water Mandate events held in Mumbai (March 2013) and at Stockholm World Water Week (September 2013).

In 2013, we made a detailed [commitment on water stewardship](#), and were also one of the first signatories of a pledge on [Water, Sanitation and Hygiene Implementation at the Workplace \(WASH\)](#) drawn up by the WBCSD, which commits businesses to upholding the human right to water and sanitation within their operations.

UNGC Food and Agriculture Business Principles (formerly known as the Sustainable and Agriculture Business Principles)

UNGC and the Food and Agriculture Organization (FAO) have initiated a process (at the Rio+20 summit) aimed at developing global voluntary business principles on sustainable agriculture for companies as well as governments and other stakeholders. The objective of this process is to develop a common understanding and agreement on what resources and impacts are needed from the global community to transform markets and agricultural supply systems and advance sustainable agriculture globally.

We understand that in the agricultural sector, our business can make a significant contribution to addressing poverty by providing livelihoods, through our supply chain, products, and the reduction of food loss and food waste. Nestlé's Executive Board member Jose Lopez is currently a member of the Steering Group, and our Operations team is involved in the Core Advisory Group. A White Paper was produced in June 2013 and has been circulated for consultation and feedback.

UNGC Human Rights and Labour Working Group

Nestlé is a member of this multi-stakeholder group, which aims to advance the business and human rights agenda within the framework of the Global Compact, identifying obstacles to implementation and advising on ways to overcome them.

UNGC Advisory Group on Supply Chain Sustainability

This advisory group informs and advises its members on common issues and solutions for supply chain sustainability, highlighting the availability of practical tools and resources including guides, training and reference documents. We have participated throughout the year in the group’s work streams on traceability and human rights.

We have also participated in the UNGC workstreams on *Building sustainable capital markets* and *Shaping the future of corporate reporting*.

We publish our Communication on Progress (COP) towards UNGC goals and principles, which cover the Company’s efforts in implementing the advanced criteria and the Blueprint for Corporate Sustainability Leadership. The COP index document, which demonstrates how we meet the UN Global Compact Advanced and LEAD Communication on Progress criteria, can be found [here](#).

Our Communication on Progress

Participants in the UNGC are required to issue an annual Communication on Progress (COP) – a public report on how they are implementing the 10 Principles and supporting broader UN Millennium Development Goals. This disclosure increases transparency and accountability, drives improvements in performance and safeguards the integrity of the UNGC and the United Nations.

How do we report?

Our COP covers the company’s efforts in implementing the advanced criteria and the Blueprint for Corporate Sustainability Leadership. It references this Creating Shared Value report which lists the activities and aggregated KPIs of the entire Nestlé Group, including all our subsidiaries and globally managed businesses. The report also contains a comprehensive GRI index and has been externally verified by Bureau Veritas.

We also provide a COP index document (below) to simplify content research and demonstrate how we meet the UNGC Advanced and LEAD COP criteria. [Read the document here](#). The table below briefly outlines the ways we are currently supporting the UNGC’s 10 Principles, and provides links to further information in the relevant section of the report.

UNGC Principles	How Nestlé supports them	Links to relevant section
Human Rights	Eight-pillar Human Rights Due Diligence Programme including policy development, targeted training and human rights risk assessments in our operations.	Human rights
	Assessing and addressing human rights impacts in partnership with the DIHR.	Human rights
	Working with the FLA to combat child labour in the agricultural supply chain. We became a formal member of the FLA in 2012.	Child labour
	Community engagement.	Community engagement
	Promoting human rights among our suppliers.	Human rights

UNGC Principles	How Nestlé supports them	Links to relevant section
Labour	Nestlé Policy on Conditions of Work and Employment.	Labour relations Nestlé Corporate Business Principles
	Revised Nestlé Management and Leadership Principles.	Employee and career development Nestlé Corporate Business Principles
	Ongoing CARE Audit Programme (Compliance Assessment of Human Resources, Occupational Health & Safety, Environment and Business Integrity).	Nestlé Corporate Business Principles
Environment	Life-Cycle Approach.	Environmental life-cycle of products
	Eco-design.	Environmental life-cycle of products Packaging
	ISO 14001 certification.	Managing environmental sustainability
	CEO Water Mandate's work streams on Policy Engagement, Water Disclosure and Human Right to Water.	Water: Collective action
	Water Resources Review roll-out.	Water in our operations
	Carbon Disclosure Leadership Index 2011.	Climate change
	Transport and distribution.	Transport and distribution
	Energy Target Setting Initiative.	Manufacturing
	Responsible Sourcing Audit Programme.	Managing responsible sourcing
	Combating deforestation.	Deforestation
Nestlé Commitment on Water Stewardship	Water Stewardship	
Anti-corruption	Code of Business Conduct.	Anti-corruption
	Anti-corruption training tool.	Anti-corruption
	New Group-wide integrity reporting system.	Anti-corruption
	Bribery and Corruption Policy.	Anti-corruption

Global principles

We aim to conduct our business with integrity and have a positive impact in the countries where we operate. But we have to recognise that the regulatory requirements in some of our markets are lower than those we consider to be acceptable. In order to ensure all markets comply with the same high standards, we have adopted company principles that are aligned with international best practice.

At a glance

We continue to adhere to a range of global principles, including the:

- United Nations Global Compact;
- UN Framework and Guiding Principles on Business and Human Rights;
- International Bill of Human Rights;
- Eight Core International Labour Organization Conventions; and
- World Health Organization's (WHO's) International Code of Marketing of Breast-milk Substitutes.

We also support the UN Millennium Development Goals (MDGs) and our efforts to support them are detailed below.

What we're doing

UNGC

Our own [Corporate Business Principles](#) incorporate the 10 United Nations Global Compact (UNGC) Principles on human rights, labour, the environment and corruption. We are an active member of several of the UNGC's working groups and initiatives, including LEAD, the platform for companies with a history of engagement with them.

International human rights standards

We are committed to respecting human rights according to the UN Framework and Guiding Principles on Business and Human Rights, as set out in the International Bill of Human Rights, made up of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the eight ILO Core Conventions.

Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises

We adhere to the OECD Guidelines for Multinational Enterprises, which were updated in 2011 to include human rights.

WHO International Code of Marketing of Breast-milk Substitutes

We have developed a strong policy articulating our commitment to and implementation of the WHO code. We are included in the FTSE4Good Index – the only global responsible investment index with clear criteria on the marketing of breast-milk substitutes (BMS). In 2013, our practices were audited in 27 countries. In light of the recommendations, we have enhanced our transparency and good governance mechanisms, and strengthened our compliance systems.

WHO Global Action Plan on the Prevention and Control of Non-communicable Diseases 2013 to 2020

In September 2011, the United Nations High Level Meeting on the Prevention and Control of Non-communicable Diseases called for multi-stakeholder efforts to effectively address and tackle public health challenges. Nestlé supports the whole-of-society approach and believes that we can be part of the solution to help prevent and control non-communicable diseases.

The WHO Global Action Plan 2013–2020 and the Global Monitoring Framework as well as the voluntary global targets, were adopted during the World Health Assembly in May 2013 as a concrete step towards reducing the incidence of non-communicable diseases globally. We support the actions recommended in the WHO Global Action Plan for our industry on product reformulation, nutrition labelling and restrictions on marketing of foods high in sugar, salt and fat to children. We are transparent in our nutrition and health commitments, and report annually and publicly on our progress.

UN Millennium Development Goals (MDGs)

While the MDGs are not principles to abide by or sign up to, we regard them as highly important objectives and contribute to partnerships that harness local knowledge and capabilities for positive, sustainable change.

In 2005, we produced a first report on what we are doing to help countries reach the MDGs. In 2010, two-thirds of the way to the UN's 2015 deadline, we prepared and issued a second report, charting our contributions to the MDGs. We identified 292 initiatives that contribute to one or more of the goals worldwide. Fifty-six projects in 36 countries were focused on combating poverty and hunger issues (Goal 1), while others had notable impacts on environmental sustainability (Goal 7) and building partnerships (Goal 8).

Below are recent examples of Nestlé's actions:

	Millennium Development Goal	Our actions
MDG 1	Eradicate extreme poverty and hunger	The <i>Nescafé</i> Plan The <i>Nestlé Cocoa Plan</i> The Rural Development Framework
MDG 2	Achieve universal primary education	UN "Education First" Initiative Building schools with the World Cocoa Foundation
MDG 3	Promote gender equality and empower women	Signed up to the Women's Empowerment Principles in 2013 Women dairy farmers, India Nestlé Action Plan on Women in the Cocoa Supply Chain, Côte d'Ivoire
MDG 4	Reduce child mortality	Water and sanitation projects, South Asia Action Plans to eliminate child labour, Côte d'Ivoire, Turkey and Madagascar
MDG 5	Improve maternal health	Global commitment on micronutrient fortification and 200 billion servings by 2016
MDG 6	Combat HIV/AIDS, malaria and other diseases	HIV/AIDS employee wellness programmes in South Africa
MDG 7	Ensure environmental sustainability	Combating deforestation: partnership with The Forest Trust Optimisation programme to reduce packaging
MDG 8	Develop global partnerships	International Federation of Red Cross and Red Crescent Societies International Diabetes Federation International Food and Beverage Alliance

Nutrition

With hundreds of millions of people around the world not having enough to eat and many others consuming too much, we are endeavouring to learn more about the vital role nutrition plays at every stage of life, particularly prior to conception and through the first 1000 days. It is also recognised that nutrition plays a role in reducing the risk of diseases, allergies and obesity, and in the treatment of specific health conditions. In line with our ambition to be recognised as the world's leading nutrition, health and wellness Company, we are committed to improving the nutrition – and therefore the health and wellness – of people around the world through the foods, beverages and services we provide, applying the research we carry out and the informed choices we promote.

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The year in brief – 2013 at a glance

Research and development

We invested CHF 1.503 billion in research and development.

We renovated 7789 foods and beverages to improve their nutritional or health value for consumers.

Child and family nutrition

In 2013, 96% of our children's food and beverage products¹ met all of the Nestlé Nutritional Foundation criteria.²

The Nestlé Healthy Kids Global Programme reached more than 6.9 million children across 68 countries.

Building our knowledge leadership

We're focusing on the first 1000 days of life – a period that is crucial for normal growth and development, beginning with the promotion of six months exclusive breastfeeding.

We have launched the Kids Nutrition and Health Studies, which focuses on children from 4 to 12 years of age.

The Nestlé Institute of Health Sciences and Nestlé Health Science are investigating how to address chronic conditions through nutrition.

Nutrition advice and guidance

By the end of 2013, children and family foods and beverages amounting to sales of CHF 12.6 billion offered specific portion guidance.

In 2013, we were ranked in the top three by the Access to Nutrition Index.

Our *Maggi* Cooking Lesson Programme is taking place in 16 countries, teaching balanced home cooking and a healthy meal structure

Helping to tackle malnutrition

We provided over 167 billion servings of nutritious and fortified foods and beverages.

Our Mini Nutritional Assessment tool is helping healthcare providers screen elderly people who are malnourished or at risk of malnutrition.

Challenges we are facing

Ensuring the accurate capture of all our recipes and their ongoing evolution across the globe in a single IT system.

Understanding how Nestlé can help to close the global micronutrient gap.

Defining healthier portions for foods and beverages, across different countries and cultures.

¹ Products for which 50% or more consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.

² The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation criteria.

Inside the issue: Global nutrition challenges

Today, nearly half the world's population is affected by the double-burden of malnutrition, from either undernutrition or overweight/obesity. The lower income groups of our society are increasingly at risk of both.

The impacts of poor nutrition are serious at any time of life, but they are particularly dramatic during the first 1000 days of life. In infants and young children, the negative effects on physical, brain and cognitive development can be irreversible. Malnutrition in early life can impair a child's capacity to learn and succeed in school, affecting his or her ability to earn a good living as an adult. According to the World Bank³, individuals lose more than 10% of lifetime earnings and many countries lose at least 2% to 3% of their GDP due to undernutrition.

Today, more than 43 million children are obese, while millions more are undernourished. We know it doesn't stop there. Nutrition-related problems such as obesity, non-communicable diseases⁴ and chronic health conditions often continue into adulthood. The number of people suffering from these problems is increasing rapidly, and the World Health Organization (WHO) cites that obesity is now prevalent in low and middle-income countries, particularly in urban settings⁵.

There is a huge strain on public health systems, with the combined effects of global hunger, poor nutrition and obesity costing the world's economy an estimated CHF3.08 trillion (USD 3.5 trillion) – or 5% of GDP – every year⁶. With an ageing population, more urbanisation and people leading more sedentary lives, the problem is set to grow, putting pressure on national economies and preventing countries from developing.

What is the most effective way to tackle malnutrition?

The problems are so great that no individual organisation can meaningfully solve them. Increasingly, it is recognised that concerted action between the public and private sectors is needed to support prevention. In this chapter we have outlined the contribution our products and services make to consumers around the world.

3 Horton, S. et al. Scaling Up Nutrition: What will it cost?, The World Bank, 2010.

4 The four main types of non-communicable diseases are cardiovascular diseases (like heart attacks and stroke), cancers, chronic respiratory diseases (such as chronic obstructed pulmonary disease and asthma) and diabetes.

5 <http://www.who.int/topics/obesity/en/>

6 <http://www.fao.org/docrep/018/i3300e/i3300e00.htm>

Our nutrition commitments – and why we make them

Our ambition remains to be recognised as the world's leading nutrition, health and wellness company. Our mission of 'Good Food, Good Life' is to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night. We must deliver against a backdrop of significant global nutritional challenges, which are both complex and far-reaching, but we believe that Nestlé can be part of the solution by providing products that meet local nutritional needs and are tailored for different stages of our lives.

Read more in [Our Nutrition Strategy](#).

Key commitments

In 2012, we shared public commitments to improve the nutritional profile of our foods and beverages and to provide consumers with information and advice. These commitments enable stakeholders to hold us accountable for our performance, our achievements and the ongoing challenges Nestlé faces. Our commitments in the area of nutrition are:



Build knowledge leadership in children's nutrition through a deep understanding of their dietary intakes and lifestyle habits


By 2016 – Launch large-scale research projects in at least 10 countries across the globe, including the USA, Mexico, China and France.

Our progress

The Feeding Infants and Toddlers Study (FITS), for example, has been conducted twice in the USA and implemented in five other countries. FITS examines the specific intakes and eating patterns of children aged 0–4 in relation to recommendations from the authorities. The studies identified nutritional gaps and poor dietary patterns, including inadequate intake of key nutrients such as iron and vegetables.

Our perspective

We wish to build upon our experience with FITS and expand our research to include children up to the age of 12. These years are critical to forming dietary and activity habits that define health throughout the life course. We will use this knowledge to inform our own product and service development, but acknowledge this will require long-term efforts and investments. Working with external scientific experts and authorities, we aim to build a meaningful body of knowledge and leverage the findings in the best way for the nutrition, health and wellness of children around the world.

 For all objectives, we aim to fulfil our commitment by 31 December of the year stated.



Lead the industry in nutrition and health research through internal programmes and external collaborations with top institutions

By 2016 – To further develop and integrate the molecular nutrition capabilities and clinical strategies of the Nestlé Institute of Health Sciences (NIHS) and the Nestlé Clinical Development Unit to better define health globally for the prevention and management of disease using nutritional solutions. To refocus the Nestlé Research Center (NRC) on five key platforms: Healthy Ageing; Healthy Pleasure; First 1000 days and Healthy Kids; Sustainable Nutrition; and Food Safety and Integrity.

Our progress

The NIHS received two EU-funded grants, a European Research Council award on biological-clock-regulated metabolism, and a second on developing human models of metabolic dysfunction. The collaboration between the NRC and the EpiGen Consortium (an international alliance of the world's leading epigenetics researchers) was extended in 2013. The aim is to understand and substantiate optimal nutrition for mothers during pregnancy and for infants to promote metabolic health throughout life.

Our perspective

While our objective is leadership in nutrition and health research, our ultimate challenge is making sense of the complexities so that the outcome is useful to public health and we are able to translate what we learn into products, services and communication that will benefit consumer health.



Provide nutritionally sound products designed for children

By 2014 – 100% of our children's products⁷ will meet all Nestlé Nutritional Foundation criteria⁸ for children.

Our progress

At the end of 2013, 96% of our products met all of the Nestlé Nutritional Foundation criteria for children (2012: 89%), which are based on international public health recommendations, such as those of the World Health Organization and the Institute of Medicine.

Our perspective

We produce and sell products in many countries around the world, with different legal requirements, nutritional priorities, traditional cooking regimes and changing consumer tastes. Yet nutrition science and public health understanding continue to evolve, which represents a permanent challenge for our profiling system and database. In 2013, we asked a group of reputed nutrition experts to review our nutrition criteria. Another important hurdle we face now is ensuring the accurate capture of all our recipes across the globe and their ongoing evolution in a single IT system. We are working on this, but with 1.2 billion Nestlé products sold every day, this is not an easy task.

⁷ Products for which 50% or more consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.

⁸ The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation.



Help reduce the risk of under-nutrition through micronutrient fortification

By 2016 – We will reach 200 billion micronutrient fortified servings of foods and beverages annually worldwide, with a special focus on children and women of childbearing age.

By 2015 – We will launch biofortified products in key markets as a complement to direct fortification.

Our progress

In 2013, we provided over 167 billion servings of nutritious and fortified foods and beverages such as products used to prepare family meals, dairy products, powdered beverages or cereals for children (2012: over 150 billion). In 2013, six biofortified products (rice, wheat, maize, sweet potato, cassava and millet) were in development in our R&D centres (2012: eight crops).

Our perspective

Micronutrients such as iron, vitamin A, iodine and zinc are essential for growth and development. However, over one-third of the world's population obtains inadequate amounts from their diet, leading to serious health problems for individuals and tremendous productivity losses and health costs for developing countries. Nestlé is committed to addressing micronutrient deficiencies through fortification of affordable, nutritious foods and beverages, and measuring the impact through scientific research. However, the global micronutrient gap is huge and Nestlé can only provide a small portion. Therefore, we increasingly work in a collaborative manner with governments, non-governmental organisations (NGOs) and other relevant partners to increase further the consumer's nutrition and health.



Reduce sodium (salt) in our products

By 2014 – 100% of children's products⁹ meet the Nestlé Nutritional Foundation sodium criteria¹⁰.

By 2016 – We will further reduce salt content by 10% in products that do not meet the Nestlé Nutritional Foundation criteria.

Our progress

In November 2013, we pledged to accelerate salt reduction across all of our savoury food products to support the WHO salt target¹¹. In 2012 our culinary and breakfast cereal recipes contained 14 043 tonnes less salt than in 2005, a 3.3% reduction of salt in culinary products (volumes) compared to 2011. In 2013, 96% of our children's products met the Nestlé Nutritional Foundation sodium criteria (2012: 90%).

⁹ Products for which 50% or more consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.

¹⁰ The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation.

¹¹ No more than 5 g of salt per person, per day, by 2025.

Reduce sodium (salt) in our products continued

Our perspective

Sodium is an essential mineral and, as such, must come from the diet. The majority of sodium in current diets around the world comes from salt added during manufacturing, cooking or at the table, though small amounts are naturally present in some foods. Besides seasoning, salt plays an important role in the preservation and texture of food products. Our challenge is to reduce the salt content of our recipes without having consumers compensate with the salt shaker or choosing saltier alternatives on the market. Our gradual approach to reducing salt is helping consumers to adapt their taste preference, making them more likely to adopt a healthier diet in the long term. We constantly assess our products through our 60/40+ programme to ensure that taste preference and better nutrition go hand in hand. This involves testing products using a consumer panel where at least 60% of the people must prefer the taste of the Nestlé product over the competitor's.



Reduce sugars in our products

By 2015 – Reduce the sugar content in any serving of children's¹² or teenagers¹³ breakfast cereal brands to 9 g or less per serving.

By 2016 – We will further reduce sugar content by 10% in products that do not meet the Nestlé Nutritional Foundation criteria¹⁴.

Our progress

At the end of 2013, 96% of our children's products met the Nestlé Nutritional Foundation sugars criteria (2012: 90%).

Our perspective

Sugars are a group of sweet substances that occur naturally in fruits, milk, honey and some vegetables. Additional major sources in the diet are manufactured foods and beverages, as well as sugars added in home cooking and at the table. Besides flavour, sugars add texture, structure, colour and preservative properties to foods and beverages. Public health authorities recommend a reduction in the intake of added sugars because in many countries around the world, the current levels risk displacing some of the essential, nutritious foods and ingredients in the diet. As with salt, our gradual approach to reducing sugar is helping consumers to adapt their taste preferences, making them more likely to adopt a healthier diet in the long term and not compensate with table sugar or choosing more sugary alternatives on the market. One clear limitation in our sugar reduction commitment is with products that need to comply with legally set compositional requirements, for example sweetened condensed milk. For these products, we are working at improving nutritional labelling and portion guidance to consumers.

¹² Products for which 50% or more consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.

¹³ Products for which 50% or more consumers are below 18 years of age and within this, more teens than children.

¹⁴ The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation.



Reduce saturated fats and remove trans fats originating from partially hydrogenated oils in our products

By 2014 – 100% of children’s products¹⁵ meet the Nestlé Nutritional Foundation saturated fats criteria¹⁶.

By 2016 – We will further reduce saturated fat content by 10% in products that do not meet the Nestlé Nutritional Foundation criteria and we will remove trans fats originating from partially hydrogenated oils (PHOs).

Our progress

Since the establishment of the Nestlé Policy on saturated fat, saturated fat levels of numerous products – especially children’s products – have been significantly reduced. At the end of 2013, 96% of our children’s products met the Nestlé Nutritional Foundation saturated fats criteria (2012: 90%). With regard to trans fats, at the end of 2013, almost all our food and beverage products met our Nestlé Policy. In 2014, we are further strengthening our commitment to continuous improvement by updating this policy to remove all trans fats originating from partially hydrogenated oils from all of our foods and beverages.

Our perspective

Dietary fats are part of a healthy balanced diet. However, public health authorities recommend a reduction in saturated fat consumption because at a population level, current intakes represent a risk factor for certain non-communicable diseases such as cardiovascular disease. For some types of products, reducing the saturated fat level without impacting the safety, texture, appearance and taste represents an important technological challenge for our food scientists. Trans fats occur naturally in foods such as milk and meat products. However, the majority of trans fats in human diets come from foods containing PHOs, such as bakery goods, chips, French fries, pizzas and savoury snacks. We have set ourselves a new objective to reduce all trans fats originating from PHOs. We have prioritised the reduction of levels in products consumed by children and families, such as soups, snacks, pizzas and ready-made meals.



Help increase consumption of whole grains and vegetables, including via healthier home cooking

By 2015 – More whole grain than any other ingredient in any serving of children’s¹⁵ or teenagers¹⁷ breakfast cereals.

By 2015 – *Maggi* Cooking Lesson Programme will be ongoing in 30 countries.

By 2015 – 90% of *Maggi* product portfolio worldwide promoting home cooking and meals with vegetables.

¹⁵ Products for which 50% or more consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.

¹⁶ The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation.

¹⁷ Products for which 50% or more consumers are below 18 years of age and within this, more teens than children.

*Help increase consumption of whole grains and vegetables,
including via healthier home cooking continued*

Our progress

At the end of 2013, our *Maggi* Cooking Lesson Programme was taking place in 16 countries (2012: eight countries), teaching balanced home cooking and a healthy meal structure. To date, 68% of the *Maggi* product portfolio promotes home cooking and meals with vegetables. We have also introduced more whole grains than any other ingredient in at least 74% of servings of our children's or teenagers' breakfast cereals (2012: breakfast cereals with the Green Banner on-pack contained at least 8 g whole grain per serving).

Our perspective

Whole grains and vegetables are important sources of beneficial nutrients like fibre, vitamins and minerals, and consumption surveys around the world indicate that current diets do not contain sufficient amounts. We are committed to help improve this. But increasing the whole grain content in a recipe presents many technological difficulties: it can impact the appearance and texture; sometimes, it increases bitter notes in the flavour; and it can also reduce shelf life and productivity in our factories, due to more complex handling of the grains. We have various innovation and renovation programmes running to overcome these hurdles. The challenges with increasing vegetable consumption are no less numerous considering their water content and the need to preserve their colour, texture and vitamin content. In parallel to our work on our product recipes, we focus on promoting simple and appetising ways to prepare and serve fresh vegetables as part of family meals.



Deliver nutrition information and advice on all our labels

By 2016 – All our relevant¹⁸ food and beverage products worldwide will have Guideline Daily Amount (GDA)-based labels on front of pack.

By 2016 – We will introduce GDA-based labelling, based on children's reference values, to all products designed for children¹⁹, where regulations allow.

By 2016 – Provide further product information and nutrition advice on pack, via Quick Response (QR) codes for smartphones.

Our progress

At the end of 2013, we were featuring GDA-based labels on 53.5% of our relevant products and started preparing for using children's reference values where regulations allow. In 2013, we also developed guidelines to help marketing teams provide nutritional information to consumers through QR codes. These are implemented on more than 160 product lines across 13 brands in 36 countries.

¹⁸ Products with significant everyday usage, by humans (not pets), that deliver calories and have sufficient pack surface to feature a GDA label.

¹⁹ Products for which 50% or more consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.

Deliver nutrition information and advice on all our labels continued

Our perspective

GDA-based labels inform consumers about the calories, sugars, fat and other nutrients in a serving of food or beverage and, crucially, how this compares to reference daily guidelines. Global debate continues on the most effective way to communicate nutritional information on packs, and in some markets, GDA-based labels cannot be implemented due to regulation. We believe in empowering consumers to make informed choices and want to introduce GDA-based labels on our children's products to better support parents and leverage their feedback for continuous improvement. This will require close work with nutrition experts, authorities and industry bodies, as well as sustained educational efforts towards consumers. Better understanding of consumers' needs, in terms of labelling, will be a future priority.



Provide portion guidance

By 2015 – Provide portion guidance on all children's²⁰ and family²¹ products.

Our progress

By the end of 2013, children's and family products amounting to sales of CHF 12.6 billion already offered specific portion guidance.

Our perspective

More people are leading sedentary lives, while consuming larger portions than 5–10 years ago. This contributes to increasing obesity and related health problems. At the same time, consumers eating inadequate portions of nutrient-rich foods often develop other kinds of health problems. Our priority is to make healthier portion choices intuitive for our consumers – to help them when they purchase, prepare, serve and consume our products, particularly children's and family products. For this reason, we are developing portion guidance at product level, with product form, pack design, clear illustrations or sometimes with a serving device. This is a difficult endeavour for many reasons: defining healthier portions for various types of food and beverages, and across different cultures, is a complex task; the cost and time involved in renovating products and packaging is significant; and ensuring consumers are not confused between the serving size prescribed by some nutrition labelling regulations and the actual healthier portions recommendations will require innovative solutions.

²⁰ Products for which 50% or more consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.

²¹ Products for which more than 20% but less than 50% of consumers are below 18 years of age.



Promote healthy diets and lifestyles/physical activity

By 2015 – Nestlé Healthy Kids Global Programme will be ongoing in 80 countries, with the activation of the International Association of Athletics Federations (IAAF) Kids Athletics programme.

Our progress

At the end of 2013, we were actively working with more than 280 partners to deliver our Healthy Kids Global Programme in 68 countries (2012: 64 countries). These efforts increase children's basic knowledge of the importance of nutrition and exercise, and reached 6.9 million children in 2013 alone.

Our perspective

We are continuing to develop new ways to measure the effectiveness of our Healthy Kids Global Programme and share best practices. While our older programmes have started to demonstrate interesting results, such as increasing nutrition knowledge and fruit or vegetable consumption, we need to see whether change can be sustained. Over time, we hope to develop the programmes into evidence-based, impactful initiatives that contribute to the health of local school communities. Long-term success will of course depend on the quality of our partnerships and the ability of the education system to reintroduce nutrition education and physical activity in participating schools.



Promote healthy hydration as part of healthy lifestyles

By 2014 – Further implement our fact-based healthy hydration awareness programme for healthcare professionals, caregivers and parents worldwide.

Our progress

In 2013, we completed additional research on children's hydration status in Egypt and are preparing scientific publications on the results. We also launched new awareness-raising campaigns, for example in the USA and Turkey.

Our perspective

Water is an essential part of a healthy diet and we strongly believe in the importance of enabling child-health stakeholders to include healthy hydration in their approach. Each of our studies in Italy, the USA, the UK and France involved a group of around 500 children, aged 9–11. Results indicated that two-thirds of children are insufficiently hydrated when they arrive at school. Working with the Project WET (Water Education for Teachers) Foundation, we have developed hydration teaching modules and a complete toolkit, which has most recently been implemented in Jordan and extended in China.



Implement nutritional education programmes to promote good nutrition practices

Maintain continuous nutrition education and intervention programmes for healthcare professionals addressing under- and over-nutrition problems.

Our progress

We offer nutrition education for healthcare professionals through the Nestlé Nutrition Institute (NNI), an independent not-for-profit organisation, which is the world's largest private publisher of nutritional information. It is active in nearly 200 countries and more than 210 000 healthcare professionals are registered members of its educational website.

Our perspective

We have a responsibility to use our knowledge and R&D capability to make a positive difference to society. The NNI engages with healthcare professionals, scientists and nutrition communities to share leading science-based nutritional education, resources and research. As well as having published more than 3000 papers, the Institute offers a selection of more than 400 online conferences, and organises scientific workshops and satellite symposia with leading nutrition experts. These cover key topics including maternal and infant nutrition, geriatrics, and obesity management.

How we're meeting them

Our commitments on nutrition are designed to help our people seek and deliver improvements that will benefit consumers and their families. They are underpinned by Nestlé's [Corporate Business Principles](#), which provide the foundation of our corporate culture, while our [Management and Leadership Principles](#) and [Code of Business Conduct](#) form the basis of how we conduct our business. We report our performance transparently and on a regular basis.

In January 2014, we revised the Nestlé Policies on [Sugars](#), [Sodium](#), [Saturated Fat](#) and [Trans Fat](#), to further strengthen our commitment to continuously improve the nutritional profile of our products. The updated policies have set the following targets:

- Sugars, Sodium and Saturated Fat: By 2016 – We will further reduce the respective nutrient levels by 10% in products that do not meet the Nestlé Nutritional Foundation criteria²²; and
- Trans Fat: By 2016 – We will remove trans fats originating from partially hydrogenated oils (PHOs).

Nestlé fully supports international/national regulations and guidelines on the reduction of public health sensitive nutrients. Achievements of these Policy targets will help consumers achieve recommended intake levels from the WHO and other leading international and national authorities.

Another key policy that governs our nutrition business is the [Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes](#). We have three key mechanisms to verify compliance with this policy and the FTSE4Good breast-milk substitutes marketing criteria – internal corporate audits, external audits carried out by Bureau Veritas, and FTSE4Good's independent verification process of the marketing criteria.

Read more about [our approach](#).

Our stories

Find out how we're putting Creating Shared Value into action:

- Working in partnership to tackle micronutrient deficiencies in the Philippines
- How do different foods impact eating behaviour?

²² The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation.

Nutrition in focus

Nestlé ranks in top three in the Access to Nutrition Index

In March 2013, Nestlé was ranked as one of the top three performers in the [Access to Nutrition Index \(ATNI\)](#), which assessed how effectively some of the world's largest food and beverage manufacturers provide consumers with access to nutritious foods and beverages.

The ATNI produced a scorecard for 25 global companies according to their policies, practices and progress in seven areas: governance, products, accessibility, marketing, lifestyles, labelling and engagement. The scorecards highlight each company's strengths – as well as areas for improvement.

The Index was developed by the [Global Alliance for Improved Nutrition](#), with support from the [Bill and Melinda Gates Foundation](#) and the [Wellcome Trust](#). The ratings are based on publicly available information from sources such as websites, reports and brochures, and on additional information provided by companies who chose to participate. The research and analysis was conducted by [MSCI ESG](#), a global consultancy that provides in-depth research, ratings and analyses of the environmental, social and governance-related business practices of thousands of companies worldwide.



Iron and iodine-fortified *Maggi* cubes on sale in an open market in Nigeria, helping address micronutrient deficiency.

Our nutrition strategy

We have always believed that over the long term, healthy populations, healthy economies and healthy business performance are mutually reinforcing. As such, nutrition forms an integral part of our business strategy, and we have a robust and effective governance structure in place to help manage our approach. We are clearly focused on achieving the first aim of our Corporate Business Principles, namely 'to enhance the quality of consumers' lives every day, everywhere, by offering tastier and healthier food and beverage choices and encouraging a healthy lifestyle. We express this via our corporate proposition Good Food, Good Life'. A strategic focus on improving children's nutrition, especially during the first 1000 days of life, is a key area of our work, where we believe we can make the biggest impact.

At a glance

- Our overarching goal is to help people achieve optimal nutrition, health and wellness, with a focus on the most critical stages in life;
- Tackling maternal and childhood undernutrition and overnutrition is central to our approach, especially during the first 1000 days of life; and
- Engaging with stakeholders and our employees is critical for providing innovative solutions to this complex global problem of malnutrition.

Governance structure

The Group governance structure of our company ensures that Nestlé's policies, objectives and activities are in line with our Corporate Business Principles.

Nestlé's Executive Board sets our direction and monitors our nutrition, health and wellness performance indicators. Ultimate organisational responsibility rests with our CEO, Paul Bulcke. The Nestlé in Society Board, chaired by Mr Bulcke, monitors our progress against all of our commitments.

The Nestlé Nutrition Council – an independent council of world-class nutrition experts chaired by Executive Vice President Stefan Catsicas – has been in existence for more than 30 years. It advises our senior management on key issues such as childhood obesity, diabetes and micronutrient deficiencies.

How we're organised

Corporate Wellness Unit

The Corporate Wellness Unit is responsible for driving nutrition, health and wellness across the whole of Nestlé – covering the entire portfolio of our foods and beverages, all over the world. Together with our business units, its role is to help Nestlé be the leader in nutrition, health and wellness.

Nestlé Nutrition

Nestlé Nutrition is a stand-alone business within the Nestlé Group that develops science-based product solutions and education services, addressing specific nutritional needs of consumers – such as pregnant women, infants and toddlers. We are helping children to develop their full potential and live healthier lives by providing high-quality, innovative, science-proven nutrition for mothers and infants in the 'First 1000 Days' of life.



Chefs at our Research and Development Centre in Manesar, India. The centre focuses on nutritious, affordable products for lower income consumers.

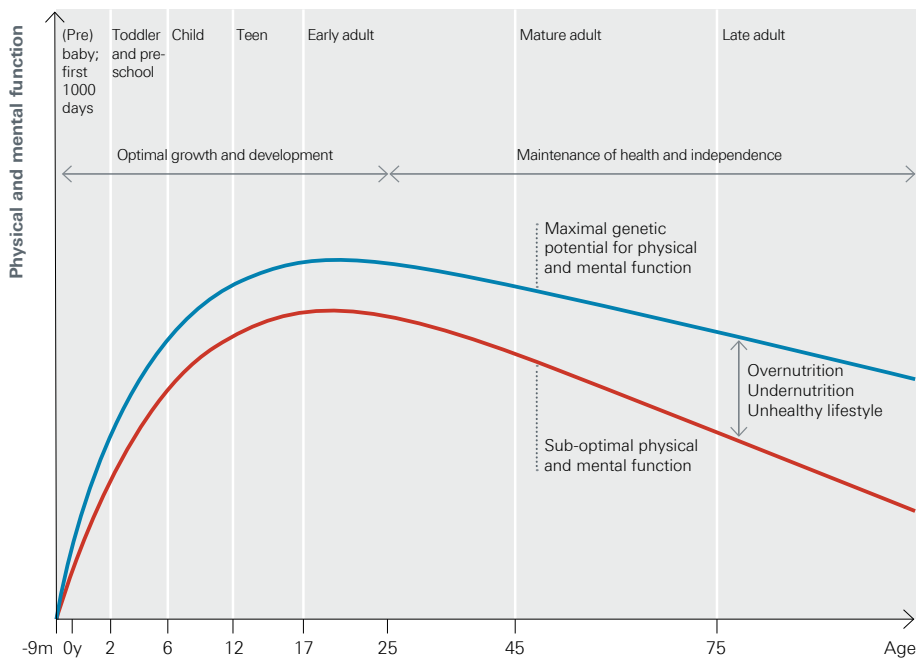
Nestlé Health Science

Nestlé Health Science is a wholly owned subsidiary of Nestlé. Its mission is to use the knowledge generated by the Nestlé Institute of Health Sciences and our other research and development facilities, to pioneer innovative nutritional solutions for people with specific dietary needs related to illnesses, disease, or the special challenges of different life stages.

Our goal: Achieving optimal nutrition, health and wellness

We aim to help people achieve optimal nutrition, health and wellness. All individuals have what nutrition scientists call a 'maximal potential for physical and mental function' – shown by the blue line in the graphic below if we are well nourished and have a healthy lifestyle. But poor nutrition and/or lifestyle at different stages in our life – from womb to adulthood – gradually erodes our physical and mental health and sets people on a lower trajectory, depicted as the red line. Nestlé's goal is to help consumers stay on, or as near as possible to, their blue line of optimal nutrition and health.

Promoting optimal Nutrition, Health and Wellness throughout the course of life



Building our knowledge leadership

We have a responsibility to use our knowledge and our research and development capability to make a positive difference to society. The more we learn about nutrition and the way people eat and drink, the greater chance we will have to help consumers make positive choices and to prevent disease. Our goal is to lead the industry in nutrition and health research, through internal programmes and external collaborations with leading academic institutions.

We will refocus the Nestlé Research Center on five key platforms: Healthy Ageing; Healthy Pleasure; First 1000 days and Healthy Kids; Sustainable Nutrition; and Food Safety and Integrity. And because they are the most critical development stages in determining long-term health, we have made it a priority to build knowledge leadership in children's nutrition, using scientific research to maintain a deep understanding of their dietary intakes and lifestyle habits.

Working together

Addressing global challenges of nutrition and health is hugely complex and requires the combined efforts of scientists, academics, consumers, health leaders, industry partners and local, national and international authorities around the world. Stakeholder engagement is therefore at the centre of our approach to improving nutrition and health. We contribute to the public debate and develop innovative partnerships with universities, start-ups, suppliers and other bodies.

Products and information

We aim to help consumers improve their understanding of eating habits, with clear information about ingredients and portion size guidance on our products. We also promote the importance of hydration, encourage the consumption of whole grains and vegetables, and promote healthier lifestyles through nutrition education initiatives such as the Nestlé Healthy Kids Global Programme and activities supported by our Maggi brand.

Employee training

We train our people using Nestlé's Nutrition Quotient programme, designed to help employees make business decisions and personal choices based on the most up-to-date nutrition science. More than 245 600 employees around the world have completed at least one level of training since the programme was launched in 2007, and in 2013, 48 404 people received refresher training. To meet the specific needs of factory-based employees, we organise innovative campaigns with educational posters, activities and hand-outs they can take home to their families.

All employees involved in the commercialisation of infant foods and beverages also take part in extensive training to ensure they understand and respect the aims and principles of the WHO Code on Marketing of Breast Milk Substitutes. In higher-risk countries²³, our staff use detailed procedure manuals to guide their actions and practices. We also undergo rigorous internal and independent external audits to ensure all our foods and beverages and marketing practices comply with our strict policies.



The Nestlé Research Center.



Build knowledge leadership in children's nutrition through a deep understanding of their dietary intakes and lifestyle habits

For full details see [page 51](#)



Lead the industry in nutrition and health research through internal programmes and external collaborations with top institutions

For full details see [page 52](#)

Read more in [Working in partnership to tackle micronutrient deficiencies in the Philippines](#).

²³ We voluntarily follow the FTSE4Good breast-milk substitute marketing criteria, which classify countries as 'higher-risk' if they have mortality rates for under-fives of more than 10 per 1000, or more than 2% acute malnutrition among under-fives. All other countries are 'lower-risk'.

Research and development

Health conditions can be influenced by nutrition, our genetic make-up, the conditions we live in and our lifestyle. The public commitments we have made to lead the industry in nutrition and health research help us to deliver products and nutritional solutions that make a positive contribution to consumers' lives. We have the largest food and nutrition research network in the world and endeavour to be at the forefront of new thinking about nutrition, with about 5000 people involved in research and development across our global network.

At a glance

- We invested CHF 1.503 billion in research and development in 2013;
- In 2013, we renovated 7789 foods and beverages to improve their nutritional profile. Of these products, 4221 now contain less salt, sugars, trans fatty acids, total fat, calories or artificial colours²⁴ (2012: 3317) and 4778 provide more essential nutrients, such as vitamins, functional components such as probiotics and prebiotics, which aid digestion, and vegetables (2012: 4691);
- We're conducting research into the interaction between diet, lifestyle, inherited factors and individual metabolism, and we're aiming to use that understanding to develop nutritionally adapted foods and beverages for our consumers, including those with certain diseases; and
- In 2013, we launched the Kids Nutrition and Health Study, which will help us learn more about children's nutrient and fluid intake, and the connection between relevant lifestyle variables, health-related behaviours, body weight and height, dietary patterns and diet adequacy.

What we're doing

The foods and beverages Nestlé provides have to be based on sound scientific evidence, in order to deliver health benefits. To achieve this, we work with academia, governments, research institutes, corporate ventures, start-ups, suppliers and NGOs around the world to maximise the value of our research and development activities. While 2013 was mainly a year of consolidation in our research and development capability, we have continued to invest, assessing further the nutritional value of our existing portfolio and exploring emerging technologies.

In 2013, our total worldwide investment in research and development was CHF 1.503 billion (2012: CHF 1.54 billion). This included:

- A CHF 49 million investment in our R&D facilities in Ohio, USA, to strengthen our expertise in frozen and chilled foods; and
- A CHF 4 million extension to our R&D Centre in Singapore, increasing our focus on our fastest growing markets in the Asia-Pacific region.

Our global research and development network

Nestlé has the largest food and nutrition research network in the world, reflecting our commitment to help tackle the challenges of global nutrition. About 5000 people are involved in research and development across our network of 34 R&D and Product Technology Centres. They address issues across the entire food value chain, from raw materials through to product development and consumer benefits.

²⁴ Based on reports of approximately 75% of worldwide product development teams. Products can have 'less of' one ingredient and 'more of' another at the same time.

Nestlé Research Center

The [Nestlé Research Center](#) employs around 600 people throughout Switzerland, the USA, China and Japan. Its core purpose is to provide the scientific knowledge and research base we need to renovate our existing foods and beverages, and develop new ones. The Center is at the heart of research and development at Nestlé. It focuses on the key areas: food safety, nutrition, behaviour and taste.

Nestlé Institute of Health Sciences

Based on the campus of the world-renowned Swiss Federal Institute of Technology in Lausanne, Switzerland, the [Nestlé Institute of Health Sciences](#) specialises in biomedical research to better understand chronic human diseases and ageing as influenced by metabolism, genetics and environment. Established in 2011, the Institute seeks to develop science-based nutritional solutions to address chronic medical conditions such as diabetes, obesity and Alzheimer's disease. These diseases have a negative impact on quality of life for patients and their families, and also put a huge burden on society in terms of healthcare expenditure.

The Institute's objectives are to:

- Conduct research into metabolic and cognitive disorders and develop nutritional strategies to improve health and longevity;
- Establish omics-based platforms²⁵ to model cellular function in health and disease;
- Develop stratified human cellular models that simulate genetic, metabolic and physiologic characteristics of healthy and diseased states; and
- Develop nutritional interventions that modify these molecular, cellular and physiologic disease mechanisms.

Nestlé Clinical Development Unit

In 2012, we established the [Nestlé Clinical Development Unit](#), which brings management of all our clinical trials together. The facility provides medical expertise to support all aspects of research and development and to evaluate the impact of our foods on human biology, health, taste and pleasure. In 2013, the unit was running more than 129 clinical trials.

Nestlé Nutrition Institute

The [Nestlé Nutrition Institute](#) was established in 2005 as an independent not-for-profit organisation to provide the most up-to-date information to help healthcare professionals combat the causes and effects of malnutrition around the world. It is now the largest private publisher of nutritional information in the world. It is active in nearly 200 countries and more than 210 000 healthcare professionals are registered members of its educational website.

The Institute engages with healthcare professionals, scientists and nutrition communities to share leading, science-based nutritional education, resources and research. As well as having published more than 3000 papers, the Institute offers a selection of more than 400 online conferences, and organises scientific workshops and satellite symposia with leading nutrition experts. These cover key topics including maternal and infant nutrition, geriatrics and obesity management, helping us to achieve our objective of maintaining continued nutrition education and intervention programmes for professionals, which address the problems of malnutrition.



The Nestlé Clinical Development Unit.

²⁵ These platforms make measurements on a large scale, such as the sequencing of the entire human DNA in a biological sample (genomics) or the measurement of all proteins, metabolites and lipids in a biological sample (proteomics, metabolomics and lipidomics).

How do different foods impact eating behaviour?

In 2013, the Nestlé Research Center carried out two studies that examined the impact of flavour intensity and texture different foods have on eating behaviour and calorie consumption.

How we consume foods differently

The first of these studies looked at 35 savoury foods that are often part of hot meals – including vegetables, meat, prepared foods and snack foods. Volunteers were asked to eat 50 g of each food, and details such as their eating rate, chew rate and average bite size were recorded. Scientists found that softer foods were eaten at a much faster rate, and foods consumed at slower rates resulted in higher than expected feelings of fullness among volunteers.

The importance of texture

In light of these findings, the Center conducted a second study to look at whether foods that require more chewing and stay in the mouth longer promote feelings of fullness, thereby reducing calorie intake. A meal of steak and gravy, carrots and potatoes was given to participants in normal and puréed form, with gravy of either high or low flavour intensity. The four groups were then asked to eat until they were comfortably full.

Food intake was measured and volunteers rated their perception of fullness before and after the meal. The results showed that participants who ate whole vegetables and steak consumed about 10% fewer calories than those who ate the mashed vegetables and steak pieces.

Using our findings

Our research is currently being used by the Nestlé *Lean Cuisine* team to guide the development of more satiating calorie-controlled meals.

It has helped us improve the quality and consistency of chicken meat across the *Lean Cuisine* range, significantly improving the appearance of the finished meals, as well as the satisfaction of consumers, while still delivering on the calorie-control promise.

Assessing and renovating our products

We don't compromise on taste or health, because we believe that by providing tastier and healthier foods and beverages that people will want to eat, we can make a contribution to healthier lives. We've made commitments to provide nutritionally sound products for children and to reduce the amount of salt, sugars, saturated fat and trans fats in our products.

Nestlé Nutritional Foundation

In 2013, we assessed a further 11.1% of our foods and beverages through the Nestlé Nutritional Profiling System, meaning that we have now assessed 86.8% of our product portfolio since 2008 (2012: 75.7%). We introduced the system in 2004 to rigorously analyse the nutritional content of our food and beverage products. It works by assessing each of them against criteria-based nutrition science and public health recommendations for dietary intake issued by authorities such as the WHO, the US Institute of Medicine and other independent bodies. The criteria cover nutritional factors such as sugar, fat, salt and calorie content, and levels of protein, calcium and fibre. If a food or beverage product meets all the criteria of the Nestlé Nutritional Profiling System, it attains the Nestlé Nutritional Foundation²⁶ status – meaning we consider it an appropriate choice for consumers as part of a balanced diet. In 2013, 96% of our children's food and beverage products²⁷ (2012: 89%), and 76% of our overall products (2012: 75.7%), met all of the Nestlé Nutritional Foundation criteria. Our objective is that 100% of our children's foods and beverages will meet the relevant criteria by the end of 2014.

In 2013, we asked a group of reputed nutrition experts to review our nutrition criteria. Another important hurdle we face now is ensuring the accurate capture of all our recipes across the globe and their ongoing evolution in a single IT system. We are working on this, but with 1.2 billion Nestlé products sold every day, this is not an easy task.

Nestlé 60/40+ programme

We constantly assess our food and beverage products through the Nestlé 60/40+ programme to ensure that taste and nutrition go hand in hand. This involves testing new and existing foods and beverages using a representative consumer panel – where at least 60% of people must prefer the taste of the Nestlé product over a competitor's. The '+' expresses the nutritional dimension of the food or beverage, which we assess against the Nestlé Nutritional Profiling System and nutritional attributes of similar products on the market. Our ongoing 60/40+ programme is helpful because, while we aim to improve the health benefits of a food or beverage product, altering the taste may mean that consumers add an ingredient back in or stop purchasing it altogether.

Assessments are carried out to help ensure we consider specific local nutritional priorities. To ensure fair and balanced results, the methodology takes into account the possibility of participants reacting differently to a product that they recognise. If a product doesn't meet the 60/40+ test, we use consumer feedback and research to improve or renovate the product. In 2013, 33 001 million products (CHF sales) were assessed through the 60/40+ programme and renovated where necessary to win their competitive set.

76%

In 2013, 76% of our products (% of total sales) met all criteria for achieving the Nestlé Nutritional Foundation.



Reduce saturated fats and remove trans fatty acids originating from partially hydrogenated oils in our products

For full details [see page 55](#)

One third of

products (sales volume, CHF million) assessed and successfully renovated where needed through the 60/40+ programme in 2013²⁸.



Provide nutritionally sound products designed for children

For full details [see page 52](#)

²⁶ The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as the World Health Organization and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation.

²⁷ Children's product: Foods and beverages where 50% or more of consumers are aged 4 to 12 years old.

²⁸ This KPI reflects the dynamic nature of our 60/40+ programme. Assessment results are valid for a maximum of three years, only if all parameters remain equal.

Reducing salt, sugars and saturated fats

We produce and sell foods and beverages in many countries around the world, and these countries all have specific legal requirements, nutritional priorities, traditional cooking practices and consumer taste preferences. If consumers gradually reduce their salt, sugar and saturated fats intake, they are more likely to continue making healthier choices in the future.

In 2013, we renovated 7789 food and beverage products to improve their nutritional content. This is an increase on 2011 and 2012, when we renovated 5066 and 6692 products respectively. Of these products, 4221 now contain less salt, sugars, trans fatty acids, total fat, calories or artificial colours²⁹ (2012: 3317) and 4778 provide more essential nutrients, such as vitamins and minerals, functional components such as probiotics and prebiotics, and vegetables (2012: 4691). In order to monitor these recipe improvements in a way most meaningful to public health, we are transitioning to a system that will look at content evolutions per serving and across the whole product portfolio.

We have several key objectives for the future. Our overall aim regarding salt is to achieve a further 10% reduction in relevant³⁰ food and beverage products, and in November 2013, we pledged to accelerate salt reduction across our food brands to support the WHO salt target³¹.

We also plan to reduce the sugar content in children's or teenagers' breakfast cereal brands to 9 g or less per serving.

Nestlé has a mandatory policy to reduce levels of saturated fatty acids wherever possible, and by 2016, we aim to cut the amount of saturated fat in relevant food and beverage products by at least 10%. The consumption of trans fatty acids (TFA) originating from partially hydrogenated oils (PHO) is associated with an increased risk of coronary heart disease. We will remove all trans fats originating from partially hydrogenated vegetable oils by 2014. We've prioritised foods and beverages consumed by children and those that contain trans fats, such as soups, snacks, pizzas and ready-to-consume meals.



Reduce sodium (salt) in
our products

For full details [see page 53](#)



Reduce sugars in
our products

For full details [see page 54](#)

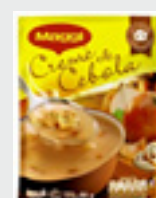
Where have we made significant salt reductions?

Maggi noodles, Malaysia



20%
reduction
per serving

Maggi soups, Brazil



25%
reduction
per serving

Stouffer's stuffed peppers, USA



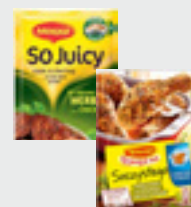
29%
reduction
per serving

Buitoni pizzas, France



20%
reduction
per serving

Maggi So Juicy range, Europe



25%
reduction
per serving

²⁹ Based on reports of approximately 75% of worldwide product development teams. Products can have 'less of' one ingredient and 'more of' another at the same time.

³⁰ Foods and beverages with significant everyday usage, by humans (not pets), which deliver calories, and have sufficient pack surface for it.

³¹ No more than 5 g of salt per person, per day, by 2025.

Research into diet, nutrition and lifestyle

We study consumer behaviour in relation to food and nutrition, ranging from what drives food choices in food stores/outlets, to the social aspects of eating and how we feel when we consume particular types of food. In 2013, the Nestlé Research Center carried out new studies that considered the impact different foods have on eating behaviour and calorie intake. To find out more, [see our case study](#).

We continue to improve our understanding of the role parents can play in promoting healthy eating and drinking habits for children. Facial expressions and eye contact, feeding practices, role modelling, eating as a family, involving children in choosing foods and beverages and preparing meals, are some of the many aspects that contribute to shaping sustainable healthy habits, and they feature in our research programmes.

Nestlé Feeding Infant and Toddlers Studies

To help tackle the growing problem of childhood obesity, we are committed to developing the deepest possible understanding of what determines children's dietary intake, lifestyle and health status.

We ran the Nestlé Feeding Infants and Toddlers Study in the USA in 2002 and 2008 to help understand the eating patterns and nutritional intake of children aged 0–4 years. The study, which looked at the vital transition from an all-milk diet to food provided by the family, identified nutritional gaps and poor dietary patterns, including inadequate intake of nutrients from different food groups such as fruits and vegetables. It also revealed that dietary patterns are largely set by 18 months of age. So what and how we feed babies in the first 1000 days is critical to their future health and wellbeing.

The Nestlé Feeding Infants and Toddlers Study has provided us with a roadmap for further improvement of our product solutions to best meet the nutritional needs of infants and young children as well as of pregnant women. The findings have been well received by healthcare professionals and the public health community, and they have helped inform programmes and public health policies. Apart from the USA, the Nestlé Feeding Infants and Toddlers Study has already been implemented in five other countries and we will initiate five to six additional studies by 2017.

Kids Nutrition and Health Studies

In 2013, we launched the Kids Nutrition and Health Study, which complements our long-running Nestlé Feeding Infants and Toddlers Study by focusing on children from 4 to 12 years of age. These years are important for forming dietary and activity habits that define health throughout life. Through the Kids Nutrition and Health Study, we aim to learn more about children's dietary patterns and nutrient intakes, and the connection between relevant lifestyle variables, health-related behaviours, body weight and height. The first study took place in the last quarter of 2013 and we aim to hold studies in 10 countries by the end of 2017. We will use this knowledge to inform our product and service development over the long term.

A healthier start

Cereal Partners Worldwide, Nestlé's joint venture with General Mills, has committed to reducing the sugar content in 20 breakfast cereal brands to 9 g or less per serving by 2015.



For children to grow up healthy and develop to their full potential, it is crucial that they get good nutrition during the first 1000 days of life. Nestlé contributes to this through scientific research.

Our 2008 research demonstrated that:

- About 30% of young children in the USA don't eat a single portion of fruit and vegetables on a given day;
- French fries are the most popular vegetable among toddlers and pre-schoolers;
- 75% of pre-schoolers consume too much saturated fat; and
- More than 70% of toddlers and 84% of pre-schoolers consume more salt than is recommended.

Focusing on biomedical research

Recognising that each individual has specific nutrition and health needs, the Nestlé Institute of Health Sciences uses state-of-the-art biomedical knowledge and technologies to understand the interaction between diet, lifestyle, inherited factors and individual metabolism. It focuses on areas where nutrition and lifestyle can have a beneficial impact on outcomes, such as:

- Gastrointestinal health (including irritable bowel syndrome, inflammatory bowel disease and Crohn's disease);
- Metabolic health (particularly diabetes and obesity); and
- Brain health (particularly cognitive decline and Alzheimer's disease).

The Nestlé Institute of Health Sciences has a number of research projects under way. These include a study to identify nutrient requirements that are fundamental for health in populations with different genetic backgrounds and cultures, and a major study of weight management in Europe for predicting the capacity of individuals to lose weight and maintain a healthy weight in the long term.

Addressing diseases and health management

In April 2013, Nestlé Health Science acquired [Pamlab](#), a US-based company that offers medical foods, by prescription, for the nutritional support of patients with specific medical conditions. Pamlab investigates nutritional science and promotes evidence which can directly affect disease management for brain health (depression and memory loss) and metabolic conditions (peripheral neuropathy).

Other acquisitions and partnerships in recent years include:

- **Prometheus Laboratories** – a US firm specialising in products to support patients with disorders of the digestive system or cancer;
- **Vitaflo** – a provider of nutritional solutions for infants, children and adults with genetic disorders that affect how food is processed by the body; and
- **Accera** (minority stake) – a US firm specialising in the research and development and commercialisation of medical foods for patients with neurodegenerative disorders, such as mild to moderate Alzheimer's disease.

Exploring emerging technologies

Our scientists and engineers keep us at the cutting edge of new developments in food science and technology – looking at everything from packaging and equipment to food production and processing.

Biotechnology

Biotechnology is defined by the United Nations (UN) Convention on Biological Diversity as “any technological application that uses biological systems, living organisms or derivatives thereof, to make or modify products or processes for specific use”. For thousands of years, humankind has used biotechnology in agriculture, food production and medicine. Biotechnology covers a multitude of techniques, of which genetic modification is only one aspect.

Nestlé's approach is to support those technologies which have been proven to be safe to human and animal health; and which contribute to improving the nutritional value of food, sustainable crop production, the livelihoods of farmers, or identifying the pre-disposition to disease.

We use several biotechnology methods which do not involve genetic modification practices, such as fermentation (e.g. yogurt), marker assisted selection and somatic embryogenesis. For example, as part of our efforts to address micronutrient deficiencies, we promote the development and dissemination of bio-fortified crops like cassava and millet which are selected using marker assisted selection, for their natural higher content of vitamins or minerals.

Marker assisted selection and somatic embryogenesis are used in our operations to breed trees that naturally produce higher quality coffee and cocoa, and to accelerate the propagation of selected coffee and cocoa plantlets respectively. Finally, breakthroughs in genetics have made possible nutritional solutions spanning disease risk reduction and management, and solutions tailored to genetic make-up.

Gene technology

We have always been in favour of innovation and the responsible use of scientific and technological advances. As a consumer goods company, we are particularly sensitive to consumers' concerns, needs and preferences. We fully support our consumers' right to know what is in their food and we are committed to providing information about the use of ingredients which are derived from genetically modified (GM) organisms. The decision to use, or not to use GM ingredients is made at the local level in response to consumer concerns.

Nanomaterials

Nanotechnology involves engineering at the nanometer level – the scale of atoms and molecules. At this level, food acquires its recognisable properties such as flavour, aroma and texture, so developments in this area can give food and beverage products a range of benefits. The food industry is looking at how nanomaterials can help in a number of ways, including in:

- Novelty (new textures, tastes and colours);
- Processing (better and cleaner equipment and surfaces);
- Safety (reducing the likelihood of contamination);
- Healthier foods (adding and enabling the release of nutrients);
- Sports foods and drinks; and
- Smart packaging³².

We make limited use of nanostructured materials in packaging, such as coated films and containers, where they contribute to quality, safety and environmental performance e.g. to use less packaging overall. We do not use nanotechnology or nanomaterials in our foods and beverages portfolio, but continue to closely monitor developments in this area.

32 <http://www.nano.org.uk/articles/39/>

In numbers

Number of products renovated for nutrition or health considerations in 2013³³

2013	7789
2012	6692
2011	5066

Products analysed and improved or confirmed via 60/40+ programme (sales volume, CHF million)³⁴

2013	33 001
2012	31 720
2011	28 715

Products with reduction or removal of sodium, sugars, trans fatty acids, total fat, calories or artificial colourings³⁵

2013	4221
2012	3317
2011	1215

Products meeting the Nutritional Foundation profiling criteria (as % of total sales)

2013	76
2012	75.7
2011	74.1

³³ Based on reports of approximately 75% of worldwide product development teams. Products can have 'less of' one ingredient and 'more of' another at the same time.

³⁴ This KPI reflects the dynamic nature of our 60/40+ programme. Assessment results are valid for a maximum of three years, only if all parameters remain equal.

³⁵ Based on reports of approximately 75% of worldwide product development teams. Products can have 'less of' one ingredient and 'more of' another at the same time.

Maternal and infant nutrition

Infant nutrition was the business on which Nestlé was founded almost 150 years ago, when Henri Nestlé created his Farine Lactée infant cereal to save the life of a baby. Promoting healthy nutrition of infants and young children remains a prime focus for us today, and we are committed to providing consumers with the science-based nutritional solutions and services they need to care for themselves as pregnant or new mothers, and their families. It is now universally recognised that the period from pregnancy until a child reaches the age of two years provides the greatest opportunity to secure a healthy and productive future through the right nutrition and feeding practices.

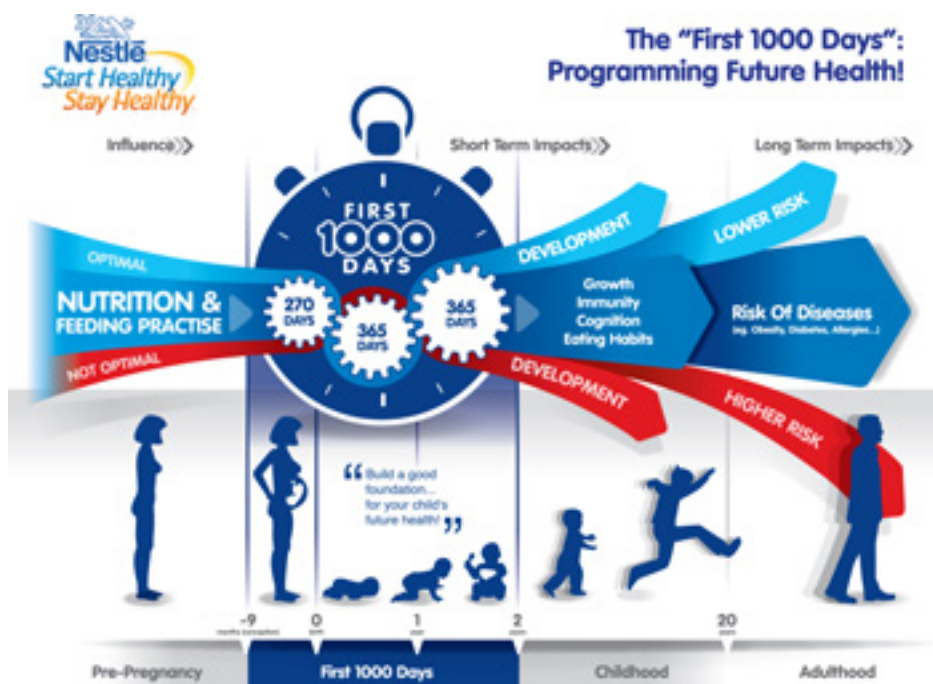
At a glance

- We focus on the first 1000 days of a child's life – a period that is crucial for healthy growth and development in terms of physical and cognitive function, and setting the right start for optimal metabolic functions and the establishment of immune functions (e.g. onset of allergic symptoms);
- We promote and support breastfeeding, which is the best start a baby can have in life; and
- Our global [Start Healthy Stay Healthy](#) programme is dedicated to supporting mothers and caregivers to get nutrition right in the first 1000 days.

What we're doing

Focusing on the first 1000 days of life

The importance of the right nutrition and feeding practices during the critical first 1000 days of life is now widely accepted by the public health community. Getting the right nutrition during this period, which covers pre-pregnancy and the first two years of a child's life, is crucial for healthy growth and development in terms of immunity and cognitive function. The right feeding practices in early childhood also support the establishment of healthy eating habits. Early nutrition also impacts a child's risk of becoming overweight or obese and developing related health problems later in life, such as cardiovascular diseases, hypertension and diabetes.



Why is nutrition so important for mothers and infants?

- Maternal underweight and micronutrient deficiencies affect foetal growth and cognitive functions, increase infant morbidity and mortality, stunting is considered to increase the risk of developing subsequent obesity, diabetes and other chronic diseases.
- Maternal overweight and obesity are linked with increased maternal morbidity, preterm birth, macrosomia (Big Baby Syndrome) and higher infant mortality. The timely introduction of adequate complementary foods combined with the right feeding practices helps prevent the risk of stunting and wasting, and supports proper physical and cognitive development of the young child.
- Malnourished children have reduced intellectual ability, which reduces their chances to earn a good living as an adult. Individuals lose more than 10% of lifetime earnings and many countries lose at least 2% to 3% of their GDP to undernutrition. (World Bank, 2010).

Lead the industry in nutrition and health research through internal programmes and external collaborations with top institutions

For full details see page 52

Epigenetics

Our genes, our food choices and our lifestyle shape our health. Environmental factors such as the nutrients within our diet can activate or deactivate our genes at specific times and locations in our body, in a stable, long-term and sometimes hereditary manner. These effects can either have a positive or negative impact on our health. Epigenetics is the study of how these environmental factors can affect the way genes work without any change to their DNA sequence. We are working with the EpiGen Consortium – an international alliance of experts – to look at how maternal nutrition affects the activity of genes during the very early stages of development, and how this impacts the future healthy growth and development of the child. Our aim is to use this knowledge to enable innovation in nutrition, including better designed foods and beverages, which will help improve and maintain the health and wellbeing of mothers and children.

Supporting mothers and caregivers

Parents and caregivers play a vital role in helping infants and young children to grow and develop into healthy adults. [Start Healthy Stay Healthy](#) is our global education programme dedicated to supporting parents and caregivers to get nutrition right in the first 1000 days.

Start Healthy Stay Healthy translates the latest scientific findings from the first 1000 days into practical nutrition and feeding advice. This information is made available through print, television, the internet and social media, and aims to raise awareness of the importance of improving maternal nutrition – starting even before conception – breastfeeding and complementary feeding. The programme provides information on how different feeding practices can impact the future health of a child. Start Healthy Stay Healthy provides doctors with practical tools and services to educate women about the importance of breastfeeding and good nutrition during pregnancy and the first two years of life.

Promoting and supporting breastfeeding

Breast milk is undisputedly the best nutritional start a baby can have in life. This is why we support and promote the WHO's recommendation of exclusive breastfeeding during the first six months of a child's life, followed by the introduction of nutritious complementary foods along with sustained breastfeeding until two years and beyond. It's one of our core principles, along with ensuring the quality and compliance of our maternal and infant nutrition product solutions.

We manufacture high-quality breast-milk substitutes for use when a safe alternative to breast milk is needed, and we're strongly committed to [marketing those products responsibly](#) in line with the aims and principles of the [WHO International Code of Marketing of Breast-milk Substitutes](#). Our marketing standards are the strictest in the industry.

When, in consultation with their healthcare providers, mothers and families have determined that optimal breastfeeding is not possible, infant formula plays a vital role in providing essential nutrients to infants. Infant formula is the only suitable breast-milk substitute recognised by the WHO.

Read more on our [website](#).



START AS YOU MEAN TO GO ON:
Our Start Healthy Stay Healthy campaign educates parents and caregivers about getting nutrition right from the start.

For more information about how we promote and support the WHO Code, please see [Responsible infant food marketing](#).

We actively promote the WHO's recommendations by:

- Providing healthcare professionals and caregivers with scientific information about the importance of breastfeeding;
- Providing breastfeeding education and a conducive environment for breastfeeding mothers in our company (e.g. a breastfeeding room is made available for nursing mother employees at 150 of our facilities); and
- Responsibly marketing our breast-milk substitutes for babies who cannot be breastfed, in line with the WHO recommendations.

Nestlé Feeding Infant and Toddlers Study and Kids Nutrition and Health Study

Through the Nestlé Feeding Infants and Toddlers Study and the Kids Nutrition and Health Study, we want to learn more about the connection between lifestyle, behaviour, body weight and height, dietary patterns and diet adequacy. To read about our studies, see the [Research and development](#) section.

Providing healthy choices for mothers and infants and young children

We use what we learn through the Nestlé Feeding Infants and Toddlers Study and other research to develop and improve our foods and beverages for pregnant women, mothers and infants. Some examples include:

- *MOM & me* – a nutritional supplement for pregnant and lactating mothers, specially designed to provide the most important nutrients for healthy growth, development and protection of the baby;
- The only hypoallergenic infant formula that is clinically proven to reduce the risk of atopic dermatitis and related costs in infants with increased risk for allergies;
- CERELAC/NESTUM/MUCILON – nutrient-dense infant cereals that are fortified with probiotics (BL BIFIDUS) and micronutrients such as iron, zinc, vitamin A and vitamin C; and
- MILKIES – an ambient range of milk-based foods rich in calcium, magnesium and zinc to support healthy bone growth in young children.

Engaging with healthcare professionals

Healthcare professionals such as paediatricians, play a key role in offering parents and caregivers trustworthy nutrition advice for infants and young children. The [Nestlé Nutrition Institute](#) provides healthcare professionals around the world with information on the latest science and developments in early childhood nutrition through publications, workshops, scientific conferences and digital media. The Nestlé Nutrition Institute also works in partnership with academia and leading practitioners to initiate research into maternal and infant nutrition.

Sourcing the best raw materials

We believe the best raw materials produce the best foods and beverages, and nowhere is this more important than in products designed for mothers and infants. Infants and young children are far more sensitive to contaminants because their organs and immune systems are not fully developed, and their diets are not as varied as those of adults.

Inclusion in FTSE4Good

To date we are the only infant formula manufacturer included in the FTSE4Good Index. FTSE4Good is the only responsible investment index that has defined criteria on the [marketing of breast-milk substitutes](#). We have also met FTSE4Good requirements in the following five areas: environmental sustainability, countering bribery, human rights, social and stakeholder criteria, and supply chain labour standards.



WE ARE COMMITTED TO TRANSPARENCY, COMPLIANCE AND GOOD GOVERNANCE, ALL OF WHICH HELP BUILD AND SUSTAIN TRUST IN OUR COMPANY. TAKING PART IN THE FTSE4GOOD ASSESSMENT PROCESS DEMONSTRATES THAT COMMITMENT, AND ENABLES US TO CONTINUOUSLY IMPROVE OUR APPROACH TO THE RESPONSIBLE MARKETING OF BREAST-MILK SUBSTITUTES. FTSE4GOOD IS AN IMPORTANT PLATFORM FOR RAISING NOT ONLY OUR OWN STANDARDS, BUT THOSE OF THE INDUSTRY. WE HOPE OTHER BREAST-MILK SUBSTITUTE MANUFACTURERS WILL SEEK INCLUSION.”

Luis Cantarell,
Head of Nestlé Nutrition

While baby nutrition is tightly regulated around the world, guidelines and requirements differ from one country to another. We often go beyond local legislation: the ingredients we use in our baby food must be 100% traceable and comply with our own global standards, which are among the strictest in the world. We also work with authorities and suppliers to improve the quality of the raw materials produced. We run many partner programmes with farmers around the world to improve agricultural practices and benefit communities.

Read more about rice production and milling in Indonesia for our infant cereals in [Rural development](#).

Encouraging breastfeeding through Project BIB

In November 2013, we launched Project BIB (Breast is Best), an initiative to support mothers who choose to breastfeed. Project BIB is available to eligible employees in Nestlé Nutrition (Gerber Products Company and Gerber Life Insurance Company), Nestlé HealthCare Nutrition, Inc., Nestlé Nutrition R&D Centers, Inc. and PN Nutri Newco, Inc. (Wyeth).

After evaluating the current opportunities available to breastfeeding mothers, we decided to enhance our support for new and expecting parents. Our changes included:

- A new breastfeeding policy that provides new mothers with milk expression breaks;
- A Breastfeeding Reimbursement Programme, which offers a refund of up to USD 500 per pregnancy for breast pumps and breast pump accessories;
- The provision of BIB cooler bags containing educational materials and a starter kit including breast wipes, milk storage bags and nursing pads;
- Updated worksite mother's rooms, equipped with a refrigerator, an ergonomic chair and access to a nearby sink; and
- Designated parking spaces for expectant mothers at most sites.

World Breastfeeding Week

In 2013, Nestlé again supported World Breastfeeding Week, an annual global initiative. In developing countries only 36% of infants under six months old are breastfed, and World Breastfeeding Week aims to increase that proportion.

We held a number of activities to promote greater awareness and advocacy for breastfeeding across the countries where we operate. This included holding breastfeeding workshops for consumers, reinforcing our commitment to the WHO Code among employees, and highlighting the importance of breastfeeding through radio, newspaper and social media campaigns.

In India, for example, we held a campaign to encourage consumers to support breastfeeding by taking a 'super pledge'. Our campaign, which included online videos, social media engagement, newspaper articles and radio advertisements, asked people to show their support for the pledge by visiting the website, sending an SMS or dialling in.

“

THESE NEW CHANGES PROVIDE AN ENVIRONMENT THAT IS SUPPORTIVE TO NEW PARENTS AND REFLECTS OUR COMMITMENT TO MOTHERS, BEGINNING WITH OUR VERY OWN EMPLOYEES.”

Marilyn Knox,
Regional Business Head, Nestlé Infant
Nutrition NA

“

WE ARE PASSIONATE ABOUT THE POWER OF NUTRITION. WE RECOGNISE THE IMPORTANCE OF BREASTFEEDING AND REMAIN TRUE TO OUR COMMITMENT TO NOURISH A HEALTHIER GENERATION, ONE BABY AT A TIME.”

Georgina de La Peña,
Head of Human Resources,
Nestlé Nutrition North America

Child and family nutrition

All around the world, the family – in its many different forms – remains a focal point for the cooking, preparation and consumption of food. The majority of Nestlé products are focused on families and their changing nutritional needs over time. While many of our foods and beverages cut across generations and specific nutritional needs, others are specially developed for children. Our research into children's dietary intakes and lifestyle habits helps us to provide nutritionally sound products that, along with regular physical activity and healthy eating habits, help children to maintain a healthy body weight, and grow into healthy adults.



At a glance

- At the end of 2013, 96% of our products met all of the Nestlé Nutritional Foundation criteria³⁶ for children (2012: 89%);
- Children³⁷ and family³⁸ products amounting to sales of 12.6 billion offered specific portion guidance;
- In 2013, the Nestlé Healthy Kids Global Programme reached around 6.9 million children across 68 countries; and
- Our *Maggi* Cooking Lesson Programme is operational in 16 countries (2012: eight countries), teaching balanced home cooking and a healthy meal structure.

What we're doing

In addition to our work to provide nutritionally sound products designed for children, we support a number of global programmes and initiatives that encourage regular physical activity and healthy eating and drinking habits among children to give them the best start in life.

The Nestlé Healthy Kids Global Programme

Our Healthy Kids Global Programme aims to increase children's basic knowledge and awareness of the importance of good nutrition and regular exercise. Launched in 2009, the programme reached more than 6.9 million children in 68 countries in 2013. We are currently working with more than 280 partners to deliver it. Our goal is to extend the programme to 80 countries by 2015.

In the last year, we have implemented further longer-term programmes that meet the Healthy Kids criteria. Those criteria state that:

- There must be an assessment of community needs;
- There must be a focus on nutrition education and physical activity;
- Expert implementing partners should be involved;
- The programme should be as intense and impactful as possible;
- The programme should not be related to product brands or marketing; and
- The programme has to be properly monitored and evaluated.

We are continuing to develop new ways to measure the effectiveness of the Healthy Kids Global Programme and share best practices. While our older programmes have started to demonstrate interesting results, such as increasing nutrition knowledge, and fruit or vegetable consumption, we need to see how change can best be sustained. Over time, we hope to develop the programmes into evidence-based, impactful initiatives that contribute to the health of local school communities. Long-term success will, of course, depend on the quality of our partnerships and the ability of the education system to reintroduce nutrition education and physical activity in participating schools.



Build knowledge leadership in children's nutrition through a deep understanding of their dietary intakes and lifestyle habits

For full details [see page 51](#)



Provide nutritionally sound products designed for children

For full details [see page 52](#)

³⁶ The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as the World Health Organization and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation.

³⁷ Products for which 50% or more consumers are below 12 years old, or are designed for or perceived as being designed for this age group.

³⁸ Products for which more than 20% but less than 50% of consumers are below 18 years old.

Launching Healthy Kids worldwide

Dubai

In Dubai, we are helping teachers explain the importance of a healthy diet and lifestyle to their pupils. The Nestlé for Healthy Kids – Ajyal Salima programme provides teaching materials, tools and follow-up support, as well as an assessment of the children’s knowledge and skills before and after they have taken part.

As part of the Nestlé Healthy Kids Global Programme, we have been working with the [Princess Haya Initiative for the Development of Health, Physical Education and School Sports](#), the [Dubai Health Authority](#) and the Dubai Education Zone, to train teachers to incorporate lessons about good nutrition and physical activity into the school curriculum. Activities include counting food portions as part of a maths lesson about fractions, writing essays about nutrition in a literature class, or taking part in role play as part of a language class.

Dr Carla Mourad, who developed the Nestlé for Healthy Kids – Ajyal Salima programme, said: “The programme is designed to enable teachers to introduce topics about nutrition and physical activity into any lesson without increasing their workload.”



Teacher Training: The programme incorporates lessons about good nutrition into the curriculum.

Launching Healthy Kids worldwide

Lebanon

In October 2010, we launched the Ajyal Salima programme Lebanon in collaboration with the American University of Beirut (AUB) – an organisation that aims to promote nutritional awareness, better eating habits and a more active lifestyle among 9- to 11-year-old schoolchildren. The programme, which consists of 12 classroom sessions, includes modules on nutrition, healthy eating and physical activity.

The results showed a significant increase in participating children's understanding of healthy eating and adoption of healthy lifestyles. After the programme, for example, students achieved more than 50% higher scores on knowledge tests, purchased fewer portions of chips and soft drinks, and increased their consumption of fruits, salads and vegetables. The programme is set to expand within Lebanon in the future.



Two girls taking part in the eight-minute endurance race at the Kids' Athletics event at Nestlé's headquarters in Vevey, Switzerland.

Collaborating with EPODE to reduce obesity

Since 2004, we have supported EPODE, a not-for-profit organisation that has united community-based programmes around the world aimed at preventing obesity and non-communicable diseases by empowering key stakeholders. From 2007 to 2011, we supported the EPODE European Network project and, in 2011, we built on this commitment by sponsoring the launch of the EPODE International Network (EIN).

Since we began engaging with the EIN, the network has expanded dramatically, gaining more than 20 member programmes in two years. The EIN indirectly benefits 104 million people in the Asia Pacific region, 41 000 in North America, 49 million in South America and 16 million in Europe. We encourage our own Healthy Kids programmes to be part of the EIN, maximising the value we can create by developing partnerships. Programmes such as Healthy Kids Bulgaria and Phunky Foods UK are among some of the newest recruits to the network. By working with private partners such as Nestlé, the EIN is able to raise awareness of how to prevent obesity, encourage scientific research into the issue, and promote dialogue between the private and public sectors.



Christian Taylor (USA) – reigning World and Olympic Triple Jump champion at the Kids' Athletics event at Nestlé's headquarters in Vevey, Switzerland.

Collaborating with the IAAF to increase physical activity

Through our work with the [International Association of Athletics Federations](#) (IAAF) Kids' Athletics programme, we aim to strengthen the physical activity component of the Nestlé Healthy Kids Global Programme. Covering 57 countries and translated in 24 languages, the IAAF has one of the biggest grassroots development programmes in the world of sport. It encourages schoolchildren to participate in athletics while learning more about sport, nutrition and a healthy lifestyle.

In January 2012, the Nestlé Healthy Kids Global Programme and IAAF Kids' Athletics announced a five-year global partnership that will help us reach even more children. In July 2013, seven world-class athletes joined around 50 young children for an athletics competition in the grounds of the Nestlé headquarters in Vevey, Switzerland. The Kids' Athletics programme was activated in several countries, including Panama, Peru, Bulgaria, Ghana, Nigeria, India, Malaysia and Cameroon. Our long-term goal is to closely and systematically measure the impacts of our partnership with the IAAF on children's physical health.

2562

lecturers and coaches trained within the IAAF programme.

Launching Healthy Kids worldwide

Romania

For the last five years we have teamed up with PRAIS Foundation – a member of the EIN network – to promote healthy lifestyles among families in Romania. The foundation's 'I'm living healthy too!' initiative takes a holistic approach – involving mind, body and spirit – and aims to promote healthy living and tackle childhood obesity.

The scheme has taught more than 79 000 pupils, 3000 teachers and 160 000 parents from primary schools in Bucharest, Roman and Cluj-Napoca about the benefits of a balanced diet and regular exercise.

Pupils in each school year are given two informative books about lifestyle habits and healthy eating. They are also taught special extracurricular lessons by their teachers and can set up voluntary clubs for sports, entertainment and cultural activities. Nearly 250 clubs have already been established, involving more than 9000 pupils.

Students at university in the country have also become involved in the programme by volunteering their time to deliver nearly 150 open lessons and sporting demonstrations.



Keep On Running: Olympic athlete Gabriela Szabo promotes healthy lifestyles as part of the 'I'm living healthy too!' initiative in Romania.

Promoting healthy hydration

Water is an essential part of a healthy diet, and we are determined to engage closely with all relevant stakeholders to raise awareness of the importance of drinking water regularly throughout the day. With this in mind, we have a commitment to promote healthy hydration as part of a healthy lifestyle, and an objective to maintain a fact-based healthy hydration awareness programme targeted at healthcare professionals, caregivers and parents worldwide by 2014. We also know that it's best to get into the habit of drinking water during early childhood, which is why we're focusing on encouraging water consumption in children.

Discussing the importance of hydration

In September 2013, Nestlé representatives attended the 20th International Congress of Nutrition in Granada, Spain. During the congress, the Nestlé Nutrition Institute organised a [symposium](#) on 'The role of beverages in childhood nutrition', which covered aspects such as hydration status in schoolchildren after breakfast, milk consumption in children's growth and development, and beverage nutrient density and childhood obesity.

The key findings announced at the symposium included:

- European children do not take in enough fluid at breakfast to maintain adequate hydration for the whole morning;
- Milk and other dairy foods and beverages have positive effects on children's growth and development;
- Diets associated with childhood obesity tend to be energy-dense but nutrient-poor; and
- Drinking more non-caloric beverages, including water, reduces dietary energy density and improves the ratio of dietary nutrients to calories.

We also held a water-tasting session at the Nestlé stand, giving participants the chance to discover the tastes and benefits of water. Click [here](#) to find out more about the 2013 International Congress of Nutrition.

Raising awareness

We have conducted studies in Italy, the USA, the UK and France involving a group of around 500 schoolchildren, aged 9–11. They found that two-thirds of children are under-hydrated in the morning when they arrive at school. We're communicating in those countries to raise awareness of the importance of maintaining proper hydration. We have also developed teaching modules for children on hydration with the Project WET Foundation, a global water education organisation, and produced a hydration toolkit for schools.

At the same time, we are increasingly including hydration awareness in the Nestlé Healthy Kids Global Programme. In 2013, Nestlé Waters in Jordan worked with the Royal Health Awareness Society, the Ministry of Health and the Ministry of Education to include the Project WET Foundation's healthy hydration modules in the national Healthy School programme.



Promote healthy
hydration as part of
healthy lifestyles

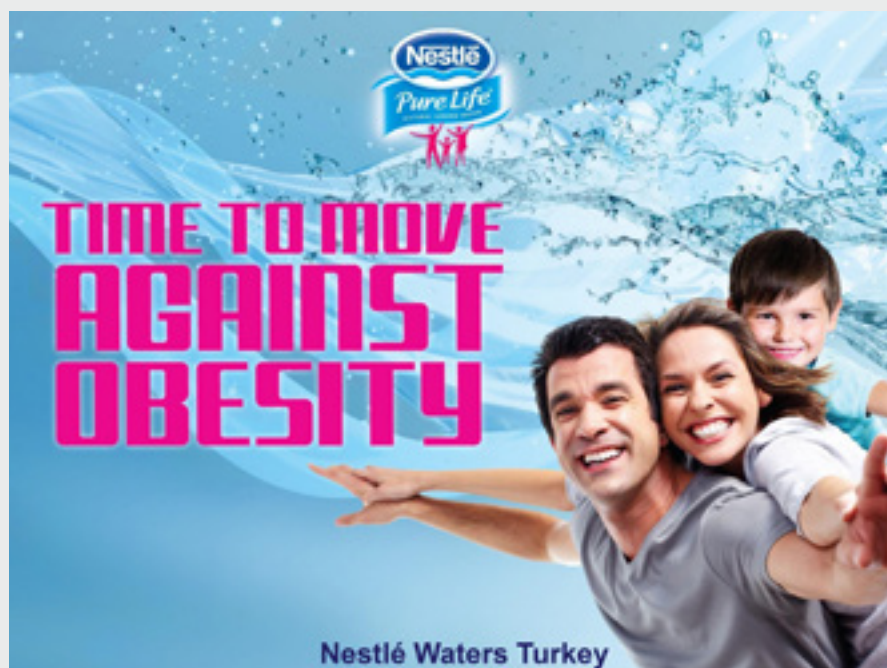
For full details [see page 58](#)

Drink Up initiative

In September 2013, Nestlé Waters became a supporter of the Partnership for a Healthier America Drink Up initiative, which is designed to encourage people to drink more water more often, thereby helping to prevent childhood obesity. Millions of Americans purchase brands including Nestlé *Pure Life*, *Poland Spring* and *Ice Mountain*, and through the Drink Up programme, we will use labelling, advertising and social media to talk about the benefits of healthy hydration and encourage parents and children to drink more water. Through our Hydration Movement, we are challenging Americans to swap one sugary beverage a day for water. To date, more than 120 000 families have signed up to the initiative.

Promoting water in the fight against obesity

Our 'Time to move against obesity' campaign in Turkey has aimed to highlight the importance of healthy hydration and exercise in the fight against obesity. More than 30% of people in Turkey are obese, but drinking water rather than sugary drinks can promote weight loss. In May 2013, we held a major press launch for the initiative, which included a nutritionist and dietician, two Turkish celebrities and representatives from the Turkish Association for the Study of Obesity. The 'Time to move against obesity' campaign included national newspaper advertisements, guerrilla marketing, social media activity, television programme sponsorship and an Obesity and Diabetes Summer Camp. It has already made an impact, reaching 10 million people through newspaper and television coverage alone.



Making a Splash: The 'Time to move against obesity' campaign has already reached around 10 million people in Turkey.

Encouraging healthier home cooking

Parents are often very busy, and it can sometimes be difficult for them to provide nutritious and tasty meals for their families. Whole grains and vegetables are important sources of beneficial nutrients like fibre, vitamins and minerals, and consumption surveys around the world indicate that current diets do not contain sufficient amounts. We are committed to help improve this and aim to help families enjoy delicious meals that are healthy and easy to make.

In parallel to our work on our product recipes, we focus on promoting simple and appetising ways to prepare and serve fresh vegetables as part of family meals. Our *Maggi* Cooking Lesson Programme, which is operating in 16 countries (2012: eight countries), teaches balanced home cooking and healthy meal structure. To date, 68% of the *Maggi* product portfolio promotes home cooking and meals with vegetables on-pack.

We have also introduced more whole grain than any other ingredient in 74% of servings of our children's or teenagers' breakfast cereals. But increasing the whole grain content in a recipe presents us with a number of technical challenges to overcome; it has an impact on texture, making the food product softer and less crispy; it could increase the bitterness; and the appearance of a food may change. It can also impact shelf life and productivity in our factories, as the grains are more complex to handle. We manage these issues during food product development, to help our consumers make tastier and healthier breakfast choices.

Maggi healthy cooking education in India

In India, Nestlé runs the popular *Maggi* Taste Bhi Health Bhi Kitchen – a cooking education programme that promotes healthy recipes and eating tips to consumers.

The programme, aimed at mothers and children, takes place in homes, community clubs and educational institutions all over the country. Conducted by our team of six regional home economists and 30 culinary consultants who are trained by a *Maggi* chef, each session typically involves around 25 consumers.

During the sessions, the food and cooking experts demonstrate nutritionally balanced recipes, share tips on healthy eating and a balanced diet, and discuss the proper interpretation of nutritional labelling.

The programme is also an opportunity for us to listen to consumers and better understand their everyday nutrition and cooking challenges.

Each year we are in contact with more than 200 000 mothers and conduct cooking education programmes in over 5000 homes across India. In 2013, we also piloted a cooking awareness programme in 60 educational institutions, introducing healthy eating principles and skills to around 3000 children.

Nestlé on the road in Africa

In Central and West Africa, Nestlé has gone on the road to provide nutrition expertise and healthy eating tips, reaching millions of consumers. *Maggi* brand Cooking Caravans travelled through Cameroon, Côte d'Ivoire and Nigeria, providing information about balanced diets, micronutrient deficiencies and the importance of culinary hygiene, through interactive cooking demonstrations, women's forums, group discussions and presentations on micronutrient fortification.



A *Maggi* Cooking Lesson Programme in progress.



Help increase consumption of whole grains and vegetables, including via healthier home cooking

For full details [see page 55](#)

Promoting healthy eating in Chile

In 2013, we again supported Niños en Acción, an education project in Chile that had previously run until December 2012.

The original initiative, which took place in a disadvantaged area of Santiago, provided classroom lessons, educational materials and teacher training to educate young children about healthy eating. The results, analysed by nutrition specialists at the University of Chile, showed that in the first two years of the programme there was a lower level of obesity among the participating children. This was in comparison to the control school, where the level rose. In year three, although obesity did increase in the participating group, it was at half the level found in the control group.

The findings also showed that at the end of the three years, the children had more knowledge of healthy eating. Following these outcomes, the local education authorities decided to incorporate the lessons into their curriculum and the project is now sustainable enough to be managed by the community alone.

In 2013, Nestlé Chile partnered with the Belen Education Foundation to extend the project. The new scheme, which focuses on nutrition education for children in younger age groups, aims to reach around 3000 children in disadvantaged areas.



Nutrition Education in focus.

Nutrition advice and guidance

Food habits around the world are changing. In many areas, people are cooking less, and eating more, often on their own, and on the go. This means that knowledge about food and nutrition that has traditionally been passed down through generations is being lost. We have started seeing more people making food choices which can negatively impact upon their health. Nestlé wants to help consumers meet their nutritional needs and also to re-learn how to eat more mindfully. We believe taste and nutrition must go hand in hand, and that a healthy diet is all about variety and balance. We invest in *Nutritional Compass* labelling, portion guidance on products and packs, and nutrition education programmes around the world.

At a glance

- Children and family foods and beverages amounting to sales of CHF 12.6 billion offered specific portion guidance by the end of 2013;
- In the EU we now display GDA values on 99.3% of our foods and beverages³⁹;
- We developed an initiative to help brand teams provide more in-depth information to consumers through on-pack QR codes which have been used in 36 countries;
- At the end 2013, around 92.5% of the foods and beverages we sell worldwide⁴⁰ were displaying the innovative *Nestlé Nutritional Compass*[®]; and
- 14 countries produced and distributed Nutripro magazine in 2013, helping bring the expertise of Nestlé's chefs, nutritionists and researchers to our Nestlé Professional customers.

What we're doing

Providing information to help consumers

We believe in our responsibility to give families the nutrition information and advice they need to help them enjoy tasty food and a healthy life at the same time.

Advising on portion sizes

In many countries, research shows that people are leading more sedentary lives, while consuming portions that are bigger than in the past. We are facing an increase in obesity and related health problems, as well as higher levels of food waste. At the same time, consumers who eat inadequate amounts of nutrient-rich foods are at high risk of developing nutritional deficiencies and other health issues. This may be due to a lack of nutrition and food knowledge, lack of cooking skills or equipment, lack of motivation, or even the mid/long-term result of constant dieting or medication. Our priority with our Portion Guidance[®] programme is to make healthier portion choices as intuitive as possible for consumers, and our objective is to equip parents with portion guidance on all of our children and family products by the end of 2015.

We developed a Portion Guidance Framework in 2010 after consulting with experts and consumers around the world, trained our product teams in 2011, and in 2012, we worked on a detailed Reference Portion repertoire to guide our work. We analysed the dietary recommendations of health authorities in every country where we operate. In 2013, we identified appropriate portion sizes for different ages and life stages in each of our food and beverage categories and solutions for different kinds of packaging. Our specialists are now deploying clearer portion guidance across our product portfolio via either product form, packaging design, serving device or engaging front-of-pack communication. By the end of 2013, children and family foods and beverages amounting to sales of CHF 12.6 billion offered specific portion guidance. In 2013, we also launched campaigns to help consumers enjoy healthy portions of their favourite meals, such as the Nestlé Pizza Portion Guide in the USA.



Provide portion
guidance

For full details [see page 57](#)

³⁹ Across EU 27 plus Norway, Switzerland, the Adriatic Region, Ukraine and Moldova. Excludes plain coffee, tea and water, products for Nestlé Professional, gifting chocolate, seasonings, petcare, Nestlé Health Science and Nestlé Nutrition.

⁴⁰ Excludes total petcare and, for USA only, Dreyer's and licensed brands Häagen-Dazs and California Pizza Kitchen.



Nestlé Pizza Portion Guide

Pizza is one of the most popular meals in the USA, but it can also be high in calories. In 2013, we launched the Nestlé Pizza Portion Guide to help families make informed decisions about how to enjoy pizza as a part of a well-balanced diet. Working in partnership with a nutrition expert, Lisa R. Young Ph.D. R.D., one of the USA's leading experts on portion size, we created a 14-page guide that promotes a mindful, creative and healthy approach to eating pizza.

Being mindful of portion size helps consumers enjoy their favourite foods without feeling deprived. The Nestlé Pizza Portion Guide offers five ways to take a mindful approach to pizza:

- Select your favourite kind of pizza and consider adding your own vegetable toppings;
- Check the nutrition facts on packaged pizza you prepare at home;
- Limit your personal portion based on what else you've eaten or plan to eat during the day;
- Fill half your plate with vegetables and fruits to round out the meal – a side of vegetables or a large salad and mixed fruit; and
- Savour your selection, knowing that you are enjoying a food you love in the right amount for you.



A slice of advice: The Nestlé Pizza Portion Guide helps consumers work out exactly how many calories they are eating.

KIDS LOVE PIZZA, AND GETTING INVENTIVE WHEN ENJOYING PIZZA AT HOME IS A GREAT TEACHING TOOL FOR PARENTS. PUTTING THE TIPS TO USE FROM THE NESTLÉ PIZZA PORTION GUIDE HELPS KIDS LEARN ABOUT HOW TO HANDLE THEIR OWN PORTIONS WHEN PARENTS ARE AROUND SO THEY CAN APPLY THOSE LESSONS IN SOCIAL SETTINGS, WHERE THEY MAY NOT BE PRESENT.”

Lisa R. Young,
Ph.D R.D.

Guideline Daily Amount labelling

Guideline Daily Amount (GDA) values on labels inform consumers about the amount of calories, sugars, total fat, saturated fat and salt in a serving of foods and beverages and, crucially, how this compares to recommended daily intakes for an average person. Global discussions continue on the most effective way to communicate nutritional information on packs, and in some countries, GDA labels cannot yet be implemented due to regulation. Our specialist teams keep up to date with scientific evidence from around the world and believe that factual information in the form of GDA labelling is of great value for consumers. We also want to provide parents with GDAs based on children's reference values on our children's food and beverage range. Despite universal consensus on the importance of right-sizing children's consumption, agreement has not been reached with governments and industries on their inclusion.



Deliver nutrition information and advice on all our labels

For full details see page 56

We've added GDA information for adults on our food and beverage packaging in the EU since 2006 and we now display GDA values on 99.3% of our foods and beverages⁴¹. Beyond the EU, we voluntarily introduce GDAs on our packaging, and our objective is to include them on the front of all relevant Nestlé packs⁴² worldwide by 2016. We will also introduce GDA labelling based on children's reference values to all foods and beverages designed for children by 2016, everywhere regulations allow.

The Nestlé Nutritional Compass®

At the end 2013, around 92.5% of the foods and beverages we sell worldwide⁴³ were displaying the innovative *Nestlé Nutritional Compass*®, which helps consumers make informed decisions about the food and beverage choices they make. The compass includes a breakdown of the nutritional composition of the product, tips for a healthy, balanced diet and contact details for more information.

Going beyond the label

More and more, consumers use their smartphones and other devices to obtain detailed information about the foods and beverages they buy, and they expect manufacturers to be transparent and make information easily available. In 2013, we developed guidelines to provide more in-depth information to consumers through on-pack QR codes. The QR code is generally displayed in the *Nestlé Nutritional Compass*® on the back of the pack, and provides a gateway to useful facts about the food or beverage product, beyond the information available on the package. When consumers scan the QR code with a smartphone they can access a mobile website dedicated to the product, which contains information designed to help them understand the nutrition benefits of the product and how its consumption fits into a balanced diet.

QR codes are currently used on 160 products, across 13 brands, in 36 countries, and our objective is to greatly expand this service by 2016.

Working with customers to improve our nutrition offering

Our Nestlé Professional business is dedicated to offering foods and beverages that meet the specific needs of chefs and food service operators.

Nutripro

One of Nestlé Professional's initiatives, Nutripro, educates chefs on how to improve the nutritional value of the foods and beverages they serve and help their customers become more nutritionally conscious. It provides Nestlé Professional teams with magazines, webinars and training modules featuring detailed information on ingredients, menu planning, cooking methods and communicating with consumers. In 2013, we produced and distributed the Nutripro magazine in 14 countries, helping bring the expertise of Nestlé's chefs, nutritionists and researchers to our Nestlé Professional customers.

In 2013, the Nestlé Professional team in Germany trained more than 2000 food service operators, who are responsible for feeding large groups of people every day. If each of these operators applies their training to 250 guests each week they will improve more than 26 million meals a year.



Deliver nutrition
information and advice
on all our labels

For full details [see page 56](#)

Instant access

In 2013 we trialled a QR code on multi-packs of two-finger *KitKat* chocolate bars in the UK and Ireland. Consumers can get more information by scanning the barcode with a smartphone.

⁴¹ Across EU 27 plus Norway, Switzerland, the Adriatic Region, Ukraine and Moldova. Excludes plain coffee, tea and water, products for Nestlé Professional, gifting chocolate, seasonings, petcare, Nestlé Health Science and Nestlé Nutrition.

⁴² Relevant products: All our foods and beverages for human consumption providing calories and sold in packs offering sufficient surface for legibility.

⁴³ Excludes total petcare and, for USA only, Dreyer's and licensed brands Häagen-Dazs and California Pizza Kitchen.

Davigel Culinary Training and Expertise Centre

Nestlé Professional's Davigel Culinary Training and Expertise Centre in France helps chefs develop a comprehensive set of professional skills and create a better understanding of changing food and nutrition legislation and food safety requirements. Davigel, which serves more than 3.5 million healthy meals to consumers each year, has been recognised by the French authorities for its positive contribution to nutrition and its work bringing healthier dishes to schools and hospitals.

Nescafé Milano Lounge

Nestlé Professional understands the importance of giving consumers the information they need to make informed nutrition choices. Our *Nescafé* Milano Lounge beverage solution includes a feature allowing consumers to evaluate the nutritional impact of their personal beverage choices. This includes customised functionality, such as the option to select skimmed or semi-skimmed milk in a single or double dose, and single or double espressos. Over the course of 2013, *Nescafé* Milano Lounge provided nutritional information through the sale of more than 3.5 million cups of coffee.

Balance Your Plate initiative

In April 2013, we launched a new nutrition education campaign in the USA to help consumers achieve a healthy, balanced diet more easily. According to [the National Eating Trends database](#) from market research company the NPD Group, US consumers only come close to meeting the [2010 Dietary Guidelines for Americans \(DGA\)](#) on an average of seven days a year.

Nestlé's Balance Your Plate initiative provides health professionals with resources to use in their work with consumers, with a focus on providing tips and tools for creating nutritious meals by adding fresh ingredients to frozen, prepared foods. It features a [free, downloadable toolkit](#) for health professionals, which includes daily meal plans that meet energy and nutrient goals for a standard 2000-calorie diet, based on the DGA recommendations. It also offers model menus consumers can use to create a balanced meal by complementing a portioned frozen meal with vegetables, fruits, whole grains and low-fat dairy. The aim is to encourage consumers to enjoy their favourite foods while eating more fruit and vegetables.

[Click here](#) to find out more about Nutripro.



MAINTAINING A HEALTHY DIET AND LIFESTYLE REQUIRES COMMITMENT, BUT IT DOESN'T NEED TO FEEL LIKE A CHORE; FROZEN MEALS CAN BE JUST AS NUTRITIOUS AS HOMEMADE ONES. THEY CAN ALSO HELP REDUCE FOOD WASTE BY PROVIDING FIXED PORTIONS, SO PEOPLE DON'T PREPARE MORE THAN THEY NEED. WE BELIEVE A RESOURCE LIKE BALANCE YOUR PLATE OFFERS AMERICANS WHAT THEY WANT: EASY STEPS FOR MANAGING PORTIONS AND CALORIE INTAKE THAT STILL INCLUDE THEIR FAVOURITE FOODS."

Frank Higgins,
President and CEO of Nestlé Prepared Foods
Company in the USA.

In numbers

Products offering specific portion guidance (sales, CHF million)⁴⁴

2013	26 700
2012	26 200
2011	21 894

Products displaying the Nestlé Nutritional Compass® labelling (% of sales worldwide)⁴⁵

2013	92.5
2012	96.8
2011	98.0

Products in EU with GDA values for adults on front of pack (% of sales)⁴⁶

2013	99.3
2012	99.3
2011	98.9

44 Products sold as single servings and meeting/exceeding Nestlé Nutritional Foundation OR sold with/via a device or equipment delivering a serving meeting/exceeding Nestlé Nutritional Foundation OR sold to caregivers with detailed instructions on adjusting servings to evolving nutritional needs. This currently represents only a subset of the portfolio with portion guidance.

45 Excludes total petcare and, for USA only, Dreyer's and licensed brands Häagen-Dazs and California Pizza Kitchen.

46 Across EU 27 plus Norway, Switzerland, the Adriatic Region, Ukraine and Moldova. Excludes plain coffee, tea and water, products for Nestlé Professional, gifting chocolate, seasonings, petcare, Nestlé Health Science and Nestlé Nutrition.

Micronutrient deficiencies

Micronutrients such as iron, vitamin A, iodine and zinc are essential for growth and development. However, over one-third of the world's population obtains inadequate amounts from their diet, leading to serious health problems for individuals and tremendous productivity losses and health costs for developing countries. Nestlé is committed to addressing micronutrient deficiencies through fortification of affordable, nutritious foods and beverages, and measuring the impact through scientific research. However, the global micronutrient gap is huge and Nestlé can only provide a small portion. Therefore, we increasingly work in a collaborative manner with governments, NGOs and other relevant partners to increase further the consumer's nutrition and health.

At a glance

- Our fortified food and beverage products help fill the nutritional gaps in millions of people's diets around the world;
- We are working with international organisations and plant research institutions to evaluate new varieties of biofortified crops;
- In 2013, we provided over 167 billion servings of nutritious and fortified foods and beverages such as products used to prepare family meals, dairy products, powdered beverages or cereals for children (2012: over 150 billion); and
- In 2013, six biofortified products (rice, wheat, maize, sweet potato, cassava and millet) were in development in our R&D Centres (2012: eight crops).

What we're doing

We're on track to deliver on our external commitment of reaching 200 billion micronutrient-fortified servings of foods and beverages worldwide by 2016. Internally, we have a measurement and reporting process in place, and have established a Fortification Action Council to guide and accelerate strategy implementation and a Micronutrient Fortification competency group to drive scientific rigour.

Micronutrient fortification

We are committed to tackling undernutrition in developing countries, with a particular focus on micronutrient deficiencies in young children and women of childbearing age. We do this by making foods and beverages with higher levels of micronutrients – essential nutrients that are only needed in tiny amounts, but enable the body to produce enzymes, hormones and other substances vital for proper growth and development.

Renovating food and beverage products

The UN estimates that 2 billion people around the world suffer from micronutrient deficiencies. It calls this 'hidden hunger'. Often, it is young children and women of child-bearing age who could most benefit from fortified foods.

But people in different parts of the world have different and specific nutritional gaps in their diets. We compile information from local governments and international health authorities to help identify dietary needs, both geographically and within a specific population group.



Tackling micronutrient deficiencies in the Philippines.



Help reduce the risk of undernutrition through micronutrient fortification

For full details [see page 53](#)

Armed with this knowledge, we then renovate our food and beverage product portfolio in that country by adding the relevant micronutrients and providing corresponding nutrition education. We focus on the most popular and nutritious foods as carriers and the micronutrients that are most commonly deficient, such as iron, vitamin A, iodine and zinc.

Micronutrient fortification has to be safe and nutritionally relevant to be effective; it is important that the level of fortification is high enough to be effective – but low enough to be safe. According to the WHO and the Food and Agriculture Organization (FAO), foods can be considered fortified if they contain at least 15% of the recommended daily intake of the specific nutrient per individual serving.

Fortified Popularly Positioned Products

To be effective, our fortified foods and beverages must appeal to the people who need them most. We produce a growing number of fortified Popularly Positioned Products – high-quality foods and beverages that provide nutritional value at a price that lower income consumers can afford, such as products used to prepare family meals, dairy products, powdered beverages or cereals for children.

Inadequate dietary iodine is one of the world's most common micronutrient deficiencies, affecting 2 billion people worldwide. Lack of iodine is the major cause of preventable brain damage. Severe forms of iodine deficiency during pregnancy can result in mental retardation of an infant⁴⁷ or miscarriage. To help address the problem we've added iodine to a meaningful number of *Maggi* products, including seasonings, soups and noodles, with an estimated total of approximately 90 billion individual servings fortified with iodine in 2013.

Another common micronutrient deficiency is iron-deficiency anaemia. Our iron fortification programme focuses on countries with high levels in iron deficiency and anaemia, such as India, Pakistan, Sri Lanka, Central America, and Central and West African countries. We estimate that, in 2013, around 40 billion individual servings of our *Maggi* products were fortified with iron.

We market all our fortified *Maggi* products with advertising and information campaigns that promote their health benefits, their affordability and the benefits of combining them with fresh, locally sourced ingredients.



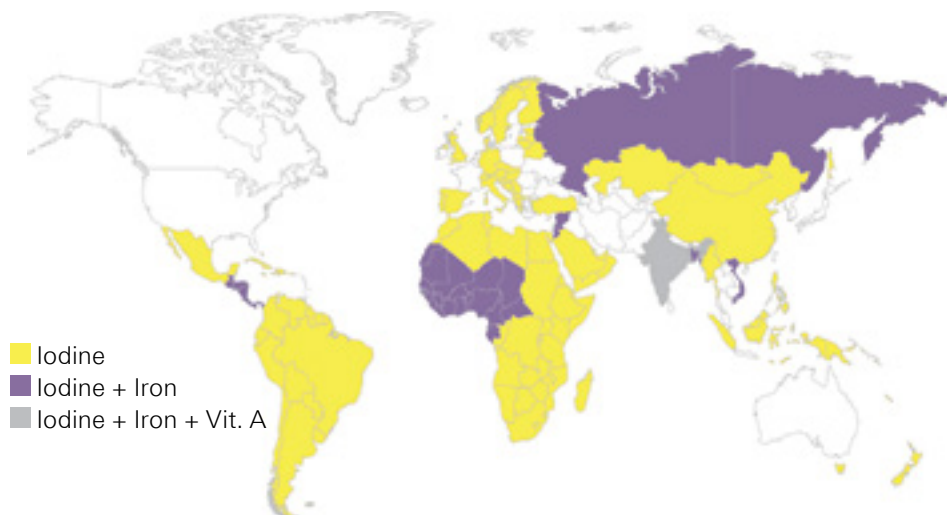
Nestlé on the road with *Maggi*.



Sale of fortified products in the Philippines.

47 http://www.lef.org/magazine/mag2011/oct2011_The-Silent-Epidemic-of-Iodine-Deficiency_01.htm

Reach of fortified Maggi products at the end of 2013



Measuring the impact of fortification

In 2012, the Nestlé Nutrition Institute supported a systematic review and meta-analysis run by the Winterthur Institute of Health Economics (Zurich University of Applied Sciences) assessing the impact of micronutrient fortified foods. Its results were presented in March 2013 at the International Congress Hidden Hunger at the University of Stuttgart-Hohenheim, in Germany:

- Iron fortification can be an effective strategy for reducing anaemia among school-age children;
- Fortified foods can be more effective at reducing anaemia in school-age children than nutritional supplements; and
- Milk and cereal products fortified with iron and other micronutrients can help reduce the risk of iron-deficiency anaemia in children by up to 57%.

Food fortification is an attractive public health strategy and has the advantage of reaching at-risk population groups without requiring changes in existing consumption patterns.

Nutrient Balance: Identifying solutions for different consumer needs

The Nutrient Balance concept is a method developed by Nestlé to show how well the nutrients in foods, meals and diets that people consume around the world meet their daily nutritional requirements. Amongst other nutrition features, the method shows the contributions of daily foods to overall nutrient security in different communities and cultures, and provides us with a sound basis for developing specific food-based solutions for improving nutrition in different countries around the world. In some countries, for example, micronutrient fortification may be the best option to improve the balance of the diet, while in others it may be more effective to reduce the amount of sugar, salt and saturated fat to improve the balance of the diet.



Help reduce the risk of undernutrition through micronutrient fortification

For full details [see page 53](#)

Biofortification

One way to increase the micronutrient content of our foods and beverages is to improve the quality of the raw materials we use. We are currently investigating new varieties of traditional crops that are naturally rich in micronutrients, and in developing countries we are promoting the planting and consumption of foods rich in vitamins and in minerals. We partner with research agencies and farmers to develop different crop varieties to produce high-yielding, nutritious crops. For example, we have already started evaluating a variety of cassava, which is rich in vitamin A, and iron- and zinc-rich rice.

Our goal is to launch biofortified products in key markets by 2015 as a complement to direct fortification.

Working in partnership to tackle micronutrient deficiencies in the Philippines

Micronutrients such as iron, vitamin A, iodine and zinc are essential for growth and development. But over one-third of the world's population, including millions of children in the Philippines, don't have enough of these micronutrients in their diet. Research conducted by Nestlé, the Food and Nutrition Research Institute (FNRI) and the Winterthur Institute of Health Economics in 2013 showed that – as well as causing major health problems – micronutrient deficiencies can also be very expensive for health systems and society in general. In the Philippines, for example, the total cost of iron, vitamin A and zinc deficiencies in 2008 was approximately CHF 570.24 million (USD 648 million) – equivalent to 9.5% of total private and public healthcare expenditures. These findings have implications for the design, evaluation and choice of policies that target micronutrient deficiencies, and help find effective solutions to this nutritional concern in the country.

In 2013, Nestlé Philippines teamed up with the Philippines FNRI to highlight the importance of addressing micronutrient deficiencies in the country. This was done through a nationwide multi-sectoral campaign encouraging parents to give their children milk that is fortified with iron, zinc and vitamin A every day. Fortified milks are proven to be effective in helping to address micronutrient deficiencies.

John Miller, Chairman and CEO, Nestlé Philippines, said: "Our partnership with the FNRI is very important, as we have a shared interest in the nutrition, health and wellness of the young people of the Philippines. So it was only natural that we collaborated with them in this important study to try and understand the issues around micronutrient deficiencies. By working together, we can try to solve some of these substantial problems that the nation faces.



THERE IS NOTHING MORE IMPORTANT THAN THE HEALTH AND WELL-BEING OF OUR YOUNG PEOPLE – THEY ARE THE FUTURE OF THE COUNTRY. WE WANT PEOPLE TO BE AWARE OF THE PROBLEM OF MICRONUTRIENT DEFICIENCIES, BUT ALSO THAT THERE ARE VERY SIMPLE SOLUTIONS. DRINKING TWO GLASSES OF MILK A DAY CAN REALLY MAKE A SUBSTANTIAL CONTRIBUTION TO ALLEVIATING THE PLIGHT OF MICRONUTRIENT DEFICIENCIES."

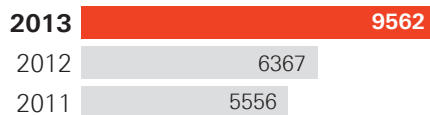
John Miller,
Chairman and CEO, Nestlé Philippines

In numbers

Popularly Positioned Products sales, (CHF million)



Popularly Positioned Products stock-taking units



Products containing Branded Active Benefits⁴⁸ (sales volume, CHF million)



Products with increase in nutritious ingredients or essential nutrients⁴⁹



48 A range of specific ingredients and formulas that give additional, proven health benefits to Nestlé's main food and beverage categories.

49 Based on reports of approximately 75% of worldwide product development teams. Products can have 'less of' one ingredient and 'more of' another at the same time.

Specialised nutrition

What we eat and drink can have a major impact on our health, and many non-communicable diseases and chronic health conditions can be linked to malnutrition. The number of people suffering from these problems is increasing rapidly, resulting in a huge strain on health systems. In the EU alone, around 20 million people are at risk of disease-related or age-related malnutrition, costing healthcare systems around CHF 205.7 billion (EUR 170 billion) – or CHF 208 billion – a year.

While Nestlé's focus is largely on developing tasty and nutritious foods and beverages for people living at home, we're also addressing the needs of those in hospitals and patients with specific chronic or acute diseases. This includes the elderly, who are far more at risk of impaired function, mobility and independence as a result of malnutrition.

At a glance

- Our is helping healthcare providers screen people aged 65 and above who are malnourished or at risk of malnutrition;
- EAT-10 is a screening tool to assess swallowing disorders (dysphagia); and
- The Nestlé Institute of Health Sciences and Nestlé Health Science are working together to investigate how to address chronic conditions through nutrition.

What we're doing

Our vision is to create a new food business model – between food and pharmaceuticals. This will involve building on our nearly 150 years of experience in nutrition to pioneer innovative, science-based nutrition solutions for patients already being treated for acute or chronic diseases, and for consumers with a genetic predisposition to certain conditions.

Helping to identify problems

Malnutrition – and the issues related to it – can be very difficult to screen. We've been working to develop tools that will help healthcare professionals identify and diagnose malnutrition and associated problems such as swallowing difficulties.

Mini Nutritional Assessment tool

Our Mini Nutritional Assessment tool, which received the Good Design Award 2011 from the Japan Institute of Design Promotion, helps healthcare professionals identify people aged 65 or above who are malnourished or at risk of becoming so. The results obtained using the tool have been found to be more reliable than weight-based body mass index calculations in identifying elderly people at risk.

Originally developed in 1991 by the Nestlé Research Center and Toulouse University, the tool has been updated and is now available as an iPhone app in several languages, meaning it is even quicker, easier and more effective to use.

Eating assessment tool

Many elderly people, and those with recurrent pneumonia or certain neurological conditions, have difficulty swallowing food. This can have a profound impact on patients' nutritional status and health, but 75% of those affected are never diagnosed. Nestlé Health Science has developed an eating assessment tool, EAT-10, to help healthcare professionals and carers identify swallowing difficulties early in vulnerable patients.

USD 3.5 trillion

The combined effects of global hunger, poor nutrition and obesity cut the world's income by an estimated USD 3.5 trillion – or 5% of global GDP – every year⁵⁰.

50 <http://www.fao.org/docrep/018/i3301e/i3301e.pdf>

Understanding how nutrition impacts health

We will only be able to identify solutions to diseases and ageing if we understand how health is affected by nutrition, lifestyle, inherited factors and individual metabolism. Through the [Nestlé Institute of Health Sciences](#), we use state-of-the-art biomedical knowledge and technologies to focus on chronic nutrition-related conditions. There are currently a number of research projects underway at the Nestlé Institute of Health Sciences, including a study into how genetic factors affect people when they move from a poor to a healthy diet, and a major weight management study in Europe.

Science-based nutritional solutions

Nestlé Health Science, a wholly owned subsidiary of Nestlé, uses the knowledge generated by the Nestlé Institute of Health Sciences to develop science-based nutritional solutions for people with chronic medical conditions. Nestlé Health Science focuses on five strategic platforms – vital support, brain health, metabolic health, gastrointestinal health and consumer health.

The Nestlé Institute of Health Sciences and Nestlé Health Science aim to bring a new dimension to the Nestlé Group by developing and applying science to create a new disease management role for nutrition. This will help us stem the tide of chronic disease in our increasingly ageing, sedentary societies, reducing public health costs and transforming quality of life for millions of people.

Since being founded, Nestlé Health Science has acquired or partnered with a number of companies that specialise in developing nutritional products for a variety of conditions. These include Vitaflo, PamLab and Accera, in which we have a minority stake. Prometheus Laboratories, which we acquired in 2011, specialises in the diagnosis and treatment of gastrointestinal diseases, and is also applying these principles to oncology.

Impact

Impact is a globally available, clinically proven immunonutritional product for surgical and trauma patients. It has been proven to reduce post-operative complications, infections and hospital stays for patients undergoing major surgery. Clinical studies showed that the use of *Impact* by patients undergoing elective gastrointestinal cancer surgery reduced post-surgical infections by 36% and cut the average length of hospital stays by 2.6 days. In Switzerland, for example, this supports cost savings of CHF 1638 to CHF 2488 per patient.

Meritene

Meritene is an oral nutritional supplement that includes proteins, vitamins and minerals, which is available in several European countries. It is designed for adults who need special nutritional support due to ageing, illness or lack of appetite – problems that could lead to malnutrition if not addressed. The nutritional value of *Meritene* has proven popular with patients. In Spain, for example, in a survey conducted during 2008, almost 70% of successive consumption sales were derived from patient-driven choices. We interpret this as a high degree of customer satisfaction with the product.

Vitaflo

With the acquisition of Vitaflo, we are developing products for patients who are born with a rare class of genetic disorders, known as inborn errors of metabolism, in which food cannot be used properly for energy. Metabolic disorders result when people lack the necessary enzymes to break down the fat, carbohydrate or protein in foods they have ingested. This results in serious medical problems and often requires a specialised diet and nutritional solutions for life.

Vitaflo's nutritional solutions help patients maintain or recover metabolic stability, often playing the most important role in managing the disorder. Developing products that taste good and are easy to use is an important factor in promoting compliance with highly restrictive dietary management protocols that are administered under medical supervision. In the future, we plan to expand Vitaflo's portfolio beyond protein, fatty acid and carbohydrate disorders to other disease areas.

Read more about the work of the Nestlé Institute of Health Sciences and Nestlé Health Science in [Research and development](#).

Rural Development

Our business makes a significant contribution to rural development because many of our factories are located in rural areas, and the majority of our ingredients – including milk, coffee and cocoa – are grown there by farmers, more than 686 000 of whom supply us directly.

We support the sustainable development of the rural communities where we source and manufacture because they are essential to our business. Our contribution to the rural economy also extends to the agricultural support and capacity-building farmer programmes we provide. Our facilities bring direct employment opportunities; greater access to our products for local consumers; and other indirect economic benefits.

We have started to implement our new Rural Development Framework, developed in consultation with stakeholders, to help us to align business activities with local priorities, and set an appropriate level of ambition for local community engagement, impact assessments and rural development programmes. The framework has been implemented in the first three of 21 priority locations (14%) to date and will be rolled out to help us address the development of rural communities in all 21 countries by 2015.

You can learn more about our activities here, and in our [Responsible sourcing](#) and [Human rights and compliance](#) sections.

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The year in brief – 2013 at a glance

Training and capacity building

300 000

Farmers accessing training through our capacity-building programmes

12 600

Nestlé sourcing and support staff providing advice, training and technical assistance

Services and financial assistance

CHF 50 million

Value of total financial services and assistance offered to around 59 000 farmers worldwide, of which:

CHF 39 million

Value of direct financial assistance provided to farmers

Challenges we've faced

Migration to urban areas

Development opportunities are better in many urban areas, while living conditions and infrastructure are often poorer in rural areas, and agricultural work is hard. We therefore need to help make rural locations more attractive places to live, work and invest in, and make farming a livelihood of choice.

An ageing farm workforce

Recent surveys on rural demographics reveal how farming populations reflect the trend towards ageing populations in general. US farmers are now 58 years old on average, while the Japanese average is 67 years. More than one-third of European farmers are older than 65.

Inside the issue: rural development challenges

Worldwide ambitions for poverty reduction, sustainable growth, social inclusion and equitable development will only be realised if they are tackled at a rural level. According to the World Bank, communities in rural areas are home to three-quarters of the world's poor.

The International Labour Organization (ILO) states that rural areas have the potential to *“drive the economy, create productive jobs, improve food security, address environmental and climate change concerns, act as a buffer during crises and generally promote sustainable and balanced growth”*. Indeed, around 70% of the world's food is produced by 500 million smallholder farmers, and more than 70% of people living in rural areas make their living from agriculture and rural activities.

However, rural development is often held back by a lack of investment, inadequate working conditions, poor infrastructure, limited access to education, and high rates of unemployment among women and young people. This combination of barriers has resulted in more people, mainly from the younger generation, choosing to migrate to urban locations – leaving behind an ageing rural workforce.

Recent surveys on rural demographics in the USA, Japan and the European Union reveal how farming populations reflect the trend towards ageing populations in general: the average age of US farmers is now 58 years, and in Japan, it's 67 years. More than one-third of European farmers are older than 65, and less than 5% are younger than 35.

With an understanding that our global population is set to rise to more than 9 billion by 2050, we depend on farmers – especially in developing and emerging countries – to increase their productivity and grow more food. Only then, if the world's growing population cannot be fed through the sustainable intensification of available agricultural land, should we consider putting more land under cultivation. We also face the added dilemmas of not wanting to expand into areas of high biodiversity, and not wanting intensification that might risk a reduction in water availability for downstream users.

We want and need rural areas to be attractive places to live, work and invest in. Therefore, we continue to work closely with rural communities within our sourcing districts and around our factories to assist with their economic and social development. In this way, farmers, farm workers and our own employees can work in a stable and reliable environment, improve their skills and access opportunities for a more secure future.

Our rural development commitments – and why we make them

Our approach to Creating Shared Value is perhaps most evident in the field of rural development, where the wellbeing of our employees, farmers, small-scale entrepreneurs, suppliers and rural communities is intrinsic to securing global food supplies while delivering our own growth strategy.

Nestlé has a huge stake in rural communities around the world, sourcing agricultural commodities – especially milk, coffee and cocoa – from around 5 million farmers through direct sourcing and procurement activities. Based on a survey conducted in 2010 and another ongoing survey started in late 2013, our factories in rural areas have proved to be major engines for rural development. They create employment, provide apprenticeships and training, contribute to local infrastructure and supply sources of clean drinking water.

Agriculture and rural development, together, remain key areas of focus in [Nestlé's Corporate Business Principles](#), which lay the foundations for everything we do. The relevant principle states: *"We contribute to improvements in agricultural production, the social and economic status of farmers, rural communities and in production systems to make them more environmentally sustainable."*

Key commitments

Our commitments to support rural development are consistent with the [Millennium Development Goals](#) on poverty and hunger, nutrition, education, gender equality and environmental sustainability. They are set out in the [Nestlé Commitment on Rural Development](#), which incorporates the following key aims:

- That farmers are business-oriented and farming by choice;
- That respect for human rights makes rural-based employment attractive for workers; and
- That communities around factories and within sourcing districts are progressing economically and socially.

In recent years, we have come to recognise the breadth of rural development activities taking place across our business, so in 2013, we began implementing a new Rural Development Framework to provide internal guidance.

This will focus on the most important countries for us, and where there are most significant societal needs. Although this will initially focus on the direct suppliers of our [Farmer Connect](#) programme, this framework also recognises the significant role of trade partners, through whom Nestlé buys the majority of its agricultural raw materials, and of governments. We will work on this during 2014.

Importantly, we have incorporated the flexibility to customise our approach according to local social, economic and environmental priorities. Having identified 21 countries that display such societal need, and that are also of significant importance to our business, our objective is to put baseline assessments in place in these locations by 2015.

See also our [Commitments table](#).



Roll out the Rural Development Framework¹


By 2015 – Put baseline assessments in place in 21 countries of key importance to our business that show pronounced social need.

Our progress

Our Rural Development Framework¹ was published in December 2012 and has been rolled out in three priority locations to date – Côte d'Ivoire, China and Vietnam. It is helping us to align business activities with local priorities for community engagement, impact assessments and rural development programmes.

Our perspective

It is vital that we maintain a secure, long-term supply of ingredients for our food and beverage products, the majority of which are grown in rural areas. But more people than ever are moving away to urban areas and we are facing an ageing global farming population, so Nestlé must engage now to support farming as a business and livelihood of choice that offers an attractive income and opportunities for societal advancement. We want to help retain the brightest and best talent within farming communities, and use our 'agripreneurship' model as a training pipeline for farmers wishing to develop their skills.

 For all objectives, we aim to fulfil our commitment by 31 December of the year stated.

How we're meeting them

We have made a commitment to roll out the Nestlé Rural Development Framework. To date, it has been introduced to three priority countries.

We have translated our formal commitments into a number of operational priorities and use key performance indicators to track our impacts on farmer net income, women's empowerment, labour standards, nutrition, water and sanitation.

Our employees work with many external partners in rural areas to deliver development activities, depending on the particular set of skills and knowledge that is needed.

To maintain best practice, our teams are guided by a series of policies, procedures and documents:

- [The Nestlé Commitment on Rural Development](#)
- [Nestlé Rural Development Framework](#)
- [The Nestlé Supplier Code](#)
- [Nestlé's Responsible Sourcing Guideline](#)
- [The Nestlé Commitment on Natural Capital](#)
- [Child Labour in Agricultural Supply Chains](#)
- [Nestlé Commitment on Water Stewardship](#)

Our stories

Find out how we're putting rural development into action:

- [In focus: Rice production in Indonesia](#)
- [The rise of biogas in Mexico](#)
- [20 years of dairy farming in Morocco](#)
- [Labour standards in the sugar supply chain](#)
- [Improving hygiene and sanitation in Côte d'Ivoire](#)
- [Empowering women coffee farmers in Kenya](#)
- [Public-Private Partnership to boost coffee production in Vietnam](#)

Read more about [our approach](#).

¹ Created to bring all our rural development activities together, the Framework – supported by our Rural Development Commitment – is composed of four pillars: successful farmers; productive and respected workers; prospering communities; and alignment, collaboration and advocacy.

Rural development in focus: rice production in Indonesia

Indonesia has one of the highest rates of rice consumption per capita. Mothers traditionally prepare homemade rice porridge as a complementary food to breast milk after babies have reached six months, and to date, there is a growing demand and consumption of rice-based infant cereals.

To address these needs, Nestlé Indonesia established a facility in its new factory in Karawang, West Java. Research into the feasibility of supplying rice to the factory started in 2010, through which a team of experts mapped potential rice-growing areas on the island of Java. This study looked to meet Nestlé Nutrition's stringent quality requirements for infant foods production, one of which is to minimise the risk of chemical contaminants in raw materials.

Based on the findings, the soil conditions in a few locations surrounding Yogyakarta in Central Java proved to be the most suitable. Farmers in Indonesia have relatively limited land and low productivity, compared to neighbouring countries, and most do not own processing facilities; planting, cultivating, harvesting and post-harvesting activities are therefore all carried out manually. As a result, their produce often doesn't meet our requirements for infant rice.

Since the study was completed, Nestlé Indonesia has been working with at least 1000 farmers to enhance the quality and quantity of their crop, to supply rice to the Karawang factory. In collaboration with village farmer associations and the supplier's sourcing staff, we provide technical assistance to farmers and paddy collectors in those areas. This includes equipping the farmers with the technology, knowledge and skills in good agricultural practices so that they can increase their yields. Our supplier has also invested in multi-stage rice mill technology to meet Nestlé Nutrition's warehouse and milling facility requirements.

These efforts have brought good results, and the infant cereal produced in the Karawang factory has received recognition for its good quality. Since the commissioning of the Karawang factory in April 2013, the total requirement for rice for the remainder of the year (1200 tonnes) was supplied by local farmers.

Looking ahead, we need to maintain the sustainability of this programme while increasing the crop yields to improve farmer incomes. In doing so, Nestlé Indonesia will strengthen its collaboration with larger farmers' groups; working to increase their income through growing soya beans as a rotation crop; and support the Indonesian Government's programme to reduce rice imports and become self-sufficient.



Roll out the Rural
Development
Framework

For full details [see page 102](#)

Managing rural development

Our work on rural development combines a development and a human rights approach. We understand that loyalty between farmers, suppliers and the company is supported and enhanced by investments along the value chain. This may include the provision of improved planting materials, training programmes, technical support and, where necessary, financing support. In this way, we help create the circumstances that allow farmers, and the communities in which they live, to pursue their livelihoods by choice.

We seek to work closely with governments, which have the primary role and responsibility for setting the regulatory framework and providing the goods and services that support rural development. At our stakeholder convening in March 2013, participants asked whether Nestlé's community and infrastructure investments were supporting existing government services, or creating a parallel set of services. Stakeholders wanted to see Nestlé be clearer about what it does and how it complements government action.

Below, we report on our approach, including key policies and standards, and how we're applying the Nestlé Rural Development Framework through rural development activities such as the Nestlé Cocoa Plan and the *Nescafé* Plan.

At a glance

- Our new Rural Development Framework, which offers a consistent approach to prioritising development activities, was launched in three priority countries.

Delivering our commitments

The Rural Development Framework

The introduction of the Nestlé Rural Development Framework plays an important part in the way we deliver our commitments. It highlights four key pillars that our development activities will support:

- Successful farmers;
- Productive and respected workers;
- Prospering communities; and
- Alignment, collaboration and advocacy.

The pillars were designed with the assistance of the Danish Institute for Human Rights, Solidaridad, the Fair Labor Association and the Rainforest Alliance. As indicated, the process led us to identify where we have the potential to make the biggest positive societal impact, based on a matrix plotting business importance and societal need.

- **Business importance** – we listed the most significant countries from a sourcing perspective for the period through to 2020. The key raw materials we considered were coffee, cocoa and dairy products, as well as the possibility of developing new local sourcing strategies for other commodities such as rice, chillies and cassava. We also considered the presence/absence of factories in these rural communities.
- **Societal need** – we considered the [United Nations Development Programme \(UNDP\) Human Development Index](#), adjusted by inequality in society (where data was available), and also looked at the [International Food Policy Research Institute Global Hunger Index](#).

Read more in [Responsible sourcing](#) and [Human rights and compliance](#).



EFFECTIVE RURAL DEVELOPMENT MEANS KNOWING WHAT IT TAKES TO HELP THE NEXT GENERATION OF FARMERS BECOME AGRIPRENEURS TO FEED THE WORLD.”

Hans Jöhr,
Head of Agriculture, Nestlé



Rolling out the framework

Our roadmap for implementation started with three countries – Côte d'Ivoire, China and Vietnam – in 2013, after which we further refined the framework and process for gathering baseline data.

The model continues to help us adopt a consistent approach when generating a strategic baseline and operational guidance materials for interventions, such as the [Responsible Sourcing Guideline](#). The framework has been developed to support the delivery of initiatives including the [Nescafé Plan](#) and the [Nestlé Cocoa Plan](#).

It also offers employees the flexibility to review existing data outputs by marketplace, impact on livelihood, country and stakeholder concerns.

In the years ahead, it will continue to afford us a greater understanding of the potential risks and opportunities facing our business.

Governance and oversight

Strategic responsibility for Nestlé's rural development activities lies with José Lopez, our Executive Vice-President of Operations, while final accountability rests with the Executive Board and the CEO.

The operational strategy for rural development is chiefly delivered by the Corporate Agriculture team, which manages a network of more than 1200 sourcing staff and 11 400 support workers.

Each business unit takes overall responsibility for the rural development activities in its own areas; for example, the Confectionery Strategic Business Unit is responsible for the Nestlé Cocoa Plan, and the Beverages Strategic Business Unit is responsible for the Nescafé Plan. This enables us to promote rural development opportunities throughout the business while using the Rural Development Framework for guidance.

As we roll out the Rural Development Framework, the data we are gathering in each country provides us with a baseline of information. This will enable us to develop a needs-based work plan and to monitor our progress over time. We intend to publish the findings of our baselines, our priorities for addressing issues found, and the progress we make in addressing them.

THE FRAMEWORK IS NOT JUST ANOTHER PLAN; IT IS THE WAY WE WISH TO DEVELOP THE BUSINESS AND TAKE IT FORWARD. NEITHER IS IT A RIGID METHODOLOGY. INSTEAD, IT IS DESIGNED TO GUIDE THE VARIOUS PROGRAMMES WE OPERATE, INTEGRATE EXISTING TOOLS AND OFFER FLEXIBILITY SO THAT WE CAN CUSTOMISE THE APPROACH ACCORDING TO LOCAL NEEDS.”

Duncan Pollard,
Head of Stakeholders Engagement in
Sustainability, Nestlé

See also: [Next steps](#) and
[Commitments table](#).

Successful farmers

There are huge challenges ahead to meet the needs of the world's growing population, not least to obtain a secure supply of food. We believe this means putting the farmer centre stage.

Our company has grown, in large part, as a result of the way we have connected with farmers since Nestlé was established almost 150 years ago. Their success and wellbeing is in our interest and key to our business.

Of particular importance are dairy, cocoa and coffee farmers from whom we purchase directly. Many of them also grow a variety of agricultural crops, for their own consumption and to contribute to the nutritional security of their local communities.

However, with continuing migration from rural to urban areas evident in some countries, and an ever-ageing global farming population, we need to engage to support farming as a business and livelihood of choice, which offers an attractive income and opportunities for societal advancement in rural areas. We want to help attract the brightest and best talent within farming communities, and are working towards our own training pipeline for farmers who wish to develop their skills through our 'agripreneurship' system.

At a glance

- We currently source commodities from around 686 000 farmers directly;
- In 2013, we provided training to 300 000 farmers around the world through existing capacity-building programmes; and
- We have a team of more than 1200 sourcing staff and 11 400 support staff worldwide, supporting the farmers and traders who supply our ingredients.

What we're doing

Farmer Connect

We interact directly with approximately 686 000 farmers through our Farmer Connect programme and other sustainable sourcing programmes. This total comprises 60% dairy farmers, 35% coffee farmers² and 5% cocoa farmers.

The Farmer Connect programme is committed to the local sourcing of raw materials, by purchasing goods directly from farmers, co-operatives or selected, trusted traders who are applying Nestlé good agricultural standards, offering technical assistance and ensuring cooperation to meet the highest sourcing standards.

Through the programme, farmers and small-scale intermediaries can deliver raw materials directly to Nestlé buying stations or partners, enabling them to access technical help, financial support and receive a greater share of revenue.

Nestlé seeks to support thriving communities and farmers, while respecting natural capital, to help them to increase productivity and the quality of their crops.



A female farmer holding coffee plantlets on a smallholder farm, Kenya.

More than 59 000 farmers

Through our activities in 2013, we enabled more than 59 000 farmers to access services amounting to CHF 50 million of assistance, of which CHF 39 million was direct financial assistance such as investment loans, operational loans, advanced payments, subsidised interest rates and bank guarantees.

² 35% comprises of Nescafé and Nespresso farmers.

Agripreneurship

Nestlé aims to develop low-income farmers into suppliers of agricultural raw materials while seeking to ensure that livelihood activities allow 'agripreneurs' to provide their families with affordable, nutritious food, as well as medical care and schooling. Our approach also helps them to sell their produce, generate income and release cash that they can use to support their families and grow their businesses.

RISE assessment

We believe agripreneurs are successful farmers who have managed to develop a sustainable business model that takes the economic, social and environmental dimensions of sustainability into account. The RISE (Response-Inducing Sustainability Evaluation) tool is an important means of evaluating the sustainability of farm operations.

Created by the School of Agricultural, Forest and Food Sciences, part of Bern University of Applied Sciences, and other partners (including Nestlé) in 2000, RISE aims to make sustainable agriculture measurable, communicable and tangible to farmers all over the world, by providing them with new and useful knowledge.

Data is collected in person by one of Nestlé's RISE-trained sourcing staff or a partner expert, usually taking around four hours, including a brief tour of the farm. The results are analysed for strengths and weaknesses, with inputs condensed into 10 key indicator scores. Results are then discussed in a personal meeting with the farmer. The RISE system also highlights suggestions for intervention points where improvements in sustainable production practices will be effective.

Since 2000, Nestlé has helped to promote RISE to its agriculture services and today, it is used across most of the countries where we source milk. It allows us to identify ways to improve farm performance and move farmers towards sustainability.

Farmers using RISE have benefitted from advice on strategic fertilizer application, the increased efficiency of water and energy use, enhanced productivity of pastures and grazing land, improved human resource and farm management, and a general improvement in compliance with regulations. Some of the farmers who use RISE have also improved energy and biodiversity performance by investing in biogas digestion and electric power station facilities, wastewater treatment plants, solar water heating and advanced irrigation systems, and tree planting.

Read a [case study](#) about the role of RISE in Mexico.



Coffee farmers in Kenya weighing their produce.

Inspiring the next generation of farmers

[Read the thoughts](#) of Hans Jöhr, Nestlé's Head of Agriculture, about encouraging young people to take up farming as a profession, given its potential to provide them with an appealing level of income as well as social recognition.

The rise of biogas in Mexico

Mexico is one of our largest dairy markets, with about 4000 farmers supplying Nestlé Mexico with 778 million kg of milk a year. But the challenges facing Mexican agriculture, such as the liberalisation of markets, the impact of climate change and growing demand for agricultural products, are putting pressure on farmers to develop more robust production systems.

Between 2009 and 2012, more than 99 Nestlé milk suppliers across five regions – Torreón, Jalisco, Querétaro, Veracruz and Chiapas – had their performance and practices assessed using the RISE tool.

In the Torreón area, nutrient management was identified as an area of concern, as most farmers did not fully appreciate the value of the manure produced by their livestock. Prolonged open storage caused ammonia losses to the environment, while fertilizers and phosphorus were applied to the soil in unnecessarily high amounts. Average energy usage on the large-scale farms of Torreón was also 10 times the average of western European farms, at 87.5 gigajoules per hectare, as a result of agricultural machinery, irrigation pumps and cooling installations all using electricity from non-renewable sources.

Concerned by the results of the 2009 RISE study, farmers in Torreón, and also in Querétaro, built large biogas digesters, benefitting from support by the Mexican Government and by Nestlé Mexico. In Querétaro, three biodigesters now produce 2400 m³ of methane per day, reducing the amount of electricity sourced from the grid by 90%, while decreasing environmentally harmful emissions of ammonia and methane.

By 2012, around 49% of the milk supplied to Nestlé Mexico came from dairy farms with biogas digesters. Effluent from the digesters is used for crop irrigation and fertilisation, while other small-scale measures, including waste separation, the promotion of silvopastoral systems (which integrate trees with forage and livestock to increase production and maintain soil quality) and more efficient irrigation technology have also been put in place.

All 4000 Mexican dairy farms were classified into one of three groups – large, industrial farms in the north; medium-sized family-run farms in central Mexico; and small family-run farms in the south – so that the findings from the RISE analyses could be rolled out and improvement measures replicated across the whole country.

RISE assessments have since been conducted on a further 244 farms (126 farms in Mexico) in 2013 and today, agricultural advisors continue to work closely with farmers, helping them reduce their contribution to climate change, build capacity to manage livestock, nutrients, water and soil sustainably, and source renewable energy.

RISE is an indicator- and interview-based method by which farms are measured against the definition of a sustainable farm:

- Products and services are delivered to fulfil quality and quantity expectations;
- Soils are preserved or fertility improved;
- Natural nutrient cycles are best used and wastage and emissions avoided;
- Water quality and quantity are preserved;
- Energy is sustainably sourced;
- A contribution is made to climate protection;
- Biodiversity and the resilience of ecosystems are fostered;
- Livestock is kept in ways conducive to their health and wellbeing;
- Working conditions promote the health and a high quality of life for farmer, family and employees; and
- Economic stability, liquidity and an appropriate income are achieved for all who depend on a farm's operations.

Read more about [climate change](#).

Farmer training

One of the key challenges of our rural development work is to convert poorer-performing farmers into skilled farmers who are able to meet our standards and become suppliers.

In 2013, we provided training to about 300 000 farmers around the world through our capacity-building programmes. Our farmer training and support focuses on:

- Seed and plant propagation techniques;
- Soil fertility and plant nutrition;
- Plant health and protection;
- Post-harvest processing and storage;
- The efficient use and conservation of water; and
- Water and environmental sanitation for farming communities.

These education and training activities are also targeted towards women farmers, to help empower them and strengthen their role in the supply chain. This may lead to greater yields of higher quality, increased incomes and higher standards of living.

We now have technical assistance schemes in place across 27 of 31 countries where we have milk operations: these include managing water programmes with farmers in 15 countries and providing farmers with access to finance in 24 countries.

Investing in plant science to help farmers

Our support for farmers extends to using our expertise in areas such as agricultural research and development (R&D) to provide them with the tools and knowledge they need to optimise production and secure the long-term future of their farms. At the same time, we're helping them to protect the environment and assisting with improved planting materials, particularly for coffee and cocoa.

In 2013, we invested over CHF 3 million in plant science and have developed a state-of-the-art network of agricultural R&D centres around the world. Here, our scientists look at issues such as genetic diversity and ways of delivering stronger, more robust plants to farmers, as well as issues related to productivity, crop quality and environmental protection.

By developing new varieties, we can give farmers a greater choice about what they grow and improve the diversity of crops on their farms.

We are also carrying out extensive work into how to improve the transparency and traceability of raw materials from farm to fork, and into new ways of demonstrating to consumers the importance of using quality raw materials in our products.

Read more about our [plant science breakthroughs](#) and our new [Nescafé coffee centre of excellence](#), as well as our [Raw materials](#) and [Sustainable consumption](#) sections.

Women farmers

According to the Food and Agriculture Organization (FAO), women make up 43% of the agricultural labour force in developing countries. ILO data suggests the yields they achieve are on average 20% to 30% lower than those of men, because they have less access to improved seeds, fertilizers, equipment and information.

Throughout 2013, we increased our work with women farmers by providing training on technical skills, resource stewardship and business issues.

Exploring how we can do more to improve the lives of women in our supply chains, in April 2013, we published a [Nestlé Action Plan on Women in the Cocoa Supply Chain](#). Initially focusing on Côte d'Ivoire, we are working with our supply chain partners to collect data about women workers in our cocoa supply chain to find ways to improve equality of opportunity. The study will eventually be extended to other countries covered by the Nestlé Cocoa Plan and the findings will help us refine the action plan scheduled for publication in the summer of 2014.

Read more in our [Responsible sourcing](#) section.



Female coffee farmers in Kenya.

20 years of dairy farming in Morocco

The Nestlé factory in El Jadida, Morocco, provides a secure market for dairy farmers – the amount of locally sourced milk has sky-rocketed from 6.6 million litres a year in 1992 to 80 million in 2012 – and is also helping to improve the health of women and children in the country. Nestlé Morocco's partnership with the Zakoura Foundation since 1997 has resulted in the sponsorship of 58 schools and the education of 2700 schoolchildren (mainly girls) in rural areas near the factory. One of those children, Halim Eddahbi, has since graduated with a Master's degree in electronics and is now an employee at the factory.



20 years of dairy farming in Morocco.



730 000 women

We've helped 730 000 women across Asia, Africa and Latin America get fundamental business and entrepreneurial skills, improved income and employment opportunities, technical assistance and better access to education.

And in Pakistan, our partnership with UNDP is providing training for 5000 women livestock farmers.



IMPROVING EQUALITY IN WOMEN'S ACCESS TO AGRICULTURAL INPUTS SUCH AS SEEDS, TOOLS AND FERTILIZERS, EDUCATION AND PUBLIC SERVICES, WOULD CONTRIBUTE SIGNIFICANTLY TO ACHIEVING FOOD SECURITY AND BETTER NUTRITION FOR ALL."

International Fund for Agricultural Development

See also: [Next steps](#) and [Commitments table](#).

Productive and respected workers

Farm and factory workers are vital to agricultural sustainability, yet there is a steady migration of people from often low-paying farm jobs to cities, which leads to rural labour shortages. Large plantations and farms normally employ workers on a permanent basis and some also provide accommodation. However, migrant or seasonal workers, and those who work on small family farms, often experience working conditions that fall short of ILO standards.

Our aim in supporting rural development is to promote farming as an economically viable choice. To this end, we work to make rural-based employment attractive for workers by helping farmers to pay their employees a living wage, improving working conditions and introducing technologies that can make agricultural work less arduous.

At a glance

- We continued to promote our zero tolerance of child labour through our Commitment on Child Labour in Agricultural Supply Chains to all our suppliers;
- We continued to roll out our new Responsible Sourcing Guideline for Sugar; and
- We engage with organisations such as the Fair Labor Association (FLA) to improve working conditions, and continue to act upon the findings of its investigations into the workers' rights and labour conditions on farms supplying us with hazelnuts in Turkey and cocoa in Côte d'Ivoire.

What we're doing

Labour conditions in our supply chain

We have a responsibility to ensure that farm workers and others employed in our supply chains work in fair labour conditions. This is why we are committed to the ILO Core Conventions, and the UN Global Compact as a sign of our enduring commitment to decent work and tackling child labour. In addition to these, working conditions also need to meet our Supplier Code at all times.

Our Rural Development Framework adopts a key focus for vulnerable worker groups, especially seasonal, migrant, non-family and women, where we seek to improve conditions of employment and work, eradicate forced labour and child labour, while supporting non-discrimination and freedom of association.

Implementing these standards in the field has proven most successful when farmers understand the value of change and how it can increase productivity. We share knowledge, offering robust evidence of the benefits of a safe and healthy work environment. Our field support staff provide farmer training on human rights, labour rights, living wages, health and safety and work methods, while ensuring that there are opportunities for dialogue between workers and their representatives.

In 2012, we issued our Commitment on Child Labour in Agricultural Supply Chains, in which we prioritised three key commodities (cocoa, hazelnuts and vanilla) as the most pressing areas of focus for our zero tolerance of child labour.

More information about labour standards in our supply chain can be found in the Responsible sourcing chapter, while our commitment to eliminate child labour is explored in more detail under Human rights and compliance.

Labour standards in the sugar supply chain

We launched the implementation of our [Responsible Sourcing Guideline for Sugar](#), which states that we will ensure that our sugar is sourced from mills where the operations, as well as the farms and plantations that supply the raw materials, comply with legal requirements, including the following relating to labour practices:

- No use of forced or child labour;
- Workers' pay and conditions meet at least legal or mandatory industry standards;
- Freedom of association and collective bargaining is respected, unless prevented by law; and
- Provision of safe and healthy workplaces.

Since the launch, we've undertaken Responsible Sourcing Guideline assessments in partnership with Proforest, a British not-for-profit organisation, and mapped our sugar supply chains in three priority countries: Brazil, Mexico and India.

While no instances of child labour were uncovered, the results of the assessments showed that the environment could give rise to child labour, and that labour standards and living conditions for migrant workers could be improved.

Read more about our [partnership with the FLA](#) and our [efforts to tackle child labour](#).

See also: [Next steps](#) and [Commitments table](#).

Partnership with the Fair Labor Association (FLA)

We were the first company in the food industry to become affiliated with the [FLA](#), a non-profit multi-stakeholder initiative that works with major companies to improve working conditions in their supply chains.

To date, our work with the FLA has focused on the farmers and farm workers involved in growing hazelnuts in Turkey and cocoa in Côte d'Ivoire. The FLA has investigated these supply chains on our behalf and highlighted issues concerning workers' rights, child labour and other topics (see the FLA reports on [hazelnuts](#) and [cocoa](#)). We are working with them to address these issues through [action plans](#).

Prospering communities



With a majority of the world's poor living in rural areas of developing countries, Nestlé can help communities make sustainable improvements, and we are actively engaged in many initiatives designed to alleviate rural poverty.

We see long-term business benefits when economically and socially progressive communities are located close to our farms and our factories; they provide a stable environment for growth, allowing farmers, families and crops to thrive. We have played a valued part in the lives of many communities over a number of years and by continuing an open and honest dialogue, we hope to better understand and manage our impacts in a more informed and responsible way.

At a glance

- We continue to work with the communities living close to our sourcing areas and factories, and remain committed to addressing any impacts of our operations that affect them;
- We continued to place an emphasis on water, and how we can help with both the supply of fresh drinking water and the removal of wastewater, by conducting local Water Resource Reviews at nine of our factories in 2013; and
- We are developing new ways in which to handle and respond to complaints, and carried out 620 audits against our Responsible Sourcing Guideline that related to the free, prior and informed consent of indigenous peoples.

What we're doing

Prioritising interventions

When it comes to the level at which we intervene and work with local communities, our philosophy is to be guided by our assessment of the needs identified by the communities themselves, and the objectives of local authorities and national governments.

While we are often conscious that improvements could be made in areas such as nutrition, education, access to clean water and improved sanitation, our priorities are determined by the impact our interventions will have, their relevance to our business activities and where the societal need is greatest.

FOR THE POOREST PEOPLE, GDP GROWTH ORIGINATING IN AGRICULTURE IS ABOUT FOUR TIMES MORE EFFECTIVE IN REDUCING POVERTY THAN GDP GROWTH ORIGINATING OUTSIDE THE SECTOR.”

World Bank World Development Report 2008

Improving hygiene and sanitation in Côte d'Ivoire

In 2010, Nestlé – together with the International Federation of Red Cross and Red Crescent Societies and Red Cross Côte d'Ivoire – signed a second, global three-year partnership agreement to carry out water and sanitation initiatives through the Participatory Hygiene and Sanitation Transformation (WatSan project) programme in the Divo, Lakota, Guitry Gagnoa, Soubré and Aboisso areas of Côte d'Ivoire.

The objective is to improve health and hygiene among schoolchildren, teachers and communities through environmental sanitation projects in coffee- and cocoa-producing areas.

The project uses a participatory approach, through which the communities themselves contribute to the monitoring and evaluation of outcomes; as a result, women, children and minority groups are equally involved in decision making.

Overall statistics from 2007–2013 confirm that 196 546 people from 132 villages and 81 schools have benefitted from the project. And during phase 3 (2010–2013) alone, 54 school latrines were constructed or renovated, 4631 new community latrines were constructed and 88 water points were repaired. Additionally, 105 088 community members and 58 057 children received hygiene-awareness training.

The project has also increased the capacity for communities to become self-sufficient; many are now building hand-washing facilities, providing training and running promotional activities independently of Nestlé or the Red Cross.

196 546 people

To date, 196 546 people have benefitted from the IFRC partnership.

Read more in the [partnership with the FLA](#) and our [efforts to tackle child labour](#).

See also: [Next steps](#) and [Commitments table](#).

The rural development impacts of our factories

We locate our factories close to our suppliers, and our operations often make a major contribution to the rural economy. They bring direct employment opportunities and income, greater access to our products for local consumers and other indirect economic benefits across the community.

Based on a survey in 2010, many of our factories in developing countries that are rurally located have a Nestlé-built water treatment plant; contribute to local educational facilities; offer formal apprenticeship training; offer literacy and numeracy programmes; provide clean drinking water to local communities; and invest in other local infrastructure. A survey to update these findings is ongoing.

Read more in the [Water](#) section.

Reducing any direct impacts on communities

Given the large number of factories in rural areas, we are committed to addressing the community impacts that arise as a direct result of our operations – especially at those factories identified as high risk from a water scarcity and human rights perspective.

Nestlé also maintains a comprehensive database of any pollution caused by our factories, including details of what remedial action was taken.

Water stewardship in particular remains a key focus for factory employees, and rather than work in isolation, we choose to adopt a collaborative approach. Read more about our activities in the [Water](#) section.

Land acquisition: Respecting the rights of local and indigenous peoples

Land acquisition has become a high-profile issue in recent years due to concerns about the impact of such ‘land grabbing’ activity on human rights and local food security. Nestlé does not directly acquire or lease agricultural land, though we do acquire land for factory sites and some small demonstration farms. We do also buy commodities such as palm oil, soya and sugar, which are some of the common commodities driving land acquisition.

A series of reports on the topic over the last 18 months, including one in October 2013 from Oxfam into land tenure and supply chains, explored food and beverage companies’ land rights policies relating to sugar, palm oil and soya. Focusing on sugar cane production in particular, the *Sugar Rush* report calls on companies to acknowledge the problem and take steps to ensure that land rights violations and conflicts are not part of their supply chains.

Nestlé believes that land grabs are being facilitated by weak land rights. We have made land rights one of our major areas of focus in our work on rural development and will be developing this area in more detail in 2014. In the meantime, we have put in place a comprehensive approach to address the problem of land grabs during the last few years. Land acquisition is explicitly included in our annual risk assessment, at both corporate and country levels, and we have identified high-risk countries and commodities that we pay particular attention to.

Our [Responsible Sourcing Guideline](#), which covers the sourcing of sugar, soya, palm oil and other commodities, makes a reference to land use rights and to the principle of free, prior and informed consent (FPIC). The work of our partners such as The Forest Trust includes assessments of our suppliers to determine the status of land ownership and any land conflicts, and ensure that the FPIC principles are applied during the due diligence process leading to any new land acquisition.

See also: [Human rights and compliance](#).

Complaints handling and resolution

We take the concerns of the people living close to our factories very seriously and are currently working to improve the way in which we respond to their concerns, and how we resolve and report on them.

In the Human Rights Impact Assessments carried out so far, one instance of potential impact on indigenous peoples resulting from our own operations was identified, as part of the land acquisition process for the construction of the Nestlé Flowergate factory in Nigeria (see below, and the [Human rights and compliance](#) section, for more information).

Community needs assessment in Nigeria

In addition to a crops compensation arrangement reached between the Ogun State, Nestlé Nigeria and the Orile Imo community in 2009, Nestlé Nigeria and the Orile Imo community signed a Memorandum of Understanding (MoU) in September 2013.

This MoU was based on a community needs assessment carried out through a combined human rights and human development approach with legitimate representatives of the Orile Imo community. The MoU includes specific provisions for hiring local community members during the construction of the new plant, economic compensation for crops, the construction of drainage to discharge treated waste water and the renovation of a primary school.

In addition, the Nestlé Flowergate factory has been a significant provider of job opportunities in the community. While everyone can apply for jobs, openings are promoted within the community: Nestlé Nigeria publishes job ads in local newspapers and gives special consideration to skilled labourers from the community.

See [Talking the Human Rights Walk: Nestlé's Experience Assessing Human Rights Impacts in its Business Activities](#) (page 33) for further details.

See also: [Next steps](#) and [Commitments table](#).

Alignment, collaboration and advocacy

The acceleration of rural development is essential to reduce poverty, increase global food security and promote better standards of living for much of the world's population. To achieve it, we must work together to reduce rural poverty. Governments perform a vital role, setting the regulatory framework and providing the goods and services to support it. We work closely with them at all levels to share knowledge and gain understanding, particularly at a technical level.

On the ground, improvements to rural development are often delivered by neighbourhoods themselves, community partnerships and through the support of local suppliers and businesses.

Nestlé will continue to support these activities at all levels to contribute to rural development. For example, we currently support the development of the United Nations Global Compact's (UNGC's) voluntary [Food and Agriculture Business Principles \(FABPs\)](#) by chairing the steering group. Over a two-year period, we hope to contribute to the creation of a framework that can demonstrate how agribusiness can contribute to the post-2015 Sustainable Development Goals, and align business actions with governmental priorities on sustainable agriculture and food security.

At a glance

- We continue to engage in a range of Public-Private Partnerships such as the IDH Sustainable Coffee Program, the Partnership for Indonesia Sustainable Agriculture (PISAgro) and the Extensionist Attached to Demo Plots initiative; and
- Working with Coffee Management Services (CMS) Dorman, we have provided training to support a government policy intended to increase female representation among coffee-farming co-operatives in Kenya.

What we're doing

Collaborative solutions

We believe that farmers are better off if they have the opportunity to sell their produce to a range of buyers, so we do not generally enter into supply contracts with farmers. We also support local supplier development so that, over time, they can provide us with the raw materials that we use. As well as directly benefitting farmers, this will help to build more prosperous local societies by providing employment and increasing the transfer of skills and technology.

Therefore, in many cases, it is our trade partners and suppliers who deliver our rural development agenda on the ground, so it's important that we work with them, helping them deliver solutions that are aligned with our objectives.

In addition, we need technical partners and advocates to foster a supportive policy environment at a national level. While remaining focused on delivering our rural development agenda to the main target groups, we need to engage with governments, consumers, customers, the media, investors and civil society groups, and help our staff to become its ambassadors. Strong technical partnerships between governments and business are particularly important for developing the necessary knowledge and technologies.



The coffee washing process in Kenya.

For instance, we engage in the [IDH Sustainable Coffee Program \(SCP\)](#), a public–private consortium of coffee industry representatives, trade and export partners, civil society organisations, governments and standards bodies that aims to address national and global issues such as under-investment, poor production practices and adverse climatic conditions, in a pre-competitive manner. Through collaboration between stakeholders, and by aligning efforts, knowledge, standards and financial instruments, the SCP is helping to develop country-specific approaches to sustainable coffee production, and to aid millions of coffee farmers in becoming more resilient.

We also co-founded the [Partnership for Indonesia Sustainable Agriculture \(PISAgro\)](#), another Public–Private Partnership. This was established by the Government of Indonesia along with key stakeholders from business and civil society in collaboration with the World Economic Forum’s New Vision for Agriculture initiative to accelerate sustainable agricultural development in the country. The partnership works to transform the agriculture sector, contributing to achieving goals around food security, economic opportunity and environmental sustainability in Indonesia and the region.

Rural livelihoods

Making rural areas attractive places to live, work and invest in will require more than the efforts of Nestlé and others in the food and agriculture sector. Rural areas and populations need clean energy, infrastructure (roads, telecommunications, clean water, etc) as well as healthcare, education and financial services, among others.

With this in mind, we have been working with the World Business Council for Sustainable Development and its member companies to explore how we might learn from businesses in different sectors such as energy, telecoms and healthcare, and collaborate collectively or bilaterally.

Empowering women coffee farmers in Kenya

The role of women in agriculture is often underestimated. They may provide labour but in traditional coffee-producing areas, women rarely occupy senior positions in co-operatives or other decision-making roles.

In June 2011, a Kenyan Ministry decree declared that by 2015, female representation in management and on co-operatives’ committees must increase to 33%. As only 5% of women are currently in leadership positions, Nestlé and Coffee Management Services (CMS) Dorman joined forces to implement this policy among their coffee-farming co-operatives in Kenya.

In May 2013, representatives from nine farmers’ co-operative societies across the Central Region attended a week-long training course; this covered farm management and technical assistance to increase yields; financial literacy and banking; self-confidence and leadership; and personal hygiene and health. The 38 women trained have the potential to reach more than 30 000 farmers, including 1000 women.

Looking forward, gender aspects will be integrated in Nestlé’s Rural Development Framework.

Public–Private Partnership to boost coffee production in Vietnam

Vietnam, the world's second largest coffee producer, has a very high coffee production potential but a lack of appropriate training, misuse of pesticides, and poor social, health and working conditions are undermining the sustainability of the sector. In addition, Vietnam's extension system needs to reach out to a large number of smallholders to ensure the capacity needed to maintain sustainable coffee production.

In response, a Public–Private Partnership created in 2010 by the World Economic Forum (WEF) and the Ministry of Agriculture and Rural Development (MARD) is developing sustainable production systems for Vietnam's Robusta coffee, led by a task force comprising national and international companies including growers, fertilizer specialists, agronomic tool specialists and communication experts.

At its core lies the Extensionist Attached to Demo Plots initiative, which will implement a sustainable coffee programme by promoting good farming practices through demo plots, training, education and cooperation with relevant financial institutions. The project includes an integrated technical training kit for extensionists, developed with input from institutions such as MARD, 4C Association and UTZ Certified, as well as a strategy for implementation and measurable indicators.

In a three-day training course, extensionists covered technical agriculture; training skills and group leadership; and planning and reporting. For each module, the participants prepared an action plan for the demo plots, the farmer group or the planning and reporting group.

In 2012, Nestlé Vietnam signed an agreement with Syngenta and the WEF's National Agricultural Extension Centre to launch a pilot project in the central highland provinces. The following year, 50 demo plots – funded by Nestlé – were installed in Lam Dong, Dak Nong and Dak Lak, to provide evidence of the effective collaboration among different partners:

- Farmers receive low-cost materials for their demo plots as well as training materials, tools and guidelines for best farming practice;
- Associations perform audits and provide verification and certification to farmer groups, adding value to the Vietnamese coffee sector; and
- Businesses sell materials and buy sustainable, high-quality coffee beans.

The project hoped to attract further investment to fund 200 demo plots by the end of 2013.

200 demo plots

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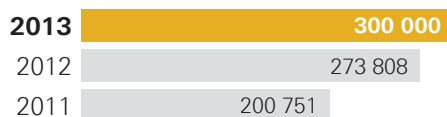
See also: [Next steps](#) and [Commitments table](#).

Extension worker

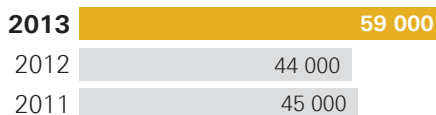
An extension worker is an advisor or consultant, often with a background in agriculture, who provides farmers with support in areas such as plant production, animal husbandry, or farm economics.

Rural development in numbers

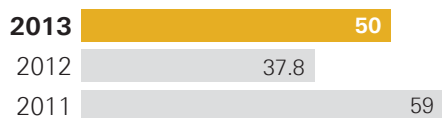
Farmers trained through capacity-building programmes



Number of farmers benefitting from financial assistance



Budget for financial assistance to farmers – direct and indirect (CHF million)



Our performance

- We've provided financial services worth CHF50 million to assist more than 59 000 farmers; of this CHF 39 million was direct financial assistance to farmers;
- We employ more than 1200 sourcing staff and 11 400 support staff to provide farmers with advice, training and technical assistance; and
- We provided training to 300 000 farmers through our capacity-building programmes.

Next steps

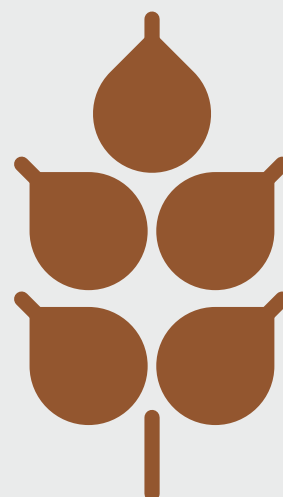
- The roll-out plan for our Rural Development Framework will continue during 2014; and
- We will continue to support programmes that are prioritised, led and managed by communities themselves, which may result in improvements to health, water access and education, the status of women, food security, nutrition and debt.

Responsible Sourcing

We're focused on ensuring that our raw materials are produced responsibly and sustainably – and it starts with knowing where they come from and how they're produced.

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The year in brief – 2013 at a glance

Responsible sourcing

74%

Suppliers that fully comply with the Nestlé Supplier Code

17%

Volume of 12 key commodities that are currently traceable

Deforestation

100%

Palm oil purchases that are RSPO-certified, two years ahead of our commitment

Milk

7.2 million tonnes¹

Fresh milk bought directly from dairy farmers

CHF 47.6 million

Financial assistance received by 45 200 dairy farmers in 24 countries

Coffee

21.45 million

Coffee plantlets distributed to farmers through the *Nescafé* Plan

148 198 tonnes

Green coffee sourced through Farmer Connect (48% of which is 4C compliant)

Cocoa

62 299 tonnes

Cocoa purchased through the Nestlé Cocoa Plan

33 885

Cocoa farmers trained through the Nestlé Cocoa Plan

8

Cocoa co-operatives now covered by our new child labour monitoring and remediation programme

Animal welfare

56%

2013 Business Benchmark on Farm Animal Welfare score, up from 21% in 2012

Challenges we've faced

Traceability and transparency

Our complex supply chains make tracing raw materials a challenge, but we're making progress in pinpointing origins back to the farm or plantation.

Low productivity

Ensuring change at a farm level provides many challenges, from checking that farmers follow our training and advice, to

ensuring that they have access to credit needed to buy the right fertilizers and equipment.

Child labour in the cocoa supply chain

We are affiliates of the Fair Labor Association (FLA) and, acting on its recommendations, we have worked with the International Cocoa Initiative (ICI) to introduce a monitoring and remediation system that addresses incidences of child labour in the cocoa supply chain.

¹ Latest data available is for 2012.

Inside the issue: responsible sourcing challenges

A growing global population and improved living conditions in the developing world continue to push up the global demand for the planet's natural resources, and especially the ingredients needed for food production.

It's therefore vital that we can maintain a secure, long-term supply of the raw materials we need for our food and beverage products. This involves helping individual farmers and other primary producers to develop and maintain viable, thriving businesses that can guarantee us a reliable supply.

To do this, we encourage the adoption of internationally recognised Good Agricultural Practices (GAP) that address environmental, economic and social sustainability for on-farm processes and result in the production of safe and quality food and non-food agricultural products. In simple language, GAP stands on four pillars: economic viability, environmental sustainability, social acceptability, and food safety and quality.

In recent years, the concept of GAP has evolved to address the concerns of different stakeholders about food production and security, food safety and quality, and the environmental sustainability of agriculture. These stakeholders include governments, food retailing industries, farmers and consumers. GAP offers the means to help reach these objectives.

Our approach to responsible sourcing is also about ensuring that the decisions we make on purchasing raw or processed materials align with our own commitments and policies. And because the production of raw materials can have a significant impact on local communities and the environment, well before they reach our factories, we need to be sure that our suppliers meet our high standards so that together, we create shared value throughout our value chain. With consumers and other stakeholders increasingly looking for information about where ingredients originate and how they were produced, traceability and transparency in our supply chain have never been more important.

For instance, the complex and often opaque cocoa supply chain makes traceability back to supplier farmers difficult to achieve, but we are committed to identifying which farms and co-operatives grow our cocoa. Our ongoing work, particularly in Côte d'Ivoire, will also help us to address the problem of child labour, improve women's empowerment and address other social issues in the sector.

Our responsible sourcing commitments – and why we make them

Responsible sourcing is an investment in our future and the future of the farmers and producers on whom we depend. It calls for continuous improvement that goes far beyond a simple exchange of goods and money, placing shared responsibility on all parties in the supply chain to address social and environmental issues that can affect supply, livelihoods and sustainability. There are many challenges, but we've made steady progress over recent years.

See also: [Commitments table](#).

Key commitments

We've made some clear commitments on implementing responsible sourcing and traceability, as described in this section. They include:

- [Roll out the Nestlé Cocoa Plan](#);
- [Roll out the Nescafé Plan](#); and
- [Implement responsible sourcing](#).



Roll out the *Nestlé Cocoa Plan*

By 2014 – Source 80 000 tonnes of cocoa through the *Nestlé Cocoa Plan*; roll out child labour monitoring and remediation to a further 12 co-ops; build 10 schools; train 25 000 cocoa farmers; distribute at least 1 million plants to farmers.

By 2015 – Source 100 000 tonnes of cocoa through the *Nestlé Cocoa Plan* and complete our school-building programme to build 40 schools in four years.


By 2016 – Source 120 000 tonnes of cocoa through the *Nestlé Cocoa Plan*.

Our progress

In 2013, we purchased 62 299 tonnes through the *Nestlé Cocoa Plan*, rolled out child labour monitoring and remediation at 8 co-ops, built or refurbished 13 schools and trained 33 885 cocoa farmers (2012: 46 000 tonnes, 2 co-ops, 13 schools, 27 000 farmers).

Our perspective

The *Nestlé Cocoa Plan* seeks to improve the lives of cocoa farmers and the quality of their crops; it tackles important issues including low productivity and child labour (see our commitment on page 23), and has three pillars: enabling farmers to run profitable farms; improving social conditions; and sourcing good quality, sustainable cocoa. Training in better agricultural practices and new plants contribute to improved farm profitability, while building schools and a child labour monitoring and remediation system contributes to better social conditions. We believe collaboration with partners, a multi-stakeholder approach and transparency are critical to our long-term success. The plan is active in Côte d'Ivoire, Ghana, Ecuador, Venezuela, Mexico and Indonesia.

 For all objectives, we aim to fulfil our commitment by 31 December of the year stated.



Roll out the *Nescafé* Plan

By 2015 – Source 180 000 tonnes of coffee from Farmer Connect², which is 100% in line with 4C's³ baseline sustainability standard.

By 2020 – Source 90 000 tonnes⁴ of coffee that is compliant with the Sustainable Agriculture Network principles⁵, and distribute 220 million coffee plantlets.

Our progress

In 2013, we launched the *Nescafé* Plan in Central America (reaching a total of 13 countries), sourced 148 198 tonnes of coffee from 176 040 Farmer Connect farmers, and distributed over 21.4 million coffee plantlets (2012: 133 792 tonnes, 136 227 farmers, 12.46 million plantlets).

Our perspective

Worldwide demand for coffee continues to grow, and our businesses are focused on ensuring that supplies are sourced responsibly. Nestlé, together with the rest of the coffee sector, is facing many challenges, including: volatile prices, declining yields from ageing trees and/or plant diseases, climate change, alternative crops and strong competition for raw materials. The vast majority of coffee farmers are smallholders, with only a hectare or two of land. We are helping them to build a robust business by offering a more efficient route to market, local training, plant propagation and distribution, and technical assistance from our team of over 200 agronomists. We visited over 30 039 farms in 2013.

2 Our programme for direct sourcing from farmers, through which we commit to the local sourcing of raw materials, offering technical assistance and ensuring co-operation to meet the highest sourcing standards.

3 The Common Code for the Coffee Community (4C) Association is a multi-stakeholder group with members across trade and industry, producers, civil society and companies active in the coffee supply chain.

4 This is an aggregate figure from 2010 to 2020.

5 An international coalition of leading conservation groups in sustainable agriculture, with standards for environmental protection, social responsibility and economic vitality.



Implement responsible sourcing

By 2015 – Complete 10 000 responsible sourcing audits, with 70% full compliance achieved.

By 2015 – 40% of the volumes of 12 key commodities to be traceable (palm oil, soya, sugar, paper, coffee, cocoa, dairy, seafood, shea, vanilla, hazelnut, and meat, poultry and eggs).

Our progress

We have completed 2507 responsible sourcing audits with 70% full compliance of first tier suppliers (2012: 2261 audits) and currently, 17% of purchased volumes of our 12 key commodities are traceable. By September 2013, 100% of our palm oil was Roundtable on Sustainable Palm Oil (RSPO) certified (this includes RSPO segregated and GreenPalm Certificates).

Our perspective

With consumers and other stakeholders increasingly looking for information about where ingredients originate and how they were produced, traceability and transparency in our supply chain have never been more important. But our supply chains are complex, both in terms of geography and language, and progress can be slow. Improvement initiatives and their training materials must be tailored to meet the needs of local markets, in order to drive change efficiently. On a practical level, sharing knowledge and measuring its effectiveness is a challenge we continue to address.

Read more about [our approach](#).

How we're meeting them

By applying our newly upgraded [Supplier Code](#), complemented by our [Responsible Sourcing Guideline](#), we're making progress in tracing the raw materials we buy right back to the farms or plantations of origin – the essential step in identifying and addressing issues. Through supplier assessments and developments, we're tracking performance continuously.

Our stories

Find out how we're putting Creating Shared Value into action:

- [A satellite view of forests](#)
- [From 'Limited Edition' to integrating the AAA Program](#)
- [Plant science breakthroughs](#)
- [Child labour – monitoring and remediation](#)

Responsible sourcing in focus

Community liaison to help combat child labour

The Child Labor Monitoring and Remediation System has been put in place in the Nestlé cocoa supply chain in Côte d'Ivoire in collaboration with the International Cocoa Initiative (ICI). It is part of Nestlé's commitment to combat child labor and reiterates our zero tolerance of child labor in our supply chains.

Through its use of community liaison officers, the CLMR system has begun to identify some of the causes that prevent children from going to school and is taking steps to correct them.

One such prevalent cause is the difficulty of obtaining birth certificates, which is required for school enrollment or to sit for national exams. In the village of Kopakro, the community liaison officer encountered the case of Hervé, a 12 year old boy facing the prospect of leaving school for lack of a birth certificate required for the national exams that would allow him to continue on to secondary school. Hervé's elder brother, now 22, faced the same issue several years earlier. And having left school had no other choice but to become a child labourer in order to help their father support their 21-member family. With the help of Nestlé and ICI a birth certificate was obtained for Hervé, to allow him to continue his schooling. Hervé and his younger brothers also received school kits.

Another common problem is the lack of nearby school facilities. This was the case in the village of Zibouyaokro, where UCDG (a local cooperative that supplies cocoa beans through the Nestlé Cocoa Plan) sources from. With the nearest school being 10km away, the children often took shortcuts that led them through plantation roads, exposing them to various dangers. Several incidents of injuries and accidents prompted many parents to keep their children home from school. With the prospect of schooling no longer available, these children ended up accompanying their parents to work on the plantations, and some even ended up doing hazardous jobs.

In 2012, with the commitment to build 40 schools by 2015, Nestlé offered the community a new three classroom school, with a director's office and a communal toilet block. Since the opening of the school, 140 children have been registered and are taking classes. After hours, the school facilities are used to hold adult literacy classes.

Along with the school, awareness programmes on child labour were also rolled out in the community by the ICI. According to Dominique Zibou, Chief of Zibouyaokro village, the new school has visibly reduced the incidence of child labour in the community.



Adult literacy classes, Zibouyaokro School.



A group of children walking to Tehiri School (5km from Zibouyaokro). This photo was taken in 2011, before Zibouyaokro School was built.

Managing responsible sourcing

Our aim for responsible sourcing is to ensure that our suppliers apply the same principles and values as we do ourselves – so that our consumers can trust the way our ingredients and materials are produced before they become part of our products.



Implement
responsible sourcing

For full details see page 126

Below, we report on our commitment to implement responsible sourcing, including key policies and standards, and how we're applying them through supply chain auditing and traceability programmes.

Related information elsewhere in this report includes environmental sustainability (raw materials) and human rights and compliance (eliminating child labour from supply chains).

At a glance

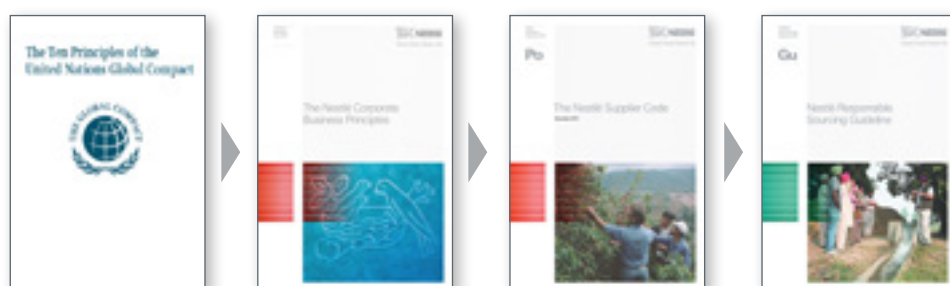
- 74% of suppliers fully comply with the Nestlé Supplier Code ([read more](#));
- We are on track to have completed 10 000 Responsible Sourcing Audits by 2015;
- 17% of the volumes of 12 key commodities are currently traceable, as we progress towards our objective of 40% by 2015; and
- By September 2013, 100% of our palm oil was RSPO-certified, two years ahead of our public commitment.

Delivering our commitments

Setting out our standards

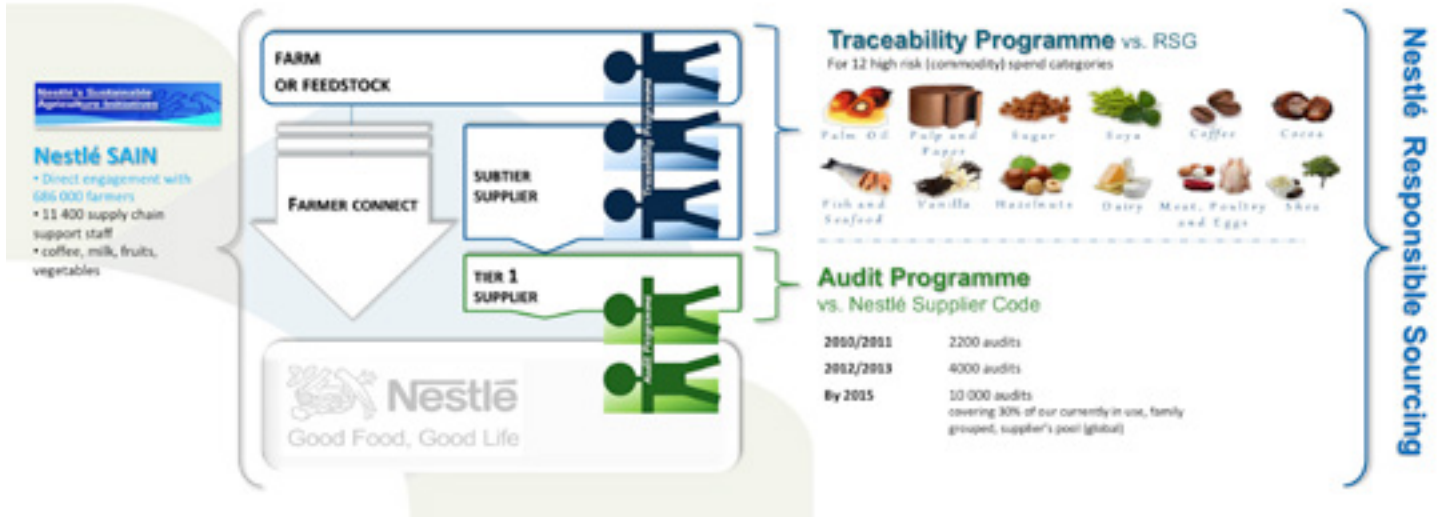
The recently updated Nestlé Supplier Code is at the heart of every business relationship with our suppliers. It sets out the non-negotiable minimum standards that we require our suppliers, and their suppliers – down to the individual farm level – to respect and implement.

The Supplier Code is aligned with the Nestlé Corporate Business Principles, which incorporate the United Nations Global Compact (UNGC) Principles relating to business integrity, human rights, labour and the environment.




To support the Nestlé Supplier Code, we've developed the Nestlé Responsible Sourcing Guideline and category-specific requirements for prioritised raw materials, including pulp and paper. This guideline aligns with, and often goes beyond, internationally recognised standards such as the United Nations (UN) Universal Declaration on Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.

Responsible sourcing: Our multi-tiered approach



Monitoring implementation

Implementation of the Nestlé Supplier Code requirements is embedded into our internal procurement procedures and objectives, which use approaches that are tailored to the nature of the supply chain, the type of supplier and our commercial relationship with them.

 **Implement responsible sourcing**
For full details see [page 126](#)

Responsible Sourcing Audit activities	Responsible Sourcing Traceability activities
<p>Tier 1 suppliers</p> <p>For suppliers in direct commercial relationships with Nestlé, our responsible sourcing activities focus on auditing their operations against the Nestlé Supplier Code requirements and ensuring that practices are upgraded over time.</p>	<p>Sub-tier suppliers (extended value chains)</p> <p>For suppliers below Tier 1, where we are not in a direct commercial relationship, our responsible sourcing activities focus on establishing transparency and traceability regarding who is involved (down to farm level), and assessing and further developing the practices of farmers and plantations.</p>

We also source materials directly from farmers or farmer organisations. These purchases are monitored through our Farmer Connect programme.

Governance and oversight

Strategic responsibility for these activities lies with our Responsible Sourcing team, while final accountability rests with the Executive Board and the CEO.



IT IS NOT ABOUT HOW MUCH AUDITING WE INITIATE, BUT RATHER ABOUT WHAT LEVELS OF COMPLIANCE WE REACH. AUDITING IS JUST THE JOURNEY TO GET TO WHERE WE WANT TO BE: HAVING EACH SUPPLIER'S PRACTICES FULLY ALIGNED WITH OURS."

Benjamin Ware,
Nestlé Global Leader of Responsible Sourcing

Independent verification and certification

Alongside the programmes above, organisations and certification schemes that we partner with, work with or use also carry out independent verification of their own to ensure compliance with their respective standards. These include:

- **The Rainforest Alliance** – an international non-profit organisation that works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviour;
- **The 4C Association** – which defines and maintains the Common Code for the Coffee Community, the baseline standard for sustainability in the coffee sector;
- **UTZ** – one of the largest sustainability programmes and labels for sustainable farming of coffee, cocoa and tea;
- **The Roundtable on Sustainable Palm Oil (RSPO)** – which promotes the growth and use of sustainable palm oil products through credible global standards and engagement of stakeholders;
- **Fairtrade Labelling Organisation** – a non-profit, multi-stakeholder association that develops and reviews fair trade standards;
- **Bonsucro** – which fosters the sustainability of the sugar cane sector through a certification scheme and by supporting the continuous improvement of members;
- **The Round Table on Responsible Soy Association** – a multi-stakeholder initiative that aims to facilitate a global dialogue on economically viable, socially equitable and environmentally sound soya production;
- **Forest Stewardship Council** – an international non-governmental organisation (NGO) dedicated to promoting responsible management of the world's forests; and
- **Marine Stewardship Council** – the world's leading certification and eco-labelling programme for sustainable seafood.
- **The World Society for the Protection of Animals (WSPA)** – WSPA is a leading global animal welfare NGO with consultative status at the Council of Europe. In addition, WSPA collaborates with national governments, the United Nations, the Food and Agriculture Organization, and the World Organisation for Animal Health.

Audit programme for Tier 1 suppliers

The basis

The audit programme for Tier 1 suppliers was launched in 2010 with the aim of verifying how a material or service is produced and to drive suppliers' continuous progress towards full compliance with our Supplier Code. It's an integral part of our mandatory vendor approval process.

The journey

Auditing takes place globally, across all categories (raw, packaged, etc). Suppliers organise and host ethical audits to demonstrate compliance. These are carried out by independent verification firms, using the [Sedex Members Ethical Trade Audit 4 Pillars guideline](#). Sedex is a not-for-profit member organisation and a collaborative platform for sharing ethical supply chain data, and the four pillars reflect best practice in labour standards, health and safety, the environment and business ethics.

The results

The supplier receives a report from the audit firm highlighting opportunities for improvements and requirements for compliance. If a supplier doesn't improve practices within an agreed time frame, we remove them from our supply chain and look to establish new partnerships with other suppliers.

Our key commodities

Palm oil; soya; sugar; paper and board; coffee; cocoa; dairy; fish and seafood; shea; vanilla; hazelnuts; and meat, poultry and eggs.

Currently, 17% of the volumes of our 12 key commodities are traceable and 100% of our palm oil was RSPO-certified by September 2013.

“

NESTLÉ HELPED GUIDE US ON IMPROVING THE MINOR SHORTCOMINGS WE HAD – SO BECOMING A MORE RELIABLE SUPPLIER.”

Tier 1 supplier, China

“

WE THOUGHT WE WERE FULLY COMPLIANT BUT THE AUDIT HELPED US TO REALISE THAT GREY AREAS EXIST AND THAT IT'S OUR RESPONSIBILITY TO CLARIFY THEM.”

Tier 1 supplier, Germany



As of January 2014, 6500 (cumulative) of our 10 000 Tier 1 suppliers targeted had been audited, at multiple sites in certain cases, and 74% were fully compliant. Of the remaining 26% non-compliances being addressed:

- 51% are health and safety issues, such as not providing adequate protective equipment to employees;
- 13% are working hours issues, such as working more than 60 hours a week; and
- 2% are accommodation-related issues, such as inadequate rest facilities or unhygienic toilets.

In all cases, a corrective action plan has been approved with detailed measures and timelines in place to ensure that practices are continuously upgraded.

Suppliers can then decide to share these audit reports with other members of the AIM-PROGRESS platform, a forum of consumer goods manufacturers and suppliers assembled to enable and promote responsible sourcing practices and sustainable production systems. This helps to promote good practice across the industry and also means that suppliers don't have to undergo a separate audit for each of their fast-moving consumer goods customers.

Nestlé currently has 10 000 Tier 1 suppliers that will fall within the scope of this activity by 2015, and if we reach our objective, we will have audited more than 60% of our raw and packaging suppliers, accounting for more than 92% of our overall spend.

Traceability in extended value chains

The second component of our Responsible Sourcing Programme is traceability. Traceability means mapping our supply chains back to the origin of a material, in order to identify where the material comes from. It's a major undertaking, especially in the case of the [cocoa supply chain](#), which is very complex and lacks transparency.

Traceability is essential to provide us with the assurance that upstream suppliers, right back to the farm or plantation, are meeting our ethical and sustainability requirements. Our work in the palm oil supply chain, for example, enabled us to understand where the oil originates, from a country, regional and land perspective, as well as identify who is involved along the supply chain, from the plantation workers to our Tier 1 suppliers. After that, assessing social, environmental, human rights or business integrity practices at a plantation level becomes a logical next step.

The basis: Nestlé Responsible Sourcing Guideline

Because each supply chain has its own characteristics and issues, we've developed material-specific requirements consolidated in our [Nestlé Responsible Sourcing Guideline](#) to help our suppliers to improve their practices, where necessary, and ensure they meet international standards, such as the UNGC Principles, as well as the Nestlé Supplier Code, The Nestlé Policy on Environmental Sustainability, and other Nestlé policies and commitments relating to responsible sourcing.

IT'S A GOOD RETURN ON INVESTMENT. UPGRADES MADE FOLLOWING THE AUDIT HAVE HELPED TO REDUCE ACCIDENTS AND EMPLOYEE ABSENCES."

Tier 1 supplier, Mexico

Traceable

Defined category by category (back to mill or plantation/farm).

Responsibly sourced

Assessed against our Responsible Sourcing Guideline requirements and found to be compliant, or with ongoing improvement plans, and some certification schemes that we take as compliant with our requirements.

The guideline follows four general principles:

- Suppliers are expected to engage in a process of **continuous improvement**;
- Suppliers should conduct their business with Nestlé in an **open and transparent** way;
- Nestlé will **support suppliers** not yet able to comply with all aspects of the Responsible Sourcing Guideline, but who are committed to becoming compliant over time and demonstrate continuous, tangible progress; and
- Suppliers are to continuously **monitor and verify** their performance and progress against the guideline, complying with independent assessment where necessary.

With a focus on critical social, environmental and animal welfare challenges, the guideline defines specific requirements for the supply chain of each of our 12 highest-priority spend categories, of which the largest are milk, sugar and paper. These cover the scope of the guideline, the acceptable means of verification and what constitutes the definition of responsibly produced.

We engage, assess and develop our suppliers, and their suppliers, using the guideline. And where appropriate, we support suppliers who are not yet able to meet the guideline but are committed to achieving compliance over time. Progress is monitored and regularly reported.

Given the size of our supplier network, this is a significant undertaking that we can't do alone. Therefore, we've built partnerships with expert organisations such as The Forest Trust, Proforest and the Fair Labor Association, to help us develop the guideline and to act as implementation partners on the ground.

The journey

It's a long-term journey to map our extended supply chains and develop strategies to address complex issues such as child labour. We're well on the road, focusing on the categories of raw materials shown below. Each of these supply chains presents its own set of challenges, which are discussed in later pages in this section.

The results

The results of the [Responsible Sourcing traceability programme](#) are as follows:

- **Palm oil:** We [publicly reported](#) on our progress in October 2013. To date, 51% of our global volume (410 000 tonnes) is traceable back at least as far as the mill, while 19% is responsibly sourced and 19% is fully compliant (traceable to plantation level and fully compliant against our Responsible Sourcing Guideline requirements). Furthermore, 100% of our palm oil was RSPO-certified by September 2013. Together with The Forest Trust (TFT), we have also made major progress in understanding how to engage with smallholders, and our work with leading suppliers such as Oleo Fats, Florin and Cargill has been instrumental in extending our requirements and ways of working back to the place of origin.
- **Dairy:** We have created a farm assessment protocol and new sampling methods, tested during the last quarter of 2013 in Europe, by SGS. Global roll-out will take place alongside supply chain mapping during 2014.

Results continue on [page 134](#).



The Forest Trust's (TFT) Bobby Bayu Prakoso (left) carries out a Nestlé Responsible Sourcing Guideline audit with a manager from our supplier PT SMART on a palm oil estate in Central Kalimantan, Indonesia.

[Read more](#) about [palm oil](#).

Project RiLeaf – protecting biodiversity near palm oil plantations

In 2011, Nestlé (Malaysia) Berhad embarked on an ambitious project to reforest 2400 hectares of land along the lower Kinabatangan River in Sabah. Project RiLeaf will provide a natural buffer to filter pollutants, mainly soil sediments and chemical fertilizer run-off, giving the river a chance to repair itself over time. By December 2013, more than 179 800 trees had been planted.

As the project nears the end of its initial three-year phase, we need to forge partnerships with other organisations for it to remain sustainable over the long term. Currently, Nestlé is working with various conservation and community NGOs, as well as several Sabah State Government agencies, to transform the floodplain into a model for sustainable development.

In November 2013, the project received two years of funding worth approximately CHF 536 599 (RM2 million) from the Sime Darby Foundation, which will help fund day-to-day operations, as well as new initiatives and other activities associated with the project. It will help to regenerate the river through the replanting of trees, creating a harmonious landscape for people and nature to co-exist with water, and also support capacity building of local communities. Two partners, KAPOK and HABITAT, provide indigenous seedlings for reforestation; local contractors for demarcation, planting and maintenance work and, potentially, homestay lodges.

As a founding member of RSPO and the world's largest producer of Certified Sustainable Palm Oil (CSPO), Sime Darby's involvement will also see the project expand its scope to engage with independent palm oil smallholders, helping them attain CSPO certification, and further protect the dynamic and unique biodiversity of the Kinabatangan area.

Watch a short video about the project [here](#).



Project RiLeaf is transforming the floodplain in the Kinabatangan river in Sabah, Malaysia.

- **Coffee:** See the [Nescafé Plan](#).
- **Cocoa:** See the [Nestlé Cocoa Plan](#).
- **Meat, poultry and eggs:** We have developed a farm assessment protocol with the expertise of our partner, the [World Society for the Protection of Animals \(WSPA\)](#), as well as new sampling methods. Together with SGS, we are rolling out the first assessments of prioritized meat, poultry and eggs supply chains.
- **Hazelnuts:** Together with the FLA, we extended our assessment and remediation activities across 20% of our global hazelnut volume, and are pleased to report that 20% of our volume is responsibly sourced. The content of assessments and remediation activities has also been improved to tackle basic health and safety working. We have published our action plan on the FLA website. The next [FLA monitoring report on hazelnuts](#), and Nestlé's response, are due to be published in 2014.
- **Fish and seafood:** Newly signed agreements with the [Sustainable Fisheries Partnership](#) (see case study below) and the Wild Salmon Center, of Portland, Oregon, will enable us to roll out the requirements of our Responsible Sourcing Guideline and specific requirements for fish and seafood, as well as identifying fishery improvement projects. The Guideline establishes a framework to ensure that all wild caught and farmed seafood, and its derived co-products, come from responsible sources that are committed to a process of continuous improvement towards sustainability.

Davigel partnership to promote sustainable seafood

For decades, Davigel – our out-of-home catering business in France – has promoted and used sustainable fisheries and aquaculture, and around 67% of its seafood supplies are certified by independent NGOs such as the Marine Stewardship Council.

Now, to improve the sustainability of seafood even further, it has teamed up with the [Sustainable Fisheries Partnership \(SFP\)](#), an international NGO that helps major seafood buyers across the world to engage directly with suppliers of sustainable fish and implement responsible sourcing policies.

Through the arrangement, the sustainability of all seafood sources (both wild and farmed) will be comprehensively assessed, along with improvement projects to enhance environmental performance. The ambition is to ensure that all seafood sourced by Davigel comes from approved, certified sources or from fisheries and farms engaged in improvement projects.

Nestlé Purina has also begun similar work with the SFP to better understand its supply chain, reduce risks and add value to fisheries important to its business where possible.

Announcing the partnership, Antoine de Cernon, Managing Director of Davigel, said: "Davigel is proud to be the first company in France to sign a partnership with the SFP and to invest in fishery and aquaculture improvement projects. This partnership reinforces our long-term commitment to further strengthen our role as the preferred supplier for chefs."



WE ARE VERY EXCITED TO BE WORKING WITH A COMPANY SUCH AS DAVIGEL AND TO BE DEVELOPING THIS APPROACH IN FRANCE. THE ECOLOGICAL SUSTAINABILITY OF FISHERIES AND AQUACULTURE IS OF GREAT CONCERN TO BOTH OURSELVES AND TO DAVIGEL. TOGETHER, WE CAN ENGAGE THE WHOLE SUPPLY CHAIN IN DELIVERING REAL IMPROVEMENTS."

Iain Pollard,
Sustainable Fisheries Partnership

- **Soya:** Together with our vendors and our partner Proforest, we have achieved 61% traceability back to the mills and related farming geographies. Assessments of origins have started in Brazil and Argentina, and by the end of 2013, 14% was responsibly sourced. Read more about [soya](#).
- **Sugar:** The biggest challenge we faced was mapping supply chains. Nevertheless, in prioritised countries, we have achieved 34% traceability to individual mills. As a result of the assessments conducted by Proforest and the work done by Bonsucro, 13% of our volume is responsibly sourced.
- **Vanilla:** Our vanilla supply chain is mapped. We have decided to work with two key suppliers in Madagascar to provide greater access to schooling and education, as well as increasing technical assistance to farmers and their families. In addition to these activities on the ground, 7% of our volume is responsibly sourced and 71% is traceable.



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Building a better tomorrow in Madagascar

Eighty per cent of the world's vanilla comes from Madagascar so it is vital that Malagasy farmers have sustainable resources and the necessary education and skills to produce crops of high quality and value, both today and in the future.

Our supplier Givaudan sources organic vanilla beans produced by farmers in rural villages in the remote Sava region of Madagascar, where infrastructure is poor and educational opportunities scarce. But children here are being given a chance to acquire an education thanks to a community development programme initiated by Givaudan and Henri Fraise, a local vanilla producer.

To date, 12 schools have been built or refurbished, using local, renewable materials wherever possible. Local families help to construct the schools to promote ownership and engagement, and the programme gives them the necessary support to maintain and repair them in the future.

The development programme has so far benefitted 2500 schoolchildren and almost 2000 Malagasy families by:

- Improving educational infrastructure through new or refurbished schools;
- Strengthening food security by increasing the yield of locally grown rice through the System of Rice Intensification;
- Introducing alternative revenue sources such as beekeeping, fishing, livestock farming and handicrafts;
- Building wells for drinking water and dams for irrigation; and
- Supporting farmers in improving the quality of their vanilla bean crop.

A donation of CHF 50 000 from Nestlé is enabling the programme to be extended in 2014, through the building of three additional classrooms in a secondary school, benefitting 420 children, and two new schools.

- **Paper and board:** 24% of our global volume is traceable. As a result of the engagement of many of the paper mills, converters and packaging manufacturers, and The Forest Trust assessments, including 100% of European suppliers, 22% of our volume is responsibly sourced.
- **Shea:** In 2013, a sourcing survey was undertaken to identify the major countries of origin.

To date, 17% of our aggregated volume across 12 categories is traceable and 9% is responsibly sourced. With operational activities for meat, dairy, shea and fish commencing in 2014, we are confident that these percentages will quickly increase so that we reach our global objective of 40% traceable and 30% responsibly sourced by 2015.

Farmer Connect – direct sourcing with farmers

As part of the Sustainable Agriculture Initiative (SAI) at Nestlé, we also help to drive responsible sourcing through our direct relationship with farmers. We run this sourcing activity, Farmer Connect, in all the countries where we are able to source raw materials directly from farmers to supply local factories (for example, in Vietnam, where we source local coffee, manufacture locally, and sell the final product locally). Farmer Connect mainly covers our key raw materials: milk, cocoa and coffee.

For Nestlé, Farmer Connect helps to ensure high-quality supply coupled with traceability back to farm level, and enables us to engage with farmers so that we can develop a supply chain that meets our social, environmental and ethical requirements. And for farmers, Farmer Connect helps towards establishing consistent and fair pricing, improved yields and reduced impacts on the environment.

Technical assistance and cooperation

Through our programmes, we assess the sustainability of farms and address gaps, using approaches that are appropriate to the raw material involved, as outlined below:

- **Milk:** We support dairy farmers in areas such as veterinary services, silage and fodder production, and financing, where gaps have been identified through our sustainability assessments. We are also supporting research into silvo-pastoral methods, which combine forestry with the grazing of domesticated animals.
- **Coffee and cocoa:** We support farmers in improving quality and yields, soil and leaf analysis, wastewater management, gender and youth empowerment, improvements in traceability, as well as preparing them for compliance with 4C and Sustainable Agriculture Network standards in the case of coffee, and UTZ for cocoa. This is aligned with our commitments to only source 4C-compliant coffee through Farmer Connect and to increase our UTZ-certified sourcing under the [Cocoa Plan](#).

In addition to these commodity-specific programmes, we also offer water management programmes, water source protection support, and assistance with the identification and production of alternative crops.

We are active members of 4C, the SAI Platform and the Sustainable Trade Initiative (IDH) sustainable coffee programme.

Read more about Farmer Connect in [Rural development](#).



We support farmers to prepare them for compliance with 4C and Sustainable Agriculture Network Standards.

686 000

The number of farmers who supply directly to Nestlé through Farmer Connect

The self-sufficient agricultural school model

Good education can help to lift people out of poverty but in many developing countries, access to high-quality, relevant education is limited, leaving young talented people trapped in poverty.

To help close this education gap, Fundación Paraguaya developed a model of self-sufficient agricultural schools that promote agricultural and entrepreneurial training through post-primary education. This model gives young people from poor rural communities a platform to acquire the knowledge and skills to run a small agricultural business, enter further education or enter the local job market. In time, the enterprise also generates enough income to cover the school's operational costs.

Starting in 2003 with the San Francisco Agricultural School, the on-campus programme combines the normal high-school curriculum with technical agricultural training, as well as practical work on school-based micro-enterprises such as organic farming, milk and poultry production, bee keeping or tourism. Having developed a business plan, graduates receive small loans to finance their future endeavours.

The San Francisco Agricultural School became self-sufficient after five years, and two others will be self-sufficient in 2014. Around 430 students are currently enrolled in these three schools and all 625 graduates to date are either employed, have founded small enterprises or have entered university.

Fundación Paraguaya was awarded the [Nestlé Creating Shared Value Prize](#) in 2012 and used the CHF 300 000 prize fund to set up a new agricultural school in San Pedro, one of Paraguay's poorest areas.

With the help of its sister organisation Teach a Man To Fish, Fundación Paraguaya is spreading the concept internationally. Fundación Paraguaya is currently replicating the model in Tanzania, and around 50 schools in 25 countries are adopting the same approach.

Nestlé Creating Shared Value Prize

The Nestlé Creating Shared Value Prize of CHF 300 000 was used by Fundación Paraguaya to set up a new agricultural school in San Pedro, one of Paraguay's poorest areas.

RISE assessment

We work with farmers using Response-Inducing Sustainability Evaluation (RISE), a computer-based tool for assessing the sustainability of agricultural production and trends at farm level. It also provides an early warning system for potential problem areas.

Developed by the School of Agricultural, Forest and Food Sciences – part of Bern University of Applied Sciences – in Switzerland, RISE is an indicator- and interview-based method. The tool identifies strengths and weaknesses across environmental, economic and social dimensions, as well as intervention points where improvements can most effectively be made.

Read more about the RISE assessment and what it has helped to achieve in [Rural development](#).

Stakeholder engagement

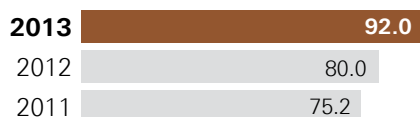
Below are examples of the wide range of partners and groups we work with.

Food industry groups	We co-founded SAI Platform with Danone and Unilever in 2002 to promote sustainable agriculture at field level through six working groups (cereals; coffee; dairy; fruit; potatoes and vegetables; and water and agriculture).	Examples: SAIN water projects The 'Zero Agua' project in Mexico Rice production in Yogyakarta, Indonesia
Global development agencies	We partially funded and helped steer the UNGC Food and Agriculture Business Principles . We have also supported the World Business Council for Sustainable Development's (WBCSD's) Action2020 work on global priorities (including agriculture, ecosystems, nutrients, basic rights and skills).	Examples: UNGC Food and Agriculture Business Principles
Governments	We work with national and regional authorities, including the state government of Sabah in Indonesia , and Vietnam's Ministry of Agriculture and Rural Development .	Examples: Partnership for Indonesia Sustainable Agriculture (PISAgro) Extensionist Attached to Demo Plots initiative
Non-profit/non-governmental organisations	We have partnerships with Conservation International , The Forest Trust (TFT) and Proforest . We are an affiliated member of the Fair Labor Association .	Examples: No Deforestation commitment Eliminating child labour

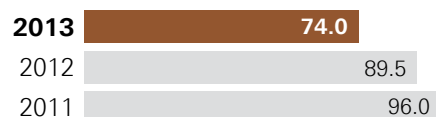
In numbers

See also: [Commitments table](#).

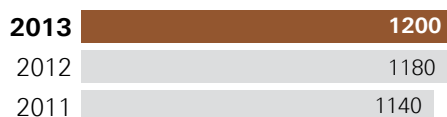
Purchased volume compliant with the Nestlé Supplier Code (%)



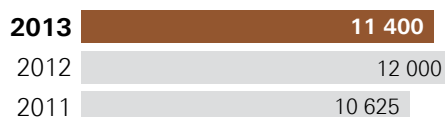
Percentage of suppliers, key vendors and quality key suppliers compliant with company's sourcing policy



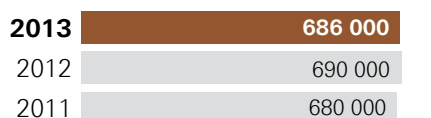
Direct sourcing staff



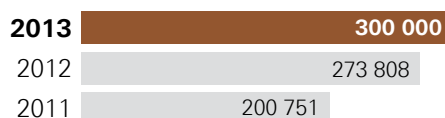
Supply chain support staff



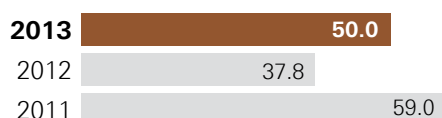
Number of farmers supplying directly to Nestlé (Farmer Connect)



Farmers trained through capacity-building programmes



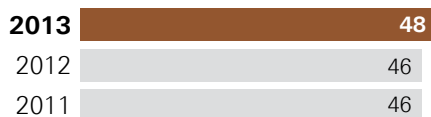
Financial assistance to farmers – direct and indirect (CHF million)



Farmer Connect markets covered by SAIN programmes (%)



Countries covered by SAIN programmes



Next steps

- Addressing Tier 1 supplier issues by achieving 10 000 Responsible Sourcing Audits by 2015;
- Have 40% of our key commodity volumes traceable, and 30% of the key commodity volumes responsibly sourced by 2015; and
- Continue to use tools such as RISE, work on an operational level with our key partners and stakeholders, and introduce new initiatives where we need to, in line with our existing commitments covered by the [Nescafé Plan](#) and the [Nestlé Cocoa Plan](#).

Deforestation

The destruction of tropical rainforests and associated peatlands contributes around 20% of global greenhouse gas emissions, adds to biodiversity loss and is contributing to social and land conflicts. We're committed to ensuring that the raw and packaging materials we source are not associated with any damage to existing rainforests.

Below, we report on three categories of raw material that are central to our No Deforestation commitment: palm oil, paper and board, and soya. Our approach to the challenge is the same for all three: to work with suppliers and partners to map our supply chains back to the origin, then assess and develop our suppliers against our [Responsible Sourcing Guideline](#).

At a glance

- 100% of our palm oil was RSPO-certified in 2013;
- We are on track to obtain 70% of our palm oil as responsibly sourced;
- We are mapping our soya supply chains in Brazil and Argentina to assess them against our Responsible Sourcing Guideline and develop action plans to support our key suppliers; and
- We are defining similar action plans for our paper supply chains and improving the environmental performance of the mills that supply us.

What we're doing

Key commitments and actions

In our [Commitment on Deforestation](#), we pledge that our products will not be associated with deforestation. This covers all the raw materials we use to make our products, as well as our packaging.

And in our [Commitment on Biofuels](#), we raise awareness of the risks to forests, water and food supplies resulting from conversion to growing biofuel crops.

Other key actions taken over the past few years include:

- Developed Nestlé [Responsible Sourcing Guideline](#) in partnership with NGOs, for use in responsible sourcing;
- Pledged our support to the goal of the [Consumer Goods Forum](#), a global platform for the consumer goods industry, to work collaboratively to achieve zero net deforestation globally by 2020;
- Embarked on mapping our extended supply chains back to their origin; and
- Helped to develop publicly available [Deforestation Guides for Commodity Sourcing](#), in partnership with Conservation International, to provide greater information about where deforestation may be occurring. This allowed us to refine the focus of our work and provided information to drive necessary alignment among businesses, governments and civil society.

A satellite view of forests

In 2013, in partnership with Conservation International, we launched [Deforestation Guides for Commodity Sourcing](#), which use data from satellites to assess deforestation rates and identify forest areas at greatest risk. This is vital information that's helping us to better prioritise our work on responsible sourcing, and to highlight where Nestlé's acquisition of raw materials might potentially add to the risk.

If we find such a risk in a given zone, we focus our supplier audit programme on that part of the supply chain, and take the necessary steps to address the problem.

Over the past few years, we've made good progress in establishing traceability along supply chains, and using this knowledge to conduct field assessments. We have reasonably good data about deforestation in many countries, but in others, including Ethiopia, Honduras and Papua New Guinea, it's been difficult to track the situation accurately. Satellite mapping can now help us to do this.

Having made the maps available for the general public, our competitors and others in our supply chain to use, we hope that more businesses, governments and other organisations will use them and the information they contain.

Palm oil

By the end of 2013, 51% of our palm oil was traceable, 19% was responsibly sourced, of which 19% was fully compliant with our Responsible Sourcing Guideline and specific requirements, and 100% was RSPO certified by September 2013.

Read our [2013 palm oil update report](#) for more information.

Palm oil

In September 2013, we met our ambition to source 100% RSPO-certified palm oil, two years ahead of our public commitment. Our next step is to achieve 95% traceable and 70% responsibly sourced palm oil by 2015.

Palm oil specific requirements

By making explicit provisions for peatlands and high-carbon stock forests, we go beyond the RSPO requirements and give more emphasis to the issue of deforestation, and to social conflict arising from potential [land rights and acquisition](#) disputes.

Our category-specific requirements for palm oil call on our suppliers to source oil from plantations that:

- Comply with local laws and regulations;
- Do not come from areas cleared of natural forest after November 2005;
- Respect the free, prior and informed consent of local and indigenous communities;
- Respect high conservation value forests;
- Protect peatlands and forests of high carbon value; and
- Comply with all RSPO principles and criteria.

Traceability and verification

To ensure the palm oil we source is not associated with deforestation, we must know where it comes from, so we work with our suppliers and our partner [The Forest Trust \(TFT\)](#) to build traceability and carry out field assessments against our Responsible Sourcing Guideline.

We support the RSPO as the industry-wide instrument, and accept RSPO certification as partial verification of compliance with our Responsible Sourcing Guideline (we verify peatland and high-carbon forest separately). In addition, we accept traceable oil from smallholders and growers who are not yet compliant but have an action plan and timeline in place for meeting the terms of our Responsible Sourcing Guideline.

We recognise that during an interim period, until traceability becomes feasible for all supply chains, including for complex blends of palm-based derivatives, [GreenPalm certificates](#) have a role to play in supporting producers of certified sustainable palm oil.

Since we began working on palm oil traceability in 2010, we have directly engaged with suppliers responsible for 80% of our palm oil volume.

As indicated above, by September 2013, 51% of our volume could be traced back at least to the mill in the country of origin, and about 19% of our volume was responsibly sourced oil, meaning it is Responsible Sourcing Guideline assessed and traceable to a plantation that is either compliant or at least engaged in continuous improvement.

Soya

The traditional soya supply chain is extremely complex, and traceability to the grower is often not possible. Yet soya is key to our [Commitment on Deforestation](#) so we've been working on the challenge for a while now.

Having developed and finalised our category-specific requirements for soya, working with Conservation International, we then began to implement them, starting with a project to map our soya supply chains in Brazil and Argentina, with the help of Proforest.

The information we gathered highlighted critical risk control points, enabling us, in 2013, to assess our soya producers' supply chains in the two countries against our Responsible Sourcing Guideline, and develop and launch action plans to support our key suppliers in meeting our requirements.

Paper and board

As well as focusing on deforestation issues, our specific requirements for paper and board also address the environmental performance of paper mills.

In 2010, Nestlé made a no-deforestation commitment and in 2011, through a partnership with The Forest Trust (TFT), we started mapping and assessing the supply chains of more than 260 paper and board suppliers across Europe and priority countries (Brazil, China, India, Indonesia, Malaysia and the USA).

51%

51% of our palm oil can be traced back at least to the mill in the country of origin.



THE RAW MATERIALS ARE PRODUCED IN COMPLIANCE WITH ALL APPLICABLE NATIONAL AND INTERNATIONAL LAWS, REGULATIONS AND CONVENTIONS, OR HAVE A TIME-BOUND PLAN IN PLACE TO ENTER IN COMPLIANCE. FOR MARKETS REQUIRING NON-GENETICALLY MODIFIED (GM) SUPPLIES, THIS INCLUDES THE OBLIGATION TO LIMIT CO-MINGLING AND ENSURE IDENTITY PRESERVATION. INDUSTRY STANDARDS REQUIRING THIRD-PARTY AUDITS ARE APPLIED TO DELIVER CONSISTENT, NON-GM SUPPLY WHERE NECESSARY.”

Category-specific requirements for soya from the [Nestlé Responsible Sourcing Guideline](#)

Progress in Europe

- In 2011, Nestlé Europe completed mapping the supply chains of 180 paper and board suppliers, and assessed them with The Forest Trust (TFT) for priority verification. For environmental management, a scorecard model was applied and time-bound action plans agreed with paper and board suppliers.
- The paper and board suppliers engaged in the exercise covered 100% of the total paper-based packaging used in Nestlé factories in Europe.
- In 2013, Nestlé Europe updated the mapping of supply chains by adding all packaging papers used by co-packers and co-manufacturers – a significant step towards eliminating unwanted fibre sources from our supply chains.

We also continued this work in all other priority countries during 2013.

Next steps

- We will continue our work on the same commodities to address deforestation;
- In 2014, we will aim to obtain 30% traceable and 20% responsibly sourced for all key categories; and
- We will continue to map our supply chains and perform assessments on the ground to verify compliance with our Responsible Sourcing Guideline.



Implement
responsible sourcing

For full details [see page 126](#)

See also: [Commitments table](#).

Milk

In rural regions across the world, from Latin America to Asia to Europe, many thousands of dairy farmers supply our factories directly. With close links to farmers around the world, Nestlé can provide facilities and support to help develop a supply chain on which our business depends – for the right quality and quantity of milk, in the right place, and at the right time.

Below, we report on our successful milk district model, first used in the 1870s, which is an integral part of our Farmer Connect direct sourcing programme.

Related information includes [deforestation](#), [rural development](#) (local economies) and [environmental sustainability](#) (sustainable consumption).

At a glance

- We purchased 7.2 million tonnes of fresh milk in 2012⁶, of which around 68% was bought directly from dairy farmers;
- More than 11 700 Nestlé sourcing staff and supply chain support staff currently work in the field to support about 413 500 dairy farmers; and
- Around 45 200 farmers benefitted from a total of CHF 47.6 million of financial assistance.

What we're doing

Assuring a regular supply of high-quality fresh milk means working in true partnership with local farmers. This is the essence of our milk district model, currently operating in 31 countries including Brazil, Chile, China, India, Mexico and Pakistan.

Our milk district model

Most of our rural factories are located within our milk districts – areas in which farmers supply our milk factories directly. We, in turn, provide facilities and support the local supply chain, helping to fuel rural development.

Creating a greatly expanded dairy industry through the Nestlé milk districts has not only benefitted milk farmers and their families, it has also had a significant impact on nutrition levels in the country. Milk and milk products play an essential role in the nutrition of consumers, serving as an important source of energy, protein, calcium, magnesium and phosphorus, as well as many essential vitamins and trace minerals. Milk not only contains a good quantity of protein, but the nutritional quality of its protein is also first-rate.

Sourcing safe, high-quality milk, a key ingredient, is a chief priority, and direct procurement from farmers makes traceability easier. To ensure quality, we have an assurance plan with training and manuals detailing good farm practices for each district; farms are audited regularly to ensure that requirements are met.

In 2012, we purchased more than 7.2 million tonnes of fresh milk from dairy farmers – about 68% of our total fresh milk required comes from Farmer Connect, direct sourcing activities.



A farmer delivers milk to a Nestlé collection centre close to our factory in Shuangcheng, China.

⁶ Nestlé's milk report for 2013 is published in April 2014 which falls out of scope of the 2013 CSV reporting cycle. The 2013 figure for amount of milk purchased will be published in the 2014 CSV report.

How it works

Farmers supply milk daily to our collection centres, directly to the factory or to contracted third parties. In many cases, we collect milk in trucks that go around to the dairy farms. The price paid varies according to the quality of the milk.

As milk is highly perishable, we also provide the storage and cooling infrastructure needed to maintain a constant supply of high-quality milk to our factories, many of which are located in the heart of our milk districts.

Relationships and problem-solving

Our milk district model brings us close to the farmers who we rely on for quality milk – from small-scale producers supplying us with less than five litres a day to large dairy farms supplying thousands of litres.

Building close links with farmers means we understand the practical problems that affect their businesses – and ultimately ours – over the long term. Issues such as how to keep animals healthy and productive, how best to store silage, how to deal with organic waste and manage water supplies – in other words, how dairy farming can be profitable and sustainable.

All these challenges influence quality milk supply, responsible sourcing and environmental sustainability – and matter to the millions of people whose livelihoods depend on dairy farming. But our approach means that whether it's an individual farmer with one buffalo in Sri Lanka or a large farming business in the USA, every single litre of milk we purchase, from anywhere around the world, will meet our stringent compliance, quality and safety standards.

Each farming environment has a different set of individual, regional or national characteristics and challenges, so we don't impose a one-size-fits-all approach; whatever the context, the long-term relationships we build with farmers enable us to identify the issues and work together to resolve them.

Creating Shared Value in milk districts

Value for Nestlé	Value for farmers	Value for rural communities
Quality, safety, volume growth, cost efficiency. Regular, long-term, local supply. Close links with local farmers. Continuously enhancing farming practices and standards.	Regular income. Secure route to market. Access to local infrastructure for collection, storage, chilling and transport.	Milk factory opportunities: employment, training, personal development. Indirect employment and economic activity (local contractors, agents).

68%

In 2012, we purchased about 68% of our total required milk volume directly from dairy farmers.

Advice, support and assistance – in the field

The expertise and dedication that make it possible for us to assist on quality and other issues comes from more than 11 700 Nestlé sourcing staff and supply chain support staff working in the field. Their knowledge and relationships with small-scale dairy producers and co-operatives help build a responsible milk supply chain, from farm to factory.

The assistance we offer our dairy farmers takes many forms, depending on individual needs – from direct technical advice to linking up with relevant agricultural service providers, such as veterinary services. And in some cases, we provide access to finance to enable farmers to expand their operations.

Working across the range of critical issues

Our sourcing staff use the structured RISE evaluation method to work with farmers, identify potential quality and sustainability issues, and track progress.

Based on farm-level RISE assessments, we know the wide variety of challenges affecting dairy farming and sustainable milk supply. The following is a brief snapshot of the issues faced by one of our milk districts, and the outcomes achieved by working in partnership with farmers and other stakeholders.

For example, between 2009 and 2012, Nestlé milk suppliers across five regions in Mexico had their performance and practices assessed using the RISE tool and, as a result of the findings, some built large biogas digesters with support from the Mexican Government and Nestlé Mexico. These have reduced the amount of electricity sourced from the grid, while decreasing environmentally harmful emissions of ammonia and methane. For more information, read our case study on [the rise of biogas in Mexico](#).

11 700

We currently have 11 700 Nestlé sourcing staff and supply chain support staff working in the field.

Dairy farm certification scheme in Spain

Each farmer, supplier, transporter, manufacturer, distributor and retailer in the dairy supply chain is an integral part of the food quality management system and has a responsibility for the quality of milk products to meet consumers' expectations.

To create practical recommendations at an operational level beyond compliance with laws and regulations, and to help Spanish producers to serve a global market with the highest quality standards, Nestlé Spain implemented an external farm certification scheme in January 2011.

Farms in the Galicia, Asturias and Cantabria milk districts have to demonstrate their compliance to the scheme standards in five main areas – dairy farming; traceability of animals and milk; feeding; animal health and treatments; milking, storage and quality – as well as environment and animal welfare. Certification bodies are appointed to audit compliance against 162 requirements on good agricultural practices, which are summarised in reports and used to inform action plans to address unsatisfactory performance. Nestlé agricultural advisers also provide training and give advice to farmers.

Estimation of certified milk in 2013

	Ponte- cesures Galicia	Sevares Asturias	La Penilla Cantabria
% certified raw milk	50	75	71
Millions of litres	37	29	47
% certified farms	28	49	40

After a little over two years:

- 113 million litres are sourced from certified farms in the three districts;
- A shared database has been created containing information on chemical fertilizers, animal feed, veterinary drugs and other products used by Nestlé suppliers, as well as agricultural land area and livestock numbers;
- The detection of contaminants (e.g. aflatoxins, heavy metals, pesticides) raises a food safety alert and allows Nestlé to take immediate action;
- Farmers have enhanced their management abilities at a farm level, are more aware about food safety, and have improved farm facilities and animal welfare; and
- Nestlé Spain has greater confidence in its raw material suppliers and has been able to add value to the final product.

The certification scheme will be extended to other milk-sourcing areas in Spain and Nestlé Spain plans to increase the share of certified milk.

In numbers

See also: [Commitments table](#).

Technical assistance schemes in fresh milk markets worldwide (% of countries covered)

2013	87% (27 out of 31)
2012	87% (27 out of 31)
2011	71% (22 out of 31)

Number of countries using Farmer Connect for fresh milk

2013	31
2012	31
2011	31

Number of dairy farmers

2013	413 500
2012	456 357
2011	422 714

Amount of milk purchased (million tonnes)

2013	Figure available mid-2014⁷
2012	7.2
2011	7.2

Total financial assistance provided to dairy farmers (CHF million)

2013	47.6
2012	32.82m (USD 37.3m) ⁸
2011	50.69m (USD 57.6m) ⁸

Number of dairy farmers benefitting from financial assistance

2013	45 200
2012	42 447
2011	38 677

Next steps

- We will continue with our approach, which has been successfully implemented over the years in very diverse environments, using RISE to improve long-term sustainability; and
- We will continue to provide technical assistance and financial assistance where appropriate.

⁷ Nestlé's milk report for 2013 is published in April 2014 which falls out of scope of the 2013 CSV reporting cycle. The 2013 figure for amount of milk purchased will be published in the 2014 CSV report.

⁸ USD values converted to CHF using an exchange rate of 1 USD to 0.88 CHF taken from www.oanda.com on 3rd March 2014. Historical CHF values included for comparative purposes to align with 2013 figure reported in CHF.

Coffee

Increasingly, consumers choose Nestlé's coffee brands for their quality, taste and aroma, as well as the social and environmental value they create in the communities where they are produced. Yet our long-term ability to source the right quality and quantity of coffee for our major brands, *Nescafé* and *Nespresso*, depends on the sustainability of coffee farming. Ageing trees, plant diseases, low productivity, volatile prices and climate change are just some of the threats to the livelihoods of coffee farmers, the vast majority of whom are smallholders with no more than a hectare or two of land.

Below, we report on the initiatives underway through the *Nescafé* Plan and the *Nespresso* AAA Sustainable Quality™ Program to develop a thriving supply chain. These range from the application of plant science through to support and sourcing activity direct with farmers in the field.

Related information elsewhere in this report includes [rural development](#) (local economies) and [environmental sustainability](#) (sustainable consumption).

At a glance

- As part of our commitment to [roll out the *Nescafé* Plan](#) more widely, we have extended its reach into Central America;
- We trained more than 126 000 farmers and distributed more than 21 million plantlets as part of the *Nescafé* Plan;
- Our team of more than 200 sourcing staff and supporting staff visit our coffee farmers in 10 countries to provide expertise and help to implement good practices in the field;
- We have distributed more than 21 million plantlets as part of the *Nescafé* Plan; and
- *Nespresso* reached its 2013 commitment to source 80% of its coffee through its AAA Sustainable Quality™ Program by the end of 2013. The programme was extended to Africa.

What we're doing

Understanding the drivers

Worldwide demand for coffee continues to grow, and our coffee businesses are focused on ensuring that supplies in the long term are able to meet increasing consumption on a sustainable footing. However, the challenges we face include volatile prices, declining yields and strong competition for raw materials – with coffee growing being challenged by alternative crops considered by growers as better commercial prospects.

Locally available, high-quality green coffee (which is processed and dried but unroasted) is vital to our coffee businesses, not just in terms of meeting consumer expectations but also because local supply sustains our local manufacturing. It's a model that's intrinsic to supporting the creation of shared value, as the value added by our factories also benefits the communities where we source raw materials. And it's this regional production that makes Nestlé's coffee value chain so distinctive. Many *Nescafé* factories are close neighbours to the coffee farmers on whom our production depends, a connection that supports factory jobs as well as the livelihoods of local growers and their communities who supply us under Farmer Connect.



Roll out the
Nescafé Plan

For full details [see page 125](#)

Common commitments

Both the [Nescafé Plan](#) and the [Nespresso AAA Sustainable Quality™ Program](#) (outlined below) have distinctive features, standards and requirements, reflecting their different business models and sourcing operations. For example, our *Nescafé* business has a broad geographical scope covering almost the entire coffee belt (which straddles the equator between the tropics of Cancer and Capricorn), while *Nespresso's* programme centres on eight key countries of origin.

However, all our coffee initiatives share a commitment to quality, productivity and efficiency, supported by our Supplier Code, the application of plant science and, in the case of *Nescafé*, our Farmer Connect programme.

Nestlé is investing CHF 500 million in coffee projects over the decade 2010–2020. This includes CHF 350 million for the *Nescafé* Plan and CHF 150 million for *Nespresso*.

The cornerstone of science

Nestlé's research into plant science is fundamental to our coffee programmes, and we've directed significant resources into developing higher-yield, more disease-resistant coffee plantlets, and distributing millions of them to farmers around the world. This involves a long-term investment going far beyond general development projects, starting with the seed and culminating in testing and monitoring how the plant performs in the field. Read more in our plant science case study.

Supplier Code and Responsible Sourcing Guideline

For every green coffee contract, the [Nestlé Supplier Code](#) sets out the social and environmental standards we expect from our suppliers. We monitor compliance through quality assurance before shipment and periodic spot checks at exporters' premises. In our Farmer Connect programmes, we provide technical assistance and training to thousands of coffee farmers every year, including training in aspects of our Supplier Code. To find out more about our Supplier Code, please read [Managing responsible sourcing](#).

We also have a [Responsible Sourcing Guideline and specific requirements for coffee](#) that apply to all countries where we source green coffee. The economic, environmental and social performance levels of the guideline are minimum requirements, based on the 4C Association Code of Conduct, and apply to producers of all sizes, from individual smallholders to large estates.

Direct sourcing: Farmer Connect for Nescafé

There are some 25 million coffee farmers around the world, and we're in direct contact with 343 519⁹ of them through Farmer Connect, a programme that creates shorter, more efficient supply chains with a service, and involves research and development. Farmer Connect brings us closer to farming communities through direct relationships with farmers and co-operatives, so that we develop a more sustainable supply chain and drive positive change. We buy direct from farmers, co-operatives and selected traders who apply *Nescafé's* Better Farming Practices, while our sourcing staff provide services including free technical assistance and training.

Investing

Nestlé is investing CHF 500 million in coffee projects over the period 2010–2020, including:

CHF 350 million for the *Nescafé* Plan



CHF 150 million for *Nespresso*.



10%

Nestlé buys 10% of the world's production of coffee.

9 Despite our best efforts to avoid it, an element of double counting is possible.

Plant science breakthroughs

One of the major drivers of income for coffee farmers is the productivity of the trees in their plantations. In many cases, the trees are old, as they have been inherited from previous generations, but farmers often retain old trees, even those afflicted by diseases, believing that original trees are the only way to keep producing good coffee.

One such disease is coffee leaf rust, a bacterial disease that covers the leaves with yellow spots; in the worst cases, it causes complete defoliation and kills the tree.

At Nestlé's R&D Centre in Tours, France, coffee tree productivity, disease resistance and cup quality are a constant preoccupation. The modern coffee tree breeding programme, which is coordinated at Tours but takes place in almost 20 different producing countries, is based on the conventional cross-breeding of parents selected for their field performance and the quality of their coffee.

Recently, R&D Tours developed new breeds of Arabica coffee varieties, which can be more than twice as productive as current varieties and can deliver an exceptional cup.

Charles Lambot, the main breeder at Tours, is particularly excited: "The new trees, which are being tested in parallel in experimental stations, together with partners and farmers, are not only productive, some of them also show resistance to rust and deliver an exceptional cup," he says. "This has the potential of revolutionising coffee cultivation in rust-ravaged areas."

While the trees will only be released in a few years after having been thoroughly tested in real conditions and fully accepted by farmers, they will offer both the *Nescafé* Plan and the *Nespresso* AAA Sustainable Quality™ Program an excellent opportunity to improve farmer livelihoods in coffee regions and support the production of unique quality coffee in the long run, benefitting both the farmer and the consumer.

The *Nescafé* Plan

The *Nescafé* Plan is a global initiative that brings together our [commitments and activities](#) that support the responsible farming, production and supply, and consumption of coffee (see also [Promoting sustainable consumption](#)).

Regarding responsible farming, our *Nescafé* business works with coffee farmers in four main ways:

- **Training:** We are committed to training farmers on the techniques and guidelines that comprise our Better Farming Practices, and by the end of 2013, the cumulative total of farmers trained since the inception of the *Nescafé* Plan (2010–2013) reached 198 752.
- **Visits from sourcing staff:** Our team of more than 220 sourcing staff visited more than 30 000 coffee farmers in 14 countries to provide expertise and help to implement good practices in the field.

- **Farmer Connect:** Purchasing green coffee locally in an efficient way helps us to develop local supplies for our factories, and to work with growers to make improvements at a farm level. By 2015, we aim to source 180 000 tonnes of green coffee from Farmer Connect farmers, all of which will comply with 4C's baseline sustainability standard. By the end of 2013, we had sourced 148 198 tonnes of coffee from Farmer Connect farmers, and approximately 48% of this coffee (71 493 tonnes) was 4C-compliant. We also intend to source 90 000 tonnes of green coffee compliant with Sustainable Agriculture Network (SAN) principles by 2020, and activity towards achieving this longer-term goal will start after 2015.
- **Ensuring the future of coffee farms:** We're investing in improving coffee trees through plant science, largely through our R&D Centre in Tours, France. It's key to quality and yields, so that farmers see coffee growing as an attractive, viable means of earning a living, ensuring a long-term supply of the right quantity and quality of green coffee on which our brands depend. We also work with farmers on the ground, with our initiative to propagate and distribute plantlets. We will distribute 220 million high-yield, disease-resistant coffee plantlets to farmers by 2020 and 21.4 million plantlets were distributed in 2013.

2013 initiatives

In 2013, we launched the *Nescafé* Plan in Central America (Guatemala, Nicaragua and Honduras), extending its scope beyond the 10 countries where the plan was already in place to 13.

Nescafé has also inaugurated a new coffee centre of excellence in the Philippines to improve the quality and quantity of the coffee crop in a country where demand far outstrips supply. The facility was set up as a one-stop shop for coffee growers in the region to give farmers access to the best of Nestlé's coffee-farming technology and training. The facility also houses a buying station where farmers can sell their produce directly to Nestlé.

An estimated 3300 farmers are expected to sell their green coffee annually at the centre's buying station.

Sustainable coffee initiatives and partnerships

We take part in a number of sustainable coffee initiatives, including:

- The Coffee Working Group of the [SAI Platform](#);
- The [4C Association](#), of which we are a founding member. We follow the 4C Code of Conduct to improve efficiency, profitability, transparency and sustainability in the production, processing and trading of coffee through training and verification; and
- The [Sustainable Coffee Programme](#), an IDH-facilitated pre-competitive initiative that aims to help millions of coffee farmers become more resilient and to implement social and environmentally friendly coffee-farming techniques to increase yield and quality.



Picking coffee cherries as part of the *Nescafé* Plan.

See our infographic outlining the impact of the [Nescafé Plan](#).

We also have many of our own partnerships and initiatives around the world, including:

- Distributing disease-resistant plantlets to assist farmers in Colombia to renovate their farms and increase productivity;
- Offering training in pest management, pesticide use, water/waste treatment, farm management, supply of septic tanks, and leaf and soil analysis in Brazil and Kenya;
- Offering two university scholarships to families of coffee growers in Papua New Guinea;
- Providing personal protective equipment to 250 farmers involved in supplying 4C-compliant green coffee through trade partners in Vietnam; and
- Addressing issues at the mill level in Ethiopia, such as use of wastewater, more efficient management and training on good agricultural practices, and improving yield and quality.

Nespresso AAA Sustainable Quality™ Program

Launched in 2003, in collaboration with the international non-profit organisation, the Rainforest Alliance, the *Nespresso* AAA Sustainable Quality™ Program seeks to protect the highest quality coffees required for *Nespresso* Grands Crus, while improving sustainable farming practices and enhancing farmer welfare.

By establishing long-term relationships with more than 62 500 farmers in eight countries, a network of 248 dedicated sourcing staff work closely with farmers on the ground, encouraging sustainable farming practices, improving quality, optimising farm productivity and, as a result, securing farmers' livelihoods through higher net incomes.

To gather and manage information about the implementation of the programme, we use a web-based database for farm, region and national level analysis; mobile applications for sourcing staff to input data in the field; and a dynamic dashboard to display key information in real time. This set of tools allows us to monitor and assess farm results and improvements, and conduct geolocalised analysis of results, while ensuring full traceability of the coffee sourced through the programme.

As a result, more than 290 000 hectares of farmland were under our active sustainable management programme, helping *Nespresso* successfully meet its commitment to source 80% of its coffee through its AAA Sustainable Quality™ Program by the end of 2013. Having reached 84%, *Nespresso* is now looking to source 100% of coffee through the AAA Program.

2013 initiatives

Nespresso marked the 10th anniversary of its AAA Sustainable Quality™ Program with a series of major new initiatives.

Now looking to source 100% of coffee through the programme, *Nespresso* extended it to include economic and social development projects for farming families and communities in Ethiopia and Kenya, with the aim of doubling the amount of coffee sourced from the two countries by 2020. *Nespresso* is also planning to revive coffee production in South Sudan, through a partnership with the NGO TechnoServe, which specialises in developing business solutions to poverty.



Freshly picked Colombian coffee cherries, meeting *Nespresso's* AAA Sustainable Quality™ Program standards.

Nespresso announced an expansion of its current work with farming communities by developing a dedicated agroforestry programme in partnership with the Rainforest Alliance and Pur Projet. So far, *Nespresso* has reduced its carbon footprint per cup by 20% since 2009, and working in the coffee regions represents a great opportunity to further reduce it. The project focuses on using trees within and around coffee farms to restore natural habitats, regulate water availability and help coffee-farming areas to adapt to climate change and halt the degradation of natural ecosystems. This programme, which will initially be rolled out in Guatemala, will help farmers to secure the long-term viability of coffee plantations, improve carbon sequestration and drive new revenue streams.

Additionally, *Nespresso* established a sustainability advisory board to provide insights and recommendations to enhance the company's long-term sustainability strategy. Meeting for the first time in 2013, it comprises Peter Bakker, President of the World Business Council for Sustainable Development; Polly Courtice, Director of the Cambridge Programme for Sustainability Leadership; Harriet Lamb, CEO of Fairtrade International; Tristan Lecomte, co-founder of Pur Projet; Julia Marton-Lefèvre, CEO of the International Union for Conservation of Nature; Bruce McNamer, President and CEO of TechnoServe; Luiz Genaro Muñoz, President of the Colombian Coffee Growers Federation; Lawrence Pratt, Director of the Latin American Center for Competitiveness and Sustainable Development at INCAE Business School; Paul Rice, President and CEO of Fair Trade USA; Auret Van Heerden, President and CEO of the Fair Labor Association; Tensie Whelan, President of the Rainforest Alliance; and *Nespresso* brand ambassador George Clooney.

The *Nespresso* AAA Sustainable Quality™ Program in Colombia

Between 2006 and 2012, *Nespresso* increased the amount of coffee sourced through the AAA Sustainable Quality™ Program in Colombia eight-fold. It currently works with approximately 47 512 AAA coffee farmers in the country, representing more than 75% of all farmers taking part in the AAA Program worldwide.

In addition to the implementation of the best quality and sustainability practices, the programme brings the Colombian Government together with local partners to reverse the decline in coffee productivity of recent years and, along with the Federación Nacional de Cafeteros de Colombia (Colombian Coffee Growers' Federation) and other partners, seeks innovative and efficient solutions to water conservation issues.

Nespresso has now expanded the programme to the Santander region, the sixth 'cluster' of coffee growers in Colombia – read our [case study](#) – and to the Cundinamarca region, the seventh Colombian 'cluster'.

The *Nespresso* AAA Farmer Future Program, in partnership with Fairtrade International, aims to introduce welfare provisions for farmers and their families, such as accident insurance, protection against price volatility and retirement planning. This programme will run in five coffee co-operatives in the Caldas region.

62 500 farmers

More than 62 500 farmers are part of the *Nespresso* AAA Sustainable Quality™ Program, representing 290 000 hectares of farmland under active sustainable management.



Integrating 'Limited Edition' into the AAA Program

Nespresso has developed pioneering techniques to create its late harvest Limited Edition Grand Cru coffee, *Naora*. Its distinctive taste was made possible by increased sugar content in the coffee cherries, achieved by a later than normal harvest.

For more than two years, *Nespresso*'s green coffee experts worked closely with quality experts from the Colombian Coffee Growers' Federation and Cenicafé, the National Coffee Research Centre, as well as with more than 1000 farmers, to develop a highly accurate procedure for defining and determining the ideal conditions for late harvesting.

Such a significant change presented a gamble for the coffee growers in the Andean regions of Santander and Tolima, who needed to adopt new harvesting practices inspired by similar techniques from the world of wine. Rigorous controls were put in place to guarantee the coffee cherries matured for as long as possible before being picked, while still avoiding the risk of fermentation or mould.

Commitment and trust were key ingredients to implement this groundbreaking technique and bring to life an innovative coffee, but also to develop more long-term benefits. The relationships built with the farmers during this project and the close collaboration established between the farmers, *Nespresso* and its partners, led to the integration of the farmers in Santander into the AAA Program. Their dedication and commitment to quality made them perfect candidates to pursue their collaboration with *Nespresso* in the longer term.

Naora is a living illustration of the *Nespresso* approach of building strong and long-term relationships with farming communities to create shared value for all.

THE MAIN RISK WE FACED WAS THAT COFFEE GROWERS WOULDN'T AGREE TO THE PROCESS, BECAUSE THEY DIDN'T FEEL COMFORTABLE CHANGING WHAT'S BEEN DONE FOR THE LAST 80 YEARS. BUT THE CHAIN OF TRUST BETWEEN THE DIFFERENT PEOPLE INVOLVED WAS AMAZING. IT REACHED ALL THE WAY DOWN THE CHAIN, TO COFFEE CO-OPERATIVES, COFFEE GROWERS AND THE PICKERS WHO WORK ON THE FARMS."

Alexis Rodriguez,
coffee expert, Nestlé *Nespresso* S.A.

Driving improvements in farmer welfare

An impact study run by the [Centre for Regional Entrepreneurial and Coffee Studies](#) (CRECE) a non-profit independent monitoring organisation based in Colombia, demonstrated significant social, economic and environmental improvements experienced by farmers in the *Nespresso* AAA Sustainable Quality™ Program.

CRECE surveyed 1200 AAA farmers across the country, measuring the impacts of the programme, and using the results to build indexes for social, environmental and economic performance. Compared to non-AAA farms, the study demonstrated that the AAA farms surveyed displayed:

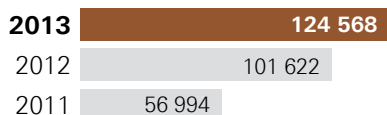
- 22.6% improvement in social conditions (quality of life, occupational safety and health);
- 52% better environmental conditions (agricultural practices, soil and water conservation, agrochemical handling); and
- 41% improvement in economic conditions (market knowledge, land productivity, production costs, income).



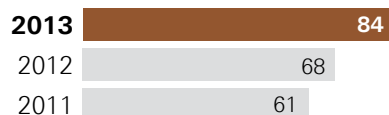
In recent years, the gap between non-AAA farms and AAA farms has widened in terms of sustainability outcomes. Between 2009 and 2011, non-AAA farms generally maintained or demonstrated a decline in their index rating, while AAA farms showed an increase. The study also detailed the positive impact on farmer income, which was on average 46% higher for AAA farms than non-AAA farms. Economic stability and social conditions resulted from the higher prices paid to AAA farmers in the form of premiums.

In numbers

Number of coffee farmers receiving technical assistance and training through the Nescafé Plan



Share of coffee sourced by Nespresso from its AAA Sustainable Quality™ Program (%)

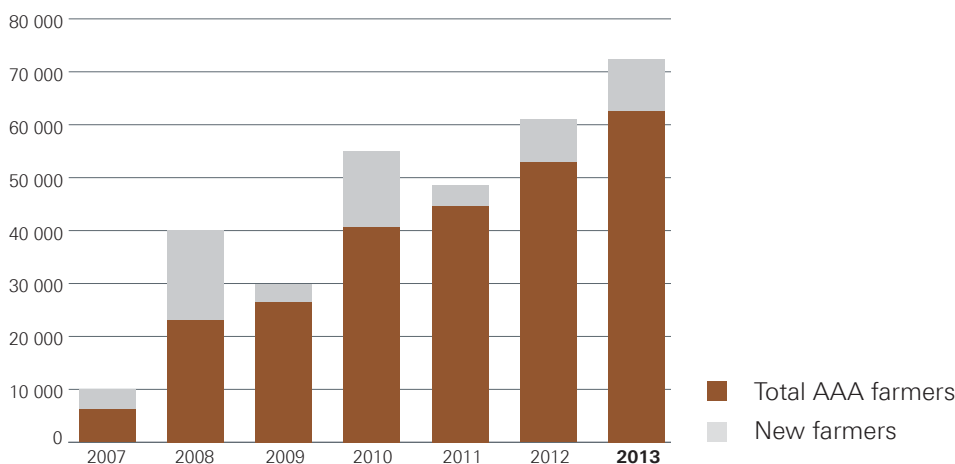


Nespresso met its 2013 commitment to source 80% of its coffee through its programme by 2013.

THE DATA COMING FROM THE FIELD SHOWS THE SIGNIFICANT IMPACT THAT THE COLLABORATION BETWEEN THE RAINFOREST ALLIANCE AND NESPRESSO IS HAVING ON THE GROUND IN COFFEE-GROWING COMMUNITIES. OVER THE 10 YEARS WE HAVE WORKED WITH NESPRESSO ON THE AAA SUSTAINABLE QUALITY™ PROGRAM, WE HAVE OBSERVED SIGNIFICANT PROGRESS IN TERMS OF ECONOMIC, SOCIAL AND ENVIRONMENTAL CONDITIONS. THE CRECE DATA INTRODUCES A CONCRETE METHODOLOGY TO VERIFY THIS PROGRESS.”

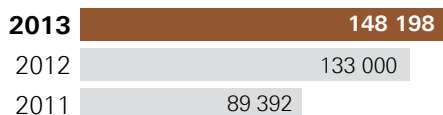
Tensie Whelan,
President, the Rainforest Alliance

Number of farmers in the Nespresso AAA Program



Since 2007, the AAA Program has seen an average of more than 8000 new farmers joining annually.

Volume of green coffee sourced through Farmer Connect (tonnes)



Next steps

- We will continue to help farmers find more sustainable and profitable ways of growing coffee;
- Through the roll-out of the *Nescafé* Plan, we will have bought 180 000 tonnes of Farmer Connect green coffee, ensured compliance with the 4C Code of Conduct by 2015, and invested CHF 350 million in coffee projects in support of the *Nescafé* Plan by 2020; and
- To continue *Nespresso*'s progress towards sourcing 100% of its coffee through the AAA Sustainable Quality™ Program, the programme will be extended further in Africa and Latin America.

See also: [Commitments table](#).

Cocoa

Cocoa, the most important ingredient of chocolate, is grown by more than 4.5 million farmers in remote rural regions, and Nestlé uses more than 10% of the world's production. We're working to create shared value in our cocoa supply chain to improve the wellbeing and livelihoods of farming families and children; to reduce the risks to long-term supplies; and to promote a more sustainable cocoa sector.

Below, we report on progress against our commitment to roll out our Nestlé Cocoa Plan, as well as our initiatives prompted by the Fair Labor Association report and other independent partners to bring about real change.

Related information elsewhere in the report includes [rural development](#) (local economies) and [environmental sustainability](#) (sustainable consumption).

At a glance

- This year, we purchased 62 299 tonnes (about 14.5% of our cocoa) through the Nestlé Cocoa Plan, of which 75% was certified UTZ or Fairtrade;
- We are on track to source 25% of our purchased volume through the Nestlé Cocoa Plan by 2015;
- We completed the roll-out of child labour monitoring and remediation to six more co-operatives (taking the cumulative total to eight), including training 154 community liaison staff; and
- We built or refurbished 11 schools in Côte d'Ivoire and two in Ghana (2012: 13), distributed more than 1 million plants to farmers and trained 33 885 cocoa farmers (2012: 27 000 farmers).

What we're doing

The Nestlé Cocoa Plan

Through our commitment to continue to [roll out the Nestlé Cocoa Plan](#) we seek to address issues including low productivity and child labour on cocoa farms.

Our aims are:

- For farmers to choose cocoa farming, rather than enter it by default;
- For cocoa farmers to improve their lives and those of their families; and
- For local communities to be empowered and thrive through the cocoa economy.

To help realise these ambitions, the Nestlé Cocoa Plan has three main action pillars: enabling farmers to run profitable farms; improving social conditions; and sourcing good quality, sustainable cocoa. The components of these pillars are covered in the diagram below.

Underlying these pillars is a multi-stakeholder approach based on collaboration with partners and transparency. We have become affiliates of the FLA and in response to its recommendations, we set up a child labour monitoring and remediation system (read our [case study](#)) with the help of the ICI. Now active in eight co-operatives (2014 objective: 12), the system allows local community members to play a pivotal role in starting to uncover and helping us tackle incidences of child labour.



Roll out the
Nestlé Cocoa Plan

For full details see [page 124](#)

The Nestlé Cocoa Plan

The Nestlé Cocoa Plan is active in most major cocoa-growing countries, including Côte d'Ivoire, Ghana, Brazil, Ecuador, Venezuela, Mexico and Indonesia.



Cocoa farmer (left) in Cárdenas, Tabasco State, Mexico, consults a Nestlé advisor (right).

Three main pillars

<p>Enable farmers to run profitable farms</p> <ul style="list-style-type: none"> • Higher yielding cocoa plants • Farmer training • Reward farmers for good quality cocoa 	<p>Improving social conditions</p> <ul style="list-style-type: none"> • Eliminate child labour from Nestlé’s cocoa supply chain • Promote and facilitate school attendance 	<p>Sourcing sustainable, good quality cocoa</p> <ul style="list-style-type: none"> • Ensure long term supply of good quality cocoa for our business • Traceability down to farmer group • Respect the environment and avoid deforestation
<p>Collaboration and transparency</p> <p>Working with independent partners like the Fair Labor Association and UTZ Certified, to tackle child labour, improve cocoa farming and give transparency and credibility to the plan.</p>		

We have category-specific requirements for cocoa embedded in our [Nestlé Responsible Sourcing Guideline](#) that apply to all countries that we source cocoa from. This includes both our direct procurement operations in origin countries, as well as the cocoa we buy from traders, exporters and local vendors. Our aim is to increase our share of cocoa sourced from farms and plantations that meet the requirements defined in the UTZ certification Code of Conduct for Cocoa, or equivalent standards.

2013 progress

In 2013, we expanded the depth and breadth of the Nestlé Cocoa Plan.

In Côte d’Ivoire, we opened our experimental farm and farmer training centre, worked closely with 10 co-operatives to develop their three-year plans and continued the roll-out of the crop protection programme. In Ghana, as well as a training and certification programme, we built three water wells and two schools, and installed a village resource centre with computers at a local school

We accelerated collaboration with others, by joining the Cocoa Livelihoods Program (partly funded by the Bill and Melinda Gates Foundation) and the IDH Fertilizer Initiative, and worked closer with the World Cocoa Foundation (WCF) through its CocoaLink mobile technology service in Côte d’Ivoire.

We also committed to strengthening our efforts to promote, support and [empower women in our cocoa supply chain](#) and to work to better understand the real situation of [child labour](#).

Training farmers

Globally, against an objective to train 25 000 cocoa farmers by 2014, we trained 33 885 cocoa farmers in better agricultural practices in 2013, using a variety of methods – including farmer field schools and farmer business training – to help improve farm profitability.

One year on

See our [infographic](#) on what’s been achieved in Côte d’Ivoire since we began and how our Cocoa Plan is improving cocoa farmers’ lives in the country.

Read more on [Building schools](#).

Read more on [Empowering women in the cocoa supply chain](#).



For example, in collaboration with Syngenta, Cargill and Olam, we're helping cocoa farmers increase yields and improve the quality of the crops through the appropriate use of crop protection products. Demonstration plots have been set up on a number of co-operatives, training modules for farmers developed, and applicators trained in the safe application, storage and handling of crop-protection products.

Investing in plant and soil research

Further agronomic research into soil fertility, plant nutrition and the improvement of farming systems, as well as the distribution of cocoa plants, have a major impact on the ability of cocoa farmers to grow more, higher-quality crops over the long term and thus secure a higher income.

We met our objective to distribute more than 1 million plantlets to farmers by 2014. In Côte d'Ivoire, we propagated more than 900 000 plants and have [built a 30-hectare experimental and demonstration farm](#) near Yamoussoukro to serve as a farmer training academy, and plant research and propagation centre. And in Ecuador, we distributed more than 122 000 plants of the national variety, which produces fine cocoa with a premium flavour.

Improving the supply chain

The journey from the cocoa bean to chocolate is typically long and complex, and improvements in the supply chain benefit both our business and the farmer co-operatives supplying us.

In 2013, we purchased 62 299 tonnes of cocoa – 14.5% of our total – through the Nestlé Cocoa Plan, a 34% increase over 2012 (2014 target: 80 000 tonnes).

Empowering women in the cocoa supply chain

Our [commitment to gender equality](#) includes supporting the UN Every Woman Every Child initiative, signing up to the UN Women's Empowerment Principles, and exploring how we can do more to [improve the lives of women in our supply chains](#) – including cocoa.

In April 2013, we published our [Nestlé Action Plan on Women in the Cocoa Supply Chain](#), initially focusing on Côte d'Ivoire before being extended to Ghana, Indonesia, Ecuador and other countries covered by the Nestlé Cocoa Plan.

We are already working with our supply chain partners to collate data about the situation of women in our cocoa supply chain, and looking for opportunities to improve equality of opportunity. We are initially focusing on women in decision-making positions, women farmers trained and women farmers in co-operatives.

To enhance our understanding of the role women play in the cocoa supply chain, the risks and obstacles they face, and their potential role in improving labour conditions, we have asked the FLA to make a special gender assessment report. The assessments will cover 200 farms across five co-operatives, and the results – due after the main harvest ends in spring 2014 – will be used to update our action plan.

OXFAM WELCOMES THE STEPS THAT NESTLÉ IS TAKING TO IMPROVE THE RIGHTS AND OPPORTUNITIES OF WOMEN IN ITS COCOA SUPPLY CHAIN. WE ALSO CONGRATULATE NESTLÉ ON SIGNING UP TO THE UN WOMEN'S EMPOWERMENT PRINCIPLES, WHICH BROADENS ITS COMMITMENT TO EMPOWER WOMEN THROUGHOUT ITS SUPPLY CHAINS AND OPERATIONS."

Judy Beals,
Head of *Behind the Brands* campaign, Oxfam

Building schools

Building schools contributes to better social conditions and in 2012, we made a commitment to build or refurbish 40 schools over four years in Côte d'Ivoire, with most of these being built by the World Cocoa Foundation (WCF). So far, we have built or refurbished 23 schools – 19 with the WCF and four with other partners such as the ICI – enabling 400 children to go to school for the first time.



Roll out the
Nestlé Cocoa Plan

For full details [see page 124](#)

Tackling child labour in the cocoa supply chain

Along with building schools, we're tackling child labour directly. It's a complex issue that can't be addressed at arm's length, so gathering reliable evidence about what's happening on the ground is vital.

In February 2012, we invited the FLA's experts to visit Côte d'Ivoire – a key country of supply – to help us examine our cocoa supply chain. They found that child labour is still a reality on cocoa farms in Côte d'Ivoire and that any realistic strategy needs to start with attitudes in the supply chain and communities. As large parts of the supply chain are shared with other industry actors, the FLA also recommended joining forces to combine mapping, monitoring and capacity-building.

The FLA believes that the Nestlé Cocoa Plan and our participation in other initiatives provide the building blocks for a deeper, more robust programme, but also identified a need for increased monitoring and accountability from suppliers.

In response, we published an [action plan](#). With partners including the FLA and the ICI, and with the involvement and cooperation of farmers, farming villages and local suppliers, we have already been acting on one of the FLA's key recommendations: building a monitoring and remediation system to tackle child labour in Côte d'Ivoire.

Read the [case study](#) for more information.

Child labour – monitoring and remediation

With the help of the ICI, we rolled out a programme across eight cocoa co-operatives in Côte d'Ivoire during 2013 to identify specific incidences of child labour and take appropriate measures to address them. It's part of our Cocoa Plan strategy to create an environment where child labour is acknowledged and addressed rather than demonised and hidden.

The system is designed to enable Nestlé, the farmers and their co-operatives to get a clear understanding of the complex social and economic factors involved locally.

Local community members recruited and trained to take on the role of liaison and advocacy, play a pivotal role. Supervised by a trained member of the co-operative, who has the role of anti-child-labour agent, the community officer's remit is multi-faceted. It includes highlighting the causes of child labour, and its true impacts on children and families through awareness sessions in the villages; regularly visiting cocoa farms to gather data through observation, interviews and questionnaires; identifying at-risk children, noting their age and education status, and the type of work being carried out; and reporting any incidences to the co-operative.

Within each co-operative, the agent works with the community officer to follow up the individual cases of child labour or at-risk children, looking more closely at the reasons for their vulnerability, and, where appropriate, triggering a remediation response to assist the child or his family. This full process is monitored by ICI personnel, who provide project management, training, assistance and coordination for the whole system. Findings and actions, which the co-operatives supply, are regularly reported to Nestlé via Tier 1 suppliers.

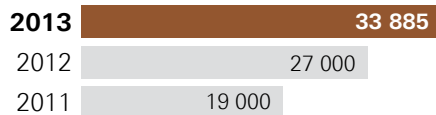
Another important part of the process is to identify the needs of the wider community, to establish the critical factors driving families to put their children to work on their farms. These may include infrastructure factors such as a lack of schools and medical centres, or the distance they are from the village; local education provision, including schools, class size and the number of teachers. Limited local supplies of fresh water are also a factor, as this can result in children fetching water from afar for their families, rather than going to school.

Initial results show that the system is helping us get closer to reality than the audits we previously depended on. For instance, across the first five co-operatives where the system was rolled out, 832 children were found to be involved in hazardous farming tasks, corresponding to 10% of the children investigated. In addition, the system has revealed that 35% of children in these areas do not attend school. Remediation assistance for these cases has started, including the provision of birth certificates and school kits to help them enrol and participate in school.

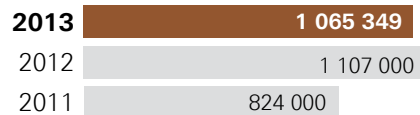
See the [In focus case study](#) for more information about the work of a community liaison officer.

In numbers

Cocoa farmers trained

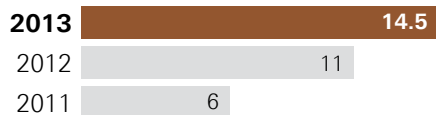


Number of higher-yielding, disease-resistant plantlets distributed

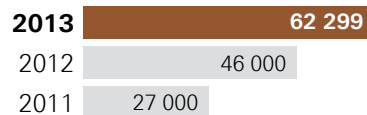


See also: [Commitments table](#).

Global cocoa supply sourced via the Nestlé Cocoa Plan (%)



Volume of cocoa purchased under the Nestlé Cocoa Plan (tonnes)



Next steps

- We will distribute more than 1 million plantlets and continue training more than 25 000 farmers in 2014;
- We will roll out the FLA action plan to include a further 12 co-operatives in the monitoring and remediation programme;
- We will build or refurbish a further 10 schools through our WCF schools programme; and
- To ensure a sustainable supply of good quality cocoa, we will increase the amount of cocoa purchased through the Nestlé Cocoa Plan to 20% of total purchases, of which about 75% will be certified.

Farm animal welfare

We recognise and share the concerns of consumers, governments, investors and civil society organisations about animal welfare, and we appreciate that robust welfare standards can have both a direct and an indirect impact on food safety and quality. We are therefore committed to cooperating with our supply chain partners and other stakeholders to support the long-term economic, environmental and social viability of animal farming systems for the benefit of farmers and rural communities, while ensuring farm animal health and welfare.

At a glance

- In November 2013, we began to assess dairy farms in our upstream supply chains in Europe, using our newly created Responsible Sourcing Guideline assessment protocol, which includes farm animal welfare;
- Our Responsible Sourcing Assessment protocol, which we are using to assess animal welfare practices at the farm-level, was developed with the expertise of the World Society for the Protection of Animals (WSPA);
- In March 2014, we became the first major food company to enter into a global partnership with an international animal welfare NGO, the World Society for the Protection of Animals (WSPA);
- We will start to implement our [Responsible Sourcing requirements](#) on meat, poultry and eggs in our supply chain in early 2014;
- We will gradually implement these requirements, which are based on our Commitment on Farm Animal Welfare, across our extended global supply chain;
- We are contributing to the development of an ISO technical specification for farm animal welfare; and
- We increased our score in the Business Benchmark on Farm Animal Welfare from 21% in 2012 to 56% in 2013.

What we're doing

Regulatory compliance and monitoring

We use milk and milk products as ingredients in a range of our products, including yoghurts, beverages, confectionery and culinary products. We also use meat, poultry, seafood and eggs in a range of products across our portfolio, including ready-made and frozen meals, bouillons, soups and sauces, and in pet food.

We buy processed meat in the form of cooked and dehydrated products, oils and powders, as well as cooked, frozen and fresh meat. We do not buy animals reared by contract farmers or procured on the open market, or whole live animals.

All materials derived from animals that are used in the manufacturing of products sold by our company must comply fully with all applicable local laws and regulations on animal welfare.

We monitor the global regulatory environment to ensure compliance with applicable farm animal welfare laws and regulations, and to help us meet our broader animal welfare commitments.

Responsible Sourcing Guideline requirements

Beyond regulatory compliance, we are committed to working with food chain and non-profit partners, local authorities, and regional and international organisations to promote the continuous improvement of farm animal welfare, in line with the standards and guidelines set out by the World Organisation for Animal Health – the OIE.

We are the first major food company to enter into a global partnership with an international animal welfare NGO, the World Society for the Protection of Animals (WSPA). Together with WSPA and our supply chain partners, we are working toward further improving farm animal welfare in our supply chain by ensuring compliance with our RSG. In 2013, we developed Responsible Sourcing requirements for meat, poultry and eggs, based on the 2012 Nestlé Commitment on Farm Animal Welfare. We will begin the implementation of these requirements in our supply chain in early 2014.

Auditing our suppliers

In November 2013, we began assessing dairy farms in our upstream supply chains in Europe using our newly created Responsible Sourcing Guideline assessment protocol, which we have developed with the expertise of our partner, WSPA. In the first quarter of 2014, we will continue to gradually extend the coverage of these dairy supplier assessments across our global supply chain, focusing on animal welfare at the farm level.

ISO technical specification for farm animal welfare

We support the development and implementation of the OIE guidelines, and have been working with our industry partners as part of SSAFE, a Public–Private Partnership dedicated to integrating food safety with animal and plant health, on a project to develop an ISO technical specification (TS) for farm animal welfare.

The goal of this proposed specification, which would apply to the welfare of terrestrial animals bred or kept for food production, is to help to implement the OIE standards in the global supply chain.

Nestlé has been actively involved in the preparation of a formal proposal since April 2012.

The member countries that comprise the ISO Technical Committee 34 on Food Products voted in favour of the development of the ISO TS for farm animal welfare in November 2013. Nestlé representatives will contribute to the ISO TS Working Group through the Swiss Association for Standardisation (SNV) and SSAFE. The Working Group expects to develop this ISO TS over the next two years.

Business Benchmark on Farm Animal Welfare

In 2012 and 2013, we contributed to the stakeholder consultation process on the Business Benchmark on Farm Animal Welfare (BBFAW), which was launched in June 2012. The BBFAW is a global measure of animal welfare standards in food companies, designed for use by investors. It is supported by The World Society for the Protection of Animals and the farm animal welfare charity Compassion in World Farming.

Nestlé was among the food sector companies assessed by the BBFAW in 2012 and 2013. In 2013, our score increased to 56%, up from 21% in 2012.

In its 2013 summary report of Nestlé's results, the BBFAW noted that the "significant improvements" in our scores year on year reflect the fact that we had launched our Responsible Sourcing Guideline on farm animal welfare. The BBFAW also noted that it had consequently seen "improved transparency and communication on the company's management commitments and governance on farm animal welfare management."

See also: [Commitments table](#).

Dairy farmer training

Our two demonstration dairy farms in Pakistan, which have operated since 2007 and 2010 respectively, are central to our dairy farmer training efforts. Animal care is incorporated into the programme on good dairy herd management for local farmers from whom we directly source milk.

The training includes instruction on cross-breeding and artificial insemination techniques by specialists in the field, to help the farmers in breeding and raising dairy animals that are adapted to the local environment.

We also provide expert technical support through offsite workshops in Pakistan, which also cover recommended practices for dairy animal health and welfare.

In 2011, Nestlé joined an initiative – through our Dairy Partners Americas joint venture in South America – to help more than 2200 dairy farms in Brazil to improve milk quality, safety and sustainability. As part of this initiative, which is grounded in the sharing of best practices, these dairy farmers receive training on improving animal welfare, including basic veterinary skills, and training on improving milking parlour conditions.

We have started to build our Dairy Farming Institute in Shuangcheng, Heilongjiang Province, China. Due to commence operations in 2014, the institute will include two demonstration farms, which will help facilitate the training of local dairy managers on best practices in dairy operations and animal husbandry. The training programme, which is being developed by leading universities, makes clear links between animal health and welfare, and milk production and dairy cow longevity.

As well as providing participating managers with practical lessons and tools for use in their day-to-day dairy operations, this intensive training will build capacity, support the transfer of knowledge to dairy employees, and ensure these practices, including those related to animal health and welfare, are applied by their workers.

Next steps

- We will gradually implement our Responsible Sourcing requirements for meat, poultry, eggs, and also milk and dairy, across our extended global supply chain, focusing on animal welfare at the farm level;
- We will continue to gradually extend our newly created dairy Responsible Sourcing Guideline assessment protocol across our global supply chain in 2014;
- We will carefully consider BBFAW's recommendations with respect to our policies and practices on farm animal welfare in our supply chain; and
- We will include training programmes on best practices in dairy operations and animal husbandry at our new Dairy Farming Institute in China, which opens in 2014.

Water

The long-term success of our company depends upon effective water stewardship. While the human right to water and sanitation is uncontested, the ongoing realisation of this right by governments continues to be a challenge, with 768 million people still using unsafe drinking water sources and 2.5 billion people lacking improved sanitation facilities¹. At Nestlé, we want to ensure, first and foremost, that our operations do not compromise the right to water and sanitation of local communities, but we are also helping to provide access to water and sanitation in our immediate sphere of influence. In 2013, we launched a new Nestlé Commitment on Water Stewardship to guide our activities and signed the World Business Council for Sustainable Development's 2013 WASH Pledge, which commits companies to providing access to safe water, sanitation and hygiene at all workplace premises in direct control within three years. By signing this pledge, we reaffirm our willingness to meet our commitments – and encourage others, along the entire value chain, to do the same.

¹ <http://www.wssinfo.org/data-estimates/introduction/>

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The year in brief – 2013 at a glance

Leadership Commitment

Re-issued the [Nestlé Policy on Environmental Sustainability](#), featuring our CEO's ongoing commitment

Launched the [Nestlé Commitment on Water Stewardship](#), with specific objectives

WASH

We have signed the WBCSD 2013 WASH Pledge

Investing in our future

CHF 18 million
approved to spend on water-saving programmes

Water preservation

171
water-saving projects in our factories, saving 3.6 million m³

6.7 million m³
of water recycled or reused within our operations

Water Use

33.3%
reduction in water withdrawals per tonne of product from 2005

48.5%
reduction in water discharges per tonne of product from 2005

Awards & Recognition

Leader for our industry group in the Dow Jones Sustainability Index 2013, and achieved the maximum score in the CDP Climate Performance Leadership Index

1st
Highest score for water usage in Oxfam's Behind the Brands scorecard

Disaster Relief & Sanitation

2 983 222
bottles of water donated

196 546
beneficiaries supported with water or sanitation improvements in Côte d'Ivoire, provided in partnership with the Red Cross (since 2007)

Community Engagement

15 000
children and 500 employees participated in World Water Day events across 31 countries

Water Challenges

By 2030
water withdrawals are predicted to exceed natural renewals by 40%

More from less
Managing our sustainable growth while water is increasingly scarce

36%
of our manufacturing facilities are situated in water-stressed regions

Inside the issue: Water



Access to safe water is a fundamental human right. We need it to survive: for drinking, for our basic hygiene, for cleaning and cooking and to grow our food. The World Health Organization (WHO) estimates that every person needs 50 to 100 litres of fresh water per day to ensure that our most basic daily needs are met and few health concerns arise, but in 2013, around 768 million people remained without access to clean water.

WATER USE HAS BEEN GROWING AT MORE THAN TWICE THE RATE OF POPULATION INCREASE IN THE LAST CENTURY.”

UN Water Statistics

This situation is likely to worsen. If our global population increases as forecast, the United Nations (UN) Food and Agriculture Organization (FAO) predicts 1.8 billion people will be living in countries or regions with absolute water scarcity by 2025, and two-thirds of the world's population could be living under water-stressed conditions. Water scarcity may also cause up to 30% shortfalls in global cereal production by 2030, a loss equivalent to the entire grain crops of India and the United States combined. Resource shortages, in turn, lead to price increases and volatility.

There are many reasons for water scarcity: more people, changing agriculture, changing diets, population movement and a changing climate are among them. But our water supply remains static, with less than 1% of the world's freshwater resources accessible to people and the planet's ecosystems. Our population is predicted to increase by a further 2.3 billion by 2050, adding to existing demand for food and energy. Put simply, we are facing a growing gap between the supply and demand of safe fresh water and without change, by 2030, we will outstrip the earth's capacity to provide it by 40%².

So who is responsible?

Our governments control the allocation of freshwater supplies. Currently 70% of fresh water is withdrawn by agriculture, 20% by industry (more than half for energy; other large users include mining, pulp and paper, the chemical industry and oil) and 10% by municipal suppliers. Government regulators are responsible for ensuring environmental flows are maintained in rivers and stable volumes are retained in our lakes and underground aquifers.

However, the global water challenge cannot be addressed by just one water user or actor. The scale of the challenge needs collaboration by everyone – policymakers, industry, agriculture and consumers – to achieve sustainable water management.

And starting from the ground up, this has to be a common priority. Water is a natural resource which is shared across the world, but only made available at a local level; so solutions must be found which span borders, boundaries, watersheds and using public-private efforts. Today, many governments and partners are seeking new ways to share expert knowledge and restore water security, some of which are featured in this report.

Nestlé continues to make water resource management a priority, and to work with governments, UN bodies, international organisations, non-governmental organisations (NGOs) and other stakeholders to address the global water challenge.

² www.unep.org/resourcepanel/Portals/24102/Measuring_Water.pdf

Our water stewardship commitments – and why we make them

We have a long history of leadership on water stewardship, because it is critical to the future success of our business and our value chain. To maintain our position, we must ensure our operations utilise water efficiently and do not compromise the right to water of local communities. Without access to safe drinking water and adequate sanitation, the health and livelihoods of our employees, our suppliers and our customers would be badly affected. We must also protect the ecosystems on which everyone depends and help to achieve efficient water use in agriculture, which currently uses over 70% of the world's fresh water resources. In June 2013, we renewed the scope of our vision for water, with the introduction of the new [Nestlé Commitment on Water Stewardship](#). In this document, we acknowledge our responsibilities as a major water user and outline the actions we need to implement (both individual and collaborative) for the sustainable management of shared water resources.

Key commitments

In the [Nestlé Commitment on Water Stewardship](#), we communicate our five key water stewardship commitments, designed to help guide and align our internal efforts.

Nestlé is also a founding signatory of [The CEO Water Mandate](#) and [The WBCSD](#) pledge for access to safe water, sanitation and hygiene at the workplace ([WASH Pledge](#)), and we are in regular contact with the UN Special Rapporteur on the Right to Water and Sanitation.

Our water stewardship commitments are, as follows:

- W** Work to achieve water efficiency across our operations
- A** Advocate for effective water policies and stewardship
- T** Treat the water we discharge effectively
- E** Engage with suppliers, especially those in agriculture
- R** Raise awareness of water access and conservation



Work to achieve water efficiency across our operations

By 2015 – Reduce direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 40% since 2005.

By 2015 – Establish and implement detailed guidelines on human rights to water and sanitation due diligence.

By 2016 – Define water stewardship initiatives and start implementation in five high-priority locations.

By 2016 – Implement water savings projects in 100% of high-priority manufacturing facilities.

By 2016 – Carry out 45 new water resources reviews in selected manufacturing facilities, and all greenfield sites.

Our progress

In 2013, we reduced direct water withdrawals in every product category, achieving an overall reduction per tonne of product of 33% since 2005. We have carried out nine water resource reviews at new facilities, bringing the global number of factories reviewed to 126. Recently, we have identified and prioritised a selection of manufacturing facilities for further improvement (based on water-related physical risks and impacts) and a set of key areas where catchment-level stewardship initiatives will take place.

Our perspective

We have achieved substantial improvements in water efficiency in recent years, against many competing priorities, and will continue to do so. But seeking new opportunities requires a creative and, at times, pioneering approach and a desire to act both inside and outside of our organisation. By continuing to engage our people with the national and local water stewardship agenda, they can see the issues first hand and prioritise opportunities for shared value with our suppliers, partners and stakeholders.

For all objectives, we aim to fulfil our commitment by 31 December of the year stated.

33%

Overall reduction in water withdrawals per tonne of product since 2005.



Improving water efficiency in Spain

We have invested CHF 1.4 million in improving water efficiency at our confectionery factory in La Penilla, Spain, which draws its water from the nearby river Pisuëña. In less than 12 months, by regulating the volume of water used in the milk evaporators and the condenser, we reduced water usage per tonne of product by an equivalent of 900 Olympic swimming pools. The installation of three new cooling towers led to an additional 25% drop, and we expect to make further savings by having replaced the former cooling equipment with the current ammoniac central refrigeration system.



Advocate for effective water policies and stewardship

By 2014 – Extending the 2030 Water Resources Group through Public-Private Partnership to other countries.

By 2014 – Contribute to the publication of CEO Water Mandate Public Disclosure Guidelines and Guide on good practices for business on the Human Right to Water and Sanitation.

By 2014 – Contribute to the completion of the ISO 14046: Water Footprint – Principles, Requirements and Guidelines.

By 2014 – Initiate the roll-out for wide adoption of the World Business Council for Sustainable Development (WBCSD) Water, Sanitation and Hygiene self-assessment tool in all our manufacturing facilities.

By 2014 – Use the principles of the Alliance for Water Stewardship's International Water Stewardship Standard as a self-assessment guide at selected high-priority locations.

Our progress

We have published the Nestlé Commitment on Water Stewardship, which sets out our position and strategy. We continue to maintain a strong presence at high-profile initiatives on water policy and challenges, seeking new shared solutions and promoting collective action on water efficiency.

Our perspective

We believe that the responsible management of water resources by all users is an absolute necessity. Water use, both as a basic human right and as an essential raw material for numerous competing needs including agriculture, has been significantly overused in the last century. There is no doubt that we are facing a great challenge to feed the world's population in the near future and it calls for joint action. We are willing to assist governments who must take the lead in establishing water policies by advocating for effective water stewardship.

IF FARMERS, ENERGY COMPANIES, OTHER INDUSTRY AND CONSUMERS CONTINUE THE WAY THEY ARE USING WATER TODAY, WE SHOULD EXPECT GLOBAL SHORTFALLS IN CEREAL PRODUCTION DUE TO WATER SHORTAGE IN THE ORDER OF 30% BY 2025.”

Peter Brabeck-Letmathe,
Nestlé Chairman



Treat the water we discharge effectively

By 2016 – Implement new Nestlé Environmental Requirements for water quality and effluent discharge in all factories.

Our progress

We have further strengthened our requirements for water quality and effluent discharge. We reduced water discharges per tonne of product by 48.5% since 2005.

Our perspective

Ensuring that our factories meet the ambitious targets for discharged water quality from 2016 is a challenge. We have initiated a survey to identify gaps in our existing wastewater treatment infrastructure allowing us to focus investment on where it is needed most. The survey has highlighted some areas of improvement and also the need to strengthen our internal reporting and control systems. We also strive to continually improve our environmental performance through training of employees and raising awareness. Wherever possible, we use municipal wastewater treatment facilities, but where these are non-existent or not efficient enough, we invest in our own facilities, returning treated water to the environment according to local legislation and internal standards, whichever is more stringent. This year, we have approved a spend of CHF 18 million on new and improved treatment facilities.



Engage with suppliers, especially those in agriculture

By 2015 – Define and start to implement action plans to save water in our upstream supply chain for coffee, sugar, rice and cereals, in high-priority locations.

Our progress

Nestlé works directly with around 686 000 farmers, many of whom benefitted from assistance ranging from technologies that make agricultural processes less water intensive, to drought-resistant plantlets. Through our global Sustainable Agriculture Initiative at Nestlé (SAIN), 10 water cases were implemented in 2013.

Our perspective

Our greatest challenge to reducing water consumption lies in addressing the impacts on our complex agricultural supply chains. Nestlé is a founding member of the Sustainable Agricultural Initiative Platform, an organisation that promotes knowledge-sharing on best practice in the food chain. We currently chair the Water and Agriculture Working Group, which identified key issues to ensure the positive use and protection of water in agriculture, including: maintaining the safety and quality of agricultural products; improving the economic viability and social progress of farms through water savings; and increasing the protection of environmental ecosystems through the collection of polluted run-off.



Raise awareness of water access and conservation

By 2015 – Every Nestlé employee has access to safe water, sanitation and hygiene at the workplace of an appropriate standard.

By 2016 – 350 000 beneficiaries in local communities have access to water, sanitation or hygiene projects around our manufacturing facilities and in Farmer Connect areas.

Our progress

Currently, over 300 000 beneficiaries are reached by water, sanitation and hygiene projects around our manufacturing facilities. In 2013, Nestlé became one of the first signatories of WBCSD's pledge that commits businesses to upholding the human right to water and sanitation within their operations. Project WET, a global water education programme sponsored by Nestlé, has reached out to hundreds of thousands of beneficiaries in 66 countries.

Our perspective

The WHO estimates that every person needs 50 to 100 litres of fresh water per day to ensure that our basic daily needs are met and few health concerns arise, but in 2013, around 783 million people remained without access to clean water³. We must ensure our operations do not compromise the right to water of local communities, provide access to clean water and sanitation to employees, and assist in the provision of clean water and improved sanitation to priority communities adjacent to selected factories and locations, where Nestlé sources agricultural commodities.

How we're meeting them

Our commitments on water stewardship are designed to help our people improve water efficiency and water quality, enact positive change through public policy, work in partnership with our suppliers to reduce our water impacts and increase awareness of the critical issues of water access and conservation.

We will report our performance transparently and on a regular basis. The [Nestlé Commitment on Water Stewardship](#) document is publicly available on our website.

Our stories

Find out how we're putting water stewardship into action:

[Coffee irrigation in Vietnam](#)

[SuizAgua Colombia Project – putting water footprinting into practice](#)

[Improving water efficiency at La Penilla](#)

[Saving water through the Zer'Eau initiative](#)

[Good Water Principles in action at Philippines seedling centres](#)

[Reducing water losses in South Africa](#)

[Together for Water conference in the UK](#)

[Watershed restoration in Indonesia](#)

[Providing safe drinking water facilities in Sri Lanka](#)

[Watershed protection through reforestation in Ecuador](#)

783 million

In 2013, 783 million people worldwide did not have access to clean water³.

Read more about our approach to [Managing water stewardship](#).

³ United Nations Millennium Development Goals Report 2012

Water in focus: Coffee irrigation in Vietnam

In October 2013, Nestlé and partners of the Coffee Water Footprint Public–Private Partnership organised a multi-stakeholder conference to present major findings on irrigation reduction in coffee production.

Read more about how we are working with our suppliers [here](#).

The three-year study, which began in 2010, was developed with the aim of measuring consumptive use of water at the farm level, developing best practices and disseminating recommendations to improve water use. It was based on climatic data and interviews with over 300 coffee farmers. Through different scenarios of combinations between groundwater and rainfall used for irrigation, the study developed recommendations resulting in more than 50% water savings versus conventional practices.

Coffee is the second largest export-earning crop in Vietnam, supporting the livelihoods of 2 million people. Irrigation of coffee plants is necessary to maintain a high yield, but it may decline in the future due to water scarcity and climate change. Vietnam is the biggest supplier of Robusta coffee for Nestlé's coffee-related activities. Each year, Nestlé buys 20% of Vietnam's total national Robusta production and supports around 12 000 local farmers through our Farmer Connect programme.

After completing the study of the water footprint of coffee, the Western Highlands Agriculture and Forestry Science Institute, the International Water Management Institute and Embden, Drishaus and Epping Consulting presented research findings at a conference in Buon Ma Thuot (Dak Lak Province), financed by Nestlé and the Swiss Agency for Development and Cooperation.

Over 80 participants attended from five major coffee-producing provinces, including representatives of the Ministry of Agriculture and Rural Development, the Department of Crop Production and the National Agricultural Extension Center. The results confirmed better irrigation scheduling and that agronomic practices can reduce the country's coffee water footprint; significant over-irrigation by farmers had accounted for 50% of the water loss identified. Policy recommendations were provided to bring the research into practice.

In closing remarks, government representatives recognised the importance of the study's findings and called for immediate action to formalise approval and introduce its recommendations through mass media and farmer training. The Ministry of Agriculture and Rural Development recently revised the official irrigation supply standards.

Nestlé is leading in promoting sustainable irrigation in Vietnam and we are currently recommending best practices within our Farmer Connect network which even go beyond those presented in the Buon Ma Thuot Workshop. By 2016, we aim to raise awareness in 100% of our Farmer Connect network on improved irrigation management, to change long-held views that more water will yield higher productivity and income.

Managing water responsibly

Water use, one of our basic human needs, has grown significantly in the last century and today, global water withdrawals are already in excess of sustainable supply. We believe that the responsible management of water resources by all users is an absolute necessity. And of course, that includes us. Our Corporate Business Principles feature water as a priority and they provide a strong foundation for everything we do. We seek to use water sustainably and aim to achieve the continuous improvement of our water management processes. We regularly review water-stress and efficiency data to improve our practices.

At a glance

- We have revised our [W.A.T.E.R. objectives](#) and introduced new key performance indicators to help us deliver the Nestlé Commitment on Water Stewardship;
- We are using the Nestlé Combined Water-Stress Index to assess the water risk of our operations, which is based on three leading physical water-stress indicators;
- We are continuing to implement the international ISO 14001:2004 standard for environmental management across our factories and other sites; and
- We support internationally recognised measures for water use and are helping to develop the draft standard ISO 14046 Water Footprint – principles, requirements and guidelines; and the European ENVIFOOD Protocol, the first harmonised methodology for the environmental assessment of food and drink products in Europe and beyond.

Delivering our commitments

Our policies

The [Nestlé Commitment on Water Stewardship](#) document forms a new appendix to The [Nestlé Policy on Environmental Sustainability](#) and it was prepared to complement the following internal commitments, policies and standards:

- [The Nestlé Corporate Business Principles](#)
- [The Nestlé Supplier Code](#)
- [Nestlé Responsible Sourcing Guideline](#)
- Nestlé Water Guidelines for Suppliers of Agricultural Raw Materials
- [Nestlé Commitment on Natural Capital](#)
- [Nestlé Commitment on Rural Development](#).

Governance and overview

We embed responsibility for water across our business units, providing a solid cross-functional platform to deliver water-related objectives and manage issues.

After the 2013 launch of the [Nestlé Commitment on Water Stewardship](#), responsibility for its execution has moved from the Nestlé Water Taskforce, which forthwith will only meet on an ad hoc basis to deal with particular issues, to our **Operations Water Task Force**. The Operations Water Task Force reports to the **Operations Sustainability Council**, which is chaired by José Lopez, who is Executive Vice President of Operations and our Global Business Excellence programme (GLOBE). The council holds representatives from all business units and ensures the integration of sustainability, including water stewardship, throughout the company.

We continue to recognise the need and the challenges of tracking our performance against impacts at the watershed level. It will provide the ultimate measure of our progress.



Advocate for effective
water policies and
stewardship

For full details [see page 172](#)

Objectives and key performance indicators

Working in consultation with our key functions, the Operations Water Task Force has introduced new objectives. They are designed to underpin the delivery of one or more of our five W.A.T.E.R. stewardship commitments. We have also adopted internal key performance indicators to systematically measure progress. The Operations Water Task Force will monitor our level of improvement and identify corrective actions with interested parties (up and down our organisation) if progress is not as expected.

Monitoring water stress

We use the Nestlé Combined Water Stress Index to assess water stress at any given location. The index takes an average of results from three leading water-stress indicators (Water Risk Filter⁴, Aqueduct⁵ and Water Stress Index⁶). This gives us a risk score, helping to determine the risk associated with reduced water quantity or quality. It also considers possible competition with other local water users.

We constantly monitor the evolution of available water stress indicators and when new relevant tools become available, we consider upgrading our methodology, as done in 2013 with the introduction of the Aqueduct tool in our Combined Water Stress Index calculation.⁷ In 2013, taking into account changes in the geography of our operations⁸, we have seen little change in the number of our factories located in water-stressed regions (now 36%) or those located in the most sensitive regions that are characterised by severe water scarcity (now 16%). We use this information to inform our investments process.

Our environmental management system

We continue to implement the ISO 14001:2004 standard for environmental management across our factories and other sites, and all of them operate in accordance with the Nestlé environmental management system. At the end of 2013, 601 sites⁹ were ISO 14001:2004 certified. For us, certification to this internationally recognised standard is a dynamic process and as it is part of the Nestlé environmental management system, we continue to reduce our water use and improve efficiency. To ensure implementation is consistent around the world, we submit all manufacturing sites to ISO 14001:2004 certification by independent accredited bodies and we're expanding this programme to every Nestlé site. We remain committed to the independent environmental auditing, verification and certification of our own practices and also our supply chain.

Read more in [Environmental Sustainability](#).

4 [WWF \(World Wildlife Fund\) and DEG \(The Deutsche Investitions- und Entwicklungsgesellschaft mbH\)](#).

5 [World Resource Initiative \(WRI\)](#).

6 Pfister et al. 2009: Water stress index.

7 In 2013 we replaced WRI's "freshwater availability per capita" indicators with those in Aqueduct.

8 Including new and divested manufacturing facilities.

9 Includes factories, R&D locations and distribution centres. As per our internal policy, 100% of Nestlé factories present and active in the group for more than three years are ISO 14001 certified.

Employee training and engagement

The effectiveness of our environmental management system depends on its application, and through the **Nestlé Continuous Excellence** initiative, we develop the methods, models and tools our people need to achieve our objectives. The initiative fosters a systemic, employee-involved, continuous improvement culture that will help us further develop environmentally sustainable business practices in the years to come. We invest in training and education for our employees, which enables them to make better-informed decisions that lead to effective water stewardship. Our new training programme about the importance of water, **We Make Nestlé Caring**, started in January 2014.

Seeking new opportunities for water efficiency requires a creative and, at times, pioneering approach and a desire to act both inside and outside of our organisation. By continuing to engage our people with the national and local water stewardship agenda, they can see the issues first hand and prioritise opportunities for shared value with our suppliers, partners and stakeholders.

Communicating our progress

Nestlé believes that transparent disclosure from water users is vital to assisting global decision-making on water. They allow us to further share (amongst other information), the methods we use to assess water-related risks in our operations and supply chain, our management approach and response, the amount of water we use and the quality of the water we discharge. We also outline the methods employed to achieve continuous improvement.

As a founding signatory of the [United Nations Global Compact \(UNGC\) CEO Water Mandate](#), we work with environmental organisations and other stakeholders to support transparency on water disclosure, public policy engagement and the human right to water. Our employees actively participate in the Mandate's working groups on Policy Engagement, Water Disclosure and the Human Right to Water. We publish a public [Communication on Progress](#) every year.

Nestlé has participated in the [Carbon Disclosure Project \(CDP\) Water program](#) every year since its launch in 2010. The program promotes sustainable corporate water stewardship to safeguard water resources and address the global water crisis. We are pleased to report that in 2013, Nestlé achieved the maximum score in the CDP Climate Performance Leadership Index.

During 2013, we took part in The Dow Jones Sustainability Indices, and Nestlé was named the leading food products company in the Indices for the first time. We also received the highest score for water usage in Oxfam's Behind the Brands scorecard, which provides people with the information they need to hold the world's 10 largest food and beverage companies to account for what happens in their supply chains.

Read more in [Collective action](#).

Read more about the [Communication on Progress annual publication](#).

Number 1

We achieved leadership for our industry group in the Dow Jones Sustainability Index 2013, and achieved the maximum score in the CDP Climate Performance Leadership Index.

Supporting standard measures for water use

Nestlé supports the development of international tools that provide consistency when measuring and managing water use. We believe they can improve water efficiency in any sector.

- **Water Footprint Network**

Nestlé is a member of the Water Footprint Network (WFN), a non-profit organisation that raises public awareness of how a product or service can impact the planet's fresh water systems throughout its life cycle. The network has developed tools that help water users to assess risk and identify areas for improvement. This year, we actively participated in a partnership initiative between the network and Best Foot Forward called, 'Energising the Drops: Towards an integrated approach to carbon and water sustainability'.

- **ISO 14046 Water Footprint Standard**

A water footprint reflects the amount of water used to make a product from its raw materials to end of life and currently, there is no standard international method to measure it. This makes it difficult for stakeholders to compare the water impacts of products, or services. To help address the situation, Nestlé is an active member of a working group developing a new ISO 14046 Water Footprint Standard. Currently the process involves 49 countries and 12 liaison members including World Business Council for Sustainable Development (WBCSD), International Dairy Federation (IDF), The Food and Agriculture Organization of the United Nations (FAO) and Water Footprint Network (WFN). The standard will outline the principles, requirements and guidelines needed to calculate and report a water footprint. We will contribute to its completion, which is scheduled for 2014.

- **ENVIFOOD Protocol**

Our brands *Nescafé*, *NaturNes*, *Purina* and also Nestlé Waters, have participated in testing the European ENVIFOOD Protocol, the first harmonised comprehensive method for the environmental assessment of food and drinks products, including their water footprint.

- **Alliance for Water Stewardship**

As a participant in the Alliance for Water Stewardship's (AWS) International Standard Development Committee, we are helping to establish a new voluntary international water stewardship standard. It will enable water users to assess their performance against a defined set of principles, at a site and watershed level. The standard is being piloted in several sites by AWS, and while Nestlé is not participating in those pilots, we will use the principles of the standard as a self-assessment guide at selected high-priority locations by the end of 2014, to identify gaps and improve our practices.

SuizAgua Colombia project

Over the past four years, we have helped to test the draft international standard for water footprinting, ISO 14046 Water Footprint – Principles, requirements and guidelines, in Colombia. Run by the Swiss Agency for Development and Cooperation (SDC), the SuizAgua Colombia project is a public–private initiative which has brought together Nestlé, Clariant, Holcim, Syngenta and seven Colombian companies. Participants have used the draft of ISO 14046 to estimate the water footprint of individual companies or their products, while seeking new opportunities to improve water management and improve impacts from direct and indirect use of water (supply chain).

Nestlé has estimated the water footprint for one ton of dairy product (powdered milk, milk cream and condensed milk), produced at our Florencia and Bugalagrande sites. Each life cycle stage was analysed, from the dairy farms in Caquetá through to the point when products leave our factory gates. Along with other companies taking part, we found the majority of water-use impacts come from the supply chain or through energy consumption. The results show that, in 2012, our blue water footprint (consumed water) was about 46 m³ per ton of dairy product, where 58% is related to the dairy farms and 35% to electricity and fuel consumption in the plants.

In Nestlé Colombia, actions have been taken, such as: i) water springs protection and waste management within 95 dairy farms; ii) leak controls, installation of steam recycling system and standardised practices for production stoppage and cleaning periods in our plants. As a result, at our Florencia plant from 2009 to 2013, the water extracted per ton of dairy product was reduced by 44%.¹⁰ During the same period, electricity consumption per ton of product also decreased by 35%.¹¹

Through this partnership, we are improving our technical knowledge about water footprinting, as well as promoting better water management. We are also highlighting water value through community projects, and innovative communication events. The motivating results have enabled the project to scale up within Colombia and now in Chile and Peru. In Colombia, a promising geographic application of the water footprint for the Porce River watershed is taking place, in partnership with the Centre for Science and Technology of Antioquia.

¹⁰ From 4.9 m³ per ton to 2.7 m³ per ton.

¹¹ From 96 to 62 kWh per ton of product.

Water in our operations

We use water in all our factories around the world, and providing a sustainable supply of water for them is an important priority. We recognise that this critical natural resource must be used efficiently at our factories and distribution centres, measuring the amount of water we use and monitoring its quality upon return to the local watershed. We have set robust water efficiency targets up to 2015, which continue to drive improvement programmes across all of our operational sites.

At a glance

- In 2013, we reduced direct water withdrawals per tonne of product in every product category, achieving an overall reduction of 33.3% since 2005;
- We continue to target a reduction of direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 40% since 2005;
- In 2013, we further strengthened our requirements for water quality and effluent discharge;
- Nestlé has adopted the WBCSD's WASH Pledge, which will be implemented at all of our factories by 2016; and
- In 2013, we approved CHF 18 million to spend on water-saving programmes and CHF 20 million for new and improved water and wastewater treatment facilities.

What we're doing

Water resource reviews

We are continuing to improve our local water stewardship efforts, by conducting water resource reviews across existing and new factory sites. The assessments investigate the impact of our direct operations on local water resources in the following areas:

- **Quantity** – we align our long-term water needs with local availability;
- **Quality** – we ensure local water quality is not detrimentally affected;
- **Regulatory compliance** – we ensure extraction licences are in place and regulatory water policies being followed;
- **Site protection** – we ensure measures to protect the water supply are understood and implemented; and
- **Stakeholder relations** – we map key stakeholders and seek to engage where needed, to establish opportunities for water concerns to be addressed together.

The results from Water Resource Reviews, help our people to gain a greater understanding and sense of ownership, about the water challenges in their locality. They have also enabled us to identify five high priority areas within our operations where water stewardship initiatives are needed at a catchment level, to reduce water related risks and strengthen stakeholder perception of our local contribution. Furthermore, our Water Resource Reviews seek to assess our potential negative impacts on the right to water and sanitation of local communities and to propose appropriate corrective action.

In 2013, we carried out nine reviews at new facilities, bringing the total number of factories reviewed worldwide (at least once) to 126. We have systematically rolled out Water Resource Reviews at all new greenfield sites around the world, namely in 2013 at operations in Chile, Mexico, India and Poland.



Work to achieve water efficiency across our operations

Advocate for effective water policies and stewardship



Treat the water we discharge effectively

Engage with suppliers, especially those in agriculture



Raise awareness of water access and conservation

We're aware that more needs to be done to involve stakeholders in these reviews. In 2012, Nestlé Waters introduced a community relations guidebook for factories, based on market best practices and experiences. It provides a framework and tools to help factory managers engage in constructive dialogue with the local community, to understand specific concerns and address expectations. The roll-out began in mid-2012 with awareness-raising meetings at zone level. In 2013, six pilot projects were launched, and based on our learnings, the programme will be rolled out to 10 new factories in 2014, with an additional 15 new sites scheduled to receive training in 2015.

Assessing investment opportunities

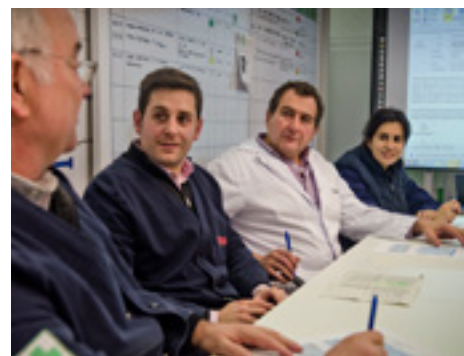
Our corporate engineering department assesses internal requests to invest in new technology or equipment that will improve water use efficiency. To inform decision-making, we place a notional cost on water, ranging from CHF 1 to CHF 5 per m³ (depending on a factory's physical risk score, as generated by the Nestlé Combined Water Stress Index). We've extended our acceptable Return On Investment period for equipment funding that will deliver water savings. We are also stimulating innovation through the introduction of best practice, "lighthouse projects".

Improving water efficiency at La Penilla

Nestlé's confectionery factory at La Penilla in northern Spain draws its water from the nearby river Pisuéña. As part of our commitment to water stewardship, we have invested CHF 1.2 million (EUR 1 million) and reduced water use per tonne of product by 60% in less than 12 months. It has been achieved without increasing energy consumption at the factory or greenhouse gas emissions.

The project began in 2011, when our factory manager brought together a multidisciplinary team of employees to identify opportunities for reducing water use. Since then, we have modified the regulation of water flow through our milk evaporators and it now uses 1 million m³ less water every year, the equivalent of 400 Olympic swimming pools. The factory has installed three new cooling towers with a more efficient closed refrigeration loop system that recycles water, which delivered a 25% reduction in water use during the first half of 2013. Looking ahead to 2014, we expect to make further water savings by replacing warehouse chillers with an ammonia central refrigeration system.

The project has also improved awareness of the benefits of water stewardship among our employees, creating positive behavioural change for the long term.



Improving water efficiency in La Penilla, Spain.

Improving water efficiency

We have achieved substantial improvements in water efficiency in recent years, against many competing priorities, and will continue to do so. Despite a steady increase in our manufacturing production over the past 10 years, we've steadily decreased our water use. In 2013, we implemented 171 programmes in our factories to reduce and reuse water sources, which have saved 3.6 million m³ of water. We have reduced direct water withdrawals in every product category and achieved an overall reduction per tonne of product of 33.3% since 2005. We want to go further and have targeted a 40% reduction of direct water withdrawals by 2015.

2013 water withdrawals per product category

Product category	Water withdrawal (m ³ /tonne)	
	2005	2013
Powdered and liquid beverages	22.91	9.85
Water	1.96	1.58 ¹²
Milk products and Ice cream	8.33	4.77
Nutrition and HealthCare	19.34	11.02
Prepared dishes and cooking aids	7.12	4.22
Confectionery	9.22	4.7
PetCare	1.44	1.05
Total	4.41	2.92

Saving water through the Zer'Eau initiative

Our recent initiative, Zer'Eau (zero water), has been implemented in water-scarce areas to help improve water availability in the community. Responding to the water scarcity and the need for enhanced water conservation, we have accelerated water use reduction projects and initiatives at our Lagos de Moreno factory in Mexico, our Mossel Bay factory in South Africa and our Moga factory in India.

In Mexico, Phase 1 of the project has been completed and involved recovery and use of condensate from the milk evaporation process. Along with various saving initiatives, it delivered annual water savings of 373 300 m³ during 2013. It is estimated that this project will deliver savings of 546 000 m³ on a yearly basis. This recovered water can now be used for the boiler, other utilities and process applications. We are aiming to complete Phase 2 in 2014, where plans for recycling water through filtration of wastewater have been estimated to deliver a saving of 140 000 m³ of water per year.

Since 2011, when the project started, the water-saving projects at this factory have already saved 666 700 m³ of water. When the project is completed (June 2014), it will allow the factory to become self-sufficient in water consumption, that means, zero consumption of fresh water (deep well) during normal production.



Work to achieve water efficiency across our operations

For full details see page 171

A new tool for factories to save energy and water

We rely on factory teams worldwide to help us improve our environmental performance and meet our commitments – and providing them with the tools they need is vital. The latest development is Do It Yourself, a web-based tool that helps each factory easily identify energy- and water-saving opportunities and more suitable solutions that have been tried and tested in other parts of the Group.

¹² Beyond the litre of water that goes into the bottle, Nestlé Waters has made significant achievements in reducing the amount of additional water required to produce one litre of product at the factory. In 2005, this additional water represented 0.96 litres which has been reduced by 40% to reach 0.58 litres in 2013.

Good Water Principles in action at Philippines seedling centres

Nestlé Philippines grows around 2.5 million coffee plantlets every year at its three seedling centres: The Lipa Integrated Coffee Center in Luzon Island (one of our newest facilities); The Nestlé Coffee Plantlet Production and Training Center; and in collaboration with the Philippine Department of Agriculture, we also manage the Coffee Plantlet Facility at the Northern Mindanao Agricultural Research Center in Bukidnon Province. Within the centres, farmers are also trained on best available coffee farming technologies. In 2013, an assessment was undertaken of all three facilities to determine how Nestlé's principles for good water management are being converted into practice, seeking evidence of water use measurement, wastewater for irrigation, use of alternative water sources (rainwater harvesting), soil moisture management (mulching, cover crops) and scheduled irrigation. The survey revealed that many positive efficiency and conservation measures are being employed at the different sites, including:

- Plastic used as mulch and coverings to retain soil moisture;
- Contour farming to prevent water run-off and reduce soil erosion;
- Other crops in between rows, to conserve soil moisture and maximise land productivity;
- Water impounding ponds used to catch rain water;
- Check dams to reduce water and soil run-off;
- Sprinklers to control the release of water; and
- Water meters.

Moving forward, more water conservation initiatives will be implemented in all three facilities, as we seek to promote water conservation at catchment level for other surrounding facilities.



A wastewater treatment plant operator takes samples at our factory in Lipa in the Philippines.

Drainage system and flood defences in the UK

Our coffee manufacturing facility at Tutbury in the UK has been using a sustainable urban drainage system (SuDs) since 2009, to manage the quantity and quality of the water we return to the environment. The system uses sophisticated technical controls which help to prevent pollution and enhance the natural recharging of local groundwater. In 2013, we expanded the factory, and our teams extended the SuDs. It now feeds water into specially created ponds with reed beds, which naturally filter the water and provide storage to minimise the risk of flooding. In May 2013, landscape design students from Derby College surveyed the SuDs site and found it rich in biodiversity, identifying more than 32 different species of birds, frogs, insects, grasses and flowers around the pond areas.

Improving water quality

We aim to ensure that our factories treat the water we discharge effectively, returning clean water to the surrounding environment. In 2013, we further strengthened our requirements for water quality and effluent discharge. We recycled or reused 6.7 million m³ of water in our operations during 2013 and have reduced water discharges per tonne of product by 48.5% since 2005.

Ensuring that our factories meet the ambitious targets for discharged water quality from 2016 is a challenge. We have initiated a survey to identify gaps in our existing wastewater treatment infrastructure, allowing us to focus investment on where it is needed most. The survey has highlighted some areas of improvement and also the need to strengthen our internal reporting and control systems. We also strive to continually improve our environmental performance through training of employees and raising awareness. Wherever possible, we use municipal wastewater treatment facilities, but where these are non-existent or not efficient enough, we invest in our own facilities, returning treated water to the environment according to local legislation and internal standards, whichever is more stringent.

In 2013, we issued new Nestlé Environmental Requirements for water quality and effluent discharge. We also approved a spend of CHF 20 million on new and improved water and wastewater treatment facilities.

Working to protect important water areas

Following an analysis carried out during 2011, with UNEP World Conservation Monitoring Centre to identify the factories that are within or adjacent to protected areas in 2012, Nestlé decided to take this a step further and identify those factories that are dependent on or could potentially impact protected areas and important water bodies. We identified protected areas within 25 kilometres upstream of our factories that we are dependent upon for clean water provision, and protected areas that are within 25 kilometres downstream where any emissions from the factory could have a negative impact. We have also identified all wetlands of international importance designated under the RAMSAR convention that are downstream of our factories irrespective of the distance. We identified 21 factories as being associated with 'important water areas' and are now investigating these further to determine what interventions and activities we can and should take. For example, whilst we may be upstream of a protected area or RAMSAR site, the wastewater from our factories may be discharged to municipal treatment facilities. We intend to report further on this work in future years.



Work to achieve water efficiency across our operations

For full details [see page 171](#)



Treat the water we discharge effectively

For full details [see page 173](#)



WASH Pledge at our factories

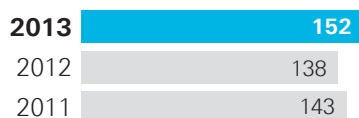
As one of the first signatories of WBCSD's WASH Pledge, Nestlé has committed to providing access to safe water and sanitation at all of our direct operations within a three-year period. We have already started a pilot to test a new WBCSD self-assessment tool, which analyses our facilities and provides guidance on best practices related to water supply, sanitation and hygiene at the workplace. It allows us to score the current status of a site, identify gaps and promote improvements. Our plan is to initiate the roll-out for wide adoption of the WBCSD WASH self-assessment tool in all our manufacturing facilities by the end of 2014.

BY SIGNING THE WASH PLEDGE, WE ARE REAFFIRMING THIS COMMITMENT AND OUR RECOGNITION OF OUR RESPONSIBILITIES AS MANUFACTURER AND EMPLOYER."

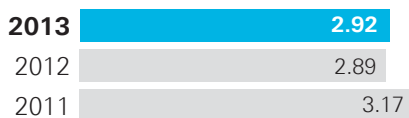
Carlo Galli,
Technical and Strategic Advisor for Water Resources, Nestlé

In numbers

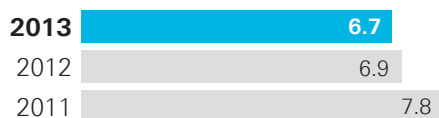
Total water withdrawal (million m³)



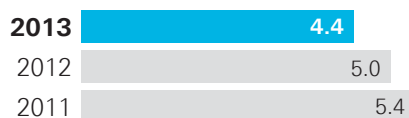
Total water withdrawal (m³ per tonne of product)



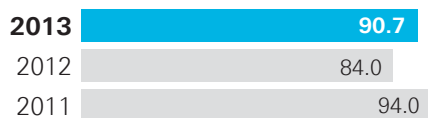
Water recycled and reused (million m³)



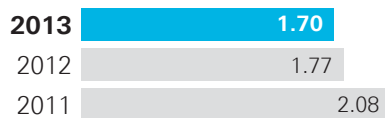
Water recycled and reused (% of total water withdrawal)



Total water discharge (million m³)



Total water discharge (m³ per tonne of product)



Next steps

We will continue to focus on intervention measures that are cost effective and relevant within a local watershed. Recently, we identified and prioritised a selection of manufacturing facilities for further improvement (based on water-related physical risks and impacts). By 2016, we will develop and implement water-saving projects at all of these sites. Our new Nestlé Environmental Requirements for water quality and effluent discharge will be implemented in all factories and we will carry out 45 new water resources reviews in our manufacturing facilities, and at all greenfield sites. We have also identified the need to establish detailed guidelines on both, ensuring respect and contributing to the realisation of the human rights to water and sanitation, and implement a due diligence process at our factories. This will be put into practice throughout 2014 and 2015.

Public policy engagement

We all rely on global cooperation and national governments to regulate the quantity and quality of our water supplies. Groundwater sources run across many political and geographical boundaries and today more than 260 international water cooperation agreements are in place to govern supply, involving nearly 150 countries.¹³

We believe that governments must take the lead to establish water policies that give people universal access to clean and safe water, within which Nestlé and other water users can operate. We are willing to assist in this process, by advocating for effective water policies and water stewardship. We remain convinced that debate around the contribution of technical, operational and legal parameters leads to stronger collective action.

At a glance

- We continue to maintain a strong presence at multistakeholder initiatives on water policy and challenges, seeking new shared solutions and promoting collective action on water efficiency;
- Many of our most senior people, including our Chairman, play a leading role in the 2030 Water Resources Group (2030 WRG), which is currently chaired by Nestlé. It helps to strengthen expert capabilities across the world and raises the priority of water on national political agendas;
- Nestlé supported an open consultation process for the business community on possible new post-2015 UN Sustainable Development Goals to address water security and overuse; and
- Our Chairman's Water Challenge blog and LinkedIn forum provide vehicles for public debate on the global water crisis.

What we're doing

2030 Water Resources Group

Since 2008, Nestlé has been an active participant in the 2030 WRG, an independent public-private organisation, which unlocks the potential of water groups through collaboration. The group is invited into a country by its national government, and works alongside existing national water programmes or experts, to put in place sustainable water resource management.

2030 WRG has already worked with the governments of Jordan, Mexico, South Africa and India on projects designed to address:

- A lack of data and analytical tools;
- The need for improved change management in government;
- A difficulty in accessing practical expertise and good practice; and
- The low priority of water on national political agendas.

In 2013, the group began gap analysis work on watersheds in Mongolia, Tanzania and Peru, which will be evaluated in April 2014. A [Global Catalogue of Good Practices](#) was launched, with the help of the Stockholm International Water Institute (SIWI), which provides an open-source knowledge base of good practices and innovations for water transformation. It offers analytical tools and advice to governments on cost-effective ways to bring freshwater withdrawals in watersheds back into line with sustainable supply.



Work to achieve water efficiency across our operations

Advocate for effective water policies and stewardship

Treat the water we discharge effectively

Engage with suppliers, especially those in agriculture

Raise awareness of water access and conservation

¹³ <http://www.unwater.org/statistics/en/>



UN post-2015 development goals

In July 2012, UN Secretary-General Ban Ki-moon announced that 27 members of a high-level panel would advise on a global development framework beyond 2015, leading industrialists. To reach out to business, Nestlé's Chairman, Peter Brabeck-Letmathe, acted as a water ambassador and helped assemble a broader submission, gathering opinion on whether new post-2015 UN Sustainable Development Goals were needed for water security and to address overuse.

Our Chairman initiated an informal consultation through mail, e-mail and the internet¹⁴. We received posts and comments from stakeholders including major companies (mostly members of the WEF International Business Council, or the UNGC's CEO Water Mandate) and leading international associations, among them the International Chamber of Commerce AquaFed, WBCSD and the International Federation of Red Cross and Red Crescent Societies (IFRC). The feedback clearly supported the introduction of a new individual goal to reflect the importance of water in society, embracing water security in broad terms. Four targets were recommended to support delivery:

- Freshwater withdrawals (for all uses) must be brought into line with sustainable supply by 2030;
- Universal access to safe drinking water by 2025;
- Eradication of open defecation by 2020; and
- Adequate treatment of all municipal and industrial wastewater prior to freshwater or marine discharge by 2030.

We were pleased to support this global discussion and submitted a summary paper of the feedback.

Policy engagement through social media

Our Chairman, Peter Brabeck-Letmathe, writes a [Water Challenge blog](#) and hosts a LinkedIn water group with more than 75 000 members. The public sites are designed to stimulate open debate on the vital issue of water availability around the world and posts have included the [value of water](#), [bottled water](#), [water as a human right](#), [conservation-oriented water pricing](#), [the control of water](#), [the importance of partnerships](#) and [Sustainable Development Goals for water resources management](#). At the end of every blog, the Chairman invites readers to contribute to the discussion and share their views. Online responses continue to prove lively, challenging, insightful and useful.

WE MUST ADDRESS UNSUSTAINABLE USE... WE MUST USE WHAT WE HAVE MORE EQUITABLY AND WISELY. GUARANTEEING A WATER-SECURE WORLD WILL REQUIRE THE FULL ENGAGEMENT OF ALL ACTORS, NOT LEAST THE WORLD OF BUSINESS."

Ban Ki-moon,
UN Secretary General¹⁵

Read more at [Water challenge blog](#).



I WELCOME THE DEBATE, THE CRITICISMS AND THE OPPORTUNITY TO ENGAGE, BECAUSE THIS IS AN ISSUE FAR TOO IMPORTANT TO BE DUCKED OR IGNORED BY ME OR ANYONE ELSE WHO CARES ABOUT THE FUTURE."

Peter Brabeck-Letmathe,
Nestlé Chairman

¹⁴ <http://www.Water-Challenge.com>

¹⁵ <http://www.2030wrg.org/wp-content/uploads/2013/01/2030-WRG-Annual-Report.pdf>



Reducing water losses in South Africa

South Africa is a water-scarce country and 2030 WRG projects a water deficit approaching one-sixth of the country's current usage by 2030. Tackling water loss in municipal supply systems has become a national priority, because their losses account for up to 16% of the country's water use. The South African Water Research Commission estimates that close to a quarter of the total water in municipal systems in South Africa is lost through physical leakage.

The Strategic Water Partners Network – South Africa, is a partnership between the Government's Department of Water Affairs and 2030 WRG, helping to close the water supply and demand gap. Nestlé South Africa is leading the Water Use Efficiency and Leakage Reduction working group and in 2012–2013 we contributed funding of CHF 8,258 (ZAR 100 000).

The working group has designed a No Drop scorecard system, which encourages and rewards performance excellence. The No Drop is a simple-to-fill-in scorecard that assesses and ranks municipalities on water losses, revenue collection and water use efficiency (amount of water used per person per day). Municipalities can be compared to each other and their performance evaluated against the requirements of the law and best management practice. Coupled with support in the areas requiring improvement, the scorecard has been shown to work well for improving drinking water quality.

The new rating criteria are gradually being adopted by the Department of Water Affairs into its existing system. The project demonstrated that water-loss prevention is a low-cost solution to reconcile supply and demand, which allows for an easy uptake by municipalities and future public policy development.

Together for Water conference in the UK

In November 2013, nearly 100 employees from across our UK businesses heard from leading speakers at a Nestlé conference and workshop, designed to help achieve a greater understanding of water issues. External experts from many stakeholder groups shared different perspectives, such as: the World Wildlife Fund, Project WET (Water Education for Teachers), the Environment Agency, the Waste and Resources Action Programme (WRAP), Food and Drink Federation, First Milk and Oxford University. Internal experts shared our global vision, as well as that of the bottled water category, and best-in-class case studies. The day provoked lively debate and Q&A sessions, facilitating discussion, renewed enthusiasm and new ideas on ways to minimise water risks. External speakers repeatedly complimented event organisers on the transparent and open approach they had seen, which had helped to deliver thought leadership.

TO CLOSE THE WATER GAP IN SOUTH AFRICA, I AM CONVINCED THAT OPEN, CONSTRUCTIVE DIALOGUE AND JOINT COLLABORATION WITH ALL STAKEHOLDERS IS THE ONLY WAY FORWARD. THE STRATEGIC WATER PARTNERS NETWORK – SOUTH AFRICA IS EXACTLY THE PLATFORM WE NEED TO FORGE THE PARTNERSHIPS TO ACHIEVE THE IMPACT AND RESULTS THAT WE NEED IN ORDER TO ENSURE SOUTH AFRICA'S CONTINUED GROWTH AND DEVELOPMENT. THIS LEADERSHIP AND EFFORT, AS ALREADY DEMONSTRATED BY THIS GROUP, SERVES AS A MODEL FOR COLLABORATION MOVING FORWARD¹⁶.”

Edna Molewa,
Minister of Water and Environmental Affairs
of South Africa



Work to achieve water
efficiency across our
operations

For full details see page 171

Next steps

We continue to follow and provide input into the post-2015 development agenda process via the UNGC CEO Water Mandate and through the Swiss Government's national multi-stakeholder dialogue on the post-2015 goals. We decided to extend support for the work of the 2030 WRG through Public Private Partnership for another three years, to allow 2030 WRG to extend activities to other countries.

¹⁶ <http://www.2030wrg.org/wp-content/uploads/2013/01/2030-WRG-Annual-Report.pdf>

Collective action

Achieving the sustainable management of water needs collective action by everyone who uses it: from policymakers to members of the public and from industry to agriculture. It is not easy to achieve, as every local watershed and community has different needs and there are not many shared datasets available to help prioritise interventions. Nestlé works with a range of partner organisations to support effective water management and responsible stewardship at a local level. We are committed to learning from others and sharing our own knowledge and skills.

At a glance

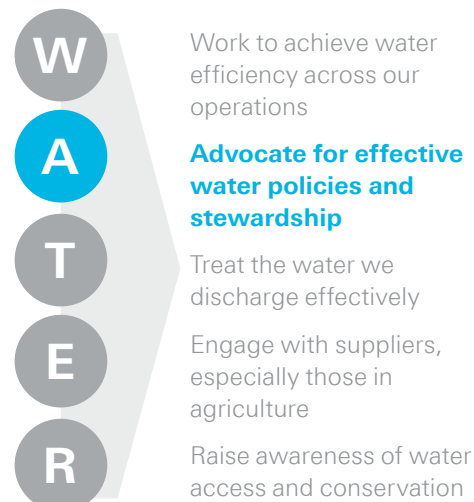
- We are a founding signatory of the UNGC CEO Water Mandate, and are working with environmental organisations and other stakeholders to support water disclosure, public policy engagement and the human right to water;
- We chair the SAI Platform’s working group on water and agriculture, which has launched a new guide for water stewardship in sustainable agriculture;
- We engage in and actively support public policy dialogue through collective action, in the following platforms: UNGC CEO Water Mandate, Alliance for Water Stewardship, World Business Council for Sustainable Development, Sustainable Agriculture Initiative, Water Footprint Network, Stockholm International Water Institute, International Organization for Standardization (ISO), FoodDrinkEurope and The Consumer Goods Forum;
- As a member of the WBCSD, we actively participate in its Water Leadership Group, representing business in different work streams; and
- Nestlé continues to play an active role in the annual Stockholm World Water Week.

What we’re doing

The SAI Platform

Nestlé is a founding member of the SAI Platform, a non-profit organisation that promotes knowledge-sharing on best practice in the food chain. Today, the platform has more than 50 members who believe that quality agricultural products should be produced efficiently and safely, in a way that protects and improves the natural environment, social and economic conditions of farmers, and the living standards of employees and local communities. We currently chair the SAI Working Group on Water and Agriculture, where activities continue to demonstrate that sector and stakeholder collaboration is critical to achieving water conservation. The group has shared a number of key challenges that must be addressed to ensure water is protected and used positively in agriculture, including: improving the economic viability and social progress of farms through water savings; maintaining the safety and quality of agricultural products and increasing the protection of environmental ecosystems through the collection and treatment of polluted run-off.

To help members tackle these challenges, the group provides them with tools and technical briefs. They recently launched a guide highlighting the correct management of water quantity and quality for every region, called [Principles & Practices for Sustainable Water Management – At a farm level](#). In July 2013, a further paper was published, [Water Stewardship in Sustainable Agriculture](#), explaining the key principles behind a catchment approach that extends to the surrounding landscape. Water stewardship begins on the farm, but stakeholder engagement with neighbours and the community is emphasised as critical to success.



 Engage with suppliers, especially those in agriculture

For full details [see page 173](#)

Read more at [SAI water conservation initiatives](#).

Stockholm International Water Institute

Our partnership with [Stockholm International Water Institute \(SIWI\)](#) supports research activities and institutional capacity-building. The organisation delivers advisory services in water governance, transboundary water management, climate change, the water–energy–food nexus and water economics. Each year SIWI hosts World Water Week to encourage the exchange of ideas among its 2600 participants, which are made up of experts, practitioners and decision makers. The 2013 World Water Week focused on cooperation and featured over 100 seminars, workshops and events. Nestlé actively participated in a number of seminars and side events, and presented a case study on Vietnam, in one of the World Water Week’s main workshops on the ‘Art and Science of Water Cooperation’. In addition to our annual stand presence and involvement, we also supported the joint presence in Stockholm of the [Swiss Water Partnership](#), a group of Swiss Government, civil society, academia and private sector organisations, of which Nestlé was one of the founding participants. The theme for World Water Week 2014 has been announced as ‘Water and Energy – Making the Link’.

CEO Water Mandate

Nestlé is a founding signatory of the UNGC CEO Water Mandate, which was launched to help companies develop, implement and disclose their water sustainability policies and practices. Participating companies, such as ourselves, must openly acknowledge a responsibility to make water resources management a priority, and to work with governments, UN agencies, NGOs and other stakeholders to address the global water challenge.

In March 2013, we actively participated in the 11th Working Conference titled ‘Water Stewardship in the Post-2015 World’ held in Mumbai, India. The 12th Working Conference in September focused on the Mandate’s core projects and work streams held in Stockholm and the special event held at the UNGC Leader’s Summit in New York. We also contributed to the publication of the CEO Water Mandate Guide to Water Related Collective Action, which was released in September 2013.

Our employees continue to participate in the Water Disclosure Working Group, which aims to:

- Identify common and emerging corporate disclosure metrics that address water consumption and water quality, as well as water-related risks, impacts and mitigation strategies across supply chains, operations and end use;
- Develop a shared understanding of how various existing and emerging water accounting, reporting and management frameworks complement and support each other, as well as where gaps exist;
- Collaborate with other initiatives to share expertise/experiences and gain insight on lessons learned to prevent developing competing guidance;
- Assemble existing work developed and contributed by various stakeholders into a guidance document that may include high-level principles on water disclosure;
- Create a transparent and inclusive process for stakeholders to share and debate concepts and points of view; with the ultimate goal of developing consensus on an overarching common approach to corporate water disclosure; and
- Develop guidance for water disclosure that incorporates issues such as contextualising water consumption and/or scarcity and that builds upon the work of existing initiatives, so as to be viewed as the conclusive, and broadly accepted overarching approach to corporate water disclosure.

In 2013, the group helped to refine and improve the Public Exposure Draft in order to publish a final version of the Guidelines.

Our work with the CEO Water Mandate also includes contributing to the publication of CEO Water Mandate Public Disclosure Guidelines and the Guide on good practices for business on the Human Right to Water and Sanitation. These documents are work in progress.

Finally, we continue to report publicly on our progress for the six CEO Water Mandate core elements. The Water section of the Nestlé in society: Creating Shared Value and meeting our commitments 2013 report, at the same time, serves as Communication on Progress (COP) for the CEO Water Mandate.

World Business Council for Sustainable Development

The WBCSD helps to drive debate and policy change in favour of good practice and sustainable development solutions. We currently support the activities of the Water Leadership Group, and are represented on many of their work streams, which include: WASH, the value of water, water stewardship and the water–energy–food–fibre nexus. In 2013, we signed the [WBCSD WASH Pledge](#), which commits businesses to upholding the human right to water and sanitation within their operations, and providing access within three years to safe water and sanitation, and appropriate facilities to ensure personal hygiene for employees in all premises under direct control. In the longer term, we hope to use the Pledge to advocate for similar commitments across our entire value chain, including for employees' homes, with suppliers and at local communities.

Advocating decisive industry-wide action

In February 2013, Nestlé CEO Paul Bulcke delivered the prestigious annual City Food Lecture in London (UK), where he spoke of water scarcity being one of the food industry's greatest threats. Entitled 'Water – the linchpin of food security', his speech highlighted that overuse of fresh water poses a serious environmental hazard, but it is also a major risk to political and social stability. He emphasised how in the next 15 to 20 years, water scarcity may be the cause of massive food shortages and called on industry, government and stakeholders to act decisively and address this urgent issue.

Food and Drink Federation

As part of our commitment to advocate effective water policies and stewardship, we chair the Food and Drink Federation's Water Working Group in the UK. The group has developed and promoted a campaign, Every Last Drop, which highlights the risks of water stress and the importance of water management along the supply chain. It provides practical guidance and a series of golden rules to help food and drink manufacturers reduce water use. In July 2013, the campaign won the BusinessGreen Leaders Award for Water Management Project of the Year.

Water Benefit Partners

In 2011, Nestlé joined the Public–Private Partnership, Water Benefit Partners (WBP), to test an innovative financing mechanism designed to support water projects for the public good, in regions affected by water-related problems. Initiated by First Climate and funded by the Swiss Agency for Development and Cooperation, the partnership aims to develop projects, based on the issuance and sale of Water Benefit Certificates. In 2013, management was handed over to the Gold Standard Foundation and they are expected to issue the first certificates in 2014.

Next steps

By 2014, we will contribute to the work and final publication of the CEO Water Mandate Public Disclosure Guidelines and Guide on good practices for business on the Human Right to Water and Sanitation. We have also targeted water stewardship initiatives in five high-priority locations by 2016, which will differ from existing projects, by embedding a significant level of collective action with stakeholders and a catchment approach.

Water in our supply chain

Water use, both as a basic human right and as an essential raw material for numerous competing needs including agriculture, has been significantly overused in the last century. The greatest challenge to reduce our water consumption lies in addressing the impacts beyond our factories – in our complex agricultural supply chains. We work directly with around 690 000 farmers, but our sphere of influence touches millions more through the commodities we purchase. The ingredients in our products are estimated to account for around 45 billion m³ of water consumption, of which 93% comes from rainwater and 7% from irrigation¹⁷. Engaging with our suppliers, especially those in agriculture, remains critical to achieving our own water security and stewardship objectives. Our work in this area is closely influenced by Nestlé’s Rural Development Framework and linked to Nestlé’s Responsible Sourcing Guideline. There is no doubt that we are facing a great challenge to feed the world’s population in the near future, and it calls for joint action.

At a glance

- Through our global Sustainable Agriculture Initiative at Nestlé, we have delivered water projects in 10 countries;
- We have water footprinted dairy products in China to understand more about the impacts of our supply chain;
- In France, the territory surrounding the Vittel and Contrex springs has obtained the very first biodiversity label of its kind, certified by Bureau Veritas;
- We have launched a watershed restoration programme in Indonesia, which is helping to recharge local groundwater aquifers;
- In Malaysia, the Nestlé Paddy Club is promoting best farming practices and knowledge to increase rice yields in an environmentally friendly way; and
- Through our Farmer Connect network, we have delivered water projects in a wide variety of locations, across all continents.

What we’re doing

Sustainable Agriculture Initiative at Nestlé water projects

The Sustainable Agriculture Initiative at Nestlé (SAIN) is our global programme to support farmers and promote sustainable development. It focuses on a range of commodities including milk, coffee and cocoa, and enables us to address some key challenges in water management and irrigation – such as farmer and crop resilience to drought and flooding; wastewater and organic waste treatment; and farm intensification techniques. Water management plans form an integral part of our Responsible Sourcing Guideline for key commodities, underlining the important role that farmers can play, especially those in water-stressed areas, to ensure cultivation and processing practices take into account the human right to water, as well as environmental, product and water quality issues.



Work to achieve water efficiency across our operations

Advocate for effective water policies and stewardship

Treat the water we discharge effectively

Engage with suppliers, especially those in agriculture

Raise awareness of water access and conservation



Advocate for effective water policies and stewardship

For full details [see page 172](#)

¹⁷ This has been estimated including the green and blue water footprint of key agricultural raw materials. Calculations were based on the consumptive water use of main commodities from Mekonnen et al. 2010.

Water footprint of dairy production in China

China's economy has expanded at the astounding rate of about 10% per year in the past decade. Economic growth has been accompanied with a strong urbanisation process that resulted in a change in nutrition habits of the Chinese population, who are consuming more animal protein, requiring the highest per capita water/food production.

Every day, around 20 000 Chinese farmers deliver 2000 tons of milk to Nestlé's factories in China. As Nestlé is a significant water user in the country (both directly within our manufacturing facilities and indirectly in our agricultural supply chain), we want to understand more about the impact our operations have upon the country's water supplies and areas of scarcity. In 2012, Nestlé China in collaboration with SIWI (see [Collective action](#)), conducted research to identify water losses in the dairy value chains of two production bases – Hulunbeier and Shuangcheng – randomly selecting and surveying 62 Nestlé China contracted dairy farmers, including grassland and cropland, but mostly consisting of small-scale farmers with fewer than 50 cows.

The study revealed that on average, around 1000 litres of water are used to produce 1 kg of milk¹⁸ and that around 3% of water in farm production systems is wasted, but could potentially be saved, equating to 30 litres of water per kilogram of milk. Water consumption at our production sites was still a long way from that of countries such as the USA (739 kg) and the Netherlands (494 kg). The study shared factors that can positively influence water, including: dairy farming experience, training, age and breed of the cattle and technology adoption.

Nestlé China will shortly open a Dairy Institute and demo farms in Shuangcheng to educate and train farm managers and technical personnel on large-scale dairy farming, focusing on environmental sustainability through water- and feed-efficient farming.

System for rice intensification in India

The System of Rice Intensification (SRI) is a set of innovative good agricultural practices to grow rice, aimed at increasing yield, whilst helping farmers to use fewer inputs (including water). It has been widely adopted in India, by around 2 million farmers. We partnered with AgSri to launch the SRI Validation Program in September 2012, which seeks to determine the impact of SRI practices on naturally occurring elements in rice grains.

We have collaborated with two rice mills in Andhra Pradesh, and the entire study area for the programme covered around 150 acres. It has included approximately 150 farmers, who supported the collection of field data. After a year of study and the analysis of around 70 samples, the results indicated that the SRI fields were better able to withstand water scarcity and gave higher yields compared to non-SRI methods. We will now seek to confirm these findings by repeating the tests in the second rice crop during 2014, and are conducting a feasibility study on scaling up the use of SRI technology.

¹⁸ The indirect water in feed is 98%; direct water for drinking and cleaning is 2%.

Agrivair biodiversity labelling in France

Nestlé Waters, through its subsidiary, Agrivair, has been very active in protecting biodiversity around the Vittel and Contrex sources for over 20 years. Agrivair created a partnership with public and private stakeholders living on the territory such as farmers, industries and community members to agree on a zero pesticide policy on an area of 10 000 ha. They agreed to implement alternative agricultural practices with green and local products, which have less impact on the environment than classical products. This programme has been essential in preserving the quality of the water resources used for the Vittel and Contrex brands, which as natural mineral waters cannot undergo treatments in accordance with European legislation.

In 2013, the surrounding territory was awarded the very first biodiversity label of its kind, certified by Bureau Veritas, demonstrating how the protection of biodiversity has become an integral part of the way Agrivair operates. Nestlé Waters France/Belgium has also received a special distinction for the best process in site management for biodiversity by the French Ministry of Ecology and the Agence de l'Environnement et de la Maîtrise de l'Energie (ADEME) and Agrivair was recently recognised as one of seven initiatives that represent the 'France of solutions' by the association, Reporters of Hope and the Economic, Social and Environmental Council in the presence of French President, François Hollande.

SARI method in Malaysia

The Nestlé Paddy Club (NPC) is a successful Malaysian association that promotes best farming practices and knowledge transfer. It targets increased yields at lower costs, while maintaining rice quality, safety and traceability. Through the Nestlé Paddy Club and with the technical collaboration of Organica Biotech, a leading biotech company, Nestlé Malaysia achieved significant improvements in soil fertility management, which led to increased paddy yields and more profit, whilst minimising the environmental footprint of rice farming. The Nestlé Paddy Club started to advertise the Semi Aerobic Rice Intensification (SARI) method in 2012. Since then, the Nestlé Paddy Club and the SARI method have gained popularity and the number of paddy farmers joining the club has increased from 25 to 320 (840 ha). The technique has the potential to improve water savings by 40–50%. Overall, engagement in the supply chain has considerably improved, including quality, safety and traceability of the raw material.

Watershed restoration in Indonesia

In the region of Kejayan, Indonesia, our dairy factory needs water for its production. It is mainly supplied by an artesian aquifer, used by a limited but growing number of industries. During the past 20 years, farmers have made intensive use of this supply, with free-flowing wells that are used for field irrigation. Water scarcity and dispute is a future water risk in the region, without change.

We have launched a watershed restoration programme, a proactive collaboration of employees, milk farmers and local communities, who are tree planting to reforest deserted plots in the upstream part of the Kejayan watershed. The trees will contribute towards recharging the local aquifer by rainfall infiltration and reducing the surface run-off. Since the programme started, 5500 trees have been planted and participation has increased with each batch. The planting has taken place on a mountain, about 33 km from our factory, and the selection of tree species was made with consideration of livestock, shading capacity and health benefits. Fruit and timber species were selected which will give additional income to communities near the forest.



Engage with suppliers,
especially those in
agriculture

For full details [see page 173](#)

A further initiative, called My Tree, began at the factory in February 2013, and is an individual planting programme open to all Nestlé employees. The purpose is to encourage employees to be aware of the environment and be closer to it by planting their own personal tree. A total of 605 trees have been planted by 339 employees.

Next steps

We have introduced a new objective to improve water use efficiency and by 2015, we will define and have started to implement action plans to save water in our upstream supply chain for coffee, sugar, rice and cereals, in high-priority locations. We will focus on saving water in our upstream supply chain, using the Sustainable Agriculture Initiative at Nestlé platform.

Nestlé leads in promoting sustainable irrigation in Vietnam and we recommend best water-use practices through our Farmer Connect network. Beyond this network, we are designing a capacity-building programme for farmers through farmer field schools and demo plots to implement best practice. It will improve farmers' livelihood through increased income, manage groundwater over-exploitation through reduced groundwater pumping and contribute to sustainable coffee production.

We will support the roll-out of the Intelligent Water Management Project in Colombia. It is a new Public–Private Partnership jointly funded by Nestlé, *Nespresso*, the Dutch Sustainable Water Fund, the Colombian Government, the Colombian Federation of Coffee Growers and the Wageningen University. It seeks to drive innovation and promote effective actions for the intelligent management of water resources in the sector, to benefit families and industries that depend on water for their productivity and competitiveness, as well as the ecosystems that support them.

Community engagement

We want to create shared value for our business and for society, to consolidate our future. The wellbeing of rural communities, farmers, small entrepreneurs and our suppliers is intrinsic to our own success. And so, our activities are designed to support rural development, which at the same time strengthens our supply chain. To this end, we seek to help raise awareness of water access and conservation in communities, and currently, 330 000 beneficiaries in local communities have access to water, sanitation or hygiene projects around our manufacturing facilities and in Farmer Connect areas.

At a glance

- We are working in partnership with the Red Cross to support water and sanitation improvement initiatives in the cocoa-growing areas of Côte d'Ivoire;
- Through Project WET, Nestlé Waters is helping thousands of children, parents and teachers understand water conservation and hydration issues in many countries, including Nigeria, Jordan and Egypt;
- Nestlé Sri Lanka has installed water fountains, providing 18 500 students with access to clean, safe drinking water every day; and
- In 2013, Nestlé Ecuador planted 13 000 native trees with the Scout Movement and Zhucay Farmers Association, which is part of the Nestlé Cocoa Plan.

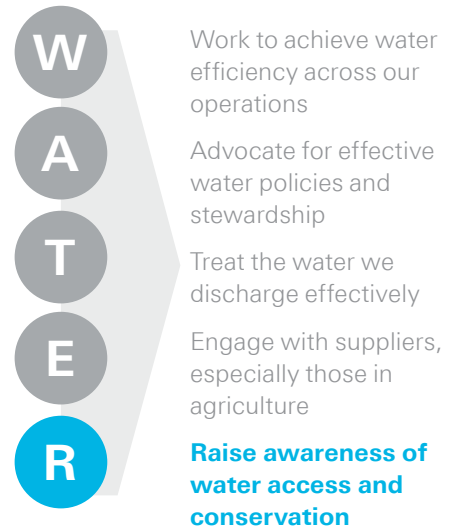
What we're doing

Improving water, hygiene and sanitation in Côte d'Ivoire

Nestlé along with the International Federation of Red Cross and Red Cross Côte d'Ivoire undertook a local programme to improve hygiene and sanitation facilities in schools and communities of cocoa and coffee production areas of Divo, Lakota, Guitry Gagnoa, Soubré and Aboisso of Côte d'Ivoire. The programme aims to improve health and hygiene among schoolchildren, teachers and communities through water and sanitation projects, including the rehabilitation of existing infrastructure and public awareness campaigns.

Teachers are trained on hygiene and sanitation aspects and meet in designated clubs to exchange knowledge and experiences. They disseminate the information to children in lessons and through school campaigns, helping to render schools more attractive to children. The programme also shares knowledge on how to prevent diarrhoeal diseases, currently the world's second leading cause of death in children under five.

An earlier phase of this project consisted of construction of toilets in public areas such as schools, market places, bus stations, and areas aimed to benefit the entire community and importantly, prevent the spread of diseases. It also included the rehabilitation of boreholes and the installation of water pumps in villages where water is scarce.



Improving hygiene and sanitation in Côte d'Ivoire.

The programme approach is participatory, with communities included in the process of monitoring and the evaluation of outcomes. Nestlé helps the Red Cross to work with communities to scale up sanitation activities, enabling them to become self-sufficient, without support from either Nestlé or the Red Cross. Toilets and pumps built through the initiative are initially maintained by the “Red Cross Society of Côte d’Ivoire, which ensure that trained mechanics or community groups take over long-term maintenance. Regular meetings are held at local, regional and national levels, where stakeholders can meet to discuss results and seek recommendations. As a result, women, children and minority groups are equally involved in the decision-making process.

Between 2007 and 2013, 196 546 people from 132 villages and 81 schools have benefitted from this project. Between 2010 and 2013 alone, 54 school latrines were constructed or rehabilitated, 4631 new community latrines were constructed, and 88 water points were repaired/rehabilitated. Additionally, 105 088 community members and 58 057 children received hygiene awareness training.

Supporting water education

For 20 years, Nestlé Waters has worked with Project WET, an international NGO, to help educate children and teachers worldwide on issues such as hydration and health, water use and environmental stewardship. Project WET programmes have been implemented in about a dozen countries around the world in partnership with Nestlé Waters, most recently in Jordan, Nigeria and Egypt.

Nestlé Waters also uses Project WET’s interactive activities at its factories each year, to mark World Water Day and raise awareness about water conservation and healthy hydration. In 2013, 31 countries took part in the company’s events, with more than 15 000 children participating and around 500 employees contributing to the organisation and success of these events.

In the United States, Nestlé Waters North America’s *Zephyrhills* brand teamed up with the Crystal Springs Foundation to bring the WaterVentures™ Learning Lab to 117 600 students throughout Florida. This travelling science centre toured 231 schools during the year, with hands-on learning activities about Florida’s water and conservation.

Helping consumers to lower their water use

We provide meaningful and accurate environmental information on our packs, to help customers minimise water use when preparing or consuming our products or disposing of its packaging. In France, *Nescafé* consumers are being encouraged to scan a QR (quick response) code on-pack, with their smartphone. The code links to an interactive *Nescafé* life-cycle analysis communication tool, where consumers can discover more about the environmental performance of *Nescafé* at each stage of its life cycle and how to boil the right amount of water when preparing it. In Italy, more information about the environmental benefits of our new *Nescafé* smart pack is also available via a QR mobile phone code on-pack at a microsite. The new eco-mode for our *Nescafé Dolce Gusto* Melody coffee machine enables auto-standby mode after 20 minutes. For a 120 ml cup, this helps consumers cut water use by 25%, compared to the first model launched in 2006. We don’t forget that our employees are also consumers and the internal campaign, **I’m doing it**, encourages our people to recycle water bottles, explaining the environmental benefits.



Hygiene awareness training in Côte d’Ivoire.

Engaging with our community in North America

Establishing and maintaining open relationships with the communities surrounding our sites forms an important part of water stewardship. Our Nestlé Waters North America (Nwana) operation often receives questions about what we do and how we do it, particularly from stakeholders in communities where new sites are being developed. In 2011, a Siting and Community Commitment Framework was launched to provide tools that help employees to engage with local stakeholders, to understand a community's unique concerns and expectations, and to take the actions necessary to address them – during the siting process and beyond. Activities may include Town Hall-style meetings, regular office hours in the city centre and sending newsletters to local residents. We have adopted this approach in all Nestlé Waters North America sitings since Chaffee County, Colorado, where we now operate a spring. The process enabled us to engage with a multi-stakeholder committee of experts from the Colorado Division of Wildlife, Trout Unlimited, Ducks Unlimited and Chaffee County, which resulted in the creation of shared value projects for our company, the community and the environment. These included the restoration of a fish hatchery at Ruby Mountain Springs along the Arkansas River, through the enhancement of the spring site's wetland and riparian habitat.

Sharing good practices in water use, with pioneering sand dams

In 2012 Nestlé selected Excellent Development, a non-profit organisation that helps rural communities in water-scarce regions to gain access to clean water through the construction of "sand dams", as one of two runners up to the Creating Shared Value Prize. The organisation was awarded CHF 100 000 towards raising awareness about sand dam technology and to replicate it in India and Zimbabwe.

Sand dams are man-made water storage infrastructures that can store up to 20 million litres of water per hectare. They are a low-cost measure to improve access to water, with direct impacts on the local economy and individuals' quality of life. The project is implemented through a community self-help approach along with soil and water conservation activities and trainings on climate-smart agriculture. On average about 1000 people are directly involved in building a sand dam and around 6000 people benefit from it.

To date, the organisation has supported 120 rural communities to build 388 sand dams, five rock catchments and 64 water tanks¹⁹. By reducing the distance travelled to collect water by an average of 8km and by more than five hours' walking time, these simple, cheap and sustainable rainwater harvesting solutions are transforming lives for rural communities simply by bringing a sustainable year-round supply of water closer to people's homes, thus saving time and improving the health and wellbeing, especially of women and girls.



A sand dam being built by the local community.

¹⁹ http://www.excellentdevelopment.com/site-assets/files/resources/publications/annual-report-201213_lowres.pdf



Supporting ecological corridors in Switzerland

Nestlé Waters has been drawing water from many of its sources, such as Perrier in France, for over 100 years. The company's dedication to sustainable water resource management has resulted in the development of long-term, locally relevant community initiatives, such as ECO-Broye in Switzerland. The ECO-Broye programme protects the ecosystem of 1000 hectares surrounding the Henniez source. It is designed to preserve natural resources and at the same time, maintain farmer income in the region. Since 2012, 72 farmers have been participating in the establishment of ecological corridors across 2300 hectares of farmland, which protect and stimulate local biodiversity. In the Domaine d'Henniez, the group has launched two new projects: the first is the establishment of old fruit tree species and hedges, and the second is a stream regeneration project which will establish a natural filtration area to help promote aquatic life.

Watershed protection through reforestation in Ecuador

Every day the highlands and forests of Ecuador face a range of threats from people. Faced with no livelihood alternatives, local populations are forced to practise agriculture in the highlands, on land of poor quality that is prone to erosion. Large tracts of forest are cleared for grazing land and other agricultural purposes, the majority of felled trees are not replaced, or worse still, invasive species of tree are planted that harm the local ecosystem. It is having a significant impact on the availability of water and on ecosystem diversity, as without a tree canopy to capture and moderate rainfall, land is prone to wild fires. In 2013, these fires devastated 900 ha of forest in the country.

The largest cocoa-growing region in Ecuador is Zhucay, located at La Troncal, in the province of Cañar. The area is surrounded by the Molleturo-Mullopungo Protected Forest and the Churute Mangrove Reserve; places acknowledged by the world scientific community for their mega biodiversity.

Let's Plant Water is a Nestlé initiative in Ecuador to restore and protect areas within the watershed, which in turn conserves water. It promotes environmental education and the sustainable reforestation of native tree species and fruit trees, in collaboration with neighbouring community groups.

In 2013, 13 000 native trees were planted with the Scout Movement and Zhucay Farmers Association, which is part of the Nestlé Cocoa Plan. The initiative creates shared value for Nestlé, cocoa farmers and the local community, improving the quality of cocoa, improving the environment and the standard of living for local families. Reforestation activities were achieved with the participation of 800 volunteers, and the initiative takes place with the cooperation of the Ministry of Environment.

Hugo Segarra from Zhucay Farmers Association said "We have seen how the flow of water in our rivers has reduced due to the effects of forest felling and we have taken the initiative as leaders of this organisation to participate in this reforestation program, which we are certain will benefit our community."

AS FARMERS WE ARE AWARE THAT WATER IS THE LIQUID OF LIFE FOR BOTH OUR CHILDREN AND OUR PLANTS, GIVEN THAT OUR CROPS ARE WATER-BASED. WE HAVE WITNESSED CLIMATE CHANGE; WE HAVE FELT THE EFFECTS OF WATER SHORTAGES, BUT WHY? DUE TO THE INDISCRIMINATE FELLING OF FORESTS. NOW, WITH CERTAINTY AND CONVICTION NESTLÉ IS ENCOURAGING US TO PLANT MANY TREES AND WE ARE GRATEFUL TO BE ABLE TO FULFIL OUR COMMITMENT TO CARING FOR OUR PLANET, WHICH IS OUR CHILDREN'S FUTURE."

Engineer Alejandro Salazar,
President of the Zhucay Farmers Association



Native trees being planted to promote the sustainable reforestation.



Water for emergencies

Beyond our factory premises, we have recently started work on a new employee engagement concept called the Water x Emergency programme.

We have a long history of helping local communities in cases of natural disaster; this can take place through trucking in bottled water (for example in North America after hurricanes and big storms), but also using our milk tankers and ready-to-use water-filling stations at our factories in emerging countries. This year, 2 983 222 bottles of water were donated by Nestlé to communities in need of fresh water and recycled at our factories.

We have begun to develop the new concept of volunteering programmes for employees – water task forces at both a corporate and local level, who will be trained and equipped to use simple water purification technologies, in order to set up in just a few hours after a disaster. They will be able to implement pocket-sized water ‘factories’, capable of delivering clean water, at a critical time, before large disaster relief organisations are in place with more sophisticated solutions. We will test this new concept in selected locations before deciding if it is possible to implement it on larger scale.

THE CLEAN DRINKING WATER FOUNTAINS AND WATER FILTERS PROVIDED TO THE HOSPITAL BY NESTLÉ SRI LANKA HAVE BENEFITTED OUR PATIENTS AND VISITORS. OUR PATIENTS AND THE ENTIRE STAFF AT THE HOSPITAL APPRECIATE THE EXTENSIVE WORK CARRIED OUT BY NESTLÉ SRI LANKA IN MAKING CLEAN DRINKING WATER AVAILABLE TO US.”

Dr Jayaseker,
District Medical Officer, Sri Lanka

Providing safe drinking water facilities in Sri Lanka

The supply of safe drinking water, particularly in rural areas, remains a major concern for many communities across Sri Lanka. With Nestlé’s 100-year heritage as a major economic presence in the country (employing almost 1200 people directly and contributing to the livelihoods of more than 23 000 distributors, suppliers, farmers and their families), we think it is important that we make a contribution to the drinking water challenge.

Since 2006, Nestlé Sri Lanka has financed the installation of clean drinking water facilities, beginning at villages located close to our manufacturing operations in Kurunegala. Across the island, we have built 15 free and hygienic water fountains in public areas such as rural schools, and over 18 500 students now have access to safe drinking water every day. We have installed fountains at hospitals and places of worship, which receive hundreds of thousands of visitors every year.

Nestlé Sri Lanka has also worked in partnership with schools to support the introduction of water education into the curriculum. Over 5000 students have benefitted from programmes explaining water conservation and the link between clean water, hygiene, health and wellness. They are encouraged to become water ambassadors and to share their knowledge with family members and neighbours.



Water education in Sri Lanka.

Next steps

In 2014, we will renew our global partnership with the IFRC with a continued focus on the Côte d’Ivoire programme, but introducing a new access to water sanitation and hygiene project in another country. By 2015, we will reconfirm every Nestlé employee has access to safe water, sanitation and hygiene of an appropriate standard at the workplace, in line with the WBCSD WASH Pledge. By 2016, our objective is that 350 000 beneficiaries in local communities have access to water, sanitation or hygiene projects around our manufacturing facilities and in Farmer Connect areas.



Raise awareness of
water access and
conservation

For full details [see page 174](#)

Environmental Sustainability

Environmental sustainability means protecting the future by making the right choices, in an environment where water is increasingly scarce and biodiversity is declining, and where climate change may exacerbate these challenges. Nestlé's products will be not only tastier and healthier but also better for the environment along their value chain. Environmental sustainability also means delighting consumers by giving them another reason to trust Nestlé and enjoy our products, and living up to employees' and external stakeholders' expectations about our environmental responsibility and practices.

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The year in brief – 2013 at a glance

CEO commitment

Along the value chain

The reissued Nestlé Policy on Environmental Sustainability highlights the CEO's commitment to environmentally sustainable business practices

Product life cycle

12

Number of product categories where 'sustainability hotspots' have been identified and addressed

100%

Product Technology Centres that use the EcodEX ecodesign tool

External recognition

1st

Best performer in our sector group in the Dow Jones Sustainability Index Series 2013

1st

Best performer – in all sectors combined – in the CDP Climate Disclosure Leadership Index and the Climate Performance Leadership Index 2013 for the second year running

1st

Retained first place in Oxfam's sustainability scorecard

Raw materials

17%

Share of 12 key commodities that have been assessed against our Responsible Sourcing Guideline requirements and are compliant, or have improvement plans ongoing

6500

Responsible Sourcing Audits on 12 key commodities, with 74% full compliance achieved

Manufacturing

CHF 87 million

Approved for investing in environmental improvements in our factories

22.6%

Reduction in total energy consumption, per tonne of product, since 2005

Packaging

66 594 tonnes

Packaging material saved, equivalent to CHF 158.5 million

5200

Projects and scenarios evaluated using eco-design tools

Transport and distribution

130

Major distribution centres that have achieved and maintained ISO 14001:2004 certification

1175

Tonnes of CO₂eq saved by shifting from road to rail/short sea in Europe

Sustainable consumption

109

Number of countries where fact-based environmental information is accessible to consumers

Waste and recovery

54%

Reduction in waste generated, per kilogramme of product, since 2003

12%

Nestlé factories that have achieved zero waste for disposal

Climate change

46%

Reduction in direct greenhouse gas emissions, per tonne of product, over the last decade

93%

Industrial refrigerants with high global warming and ozone-depleting potential that have been phased out

Challenges we've faced

Achieving zero waste to landfill

In many countries, public recycling facilities and infrastructure are insufficiently developed.

Responsible packaging

To meet functionality requirements, materials from renewable resources don't necessarily have a better environmental performance.

Consumer engagement

We have developed communications tools such as the *Nescafé* Life-Cycle Assessment communication tool and QR codes to help explain the complex topic of environmental sustainability to consumers.

Biodiversity

We're committed to safeguarding natural capital, biodiversity and ecosystem services but consistent global data to guide our activities remains difficult to obtain and requires close collaboration with a number of partners.

Inside the issue: environmental challenges

Food production and consumption can take up a large share of the world's resources. Clean air and water, and high-quality land and soil, are part of the whole natural system that enables life on our planet.

Our business relies on natural resources, which are increasingly constrained. We have to ensure that the principle of sustainable development is embedded in our activities, brands and products.

This means protecting the future by making the right choices, in an environment where water is increasingly scarce and biodiversity is declining, and where climate change may exacerbate these challenges. In this way, Nestlé's products will be not only tastier and healthier but also better for the environment along their value chain.

This also means delighting consumers by giving them another reason to trust Nestlé and enjoy our products, and living up to employees' and external stakeholders' expectations about our environmental responsibility and practices.

Our environmental commitments – and why we make them

Our goal is that Nestlé products will not only be tastier and healthier, but also better for the environment along their value chain. It's a challenge we approach by identifying areas for improvement at every stage from farm to consumer and beyond.

We are determined to live up to the expectations our employees and external stakeholders have about our environmental responsibility and practices. To build trust, we integrate environmental sustainability into our communications. We educate all employees to live by the Nestlé business principle on environmental sustainability. And we engage with stakeholders, develop key partnerships and nurture constructive relations with organisations that are critical to our environmental performance.

Key commitments

We've set our sights on a clear set of goals covering the following areas:

- Improve resource efficiency;
- Improve the environmental performance of our packaging;
- Assess and optimise the environmental impact of our products;
- Provide climate change leadership;
- Preserve natural capital, including forests; and
- Provide meaningful and accurate environmental information and dialogue.

See also: [Commitments table](#).



Improve resource efficiency

By 2015 – We will achieve zero waste for disposal in 10% of our factories. ✓

By 2015 – We will reduce energy consumption per tonne of product in every product category to achieve an overall reduction of 25% since 2005.

Our progress

In 2013, 61 Nestlé factories (12%) achieved zero waste for disposal (2012: 39 factories, 8%). This means we achieved the objective we set ourselves in 2012 two years early. We have also reduced overall energy consumption per tonne of product by 23% since 2005 (2012: 21%).

Our perspective

The Nestlé Environmental Management System (NEMS), used to implement the Nestlé Policy on Environmental Sustainability, is based on a continual improvement management cycle. The effectiveness of NEMS rests on the use of practices provided by our Nestlé Continuous Excellence (NCE) initiative. By applying these practices, we improve our efficiency, quality and productivity, which translates into doing more with fewer resources and less waste. Our challenge is that, in many countries, public waste recovery and recycling infrastructure are insufficiently developed.

For all objectives, we aim to fulfil our commitment by 31 December of the year stated.



Objective achieved

12% of Nestlé factories achieved zero waste for disposal in 2013, ahead of the targeted 10% by 2015.



Improve the environmental performance of our packaging

We will expand the scope of our packaging ecodesign by moving from PIQET, a tool that optimises the environmental performance of our packaging, to a broader, more holistic approach that covers the entire value chain, called Ecodesign for Sustainable Product Development and Introduction (EcodEX).

Our progress

In 2013, 66 594 tonnes of packaging material were saved, which is equivalent to CHF 158.5 million (2012: 47 125 tonnes). We also evaluated 5200 projects and more than 15 500 scenarios (2012: 4000 projects and 13 000 scenarios).

Our perspective

The packaging of our products is crucial to prevent food waste, guarantee our high quality standards and inform our consumers. We challenge ourselves to achieve both performance and functionality during the design process, whilst optimising the weight and volume. Today, materials from renewable resources are sold at a premium and they often have limited availability, with fierce competition for supplies. In addition, their environmental performance is not always better. Recycled materials do not always have an environmental benefit over virgin material: for example, in some instances we would need a heavier grammage of recycled materials to guarantee our standards.



Assess and optimise the environmental impact of our products

By 2014 – Identify and address the sustainability hotspots for 12 product categories.

By 2014 – Extend the EcodEX ecodesign tool to all research and development locations.

Our progress

In 2013, sustainability hotspots were identified and addressed for 12 product categories (2012: eight categories), while the EcodEX ecodesign tool has been rolled out to all Product Technology Centres (2012: four locations). All new products undergo an environmental sustainability assessment.

Our perspective

The environmental performance of a product starts with good ecodesign, and this relies on product development teams having a clear understanding of environmental life-cycle impacts. To make informed decisions, our teams require accurate databases, which can reflect improvement. We have carried out life-cycle assessments (LCAs) for all main product categories, summarised them and shared the data internally through Sustainability Category Profiles. We have also partnered to create EcodEX – a tool that gives product designers a faster way to analyse impacts. We are rolling it out in phases to ensure it is adopted effectively and to address the challenges raised by new users, such as getting used to interpreting LCA results.



Provide climate change leadership

By 2014 – We will expand the use of natural refrigerants in our industrial refrigeration systems.

By 2014 – All of our new ice cream chest freezers in Europe will use natural refrigerants.

By 2015 – We will reduce direct greenhouse gas (GHG) emissions per tonne of product by 35% since 2005, resulting in an absolute reduction of GHG emissions. ✓

Our progress

We have reduced direct GHG emissions per tonne of product by 35.4% since 2005, resulting in an absolute reduction of 7.4% (2012: direct GHG emissions declined 14% between 2005 and 2012, while production increased by 31%). This means we achieved the objective we set ourselves in 2012 two years early. We have phased out 93% of our industrial refrigerants with high global warming and ozone-depleting potential (2012: 92%), and 18 000 of our new ice cream chest freezers are using natural refrigerants.



Objective achieved

We met our objective to reduce direct GHG emissions two years ahead of schedule, with a 35.4% decrease in direct GHG emissions per tonne of product since 2005, resulting in an absolute reduction of 7.4%.

Provide climate change leadership continued

Our perspective

We have a holistic approach towards climate change, because considering GHG emissions in isolation may have a detrimental impact on other environmental aspects, such as water. We are committed to phasing out hydrofluorocarbons (HFCs) and replacing them with safe and more environmentally sustainable alternatives, although expanding the deployment of ice cream freezers using natural refrigerants beyond Europe will require an appropriate maintenance network. We regard biofuels as a major climate change challenge and, through our commitment on biofuels, we aim to take all possible and practical measures not to use liquid biofuel from first-generation agricultural products in our operations.



Preserve natural capital, including forests

By 2015 – 30% of the volume of our 12 key commodities volumes have been assessed against our Responsible Sourcing Guideline (RSG) requirements and are compliant, or improvement plans are ongoing.

By 2015 – Improvement programmes are taking place for all factories adjacent to Important Water Areas¹.

Our progress

17% of the volume of our key commodities are responsibly sourced, in accordance with our guideline requirements.

Our perspective

Nestlé is committed to developing its business in a way that safeguards natural capital and, in particular, biodiversity and ecosystem services. We have taken a proactive role in tackling deforestation, particularly in palm oil, through our work to drive traceability, our work directly with suppliers and our support for the goal of the Consumer Goods Forum to achieve zero net deforestation by 2020. In our own commitment on no deforestation, we pledge that our products will not be associated with deforestation. We have worked with partners to source credible data on where deforestation is occurring and in 2013 we shared the results of our collaboration with Conservation International which produced an analysis of deforestation in 32 countries. We have also worked in 2013 to identify important water areas with high biodiversity value that our factories are adjacent to and will work during the next year to ensure that the business helps safeguard these important areas of biodiversity.

¹ Water-related areas of a catchment that are legally protected or under a conservation agreement which, if impaired or lost, could adversely impact the environmental, social, cultural or economic benefits derived from the catchment in a significant or disproportionate manner.



Provide meaningful and accurate environmental information and dialogue

By 2016 – Fact-based environmental information will be accessible to consumers in all countries.

Our progress

We leverage relevant contact points (such as digital, packaging and point-of-sale) to inform consumers of environmental improvements and challenges and, in 2013, fact-based environmental information was accessible to consumers in 109 countries.

Our perspective

We are continually improving our products' environmental performance across the entire value chain. We give our consumers product information based on scientific, substantiated evidence so that they can make informed choices. To help explain the complex topic of environmental sustainability to non-specialists, we also support and shape the development of communications best practice and standards, working in collaboration with industry and government, and leading forums such as the European Food Sustainable Consumption and Production Round Table and Food Drink Europe. We continue to address the challenge of explaining the complex topic of environmental sustainability through the use of new communications tools such as the *Nescafé* Life Cycle Assessment communication tool and Nestlé Beyond the Label.

How we're meeting them

We apply a product life-cycle approach to assessing and improving environmental impacts – from farm to consumer and beyond. Specific to our food and beverage business, we focus on water preservation, natural resources efficiency, biodiversity conservation, air emissions reduction, climate change adaptation and zero waste. [The Nestlé Policy on Environmental Sustainability](#) enshrines our commitment at the highest level to environmentally sustainable business practices.

Read more about our approach to [Managing environmental sustainability](#).

Our stories

Find out how we're putting Creating Shared Value into action:

- [In focus – Going beyond the label](#)
- [One of the Best Global Green Brands](#)
- [Factories of the future](#)
- [Identifying environmental hotspots](#)
- [Sustainability analysis of agricultural beetroot production](#)
- [Switching to natural gas in Chile](#)
- [Optimising the weight of *Nescafé* jars](#)
- [Recycling used capsules](#)
- [Nestlé Waters packaging innovation](#)
- [UK Project Pick-up](#)
- [Going beyond the label with *Nescafé* and *KitKat*](#)
- [Reducing food wastage in cereal grains](#)
- [Engaging with customers](#)
- [Using renewable energy in Mexico](#)
- [First position in rankings](#)
- [Biodiversity projects in the Vosges water basin, France](#)

Environmental sustainability in focus: going beyond the label

We're committed to providing meaningful and accurate environmental information and dialogue and we're giving consumers easy access to succinct, useful information about our products via their mobile devices.

Since 2005, we've used the *Nestlé Nutritional Compass* to provide nutrition facts on product packaging. Now we've expanded this to include a QR code linking to useful information on a mobile website.

We've developed guidelines to help our brand teams roll out this initiative. These state that all the information displayed for consumers must be easily understood and in line with local regulations, industry agreements and internal standards and policies.

Environmental information

Depending on the product range, there may also be environmental tips on sustainable consumption and ways to improve impacts related to product use – from advice on avoiding food waste to guidance on reusing, recycling or disposing of packaging.

If we've carried out a full LCA of the product range in question, we provide a product impact summary, which gives a simple overview of independently researched scientific information about the product.

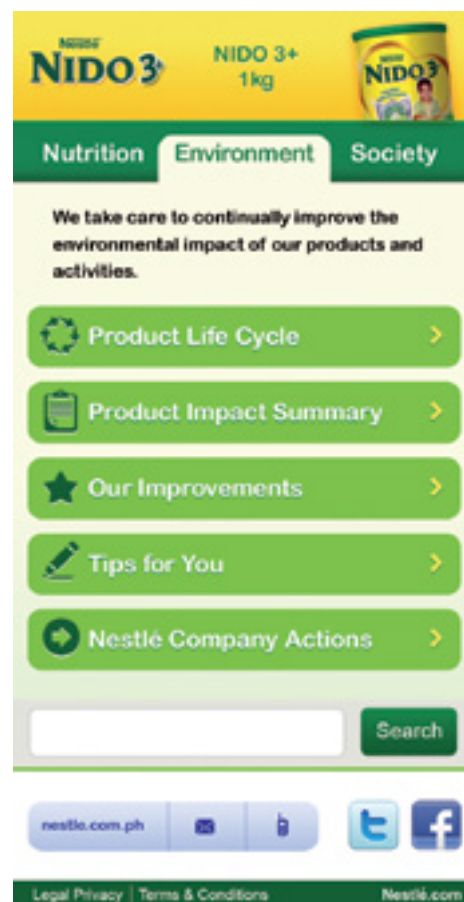
Our goal is to enhance consumer trust and enjoyment, and to engage consumers in helping to protect the future.

This represents a step along the way – giving consumers relevant, user-friendly content, and a transparent, rewarding experience when they take the time to scan a *Nestlé Nutritional Compass* QR code.



Assess and optimise the environmental impact of our products

For full details see page 209



Read about how we've gone beyond the label with *Nescafé* and *KitKat* packaging.

Managing environmental sustainability

In the Nestlé Corporate Business Principles, we commit ourselves to environmentally sustainable business practices. At all stages of the product life cycle, we strive to use natural resources efficiently, favour the use of sustainably managed renewable resources, and target zero waste.

Below, we report on our principles, policy and management approach.

At a glance

- 12% of Nestlé factories achieved zero waste for disposal in 2013, ahead of the targeted 10% by 2015;
- We reissued The Nestlé Policy on Environmental Sustainability, which highlights the commitment of the CEO to environmentally sustainable business practices;• We engaged with managers across the business to develop our 2016 strategic master plan for environmental sustainability;
- We were ranked the best performer in our sector group in the Dow Jones Sustainability Index Series 2013;
- We were also named the best performer – in all sectors combined – in the Carbon Disclosure Project (CDP) Climate Disclosure Leadership Index and the Climate Performance Leadership Index 2013 for the second year running;
- We rolled out a new Environmental Sustainability Leadership workshop; and
- We have been recognised in the 'Global 100 Most Sustainable Corporations in the World', announced by Corporate Knights.



Improve resource efficiency

For full details [see page 207](#)

What we're doing

The Nestlé Policy on Environmental Sustainability

Our Corporate Business Principles are rooted in [The Nestlé Policy on Environmental Sustainability](#). Launched in 1991 and reissued in 2013, the policy covers our entire value chain – from farm to consumer and beyond – across six priority areas:

- Water preservation;
- Natural resources efficiency;
- Biodiversity conservation;
- Air emissions reduction;
- Climate change adaptation; and
- Zero waste.

The Nestlé Policy on Environmental Sustainability is complemented with more detailed commitments on a number of key issues:

- [The Nestlé Commitment on Climate Change](#);
- [The Nestlé Commitment on Biofuels](#);
- [The Nestlé Commitment on Water Stewardship](#);
- [The Nestlé Commitment on Natural Capital](#); and
- [The Nestlé Commitment on Deforestation and Forest Stewardship](#).

The policy incorporates the United Nations Global Compact (UNGC) environmental principles. These state that businesses should: support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of technologies with better environmental performance.



Policy and masterplanning

In 2013, we reissued The Nestlé Policy on Environmental Sustainability to better reflect our evolving ambition, and the contribution of environmental sustainability to Creating Shared Value.

We have reissued it with a commitment by the CEO to environmentally sustainable business practices. Paul Bulcke states in this commitment: “Our goal is that our products will not only be tastier and healthier but also better for the environment along their value chain.”

The reissued policy includes the steps we will take to meet this commitment, through a product life-cycle approach that involves our partners, from farms to consumers and beyond. It also identifies six new focus areas – see above – and additional information on governance and Nestlé Continuous Excellence.

Following publication of the reissued policy, we held three strategic masterplanning workshops at our headquarters in Vevey to create a roadmap for implementation through to 2016. The process is ongoing and is led by a team of representatives from across the business to guide and monitor implementation, improve transparency and avoid duplication.

A GOOD EXERCISE THAT HELPS US TO WORK TOWARDS SIMPLIFICATION AND IDENTIFY SYNERGIES.”

Masterplanning workshop participant



IT WAS AMAZING FOR ME TO GET A BETTER UNDERSTANDING OF ALL THE ONGOING PROJECTS.”

Masterplanning workshop participant

One of the Best Global Green Brands

Interbrand’s third annual Best Global Green Brands survey saw Nestlé ranked 14 out of 50 leading brands. It’s the first time we’ve been included in this index, which takes an in-depth look into brands’ sustainability performance and consumer perceptions.

Benchmarking ourselves against others is important to identify how we are doing and where we can improve, but it’s not an end in itself.

Our aim is to carry on improving by pursuing the strategies we have in place – from embracing new technologies and switching to cleaner fuels, to using renewable materials and recycling water in our factories.

Ten-year highlights:

- Direct greenhouse gas emissions per tonne of product manufactured by Nestlé reduced by 46.2%; and
- Waste generated and water withdrawals halved per tonne of product.

Applying international standards

Nestlé Environmental Management System

The Nestlé Policy on Environmental Sustainability is implemented through the Nestlé Environmental Management System. Management is accountable for its implementation within their area of responsibility. The system is designed to improve environmental performance, to help ensure compliance with all relevant requirements and enable our factories to achieve ISO 14001:2004 certification.

To ensure a consistent and coherent implementation worldwide, Nestlé submits all its manufacturing sites to ISO 14001 certification by independent accredited bodies and is expanding this programme to all its units.

By the end of 2013, we had achieved ISO 14001:2004 certification at 601 of our sites.

ISO 14001:2004 certification

By the end of 2013, we had achieved ISO 14001:2004 certification at 446 of our manufacturing sites.

Nestlé Environmental Management System



- 4.1 General requirements
- 4.2 Environmental policy
- 4.3 Planning
 - 4.3.1 Environmental aspects
 - 4.3.2 Legal and other requirements
 - 4.3.3 Objectives, targets and programme(s)
- 4.4 Implementation and operation
 - 4.4.1 Resources, roles, responsibility and authority
 - 4.4.2 Competence, training and awareness
 - 4.4.3 Communication
 - 4.4.4 Documentation
 - 4.4.5 Control of documents
 - 4.4.6 Operational control
 - 4.4.7 Emergency preparedness and response
- 4.5 Checking
 - 4.5.1 Monitoring and measurement
 - 4.5.2 Evaluation of compliance
 - 4.5.3 Non conformity, corrective action and preventive action
 - 4.5.4 Control of records
 - 4.5.5 Internal audit
- 4.6 Management review

Driving operational excellence

Operational excellence is fundamental to improving our environmental sustainability. Through the Nestlé Continuous Excellence initiative, we continue to improve our efficiency, quality and productivity. Its main goal is to engage employees in:

- Excelling in compliance, both legal and internal;
- Delighting our consumers, through sharing our sustainability aims and achievements in brand communications; and
- Driving competitive advantage by progressing towards zero waste and improving water and energy efficiency.

² As per our internal policy, 100% of Nestlé factories present and active in the Group for more than three years are ISO 14001 certified.

Factories of the future

Our new CHF 51.8 million (GBP 35 million) Nestlé Waters factory in Buxton, UK, is one of Europe's most innovative and efficient bottling facilities. Rated 'Excellent' by BREEAM, the world's leading design and assessment method for more sustainable buildings, the production lines have enabled our water business to significantly lower its energy use and to cut packaging by an average 25% across the *Buxton* and *Pure Life* ranges.

At the official opening, Lord de Mauley, a UK Environment Minister, said: "This investment will ensure Buxton remains the home of Nestlé Waters' bottling facilities long into the future, which is good news for the local community, the economy and the environment."

Meanwhile, in California, Nestlé Waters has introduced two wind turbines at its bottling plant in Cabazon. In our first-ever wind energy project, the turbines will provide wind power for up to 30% of the facility, offsetting CO₂e emissions, equivalent to more than 20 000 barrels of oil.

Read more about [renewable energy](#) and [other factory innovations](#) and our efforts to improve our use of [water](#).



Factories of the future.

Governance and oversight

Implementation across the company

The Nestlé in Society Board, chaired by the CEO, oversees the strategic implementation of Creating Shared Value across all Nestlé businesses. It leads the development and evolution of Nestlé's Creating Shared Value objectives and strategies, while reverting to the Executive Board for input and confirmation.

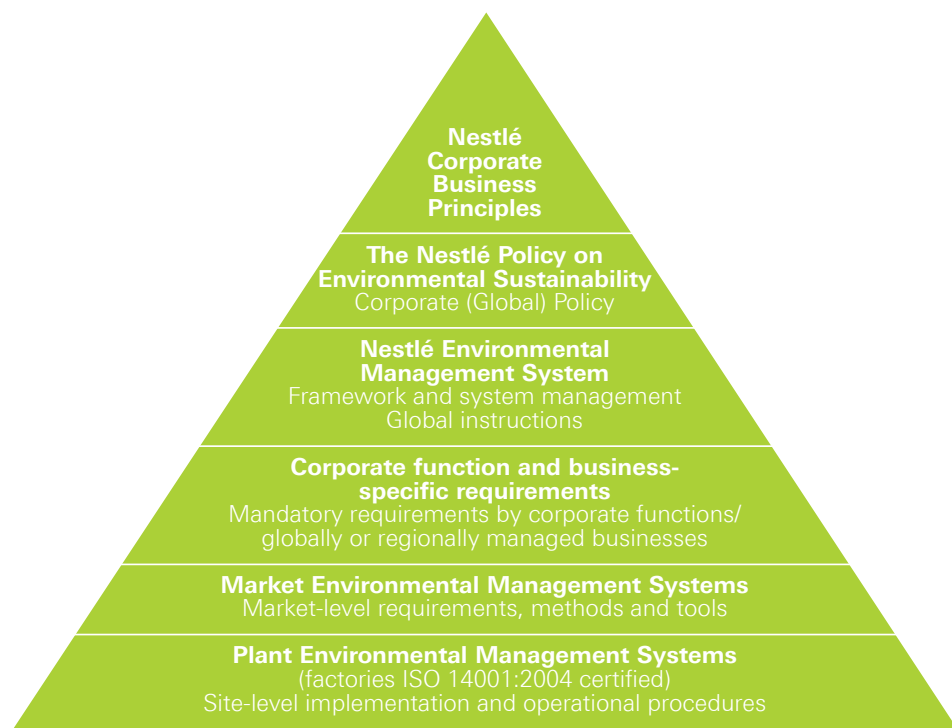
Management is accountable for implementing our environmental management system across the business. Responsibilities for implementation at country and plant level lie with management team members, country-level environmental sustainability managers, and plant managers supported by plant environmental sustainability managers.

Environmental sustainability governance bodies

The Board of Directors and the Executive Board are assisted by a number of governance bodies with responsibility for environmental sustainability, including:

- **Operations Sustainability Council** – ensures the integration of sustainability throughout the company. Chaired by José Lopez, Executive Vice President of Operations and GLOBE, our Global Business Excellence programme;
- **Brands and Creating Shared Value Advisory Team** – guides the effective communication of initiatives to consumers. Chaired by Tom Buday, Head of Marketing and Consumer Communication;
- **R&D Council for Sustainability and Nutrition** – ensures the implementation of Sustainability by Design across the Research and Development organisation. Chaired by Stefan Catsicas, Chief Technology Officer;
- **Board of Directors Audit Committee** – assists the Board of Directors in fulfilling its responsibilities with respect to the accounting and financial reporting, the internal and external audit processes as well as its overview of the risk management processes. Chaired in 2013 by Rolf Hänggi, member of the Board of Directors; and
- **Group Compliance Committee** – serves as a steering committee for the oversight and coordination of compliance-related activities and initiatives. Chaired by David Frick, Member of the Executive Board in charge of Compliance.

Relationship between functional levels for environmental management



Monitoring and audit

Historically, monitoring at factory level was done through the Nestlé Environment and Safety Performance Tracking tool. In 2013, we replaced this with a more advanced system, SHE-PM (Safety, Health and Environment – Performance Management), which we use to track our environmental performance indicators (see [definitions and comments on environmental performance indicators](#)).

Monitoring environmental incidents

In line with ISO 14001:2004, our processes for reporting and managing incidents are set out in detail in our environmental management system. Any major incidents relating to safety, health and environmental sustainability are reported to the Safety, Health & Environmental Sustainability Group and appropriate senior management as soon as possible, and no later than 24 hours after identification. An investigation is initiated immediately and, in the case of major incidents involving our sites or employees, it is overseen by a senior country manager. Appropriate corrective and preventative measures are then put in place.

Public policy engagement and collective action

We engage at a regional and a global level, both inside and outside our industry, including:

- **2030 Water Resources Group** – Working with diverse partners under the leadership of our Chairman, Peter Brabeck-Letmathe. Read more in [Water – Public policy engagement](#).
- **Consumer Goods Forum (CGF)** – Co-chaired by our CEO, Paul Bulcke. We are an active member of the CGF's Sustainability Steering Committee addressing issues such as deforestation, natural refrigeration, waste and food wastage, and have pledged our support to its goals to achieve zero net deforestation by 2020 and to mobilise resources within their respective businesses to begin phasing out HFC refrigerants by 2015. Read more in [Packaging](#) and [Climate Change](#).
- **World Business Council for Sustainable Development (WBCSD)** – We recently re-joined the WBCSD, whose wide-ranging work covers environmental sustainability, and social and economic development. We were the first signatory to the WBCSD's WASH Pledge for access to safe water, sanitation and hygiene at the workplace and have been active in the developing world on social capital, particularly on rural livelihoods. Read more in [Rural development](#) and [Water](#).
- **The Cambridge Programme for Sustainability Leadership** – We support and chair the Natural Capital Leaders Platform, which is currently developing a strategy for the next three years to help members embark on a net positive journey.
- **The European Food Sustainable Consumption and Production Roundtable** – Together with the European Commission, we co-chair the Steering Committee on behalf of the food chain. It involves the United Nations (UN) Environment Programme and the European Environment Agency. It has issued the [ENVIFOOD Protocol](#), the harmonised methodology for the assessment of environmental performance of food, feed and drinks. Read more in [Environmental life cycle of products](#) and [Promoting sustainable consumption](#).
- **FoodDrinkEurope Environmental Sustainability Committee** – Chaired by Nestlé, the committee represents the European food and drink industry and has launched the Every Crumb Counts initiative to combat food wastage. See [Waste and recovery](#).

Reinforcing leadership in environmental sustainability

In 2013, we followed up our successful 2012 global conference on Safety, Health and Environmental Sustainability with regional workshops in Rome, Manila and Laurel, Mississippi, to reinforce leadership in our operating companies in the Americas, Europe and Asia, Oceania and Africa.

Wide-ranging topics included compliance, assessing and managing environmental impact, and responsible sourcing.

Some feedback from participants

"Having executive leadership participating in the workshop sends a clear message on the importance of environmental sustainability to the business."

"Great integration of strategy and hands-on activity."

"The group left with clear actions and were more capable of facing the challenges of their respective markets as a result of the workshop."

- **United Nations Framework Convention on Climate Change** – We are a partner of the Adaptation Private Sector Initiative, which seeks to share innovative solutions to climate change adaptation. Read more in [Climate Change](#).
- **United Nations Environment Programme (UNEP) Think.Eat.Save campaign** – We help to design and participate in this multi-stakeholder partnership programme to combat food wastage. Read more in [Waste and recovery](#).
- **UNEP FAO AgriFood Task Force** – We are an active member representing the private sector to develop measurement, communications and continual improvement.

See also: [Commitments table](#).

Next steps

- We will update and further expand our environmental sustainability strategic master plan;
- We will continue to proactively engage and develop partnerships with regulators, scientists, customers, business partners, civil society organisations and communities to define, implement and evaluate solutions to the complex environmental challenges we are facing; and
- We will report progress against the Nestlé in Society commitments on environmental sustainability.

Environmental life cycle of products

Life-cycle assessment (LCA) is an internationally recognised method for assessing the environmental impacts of a product throughout its life cycle – from farm to consumer and beyond. Understanding these impacts is key to improving the environmental performance of our products.

Below, we describe how we are using LCA to assess the environmental performance of our products, and identify areas of improvement along their value chain.

At a glance

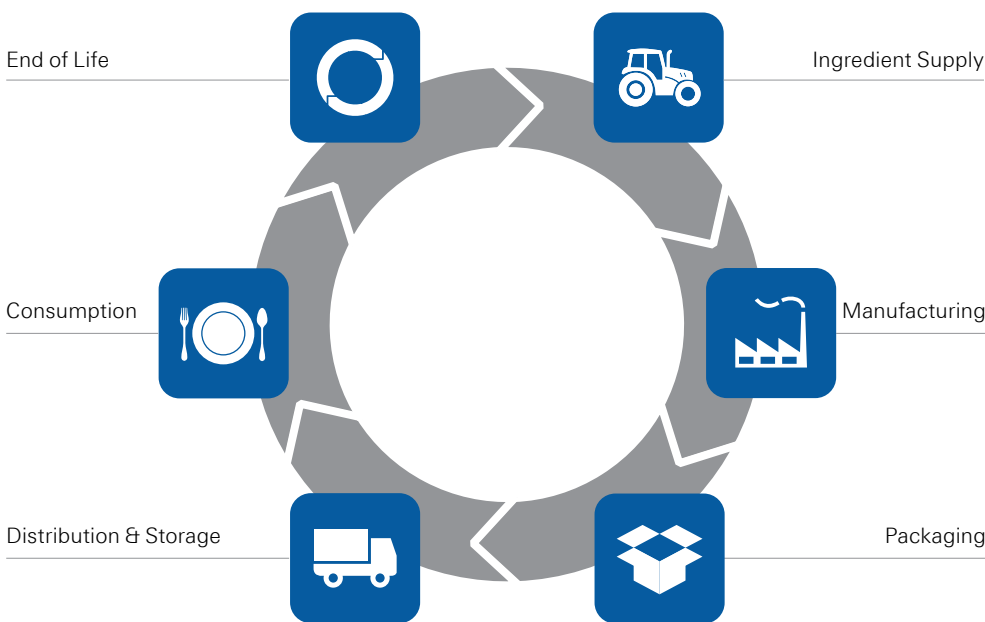
- We developed and rolled out EcodEX, our ecodesign tool, for use by our product development teams within all our Product Technology Centres;
- We promoted our Sustainability by Design approach, making it mandatory for all new product briefs to include sustainability, and a sustainability rating has to be completed before the development stage; and
- We led the development of the ENVIFOOD Protocol, together with the European Commission, a method for assessing the environmental performance of food and drink products.

What we're doing

Understanding impacts across the life cycle

Nestlé is the world's largest fast-moving consumer goods company. To improve the environmental performance of our products, we need to optimise their environmental impacts from the moment we begin to design them. This means thinking about everything from agricultural production to what happens at the end of a product's life (see diagram).

To do this, we use the scientific method known as life-cycle assessment.



Assess and optimise the environmental impact of our products

For full details [see page 209](#)

LCAs

We've completed LCAs for all our product categories, including bottled water, coffee, dairy products, pet foods, culinary, ice creams, confectionery and nutrition.

Environmental product improvements

The effort we put into LCA goes far beyond what we are required to do by environmental legislation. We use LCA to help us understand the environmental performance of our products and alternatives along their life cycle and inform decision making; to take actions to continuously improve our environmental performance; to respond to stakeholders' growing interest in the environmental performance of food and beverage products; and to provide credible substantiation for product environmental claims.

Our aim is that Nestlé products will not only be tastier and healthier but also better for the environment along the value chain. Current examples include:

- The new eco-mode for our *Nescafé Dolce Gusto Melody* coffee machine enables auto-standby mode after 20 minutes. For a 120 ml cup, this helps consumers cut CO₂eq emissions by 32%, fossil fuels by 41% and water use by 25%, compared to the first model launched in 2006.
- The new *Nescafé* refill pack in Italy has a better environment performance than the previous 150 g glass jar because it reduces greenhouse gas emissions by 79%, water withdrawal by 72% and resource consumption by 77% (taking into account packaging production and delivery, packaging, distribution and end of life). More information about the pack and the *Nescafé* Plan for more responsible farming, production and consumption is available through the on-pack QR code.
- *Nespresso* has been using LCA since 2005. One of *Nespresso's* Ecolaboration™ commitments was to reduce the carbon footprint of a cup of *Nespresso* coffee by 20% by the end of 2013, a target that was achieved. Since 2009, all *Nespresso* consumer machine ranges have been equipped with an automatic power-off function or an automatic stand-by mode.

Assessing environmental impacts

The environmental performance of a product starts with good eco-design, which in turn relies on product development teams having a clear understanding of which parts of the life cycle have the greatest environmental impacts. We can then target our efforts towards improving these areas.

In line with our commitment to [assess and optimise the environmental impact of our products](#), we summarise these 'hotspots', and how we are addressing them, in our Nestlé Sustainability Category Profiles, which are valuable tools in helping to drive improvements in environmental performance.

We've carried out LCAs for all main product categories and in 2013, sustainability hotspots were identified and addressed for 12 product categories (2012: 8 categories).

Pioneering tools to promote Sustainability by Design

Early design interventions can have huge impact further along the value chain. But identifying sustainable design opportunities from complex environmental information is a challenge, and a comprehensive LCA can take several months.

We've been pioneering new, more user-friendly methods and tools to help our own designers, and those of other companies, to use LCA methods and identify opportunities for more sustainable design.



Assess and optimise
the environmental
impact of our products

For full details [see page 209](#)

Read our case study on [Identifying environmental hotspots](#).

EcodEX

Developed with software provider Selerant, EcodEX (Eco-design for Sustainable Product Development and Introduction) is a new LCA-based ecodesign tool that enables product development teams to systematically assess the environmental performance of a product faster and earlier in the design process, and to make fact-based decisions.

Different scenarios can be compared more easily using accurate data that's specific to the food and beverage industry. The tool uses comprehensive indicators that meet ISO requirements. EcodEX allows a holistic approach across the entire value chain to assess the impact of agriculture, processing, packaging and distribution right through to end of life, including food waste.

In 2013, we rolled out EcodEX across all 11 of our global Product Technology Centres and some R&D Centres, representing 70% of our R&D organisation.

We've also helped to make the EcodEX tool commercially available to other companies because we believe it will add value across our whole industry, not just our own business.

Mandatory rating system

We implemented a mandatory environmental rating system for all new product and process developments in 2012. This uses a five-point scale to evaluate potential impacts, both adverse and beneficial. It is designed to inform decisions at the earliest stage, before a project goes into development.

Building our scientific knowledge

We ensure continuous learning and knowledge-sharing keeps us at the forefront of LCA and sustainable design, including:

- Our 34 R&D Centres disseminate science, technology and engineering expertise throughout our R&D network and our operations;
- A Sustainability by Design Network of experts helps embed sustainability into product development; and
- We've set up and trained this global network of sustainability champions in each R&D Centre to support environmental knowledge-sharing and the effective use of EcodEX.

Scientific partnerships

Sound science is essential for understanding and improving the environmental performance of our products. We work in a range of partnerships to help maximise shared scientific understanding and innovation across the public and private sectors, including:

ENVIFOOD Protocol: collaborating with the European Commission

Nestlé has long advocated a consistent industry method for assessing the environmental performance of food and drink products. For the past three years, we've led – together with the European Commission – the development of the ENVIFOOD Protocol, the harmonised methodology for the assessment of environmental performance of food, feed and drinks by the European Food Sustainable Consumption and Production Round Table, which we co-chair.

Read more about our [packaging innovations](#).

During 2013, several of our businesses tested the protocol for products including *Nescafé*, *NaturNes*, *Vittel* and *Purina Gourmet*. The ENVIFOOD Protocol was published in November 2013 – a key step in implementing a consistent approach across Europe and beyond.

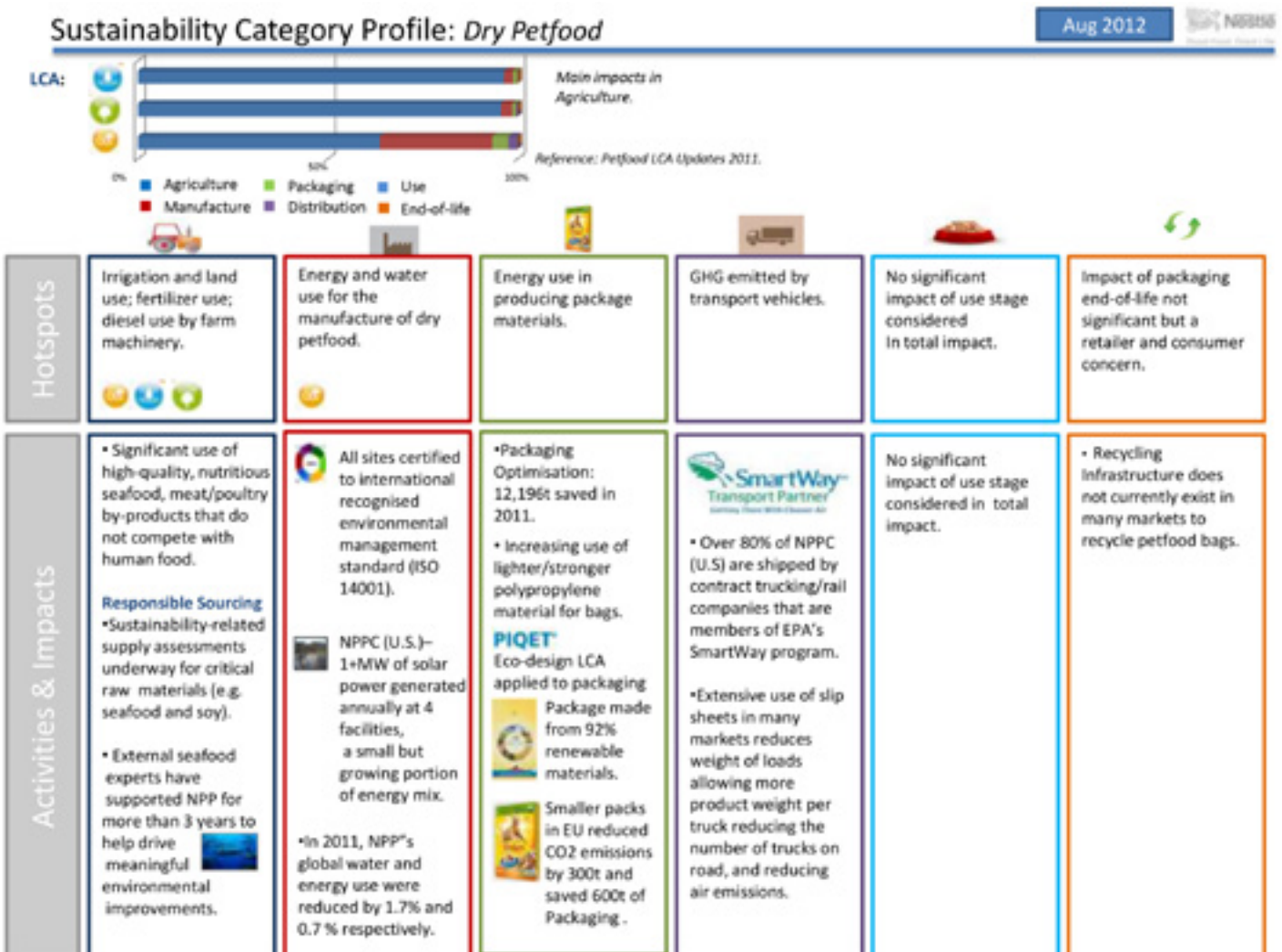
Aligned with the aim of developing a harmonised LCA methodology, Nestlé is also in favour of elaborating specific Product Category Rules that define rules and boundaries for each sector of activity. For instance, Nestlé Waters has been proactive in finalising specific Product Category Rules for the bottled water sector in Europe, which were released in November 2013 by the European Federation of Bottled Water.

Identifying environmental hotspots

In last year's report, we discussed our Sustainability Category Profile for instant coffee, with the main hotspots being around coffee cultivation, harvesting and treatment. This year, we look at the category profile for Nestlé *Purina PetCare* dry pet food.

ISO 14001:2004

All our pet food factory sites are certified ISO 14001:2004.



Dry pet food hotspots

Agriculture again generates by far the most significant impacts in this product category – particularly in terms of water, GHG emissions and ecosystem quality.

The main hotspots in sourcing raw materials arise from irrigation, land use, fertilizer use and diesel use for tractors. Actions we are taking to tackle these hotspots include:

- Sourcing and using by-products of meat, poultry, etc that are high quality and nutritious, but which do not compete with human food;
- Assessing critical raw materials (such as seafood and soy) for potential environmental sustainability risks; and
- Working with external experts to help drive environmental improvements.

The manufacturing hotspots are energy and water use. To help address these, we are:

- Water and energy consumption – In 2013, Nestlé *Purina PetCare* reduced water withdrawals per tonne of product by 27.6% and has slightly increased the energy use per tonne of product by 0.5% compared with 2005;
- Increasingly using renewable energy, which is a small but growing portion of our energy mix; and
- Applying recognised international standards for environmental management – all our pet food factory sites are certified ISO 14001:2004.

The rest of the life cycle

In comparison with agriculture and manufacturing, the rest of the product life cycle (packaging, distribution, product use and end of life) has a much lower impact. But we continually seek improvements in these areas too.

Through packaging eco-design, we're improving the materials we use, our energy use and GHG emissions:

- *Purina ONE[®] beyOnd[™]* packaging is made from 92% renewable materials; and
- Smaller *Friskies* packs in Europe reduced CO₂ emissions by 300 tonnes and saved 600 tonnes in packaging.

Improving the environmental performance of products

We support several initiatives around the world to help build understanding of environmental life cycle impacts.

In 2013, we continued our collaboration with CIRAIG, the Interuniversity Research Centre for the Life Cycle of Products, Processes and Services in Montreal, Canada, to further improve EcodEX. These improvements include the development of life-cycle inventory data for ingredients not currently available in the tool, and contributions to improving the calculation methodology.

CIRAIG has also worked on improving life-cycle impact assessment methods by releasing the IMPACT World + indicators, with more regionalised impact calculations, and the inclusion of water scarcity and land use ecosystems services. Nestlé is currently evaluating this method and will implement it in EcodEX over time.



The recently launched *Purina ONE[®] beyOnd[™]*.

Promoting access to data

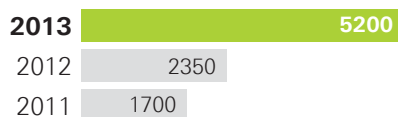
The quality of LCAs is constrained by the availability of environmental data on food ingredients. To address this challenge, we're working with governments around the world to develop public databases, such as the one provided by ADEME, the French Agency for Environment and Energy Management, to make this information accessible.

We are also sponsoring the development of a World Food Database, coordinated by the specialised LCA company Quantis alongside ADEME, the Swiss Confederation and other companies.

In numbers

See also: [Commitments table](#).

Number of product environmental assessments conducted



Roll-out of EcodEX

Product Technology Centres



The roll-out began in 2013 so there is no comparable data from previous years.

Next steps

- We will continue to promote Sustainability by Design by educating our product development teams;
- We will develop innovative tools, including rolling out EcodEX to all R&D locations by 2015, progressively replacing PIQET, our Packaging Impact Quick Evaluation Tool;
- We will participate in the European Union Product Environmental Footprint pilot for food and drinks products, in line with the ENVIFOOD Protocol; and
- We will further promote the ENVIFOOD Protocol, and consider participating in similar pilots in other regions.

Raw materials

We transform agricultural raw materials into safe and value-added food products for consumers. Our business relies on those raw materials, so it makes sense that we set high environmental standards for suppliers and farmers to help protect them.

Below, we report on our activities to safeguard the supply of agricultural raw materials.

Related information in this chapter includes [packaging materials](#) (optimisation programme) and [waste and recovery](#) (avoiding food wastage) while information on progress against our commitments regarding [water](#) (conservation) and [responsible sourcing](#) (preserving natural capital and ‘no deforestation’) can be found elsewhere in the report.

At a glance

- We worked with many thousands of farmers, from Asia to the Americas, to evaluate and improve environmental performance on their farms;
- We contributed to industry-wide initiatives to promote sustainable agriculture; and
- We pursued our responsible sourcing commitments through close collaboration with suppliers (see [Responsible sourcing](#)).

What we're doing

Sourcing raw materials

We source our raw materials directly from farmers and our semi-processed raw ingredients from vendors. Where possible, we aim to source materials from the areas around our factories. We promote environmental sustainability in our supply chain through:



Responsible Sourcing Audit Programme	Our key vendors are requested to demonstrate compliance with Nestlé’s environmental standards through independent third-party audits. If corrective actions are required, Nestlé, together with auditors, guides vendors in upgrading their practices. See Responsible sourcing .
Responsible Sourcing Traceability Programme	Promoting transparency in our extended supply chain back to the farm or feedstock to support our commitments on: no deforestation, responsible use of water, sustainable fisheries and animal welfare; and addressing other specific environmental aspects. See Responsible sourcing .
Farmer Connect	Through Farmer Connect, our direct sourcing programme, we support farmers and farming communities with technical assistance on sustainable production methods. We also promote the efficient delivery of raw materials to the factory. See Rural development and Responsible sourcing .
Sustainable Agriculture Initiative at Nestlé	The initiative focuses on sharing best practices and lessons learned within our agricultural supply chain. For a fuller description, see Rural development . For specific examples, see below.

Promoting environmentally sustainable agriculture

To assess and improve the environmental, social and economic performance of our supply chain, we apply **RISE** (Response-Inducing Sustainability Evaluation) – a tool which uses 10 performance ratings ranging from problematic to good performance to identify areas where there is improvement to be made.

RISE version 2.0 has been developed with a close understanding of the challenges facing smallholders. Thousands of Nestlé agronomists work out in the field, building relationships with the farmers who supply us and benefit from the good practice and guidance from various RISE studies.

Milk

In Ecuador, we used RISE to help local farmers supplying fresh milk to our Cayambe factory to identify efficient and more sustainable ways to increase production. Working alongside other partners, we identified a number of long-term risks, including energy use, the effect of dairy production on climate and soil fertility, and long-term water management. One of the actions we have taken in response to the study is to pilot silvopastoral systems – an approach that combines forestry with livestock grazing to improve soil fertility, agricultural production and milk quality. Areas to be reforested were mapped, 138 farmers were given technical assistance on sowing methods and the protection of plantlets across a 220-hectare area, and the effectiveness of biodigesters will also be tested. The success of the pilot will be assessed after three years, once the saplings have grown.

The washing, rinsing and cleaning stages of cheese-making require a lot of water, and large amounts of water are also extracted during the production process. So in Mexico, working with our fresh whey supplier Lacteos Providencia, the 'Zero Agua' project drives resource use efficiency and reduces wastewater. The installation of a nanofiltration and reverse osmosis system – passing the liquid through a membrane at high pressure – allows the water extracted from the whey to be re-used. Lacteos Providencia now recovers around 80 000 litres of water and uses it for cleaning and other processes within the plant, resulting in less reliance on other water sources such as aquifers.

Coffee

Vietnam is the world's leading Robusta coffee producer and the crop supports the livelihood of 2 million people. Irrigation is important for maintaining high yields but water resources are already under pressure, in part due to over-irrigation. In October 2013, Nestlé and partners of the Coffee Water Footprint Public-Private Partnership organised a multi-stakeholder conference to present new findings on ways to reduce coffee's water footprint while maintaining or increasing yields. Policy recommendations include raising awareness across our entire Farmer Connect network by 2016, helping up to 25 000 farmers to tackle the traditional belief that more water yields higher productivity and income. A capacity-building programme for farmers through farmer field schools and demo plots will also be designed to broaden the implementation of best practices.

RISE

Using RISE, we work with farmers to evaluate environmental impacts at the farm level – including soil use, nutrient flows, water and energy – and potential effects on climate change, biodiversity and crop production.



Coffee cherries ripening on a bush.

We encourage farmers to adopt more sustainable farming practices while growing their business. For example, in Mexico, together with our implementing partner, Rainforest Alliance Inc., we provided training for more than 22 000 farmers in good agricultural practices. Our training programme includes elements that improve waste and water management, the prevention of pollution, reduced use of agrochemicals and the treatment of the milling waters. We also focus on the conservation of trees and the recovery of soil organic matter, which enhances the resilience of the farming systems against climate-related events. To enhance the training in the field and foster Creating Shared Value for the long term, we have also established demonstration plots and propagated plantlets in various nurseries, distributing more than 3 million plantlets to approximately 9000 farmers.

Cocoa

Most of our cocoa comes from West Africa, where we have committed to increase our [UTZ Certified](#) sourcing as part of the [Nestlé Cocoa Plan](#). UTZ is a sustainability labelling programme for coffee, cocoa and tea. The UTZ Certified Good Inside Cocoa programme offers independent certification of improved agricultural, social and environmental practices.

Promoting cooperation in agriculture

We are an active member of numerous associations and organisations that promote environmentally sustainable agricultural practices, including:

- **The Sustainable Agriculture Initiative (SAI)** – an industry organisation supporting the development of sustainable agriculture. We continue to support various working groups including water, coffee, dairy, meat, and fruits and vegetables;
- **The 4C Association** – a multi-stakeholder organisation promoting the Common Code for the Coffee Community, addressing sustainability issues in the coffee sector, which we co-chair;
- **The IDH Sustainable Coffee Programme** – a Public–Private Partnership concerned with expanding sustainable coffee production into mainstream markets whose immediate goal is to increase sustainable green coffee sales from the current 8% to 25% in 2015; and
- **The UN Global Compact (UNGC) Sustainable Agricultural Business Principles** (see the [UNGC website](#) for details).

For *Nescafé Dolce Gusto*, coffee bean production and processing is responsible for 30% of the total GHG emissions created during the coffee cup life cycle. Artificial irrigation of coffee plants accounts for 63% of water consumption during the product life cycle.

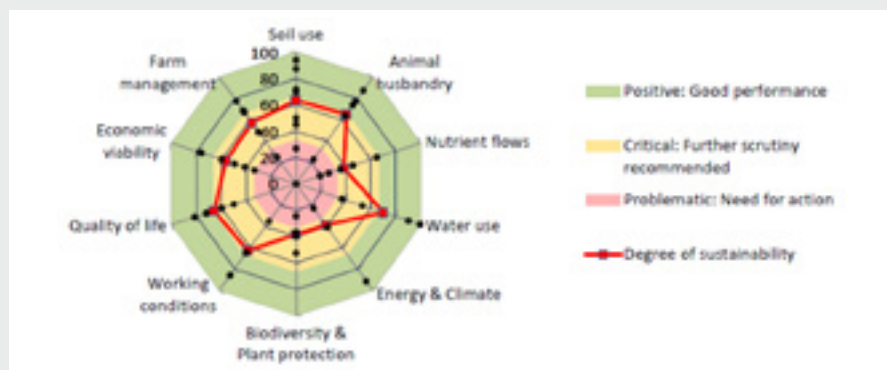


Sustainability analysis of agricultural beetroot production

Nestlé Poland and the School of Agricultural, Forest and Food Sciences worked together to assess the sustainability of five farms supplying beetroot to Nestlé.

The farms studied have an average production of 48 tons per hectare (higher than national average). Using the RISE 2.0 tool, data was collected via an interactive questionnaire. This calculated 50 sustainability parameters, which are condensed into 10 sustainability scores by a computer model.

The average sustainability indicator scores obtained from the five farms are illustrated below (the red line connects the average scores, and dots represent the 50 average parameter scores).



The farms visited appear particularly good with regard to professional farm management; profitability (albeit with low wages); yield levels; and working conditions.

As shown, no indicator score reached the 'problematic' level; however, for nine indicators, further scrutiny is recommended as the scores reached are considered 'critical'. The three most critical indicators are:

- **Nutrient flow:** There are low levels of organic matter in the soil, and an imbalance between the supply and demand of nitrogen, phosphorus and potassium; further analysis is needed to understand how fertilizers are applied, and how fertilisation is planned;
- **Energy and climate:** More detailed equipment checks may reveal opportunities for saving energy and money, but the main issue lies with the farms' dependency on fossil fuels; and
- **Biodiversity and plant protection:** In the absence of agri-environment programmes, there is little motivation to create or maintain structural and ecological diversity in the landscape.

With improved fertilizer application and water use for irrigation, better on-farm organisation and the increased use of renewable energy sources such as solar, wind, water and organic matter (biogas), beetroot production in Poland can become more sustainable.

In November 2013, a QR code was placed on packets of red borscht, giving consumers more information about the production of beetroot in Poland. This was supplemented by television and digital campaigns.



In numbers

See also: [Commitments table](#).

Raw materials used (million tonnes)

2013	23.9
2012	22.5
2011	22.9

Countries covered by Sustainable Agriculture Initiative at Nestlé

2013	48
2012	46
2011	46

Next steps

- We will continue to promote more environmentally sustainable agriculture and responsible sourcing of raw materials;
- We will look for new partnership opportunities and extend our own projects under existing initiatives such as the [Nescafé Plan](#), the [Nestlé Cocoa Plan](#) and our activities in our [milk districts](#); and
- We will broaden the use of RISE, which is currently focused on milk production, to include coffee and cocoa producers.

Manufacturing

Manufacturing transforms perishable raw materials into safe, nutritious, value-added food products for consumers. Building on the ISO 14001:2004 certification of our factories, we are exploring opportunities to do more with less – improving efficiency, quality and environmental performance across our manufacturing.

Below, we report on energy efficiency improvements and our continuing implementation of ISO 14001:2004 in our factories.

Related information found in this chapter includes [climate change](#) (GHG emissions, renewable energy and natural refrigerants) and [waste and recovery](#) (natural resource efficiency), while projects covered elsewhere in the report include [water](#) (direct operations).

At a glance

- We've almost halved our direct GHG emissions per tonne of product since 2003;
- Per tonne of product, we've halved our water use and reduced our energy consumption by 33.8% since 2003. We now have 61 factories generating zero waste for disposal; and
- By the end of 2013, 91% of our manufacturing sites were certified ISO 14001:2004.

What we're doing

Key commitments and performance

As stated in [The Nestlé Policy on Environmental Sustainability](#), we aim to use the most efficient technology and apply best practices to:

- Further optimise energy and [water](#) consumption;
- Minimise waste generation;
- Use sustainably managed renewable energy sources;
- Recover value from by-products; and
- Control and eliminate emissions, including GHGs.

Going for Zero

Going for Zero is the manufacturing contribution to the 3Cs of Nestlé's Continuous Excellence initiative (delighting **c**onsumers, delivering **c**ompetitive advantage and excelling in **c**ompliance).

In today's increasingly demanding business environment, we must focus on creating value for our consumers, engaging our people in the continuous identification and elimination of all non-value-added activities.

Going for Zero is our commitment to success in such a challenging context, and describes our ambition to 'go for zero' in each of five dimensions: safety, quality, cost, delivery and environment.



Provide climate
change leadership

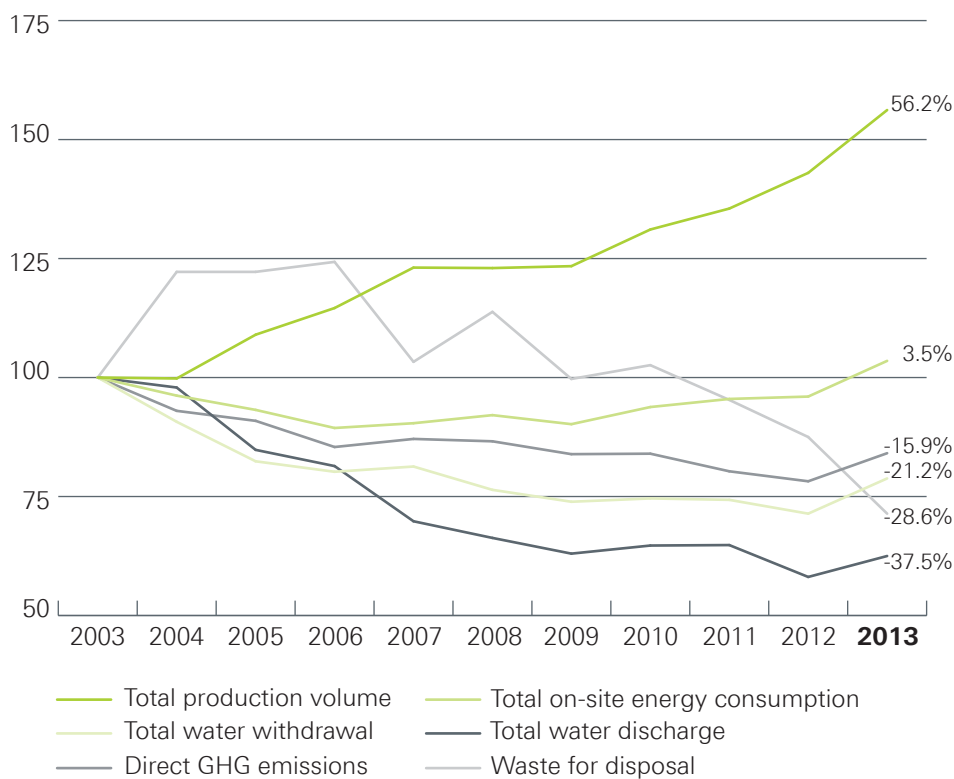
For full details [see page 209](#)



Manufacturing excellence depends on our people and the reliability of our production lines. Therefore, we:

- Care about people, developing and engaging all employees at all levels;
- Comply with standards, while guaranteeing that relevant standards are defined, followed and checked, and relevant actions taken; and
- Work to eliminate unplanned stoppages and breakdowns.

Resource consumption and waste generation versus production volume, 2003–2013



Reducing our environmental impacts

Since 2003, we've decoupled environmental impacts from growth – reducing our environmental impacts while increasing our volume of production.

While we enjoyed a steady increase in our manufacturing production over the past 10 years, we've steadily decreased our water use, GHG emissions and waste. Reducing our energy consumption has been more of a challenge due to the evolution of the product mix towards more value-added products, which in turn allows our consumers to save energy.

ISO 14001:2004 certification

We continue to aim for ISO 14001:2004 certification – an internationally recognised standard for environmental management – across all our factories. By the end of 2013, all Nestlé factories were 14001:2004 certified.

All our factories use the Nestlé Environmental Management System, which conforms to ISO 14001:2004. For a description, see Managing environmental sustainability.

Improving energy efficiency

Our goal is to become the most efficient energy user among food manufacturers.

Our LCAs – which assess the environmental performance of our products from farm to consumer and beyond (see [Environmental life cycle of products](#)) – show that a relatively small proportion of energy is used during the manufacturing of our products. However, it's at this stage of the value chain that we can directly manage and improve our energy performance – and we take every opportunity to do so.

We know that our coffee and dairy businesses are the largest users of energy and water, so we've made it a priority to implement new, energy-efficient technologies in these areas, in line with our commitment to [improve resource efficiency](#). We're making steady progress towards our target of reducing energy consumption in every product category, to achieve an overall reduction of 25% per tonne of product by 2015, compared with a 2005 baseline.

Globally, we've reduced energy consumption by 22.6% since 2005, per tonne of product. This is mainly a result of the measures described above and the Nestlé Continuous Excellence programme. Changes in our product mix, and acquisitions and divestments have also contributed.

Product category	Energy (GJ/tonne)		
	2005	2013	Variation
Powdered and liquid beverages	17.08	10.03	-41.3%
Water	0.39	0.24	-38.8%
Milk products and ice cream	4.93	3.09	-37.3%
Nutrition and HealthCare	10.70	7.35	-31.3%
Prepared dishes and cooking aids	3.93	3.50	-10.9%
Confectionery	5.89	4.45	-24.3%
PetCare	1.81	1.82	0.5%
Total Group	2.42	1.87	-22.6%

22.6%

Globally, we've reduced energy consumption by 22.6% since 2005 per tonne of product.



Improve resource efficiency

For full details [see page 207](#)

A new tool for factories to save energy and water

We rely on factory teams worldwide to help us improve our environmental performance and meet our commitments – and providing them with the tools they need is vital. The latest development is Do It Yourself, a web-based tool that helps each factory easily identify energy- and water-saving opportunities and more suitable solutions that have been tried and tested in other parts of the Group.

Environmental initiatives and investments

Our Energy Target Setting programme aims to improve the environmental performance of our factories based on a thorough assessment of baseline energy and water consumption.

In 2013, we identified 610 projects (2012: 850), requiring a total investment of about CHF 61 million (2012: CHF 82 million) and expected to deliver annual energy savings of about 2 million GJ (2012: 2 million GJ) and 229 000 tonnes of CO₂eq (2012: 173 000 tonnes) and 2.6 million m³ of water (2012: 5.6 million m³).

Examples of energy-, water- and CO₂eq-saving projects implemented in 2013 include:

- The installation of a new evaporator at the Nescafé factory in Mainz, Germany, which is expected to save 19 million kWh, 70 000 m³ of water and more than 3800 tonnes of CO₂ annually; and
- Replacing a gas boiler with a wood-fired boiler at our *Moussline* mashed potato factory in Rosières, France, which provides approximately 94% of the plant's fuel needs and will reduce CO₂ emissions by 23 000 tonnes a year.

We internally track the savings delivered by implemented projects; these amounted to 1 million GJ of energy, 3.6 million m³ of water and 68,800 tonnes of CO₂eq in 2013.

Reducing air emissions

Air emissions such as sulphur oxides (SO_x) and nitrogen oxides (NO_x) are created during the combustion of fossil fuels. As well as improving energy efficiency of our factories, we're switching to alternative, more sustainable energy sources – for example by replacing fuels such as coal and heavy fuel oil with cleaner natural gas, which helps to reduce SO_x and NO_x emissions.

SO_x and NO_x emissions are measured using air acidification potential – a measure of the potential effects of air pollutants. Since 2003, this has risen by 2.6% overall across our factories but fallen by 34.31% per tonne of product.

For more detailed figures, see [Definitions and comments on environmental performance indicators](#) and [Consolidated environmental performance indicators](#).

Recent investments

CHF 48.4 million (EUR 40 million) expansion of the *Davigel* factory in Noyal-Pontivy, France.

CHF 55 million of technology investment in *Nescafé* production, Girona, Spain.

Switching to natural gas in Chile

We've invested heavily in our factories in Chile to meet the highest environmental standards with the aim of improving our environmental performance. The newest milk factory in Cancura is one of the most technologically advanced facilities of its kind in the world.

Chile is leading the way with an ambitious and innovative project to switch our Osorno, Cancura and Llanquihue milk factories from using coal and fuel oil to natural gas. We've already invested CHF 5 million to install and convert factory equipment.

The benefits will include:

- Cleaner, more efficient energy use;
- A 30% reduction in GHG emissions across the three sites;
- Low particulate emissions ahead of future regulations; and
- Projected cost savings of CHF 1 million a year at Llanquihue.

The fuel switch will also make the repetitive, manual task of removing slag from Llanquihue's coal boilers a thing of the past. The initiative is not simple. Our Chilean factories' southerly location puts them out of reach of the country's natural gas pipeline. To overcome this, they will be supplied with liquefied natural gas by truck, made possible by expanded facilities at the Quintero gas terminal 1000 km away. GHG emissions from transporting gas by road will reduce by 10%.

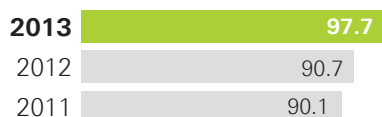
Commissioning is scheduled for April 2014, once the factories have installed the necessary storage tanks and converted coal boilers and air heaters to natural gas operations.

-7.4%

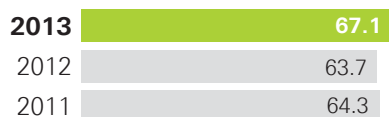
We have achieved an absolute reduction in direct GHG emissions of 7.4% since 2005.

In numbers

Total on-site energy consumption (petajoules)



Total direct energy consumption (petajoules)



Total direct energy consumption (petajoules)



Manufacturing sites certified to ISO 14001:2004



For full data, including 10-year trends, see [Consolidated environmental performance indicators](#).

Next steps

- We aim to maintain ISO 14001:2004 certification at all our factories; and
- We will continue to build and renovate new facilities in accordance with our environmental sustainability commitments.

See also: [Commitments table](#).

Packaging

The packaging of our products is crucial to prevent food waste, guarantee our high quality and safety standards, and inform our consumers. We challenge ourselves to achieve both performance and functionality during the design process, while optimising the weight and volume.

Below, we report on our activities during the design, production and end of life of our product packaging.

Related information found elsewhere in this chapter includes [environmental life cycle of products](#); [waste and recovery](#) (natural resource efficiency); and [sustainable consumption](#) (enhancing consumer understanding).

At a glance

- We saved 66 594 tonnes of packaging materials at source in 2013, which is equivalent to a cost saving of CHF 158.4 million;
- We have introduced our EcodEX ecodesign tool in all 11 Product Technology Centres; and
- More than 5200 projects representing more than 15 500 scenarios were assessed using our PIQET and EcodEX evaluation tools.

What we're doing

As stated in [The Nestlé Policy on Environmental Sustainability](#), we are:

- [Optimising the weight and volume of our packaging](#);
- Leading the development and use of [materials from sustainably managed renewable resources](#) that meet packaging, product and environmental performance requirements;
- Supporting [initiatives to recycle or recover energy from used packaging](#); and
- [Using recycled materials](#) where there is an environmental benefit and where it is appropriate.

Packaging Environmental Sustainability Network

Formed in 2008, our network of 14 core team members and 178 affiliates covers all our markets, businesses and development centres, and spans a wide variety of packaging-related functions, including procurement, regulatory, safety, health and environmental sustainability, and marketing.

The network ensures we are at the forefront of packaging best practice and provides scientific support for markets and R&D.

Over the past year, the network has met regularly and provided information and training for more than 600 people to share information on new developments relating to the environmental impact of packaging.



Optimising the weight and volume of our packaging

Against our publicly stated commitment to [improve the environmental performance of our packaging](#), we saved 66 594 tonnes (2012: 47 000 tonnes) of packaging material by weight between 2012 and 2013. This is equivalent to a cost saving of CHF 158.5 million (2012: CHF 94 million). Overall, we've now saved more than half a million tonnes of packaging since 1991.

In 2012, we passed a major milestone, saving CHF 1 billion in packaging costs since 1991. The environmental benefits are also significant. Over the last five years, we've saved well over 490 000 tonnes of CO₂eq – that's equivalent to taking more than 106 000 cars off the road for a year.

Packaging optimisation is a particularly important focus area for Nestlé Waters. It reduced packaging weight per litre by 17% between 2007 and 2012 across its operations globally, and in 2012, Nestlé Waters represented around 48% of Nestlé's overall packaging red.

For example, in Brazil, Nestlé Waters launched a new 0.5L PET (polyethylene terephthalate) bottle in 2012 that is 20% lighter than the previous version. Today, it is the lightest bottle in the bottled water market in Brazil.



Improve the
environmental
performance of
our packaging

For full details [see page 208](#)

66 594 tonnes

66 594 tonnes of packaging material saved between 2012 and 2013, equivalent to a cost saving of CHF 158 million.

Optimising the weight of Nescafé jars

We launched a new jar for *Nescafé Gold* in five countries in Europe in 2010, since when we have saved 650 tons of glass per year.

The packaging lines were upgraded to minimise collisions, leading to lower breakage rates and reduced noise level. This initiative not only [cut waste](#) during production but also improved the safety of our employees. The new *Nescafé Gold* jar also comes with a peelable membrane which makes it more convenient to open.

To further improve the environmental performance of glass jars across the value chain, we are developing a technology roadmap towards future solutions with improved resource use, better operational flexibility and better transport efficiency.



Best-in-class PET film

PET polyester film is used for a wide range of food packaging applications. Traditionally, the PET film sourced in Europe is 12 micron thickness, while in Asia 10 micron thickness is the industry standard.

We've been encouraging the use of the thinner 10 micron film in Europe to further improve environmental performance and lower costs. Our focus has been on ensuring the film is available in the marketplace and that we are able to use it in our packaging applications.

Over the past 18 months, we've been engaging with suppliers to show them that there is a demand for the thinner film, and helping manufacturers convert to the thinner materials without impacting on their production process and line speeds.

Developing and using materials from sustainably managed renewable resources

Today, materials from renewable resources are sold at a premium and often have limited availability, with fierce competition for supplies. Yet many items still do not have the appropriate performance criteria for our packaging portfolio.

Our goal is to optimise our packaging by using renewable resources that meet our quality standards. We already use renewable materials in some of our packaging such as the cap for *Ninho* fortified milk (Brazil) and *Purina ONE[®] beyOND[™]* dry pet food bags.

However, we continue to achieve the required packaging performance while using renewable materials. *Vittel* bottles in France are partly made with plant-based plastics for its 0.33L, 0.5L and 1L formats. This uses 30% bio-PET (the maximum renewable content that can be applied on an industrial scale) and is fully compatible with current collection, sorting and recycling systems. In 2013, this was extended to the *Levissima* range in Italy.

A comprehensive LCA study was completed by Nestlé Waters in 2013, with the help of the Nestlé Research Center and Packaging Environmental Sustainability Network experts. It demonstrated that the use of bio-PET made from sugar cane could generate environmental savings. Bio-based material from sugar cane waste and other plant-based materials have potential, which we continue to explore.

Nestlé Waters joined other international leading organisations in a six-month study into the future of bioplastics and biochemistry. This Bio-based Outlook to 2030 study saw competitive intelligence agency BIPE gather 14 representatives from along the bio-based chemistry value chain.

Also in 2013, Nestlé China replaced the PVC trays for its 185 g sweetened condensed milk *Tube* range with bio-plastic trays that use polypropylene-based thermoplastic starch.



Understanding and contributing to packaging recycling rates

We've completed our global study with Der Grüne Punkt – Duales System Deutschland GmbH, a leading German recycling company, to evaluate the recycling rate of different used packaging materials such as paper, board and cardboard, plastic, glass and aluminium in 15 major countries. The study has targeted approximately 75% of our turnover. We are now using the results to inform product LCAs. The table below shows the recycling rate by packaging material category in each of the 15 countries. The rates are averages based on the latest available data in each market. The figures apply to our used packaging.

	Year	Paper, board, cardboard (%)	Plastic (%)	PET bottle (%)	Glass (%)	Tinplate (%)	Aluminium (%)
Australia	2010	75.5	34.8	n.s.	47	30.3	67.4
Brazil	2009	n.s.	21	56	47	49	98
Canada	2010	64.7 (2009)	n.s.	n.s.	n.s.	67.1	n.s.
China	2009	56	25–30	n.s.	>50	>50	>95
France	2009	54	22.5		80	111	32
Germany	2009	83	83.8	n.s.	86	95	84
India	2010	n.s.	48.5	n.s.	70 (2007)	n.s.	n.s.
Italy	2008	74	30	n.s.	65	70	58
Japan	2008	n.s.	20	50	49	89	87
Mexico	2009	12	0.5	24	19	71	13
Philippines	2010	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Russia	2007	<53 (2010)	4 (2009)	12	40	n.s.	n.s.
Spain	2010	84	42	n.s.	n.s.	>71	
Switzerland	2009	57	n.s.	81	95	82	91
UK	2008	80	24	39	61	62	35
USA	2009	71.8	13.7	28	31.1	66.2	38

Assumptions and notes:

- Due to the lack of national and international standards for generating statistics, analysis of available data is sometimes based on extrapolation.
- Data refers to packaging waste from municipal waste if no other information is available.
- Often recyclables and packaging from industry and commercial sectors are recycled internally in closed-loop systems and are not included in the data.
- Separately collected waste is mostly recycled and is not disposed of with household waste.
- Recycling and recycling rates refer to recycling in the country.
- Tinplate and aluminium refer to all packaging material of this fraction if no other information is added.
- Activities of the informal sector are partly not included in the statistical data and could lead to higher collection and recycling rates.
- n.s.: not specified.

Addressing recycling challenges

A wide variety of initiatives has been undertaken to generate and disseminate guidance on design for recycling for Nestlé packaging.

The Nestlé [Packaging Environmental Sustainability Network](#) has reviewed existing design for recycling guidelines for various packaging formats and materials, and their use within the company to ensure that such guidelines are applied in the packaging development process. The first guidelines to be validated and recommended for use are PET bottle design guidelines, which are made available to users through the intranet.

A market-specific guideline for design for recycling has been developed by Nestlé Germany for integration in the [NEATpack](#) process.

Nestlé Australia is joining a pilot project led by the Australian Packaging Covenant, in conjunction with Planet Ark, to develop an online Packaging Recyclability Evaluation Portal. The portal will clearly indicate the level of recyclability of packaging formats, considering all components and their specific design characteristics.

In Italy, Nestlé Waters commissioned a study into the social, economic and environmental contributions of PET recycling. The study found that from 2000 to 2010, the separation and recycling of mineral water bottles in general saved a total of CHF 1.45 billion (EUR 1.2 billion) across Italy and avoided 3 million tons of CO₂. The recycling of *San Pellegrino* bottles alone saved CHF 280 million (EUR 232 million) and 550 000 tons of CO₂, as well as creating around 204 000 tons of packaging and enabling raw materials worth more than CHF 42.35 million (EUR 35 million) to be salvaged.

Addressing recycling challenges in emerging and developing countries

The recycling rate of different used packaging materials depends on the availability of recovery and recycling infrastructure, which can be a particular challenge in developing countries. In some countries, the only recycling method is through people scavenging packaging on landfill sites.

Nestlé Brazil is committed to promoting sustainability. Since 2011, the company has participated in the Coalition for Corporate Governance of the Solid Waste National Policy, an initiative by CEMPRES (Business Commitment for Recycling), of which Nestlé is a member. It aims to avoid 2 million tons of post-consumption recyclable packaging per year from going to landfill, increase recycling in Brazil by 34%, reduce greenhouse gas emissions and energy consumption, create new recycling co-operatives and, consequently, generate new jobs.

These goals are aligned with our work with CEMPRES to promote recycling and integrate solid waste management through the education and training of waste picker co-operatives. So far, with Nestlé's support, CEMPRES has been able to help 30 co-operatives and keep more than 13 000 tons of recyclable material out of the landfills and dumps where our partnership exists. In 2012, 27% of the recyclable materials (dry fraction) collected in cities across Brazil was recovered and returned to the production process. In the case of packaging, the recovery rate was 65.3%.

Nestlé Malaysia and packaging firm Tetra Pak (Malaysia) have jointly run The CAREton project, along with other partners, to benefit the Dignity for Children foundation. Through the project, used beverage cartons are recycled, with a target to turn them into 10 000 exercise books and 100 sets of school furniture. Nestlé Philippines has also partnered with Tetra Pak in a recycling project for used cartons. Recycling trials are ongoing at a local paper mill, with the aim of getting a partner accredited prior to launching a recycling-themed consumer programme for Nestlé ready-to-drink.

Nestlé Chile runs a partnership with four other leading companies to improve waste management in Chile. We are helping to reduce waste and boost responsible disposal in Chile by supporting a new recycling network. The company has backed this Collective Recycling Project, which aims to recycle about 1200 tonnes of waste per year through the installation of five recycling centres in Santiago.

Multistakeholder collaboration

We encourage the development of packaging recycling schemes by local authorities and other stakeholders. For example:

- The Together We Can recycling campaign by *Purina PetCare* aims to increase recycling rates of tin cans;
- We are a key member of the consortium with Enval Ltd, UK, which has developed a method for recycling aluminium-plastic foils, such as those used for pet-food pouches, coffee packs or dehydrated soup pouches. We contributed CHF 148,000 (GBP 100 000) to help Enval build a commercial recycling facility to process 2000 tonnes of aluminium-plastic foil waste a year, so that it can develop the technology on an industrial scale. Enval began its recycling operation in late 2013, and we plan to send suitable materials taken from collected clean factory waste to Enval to process in 2014;
- Nestlé France has signed a partnership with Eco-Emballages to help increase the rate of recycling of plastics in France to 40%, and also with Eco-Emballages, Herta led a project to facilitate the recycling of fresh-food containers. Nestlé France has also signed a 'green dot pact' with Eco-Emballages that strengthens its business commitments on 10 points, including the reduction of packaging at source, and putting sorting instructions on packaging;
- In 2013, Nestlé announced its collaboration in the Bioplastic Feedstock Alliance (BFA), along with other fast-moving consumer goods companies and the World Wide Fund for Nature (WWF). Through the Alliance, experts from industry, academia and civil society work to advance scientific understanding by guiding the evaluation and setting priorities for the future development of feedstocks for bioplastics. This takes land use, food security and biodiversity into account along with other social, economic and environmental factors. Relevant outcomes from the BFA will be used to direct our ongoing work on bio-based materials and contribute to shaping the Nestlé packaging roadmap;
- Nestlé Waters was one of the founding signatories of the Plastic Matters initiative launched by Recoup (RECYcling Of Used Plastics), a leading authority on plastic packaging recycling in the UK. The collaboration between industry and government will develop communications tools and guidance to help local authorities increase the collection of plastic packaging for recycling, and deliver more consistent messages for consumers;
- In California, Nestlé Waters North America has partnered with CarbonLITE to build a new PET recycling facility that will process approximately 1.6 billion used PET bottles per year, to boost the recycled content of its containers;

- Nestlé Waters North America has also been working with Recycling Reinvented, a non-profit organisation committed to advancing recycling rates for packaging in the USA, both through seed funding and through our CEO's leadership as a member of the organisation's board; and
- Nestlé Waters Canada is a partner in the Canadian Beverage Container Recycling Association's 'Manitoba model' of subsidised municipal kerbside recycling, public space recycling, and public education and awareness-raising to recycle 75% of non-alcoholic beverage containers by the end of 2016. Nestlé Waters Canada has successfully piloted recycling programmes in public spaces in Calgary, Ontario, Halifax and Richmond, and is looking to see how this Extended Producer Responsibility approach can be applied to promote solutions more broadly across North America.

Read more about our work to [increase consumer recycling rates](#).

Recycling used capsules

The designs of *Nespresso* aluminium capsules and *Nescafé Dolce Gusto* smart capsules are the result of years of research and development. One of the key challenges is ensuring they are recycled once they've been used. We are constantly looking to roll out recycling programmes for used capsules in new markets.

Nespresso has been focusing on recycling for more than 20 years. In June 2012, *Nespresso* surpassed its 2013 target of 75% recycling capacity by achieving 76.4% capacity with its collection systems. *Nespresso* has implemented more than 14 000 dedicated capsule collection points installed across 27 countries. A home collection service has been introduced in 15 countries, whereby the postman picks up used capsules when delivering a new order to consumers' homes. By the end of 2013, we estimate that *Nespresso* recycling collection capacity had exceeded 80%.

Our *Nescafé Dolce Gusto* business is also implementing local end-of-life recycling solutions for its capsules across our main markets. For example, in Portugal, we have set up a capsule collection service. We recycle the ground plastic coming from the capsules to build urban furniture and the coffee grounds are composted. Since we started, more than 50 tonnes of capsules have been collected for recycling, with quantities increasing every year.



Recyclable *Nespresso* capsules.

Extracting value from plastic waste

Processing plastic waste to create value for society is one of our key challenges. In 2012, we began a study with a specialised consulting company to understand the different technologies available, or likely to become available, for gaining value from processing mixed plastic waste. We identified more than 40 available technologies.

We have focused on pyrolysis, a technology which breaks down plastics under intense heat and in the absence of oxygen, to produce a liquid product that can be used as a fuel. We've reviewed how different plastics found in the waste stream influence pyrolysis plant performance, and the quality and yield of the fuel produced.

During 2013, we made recommendations for the application of pyrolysis technologies at different scales – from plant level for factory waste to local waste management level for post-consumer waste.

Our R&D Centre in Singapore has looked at the feasibility of one particular technology, which converts mixed waste into energy for water heating. Recommendations for implementation have been communicated throughout the organisation.

Some of our markets are already putting their plastic waste to good use, such as in India, where we are working with ACC Ltd cement plants to transform waste into cement.

Using recycled materials

We use recycled content in our packaging (paper, cardboard, PET, glass and tins) while making sure that the safety and quality of the product is not jeopardised. Challenges include improving the quality of recycled paper and the limited applications for recycled board due to the risk of residual mineral oils leaching from the packaging, which would be a potential health concern. We use 27.1% (2011) of recycled material in our packaging.

We use PET for water and ready-to-drink products in a number of countries because it is a lightweight, recyclable material.

Nestlé Waters packaging innovation

Through renovation programmes, Nestlé Waters developed a new generation of lighter-weight bottles, caps and labels. The company's Eco-Shape 0.5L PET bottle was one innovation to come out of this work, and it is now the dominant bottle format in North America.

In 2013, Nestlé Waters also created a new 'ReBorn' 0.5L water bottle for its Arrowhead brand of water, made with 50% recycled plastic (rPET), in the shape of the Eco-Shape bottle.

In the UK, our innovative lightweight range of *Buxton* bottles are one of the lightest bottled water bottles produced in the UK. They have a shorter neck and a sturdy, ergonomic shape that requires less plastic. Through their redesign, we achieved an average 25% reduction in the use of PET in their production across the range, with a 46% reduction in PET for the smaller 0.25L and 0.33L bottles.

In 2013, Nestlé Thailand reviewed the design of its small format *Nestlé Pure Life* and *Minere* PET bottles, which included replacing the 0.5L bottle with a new 0.6L bottle. This optimisation resulted in an average weight saving of 10% for the 0.6L and 1.5L formats, and an overall PET saving of 850 tonnes.



Recycling at a Nestlé factory in Buxton, England.

The systematic assessment and optimisation of environmental performance

Packaging design decisions can make an important contribution to environmental performance across the product life cycle. However, the science is complex and we have implemented our LCA eco-design to make fact-based decisions on packaging choices.

PIQET, a mandatory tool for all packaging innovation projects, is currently used by more than 500 Nestlé packaging specialists around the world.

Around 5200 projects representing 15 500 scenarios have been carried out using eco-design tools since 2008. We will continue to embed these tools to inform our packaging design. For more information, see [Environmental life cycle of products](#).

Rolling-out EcodEX

We are expanding the scope of our packaging eco-design by moving from PIQET, a tool that optimises the environmental performance of our packaging, to a broader, more holistic approach that covers the packaging and ingredients, called EcodEX (Eco-design for Sustainable Product Development and Introduction).

EcodEX is an ecodesign tool that assesses the environmental performance of food products throughout their life cycle – including ingredients, transportation, processing, packaging, distribution and storage, consumer use, end of life of packaging and food wastage.

We have now introduced the tool in all Product Technology Centres, and have provided training to several other R&D Centres. We will continue to roll out EcodEX across further R&D Centres and will introduce the tool in selected markets in 2014, to ensure it is adopted effectively and to address the challenges raised by new users, such as getting used to interpreting LCA results.

We aim to phase out PIQET completely by 2015.

Industry collaboration

Consumer Goods Forum (CGF)

Together with other members of the [CGF](#), we are investigating how to help increase the recycling and recovery of used packaging in emerging and developing countries. The initiative began with a project to identify how best to retrieve packaging waste from municipal solid waste, drawing on lessons learned in Brazil and elsewhere.

Partnership with Utrecht University

Our Water Product Technology Center has been collaborating with Utrecht University to better understand the environmental performance of sugar cane-based PET and PE (polyethylene). With the support of Packaging Environmental Sustainability Network experts, an LCA has been performed covering cane sugar sourcing in Brazil and India, as well as material manufacturing for [partially bio-based PET and PE](#).

Aluminium Stewardship Initiative

Even as a relatively small user of aluminium, *Nespresso* is one of the seven founding members of the [Aluminium Stewardship Initiative](#), a partnership with the International Union for Conservation of Nature. The partnership is developing a global standard for aluminium sustainability, due for public consultation in 2014.

European PET Bottle Platform (EPBP)

Our experts at Nestlé Waters have been supporting the development of the EPBP Design for Recycling Guidelines for PET Bottles, which encourage packaging designers, converters and users to integrate certain criteria during the product development phase to promote recycling. Such guidelines are now available [online](#) and will be disseminated and explained across Nestlé through the Packaging Environmental Sustainability Network.

EUROPEN

Nestlé is a member of EUROPEN, the European Organization for Packaging and the Environment. EUROPEN promotes cooperation on issues such as extended producer/shared responsibility, LCA of packaging and tackling food wastage. Nestlé is co-chairing the EUROPEN LCA Taskforce.

NEATpack helps improve environmental performance

In 2013, Nestlé Germany launched NEATpack, the Nestlé Environmental Assessment Toolkit for packaging development, as a new element in the packaging development process, to help engineers select the packaging option with better environmental performance.

NEATpack ensures conformity with Nestlé-specific and mandatory elements, such as The Nestlé Policy on Environmental Sustainability and the use of PIQET, but adapts them to suit the waste sorting and recycling infrastructure present in Germany.

All packaging engineers in Germany have been trained how to use NEATpack and experts are helping to interpret the results.

In numbers

See also: [Commitments table](#).

Materials for packaging purposes (million tonnes)

2013	5.33
2012	4.77
2011	4.58

Packaging source optimisation (kilotonnes saved)

2013	66.5
2012	47.1
2011	39.3

Next steps

- We will increasingly replace PIQET with EcodEX to carry out a more holistic evaluation across the entire value chain from agriculture, through processing, packaging and distribution, through to end of life, including food waste;
- In 2014, we aim to further explore how we can contribute to the establishment of collection and recovery schemes for used packaging in developing countries, as a means of improving the environmental performance of our packaging as well as to introduce a viable long-term solution to littering;
- We are exploring the potential for using bio-based material from sugar cane waste and other plant-based material in our packaging, and will be using the conclusions of a recent study into the future of bioplastics to shape our strategy for the coming years;
- We're also investigating the properties of third-generation bioplastics made from non-food sources such as algae, cellulose and waste products, although such materials are unlikely to be available in the scale we require in the short term; and
- In 2014, Nestlé France will implement our NEATpack process in the design of our packaging solutions.

Transport and distribution

Delivering high-quality products efficiently from the factory to the customer is a vital part of our business. We travel the equivalent of 260 times around the world every day, transporting more than 135 000 tonnes of products to customers from some 1600 warehouses.

Below, we report on our environmental efficiency from factory to customer, including the transportation and warehousing of finished goods.

Related information on [road safety](#) can be found elsewhere in this report.

At a glance

- We've expanded the breadth of our reporting from 40% to 60% of the total volume of goods we distribute;
- We redesigned 10 distribution networks globally to improve efficiency; and
- We're improving the efficiency and performance of our warehousing by focusing on layout, internal movements, lighting, heating, cooling and insulation.

What we're doing

As stated in [The Nestlé Policy on Environmental Sustainability](#), we:

- Optimise distribution networks and route planning across all our operations;
- Explore opportunities to improve transportation, for instance by using sea and rail instead of road; and
- Expand driver training, both from a safety and environmental efficiency perspective.

New technologies are key in every case, so we invest in innovations that will provide environmental and efficiency improvements.

Assessing our impacts

Most of our distribution is through partnerships with third-party logistics providers, and we rely on our partners to help us track our environmental performance. This data is vital for improving the efficiency of our distribution network – reducing mileage, minimising GHG emissions and cutting noise and congestion.

We're always seeking to develop our tracking and reporting, both in terms of value chain coverage and the systems we use. In recent years, we've expanded our reporting to cover transport from distribution centre to customer, as well as factory to distribution centre. Our reporting now covers 60% of the overall volume we transport, compared to 40% in 2011.



More efficient distribution networks

We're cutting CO₂ emissions by improving the efficiency of our distribution networks – making better use of space in our vehicles, avoiding unnecessary miles and using more efficient modes of transport. In 2013, we redesigned more than 10 distribution networks globally:

- In Germany, we redesigned how we transport small orders through a central warehouse then via regional hubs, cutting CO₂ emissions by around 830 tonnes;
- In the Philippines, a new central hub for raw and packaging materials has improved availability for our factories and helped avoid empty trucks on return journeys, cutting CO₂ emissions by more than 300 tonnes; and
- In Brazil, we moved our central milk distribution centre to our factory site, avoiding unnecessary transport and reducing CO₂ emissions by more than 1200 tonnes.

UK Project Pick-up

Nestlé launched Project Pick-up in the UK in 2012 to reduce the number of empty vehicles on the road – cutting mileage and reducing GHG emissions.

We work with our suppliers and customers to cooperate on the use of delivery vehicles and avoid lorries being empty on a return journey. For example, we now use one vehicle to collect raw materials from Dungannon and Craigavon in Northern Ireland and deliver them to our factory in Wisbech, Cambridgeshire. This same vehicle then collects finished products from the factory and delivers them to our distribution centre in Hams Hall, Warwickshire.

From the distribution centre we load the vehicle with a delivery order and give the driver a route home that maximises capacity and driving time, ensuring all our journeys are as efficient as possible.

Our new water bottling factory in Buxton was designed to incorporate warehousing on site, so the products now flow off the production line into customers' lorries, removing haulage traffic between sites and reducing movements.

In the first half of 2013, we reduced our vehicle fleet by 50% – removing around 900 vehicles from the road through this initiative.



Our new water bottling factory in Buxton.



Assess and optimise
the environmental
impact of our products

For full details [see page 209](#)

Slip sheets

Where feasible, we're using slip sheets instead of wooden pallets to transport products – cutting costs, making better use of space and reducing unnecessary weight in our vehicles.

Promoting transport by rail and short sea shipping

We're cutting emissions by shifting from long-distance road transportation to a combination of rail and short sea shipping, which involves shipping goods along the coast by sea. Like using the rail network, it helps cut traffic congestion and air pollution.

Nespresso

Nespresso now uses mainly rail and combined rail–road transport for the delivery of its products to regional warehouses throughout Europe:

- Transport between the *Nespresso* production and distribution centre in Avenches, Switzerland, the *Nespresso* production centre in Orbe, Switzerland, and the *Nespresso* distribution warehouse in Austria, is exclusively by rail;
- Deliveries to the Netherlands, Greece, Norway and Germany use combined rail and road transport solutions;
- Deliveries to Sweden from Switzerland are 100% by rail and combined transport ; and
- In 2013, we introduced new combined rail, road and short sea transport solutions from the *Nespresso* logistics centre in Geel, Belgium, to Italy, Portugal, Austria and Greece.

By the end of 2013, *Nespresso* had reduced transport-related CO₂ emissions in Europe by about 13% compared with 2010.

Nestlé Waters

Nestlé Waters relies heavily on the rail network for efficient long-distance transportation. In 2012, around 27% of European transport was by rail. For example:

- 40% by volume of *San Pellegrino* transported from Italy to Germany is by rail; and
- *Vittel* uses rail transport for 38% by volume.

Nestlé Waters constantly reviews opportunities to shift to rail transport, achieving a 5% improvement in carbon efficiency of transport between 2010 and 2012.

Alternative fuels

We're exploring opportunities to switch to compressed natural gas (CNG) in our vehicles rather than diesel fuel. The International Agency for Research on Cancer classifies diesel engine fumes as carcinogenic to humans. Switching to CNG in our trucks, particularly those used in urban areas, can contribute health benefits for communities. It reduces toxic emissions, cuts carbon monoxide by around 90%, NO_x emissions by 25% and produces little particulate matter. The benefits of using CNG go beyond the requirements of the new Euro 6 norms for diesel trucks, which are due to become mandatory from 2014 onwards.

Nestlé Waters Poland has been trialling five CNG-fuelled delivery trucks since 2012. Following positive results, the CNG fleet was expanded to eight vehicles in 2013, and we'll be broadening the pilot to other countries in 2014.

As part of our efforts to reduce GHG emissions, Nestlé Switzerland has also been piloting two electric trucks for ice cream and frozen food deliveries.

Compressed natural gas delivery truck in Poland

We are exploring opportunities to reduce greenhouse gas emissions and particulate matters, which cause air pollution in urban areas. Nestlé Waters Poland has been pilot testing five delivery trucks fuelled by compressed natural gas (CNG) since 2012. Natural gas has much lower gaseous emissions, reduces noise, produces less CO₂ emissions and it is safer to use than traditional liquid fuels. During the trial, we have found that fuel costs are less, but maintenance costs are higher than a standard vehicle and in Poland the number of filling stations limits operability. We are continuing the trial and today, Nestlé Waters uses eight CNG vehicles.



Improving our warehousing

We carefully track energy and water consumption in our major warehouses to identify opportunities to improve warehouse layout, internal movements, lighting, heating, cooling and insulation.

Lighting consumes up to 50% of the energy used in an ambient (i.e. unheated or uncooled) warehouse. We've switched to LED lighting in several of our warehouses and improved the use of natural light. In the San Juan warehouse in Puerto Rico, installing T-5 LED tube lamps with a movement sensor in each lamp cut energy consumption by 14%. And by improving the operational efficiency of our Ribeirão Preto distribution centre in Brazil, we reduced our LPG consumption per tonne dispatched, cutting CO₂ emissions by around 14% compared to 2012.

We estimate that we generated approximately 376 000 tonnes of GHG emissions from our warehousing in 2012 (2011: 357 500), a 5% increase from 2011. This increase was because we grew our overall warehouse volume by 8% in 2012.

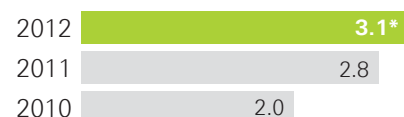
In numbers

For the indicators below, 2012 data is the latest available at the time of publication.

See also: [Commitments table](#).

CO₂e_q from transportation

(estimated million tonnes)

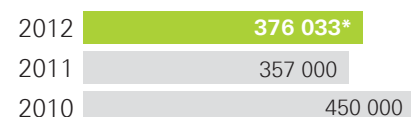


Due to expanding the boundary of our reporting, 2010 and 2011 figures are not comparable.

* The 2012 figure has been restated due to more complete data.

GHG emissions from warehousing

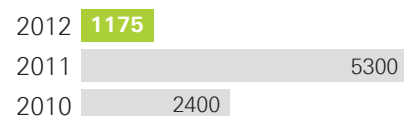
(estimated tonnes)



Due to a refinement of the measure, the 2010 and 2011 figures are not comparable.

* The 2012 figure has been restated due to more complete data.

CO₂e_q savings – shifts from road to rail/short sea, Europe (tonnes)



In Europe, some sourcing changes and cost effectiveness decisions in 2012 led to a shift from rail and short sea to road transport. However, overall, CO₂ emissions were lower in 2012 in Europe due to shorter transport distances travelled.

Distribution facilities certified to ISO 14001:2004



Transport modes (global)



■ Road
 ■ Combined*
 ■ Rail
■ River (0%)
 ■ Sea
 ■ Air (0%)

* From distribution centre to train station on road, then rail, then from destination train station to final destination on road.

Next steps

We'll continue to optimise distribution networks and route planning, including exploring opportunities for more sustainable transportation by sea and rail instead of road:

- Launching a new campaign – 'No truck leaves empty' – to eliminate empty kilometres from our distribution network;
- Expanding driver training from both a safety and environmental efficiency perspective; and
- Using telematics and other technology on our vehicles and encouraging our suppliers to do the same.

Promoting sustainable consumption

We believe our brands can help raise environmental awareness among the millions of people who use them, so we provide them with credible information about the environmental performance of our products, based on scientific, substantiated evidence. This enables them to make more informed choices and helps us to promote more sustainable consumption.

Below, we report on our engagement with consumers around product use and end-of-life disposal – the areas where consumers have the greatest opportunity to help improve environmental impacts along the value chain.

Related information found elsewhere in this chapter includes [environmental life cycle of products](#) (farm to consumer and beyond); [packaging](#) (including recycling); and [waste and recovery](#) (conserving natural resources).

At a glance

- We provide environmental information that is easy for consumers to understand and access via their mobile devices (see [case study](#));
- We've been successful in a number of leading third-party environmental and sustainability rankings and indices; and
- We rolled out internal Doing More brand and Creating Shared Value live action workshops to help brand teams understand how their products contribute to Creating Shared Value and sustainability, and how this should be integrated into consumer and wider stakeholder communications so that we build brand preference and trust.

What we're doing

We invest in opportunities to help safeguard the environment throughout [the product life cycle](#), from farm to consumer and beyond. What happens during a product's use and at the end of its life has a big influence over the environmental sustainability of a product.

Take making a cup of *Nescafé* for example. Boiling the water for a cup of *Nescafé* is the most resource-intensive step in the whole value chain. If all 5500 people who prepare a cup of *Nescafé* every second heated only the water they need to fill the cup, they would save more energy than we use in all 28 of our *Nescafé* factories.

We see it as our responsibility to help consumers make informed choices through credible, substantiated information and educate them about the environmental challenges associated with our products; examples include the *Maggi* smartphone app to help consumers in France to reduce their leftovers, and show them how they can help to improve their environmental performance. Providing meaningful, easy-to-access information about environmental performance of our products is central to our approach.



Doing More workshops

We launched our internal Doing More workshops to help our brand teams to integrate Creating Shared Value perspectives into their communication strategies and activities, and held 10 global brand-led workshops in 2013.

Enhancing consumer understanding

In line with our [commitment to provide meaningful and accurate environmental information and dialogue](#), we use a variety of relevant contact points, including digital, packaging and point-of-sale, to share our knowledge about environmental challenges, inform consumers of environmental improvements and help them make informed choices about the products they choose and how they use them. In 2013, fact-based environmental information was accessible to consumers in 109 countries.

For example, we provide information online and on product packaging for owners of *Nescafé Dolce Gusto* coffee machines to encourage them to take care of their machine, favouring repair over replacement and advising them to return the machine at the end of its life to our distributors for recycling.

Read about how we're helping to educate consumers on food waste in the [Waste and recovery](#) section.

Going beyond the label with *Nescafé* and *KitKat*

We see opportunities to build consumer interest in environmental issues through exploiting smartphone and other mobile technology.

For example, through the ProxiProduit mobile phone application, *Nescafé* in France encourages consumers to discover more about the product, such as its environmental performance – or even how much water to boil in preparing their *Nescafé* – by using a smartphone to scan a QR code on the pack.

In the UK and Ireland, we've piloted a QR code on multi-packs of two-finger *KitKat* chocolate bars. Consumers can scan the code to access easy-to-understand nutritional information, as well as reliable information on where we source the ingredients from, to how much water or energy is used over the life cycle of the product.

We are rolling out QR codes across our product portfolio to help people make more informed choices about what to buy and how to consume it.

Read more in our ['in focus' case study](#).



Provide meaningful and accurate environmental information and dialogue

For full details [see page 211](#)

69%

of consumers trust corporate claims about their environmental, social and economic efforts.

83%

of European consumers say they consider sustainability when making purchase decisions.

Other communication and education activities

We believe we can make the greatest difference by encouraging people to behave more sustainably, by engaging with them about how we can all recycle more, save energy and use fewer natural resources. The importance placed on recycling is evident in the many initiatives in which our business is engaged around the world. For example:

- Nestlé Waters launched its *Arrowhead* campaign – Recycling is Beautiful – to educate and inspire consumers to recycle used packaging;
- Nestlé Waters involved more than 1500 schools in educational recycling competitions across the USA, and Lombardy and Tuscany in Italy, and is a national sponsor of America Recycles Day;
- The Canadian Beverage Container Recycling Association launched a campaign in Manitoba, Canada, educating and encouraging the community towards recycling 75% of all beverage containers (see also [Waste and recovery](#));



- In Vietnam, *Nescafé* consumers were invited to 'mother gardens' to see how high-yield plantlets are grown;
- In the UK, we teamed up with national retailer Sainsbury's, whose focus on environmental sustainability makes it the perfect partner for the *Nescafé* Plan. During March 2013, at the point of purchase and online, three key messages were delivered to consumers: that *Nescafé* refill packs require 50% fewer lorries for distribution; that UK coffee factories have achieved zero waste to landfill; and *Nescafé Gold Blend* has distributed 4.5 million trees to Colombian farmers. A record CHF 11.40 million (GBP 7.7 million) in sales was achieved, CHF 2.52 million (GBP 1.7 million) more than the corresponding month in 2012; and
- *Maggi So Juicy* chicken recipe mixes contain a special cooking bag, which enables the chicken to cook in its own juices. This means there is no need to add oil or sauce, and the use of water and chemicals required for oven cleaning is reduced.



NESTLÉ HAS A STRONG REPUTATION WITH CONSUMERS AROUND THE WORLD. CONSUMERS TRUST, ADMIRE AND ARE WILLING TO SUPPORT NESTLÉ BECAUSE THE COMPANY IS SEEN TO DELIVER ON EXPECTATIONS WITHIN ALL SEVEN DIMENSIONS OF REPUTATION.”

Reputation Institute,
Global Reprtrak Survey 2013

Benchmarking consumer awareness

We use Twitter and other social media to listen to and respond to consumers on environmental issues that matter to them. To understand how we are perceived, we continuously review consumer feedback, carry out brand research and keep abreast of leading external studies of market perceptions.

There are encouraging signs that we are communicating effectively with consumers about environmental issues. For example:

- When consumers are asked to rate us on the statement “Nestlé cares for the environment”, we performed significantly better than the market average in 19 out of 33 countries (Corporate Equity Monitor, May 2013);
- We appeared for the first time in 2013 in the top 10 of the Reputation Institute's 2013 Global Reprtrak survey of corporate reputation; and
- We were ranked 14th out of 50 selected companies, with a score of +5.72, in Interbrand's index of Best Global Green Brands. The index measures environmental performance against consumer perceptions. A positive score indicates that “a brand is doing more than it is given credit for”.

Clearly, our efforts to engage with consumers and provide credible information about our environmental performance are being recognised by external stakeholders. Our next challenge is to build on this successful engagement to bring about real environmental, social and business benefits.

Multi-stakeholder initiatives

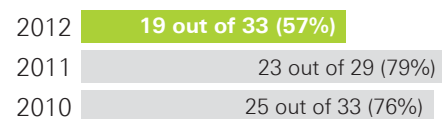
To help explain the complex topic of environmental sustainability to non-specialists, we support and shape the development of communications best practice and standards, working in collaboration with a number of industry and government forums, such as the following:

- European Food Sustainable Consumption and Production Round Table** – Together with the European Commission, we're co-chairing, on behalf of the food chain, this initiative to establish the ENVIFOOD Protocol, the harmonised methodology for the assessment of environmental performance of food, feed and drinks, and to identify the most relevant communication tools. During 2013, several of our businesses tested the ENVIFOOD Protocol with products including *Nescafé*, *Purina Gourmet*, *Vittel* and *NaturNes*, and provided detailed feedback to help develop the approach. The final protocol was published at the end of 2013, representing a key step in implementation at European level and beyond.
- French Ministry of Ecology, Sustainable Development, Transport and Housing** – A voluntary initiative to provide consumers with environmental information about our products. In 2012, our focus within this French experiment was to evaluate the effectiveness of our environmental communication (for instance, *Vittel*, *Nescafé*, *Nespresso*) and to understand consumer receptivity to information about GHG emissions, water and biodiversity.
- European Commission Product Environmental Footprint methodology** – We will participate in the Product Environmental Footprint pilot, in line with the ENVIFOOD Protocol, to test different business-to-business and business-to-consumer communication vehicles in collaboration with stakeholders. We will also consider participating in similar initiatives in other regions.

See also: [Commitments table](#).

In numbers

Number of countries where we are performing better than the industry average on the statement "Nestlé cares for the environment"



2012 data was published in May 2013

Number of countries in which fact-based environmental information will be accessible to consumers



We start reporting this figure in 2013 so there is no comparable data from previous years.

Next steps

We are planning the following consumer engagement activities for 2014:

- Continue internal education activities to help our brand teams communicate effectively with consumers about environmental sustainability;
- Introduce greater transparency regarding the environmental performance of our products based on LCAs and supported by digital and mobile technology;
- Undertake and support research on consumer attitudes, choices and behaviours around environmental sustainability; and
- Continue to guide industry forums to help shape sustainable consumption standards, tools and best practices.

Waste and recovery

In a world facing increasing constraint of natural resources, our goal is simple but ambitious: zero waste for disposal in our operations. We're working towards this by minimising the waste we generate in the first place. We aim to recover and reuse materials to create some value from them – from energy recovery to animal feed.

Below, we report on measures to avoid food wastage and achieve resource efficiency along the value chain.

Related information found elsewhere in this chapter includes [packaging](#) and [sustainable consumption](#) (product use, end of life and consumer recycling).

At a glance

- We are on track to achieve our objective of zero waste for disposal in 10% of Nestlé factories by 2015;
- Since 2003, we've reduced waste for disposal per tonne of product by 53.7% and we've cut total waste for disposal by 27.7% to 257 000 tonnes; and
- We completed a detailed study of waste issues and opportunities across factories and markets.

What we're doing

Key commitments and performance

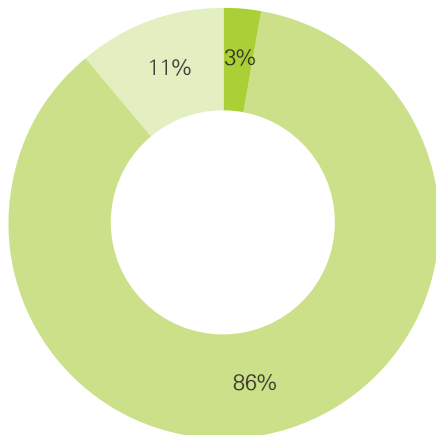
Waste is defined as any material that arises during the manufacture or distribution of a product that is destined for final disposal to offsite landfill or destined for incineration without energy recovery. Our ambition is to achieve zero waste, which means that no factory waste will go to landfill or be incinerated without energy being recovered from the process.

We reused and recycled 85.4% of the waste we produced in 2013. Of the waste we disposed of, 86% went to landfill, 4% to incineration and 10% to other methods of disposal.



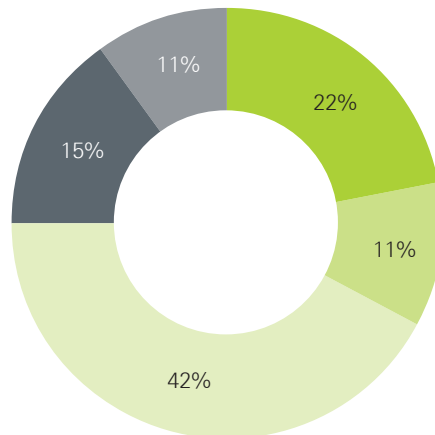
Waste and by-product destination

Waste for disposal destination (tonnes)



- Incineration without energy recovery (YTD) **44 226**
- Landfill (YTD) **113 232**
- Other waste disposal method (YTD) **15 029**

By-product destination (tonnes)



- Composting (YTD) **169 401**
- Incinerating with energy recovery (YTD) **87 259**
- Recycling (YTD) **320 506**
- Reuse (YTD) **116 617**
- Other recovery process (YTD) **79 941**

Other waste disposal method category includes mostly sludge (60%) and mixed materials (18%). Main by-product types recycled are organic materials (22%), cardboard (15%), sludge (10%) and mixed materials (8%).

In addition, 40% of by-products were recycled and 23% composted, while 13% were disposed of by incineration with energy recovery.

Towards zero waste from our factories

As part of our commitment to [improve resource efficiency](#), we've reduced the amount of waste for disposal generated in our factories, per tonne of product, by 53.7% since 2003.

In almost all the countries where we operate, alternatives to landfill exist but in many locations, the public recycling infrastructure is insufficiently developed. This makes it challenging to achieve zero waste for disposal at every factory.

Nonetheless, we have set ourselves a realistic goal to achieve this in 10% of Nestlé factories by 2015, and to date, 61 Nestlé factories (12%) have achieved zero waste for disposal. This total includes 10 out of 14 UK factories, a major milestone towards a further ambition to achieve zero waste in all UK factories by 2015, and in all European factories by 2020.

We've begun a detailed analysis of waste generation and by-products from our manufacturing facilities to highlight best practices across our markets and identify opportunities to transform waste streams into useful by-products.



Improve resource efficiency

For full details see [page 207](#)



Waste reduction in focus

We pledge to achieve zero waste in Europe by 2020. It means that no factory waste will go to landfill or be incinerated, without energy being recovered from the process.



Read more on [waste data](#)

For example, in 2013, Nestlé Malaysia began a project to achieve zero waste to landfill in five factories by 2016. Activities include recycling laminates to make table-tops and roofing, and using microbial conversion to transform sludge – a by-product of wastewater treatment – into fertilizer.

[Read more on waste data](#)

Sludge

85% of the sludge generated by Nestlé-owned wastewater treatment plants is recovered. We then send it for controlled land spreading, sludge digestion, methanisation and composting.

Hazardous waste

Only 1% of the waste we generate is classified as hazardous – such as detergents, oils, fuels and grease. We manage and dispose of hazardous waste in accordance with local regulations and standards worldwide.

Tackling food wastage across the value chain

Each year, more than a third of the world's food is wasted – in developing countries, largely in the upstream supply chain, and in the developed world, mainly downstream between the retailer and the consumer. Addressing these food losses and waste is a crucial part of the journey towards being able to feed an estimated 9.6 billion people by 2050.

This complex issue can only be tackled through a holistic and collaborative approach. Nestlé is firmly committed to further reducing food loss and waste along the entire value chain from farm to consumers and beyond.

We established the Nestlé Food Wastage Taskforce in 2013 to define, monitor and update our comprehensive programme covering our own value chain. This includes, for example: reducing milk losses in Pakistan; our targets for zero waste in our factories; developing improved packaging solutions to prevent food wastage through more appropriate portion sizes and better communication on preparation instructions, and reducing wastage through transport damage in the supply chain. It also includes guiding multi-stakeholder initiatives. We also have an active R&D programme to identify innovative applications of by-products from the food chain.

Please find below some examples of our actions reducing food loss and waste along the entire value chain.

Research and development

The assistance we provide to farmers helps tackle food wastage at source. Our plant science initiatives, such as marker-assisted breeding – a non-GMO (genetically modified organism) technique – support the development of varieties of coffee and cocoa plants that are higher-yielding and more drought- and disease-resistant, reducing the number of plants lost to disease or climate-related issues.

Agriculture

In the milk supply chain, we've provided cooling facilities to farmers in developing countries that have cut milk lost between farm and retail – saving water, energy and GHG emissions as well as money. In Pakistan, in the district of Renala, for example, we have more than halved the losses of milk between the cooling facilities and the factory.

Reducing food wastage in cereal grains

Nestlé buys locally produced cereal grains in Central and West Africa for its local cereal brands. Up to 30% of cereal crops in this region are lost to contamination, caused largely by the humid environment, and poor drying and storage practices.

We therefore launched the Grains Quality Improvement Project to reduce mycotoxin contamination levels in Ghana and Nigeria by 60%. This reduction will be achieved through a combination of toxin-reduction strategies such as good agricultural and storage practices, and capacity-building training sessions from Nestlé agronomists. In 2012, 60 000 African farmers were trained and able to produce grains with mycotoxin levels within Nestlé standards (four parts per billion).



A farmer in Ghana dries grain produced with training and advice provided by Nestlé agronomists through our 'Grains Quality Improvement Project'. The initiative aims to reduce levels of harmful, naturally occurring mycotoxins found in cereal grains.

Factories

We transform millions of tonnes of perishable raw materials into products with a long shelf life such as *Nescafé* (created by Nestlé in 1938 as a solution to Brazil's coffee bean surplus at the time). It's vital that we make our products efficiently and minimise food loss along the way. One approach is to recover valuable materials in food waste that can be used as a by-product.

In 22 *Nescafé* factories, we recover energy from the coffee grounds resulting from the manufacturing process as a source of renewable energy. We process product losses so they can be added to farm animal feed, and other materials such as metals, plastics, paper, cans and cardboard are processed by contractors and traded as commodities. Any remaining material that does not currently have a viable recycling option is sent for incineration, with energy recovery as a first option.

Distribution

We're taking steps to improve our demand planning – supporting manufacturing efficiency, reducing wastage due to age or obsolescence, and ensuring fresh products at point of sale.

Other measures include transport expertise, storage and technology that helps to avoid food wastage in our distribution operations (read more in [Transport and distribution](#)).

Packaging

Packaging is another valuable tool in the fight against food wastage because it helps prevent losses resulting from breakage and spoilage (read more in the main [Packaging](#) section).

For example, the original paper bags of *Purina* dry cat and dog food in Europe and the USA were easily damaged during their progress through the supply chain, causing wastage. By changing the packaging to a plastic bag, which is much more resistant to tearing and punctures, the wastage due to damaged bags and product loss has been halved.

Consumers

In addition to offering consumers advice on the right portion sizes, storage guidance and preparation instructions are also important factors in reducing waste, so we provide clear instructions on our packaging and websites such as Maggi Kochstudio in Germany.

We've also been developing creative solutions to help consumers make the most of leftovers. These include a range of different doughs (pizzas, pasties, etc) that can be filled with leftover food from their fridge, and in France, Maggi has brought out a smartphone leftovers app full of top tips and recipes.

Read more about helping consumers to avoid food waste in the sections on Nutrition and Sustainable consumption, and in our [Beyond the label](#) case study.

Employee engagement

Employee engagement campaigns can help to raise awareness among employees and reduce food wastage in canteens and factories.

At our headquarters in Vevey, Switzerland, we conducted a campaign aimed at cutting food wastage. Employees using the staff restaurant were encouraged to take a reasonable portion of food at the self-service restaurant and were given the opportunity to buy any leftover food and take it home. In six months, we saw food waste at our Vevey headquarters cut by a third.

Proactive engagement and partnership

We are actively participating in a number of multistakeholder initiatives to combat food wastage, at a global and national level:

- As the chair of the [Environmental Sustainability Committee of FoodDrinkEurope](#), we're leading the design of the Joint Food Wastage Declaration, 'Every Crumb Counts';
- We backed [UNEP's Think.Eat.Save campaign](#) as part of World Environment Day activities across the Group, encouraging people to reduce their 'foodprint';
- We actively contribute to the [Organisation for Economic Co-operation and Development's \(OECD's\) Food Chain Analysis Network](#), including attending the fourth annual meeting in 2013 where we discussed ways to improve data and policy information, exchange analysis and best practice, and identify appropriate policy and industry responses;
- We are a member of the [Grocery Manufacturers Association \(GMA\) Food Waste Opportunities and Challenges initiative](#) and the GMA-led [Food Waste Reduction Alliance](#), which aims to decrease food waste sent to landfill in the USA;
- We participate in the EU Fusion Project to avoid food wastage;
- We helped develop the [Food and Agriculture Organization \(FAO\) toolkit 'Reducing the Food Wastage Footprint'](#); and
- We are a member, on behalf of the CGF, of the steering committee of the [World Resources Institute's Food Loss and Waste Measurement Protocol](#) that will start to be developed in 2014.

Engaging with customers

Nestlé Professional has invested in a range of online courses for hospitality and food service customers in the UK and Ireland. One of these focuses on waste management issues, including the problem of food wastage.

Developed with specialist waste management company SWR, the course provides compelling facts about the true costs to business and society, for example: *Every tonne of avoidable food waste (food that could have been eaten) costs around CHF 2664 (GBP 1800)*.*

The courses provide practical suggestions tailored to Nestlé Professional's customer base for reducing, reusing or recycling.

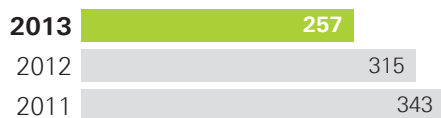
Other courses in the series include Water Management (with the Food & Drink Federation) and Nutrition, Health & Wellness (with the British Nutrition Foundation).

[See Nestlé Professional's waste management course online.](#)

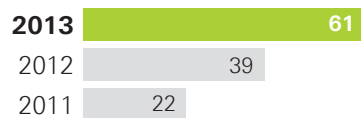
* Source: "Handy Waste Facts and Figures", WRAP (www.wrap.org.uk)

In numbers

Waste disposal (thousand tonnes)

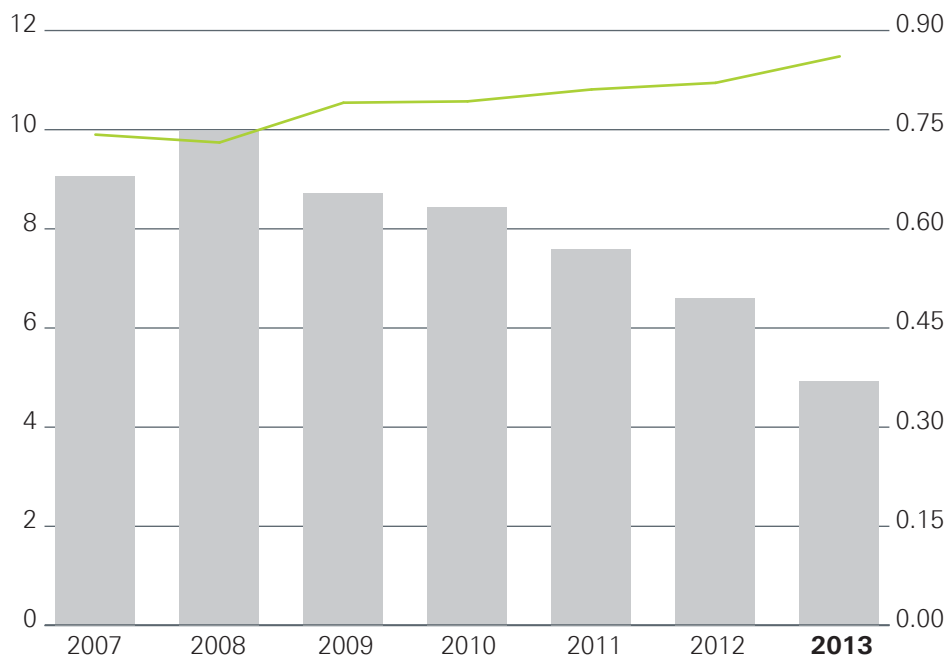


Number of factories with zero waste to landfill



Waste for disposal generated in our factories

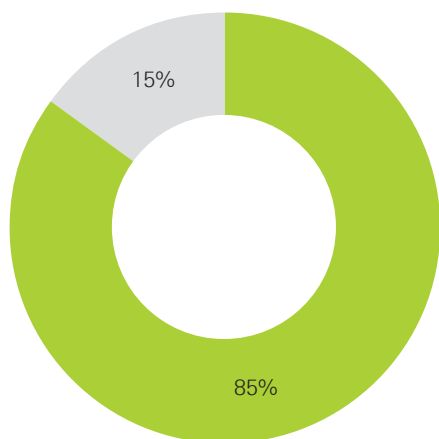
(kg waste for disposal/tonne of product)



— Waste and by-product recovery rate (%)
 ■ Kg waste for disposal/ton of product

Waste disposal (million tonnes)

See also: [Commitments table](#).



- Waste for recovery (by-product)
- Waste for disposal

Waste recovery and disposal (%)

	2011	2012	2013
Waste recovered (%)	81	82	85
Waste disposed of (%)	19	18	15

We recover 85.4% of the materials that arise from manufacturing. This means reuse or recovery, including recycling, composting and incineration with energy recovery.

Next steps

- Pursue our commitment to reduce waste for disposal, and increase the number of factories with zero waste for disposal; and
- Continue actively contributing to national and global partnerships to eliminate edible food wastage by addressing the perspectives of all stakeholders in the food chain.

Climate change

Climate change may exacerbate global environmental challenges such as the availability of clean fresh water and the long-term supply of safe, high-quality agricultural raw materials for our products. According to the FAO, agriculture is not only a *source* of climate change. It can also be a *solution* to climate change if adequate sustainable production measures are adopted. However, these need to hold substantial mitigation potential, and contribute to the adaptation of agriculture and food production systems to extreme weather events, rising temperatures and increasing CO₂ concentration.

Below, we report on our response to climate change, from farm to consumer and beyond. Ours is a holistic approach because considering greenhouse gas emissions in isolation may have a detrimental impact on other environmental aspects, such as water.

Related information found in this chapter includes [manufacturing](#) (energy consumption and increased energy efficiency) and [waste and recovery](#) (conserving natural resources), while more on the global challenges of [water](#) can be found elsewhere in this report.

At a glance

- We met our objective to reduce direct GHG emissions two years ahead of schedule, with a 35.4% decrease in direct GHG emissions per tonne of product since 2005, resulting in an absolute reduction of 7.4%;
- We continue to develop ways of using spent coffee grounds, wood chips, wind, solar and hydroelectric power as renewable energy sources;
- We have invested CHF 250 million to replace synthetic refrigerants with natural alternatives in our industrial refrigeration systems;
- We have committed to using natural refrigerants in all new ice cream chest freezers in Europe;
- Our work to help cocoa and coffee farmers adapt to environmental challenges has been cited as an example of best practice by the United Nations' Framework Convention on Climate Change;
- We have enhanced the reporting of our Scope 3 emissions;
- We achieved the maximum score and ranked first in all categories in the 2013 CDP Climate Disclosure Leadership and Climate Performance Leadership Indices – see our response [here](#);
- We were ranked the best performer in our sector in the 2013 Dow Jones Sustainability Index Series; and
- We retained our leading position in Oxfam's *Behind the Brands* scorecard.

What we're doing

Climate change is deeply integrated into our multidisciplinary, company-wide risk management processes.

We're committed to [providing climate change leadership](#) by lowering the air emissions, including GHG emissions, associated with our production and distribution.

We're doing this by improving energy efficiency, switching to cleaner fuels, utilising sustainably managed renewable energy sources and optimising distribution networks. We work with farmers to share scientific data on climate change that will help them to mitigate risk, and we help consumers to reduce their energy consumption and related air emissions, when they prepare our products.



Provide climate
change leadership

For full details see page 209



Switching to natural gas in Chile.

Increasing energy efficiency

We aim to become the most energy-efficient food manufacturer. Please see the [Manufacturing](#) section for more details.

In 2013, we fine-tuned the [reporting of our Scope 3 emissions](#) under the GHG Protocol, to cover all relevant stages of the life cycle, including direct emissions from our operations and indirect emissions. We now include fuel and energy-related activities (not included in Scopes 1 or 2), business travel, employees' commuting, upstream and downstream transportation and distribution, use of sold products, and the end-of-life treatment of sold products.

Renewable energy

Our approach to air emissions reduction includes using energy more efficiently, switching to cleaner fuels (from coal to gas, for example) and investing in renewable sources.

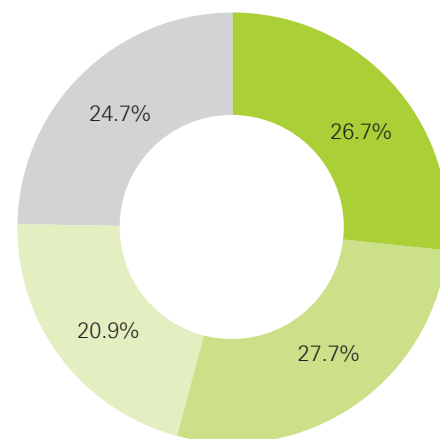
Renewable energy currently accounts for 13.3% of total on-site energy consumption of our factories (2012: 12.2%).

Twenty-two *Nescafé* factories use coffee grounds from the manufacturing process as a renewable energy source. Spent coffee grounds represent 26.7% of our renewable energy mix, compared with 27.7% for wood, and we purchase an estimated 20.9% of our electricity from renewable sources.

Below are some examples of our recent renewable energy initiatives:

- Following a power purchase agreement with Mexican wind-turbine company CISA-GAMESA, 85% of the total electricity consumed by our factories in Mexico is now supplied by wind power. We estimate that this will reduce air emissions, including GHGs, by more than 124 000 tonnes of CO₂eq annually – comparable to taking 39 000 small cars off the road. We are the first food company in Mexico to obtain nearly all the electrical energy needed for its manufacturing operations from a renewable source.
- Nestlé France's Challerange factory, which produces milk powder for *Nescafé Dolce Gusto* capsules, now operates a wood-fired boiler using woodchips sourced from forests certified by the Programme for the Endorsement of Forest Certification, which meets 96% of the plant's fuel needs. The boiler will generate approximately 8000 tonnes of CO₂ savings per year and will help us minimise the impact of rising energy prices. Two other wood-fired boilers were installed at our Rosières (mashed potato) and Herta St Pol (sausages and hams) factories last year. These three wood-fired boilers have resulted in an overall CO₂ saving of 25% for Nestlé France.
- The new boiler at Nestlé Chile's Osorno factory, which produces *Nido 1+*, *Nido 3+*, *Nido 5+* and other dairy products, uses wood sourced from local forests certified by the Chilean National System for Firewood Certification. This prevents the emission of 10 400 tonnes of CO₂ per year compared to an equivalent boiler using non-renewable sources. (Read our [case study](#) about energy efficiency in Chile.)
- In a project due to launch in spring 2014, the natural heat created by the source of our mineral water brand *Cristal/p*, which emerges from the ground at 25°C, will be used to provide heat to the bottled water factory.

Renewable energy sources



- Coffee grounds
- Wood
- Electricity purchase, generated from renewables
- Other



LEED-certified factory in Chiapa de Corzo, Mexico.

Using renewable energy in Mexico

Nestlé was the first food company in Mexico to meet almost all its electricity needs from renewable sources. Following the adoption of wind power (which now meets 85% of Nestlé Mexico's electricity needs), the Chiapa de Corzo *Coffee Mate* factory has invested CHF 240 000 in a major solar energy project. This is a win for energy efficiency and GHG reduction, and another step towards the factory's ultimate goal of zero CO₂ emissions.

The result is a new water heating system of 380 solar panels, heat exchangers and pumps. This preheats water for the production process and reduces the use of steam – saving the factory 1592 GJ a year (equivalent to 123 tonnes of CO₂) and generating an annual cost saving of CHF 30 000.

In 2013, the project won a prestigious award from the United Nations Development Programme (UNDP), and the learning has been shared with solar energy projects in other Nestlé factories.

See also: [Factories of the future](#).

Chairman's blog

Read [our Chairman's blog](#) for his thoughts on hydropower as an important form of renewable energy.

GHG emissions

Direct GHG emissions

As we work towards our long-term ambition of zero GHG emissions, we've [committed to reduce direct GHG emissions per tonne of product by 35% by 2015](#), resulting in an absolute reduction compared to 2005.

By investing in renewable sources, improving energy efficiency and switching to cleaner fuels (see [Manufacturing](#)), we have reduced direct GHG emissions by 16% since 2003, to 4 million tonnes of CO₂eq (2012: 3.7 million tonnes of CO₂eq). In the same period, production volume has risen by 56%.

Per tonne of product, direct GHG emissions have reduced by 35.4% (to 76 kg CO₂eq; 2012: 78 kg) since 2005 – an absolute reduction of 7.4%.

Indirect GHG emissions

Indirect GHG emissions, which come from purchased energy, increased by 23% to 3.8 million tonnes since 2007. However, per tonne of product, this is a reduction of 3%.

Moving to natural refrigerants

We use industrial refrigeration in our factories, which represents 90% of our refrigeration use, and small-scale units such as commercial ice cream freezers at point of sale.

Refrigeration fluids based on fluorinated chemicals – hydrofluorocarbons or HFCs – are widely used throughout industry but are known to contribute to climate change. However, non-HFC refrigerants (i.e. natural alternatives) do not harm the ozone layer and have negligible or no global warming effects. These are naturally occurring substances such as carbon dioxide, ammonia, water or air, and hydrocarbons (HCs) such as propane and iso-butane.



Provide climate
change leadership

For full details [see page 209](#)

We have committed to progressively phase out the use of high global warming potential refrigerants such as HFCs and over several years, we have been investigating and pioneering the potential use of natural alternatives. This has included assessing the safety risk of HC refrigerants, the results of which were published in the *Scientific International Journal of Refrigeration*. The analytical risk assessment of ice cream cabinets using flammable HC refrigerants concluded that the flammability risk of the cabinets used in this study under the conditions examined was negligible. Investigations such as these have enabled us to progress our commitment to introduce more climate-friendly refrigeration ahead of timescales imposed by regulation.

Acting on our commitment: Some key initiatives

We have been systematically introducing more environmentally efficient refrigeration across Europe that uses natural refrigerants. This and other actions move us beyond meeting the Consumer Goods Forum (CGF) Resolution on Refrigeration, which encourages businesses to take action towards phasing out some HFC refrigerants from 2015:

- From November 2013, we pledged that all new commercial horizontal ice cream chest freezers bought by Nestlé across Europe will use only natural refrigerants;
- We have already introduced 18 000 natural refrigerant HC freezers worldwide; and
- We have invested CHF 250 million to replace synthetic refrigerants with natural alternatives in more than 93% of our industrial refrigeration systems.

Challenges remain in deploying the natural refrigerant systems universally. As the CGF recognises: “Barriers exist to wide-scale adoption of more climate-friendly refrigeration, namely legislative restrictions in some countries, availability, cost, safety, maintenance and servicing.”

To help overcome such challenges, we continue to work with major equipment suppliers and organisations to test and monitor different refrigerants in various applications.

Climate change adaptation

Increasingly, we are helping our stakeholders adapt to climate change – both to support their livelihoods and the environment, and to reduce the risk to the long-term supply of materials for our business.

We are especially committed to helping farmers to adapt to climate impacts and become more resilient so they can continue to grow crops in the face of changing patterns of agricultural production. Our work to help [cocoa](#) and [coffee farmers](#) adapt to environmental challenges has been recognised as an example of best practice by the [United Nations Framework Convention on Climate Change \(UNFCCC\)](#), and we have been invited to share details of the agricultural assistance we provide as part of the UNFCCC Private Sector Initiative (see [Public policy engagement](#)).

After the extended drought of 2008–2010, which was followed by flooding rains, Nestlé Australia set up a four-year social resilience project in collaboration with the Birchip Cropping Group to understand how wheat and sheep farm businesses in northwest Victoria identify, interpret and respond to climate challenges. And in Venezuela, we are helping farmers provide natural shading for livestock, while at the same time controlling soil erosion and preserving water.

Improving crop resistance through R&D

According to FAO, to adapt to climate change farmers will need to broaden their crop genetic base and use new cultivars and crop varieties. We use our scientific expertise and resources to help find ways to improve crop resilience. Our R&D Centre in Tours, France, works with its sister R&D Centre in Abidjan, Côte d'Ivoire, and other research institutes to produce drought-resistant varieties and large quantities of cocoa and coffee plantlets that are less vulnerable to disease, once they reach full productivity. Their yield is potentially greater than that of most trees currently planted in the cocoa and coffee farms.

Emissions reporting

Reporting Scope 3 emissions

Scope 3 emissions are all indirect emissions that occur in the value chain of the reporting company, including both upstream and downstream emissions. We use the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard to estimate our GHG emissions in our upstream and downstream operations.

In 2013, we fine-tuned the reporting of our Scope 3 emissions, covering all relevant stages including waste generated in operations, indirect emissions such as fuel and energy-related activities (not included in Scopes 1 or 2), business travel, employees' commuting, upstream and downstream transportation and distribution, use of sold products, and the end-of-life treatment of sold products.

Our detailed reporting of Scope 3 emissions can be found in our [2013 CDP submission](#), pages 81–88.

We engage with key suppliers to obtain detailed information on their emission-generating activities, also helping them to implement less GHG-intensive practices.

First position in rankings

In the 2013 CDP Climate Disclosure Leadership Index and the CDP Climate Performance Leadership Index, we were ranked first and achieved the maximum score for the second year running, in line with [our commitment to provide climate change leadership](#). CDP is a not-for-profit organisation aiming to reduce GHG emissions and support more sustainable water use by business. The CDP indices measure companies in a number of ways, including how they incorporate climate change into their business plans, how they monitor emissions, transparency of reporting, and actions taken to mitigate impacts.

In the 2013 Dow Jones Sustainability Index, Nestlé was ranked first in its sector with an overall score of 88%, double the industry average – positioning us as the best performer in our sector. In the 'environment' dimension in particular, we achieved a remarkable 97% based on climate change mitigation and other environmental initiatives.

Our climate change policies and commitments also helped us retain a leading position in Oxfam's *Behind the Brands* scorecard. This is a regularly updated index that ranks 10 food and beverage companies. During 2013, we improved our ratings in several categories, including climate. Read more about *Behind the Brands* in the [Nestlé in Society](#) section.

More on mitigation and adaptation:

[The Nestlé Commitment on Climate Change \(pdf\)](#)

In-depth discussion of risks and opportunities:

[Carbon Disclosure Project \(CDP\) submission 2013](#)

[CDP Global 500 Climate Change Report 2013 \(pdf\)](#)

Public policy engagement

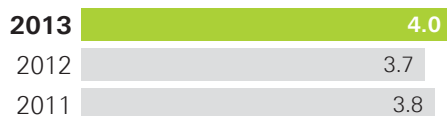
We see the need to act on climate adaptation as a precompetitive issue that requires the collaboration of all parties. Examples of our engagement include:

- Participating in the CDP Global Climate Forum. The forum brings together experts from governments, the private and public sectors to examine the challenges and opportunities for companies aiming to reduce GHG emissions from their operations;
- Nestlé Head of Group Control, Juan Aranols, took part in a round table to examine subjects such as how governments can encourage businesses to reduce GHG emissions profitably;
- We supported the UNFCCC's [Adaptation Private Sector Initiative](#). We provided case studies on private sector engagement as part of an online tool that showcases how businesses and communities can adapt to the effects of climate change in a sustainable and profitable way; and
- Through the Sustainable Agriculture Initiative at Nestlé, we share best practice and lessons learned across our own business and externally. Our Agriculture department coordinates the network and shares case studies with all our sourcing specialists. They also represent us in partnerships such as the [SAI Platform](#), a food industry partnership that aims to support the development of sustainable agriculture worldwide.

In numbers

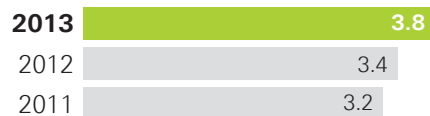
Direct GHG emissions

(million tonnes CO₂eq)



Indirect GHG emissions

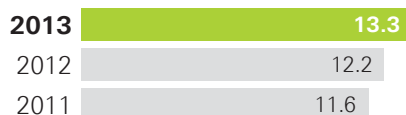
(million tonnes of CO₂eq)



Indirect GHG emissions have increased by 1.2% compared to 2012.

Total on-site energy consumption

from renewable sources (% total)



Next steps

Our long-term ambition is to have zero GHG emissions. By 2015, we've committed to achieve 25% energy efficiency improvements and to reduce GHG emissions per tonne of product by 35% compared to 2005.

Looking more immediately to 2014, we will continue to:

- Target the reduction of GHG emissions from our direct operations, with an emphasis on energy efficiency at our factories, increasing our use of cleaner fuels, and investing in renewable energy sources such as spent coffee grounds, wood from sustainably managed forests, and solar and wind energy;
- Use safe, natural refrigerant alternatives for industrial refrigeration and implement new solutions to improve performance;
- Provide further case studies on adaptation to the UNFCCC Adaptation Private Sector Initiative;
- Extend the scope of our GHG reduction efforts beyond our direct manufacturing emissions, in response to the results of our broader Scope 3 emissions reporting; and
- Identify the reduction potential of, and implement programmes for, different GHGs, particularly CO₂, methane, NO_x and fluorinated gases.

See also: [Commitments table](#).



Wind power in California

In California, USA, Nestlé Waters has introduced two wind turbines at its bottling plant in Cabazon. The turbines will provide wind power to generate some 30% of the facility's electricity needs, offsetting CO₂eq emissions equivalent to more than 20 000 barrels of oil.

Biodiversity

We depend on biodiversity in many ways. We're committed to preserving natural capital, including forests, by managing our operations responsibly, especially where we operate in areas of high biodiversity.

Below, we summarise our approach to biodiversity in three key focus areas: raw material procurement, factory impacts and support for public policy.

More detailed information on [water](#) and [responsible sourcing](#) (no-deforestation commitment and commodity supply chains) can be found elsewhere in this report.

At a glance

- 9% of the volume of our key commodities is responsibly sourced in accordance with our Responsible Sourcing Guideline requirements;
- With Conservation International, we launched Deforestation Guides for Commodity Sourcing for 33 countries, allowing us to better focus our efforts on the areas showing the greatest amount of deforestation; and
- We are assessing the impacts of raw material production by mapping our supply chains for paper, sugar and soya back to the primary producer.

What we're doing

Our commitment

We launched the [Nestlé Commitment on Natural Capital](#) (as well as other specific commitments on climate change; biofuels; water stewardship; and deforestation and forest stewardship) in 2012, in support of our Corporate Business Principles, The Nestlé Policy on Environmental Sustainability, the Nestlé Supplier Code and our Responsible Sourcing Guideline.

Natural capital is the sum total of nature's resources and services, and it is the basis upon which economic activity is built. We procure a large range of raw materials from farms and forests, and we recognise our long-term success depends on the products and services provided by natural capital. We know agricultural and forestry practices are a major contributor to the loss of natural capital – particularly through the conversion of natural habitats, overuse of chemicals and water, and degradation of soil.

In line with our Commitment on Natural Capital, we develop our business in a way that safeguards natural capital, and in particular biodiversity and ecosystem services.

Some of the key interventions that form part of our Commitment on Natural Capital include acting as a responsible steward of natural capital; reporting on risks and responses; supporting consumers to make better-informed choices; and working with stakeholders.



Preserve natural capital,
including forests

For full details [see page 210](#)

Biodiversity

Biodiversity is defined by the UN Convention on Biological Diversity as: "the variability among living organisms, which includes the diversity at ecosystem, species and genetic levels".

Biodiversity is one element of natural capital, which means the sum total of nature's resources and services on which economic activity is built – such as soil formation and plant pollination.

Assessing the status of biodiversity

Understanding our dependency on biodiversity helps us to decide where best to focus our biodiversity activities:

Ecosystem	Issues	Nestlé dependency	Nestlé response
Forest	Deforestation; forest degradation	Packaging, paper, timber pallets, shea nuts, colourants	A comprehensive commitment to manage forests well and eliminate deforestation through programmes across the relevant commodities. Read more: Deforestation .
Ocean	Overfishing; acidification; warming; nutrients/dead zones; plastics	Seafood	Responsible Sourcing Guideline on seafood. Plastic recycling schemes. Good practices on fertilizer application through <i>Nescafé</i> Plan. Read more: Responsible sourcing .
Fresh water	Water scarcity/over-extraction; water pollution	Every stage of our value chain depends upon access to fresh water	A comprehensive set of commitments and key performance indicators on water across supply chains, factories and public policy. Read more: Water .
Grasslands	Loss of high-value grasslands/biodiversity	Agriculture, grazing (milk, meat)	Application of the High Conservation Value approach to responsible land management and sourcing, plus restoration through silvopastoral programmes at dairy farm level.
Atmosphere	Increasing temperature; pollutants; ozone layer depletion	Stable climate, reliable precipitation, temperature	Emission reduction initiatives in factories and use of natural refrigeration units. Read more: Manufacturing . Tackling deforestation/high carbon soils, and facilitating dairy farmer investment in biogas digesters.
Soil	Soil loss and degradation; increasing salinity	All our agricultural crops rely upon soil with adequate structure and nutrients	Included as part of Responsible Sourcing Guideline on palm oil, soya, sugar, plus UTZ certification of cocoa.

In compiling these priorities and deciding where to focus our efforts, we drew from a wide range of research from recognised organisations such as the International Union for Conservation of Nature (IUCN), FAO, the Convention on Biological Diversity (CBD), UNEP and WWF.

We believe we can make the most improvements in three key areas:

- [Sourcing raw materials](#);
- [Improving the performance of our factories](#); and
- [Supporting public policy](#).

Sourcing raw materials

We continue to implement our Responsible Sourcing Guideline in our palm oil, paper, soya, sugar, vanilla and seafood supply chains, as well as continuing our work on the responsible sourcing of milk, coffee and cocoa.

While the suppliers of these materials are already subject to our Corporate Business Principles and Supplier Code, through the guideline we are now incorporating performance requirements on the use and management of water and soil, and elimination of deforestation in the supply chains of 12 key commodities.

We are aiming to have assessed 40% of the volume of our 12 key commodities against our Responsible Sourcing Guideline, and for them to be compliant or have improvement plans ongoing, by 2015. Currently, 9% of the volume of our key commodities is responsibly sourced in accordance with our guideline requirements.

Raw materials and deforestation

It remains difficult to obtain consistent global data sources to guide our activities, and where information is unavailable we work with partners to source it and, where appropriate, share the results.

For example, in 2013, we developed our partnership with Conservation International, launching the Deforestation Guides for Commodity Sourcing for 33 countries. The guides, which are based on data from satellites, illustrate the areas that show the greatest amount of deforestation. This will allow us to better focus our efforts to eliminate deforestation through our procurement programmes and implementation of the Responsible Sourcing Guideline. (Read more about how we are [mapping our way to zero deforestation](#).)

We have also taken an active role in the CGF programme on deforestation and in the Round Table for Sustainable Palm Oil (RSPO), and assisted the CGF in setting up the [Tropical Forest Alliance 2020](#). This is a Public–Private Partnership between the CGF and the governments of the USA, United Kingdom, Norway and the Netherlands aiming to reduce tropical deforestation associated with key global commodities.

See [Memberships and partnerships](#) for details on our work with the RSPO.

Raw materials and water

We have produced detailed requirements for water use in agriculture that are now being used in our Responsible Sourcing Guideline to guide better water stewardship at the farm level. These requirements are based on the [SAI Platform's water guidelines](#), but also include current thinking from the major agricultural commodity certification schemes and the [Alliance for Water Stewardship draft standard](#).

Read more in [Responsible sourcing](#).

Commitment on No Deforestation

In our [Commitment on No Deforestation](#), we pledge that our products will not be associated with deforestation. This covers all the raw materials we use to make our products and also packaging. Our Responsible Sourcing Guideline for Forest-Based Materials has been developed to help procurement staff and suppliers implement our commitment.

Nestlé CEO leads CGF deforestation talks at The White House

In his capacity as manufacturer co-chair of the CGF, Nestlé CEO Paul Bulcke [led talks on climate change at The White House](#) in Washington DC in December 2013, with the aim of furthering efforts to end deforestation. The meeting was attended by leaders from other companies including Unilever, Walmart, Cargill and SC Johnson, as well as non-governmental organisations (NGOs) including Conservation International.

Read more in the [Water](#) section to find out about our initiatives in this area.

Traceability of raw materials

We are assessing the impacts of raw material production by mapping our supply chains back to the primary producer. With clear traceability back to the farm or feedstock level, we will be able to work with suppliers to improve their performance and meet our Responsible Sourcing Guideline.

Read more about [traceability in deforestation](#).

We have also made a public commitment for 40% of the volumes of 12 key commodities to be traceable by 2015. See [Responsible sourcing](#) for more details.

Based upon the assessment of the state of biodiversity, we are currently focusing on a shortlist of countries where biodiversity values are highest and where, through our interventions, we believe that we can bring about significant improvement in performance.

Our focus for paper packaging, for example, is on fibre sourcing from Brazil, Canada, Chile, Russia, the USA and south-east Asian countries. For sugar, we are concentrating on Brazil, India and Mexico, and our focus for soya is on Argentina and Brazil.

As we advance on this journey, we will expand this to further countries. See [Raw materials](#) for further details on these initiatives.

Direct sourcing of raw materials (Farmer Connect)

For our direct sourcing programmes (mainly milk and coffee), which cover more than half a million farmers, we take a more hands-on approach to assessing impacts and influencing behaviours to protect biodiversity at the farm level.

Our strategy for managing biodiversity impacts of these two key commodities is shown below:

Milk	<p>Our survey of our factories' proximity to protected areas and areas of high biodiversity in 2011, revealed that dairy factories and their sourcing districts are often close to areas of high biodiversity. This is applicable to operations in Brazil, China, Ecuador, Nicaragua, Peru, the Philippines and South Africa.</p> <p>Using RISE, our assessment and action planning tool, we are working with dairy farmers to review their methods and develop action plans for economic, social and environmental improvements at their sites. RISE studies have been completed in nine countries to date, with information pending for a further three countries. Work commenced in late 2012 and 2013 on the remaining ones).</p> <p>See Raw materials and Climate change for more information.</p>
Coffee	<p>Biodiversity issues are managed primarily through the use of the 4C Coffee Code, the <i>Nespresso</i> AAA Sustainability Quality™ Program and the <i>Nescafé</i> Plan, which, in partnership with Rainforest Action Network, has developed better farming practices.</p> <p>These initiatives include safeguards against sourcing from protected areas, restrictions on pesticide use, soil conservation and watercourse protection.</p>

Improving biodiversity through silvopasture

Silvopasture is the practice of combining forestry and grazing of domesticated animals in a mutually beneficial way. The advantages of a properly managed silvopasture system are enhanced soil protection and increased long-term income resulting from the simultaneous production of trees and grazing animals.

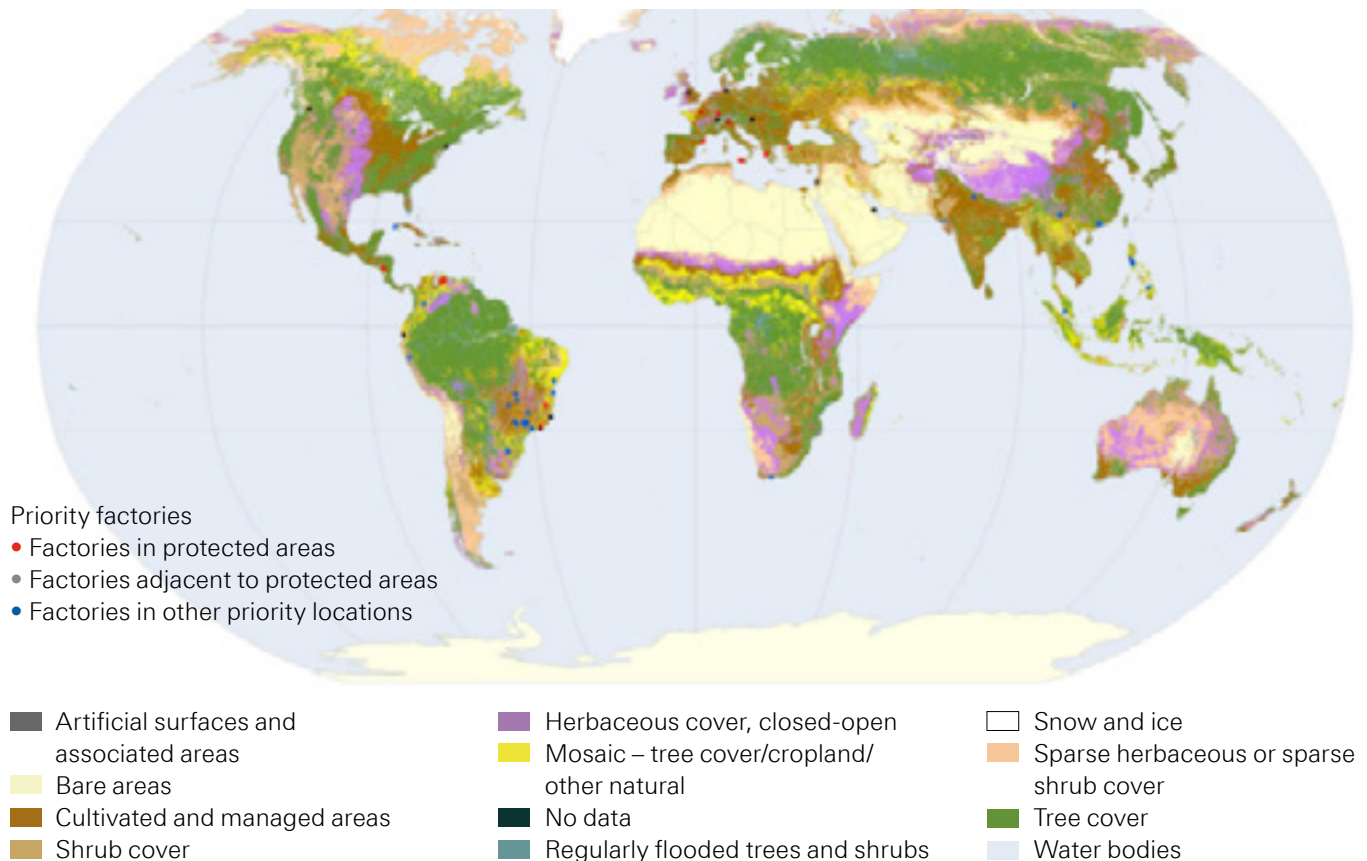
We continue to help farmers to implement silvopastoral systems to improve biodiversity. This involves planting different species of trees, hedges and shrubs on the pasture land to improve biodiversity and yields. Nestlé Nicaragua has recently helped 10 pilot farms to implement silvopastoral systems.

Improving the performance of our factories

Some of our rural factories are in areas of high biodiversity and located close to important water areas. It is important that we carefully manage our factories to minimise potential impacts on them, and work with local authorities to safeguard the natural environments that we depend on.

All factories operate according to our Nestlé Environmental Management System, and 601 of all our sites are certified to the ISO 14001:2004 standard. This gives us a solid foundation for developing local and business sector stakeholder initiatives to improve performance and enhance biodiversity. Where our factories are located in legally protected areas, we take special measures to manage our operations.

Nestlé factories and biodiversity status



To find out which of our factories were in areas of high biodiversity/protected areas, we embarked on a project with the UNEP World Conservation Monitoring Centre. The resulting internal database highlights 60 factories where high biodiversity risk has been identified and where we will focus our future actions. We plan to update the database for new factories in 2015.

We have developed our understanding of the relationship between our factories and the biodiversity around them, focusing on the interrelationship between water and biodiversity, and identified those factories where we have either a dependency on or a potential impact on important water areas.

Biodiversity projects in the Vosges water basin, France

In north-east France, Nestlé Waters has worked in partnership with local farmers, businesses, residents and gardeners for two decades to protect the natural sources of three mineral water brands: *Vittel*, *Contrex* and *Hépar*. The Agrivair consulting firm – set up by Nestlé and partners to preserve the natural springs in the Vosges water basin – is celebrating its 20th anniversary.

Protecting the ecosystem continues to be an important role for Agrivair, and we're focusing on a number of projects that will further enhance the already rich biodiversity of the basin:

- Agrivair is pioneering **biodiversity labelling** through a specialised certification company. The benchmarking system will assess the inter-relationships among businesses and the living environment, and the degree to which biodiversity is taken into account within the range of Agrivair's activities;
- In 2014, in partnership with the French water authority Agence de l'Eau, Agrivair will start a project to **reshape the Vittel river**. Currently, the channel is oversized, the riverbed eroded, and fauna and flora damaged by successive developments. The project aims to recover the river's original form and function, along with its ecological and socio-economic role in the region, and will result in a watercourse with vegetation up to 2 km from the river; and
- In 2013, *Vittel* will be using experience gained from a reforestation project in the Amazon basin on a **range of plantation projects** in the Vosges water basin, in conjunction with local farmers. In addition to ecosystem benefits, these projects will contribute to developing the timber industry, eco-tourism and raising public awareness of the importance of trees.

Agrivair was recently recognised as one of seven initiatives representing the 'France of solutions'. This award was made by Reporters of Hope and the Economic, Social and Environmental Council, in the presence of French President François Hollande.



An Agrivair employee and a Nestlé Waters specialist take water samples near Vittel in France.

Read more about our [manufacturing operations](#).

Funding research into honey bee decline

We are concerned that honey bees are disappearing at an alarming rate in many parts of the world. That's why [Häagen-Dazs is funding honey bee research](#) in the USA and is encouraging consumers to join in to take action at school, work and home.

Promoting biodiversity in the UK

As part of our global commitment to developing our business in a way that safeguards natural resources, biodiversity and ecosystem services, we have planted wildflower meadows at five UK sites to develop natural habitats and increase biodiversity, and plan to have them at all 13 of our UK factories by 2015. The meadows are designed to attract a variety of wildlife, including pollinators such as butterflies, bees and birds that are integral to the food supply chain.

Supporting public policy

Nestlé is a signatory to the [Natural Capital Leadership Compact](#), launched by the Cambridge Programme for Sustainability Leadership (CPSL) in 2012. We also continue to be an active member of the Cambridge Natural Capital Leaders Platform, a major business-led programme focusing on practical evidence, action and policy influence. The cross-sectoral platform addresses the impacts of ecosystems and natural capital loss and degradation on businesses, their customers and wider society.

We are keen to develop a 'balance sheet' approach to natural capital: in other words, we recognise the need to safeguard biodiversity and ecosystem services at the same time as we rely upon them. A key element of this is to better understand how to value the consequences of our activities throughout the value chain, and in particular where we are only one actor in a landscape. As a first step, we have estimated the land area that Nestlé is dependent upon for the production of commodities that it uses.

We believe that governments have an important role to play in the valuation of natural capital as they are often the guardians of nature. We are encouraged by the actions of some governments, including UK and Swiss Government efforts to develop means of valuing nature and the Natural Capital Index produced by the Scottish Government.

The Swiss Government elaborated a biodiversity strategy to ensure the long-term conservation and promotion of biodiversity. Organised by the Swiss Federal Office for the Environment, Nestlé Switzerland actively participated in workshops to debate the role of the economy in sustainable use for biodiversity and to discuss possible measures to cope with the decline of biodiversity.

Next steps

- Our focus on biodiversity conservation and responsible sourcing will continue to drive improvements in biodiversity conservation and management;
- By 2015, 40% of the volumes of 12 key commodities to be traceable (palm oil,soya, sugar, paper, coffee, cocoa, dairy, seafood, shea, vanilla, hazelnut, and meat, poultry and eggs); and
- By 2015, improvement programmes will be in place for all factories adjacent to important water areas.

Read more in the [Water](#) section to find out about our initiatives in this area.

See also: [Commitments table](#).

Human Rights and Compliance

Respecting human rights and ensuring compliance with international laws, standards, codes of conduct and our own business principles is hugely important to Nestlé. This helps us to operate responsibly, mitigate risk and build trust with stakeholders – particularly consumers. That’s why compliance is the foundation of how we do business and an absolute condition for Creating Shared Value. Our work is wide ranging. We are particularly focused on the challenging areas of human rights, child labour, the fight against corruption and consumer privacy. But we are also committed to producing safe, high-quality products that meet or exceed all relevant standards – and making sure we advertise those products in a responsible way.

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The year in brief – 2013 at a glance

Anti-corruption

Made four clear anti-corruption commitments based on our Code of Business Conduct and the UN Global Compact.

Upgraded our anti-corruption e-learning tool, giving markets full visibility on training participation.

Human rights

Became the first major multinational to publicly report human rights impacts across seven countries – as part of our global Human Rights Due Diligence Programme.

Launched a revised version of our Supplier Code that includes a new Human Rights section and an external grievance mechanism called Tell Us.

Child labour

Continued working with the Fair Labor Association (FLA) to implement action plans that tackle child labour in our supply chain.

Worked with the International Cocoa Initiative to introduce a monitoring and remediation system that addresses incidences of child labour.

Product safety and quality

Certified 650 sites to the Nestlé Quality Management System.

Since the European horsemeat issue in 2013, we've been working to increase the traceability of our suppliers.

Responsible advertising and marketing

Ensured compliance with our Consumer Communication Principles and Policy on Marketing Communication to Children.

Signed voluntary pledges on the marketing of foods to children, covering over 50 countries.

Responsible infant food marketing

Remained in the FTSE4Good Index for the second year in a row.

Further improved our approach to the responsible marketing of breast-milk substitutes.

Consumer privacy

Completed privacy compliance assessments on many of our websites.

Worked with key technology partners to decide how personal data should – and should not – be used in marketing activities.

Challenges we've faced

Breast milk is the best food for infants, but there are still numerous barriers to increasing breastfeeding rates including inadequate infant-feeding legislation.

We need to raise awareness of human rights among all employees and integrate respect for it into our supply chain traceability and management systems.

Inside the issue: Global human rights and compliance challenges

The world is growing increasingly complex, and supply chains in every industry are becoming longer and more intricate. Recent incidents such as the factory collapse in Bangladesh and the factory fire in Pakistan, both in the textile sector, combined with cross-border issues like child labour and land rights, have increased the global focus on product traceability, health and safety and local working conditions within global supply chains.

At the same time, the internet is enhancing stakeholder scrutiny and providing everyone with more tools to monitor supply chains, while topics such as the living wage are being debated in several countries.

In the context of political upheaval, economic volatility and the increasing power and influence of the internet and social media, it is more important than ever that we provide clear guidance to our employees and suppliers on exactly what we expect from them. And, as part of our approach to compliance, we must also remain deeply committed to respecting the human rights of our employees and the people involved in our value chain.

We operate in a challenging world. But by respecting human rights and maintaining the highest levels of compliance, we will strengthen the trust of our stakeholders and ensure that our business is in a strong position to face these challenges head-on.

Our human rights and compliance commitments – and why we make them

Creating shared value requires compliance with the highest standards of business practice, including national and international codes, standards and laws, as well as our own code of business conduct, corporate business principles, and management and leadership principles. We aim to go beyond legal compliance in order to continually improve the way we do business and have a positive impact on all our society. While we have achieved many things in this area up to now, with an ever-evolving social and political environment and new standards to follow, we acknowledge that there is still more work to be done.

Key commitments

We've made a number of specific commitments to assess and address human rights issues and business integrity across Nestlé, ensure human rights are respected in our business activities, eliminate child labour from our supply chain and market breast-milk substitutes responsibly.



Assess and address human rights impacts in our operations and supply chain

By 2015 – All FTSE4Good¹ countries of concern where we have significant² involvement are covered and employees trained.


By 2015 – Include human rights across all 12 commodities covered by the Nestlé Responsible Sourcing Guideline.

Our progress

In 2013, we trained a further 6650 employees on human rights, in nine FTSE4Good countries of concern. Since the launch of our online human rights training tool in 2011, 37 768 employees have been trained across 64 countries. We are the first multinational company to issue a public report on Human Rights Impact Assessment.

Our perspective

In 2013, Nestlé began implementing a new Rural Development Framework that, for the first time, included detailed human rights indicators for our supply chain. It is a difficult area and requires a careful balance between transparency and confidentiality to identify the real issues within a locality. The challenges we face include rolling out our human rights approach to all country operations, raising awareness among employees, and integrating respect for human rights into our supply chain traceability and management systems. Our detailed Human Rights Due Diligence Programme is already helping us to address these – and other – human rights issues.

 For all objectives, we aim to fulfil our commitment by 31 December of the year stated.

¹ FTSE4Good is the responsible investment stock market index of the London Stock Exchange. It is designed to objectively measure the performance of companies that meet globally recognised corporate responsibility standards.

² A significant country is where we have 1000+ employees or GBP 100 million in turnover or assets in these countries through a 20%+ equity stake in subsidiaries or associates incorporated there.



Eliminate child labour in key commodities (cocoa, hazelnuts, vanilla)

By 2015 – Completed action plans for cocoa, hazelnuts and vanilla, with 60 000 farmers trained on child work/labour practices; 60 schools built or renovated; and 80% of co-ops covered by a child labour monitoring and remediation system (100% by 2016).

Our progress

Working with the Fair Labor Association (FLA), we are implementing action plans that focus on commodities and countries where there is a higher risk of child labour. Our cocoa and hazelnut plans are being implemented in two countries.

Our perspective

Today, around 168 million children across the world are forced to work. We share the view that individually a company cannot solve the problems around labour standards in the agricultural sector. Effective, long-term solutions require a multi-stakeholder approach that includes industry, government and NGOs. Our ambition remains to prevent and eliminate all forms of child labour from our supply chain, while respecting family situations and the legitimate need for rural development. We are affiliates of the FLA and in 2013, acting upon its recommendations, have worked with the International Cocoa Initiative (ICI) to introduce a monitoring and remediation system that addresses incidences of child labour.



Market breast-milk substitutes responsibly

As part of our ongoing efforts to promote breastfeeding, report publicly on our progress regarding the responsible marketing of breast-milk substitutes.

By 2014 – Ensure our newly acquired Wyeth Nutrition Infant Formula business meets the FTSE4Good Index criteria.

Our progress

We are included in the FTSE4Good Index – the only global responsible investment index with clear criteria on the marketing of breast-milk substitutes (BMS). In 2013, our practices were audited in 31 countries by internal auditors and in three countries by Bureau Veritas. In light of the recommendations, we have enhanced our transparency and good governance mechanisms and strengthened our compliance systems.

Our perspective

We believe breast-milk is the best food for infants, but there are still numerous barriers to breastfeeding, including inadequate maternity legislation. When, in consultation with their healthcare providers, mothers and families decide that optimal breastfeeding is not possible, infant formula – the only suitable BMS recognised by the WHO – plays a vital role in providing essential nutrients to infants. We are committed to the highest standards of responsible marketing of BMS and comply with the WHO Code as implemented by national governments. We will continue to engage with key stakeholders to increase collaboration, promote responsible conduct and establish an accepted and transparent process for assessing the commercialisation of BMS.

Read more about [our approach](#).

How we're meeting them

Our [Corporate Business Principles](#) are the foundation of our corporate culture, while our [Management and Leadership Principles](#) and [Code of Business Conduct](#) form the basis of how we conduct our business. But we also have individual policies in place covering specific compliance topics, including the Nestlé Policy on Conditions of Works and Employment, Nestlé Supplier Code, Nestlé Quality Policy, the Policy on Marketing Communication to Children, and the [Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes](#).

Our stories

Find out how we're putting Creating Shared Value into action:

- [Assessing and reporting on human rights impacts in our business activities](#)
- [Rolling out our child labour monitoring and remediation system in our cocoa supply chain in Côte d'Ivoire](#)
- [Putting consumer safety first](#)
- [Signing up to responsible advertising in Malaysia](#)
- [Aligning Wyeth Nutrition](#)

Human rights and compliance in focus



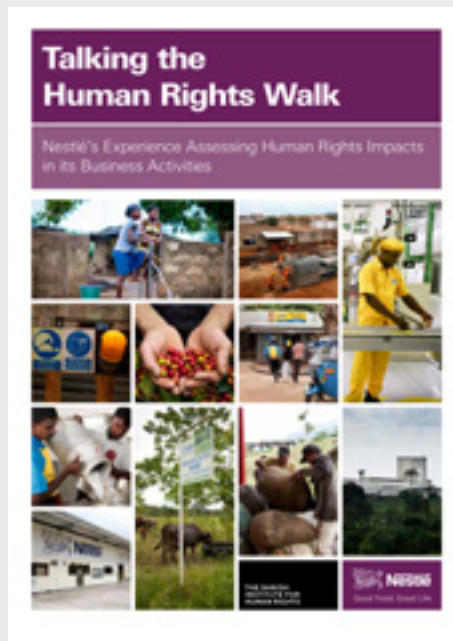
Assessing and reporting on human rights impacts in our business activities

In 2013, we became the first major multi-national company to report publicly on our human rights impacts and activities across seven countries. These are outlined in a joint Nestlé–Danish Institute for Human Rights (DIHR) white paper entitled [Talking the Human Rights Walk](#). It presents the outcomes, lessons learned and challenges related to the seven Human Rights Impact Assessments (HRIAs) carried out since 2010 in Angola, Colombia, Kazakhstan, Nigeria, Russia, Sri Lanka and Uzbekistan. For Nestlé and the DIHR, it is a breakthrough reflecting our partnership efforts over the past five years.

The work summarised in the paper has been pivotal to the design, development and implementation of our [8-Pillar Human Rights Due Diligence Programme](#), helping us to better understand the scope and the magnitude of impacts and the way to prevent and address them.

There is significant challenge for companies in carrying out human rights assessments, and it is still very much an emerging science. However, one key lesson, gained through our own experience, is that the added value of these assessments largely overcomes the drawbacks of a somewhat daunting process.

By sharing our experiences and lessons learned, we hope to engage a range of stakeholders on the opportunities and challenges around HRIAs, move practice forward and encourage other companies to take the same path that we embarked on some five years ago.



FOR MOST COMPANIES, THE REALLY BIG HUMAN RIGHTS CHALLENGES CAN ONLY BE SOLVED IF YOU HAVE THE TRUST OF OTHERS: WORKERS, CONSUMERS, COMMUNITIES, CIVIL SOCIETY, BUSINESS PARTNERS AND GOVERNMENTS.

CORPORATE TRANSPARENCY AND ACCOUNTABILITY OF THE TYPE SHOWN IN THIS PAPER IS A PREREQUISITE FOR ESTABLISHING THIS TRUST. WHEREAS CORPORATE HUMAN RIGHTS IMPACT ASSESSMENTS ARE YET A RARE BEST PRACTICE, PUBLICLY SHARING THE RESULTS TAKES IT ONE STEP FURTHER. NESTLÉ DESERVES A LOT OF CREDIT FOR BEING PERHAPS THE FIRST MULTINATIONAL COMPANY TO TAKE THIS STEP.”

Allan Lerberg Jorgensen,
Director for Human Rights and Business,
Danish Institute for Human Rights

Managing compliance

Nestlé is committed to operating in an honest, fair and transparent way, ensuring we comply with relevant laws and standards. As well as our Corporate Business Principles, Management and Leadership Principles and Code of Business Conduct, we also have individual policies in place covering specific human rights and compliance topics, such as the Nestlé Quality Policy and the Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes.

At a glance

- We have a clear governance structure in place to oversee and coordinate compliance-related activities;
- We continue to roll out the Nestlé Integrity Reporting System, which enables our employees to report anonymously, if they opt to, any illegal or non-compliant behaviour they observe;
- In 2013, we carried out over 150 CARE (Compliance Assessment of Human Rights and Labour Practices, Business Integrity, Safety and Health, Environmental Sustainability and Security) audits across Nestlé, taking our total to 1837 audits since 2005. In 2013, there were over 355 gaps identified and 146 gaps closed; and
- We continue to train our employees in key areas of compliance, such as our Corporate Business Principles, Code of Business Conduct and anti-corruption policies.

Delivering our commitments

Governance and oversight

The Chairman, the CEO and other members of the Executive Board are ultimately responsible for the supervision and management of the Group. They are supported by a number of other governance bodies, including our Operations Sustainability Council, Issues Round Table, Audit Committee, Risk Management Committee, Information Security Committee, Research and Development Sustainability Council and Group Compliance Committee.

The Group Compliance Committee, which meets bi-monthly, serves as a steering committee for the oversight and coordination of compliance-related activities and initiatives, and recommends and implements key compliance initiatives. All relevant functions are represented at a senior level and minutes of the meetings are shared with the CEO.

The roles of the committees include:

- Driving Nestlé's cross-functional compliance programme and key compliance initiatives and continuously enhancing the compliance culture across the Group;
- Providing a platform for internal coordination;
- Receiving briefings on compliance-related initiatives and providing cross-functional input;
- Identifying deviations from best practice and driving the implementation of appropriate action; and
- Driving the implementation of the Nestlé Corporate Business Principles and other policies.

Compliance Reporting System (external)

The [Nestlé Corporate Business Principles](#) reflect our commitment to a strong compliance culture as a non-negotiable foundation of how we do business. Our principles are actionable and we are prepared to do what is necessary to ensure that our company is managed in line with our commitment.

This is why we launched [Tell Us](#) in January 2014. Tell Us is a dedicated communication channel, which provides all external stakeholders with a means to report potential violations of the Nestlé Corporate Business Principles, our company policies or applicable laws. It is available worldwide on a 24-hour basis. Reports can be made electronically by using a web form or by calling a toll-free phone number.

Integrity Reporting System (internal)

The Nestlé Integrity Reporting System enables our employees to report anonymously, if they choose to, via phone message or email, any illegal or non-compliant behaviour they observe. Nestlé's Reporting of non-Compliance Best Practices document provides guidance on how to handle investigations and ensures the protection of both the accused person and the complainant.

We are continuing to roll out the system across the business, and by the end of 2013, 90% of countries had introduced it, up from 35% in 2012. The system has been well received by our employees and, importantly, there is little indication that it is being abused by complaints made in bad faith.

We aim to enable all our employees to report, via the Nestlé Integrity Reporting System, any incidents of non-compliance and breaches of the Nestlé Corporate Business Principles, or other Nestlé internal standards. In 2013, we received more than 620 messages through the Nestlé Integrity Reporting System, covering issues such as leadership style, conflict of interest and harassment. Where necessary we have implemented appropriate measures, including consequence management, action plans, verbal and written warnings, and performance improvement plans.

Compliance as a foundation of Nestlé Continuous Excellence

Compliance is one of the three founding pillars of the Nestlé Continuous Excellence programme, an ongoing improvement initiative based on recognised and established business management principles. The programme, which we use to strengthen and provide a common understanding of compliance, has seven elements that must be considered by our employees in all business activities:

1. Embed principles and policies;
2. Introduce internal control frameworks;
3. Monitor through the various audit processes;
4. Report any issues;
5. Enforce corrective measures;
6. Ensure the appropriate use of structures; and
7. The culture of top-level commitment.



Ensure that all Nestlé units have the necessary systems in place to deliver the same level of basic safety and health protection for all employees

For full details [see page 327](#)

Tell Us

Our Compliance Reporting System, Tell Us, provides all external stakeholders with a dedicated communication channel for reporting potential instances of non-compliance with our Corporate Business Principles.

The Nestlé Integrity Reporting System

The Nestlé Integrity Reporting System had been introduced by 90% of countries by the end of 2013.

CARE programme

Our global external CARE audit programme verifies that all our employees, and all sites owned or operated by Nestlé, comply with local legislation, our Corporate Business Principles and our Code of Business Conduct. In 2013, we carried out more than 150 CARE audits across Nestlé, taking our total to 1837 audits since 2005.

The audits, which take place every three years, are performed by three leading independent audit companies – SGS, Bureau Veritas and Intertek. They focus on compliance in the following areas: human rights and labour practices, business integrity, safety and health, environmental sustainability and security. Where necessary, we introduce detailed action plans that are thoroughly and systematically monitored.

The findings are classified in three categories:

- **Minor** – an isolated and non-repetitive finding or minor issue;
- **Major** – a systematic finding or major issue or infringement against local legislation;
- **Critical** – an exceptional issue, which requires immediate notification to the Nestlé Corporate Compliance Committee.

Rolling out the new CARE questionnaire

In 2012, we expanded the CARE questionnaire to include more detailed questions on human rights, business integrity, safety, health and environment, and security. In 2013, we used the new questionnaire for all our CARE audits, helping us to identify, and therefore close, existing compliance gaps.

By continuously improving the CARE questionnaire, we will protect the long-term credibility of the programme and make it a sustainable compliance tool. All our markets view the CARE questionnaire as an opportunity to reflect on, and ultimately improve, actual compliance.

CARE gaps identified

	Human rights & labour practices	Safety & health	Environmental sustainability	Business integrity	Security
Minor	82	81	66	48	61
Major	16	7	1	0	3
Critical	0	0	0	0	0

By the end of 2013, we had identified 355 CARE gaps. We have introduced corrective action plans to cover these gaps, 146 of which are now closed. The remaining corrective action plans are in the process of being implemented.

Employee training and engagement

Providing effective training programmes, while engaging regularly with our employees, is the best way to achieve high levels of compliance across the business. After updating our Corporate Business Principles in 2011, we ran a sustained communications campaign to enable staff to understand exactly what the changes were and how they applied to specific areas of the business.

In 2013, we followed this up with work to determine how best to integrate our principles into key processes. In addition, we offer our employees training programmes in our Code of Business Conduct, including on our commitment against corruption, antitrust and in support of fair competition. This included the sustained roll-out of our e-learning tool, which offers training sessions for all management, sales, purchasing and marketing staff every two years. The programme can be adapted for individual business functions, and allows for the results to be reported and followed up.

Security personnel

All security personnel working on Nestlé's behalf display respect for human rights, act within the law and comply with the company's rules, and our Security Policy and Corporate Business Principles outline how we achieve this. Compliance with these policies must never be compromised when protecting the company's assets and using third-party security service providers.

In 2013, we trained 43% of Nestlé and third-party security personnel in priority countries. We have also developed the CARE programme to incorporate a dedicated audit area for security, and external audits are performed at planned intervals to evaluate compliance with Nestlé's principles and policies, including third-party security personnel training.

Furthermore, in 2013 we began applying our Responsible Sourcing programme to security providers. This ethical audit is hosted by suppliers that are in a direct commercial relationship with Nestlé, and promotes continuous improvement in line with the standards established in the Nestlé Supplier Code.

Our people

For more information on managing compliance with our people, please refer to [this](#) chapter.

Responsible sourcing

For more information on compliance issues associated with responsible sourcing, please refer to the [Human rights](#) section in this chapter and our [Responsible sourcing](#) chapter.

Anti-corruption

Nestlé condemns any form of bribery or corruption. These practices harm our economic performance, erode stakeholder trust and impact disproportionately on poorer communities. But we are a global business, and acknowledge that some of the countries in which we operate present a high risk of bribery and corruption. We must therefore ensure our employees and our suppliers have a clear understanding of our commitments, what they mean in practice and how to avoid falling short of them.

At a glance

- We've made four clear anti-corruption commitments based on our Code of Business Conduct and the United Nations (UN) Global Compact;
- In 2013, the anti-corruption e-learning tool was upgraded to give markets full visibility on training participation; and
- We continue to monitor anti-corruption processes through our CARE audit programme, which helps us identify areas for improvement and functions that require additional training. There were no public allegations of corruption in 2013.

What we're doing

Governance

The Nestlé Code of Business Conduct, which includes a commitment against any form of corruption or bribery, applies to every part of the global business. Our Human Resources, Legal and Group Compliance departments work together to train employees in the code and monitor their behaviour, while each country business leader is responsible for ensuring compliance with the code in their part of the business. Local functions report into the respective corporate functions to ensure overall consistency and alignment.

Anti-corruption is also included in the corporate compliance framework – a dedicated compliance function that reports into the Group's Compliance Committee and the Executive Board. For more on this, please refer back to the [Managing compliance](#) section.

Making clear commitments

Publishing clear guidelines on what is not acceptable will help us minimise incidents of corruption. We have made four clear commitments based on our Code of Business Conduct and the United Nations Global Compact (UNGC):

We will not use bribes	Our Code of Business Conduct states that employees must never, directly or through intermediaries, offer or promise any personal or improper financial or other advantage in order to obtain or retain a business or other advantage from a third party, whether public or private.
We will not accept bribes	Nestlé prohibits its employees from accepting any improper financial or other advantage in return for any preferential treatment of a third party. We will not allow employees or other representatives to base commercial decisions on anything but rational, objective and transparent criteria.
We are against facilitation payments	We prohibit our employees from making any facilitation payments through a zero-tolerance policy on facilitation payments, regardless of whether they are permitted under local laws.
We will not use others to do what we consider wrong	Anyone working on Nestlé's behalf must not break any of our commitments and shall not take any actions to violate, or cause its business partners to violate any applicable anti-bribery laws and regulations, including the US Foreign Corrupt Practices and the UK Bribery Acts. When hiring third parties we always follow a due diligence and selection process – including anti-bribery provisions if necessary. If these rules are broken, we will end the relationship immediately.

Training our employees

In 2013, we re-launched our global anti-corruption training programme and asked managers across the business to ensure their employees take part. The online tool, which was originally launched in 2010 and must be used by all markets, raises awareness and helps employees in all our markets avoid potential inappropriate behaviour.

We have upgraded the tool by adding a tracking capability to allow markets to set targets and have full visibility on training participation. The additional transparency will allow targeted follow-ups and a more stringent training approach. We also continue to provide extensive training on our Corporate Business Principles and the Code of Business Conduct, and our Code of Business Conduct e-learning tool includes a specific section on anti-corruption.

In 2013, we conducted an anti-corruption risk assessment to ensure the programme is consistent with all applicable laws and regulations. Based on our findings, we have:

- Deployed a robust compliance governance mechanism – the Market Compliance Committee – that adapts to the specific requirements of each market;
- Re-launched anti-corruption training to targeted employees. By the end of 2013, we trained 10 676 leaders on our anti-corruption policies. These leaders are in control positions and were selected by our local legal counsels;
- Increased awareness of our anonymous non-compliance reporting channel;

10 676 leaders

By the end of 2013, 10 676 leaders had been trained in our anti-corruption policies.

- Encouraged supply chain partners to participate in our anti-corruption commitment. Our new Supplier Code stipulates that suppliers must never, directly or through intermediaries, offer or promise any personal or improper advantage in order to obtain or retain a business or other advantage from a third party, whether public or private. They must not pay or accept bribes, arrange or accept kickbacks or take any actions to violate, or cause its business partners to violate, any applicable anti-bribery regulations, including the U.S. Foreign Corrupt Practices and the UK Bribery Acts; and
- Developed [Tell Us](#), an external grievance mechanism, for launch in 2014, to allow suppliers to report all violations of regulations, laws and the Nestlé Supplier Code.

No public allegations

There were no public allegations of corruption made against Nestlé in 2013.

Monitoring anti-corruption

We monitor anti-corruption processes through our CARE audit programme, which helps us identify areas for improvement and functions that require additional training. We encourage our employees to report misconduct, and our Integrity Reporting System allows staff to tell us, anonymously, about any incidents of non-compliance.

We take all allegations of bribery and corruption seriously. We thoroughly investigate each incident before deciding if there should be any disciplinary action. To the best of our knowledge, no public allegations of corruption were made against Nestlé in 2013.

In numbers

Number of public allegations of corruption

2013 ZERO
2012 ZERO

Percentage and total number of business units analysed for risks related to corruption

2013	100
2012	80
2011	80

Percentage of managers trained in organisation's anti-corruption policies and procedures (%)

2013 **24.2³**

Next steps

We will continue to monitor anti-corruption processes through our CARE audit programme and provide extensive training on our Corporate Business Principles and Code of Business Conduct.

We have launched the Tell Us system for suppliers to report potential violations of regulations, laws and the Nestlé Supplier Code, and we will communicate this in 2014. We will ensure that our training processes are updated so that they have the strongest possible impact on employee behaviour.

See also: [Commitments table](#).

³ To address the priority risks of exposure to corruption and bribery, we targeted key managers identified by our legal counsels. This is a change in reporting from 2012 where the number reported was percentage of employees trained (2012: 20%).

Human rights

We are committed to respecting human rights in all our business activities by assessing and addressing human rights impacts in our operations and supply chain. We take proactive steps to prevent and address any negative impact we may have on the rights of the people we employ, do business with, or interact with. It's a difficult area and requires a careful balance between transparency and confidentiality to identify the real issues within a locality. The challenges we face include rolling out our human rights approach to all country operations and raising awareness among employees, and integrating respect for human rights into our supply chain traceability and management systems – issues covered in more detail in Responsible sourcing. Our detailed Human Rights Due Diligence Programme has helped us address these – and many other – human rights challenges.

At a glance

- We continue to roll out our Human Rights Due Diligence Programme, which strengthens and coordinates our approach at the global and local levels;
- We are the first major multinational company to carry out and publicly report on Human Rights Impact Assessments in seven countries;
- We launched a revised version of our Supplier Code that includes a new Human Rights section and developed an external grievance mechanism called Tell Us; and
- In 2013, we began rolling out a new Rural Development Framework that includes detailed human rights indicators for our supply chain.

What we're doing

Building a foundation of compliance

As well as complying with all national laws, we expect all Nestlé business entities to respect internationally recognised human rights standards set out in:

- The eight International Labour Organization (ILO) Core Conventions;
- The ILO Tripartite Declaration;
- The International Bill of Human Rights;
- The OECD Guidelines for Multinational Enterprises (2011);
- The UN Convention on the Rights of the Child; and
- The UN Framework and Guiding Principles on Business and Human Rights.

Human Rights Due Diligence Programme

Our Human Rights Due Diligence Programme, built on eight operational pillars, aims to make our approach to human rights strategic, cross-cutting, comprehensive and coordinated across all our country operations. Below is a brief introduction to the eight pillars and an overview of our most recent work within each.

Pillar 1: Policy commitments

We aim to integrate human rights dimensions into new and existing Nestlé policies and procedures. In 2013, we strengthened the human rights element of the updated [Nestlé Supplier Code](#), which now includes a dedicated human rights section as of January 2014 and an external grievance mechanism (Tell Us). We have also mainstreamed human rights across 12 commodities covered by the [Nestlé Responsible Sourcing Guideline](#). With regard to Nestlé's facilities, in 2013 we continued to roll out our revised CARE audit programme, which now includes a chapter on human rights and labour practices.

Click here to view the video on our Human Rights Due Diligence Programme.

Pillar 2: Stakeholder engagement

We engage with a range of international and local stakeholders, including government agencies, international organisations, trade unions, business associations, civil society organisations and academia. Engagement with local stakeholders is a key component of Pillar 5: Impact assessment. In addition, human rights issues are systematically integrated into our regular stakeholder convenings. For more on our stakeholder engagement activities in 2013, please refer to the [Engaging with stakeholders](#) section.

Pillar 3: Training

Training is essential to help us develop our employees' understanding of human rights. One of our corporate commitments for 2015 is to provide human rights training to all employees in FTSE4Good⁴ countries of concern where we have a significant involvement⁵.

In 2013, we trained a further 6862 employees on human rights, in 11 FTSE4Good countries of concern. In total, 13 793 employees were trained in 25 countries. Since the launch of our online Human Rights Training Tool in 2011, 41 959 employees have been trained across 64 countries.

Pillar 4: Risk assessment

We evaluate human rights risks across our business activities to assess the likelihood and potential impact (high, medium or low) of human rights risks to our business. In the case of acquisitions, we take a consistent approach and methodology that includes a detailed due diligence process supported by checklists and guidelines that should identify up-front compliance and human rights issues before any firm and binding agreement is signed. In 2013, we continued to ensure human rights concerns are properly identified and addressed as part of our mergers and acquisitions due diligence process.

Pillar 5: Impact assessment

We conduct specific Human Rights Impact Assessments (HRIAs) in high-risk countries. In 2013, we published a joint white paper with the DIHR presenting key outcomes of our HRIAs in seven countries of operation. This paper is a breakthrough in terms of publicly sharing the results – the first such disclosure by a major multinational business – and is intended to move our practices on and encourage other companies to do the same. For more details, see the [In focus case study](#), and download the white paper entitled [Talking the Human Rights Walk](#).

The work described in the paper reflects our emphasis on thoroughly assessing human rights impacts in high-risk country operations. As well as providing a unique opportunity for detailed discussions with Nestlé employees, suppliers, local communities and stakeholders in different markets, the assessments enable us to learn a great deal about the challenges, and implement action plans to address any gaps between international human rights standards and practice, both at corporate and country level.

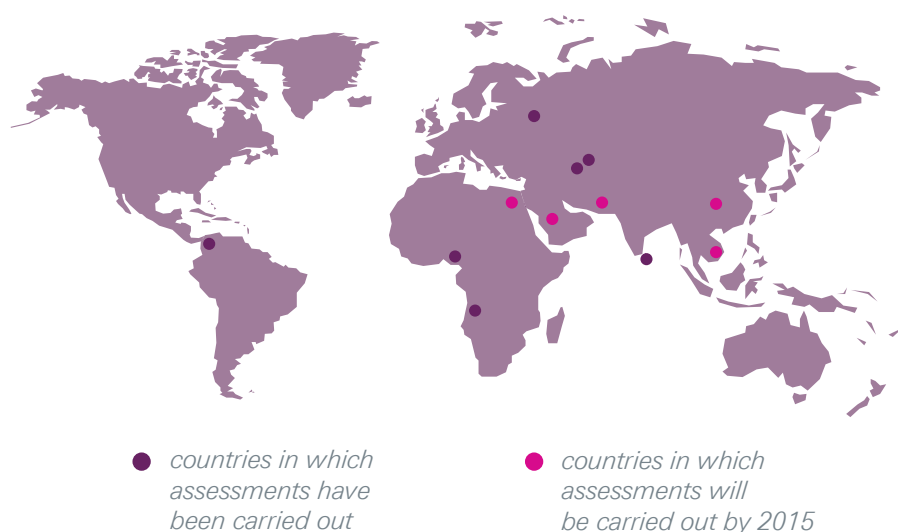
13 793 employees

trained in 25 countries using our
online human rights training tool
in 2013

⁴ FTSE4Good is the ethical investment stock market indices of the Financial Times and the London Stock Exchange. It is designed to objectively measure the performance of companies that meet globally recognised corporate responsibility standards.

⁵ Significant involvement is defined by FTSE4Good as having 1000+ employees or GBP 100 million in turnover or assets in these countries through a 20%+ equity stake in subsidiaries or associates incorporated there.

In 2013, continuing our work with the DIHR, we carried out an HRIA in Vietnam, which involved a multitude of interviews at head offices, factories, distribution centres and supplier facilities as well as with coffee farmers and external stakeholders. This added to the assessments we've already conducted in Colombia in 2010, Nigeria, Angola and Sri Lanka in 2011, and Russia, Uzbekistan and Kazakhstan in 2012. Pakistan, China, Saudi Arabia and Egypt will be covered by 2015.



What happens during a Human Rights Impact Assessment?

Every assessment typically goes through a four-step process:

HRIA steps	Scoping	Assessing	Acting and integrating	Tracking and communicating
HRIA tools	<ul style="list-style-type: none"> Country briefing Scoping questionnaire Stakeholder mapping 	<ul style="list-style-type: none"> Self-assessment questionnaires Interview questionnaires 	<ul style="list-style-type: none"> HRIA Report HRIA Action Plan 	<ul style="list-style-type: none"> HRIA Action Plan HRIA 'White Paper'
Resources involved	DIHR + Nestlé HQ + Nestlé country operation			

Pillar 6: The Nestlé Human Rights Working Group

Our human rights activities will be most effective if they are carefully coordinated. Our Human Rights Working Group aims to strengthen the effectiveness and improve the coordination of human rights-related activities and initiatives across the business. It comprises eight departments: Human Resources; Public Affairs; Legal; Security; Compliance; Procurement; Safety, Health and Environment; and Risk Management. This year, we continued to develop a document setting key priorities for 2012–2014. A work plan of specific actions is carried out against the key priorities agreed each year by the working group.

Human Rights Impact Assessment

carried out in Vietnam in 2013

Pillar 7: Partnerships

We partner with leading organisations to implement our activities. In 2013, we renewed our two-year partnership with the DIHR as part of the implementation of our Human Rights Due Diligence Programme. We are also an official affiliate of the [FLA](#), which helps us address labour standards in our supply chain. Our work with both of these organisations has helped us to assess positive and negative impacts across our operations and value chains, and is key to the success of our Human Rights Due Diligence Programme.

Pillar 8: Monitoring and reporting

Our codes, policies, systems and practices are regularly audited, and we monitor and report publicly on our human rights performance each year. This helps us verify how far human rights have been integrated into our business activities. Below is an overview of the monitoring mechanisms we use for different areas of our operations and supply chain:

	Policies	Programme	Monitoring tools	
			Verification	Complaints
Nestlé facilities	Corporate Business Principles Code of Business Conduct	CARE programme	CARE audits	Integrity Reporting System
Tier 1 suppliers	Nestlé Supplier Code	Responsible Sourcing Audit Programme	Sedex Members Ethical Trade Audits (SMETA) 4-Pillar	Tell Us
Upstream suppliers		Responsible Sourcing Traceability Programme	Responsible Sourcing Guideline (12 commodities)	

In 2013, across Nestlé facilities, we continued to roll out our revised CARE audit programme, which now includes a chapter on human rights and labour practices. The Nestlé Responsible Sourcing Guideline, released in September 2013, includes specific human rights requirements for 12 priority commodities. The guideline helps our suppliers to improve their practices where necessary and ensure they meet international standards – such as the UNGC Principles, our Nestlé Supplier Code and other Nestlé policies and commitments relating to responsible sourcing.

The Integrity Reporting System enables our employees to report any illegal or non-compliant behaviour they observe – anonymously if they wish. Tell Us allows our suppliers and external stakeholders to report any suspected violations of regulations, laws and the Nestlé Supplier Code through the internet or by phone.

Incorporating human rights into the Rural Development Framework

Up to now, our approach to human rights has focused on respecting and complying with all relevant national laws and international standards. But to increase our impact we need to go beyond compliance, by promoting human rights throughout our supply chains and measuring our effectiveness.

In 2013, Nestlé began rolling out a new [Rural Development Framework](#) which, for the first time, included detailed human rights indicators for our supply chain. We developed these new elements in partnership with the DIHR and the FLA.

The new framework, which brings all our rural development activities together, has been implemented in the first three of 21 priority locations (14%) to date and will be rolled out to help us address the development of rural communities in 21 countries by 2015. It will put more emphasis on the positive contribution we can make to human rights throughout the supply chain, while measuring the impacts of our activities.

Balancing human rights and security risks

Our employees should be able to work in an environment that is free from security concerns. Nestlé Group Security seeks to protect our employees, assets and reputation from threats of any kind. Internally, Nestlé Group Security abides by our Corporate Business Principles, Code of Business Conduct and Commitment to Human Rights. Externally, it cooperates with the relevant authorities to address security risks, and ensures we comply with applicable laws and regulations. Compliance with these many different aspects of our regulatory environment must never be compromised, even when protecting our people and property against external threats.

In numbers

Percentage and total number of contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening

Significant investment agreements

2013	2; 100%
2012	1; 100%
2011	NO DATA

Contracts

2013	100%
2012	100%
2011	98%

Operations and significant suppliers and contractors that have undergone human rights screening, and actions taken (%)

Operations

2013	21
2012	11.8
2011	NO DATA

Suppliers and contractors

2013	100
2012	80
2011	98

Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour

Operations

2013	ZERO
2012	ZERO
2011	NO DATA

Suppliers

2013	149
2012	92
2011	NO DATA

Operations and significant suppliers identified as having significant risks for incidences of child labour and measures taken to contribute to the effective abolition of child labour

Operations

2013	ZERO
2012	ZERO
2011	NO DATA

Suppliers

2013	685
2012	34
2011	NO DATA

Total number of supplier incidents of discrimination

2013	65
2012	121
2011	91

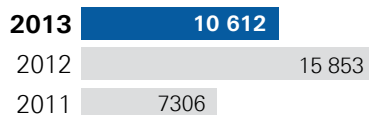
Significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk

2013	51
2012	22
2011	NO DATA

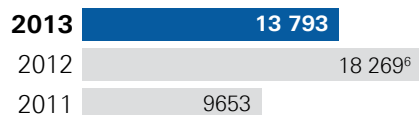
Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations

See also: [Commitments table](#).

Total hours of employee training



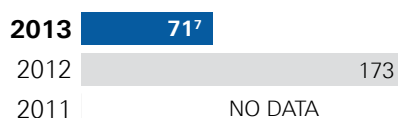
Number of employees trained



Human Rights Impact Assessments completed



Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms



Next steps

In 2014, we will continue to roll out our Human Rights Due Diligence Programme, with a particular focus on high-risk country operations. We will also continue to use the Rural Development Framework and other tools to strengthen our human rights performance throughout our supply chains.

6 18 103 employees trained via online tool, 166 employees trained face to face.
7 Data represents the first nine months of 2013 only.

Child labour

Today, around 168 million children across the world are forced to work⁸. Some of those children have to work in hazardous environments and don't receive proper education, nutrition or care. We are strongly opposed to all forms of child exploitation and are committed to preventing and eliminating child labour from our supply chain, while respecting family situations and the legitimate need for rural development.

However, an individual company cannot solve the problems around labour standards in the agricultural sector. Effective, long-term solutions require a multi-stakeholder strategy that includes industry, government and NGOs. Our approach includes having clear principles and commitments in place, engaging with all relevant stakeholders, and implementing a comprehensive strategy to tackle the issue.

At a glance

- Our strategy is driven by the [Nestlé Commitment on Child Labour](#), which aligns our efforts to tackle child labour in agricultural supply chains;
- We've made a commitment to eliminate child labour in the provision of key commodities – cocoa, hazelnuts and vanilla;
- We continue to work with the Fair Labor Association to implement action plans that tackle child labour in our supply chain; and
- In 2013, acting upon the FLA's recommendations, we worked with the International Cocoa Initiative (ICI) to introduce a monitoring and remediation system that addresses incidences of child labour in the cocoa sector in Côte d'Ivoire.

What we're doing

Making our position clear

The [Nestlé Corporate Business Principles](#) clearly state that we are against all forms of child exploitation and uphold the elimination of forced and compulsory labour. In addition, the Nestlé Supplier Code includes a strict prohibition on child labour and requires that all our direct (Tier 1) suppliers are independently audited. In 2013, Nestlé joined the ILO's Child Labour Platform, highlighting our commitment to tackling child labour. The platform aims to promote collective action and identify and overcome any obstacles to the implementation of the ILO Conventions in supply chains and surrounding communities.

Applying a comprehensive strategy

We understand that the best way to tackle child labour is to use a holistic approach. [The Nestlé Commitment on Child Labour](#) – drawn up in consultation with expert external stakeholders including the FLA, ICI and Danish Institute for Human Rights – is a strategy that aims to align our efforts to tackle child labour in agricultural supply chains. It complements the Nestlé Supplier Code and builds upon definitions from the ILO, Nestlé's Business Principles and experiences from Nestlé's own operations. Key aspects of the strategy, which is applicable to suppliers in all tiers of Nestlé's raw material supply chain, include:

- **Oversight:** We operate a Child Labour Action Group, chaired by an Executive Board member, to identify measures, take decisions and monitor progress;
- **Responsibility for management of the issue:** Overall management responsibility for each high-risk commodity by a named business unit, and management of the situation at the country level;



Eliminate child labour in key commodities (cocoa, hazelnuts, vanilla)

For full details [see page 282](#)

8 <http://www.ilo.org/global/topics/child-labour/lang--en/index.htm>

- **Targeting high-risk commodities and children at risk:** Assessment of the risk to children's rights, which includes protection from economic exploitation and work that may be dangerous to their health, safety or morals and that may hinder their development or impede their access to education; a clear strategy to address the issue and its root causes, a focus on vulnerable groups (the children of migrant workers, girls, orphans and trafficked children), proactive work with suppliers, and termination of all business with suppliers unwilling or unable to comply;
- **Improving understanding and competence:** Engaging specialist partners, providing staff training and guidelines to tackle child labour, and dialogue with civil society organisations; and
- **Delivering transparency:** Communicating our commitments to suppliers and stakeholders, operating a complaints mechanism, monitoring progress, and reporting on actions and progress.

Our priority commodities and countries are currently cocoa in Côte d'Ivoire, hazelnuts in Turkey and vanilla in Madagascar. All priority areas are reviewed regularly to ensure we are focusing on the countries and commodities most at risk. Where cases of child labour are discovered, we expect suppliers to consider each case on an individual basis and always seek to solve the problem in the best interest of the child or children involved.

Rolling out action plans

We implement action plans to focus specifically on commodities and countries where there is a higher risk of child labour issues. These involve technical farmer support and investment in community projects that will facilitate the reduction of child labour.

In June 2012, we published a detailed [action plan](#) on the Responsible Sourcing of Cocoa from Côte d'Ivoire in response to the FLA assessment of our cocoa supply chain in the country. We also launched an action plan to eliminate child labour from our natural vanilla supply chain in Madagascar and our hazelnut supply chain in Turkey.

Engaging with stakeholders

In November 2012, Nestlé invited the FLA, the FLA's Global Forum for Sustainable Supply Chains and 38 local stakeholders to a consultation on child labour at our R&D Centre in Abidjan. The event focused on addressing child labour in Nestlé's cocoa supply chain in Côte d'Ivoire. The key objectives were to seek guidance from local stakeholders on Nestlé's child labour monitoring and remediation system, with an emphasis on identifying key performance indicators, and understanding the role that stakeholders can play in supporting Nestlé's efforts.

The participants came up with a number of suggestions to promote stakeholder engagement and provide a base for further improvements in Côte d'Ivoire. As a next step, we worked with the FLA and other experts to select the most appropriate indicators that should be measured and reported in the future.

The [stakeholder consultation report](#) summarises the outcomes of the consultation, and provides insight into our progress in addressing child labour on cocoa farms in Côte d'Ivoire.



Eliminate child labour in key commodities (cocoa, hazelnuts, vanilla)

For full details [see page 282](#)

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action plans implemented with the FLA in 2013.

Click [here](#) for the full update on our progress against the FLA recommendations on hazelnuts.

For more information on hazelnuts and vanilla, see [Responsible sourcing](#).

Progress against the FLA recommendations on cocoa

	Recommendation	Progress
1	Strengthen the Nestlé Supplier Code	<ul style="list-style-type: none"> Our Supplier Code has been revised and now includes a dedicated Human Rights section.
2	Increase awareness and understanding about the Nestlé Supplier Code	<ul style="list-style-type: none"> Completed an illustrated Supplier Code and distributed it to more than 25 000 farmers. Completed and distributed more than 2000 copies of the Nestlé Farmer Training Manual.
3	Define clear roles and responsibilities	<ul style="list-style-type: none"> Launched an HQ steering committee to set our strategic direction, and a local Nestlé Cocoa Plan committee to help us coordinate with local partners.
4	Review and strengthen contracts with suppliers	<ul style="list-style-type: none"> Visited more than 1200 farms that are UTZ and Fairtrade certified and are participating in child labour monitoring and remediation pilots. Provided two days of child labour training for 90 suppliers and Nestlé personnel. Held the Abidjan stakeholder convening in November 2012. Discussed key performance indicators during the convening, which were later agreed with ICI. Collected Sedex Members Ethical Trade Audits and published them internally.
5	Increase awareness among farmers about the policy of premium allocation and significance of maintaining social standards as a minimum requirement	<ul style="list-style-type: none"> Had a visible Nestlé presence at several premium ceremonies.
6	Develop a robust and comprehensive internal monitoring and remediation system	<ul style="list-style-type: none"> Set up a child labour monitoring and remediation system (CLMRS) in collaboration with ICI. Implemented the CLMRS in eight co-operatives and employed and trained Child Labour Agents and Community Liaison People. More than 80 of these are now mapping over 150 villages and communities. Set up a third-party grievance mechanism.



Eliminate child labour in key commodities (cocoa, hazelnuts, vanilla)

For full details [see page 282](#)

Click here for the full update on our progress against the FLA recommendations on cocoa.

7	The role that other established localities and capacities of co-operatives could play as a hub for additional extension services	<ul style="list-style-type: none"> Launched the Syngenta project, which promotes the safe supply of authorised crop protection products to farmers to help improve yields, in 11 co-operatives.
8	Facilitate collaboration and communication between local and international stakeholders, to share information, complement efforts and improve overall programme performance	<ul style="list-style-type: none"> Launched an HQ steering committee to set our strategic direction, and a local Nestlé Cocoa Plan committee to help us coordinate with local partners.
9	Scale up efforts for the Nestlé Cocoa Plan in the standard supply chain	<ul style="list-style-type: none"> The FLA has launched research into Nestlé's standard (non-traceable) supply chain.
10	Address the issue of child labour in the Nestlé Cocoa Plan supply chain through immediate steps involving a bottom-up approach	<ul style="list-style-type: none"> Trained Community Liaison People to conduct child labour awareness sessions in the community. Constructed or renovated 11 schools in Côte d'Ivoire.
11	Complement government's efforts to create alternatives for farmers and their families and relate social projects to the core business of Nestlé to create shared value	<ul style="list-style-type: none"> This is a longer-term recommendation and will be considered when creating remediation as part of the child labour monitoring and remediation system.

Next steps

Our ambition is to prevent and eradicate all forms of child labour from our supply chain, while respecting family situations and the legitimate need for rural development. As part of this commitment, we will continue to work with the FLA to implement action plans that tackle child labour in our supply chain.

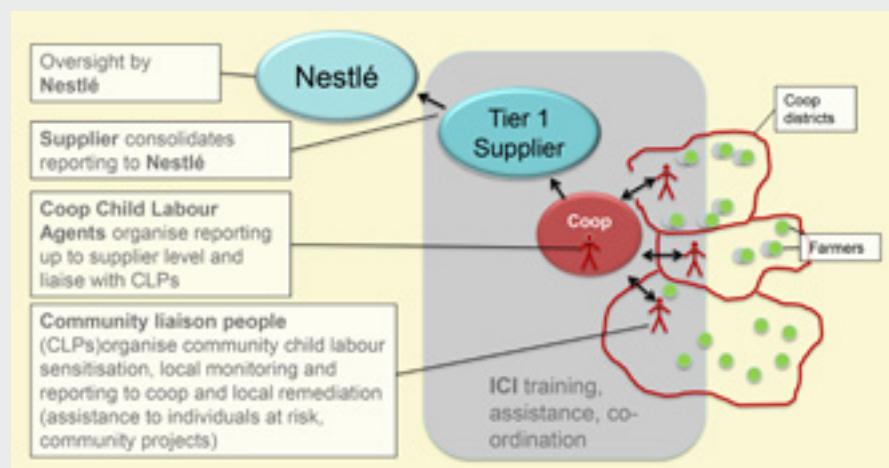
The FLA visited Côte d'Ivoire during the crop season in December 2013 and conducted independent external monitoring of several of the co-operatives that supply us. This will help us refine our child labour monitoring and remediation system.

We'll continue to work towards our goals of covering all co-operatives by 2016. We'll also expand the scope of the Nestlé Cocoa Plan, taking increasing account of gender issues and covering a larger proportion of our cocoa supply with the aim of 100 000 tonnes by 2015.

Rolling out our child labour monitoring and remediation system in our cocoa supply chain in Côte d'Ivoire

In 2013, we rolled out a child labour monitoring and remediation system across eight cocoa co-operatives in Côte d'Ivoire to help us identify specific instances of child labour (monitoring) and enable us to take appropriate measures to address them (remediation).

The system is a key component of both our FLA action plan and our Cocoa Plan. Together with the ICI, our implementing partner for this project, we are seeking to create an environment where child labour is recognised as a serious and complex issue that can only be addressed through a comprehensive stakeholder effort involving local communities, government cocoa farmer co-operatives, suppliers, non-governmental organisations (NGOs), government agencies and other relevant bodies.



How does the child labour monitoring and remediation system work?

As shown in the diagram, the monitoring and remediation system is designed to build on each key element of our cocoa supply chain – farmer communities, farmer co-operatives, cocoa suppliers and Nestlé – to identify and help address the root causes of child labour specific to each farmer community.

Farmer communities

At the community level, Community Liaison People (CLPs) are selected from the members of the cooperative by the community. They collect data on the situation of the farmers' families, organise community child labour sensitisation and report situations where children are at risk.

The individuals selected for this community liaison role play a pivotal part in the monitoring and remediation system process as they interact with farmers and their families on a daily basis.

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Farmer co-operatives

At the co-operative level, a Co-operative Child Labour Agent proposes prevention and remediation activities for children at risk, ensures follow-up of actions and liaises with local authorities, the supplier and the Nestlé coordinator.

Nestlé

Data is consolidated and reported to Nestlé, and Nestlé Côte d'Ivoire is ultimately responsible for the oversight and quality control of the monitoring and remediation system, with the active support of ICI.

Has the child labour monitoring and remediation system made a difference?

Initial results have shown that, compared to the certification audits of the past, the monitoring and remediation system is helping us get a better understanding of child labour. For instance, across the first five co-operatives where the system was rolled out, 832 children were found to be involved in hazardous farming tasks, corresponding to 10% of the children investigated. In addition, the system has revealed that 35% of children in these areas do not attend school.

Remediation assistance for these cases has started, including the provision of birth certificates and school kits to help them enrol and participate in school.

Product safety and quality

The safety, health and wellbeing of our consumers across the world is our top priority and we are committed to providing them with food and beverages that are safe, compliant with all relevant laws and standards, and of the highest quality. This will help us maintain consumer trust – something that is fundamental to the success of our business. Quality assurance and product safety are so important to us that they make up one of our 10 Corporate Business Principles, which form the basis of everything we do. As part of this pillar, we've made a commitment to never compromise on the safety of any product.

At a glance

- By the end of 2013, 650 sites were certified by the Nestlé Quality Management System, which ensures that we can deliver on our commitment to quality and safety;
- We continue to implement our Quality Pyramid, which has now been introduced at over 90% of our sites globally;
- Since the European horsemeat issue in 2013, we've been working to increase the traceability of our suppliers; and
- We have strengthened our early warning system through the Food Safety Network to ensure that there is early communication of potential risks, and that mitigation steps are taken across Nestlé to prevent an incident. We have also improved on communicating the lessons from quality events through our Learning by Sharing process, with the objective of eliminating root causes to prevent defects.

What we're doing

Governance

Each of our markets and globally managed businesses has a quality team. This team reports directly to the relevant technical or operations manager, who in turn reports to the Market Head or Chief Executive. Our global quality department reports to Nestlé's Head of Quality Management, who reports to the Chief Operations Officer.

Revising the Nestlé Quality Policy

Our work in ensuring food safety, compliance and quality is guided by the company's Quality Policy, which we are updating to further enhance consumer trust and satisfaction with all our brands, products and services. Through the updated policy, to be released in March 2014, we want to sustainably create value and effectively and efficiently build consumer and customer trust by:

- Guaranteeing food safety and full compliance by respecting our policies, principles and standards;
- Ensuring preference and consistency to delight consumers and customers by offering products, systems and services that always meet their expectations;
- Striving for zero defects and no waste by constantly looking for opportunities for continuous improvement to deliver competitive advantage; and
- Ensuring commitment across our complete value chain and at all levels of our organisation.

Nestlé Quality Management System

Our Nestlé Quality Management System ensures that we can deliver on our commitment to safety, compliance and quality. It is the foundation on which we maintain and build trust with our consumers and customers, and encompasses a range of systems that improve quality compliance and performance, from product development to consumption. To reflect our new Quality Policy, we have updated the Quality Management System so that it focuses on new requirements and initiatives across the value chain. The updated system will be released in 2014.

Third-party certification bodies ensure we comply with our Quality Management System, while our Food Safety Management System is certified against the ISO 22000 and FSSC 22000 food safety certification standards. In 2013, 94% of our manufacturing and R&D sites were certified by the ISO/FSSC 22000. The Nestlé Quality Management System and the compliance rate for these sites is 650 (91%). The Quality Management System covers the entire value chain and encompasses essential elements such as:

Good Manufacturing Practices

We apply internationally recognised Good Manufacturing Practices as a prerequisite programme to ensure food safety, compliance and quality. These address all aspects of manufacturing, including education and coaching, equipment design, standard operating procedures, machine maintenance and handling of materials.

Hazard Analysis and Critical Control Points

We use the internationally recognised Hazard Analysis and Critical Control Point system for managing food safety. It covers the entire food production process from raw materials to distribution.

Traceability

Our traceability system follows the 'one step up – one step down' principle. This means we have approved suppliers for all our raw and packaging materials, and keep records of which product we have sold to which customer.

GLOBE Quality Management System

We launched the GLOBE Quality Management System in 2013 to simplify, standardise and harmonise quality inspection activities across all Nestlé factories. The goal is to ensure a consistent level of quality in every single batch of Nestlé products, meaning that we provide consumers with products that are safe, compliant and meet their expectations. The GLOBE system, which supports the manufacturing excellence element of the zero defect target, adapts our standard inspection activities to the Model Quality Monitoring Scheme, which is specific to individual product groups such as confectionery, bouillons and infant formulas. The objective for 2013 was to deploy 60 projects, and complete 20 of them by the end of the year.

Quality compliance verification

Quality compliance is one of the three pillars of quality management, alongside food safety and quality. In 2013, we developed and launched a number of quality-specific requirements for compliance in manufacturing. These requirements, which are the basis of the Nestlé Continuous Excellence quality foundations for Nestlé manufacturing, will be annually assessed in all Nestlé factories. Last year, we introduced quality compliance verification at more than 80% of Nestlé manufacturing sites.

91%

of our sites complied with our Nestlé Quality Management System at the end of 2013.

Rolling out the Quality Pyramid

In 2013, we continued implementing the Nestlé Quality Pyramid – a behaviour-based methodology that helps us improve the quality-related behaviour of our employees. The pyramid translates quality failures, such as complaints, defects, deviations and non-conformities, into operationally defined behaviours that can be measured and managed. The objective is to prevent failures happening in the first place. We supported the roll-out of the programme by providing our markets with more than 30 examples of how the Quality Pyramid has already been implemented successfully.

Increasing traceability

Since the European horsemeat issue in 2013, in which foods advertised as containing beef were found to contain undeclared horsemeat, we have been working to increase the transparency of our suppliers so we can increase traceability. Our goal is to have visibility of the suppliers of our Tier 1 suppliers, up to the origin of their primary materials.

Food safety

As the world's largest food company, we have a responsibility to ensure that the products we manufacture are safe for consumption. We use a robust global food safety system and closely monitor the materials we use in our manufacturing processes. But our commitment to product safety goes beyond that, and we are currently looking at ways to mitigate or eliminate potentially harmful chemical and microbiological compounds from our products.

This includes understanding and controlling the naturally occurring compound acrylamide – a carcinogenic substance found in a wide range of cooked foods prepared industrially, in catering or at home. We also work closely with our suppliers and farmers to reduce the use of pesticides and the occurrence of natural toxins, nitrate and metal contamination in the raw materials we source. This helps us establish a more secure supply of safe raw materials to our factories, thereby ensuring the end product is as safe as possible.

Product recalls

We sell more than 1 billion products every day. Of these, we recalled 10 products and accessories in 2013 (2012: 11; 2011: 10) due to concerns over quality and safety.

The safety, health and wellbeing of the consumer is our top priority and our Quality Assurance and Product Safety systems continue to address the reasons for the recalls. Eliminating foreign bodies, for example, remains a key quality priority for Nestlé. By increasing awareness, introducing technological improvements such as state-of-the-art detection systems, and implementing preventive measures in our facilities and those of our suppliers, we can reduce the occurrence of foreign bodies in our products. We continue to communicate our learnings from important quality events to ensure that we can identify and eliminate root causes.

With the rise of social media and the increased precautionary approach of customers and the authorities – where defects are more likely to trigger a quality incident – it is more important than ever that we focus on eliminating quality defects. By introducing stricter and more robust controls and engaging closely with all our employees, we will ensure our products and services are of the highest level of quality and safety.

Food safety and compliance

We recalled 10 products and accessories in 2013 (2012: 11; 2011: 10) due to concerns over food safety and compliance.

Engaging with employees and consumers

We will only meet the highest levels of quality if we fully engage with our employees and encourage them to share best practice across the business. With this in mind, we have introduced a system that enables better communication across Nestlé following major quality or safety incidents. The aim is to share preventative measures and eliminate root causes so we can prevent similar incidents from occurring again in the future.

The Food Safety Network, which strengthens Nestlé's early warning system, also allows us to engage quickly with stakeholders across the company so we can mitigate any potential risks that have been identified.

We want consumers to be able to contact us immediately if there is a problem with any of our products. To this end, almost all our branded products carry an invitation to the consumer to Talk to Nestlé, and we print the relevant addresses or phone numbers on every label. Our worldwide consumer services organisation ensures that we can immediately respond to any consumer or trade complaints and can take any corrective action without delay. We are also introducing measures that will allow consumers to contact us through traditional consumer services or social media platforms at any time of the day or night.

Putting consumer safety first

In August 2013, we received information that Mepiquat, a plant growth regulator, had been detected in soluble coffee powder. Mepiquat is not registered for use as a plant growth regulator or pesticide for the growing of coffee, so its presence was non-compliant with regulation.

After this discovery, we launched an extensive investigation into our global supply of green coffee. Testing confirmed that Mepiquat is not applied as an agricultural treatment to coffee plants and is not present in green coffee beans, but trials showed that it is naturally formed when green coffee beans are roasted. This accounted for the presence of trace amounts of Mepiquat in products produced from roasted coffee, including soluble coffee powder.

Through these investigations, we were able to not only demonstrate the compliance of our coffee products, but also to provide a scientific dossier that shows that Mepiquat is formed naturally during the coffee roasting process. As this is potentially a concern for the coffee industry, Nestlé shared its findings with FoodDrinkEurope, which represents the European food and drink industry. They raised the concern with the European Commission, preventing any potential action by regulatory bodies in relation to Mepiquat. Nestlé then investigated other products that may also be affected, and discovered the same mechanism of Mepiquat formation during the processing of cereals. Again, we raised this issue with FoodDrinkEurope.

By immediately communicating a potential issue, we were able to quickly understand the science behind what was occurring and manage the situation to prevent a potential regulatory crisis.

In numbers

Total number of product and accessories recalls

2013	10
2012	11
2011	10

Nestlé Quality Management System compliance rate for sites

2013	91% (650 sites)
2012	93% (657 sites)
2011	NO DATA

Next steps

In 2014 and 2015 we will continue to work towards achieving zero defects, zero waste and 100% consumer satisfaction, while being recognised as the leading company for product quality, safety and compliance.

We have identified three top priorities:

- Eliminate foreign bodies;
- Implement our GLOBE Quality Management System; and
- Progress our Quality Compliance programme towards excellence, while continuing to sustain the areas implemented in 2013.

With the full commitment of all our employees, we will be able to prevent the recurrence of incidents and ensure effective basic food safety and compliance controls. To achieve this, we must create an emotional attachment to quality so that everyone in the value chain is engaged with the necessary level of awareness. A key challenge is ensuring that responsibilities for quality are clear, so that everybody in the company understands how they are influencing the quality of Nestlé products and services. We will also focus on increasing the traceability of all our suppliers, particularly those with whom we deal directly.

Responsible advertising and marketing

As a nutrition, health and wellness company, we have a responsibility to promote our products in ways that encourage balanced consumption, especially by children. We want to ensure that all Nestlé products are always advertised responsibly, which we do by adhering to detailed policies and principles, and voluntarily signing up to industry pledges covering more than 50 countries.

At a glance

- We commit to global compliance with our Consumer Communication Principles and Marketing Communication to Children Policy;
- We comply with the International Food and Beverage Alliance Global Policy on Advertising and Marketing Communications to Children. We have signed voluntary pledges on the marketing of foods to children covering over 50 countries; and
- In 2013, our EU Pledge compliance rate was 98.5%.

What we're doing

Our responsible marketing journey

Over the last 15 years we have strengthened our commitment to responsible advertising and marketing by publishing detailed policies and principles to be followed across Nestlé.

In 1999, we issued our first set of [Corporate Business Principles](#), which included a principle relating specifically to appropriate communication with consumers. This Consumer Communication Principle states: "We are committed to responsible, reliable consumer communication that empowers consumers to exercise their right to informed choice and promotes healthier diets."

In 2002, we released a comprehensive and detailed set of [Consumer Communication Principles](#). These principles, which still apply to all kinds of consumer communication by our marketing staff and advertising agencies globally, stipulate that our advertisements must:

- Be truthful and credible;
- Encourage moderation;
- Not generate unrealistic expectations of popularity or success; and
- Not undermine parental authority.

In 2008, with growing awareness of the effects of advertising on children, we introduced our Marketing Communication to Children Policy. The policy, updated in September 2011, states that we do not directly advertise or market our products towards children under six years of age. Advertising to children aged six to 12 is restricted to products with a nutritional profile that helps them achieve a healthy, balanced diet, including limits for sugar, salt and fat. To reflect an ever-changing world, we regularly review and update these principles and policies, and we will be updating our policy in 2014.



Market breast-milk substitutes responsibly

For full details [see page 283](#)

Read more about [Responsible marketing of breast-milk substitutes](#).

Enforcing our principles

Principles and policies mean nothing unless they are effectively implemented. We have processes in place to ensure global compliance with our Consumer Communication Principles and Marketing Communication to Children Policy. They include:

Internal

- Guidelines that explain:
 - The restrictions on advertising products that do not fulfil Nestlé's Nutritional Foundation criteria;
 - How to brief our advertising and media agencies; and
 - The conditions to meet if we sponsor an event; and
- A marketing monitoring system that reports annually on all television, print, digital and school event marketing to our internal audit group, which flags any non-compliance situations directly to the Executive Board.

External

- The International Food & Beverage Alliance (IFBA) pledge is monitored by Accenture and covers TV, print and online advertising, and company-owned websites (including corporate and brand-owned websites) aimed at children under 12 years;
- Monitoring of the EU Pledge by Accenture (TV, print, online), the independent research consultancy BDRC (schools), and the European Advertising Standards Alliance (company-owned websites); and
- National Pledge signatories are required to monitor and report on commitments in a transparent and accountable manner. Ideally independent compliance monitoring of the local pledge should be commissioned and results reported.

Making voluntary commitments

Our policies are guided by a series of global, regional and national commitments and pledges that aim to establish industry consensus on minimum standards for marketing to children.

IFBA commitment

As a member of the IFBA, Nestlé is committed to comply with their Global Policy on Advertising and Marketing Communications to Children. Each year, IFBA engages a third party to monitor and report publicly on members' compliance with the Global Policy. In 2013, the report was based on a review of close to 247 television adverts, reviewed over a three-month period across nine countries – Brazil, China (Shanghai region), Colombia, Malaysia, Russia, South Africa, Saudi Arabia, Singapore and Thailand. 50 print publications and 86 websites were reviewed across five countries – Brazil, China (Shanghai region), Russia, Singapore and South Africa. Nestlé's overall IFBA Pledge compliance rate in 2013 was 98.7% for television, and 100% for print and online.

National and regional pledges

National and regional pledges, based on the IFBA Global Policy, have been launched around the world to encourage food companies that are not IFBA members to improve the types of products advertised to children and promote balanced diets and healthy, active lifestyles. It will also enable the monitoring of both compliance and impact at a local level. To date, we have signed voluntary pledges on the marketing of foods to children covering more than 50 countries.

IFBA Pledge

Nestlé's overall IFBA Pledge compliance rate in 2013 was 98.7% for television, and 100% for print and online.

A key component of these pledges is ‘common nutritional criteria’, which set limits on calories and public health sensitive nutrients such as salt, saturated fat and sugar within specific countries or regions. They also establish minimum nutritional requirements for individual categories, such as the percentage of protein and calcium in dairy products. We already have our own Nutritional Foundation criteria, but we welcome these benchmarks as an important step towards greater transparency and consistency, and will use them to assess the nutritional composition of our products and develop healthier options.

Malaysia

In August 2013, as part of the industry’s ongoing commitment to supporting healthy, active lifestyles, the Malaysian Food Manufacturing Group launched the Responsible Advertising to Children – Malaysia pledge. Each of the signatories, including Nestlé, developed their own nutritional criteria and published individual company commitments that supported the pledge by 1 January 2014.

USA

On 31 December 2013, the Children’s Food and Beverage Advertising Initiative introduced uniform nutritional criteria in the USA. These replaced the previous, company-specific nutrition criteria for child-directed advertising. They will be reviewed periodically, such as when the 2015 Dietary Guidelines for Americans are issued, and updated if necessary.

Europe

From December 2014 the EU Pledge – a voluntary initiative by leading food and beverage companies to change the way they advertise to children – will include common nutritional criteria to encourage the advertising of healthier products. In 2013, our EU Pledge compliance rate was 98.5%. The EU Pledge and the Nestlé Nutritional Foundation already have nutritional criteria for advertising directed at children under the age of 12, and we are committed to applying the stricter of the two nutrition criteria.

In 2013, the European Heart Network conducted a project which compared the EU Pledge criteria to existing schemes in Europe. They found that the EU Pledge criteria were effectively equivalent to the other schemes used for advertising to children (e.g. the UK criteria).

Signing up to responsible advertising in Malaysia

Nestlé Malaysia has reinforced its commitment to responsible marketing of foods and beverages by signing up to the Malaysian food and beverage industry's Responsible Advertising to Children – Malaysia pledge.

The pledge stipulates that products advertised directly to children under 12 years of age⁹ must meet specific nutritional criteria based on scientific evidence and national and international dietary guidelines. It also states that advertising in primary schools is forbidden without the express consent of the school. Where advertising is used, it should only be for educational purposes.

The initiative will be overseen by the Malaysian Food Manufacturing Group, who will be responsible for monitoring Nestlé's activities on an annual basis. Signatories to the Malaysian pledge must also abide by the Malaysian Code of Advertising Practice.

The initiative is the latest in a string of commitments made by Nestlé to support active and healthy lifestyles around the world. Nestlé, along with the other signatories to the pledge, will develop its own nutritional criteria and publish a specific individual company commitment in January 2014.

In numbers

IFBA Pledge compliance by medium.

Nestlé compliance rate (%)

TV	93.7
Print	100
Online	100

Next steps

We will continue to review and update our principles to ensure that all our products are advertised in a legal and honest way.

⁹ Where at least 35% of the TV, radio or print audience is under 12 years of age.

Responsible marketing of breast-milk substitutes

We believe that breastfeeding provides the best start a baby can have in life. We fully support the World Health Organization (WHO) recommendation of exclusive breastfeeding for the first six months of life, followed by the introduction of adequate nutritious complementary foods, along with sustained breastfeeding for up to two years and beyond. If mothers and families, in consultation with their healthcare providers, decide that breastfeeding as recommended is not possible, infant formula plays a vital role in providing essential nutrients to infants. Infant formula is the only suitable breast-milk substitute recommended by the WHO. We are committed to making our infant formula products available in a responsible manner to those who need them.



Market breast-milk
substitutes responsibly

For full details [see page 283](#)

At a glance

- Nestlé takes the responsible marketing of breast-milk substitutes very seriously, and invests significant resources to ensure full compliance with local legislations and its own very stringent policy drawn from the WHO Code;
- We remained in the [FTSE4Good Index](#) for the second year in a row, with a recent audit confirming that we continue to meet the FTSE4Good's criteria for responsible marketing of breast-milk substitutes. We also work towards strict implementation of the areas for improvement identified by the FTSE4Good's independent verification process of the breast-milk substitutes Marketing Criteria;
- In 2013, we further improved our approach to the responsible marketing of breast-milk substitutes. In 152 higher-risk countries, we increased clarity around the application of the WHO Code, improved communication with our distributors and customers about Code compliance, and strengthened our internal and external mechanisms for reporting concerns about Nestlé's marketing of breast-milk substitutes; and
- We enhanced the transparency of our reporting on compliance in higher-risk countries.

What we're doing

Compliance

In 1981, following public health concerns about the marketing and inappropriate use of breast-milk substitutes, the WHO introduced the International Code of Marketing of Breast-milk Substitutes (WHO Code). The Code promotes the safe and adequate provision of nutrition for infants and ensures the proper use of breast-milk substitutes, when necessary, on the basis of adequate information and through appropriate marketing and distribution.

In 1982, we began implementing policies based on the WHO Code in developing countries – and were the first company to do so. Since then we continuously improve our policies, and remain committed to marketing our infant food products in accordance with the WHO Code as implemented by national governments everywhere in the world.

In 152 countries considered to be higher risk in terms of infant health, we follow national regulations or our own, stringent policy based on the WHO Code – whichever is stricter. This means we:

- Do not advertise or promote breast-milk substitutes for infants up to 12 months of age;
- Do not give free infant or follow-on formula samples to mothers or to hospitals for use by healthy newborn babies;
- Do not market cereals and baby foods for infants younger than six months;
- Carry out independent external audits and report the results externally;
- Investigate and publicly respond to allegations of non-compliance; and
- Take disciplinary measures against Nestlé personnel who deliberately violate the company's policy.

Good governance

We have extensive management systems to ensure all our operations comply with our own stringent policies, FTSE4Good's criteria on the responsible marketing of breast-milk substitutes and local regulations implementing the WHO Code. These systems outline our policies and procedures and give detailed operational guidelines to all employees involved in the sale and marketing of breast-milk substitutes.

Nestlé Nutrition CEO, Luis Cantarell, who is a member of our Group Executive Board, is accountable for implementing and monitoring Nestlé's compliance with the aim and principles of the WHO Code. An internal Code Compliance Committee oversees compliance with our internal policies based on the WHO Code and with FTSE4Good breast-milk substitute marketing criteria.

Training our employees

Nestlé employs 333 214 people across 122 countries worldwide and while it is challenging, we must ensure that all our people fully understand the importance of complying with our WHO Code policy, so that we can implement it successfully. In 2013, we trained 100% of our infant formula marketing and sales staff in higher-risk countries in our WHO Code policy (2012: 100%; 2011: 100%), and we regularly test employees on their knowledge of the WHO Code and our policies related to it. Deliberate or serious violations of our policies lead to disciplinary action, including termination of employment. We do not provide incentives to our staff based on the sales volumes of breast-milk substitutes. We also take knowledge of our WHO Code policy and compliance into account when evaluating individual employee performance.

Training distributors and third-party suppliers, and informing retailers

We do our utmost to ensure that third parties, such as our numerous retailers and distributors, comply with our WHO Code compliance. There are, however, a number of challenges in this area. These include reaching out to the high number of distribution points, which are often small outlets with whom we have no direct relationship, and the important obligation of complying with antitrust and commercial legislation which limits a manufacturer's ability to impose business practices to third-party traders. To address these challenges, we regularly train distributors and invest significant resources to make them fully aware of our policies and procedures.

FTSE4Good

We remain the only infant formula manufacturer included in FTSE's responsible investment index, based on our performance in human rights, labour rights, responsible marketing of breast-milk substitutes and more.

WHO Code policy

100% of infant formula marketing and sales staff in higher-risk countries trained on our WHO Code policy in 2013 (2012: 100%; 2011: 100%).

Our work has included:

- Adding a clause to all formal agreements and contracts with third parties stating that, in higher-risk countries, sales of Nestlé breast-milk substitute products should comply with the WHO Code or the national code, whichever is stricter;
- Developing guidelines on WHO Code compliance and issuing them to distributors and retailers;
- Encouraging our distributors and customers to share our guidelines with their clients;
- Training our distributors on our WHO Code compliance policy; and
- Informing retailers on our requirements related to WHO Code compliance.

Verification

We have three key mechanisms to verify compliance with our policies and the FTSE4Good breast-milk substitute marketing criteria – internal corporate audits, external audits carried out by Bureau Veritas, and FTSE4Good’s independent verification process of the breast-milk substitute marketing criteria. We’re also committed to being transparent about our compliance record and, to this end, we publish information about the results of these verifications.

Internal corporate audits

We conduct rigorous internal audits to ensure we comply with the [Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes](#), and with national legislation, across our operations. In 2013, 31 countries were audited by our corporate auditors. We are strongly committed to transparency and issue regular, public reports on compliance with our WHO Code policy. We take any necessary corrective action as soon as possible and integrate what we learn into our management systems.

Annual Code compliance reports and external audit summaries are available here:

2012	2012 External Report on Nestlé’s WHO Code compliance – English
2011	2011 External Report on Nestlé’s WHO Code compliance – English
2010	2010 External Report on Nestlé’s WHO Code compliance – English

Bureau Veritas

Nestlé is regularly audited by Bureau Veritas – one of the world’s leading verification and auditing firms. Bureau Veritas carries out audits of our Code compliance in a minimum of three countries each year, and in 2013 they conducted independent audits in Pakistan, China and Botswana.

The latest Bureau Veritas Assurance Statements can be found here:

2013	Pakistan	China	Botswana
2012	Ukraine, Armenia	Vietnam	Argentina
2011	Cameroon	Jamaica	Laos

FTSE4Good criteria on the responsible marketing of breast-milk substitutes

We are also the first, and until now the only, infant formula manufacturer to be included in FTSE4Good – the responsible investment index of the FTSE Group, a world leader in the provision of global index and analytical solutions.

FTSE4Good is the only global responsible investment index that has developed clear criteria on the responsible marketing of breast-milk substitutes, and breast-milk substitutes manufacturers included in the index must undergo an external verification process. One of our key commitment objectives is to maintain our inclusion in the FTSE4Good Index.

To find out more about the FTSE4Good criteria on the responsible marketing of breast-milk substitutes, [click here](#).

PwC audit and report

In 2012, PricewaterhouseCoopers (PwC) was reappointed by FTSE4Good to carry out an independent audit to verify our compliance with the FTSE4Good breast-milk substitutes marketing criteria in two higher-risk countries – Morocco and Laos. Countries are considered higher risk if the mortality rate of children under five is more than 10 per 1000, or if the level of acute malnutrition in under-fives is higher than 2%. The PwC Verification Assessment Report – published following the audit in July 2013 – confirms that we continue to meet the FTSE4Good criteria for responsible marketing. Incidentally, 2013 was the first time the full report had been made public.

We are currently following up on the areas of improvement identified in the report and are already taking actions to address them. Our progress can be measured through the Annual External Report which we publish on our website as well as the verification reports produced by Bureau Veritas and PwC. We invite all interested parties to [consult these reports](#), which we make public as evidence of our commitment to transparency and continuous improvement in our practices.

Continuous improvement

We welcome FTSE's initiative in developing the FTSE4Good breast-milk substitute marketing criteria. The inclusion process is a key building block of our commitment to transparency, compliance and good governance, and we see it as an opportunity for us to implement the WHO Code even more effectively. Furthermore, we believe the FTSE4Good assessment is an important platform for raising the standards of the breast-milk substitute manufacturing industry as a whole.

Since our initial inclusion in the Index in 2011, the FTSE4Good assessments have allowed us to improve our global business operations in the area of infant nutrition. This includes:

- Enhancing the transparency of our Compliance Management System;
- Applying a more systematic approach to compliance with our policies and procedures relative to the responsible marketing of breast-milk substitutes; and
- Improving clarity regarding the application of the WHO Code in 152 higher-risk countries.

The FTSE4Good process has also led to significant improvements in our operations at country level, and following the recommendations from the 2011 and 2012 assessments we have introduced several key initiatives in higher-risk countries:

- We have improved the packaging of our products where appropriate to ensure they are adapted to local conditions. This includes modifying the size of packages so that they can be conveniently purchased and safely stored. We are constantly revising our product packaging to ensure that the labels on all products legally commercialised by the company can be read in local languages in compliance with the WHO Code and national regulations;
- We have introduced strict placement and signage guidelines to ensure display cabinets are used appropriately in pharmacies and other dedicated retail outlets. Any display cabinets that do not conform to these guidelines are removed, and we have voluntarily removed all display cabinets in countries where we do not have appointed distributors or Nestlé operational set-ups;
- We have strengthened our internal and external reporting mechanisms so that any concerns about Nestlé's marketing of breast-milk substitutes can be raised with us directly. This improves our ability to investigate – and if necessary address – any violations;
- We are also in the process of establishing Code Compliance Committees in all of our higher-risk countries and are actively working to implement a stronger internal whistle-blowing system;
- Furthermore, we frequently remind our employees that they are able to raise any concerns regarding the marketing of breast-milk substitutes through our internal WHO Code Ombudsman System, and external stakeholders are invited to report any concerns directly to our corporate headquarters; and
- Compliance is the highest priority for our company, which is why we've strengthened the internal reporting mechanism between our markets and the corporate headquarters. The results of our internal compliance monitoring are reported annually to our Board of Directors.

Transparency

We encourage our employees to contact us if they have any questions or concerns regarding the marketing of our breast-milk substitute products. Our strengthened internal WHO Code Ombudsman System, which we launched in 2002, allows employees in higher-risk countries to report concerns about our infant food marketing practices confidentially, outside their line management. Any employee can report allegations or concerns about Code compliance directly to the Group Ombudsman – currently our Executive Vice President for Human Resources.

This approach is supported more widely by the Nestlé Integrity Reporting System, which enables all employees to anonymously report any illegal or non-compliant behaviour they observe. For more on this, please refer to the [Managing compliance](#) section. By the end of 2013, 90% of countries had introduced it, up from 35% in 2012.

We investigate all concerns and allegations about non-compliance with the WHO Code, our policies or local regulations. Our [Tell Us](#) system, launched in January 2014, provides all external stakeholders with a means to report potential violations via the internet or by telephone.

WHO Code

In 2013, there were 27 contraventions to the Nestlé Policy and Instructions for Implementation of the WHO Code requiring remediation.

Engaging constructively with stakeholders

We believe that effective cooperation between all key stakeholders, including governments, industry and civil society organisations, is necessary to ensure the responsible marketing of breast-milk substitutes. Whenever we engage with our stakeholders we follow the [Nestlé Policy on transparent interaction with authorities and organisations](#).

It is our hope that all concerned stakeholders can come together to establish a widely accepted and transparent process for the assessment of industry-wide marketing practices of breast-milk substitutes and as a means to raise industry standards.

NGOs

Through our annual stakeholder convenings, we seek constructive dialogue with a variety of NGOs and interest groups on the topic of maternal, infant and young child nutrition. In 2013, we held one stakeholder convening with a number of NGOs which addressed, among other topics, maternal, infant and young child nutrition.

We also aim to work constructively with concerned stakeholders. We are hopeful that a fact-based and constructive dialogue, which keeps the health of children at the centre of the discussion, will help us achieve our goal of contributing to the optimal health and nutrition of mothers, infants and young children.

Collaboration with other infant food manufacturers

We're a founding member of the International Special Dietary Foods Industries, which promotes industry dialogue with the WHO and governments. We are also member of the European Dairy Association and the Association of the Food Industries for Particular Nutritional Uses, and take part in national associations in countries where they exist.

Governments and international organisations

We work with national and international health organisations to help develop balanced, science-based public health policies that support the aim and principles of the WHO Code.

We aim to:

- Encourage detailed research and development into infant and young-child nutrition;
- Help increase public awareness of sound infant feeding practices; and
- Promote balanced legislation and science-based regulation at national, regional and international level.

We are committed to making our positions on maternal, infant and young-child nutrition publicly available:

- [Position statement on WHO MIYCN implementation plan 2012](#)
- [Position statement on promoting health through the life course 2013](#)
- [Position statement on WHO reform: Governance reforms engagement with NGOs 2013](#)

Addressing stakeholder concerns

We recognise the importance of responding to questions consumers and other stakeholders may have about infant food and breast-milk substitutes, and we have a [frequently asked questions](#) page dedicated specifically to the subject. On that page, we address questions such as 'What is Nestlé's view on breastfeeding?' and 'How does Nestlé address allegations relating to the WHO Code and why do they persist?'

We encourage stakeholders and the general public to bring to our attention any concerns regarding our breast-milk substitute marketing practices. Below are our responses to concerns raised directly with us:

Nestlé's response to Baby Action's concerns regarding Wyeth Nutrition's marketing practices in the UK (pdf, 90 Kb)	08/08/2013
Nestlé on Save the Children report and petition 'Superfoods for Babies' (pdf, 17 Kb)	08/04/2013
Nestlé and Bear Brand sweetened beverage creamer (pdf, 88 Kb)	10/12/2012
Nestlé responds to Baby Milk Action concerning Wyeth's marketing practices (pdf, 58 Kb)	25/06/2012
Nestlé's response to the court case on labelling in India (pdf, 45 Kb)	24/04/2012
Nestlé publishes results of external audit in Laos (pdf, 94 Kb)	29/11/2011
Nestlé responds to allegations of non-compliance with the WHO Code in Armenia (pdf, 56 Kb)	29/11/2011
Nestlé investigates allegations by NGOs in Laos (pdf, 52 Kb)	07/07/2011

Aligning Wyeth Nutrition

We completed the acquisition of Wyeth Nutrition in November 2012, following the successful conclusion of the regulatory process in most countries. We are now working to align Wyeth Nutrition's business practices and compliance systems with our stringent WHO Code policies and management systems.

This alignment work includes:

- Assessment by Bureau Veritas of Wyeth Nutrition's practices and compliance procedures in a number of key markets, and analysis of the gaps with Nestlé WHO Code policies and management systems;
- Awareness building and training of Wyeth Nutrition's staff on our WHO Code policies and management systems, and FTSE4Good requirements;
- Organising of compliance teams for Wyeth Nutrition;
- Developing action plans for alignment by the end of 2013, and implementing changes identified as necessary across Wyeth Nutrition's business; and
- Monitoring progress and carrying out internal assessments of Wyeth Nutrition's practices and procedures in higher-risk countries, and taking corrective action to ensure alignment with Nestlé's policies and Code management systems.

In numbers

Nestlé contraventions to Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes requiring remediation

2013	27
2012	22
2011	19

Infant formula marketing and sales staff in higher-risk countries trained in the WHO Code (% of staff)

2013	100
2012	100
2011	100

Next steps

Clearly, the responsible marketing of breast-milk substitutes requires concerted efforts. We believe that only an open collaboration with all relevant stakeholders, including retailers, governments and civil society, will help the industry as a whole to achieve this. We look forward to engaging with our stakeholders to reach a consensus on the interpretation and application of the WHO Code, and will discuss how to set up a platform to promote responsible conduct within the industry.

We will also continue to improve our Code compliance management systems and procedures based on experience and feedback from stakeholders. We will strive to remain in the FTSE4Good Index, as the process is a key part of our commitment to transparency, compliance and good governance, and have launched action plans to address the areas of improvement identified in the 2012 PwC report.



Market breast-milk substitutes responsibly

For full details [see page 283](#)

Consumer privacy

We regard privacy as a human right and are fully committed to protecting personal data and keeping consumers, employees and other stakeholders fully informed about how this data is processed. Our approach includes having a clear, robust policy in place and engaging closely with the industry.

At a glance

- Our approach is founded on our Internal Privacy Policy, which features six key principles that all employees and contractors of Nestlé companies must comply with when processing personal data;
- In 2013, we completed privacy compliance assessments on many of our websites; and
- We're also working with our key technology partners to decide exactly how personal data should – and should not – be used in marketing activities.

What we're doing

Internal Privacy Policy

Our Internal Privacy Policy, set by Group Compliance, sets out the privacy strategy and features six key principles that all employees and contractors of Nestlé companies must comply with when processing personal data. Such data must:

- Only be processed for specific and legitimate business purposes;
- Be processed fairly and lawfully;
- Be properly managed;
- Be protected against unauthorised processing and damage;
- Be accessible when in the form of data collections; and
- Not be transferred to third parties or other countries without adequate safeguards.

Nestlé's Group Data Protection Office verifies compliance with our Privacy Policy, and provides advice, assistance and guidance to other departments on its implementation. When it comes to processing sensitive personal data, further restrictions apply.

Monitoring compliance

From the detailed consumer privacy audits we have completed in our IT operations and in selected markets, we identified inconsistencies in the way we inform consumers of their privacy rights. We have therefore decided to simplify and clarify our privacy notices across our large number of digital assets.

We have also renewed our internal Digital Privacy and Hosting standards to provide better security assurances to our consumers, and our Group Information Systems/Information Technology security committee, which meets quarterly, oversees data management.

Engaging with the industry

The global privacy landscape is constantly changing. With this in mind, we closely monitor changes in the regulatory environment and come up with scalable solutions that meet our consumers' expectations.

We're also working with our key technology partners to decide exactly how personal data should – and should not – be used in marketing activities. We believe that, if in doubt, we should always presume that consumers would prefer privacy.

Next steps

We will continue to engage with the industry, and with our stakeholders, to make sure we are at the forefront of changes in the regulatory environment. A key focus is our work towards obtaining ISO 27001 certification for our consumer relationship management systems. ISO 27001 is the best practice specification that helps businesses and organisations throughout the world to develop an information security management system.

Our long-term goal is to make privacy part of everyone's mind-set, rather than the responsibility of a specific individual or group.

View the detailed commitments we've made in [Human rights and compliance](#).

Our People

Our people make Nestlé, and keeping our employees and contractors safe and healthy is our top priority. We also want to provide opportunities for all, nurture talent and help our people achieve their potential – by supporting their development to the best of our ability, and keeping them motivated and engaged.

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The year in brief – 2013 at a glance

Safety and health

1 900

Managers trained to increase their safety and health leadership capabilities

597

Operational sites with safety and health management systems certified to OHSAS 18001

Workplace wellness

25

Countries that have launched their own local flexible working guidelines

Labour relations

51%

Share of global workforce covered by collective bargaining agreements

100%

Share of industrial disputes resolved through local dialogue and engagement

Diversity

No. 1

Nestlé named Company of the Year at the 2013 European Diversity Awards

31%

Share of Nestlé management positions held by women

Developing talent

23 hours a year

Average amount of training per employee

20 000

Young people in Europe to be offered employment, training or apprenticeships by 2016

25

Markets that launched local mentoring programmes in 2013

Employee engagement

78%

Share of global workforce participating in our last employee survey

Challenges we've faced

Labour disputes

Labour disputes and strikes, arising in different markets for a variety of reasons, continue to be a challenge but we resolve them through constructive dialogue in line with our policies and principles.

Workplace wellness

Proving the value of our existing initiatives to internal stakeholders

remains an ongoing challenge, but we seek to share good practice so that markets can learn from each other and implement what works well.

Youth unemployment

There is extremely high youth unemployment, particularly in countries such as Greece and Spain, but through our European youth employment initiative, Nestlé aims to offer employment and apprenticeships for many thousands of young people across Europe.

Inside the issue: our people challenges

A total of 333 214 people – from factory workers to scientists, and sales representatives to business managers – work for Nestlé, performing a wide variety of roles. How we respond to their many and diverse needs plays a key part in determining how successful we are.

Today's businesses need to make more of the talent they have. They need to respect their people, listen to them and engage with them to resolve various issues. For example, we recognise that gender equality and women's rights are critical to Creating Shared Value for our business and for society. It is essential that we help to increase women's participation in, and contribution to, the value chain in a sustainable way. And we are determined to do so.

We also need to make sure employees remain safe and healthy at work, and are supported to develop their careers and reach their potential.

Businesses such as Nestlé have to learn to be nimble and more responsive to a rapidly changing world and a highly competitive employment market. To help address the unemployment crisis and attract and retain some of the best talent, Nestlé will offer thousands of jobs, traineeships and apprenticeships to young people across Europe.

A focus on gender balance and diversity will also be crucial for gaining a competitive advantage in slowly recovering economies.

Our people commitments – and why we make them

Our people constitute an active and dynamic workforce. We depend on their diversity, energy, imagination, skills and knowledge for our competitive advantage. And they, in turn, expect to be treated with fairness and respect, and count on us for a safe workplace that provides them and their families with a good standard of living, wherever they are in the world.

Read more in [Managing our people](#).

Key commitments

The commitments we make to our people are set out in a range of [policies and principles](#) described in this section.

With regard to our people, our stated commitments are to:

- [Ensure that all Nestlé units have the necessary systems in place to deliver the same level of basic safety and health protection for all employees;](#)
- [Enhance gender balance;](#)
- [Offer 20 000 new job opportunities for young people below 30 years of age at Nestlé in Europe; and](#)
- [Provide training and education for our employees.](#)

More specifically, our aims and objectives span:

- An ambition of zero fatalities, injuries and work-related illnesses;
- Working towards our goal of not requiring or encouraging more than 60 hours working time per week across our operations, where maximum working time limits are higher or where no relevant local rules are in place;
- Promoting people's rights to freedom of association and collective bargaining, and engaging openly with trade unions and employee representatives;
- Providing equal opportunities for everyone;
- Implementing a fair and transparent rewards policy; and
- Providing access to best practice training, tools and education for everyone at Nestlé.



Ensure that all Nestlé units have the necessary systems in place to deliver the same level of basic safety and health protection for all employees



For all objectives, we aim to fulfil our commitment by 31 December of the year stated.

By 2016 – Certify the safety and health management systems for all office-based and sales staff.

Our progress

In 2013, the safety and health management systems at 442 factories, 130 distribution centres and 25 R&D centres were certified to OHSAS 18001 (2012: 418 factories, 130 distribution centres and 24 R&D centres).

Our perspective

Improvement in our safety and health systems and their certification needs long-term engagement across the organisation in every market, whether our businesses are field- or office-based. This can be challenging, as it may entail a significant behavioural step change in markets where the current level of engagement of sales and office-based staff in safety and health is low.



Enhance gender balance

By 2018 – Be a gender balanced company by creating the enabling conditions in our work environment to achieve annual increases in the percentage of women managers and senior leaders (market management members and key roles at the Centre).

Our progress

We have signed up to the UN Women's Empowerment Principles and are ensuring men and women at management level progress at the same rate. In 2013, 31% of our managers were women (2012: 29%), 19% of whom were in senior leadership roles.

Our perspective

Men have dominated the world of business for centuries, but the changing role of women and men in society in recent years has created a need for gender balance at all levels. Nestlé, along with many other food and drink manufacturers, has been slow to take action on addressing this, but we do believe that different ways of thinking complement each other and lead to better decisions – gender balance simply makes business sense. However, we remain opposed to setting artificial quotas, preferring to put strategic steps in place to encourage a natural gender balance, promoting the best person for the role.



Offer 20 000 job opportunities for young people below 30 years of age at Nestlé in Europe

By 2016 – Nestlé will hire 10 000 young people and 10 000 trainees or apprentices below 30 years of age in Europe.

Our progress

We have announced a three-year Europe-wide plan to help at least 20 000 people under the age of 30 find employment. We are also encouraging our European suppliers to offer jobs, apprenticeships or traineeships to young people.

Our perspective

Youth unemployment is a major issue in Europe, with one in four young Europeans – about 5.6 million people – affected. Nestlé is growing in Europe and needs to prepare the next generation. Attracting and retaining the best talent is critical for gaining competitive advantage in a slowly recovering economy, and Nestlé will offer thousands of jobs, traineeships and apprenticeships to under-30s by 2016. The roles will be across the business and at all levels – from operators on the factory floor to sales assistants and business managers. We will capture our progress against all markets' objectives with regular monitoring across all European operations.



Provide training and education for our employees in CSV, Nutrition Quotient (NQ) and environmental sustainability

By 2014 – Creating Shared Value will be embedded in all courses at our international training centre in Switzerland (reaching approximately 3000 current and future leaders annually), e-learning designed and made available to all employees, and a new leadership course piloted.

By 2015 – For Nutrition Quotient (NQ)¹ training, our company-wide commitment is to have all Nestlé employees trained at least once on the NQ Foundation Module by the end of 2015, including an e-learning module.

By 2016 – Strengthen our ability to meet our commitments through environmental awareness sessions for our employees. Environmental awareness training will be run in all countries by 2016.

Our progress

In 2013, environmental awareness training and education sessions for our employees were held in 79 countries (2012: 52 countries). More than 245 650 employees around the world have completed NQ training since the programme was launched in 2007 and, in 2013, 108 083 people received refresher training.

Our perspective

It is always a challenge for any training or education to influence day-to-day activity. To meet this challenge we start by systematically including Creating Shared Value in management training. Specifically on nutrition awareness, the aim of the NQ training programme is to ensure everyone at Nestlé has a good nutrition understanding and is empowered to apply the learning in their professional activities and day-to-day lives, while our Nestlé Environmental Management System fosters a systematic, employee-involved, continuous improvement culture that helps us develop more environmentally sustainable business practices. In 2013, we added an Environmental Sustainability Leadership – We Make Nestlé Resourceful workshop, providing new tools and approaches for employees and enabling different functions to share ideas.

How we're meeting them

Our people culture starts with the Nestlé [Corporate Business Principles](#). Our [Management and Leadership Principles](#) and [Code of Business Conduct](#) set the standards we expect of everyone at Nestlé; and in turn, our various [Human Resources policies](#) set out how we treat our employees. Our [Policy on Safety and Health at Work](#) sets out our commitment to prevent work-related injuries and illness along the value chain, and our efforts to keep everyone who works for us safe and healthy are supported by the Nestlé Occupational Safety and Health Management System.

¹ Nestlé's Nutrition Quotient training programme helps our people make both personal and business nutrition choices based on the most up-to-date scientific evidence.

Our stories

Find out how we're putting Creating Shared Value into action:

- [In focus: The Nestlé Academy](#)
- [Keeping people safe in the Philippines](#)
- [Improving workplace health through ErgoPro](#)
- [UK diabetes awareness campaign](#)
- [Nestlé Cameroon's malaria eradication project](#)
- [Union settles with Nestlé Japan after 31 years](#)
- [Improving industrial relations through leadership behaviours](#)
- [Developing local talent](#)

Our people in focus: the Nestlé Academy in the UK

Youth unemployment is a major issue in Europe, with one in four young Europeans – about 5.6 million people – affected. Nestlé is growing in Europe and needs to prepare the next generation. Attracting and retaining the best talent is critical for gaining competitive advantage in a slowly recovering economy, and Nestlé will offer thousands of jobs, traineeships and apprenticeships to under-30s by 2016.

We looked at all aspects of talent attraction, engagement, selection and development, with a particular focus on apprentices and graduates moving from education to employment. We have changed the way we engage with young people in schools, colleges and universities, changed our attraction methods, introduced new selection processes and improved our development programmes.

In the UK the Nestlé Academy was launched in November 2011 to grow our own pipeline of high-performing talent and to develop the future leaders of our business. We recognised that our talent processes needed to change to reflect both internal and external factors – young talent not moving up through the organisation, limited entry points and a lack of coordination across development programmes, combined with rising tuition fees and youth unemployment.

The Academy is focused on driving lifelong learning throughout our business and creating opportunities for engaging and exciting careers. By creating a number of flexible entry points, we hope to attract a wide variety of people and form a diverse and dynamic environment that sparks innovation, creativity and high performance. Through the Academy, we have a chance to increase social diversity and promote gender balance in all functions and areas of the business.

We have developed the Fast Start School Leaver Programme, offering an additional way into our organisation for individuals who otherwise may not have been able to afford to go to university. Half our intake in 2013 were the first generations in their families to go to university. On the Fast Start programme, individuals gain invaluable experience in four commercial functions while studying for a Bachelor's degree in Professional Business Practice. This combined programme allows individuals to put their learning into practice while developing key transferable skills.

Our apprenticeship scheme has grown, both in terms of the numbers we hire and the range of disciplines we offer, and increased the number of women moving into engineering roles. We have also been promoting women in engineering and manufacturing through our graduate campus attraction activities, including national press coverage with current and former graduates highlighting their career development and opportunities. The number of women recruited into traditionally male-dominated graduate roles has increased from 33% in 2010 to 60% in 2013.

Our Academy in the Community programme supports local schools and colleges through initiatives such as Speakers for Schools and Inspiring the Future. By offering Career Insight Talks, we aim to inspire and educate young children about our sector and show them where their passion and potential could take them, while real-life case studies help to dispel the myths around apprenticeships and our industry. We have also engaged with local unemployed youths through the Skills for Work initiative, offering CV workshops, interview skills, coaching and career guidance at our factory sites. We have a responsibility to address youth unemployment and help to create and inspire our workforce of the future.



The Nestlé Academy in the United Kingdom aims to develop a culture of lifelong learning across the organisation, while attracting and retaining the brightest talent.

60%

The increase in the number of women recruited into traditionally male-dominated graduate roles in 2013.

In the UK, Nestlé is already seeing the positive effects of the Academy through the improved calibre of applicants to our programmes, a shorter graduate recruitment process, improvements in Nestlé's position in external ranking tables such as the Times 100, and the greater contribution of our trainees to our business. We have also changed our recruitment methodology, moving to a strengths-based method and removing personal data from applications to eliminate unconscious bias.

Recruiting using a strengths approach allows us to take recruitment decisions on potential rather than the traditional competency-based approach. This has had positive results for Nestlé and also for candidates: 99% of those who attended our assessment centres told us the experience had been more enjoyable than more traditional, competency-based assessment centres and almost 95% said that it gave them a better impression of our brand and our industry.

The real benefits of the Academy will not be seen until our trainees really begin to progress through our talent pipeline over the next few years. We still see considerable work ahead, but with the launch of our [European youth employment initiative](#), the future is exciting and we can see how the Academy will deliver for the business, for the industry and for our workforce of tomorrow.

Managing our people

We manage people based on the principles of integrity, honesty and fair dealing, and our approach is clearly outlined in our [Corporate Business Principles](#). Our [Management and Leadership Principles](#) and [Code of Business Conduct](#) state the principles and values we expect everyone at Nestlé to uphold. We monitor compliance with these standards through regular auditing and performance reviews across the company.

At a glance

- We continuously improve safety and health using the Nestlé Occupational Safety and Health Management System;
- Our Employee Relations Policy supports our commitment to a culture of open dialogue;
- We aim to recruit people who fit with our company culture, values and skills requirements, using a combination of internal promotion and external recruitment; and
- We are clear on the standards we expect from our people – we do not tolerate discrimination.

Delivering our commitments

Governance and oversight

Strategic responsibility to ensure that we manage our 333 214 people to the highest standards lies with Peter Vogt, the Head of Human Resources, Direction of HR and Centre Administration, while final accountability rests with our Executive Board and our CEO.

Our HR structure is based on three dedicated areas:

- **Centres of expertise**, which provide specialised services to the business;
- **Business partners**, who embed HR strategies within specific areas of the business; and
- **Employee services**, which provide transactional HR support to all business functions.

In 2013, our strategic HR priorities included:

- A more gender-balanced leadership team and a more diverse talent pool;
- Using our Employer Brand and e-recruitment to attract high-potential talent;
- Improving business performance and leadership capabilities;
- A greater focus on performance management and improved recognition and reward;
- Better business execution through expertise in the education and training pillars of Nestlé Continuous Excellence, our Group-wide initiative to delight consumers, deliver competitive advantage and excel in compliance;
- Living a responsible culture by focusing on safety and health, and creating local action plans on working conditions;
- Continuing to develop our HR capabilities; and
- The flawless execution of our own HR practices.

Corporate policy

We understand that attaining the maximum performance and potential from our people is key to achieving competitive advantage. Our approach is supported by a number of policies and management systems:

- [Management and Leadership Principles](#) – these outline the culture, values and principles we expect all our employees to uphold, and what we expect of our managers and leaders;
- [Code of Business Conduct](#) – which describes the corporate principles and values we have committed to worldwide;
- Policy on Conditions of Work and Employment – this sets minimum requirements and goals for working conditions in all countries (read more below);
- [Policy on Safety and Health at Work](#) – describes our commitment to preventing injuries and illness related to work, and to protecting employees, contractors and others involved along the value chain (read more below);
- Enterprise Risk Management Principles – enable management to raise risk awareness, anticipate risks early, and make sound business decisions by understanding the impact of different types of tangible (financial, operational, etc.) and intangible (reputation, intellectual property, etc.) risks and their causes;
- [Employee Relations Policy](#) – which describes our commitment to a culture of open dialogue with our employees and external stakeholders (read more below);
- [Supplier Code](#) – this sets out the non-negotiable standards we expect our suppliers, agents, subcontractors and their employees to adhere to; and
- [Policy on Human Resources](#) – guides the efficient and effective management of Nestlé people around the world.

Policy on Conditions of Work and Employment

The Nestlé Policy on Conditions of Work and Employment sets goals and minimum requirements regarding work arrangements and conditions in all countries, in line with the International Labour Organization (ILO) core conventions, and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

We aim to achieve continuous improvement in working conditions by focusing on:

- **Regular and temporary employment:** We favour regular employee status for core activities and, where we do use temporary employees to meet the short-term needs of the business, we comply with local laws. No one at Nestlé should be subject to differences in employment conditions as a result of their employment status.
- **Outsourcing to service providers:** According to our [Corporate Business Principles](#) and the [Supplier Code](#), service providers and their employees should adhere to certain minimum standards relating to labour standards (such as working hours and compensation) and the safety and health of their employees.
- **Working time:** In our Policy on Conditions of Work and Employment, we emphasise the need to comply with local legal requirements in our operations. In parallel, we continue to work towards the goal of requiring not more than 60 hours' working time (including overtime) per week.
- **Competitive and fair wages:** We provide competitive wages and benefits that are compliant with legal minimum wage levels and collective bargaining agreements, and that allow employees to cover their needs according to local standards of living.

Safety and health management

Our Safety and Health Roadmap towards Excellence sets out our long-term Group ambition, our strategic priorities and the key areas where we will focus our efforts to drive improvement for 2012–2015.

Read more about [safety and health](#).

We continuously improve our safety and health policies, standards, procedures and processes using the Nestlé Occupational Safety and Health Management System.

Nestlé Occupational Safety and Health Management System



When developing their own plans, we expect our businesses and support functions to use this roadmap while considering local and business-specific priorities. An example of how one business has adapted the overall roadmap to its specific needs is the Nestlé Waters roadmap below.

Nestlé Waters Safety and Health Roadmap



Abbreviations:

- BBS:** Behaviour Best Safety
- HOD:** Home and Office Delivery
- HPL:** High-Performing Logistics
- MT:** Management and Technology
- TM:** Technical Manager
- TPM:** Total Performance Manager

Employee relations strategy

We operate in a diverse and active labour environment and challenging issues will always arise. Our [Employee Relations Policy](#) reinforces our commitment to a culture of open dialogue with our employees and external stakeholders.

We see this as an opportunity. We recognise that open and constructive dialogue can help us make better decisions and develop stronger relations with our workforce. And we know that long, challenging negotiations, even strike action, may occur but this is a sign of healthy labour relations. So we're committed to protecting people's rights to join organisations of their own choosing and to engage in constructive negotiations.

Recruiting the right people

At Nestlé, we look for people who fit with our company culture, values and skills requirements. We have a strong internal pipeline of successors for more senior positions, so we focus our external recruitment on entry and young professional levels. More than 95% of the top 1300 jobs at Nestlé are filled through internal promotion.

Our recruitment teams are decentralised so they can be more responsive to and understanding of local needs, business environments and labour markets. Our corporate function provides best practice guidance, tools and standards to all country-level recruitment teams.

The Nestlé Leadership Framework lays out the behaviours and leadership skills expected for positions at all levels. It forms the basis of our recruitment process and we use a common interviewing method across the company.

Diversity

Diversity is integral to our approach to business, and is a key component of our Corporate Business Principle on leadership and personal responsibility. The policy sets out the attitudes we expect from people, such as mutual respect, trust and transparency, and open communication and cooperation.

We respect and adhere to international conventions concerning employees' rights and we do not tolerate discrimination for any reason.

Read more about

- [labour relations](#)
- [recruitment](#)
- [diversity](#)

Our Corporate Business Principles state:



WE TREAT EACH OTHER WITH RESPECT AND DIGNITY AND EXPECT EVERYONE TO PROMOTE A SENSE OF PERSONAL RESPONSIBILITY. WE RECRUIT COMPETENT AND MOTIVATED PEOPLE WHO RESPECT OUR VALUES, PROVIDE EQUAL OPPORTUNITIES FOR THEIR DEVELOPMENT AND ADVANCEMENT, PROTECT THEIR PRIVACY AND DO NOT TOLERATE ANY FORM OF HARASSMENT OR DISCRIMINATION.”

Safety and health

We make safety and health a priority in everything we do. Our people know that nothing they do at work is worth the risk of injury, and that 'one accident is one too many', so we deeply regret that there were 12 work-related fatalities in 2013. Our aim of zero injuries and work-related illnesses drives us to achieve the highest standards. One year in, our 2012–2015 Safety and Health Roadmap towards Excellence is helping us take a more proactive approach to delivering on our commitments.

8.4% reduction

We recorded an 8.4% reduction in the Recordable Injury Rate per million working hours in 2013.

At a glance

- We've broadened our performance monitoring to include a range of leading indicators that drive the activities and behaviours we need to improve;
- We've introduced a more powerful data management system that allows us to carry out deeper analysis and identify more specific, proactive actions to manage our risks;
- We've trained 1900 Nestlé managers around the world to help them develop their safety and health leadership capabilities;
- We've trained 60 people to implement ErgoPro, our new global ergonomics programme, to reduce risks of musculo-skeletal illness in their part of the business; and
- We continued to strengthen our safety and health behavioural observation processes across the business, and our staff completed more than 3.2 million feedback sessions, an average of nine sessions per employee.

What we're doing

Safety and health performance

We regularly benchmark our practices and performance against other organisations to help identify improvement opportunities. In our 2012 employee survey, we stood out for providing a safe working environment compared to other companies. But while we are among the top performers in the food and beverage industry, we are still behind some other multinational companies.

In 2013, we created separate processes for reporting work-related injuries and illnesses, as part of an increased focus on occupational health and to encourage earlier identification of work-related ill health. As a result, we have seen significant improvements in illness recognition and reporting, and this should be taken into consideration when making comparisons with injury and illness rates in previous years.

In 2013, we recorded 3061 injuries and 745 illnesses, resulting in a Recordable Injury Rate of 3.26 per million working hours (an 8.4% reduction), against a Group-wide target of 3.0, and a Recordable Illness Rate of 0.79. No targets have yet been assigned to illness rates, as our focus for now lies on getting better at identifying and investigating those illnesses. As a result, we have seen a significant increase in the number of recorded illnesses, compared to 2012. We are convinced that this increase is the result of improved recognition and diagnosis, and we expect this number to continue increasing for some years before starting to reduce.

Fatalities

Reducing risk of serious injuries and fatalities remains our top priority. As stated above, we deeply regret that 12 people lost their lives in 2013 while working for us: seven were Nestlé employees and five were contractors. This compares with five fatalities in 2012, 18 in 2011, 11 in 2010, and four in 2009.

Of the 12 fatalities, six were due to vehicle accidents, two occurred during capital projects, one from a lighting strike, and one during normal factory operations, while working on a machine. We also had two violence-related fatalities (including one from a roadside bombing in Syria).

We are striving to prevent similar incidents in the future, in particular through improvements to our Safe Driving programme and our Capital Project Management process.

Lost Time and Lost Day Rates

Our Lost Time Injury Rate in 2013 was 1.7 per million working hours, and our Lost Time Illness Rate was 0.37. Our Total Lost Day Rate was 40 lost days per million working hours. For the first year, we are able to provide an accurate figure, having introduced a consistent approach to reporting lost calendar days across the Group.

Governance and oversight

We start all Executive Board meetings with a safety and health review of performance, incidents and lessons learned, and progress against key objectives. In 2013, we integrated safety and health into management meetings throughout the company.

Safety and health performance is tracked regularly during the year, using a combination of leading and lagging indicators. In addition, individual major incidents (for example involving an irreversible injury or serious process safety event) are immediately notified to senior management for review and follow-up.

In 2013, we enhanced our monitoring to track performance in factories, the supply chain, sales and offices separately. This data is now reviewed by the relevant management teams to understand trends and opportunities within these different areas of activity.

Our Safety and Health Functional Leadership Team brings together senior safety and health professionals who meet regularly to identify priorities and share challenges, learning and good practice from around the world.

The Safety and Health Council brings together senior managers from across the business every quarter to ensure appropriate strategies and supporting programmes are developed and implemented.

We identify risks by analysing injury and illness data and information on major incidents. The [top risks identified](#) for our business in 2013 continue to be those identified in our [Safety and Health Roadmap towards Excellence](#).

For more on sickness absence, see [Workplace wellness](#).

What are leading and lagging indicators?

Leading indicators drive and monitor activities and behaviours that help us manage risks before someone gets hurt. Examples of leading indicators, and our performance against them in 2013, include:

- Nine behavioural feedback sessions per person (target: three);
- 71% of machine lines assessed (target: 30%);
- 36% of markets with a health strategy (target: 100%); and
- 69% of factories and R&D sites completing Functional Compliance Assessments (target: 100%).

Lagging indicators are more reactive safety metrics, and measure the outputs or outcomes of leading indicators. Typical lagging indicators include injury frequency and severity rates, recordable injuries, and lost work days. Lagging indicators can only reveal how many people got hurt and how badly; used in isolation, they are a poor gauge of prevention.

Nestlé Occupational Safety and Health Management System

Our ambition of zero injuries and work-related illnesses applies to everyone in the company, wherever they work.

As a key enabler for improvement, and for ensuring the same level of basic protection across the organisation, we are developing safety and health management systems for all our activities, and certifying these to the internationally recognised occupational health and safety management system standard, OHSAS 18001. This is one of our [publicly stated commitments](#).

So far, we have made good progress. By the end of 2013, the safety and health management systems at 442 out of 468 factories (those not yet certified are new acquisitions), 130 distribution centres and 25 research and development (R&D) centres were certified to OHSAS 18001.

Our next challenges lie in sales and offices, where we have less experience of safety management, and where the risks and levels of understanding and engagement are very different.

The Nestlé Occupational Safety and Health Management System requires that all local sites undertake regular self-audits of compliance with legal and corporate requirements, and with local policies and procedures. Our Nestlé Group Audit function complements this by carrying out compliance audits around the world and overseeing our risk management processes.

We use commonly occurring Group Audit findings to prioritise improvement projects and training. In 2013, the most common findings related to:

- Working time;
- Work at height;
- Forklift truck management; and
- Fire safety and emergency response.

Facilities that are not yet certified to OHSAS 18001 are covered by CARE, our global external audit programme. CARE audits help to verify that all our operations comply with local legislation, the [Nestlé Code of Business Conduct](#) and the [Nestlé Corporate Business Principles](#), including those relating to safety and health.

Monitoring

As we pursue our goal of zero injuries and illnesses, we are broadening our set of performance indicators that focus attention on our safety and health priorities, and helping drive the actions and behaviours we want in our people. We now monitor and report on a combination of standard industry measures, including lagging indicators, such as injury and illness rates, as well as more proactive, leading indicators such as leadership training and behavioural feedback. Each market and local site is encouraged to supplement the Group leading indicators with additional ones that reflect local priorities.

Historically, monitoring of key performance indicators at a facility level was conducted using a tool called NEST. In 2013, we replaced this with a more advanced tool, SHE-PM (Safety, Health and Environmental Sustainability – Performance Management). This allows us to record and collate data on our safety, health and environment performance, and conduct deeper analysis to help us identify more specific, proactive actions that will help us reduce risks.



Ensure that all Nestlé units have the necessary systems in place to deliver the same level of basic safety and health protection for all employees

For full details [see page 327](#)

Developing capability and leadership

In 2013, we continued to develop and roll out our new Safety and Health leadership workshop for Nestlé managers around the world.

The 'Leaders Taking Ownership of Safety and Health' training is designed to help leaders promote safety and health leadership with passion, and drive improved performance through behavioural change. Although closely aligned with the Nestlé Safety and Health Roadmap, the content and approach remain flexible enough to be customised to reflect the local context.

Through our partnerships with globally approved providers, 29 regional trainers have delivered the training to more than 1200 leaders from across the business, via 118 sessions in 29 different countries. The interactive sessions include opportunities for reflection, storytelling and learning from colleagues, and have received excellent feedback and an overall satisfaction rating of 89%.

Managing key risks

A key element of our roadmap is to deliver significant and measurable reductions in risk, especially those with the potential for serious or fatal injury. Although our key risks cover the whole Nestlé Group, it is important to recognise that priorities vary in different parts of our business.

- **Vehicles and driving** remain the leading causes of work-related fatalities in Nestlé, so we joined the Global Road Safety Partnership in 2011, support the United Nations (UN) Decade of Action for Road Safety, and continue to develop and enhance local safe-driving programmes in all our markets. Across Asia, Oceania and Africa, Nestlé procurement teams are also working with our third-party logistics suppliers to promote safe practices through a responsible sourcing programme of engagement and external auditing. By the end of 2013, third-party suppliers – contributing to 54% of our expenditure on transport and logistics in these regions – had been audited as part of this programme.
- **Material handling equipment**, such as forklift trucks, presents a key risk, particularly at factories, warehouses and distribution centres. Collisions with pedestrians can result in serious injuries, and the operators themselves are also at risk. In response to this, we have developed a consistent approach to risk assessment and controls – especially the segregation of pedestrian and vehicle traffic – across all sites. Since this was introduced, 9288 work areas have been assessed and 15 307 improvement actions implemented.
- **Process safety risks**, such as ammonia releases, powder fires and pressure system failures, can result in serious injury as well as significant asset damage and business interruption. We have recently appointed a new Group Head of Process Safety and are building on our current standards to develop a more comprehensive and robust management system, with greater capability at both site and market level.
- **Contractors and construction activities** present a significant risk for Nestlé, particularly regarding falls from height, and are becoming even more important as we develop our businesses in emerging markets. This year, we developed a new approach to project management, with a much stronger methodology for managing safety and health that will be deployed on all new capital projects.

29

Regional trainers have delivered training sessions in 29 different countries.

15 307

15 307 improvement actions have been implemented across all sites.



Keeping people safe in the Philippines.



- **Machinery-related incidents** continue to be a significant cause of injury in Nestlé factories. We have lots of different equipment that is regularly repaired or modified, much of which requires manual intervention. To address this issue, we have developed a more comprehensive and systematic approach to machinery safety, including machine guarding and safe methods of intervention. To support implementation of the new approach, we are conducting regional workshops to build capability in each country.
- **Electricity:** Electrical equipment and distribution systems carry the potential for serious incidents, including injuries and fires. Tragically, we continue to see serious electrocution incidents with contractors. In 2013, we updated our Group electrical safety standard to reflect current best practice, and continued the deployment of a third-party electrical audit programme across our factories. We also developed and launched a new e-learning tool on electrical safety, which is available in different languages.

Keeping people safe in the Philippines

Having benchmarked its safety performance against other markets in Asia, Oceania and Africa in 2011, Nestlé Philippines is now leading the way with a number of flagship initiatives that have significantly reduced incidents and injuries across the business.

Life Saving Rules

Launched in December 2011, the Nestlé Philippines Life Saving Rules are a simple set of 12 rules that everyone, from sales representatives and head office workers to factory and distribution centre employees, is expected to follow. A lot of effort has been put into increasing the awareness and understanding of the rules, and making them highly visible at site entrances and in canteens. The key message is that compliance with rules and regulations is all about caring for each other, the principle that underpins Nestlé's ambition of achieving zero injuries and illnesses.

To avoid any ambiguities in how to comply with the rules, the company has developed an interactive platform to bring them to life. These Life Saving Rules Playrooms, present in all Nestlé Philippines factories, have been used to train more than 20 500 employees, contractors and site visitors to date. Inside the Playrooms, guests experience role playing, quizzes and audio-visual presentations, all of which end with an assessment to gauge participants' understanding.

By July 2013, more than 11 000 employees, contractors and visitors had been trained in the Life Saving Rules, helping to reduce the First Aid Injury Rate in 2013 by 58% (2012: 40%). This has helped result in a 39% reduction in total injuries since 2011.

11 000 employees

By July 2013, more than 11 000 employees, contractors and visitors had been trained in the Life Saving Rules'.



EVER SINCE I LEARNED ABOUT THE LIFE SAVING RULES, I REALISED THAT THERE IS MORE TO COMPLIANCE. THIS IS ABOUT MY SAFETY AND THE SAFETY OF EVERYONE AROUND ME. IF I SEE ANYONE USING A MOBILE PHONE WHILE WALKING, I IMMEDIATELY GET THEIR ATTENTION AND TELL THEM THAT WHAT THEY ARE DOING IS UNSAFE. EVEN IF I AM OUTSIDE NESTLÉ PREMISES, I MAKE SURE I COMPLY; SAFETY IS MORE THAN FOLLOWING RULES WHILE INSIDE FACTORY PREMISES, IT SHOULD BE A CULTURE WHEREVER WE GO."

Ronaldo Malicse,
Warehouse Executive



The local unions have also been engaged and are very supportive of the initiative, as illustrated by the following extract from a letter sent to the President and CEO of Nestlé Philippines by the Union President at the Cagayan de Oro factory, and signed by all Union Officers from all Nestlé Philippines sites:

“We, the workers’ representatives from Cabuyao, Cagayan de Oro, Lipa and Pulilan factories, are one in supporting the company’s safety programme through Life Saving Rules. We believe that Life Saving Rules will bring to us a better and safer working place if done properly and supported from all levels from the rank-and-file, factory management, and participation by our corporate people.”

The Philippines programme was shared with other countries in Asia, Oceania and Africa, through a regional workshop in 2013. Those countries have now also started to develop and implement their own life-saving rules.

One Minute to Save a Life

In 2013, Nestlé Philippines launched another programme, One Minute to Save a Life, which encourages everyone to see safety as the first thing they should have in mind before starting a task. Along with the line “My child is waiting for me to come home safe. Am I going to fail him?”, the campaign focuses on asking questions that only take a minute, to prevent an accident, such as:

- Am I aware of the dangers here?
- Are there safety controls in place?
- Do I know the safe way of doing it?

Feedback from factory workers suggests that the campaign has had a significant impact on employee behaviour, from requesting changes in equipment to reduce safety risks to a greater willingness to share safety practices with colleagues, family and friends. The total number of issues identified through the programme exceeded 20 000.

Safety Beyond the Gates

Safety Beyond the Gates is a Nestlé Philippines safety programme that extends beyond the confines of Nestlé facilities and focuses on managing safety on the road through third-party transport providers. With 5000 drivers and assistants, Nestlé Philippines takes on 14 000 trips per month, comprising 46 000 km travelled every single day.

The programme focuses on four key areas:

- **Education and training:** for example, a mandatory defensive driving course for all drivers working for or with Nestlé Philippines, and road safety e-learning modules;
- **Tools and techniques:** these include effective vehicle maintenance and using GPS systems;
- **Policies and procedures:** from our Safe Driving Policy to safety stand-downs, where information is shared after an incident; and
- **Action and assessment:** transport providers establish their own operational management systems, which we periodically assess under our CARE audit system.

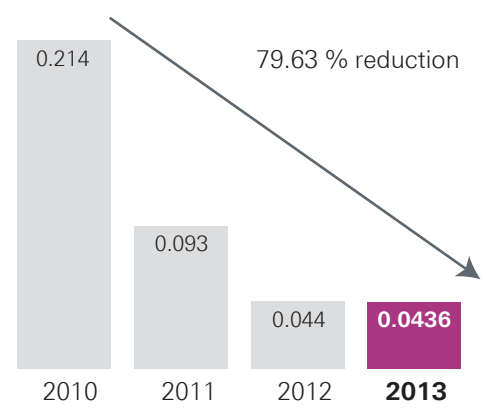
From 2010 to 2013, the Vehicle Accident Frequency Rate, a measure of road accidents per million kilometres travelled by approximately 2000 truck drivers and 3000 truck crew, fell by more than 79%.

ONE MINUTE TO SAVE A LIFE HAS HELPED ME BECOME MORE AWARE OF THE HAZARDS AND CONTROLS ON MY JOB. THIS MAKES ME MORE VIGILANT AND PROACTIVE ABOUT MY SAFETY, TO PREVENT ANY INCIDENTS THAT MIGHT HURT ME OR MY COLLEAGUES.”

Gener Linga,
Filling Line Operator



Vehicle accident frequency rate



Ergonomics

Ensuring work stations and tasks are compatible with the capabilities and limitations of our people is a key challenge for Nestlé. In many markets (including the USA, Brazil, France, Oceania and the UK), repetitive manual tasks such as packing, lifting and carrying are already a significant cause of recordable illnesses.

Although good practices exist, we have an opportunity to significantly improve our performance globally. By improving tasks and workstations through our ErgoPro initiative (see case study below), we expect to see fewer work-related illnesses, and more efficient and reliable operations, with lower absence rates and improved morale.

Improving workplace health through ErgoPro

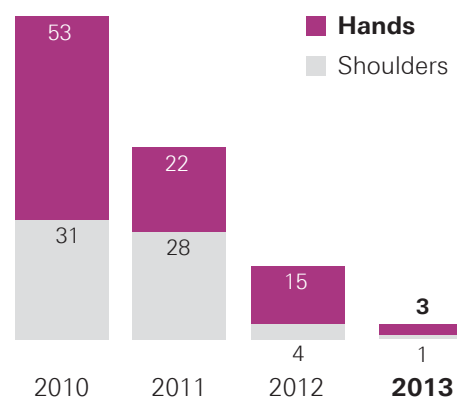
ErgoPro is a proactive programme to improve workplace health. It incorporates a two-step risk assessment process for tasks involving manual handling or repetitive movement.

From its launch in 2012 to the end of 2013, 60 people had physically attended ErgoPro courses and 50 had followed a webinar. In addition, five introductory courses (each attended by 30 factory and production managers) had been conducted at our training centre in Rive-Reine. A number of markets (including the UK, France, Mexico, Colombia, Oceania and Russia) have started to use the new risk assessment tools and raise awareness of ergonomics and musculo-skeletal health.

ErgoPro includes a combination of simple and more detailed risk assessment tools. The Risk Reckoner tool (pictured) is designed to be used by anyone to assess the likelihood of developing a musculo-skeletal disease from a particular work task. Supplementary tools are then available for trained assessors to carry out a deeper analysis and determine which elements of the task should be redesigned.

More people than we think suffer from musculo-skeletal health problems. The Mexican market, for instance, found significant numbers of people suffering pain or discomfort among some of its workforces (see graph) but the introduction of ErgoPro resulted in a dramatic reduction.

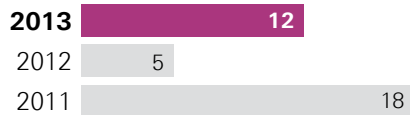
Registered consultations (Mexico)



In numbers

See also our [Commitments table](#).

Fatalities of employees and on-site contractors



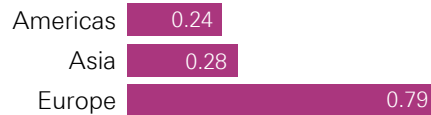
Total Recordable injuries and illnesses per million hours worked



Lost time injuries per million hours worked (by geographical zone) 2013



Lost time illnesses per million hours worked (by geographical zone) 2013



Includes three geographic zones, globally managed businesses and major joint ventures, such as Cereal Partners Worldwide (CPW), as well as R&D.

Total lost time injuries and illnesses per million hours worked (by geographical zone) 2013



Total recordable injuries and illnesses per million hours worked (by geographical zone) (2013)

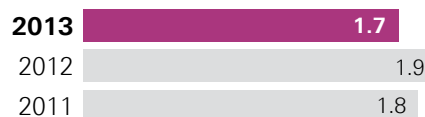


Includes three geographic zones, globally managed businesses and major joint ventures, such as Cereal Partners Worldwide (CPW), as well as R&D. Recordable injury and illness includes the following injury and illness categories: medical treatment beyond first aid, restricted work cases, lost time injury cases and fatalities.

Sickness absence (%)



Lost Time Injury Frequency Rate (per million hours worked)



Next steps

- We will continue to work hard on the implementation of our Safety and Health Roadmap towards Excellence, with a particular focus on reducing the risks of fatalities and serious injuries; and
- We will continue to broaden our approach across the whole organisation and to strengthen our health management practices.

Workplace wellness

As we are the leading nutrition, health and wellness company, the wellbeing of our people is extremely important to us. Our goal is zero illnesses and we focus on promoting healthy lifestyles and behaviours, managing stress and developing local initiatives to improve our people's health.

At a glance

- Our Safety and Health Roadmap towards Excellence is driving a more strategic approach to promoting employee wellness across the company;
- We encourage work-life flexibility to improve life-home balance for our employees; and
- We tailor workplace wellness and disease prevention programmes to meet local needs. Support includes vaccinations, HIV/AIDS information and care, cardiovascular and diabetes testing, provision of anti-malaria mosquito nets as well as supporting health promotion action.

What we're doing

Wellness as part of our roadmap

Our Safety and Health Roadmap commits us to a new, more strategic approach to promoting employee health across the business.

The roadmap focuses on promoting good health practices in the following priority areas:

- **Illness investigation:** recognising that the most important task in improving the health of our people is to understand how their health is being affected by work;
- **Resilience and stress:** by working proactively to enhance our physical and mental health, minimising the risk of work-related stress and helping us lead more healthy and satisfying lives; and
- **Wellness:** workplace wellness is any workplace health promotion activity designed to support healthy behaviour. It enables people to increase control over, and to improve, their health. It consists of a variety of activities supporting healthier nutrition; smoking cessation; the importance of physical activity; and local issues where prevention plays a key role, such as HIV/AIDS, malaria, diabetes and high blood pressure.

Sickness absence

In 2013, our overall sickness absence rate was estimated to be 1.9% (2012: 2.5%). This percentage continues to be an estimate because we still have some variations in the way it is measured across different countries.

From 2014 onwards, this rate will become a core key performance indicator for us, and we will monitor our performance more closely at a local and business level.

Enhancing the work–life environment

Encouraging life–home balance

Our employees have busy work and home lives, so they need and expect to work flexibly. We promote a culture based on performance, not presence, and we encourage flexible working. This helps us attract and retain talented people who want to manage their time efficiently and productively.

Twenty-five countries have now launched their own flexibility guidelines, building on our Group Flexible Work Environment at Nestlé guidelines.

We launched a practical guide on flexible working in 2012, to help people understand the potential options available to them. In July 2012, we launched the Service Centre, a pilot project at Group headquarters in Switzerland, to provide employees with services designed to make their lives easier.

Employee wellness programmes

We recognise that work-related stress, while still stigmatised in many societies and often undiagnosed, is a significant cause of workplace illness. We are therefore committed to trying to identify the causes and remedies related to our business.

Following a successful pilot at Nestlé Switzerland, online assessment tools for managing workplace stress have been adopted by Nestlé head office and some factories in the country.

Nestlé Spain initiated a psychosocial assessment in 2010 in the form of a stress questionnaire to help identify risk factors among employees and establish improvement measures to prevent damage. The initiative has been well received by employees and to date, 3603 valid stress questionnaires have been filled out.

In 2012, Nestlé Japan started an initiative on stress and resilience that was well received by employees.

We are working on a wide range of stress-related initiatives across our operations including supporting Wellness Week in Brazil, Mexico and the USA, where more than 15 000 employees at 35 sites took part.

In the USA, we also ran a series of programmes promoting physical activity (fitness classes at 11 participating locations), preventative care (flu shots at 11 sites) and a balanced diet at 12 sites, reaching more than 2100 employees. Nestlé USA also supported World Diabetes Day in November 2013 with events at 18 sites, attended by 2350 people; these included healthy cooking demos and 'ask the expert' booths to raise awareness and advocate for improved diabetes prevention and care. (Also see our case study on our UK diabetes campaign).

Disease prevention programmes

We invest in disease prevention at many of our sites and offices. These programmes provide a wide range of support depending on local needs, including vaccinations, HIV/AIDS prevention information and care, cardiovascular and diabetes testing, and distribution of mosquito bed nets to prevent malaria. We employ a range of occupational health professionals, nutritionists and rehabilitation experts who are supported by voluntary site champions, HR staff and colleagues from other business functions.

Nutritional advice in the workplace

We have implemented a nutrition education programme targeted at all our employees, which aims to improve their knowledge of nutrition so they can make better decisions for themselves, and also to improve product design. See the [Nutrition](#) section for more information.

UK diabetes awareness campaign

Nestlé UK is continuing its efforts to raise awareness of one of the major causes of chronic ill health worldwide: diabetes.

There are an estimated 3 million people diagnosed with diabetes in the UK, 85% of whom suffer from type 2 diabetes. A further 850 000 may suffer from the condition but are not yet diagnosed. A poster campaign and communications via TALK Online raised awareness of the symptoms of diabetes, and helpful advice was offered at organised risk groups.

This was supplemented by quick and easy screenings by occupational health clinicians. Almost 500 employees in our UK factories, distribution centres and offices took up the offer, and 13 new cases of type 2 diabetes were identified. All employees with a positive result were given a letter to take to their GP outlining the test, the results and our contact details, in case we could be of assistance.

Unless an employee chooses to tell us, we would only be made aware of any follow-up action if an employee performs a safety-critical function, where diabetes might impact on their or others' safety. None worked in such roles.

Nestlé Cameroon's malaria eradication project

A continuing project by Nestlé Cameroon aims to better control the threat of malaria for all its employees and their families by 2016.

The scheme, which is part of a wider Nestlé-led initiative for better wellness in Cameroon, aims to steadily reduce the cost of health insurance and bring employee absenteeism down.

Malaria is a big societal problem in large parts of Africa, particularly Cameroon. During the last three years it was the leading cause of absenteeism among Nestlé workers in the country.

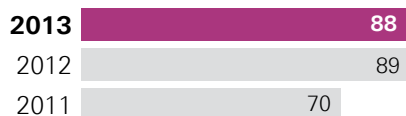
With health insurance costs rising for the last four years, the company decided to launch awareness campaigns and a trial training programme for a study group of 40 selected employees.

After a year of assessment, the results of the programme have proved satisfactory, with none of the 40 employees hospitalised with symptoms of malaria. Nestlé will continue to make efforts to recruit and train more of its own employees, with the vision of a project fully managed by its own malaria-free workforce.

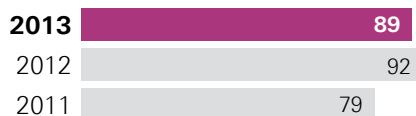
In numbers

See also our [Commitments table](#).

Women – return to work and retention rates following parental leave (%)

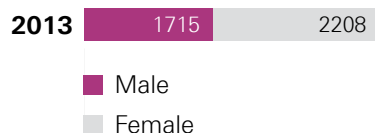


Men – return to work and retention rates following parental leave (%)



As per 2012, 2013 data is based on 29 markets.

Number of employees returned to work in 2013



Next steps

- We will consistently work to provide better and more accurate data from all markets on work-related illnesses, health checks and wellness initiatives;
- We will focus on ensuring our equipment and processes are safe, especially where manual handling and repetitive movements are required; and
- We will continue to address stress and resilience, seen as a key topic by management, who foresee further improvement through policies and action plans.

Labour relations

We face many challenging issues because of the size, complexity and international presence of Nestlé, and the diversity of laws and local cultures. Inevitably, labour-related incidents – such as disagreements with local trade unions – may occur in some countries. We see this type of relationship as an opportunity rather than a problem, helping us make better decisions and build stronger relations with our workforce. The way we engage with trade unions is a key part of this, so we've made it a priority to develop more open, constructive relationships with our unions that focus on shared goals.

At a glance

- We respect people's rights to freedom of association and collective bargaining, and we support regular dialogue in places where it is not allowed;
- We've signed up to a joint operating agreement with the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations, (IUF) which allows us to establish a regular and proactive dialogue on labour topics;
- We're working towards our goal of not requiring more than 60 hours' working time per week across our operations, where maximum working time limits are higher or where no relevant local rules are in place; and
- On average, we provide nearly 45 days' notice before making any significant changes that will substantially affect our employees, such as business restructuring.

What we're doing

Fostering relations with trade unions

We continue to support initiatives and training to strengthen relationships between local managers, employees and trade unions. Our approach is paying off, and we have been able to address a number of issues through proactive dialogue involving trade unions over the past year.

One of the most encouraging features of the past year has been our improving relationship with the IUF.

We've described challenges in our relationship with the IUF in [previous reports](#). But now, thanks to sustained effort on both parts, our relationship has moved onto a new, more proactive footing. We are working together to tackle labour-related issues at a strategic level, maximising what we can achieve by sharing information and expertise.

In October 2013, our CEO met with the IUF General Secretary, demonstrating our shared commitment to stronger relations at the highest level. Our third global meeting, held in May, saw both organisations sign up to Joint Operating Principles for how Nestlé and the IUF will work together in the future. We have committed to bi-annual meetings to be attended by an IUF leadership team, trade union representatives from around the world and a Nestlé leadership team, with agenda items proposed by both parties. Additionally, two working groups have also been established with representatives from either organisation, with a focus on gender equality for non-managerial positions and working conditions.

Building on common ground, in addition to the global, corporate initiative to reinforce our relationship with the IUF, we have undertaken a number of local initiatives. For example, in Italy, when traces of horse meat were found in beef used for the production of *Buitoni* tortellini and ravioli, the local trade unions (FAI-CISL, FLAI-CGIL and UILA-UIL) expressed their full trust in the quality of our products and the controls that are taking place.

Another example – Nestlé France’s 2013 agreement with four unions regarding the employment of people with disabilities – is the first of its kind in the French food industry. The three-year agreement prioritises improved working conditions, and provides practical and innovative support for the recruitment, training and retention of people with disabilities, the provision of appropriate facilities and equipment, and awareness-raising communications. Three factories also received Paralympiades awards from the Mission Handicap group for supporting an employee with significant medical restrictions (Dieppe), raising disability awareness (Caudry) and retraining a disabled employee (Itancourt).

Collective bargaining and freedom of association

In 2013, around 51% of our employees worldwide were covered by collective bargaining agreements (2012: 51%). We operate in diverse social contexts and in some markets, the right to freedom of association and collective bargaining is at risk. We use the FTSE4Good Index to identify these markets. In 2013, there were 26 such country operations. Where local legislation doesn’t allow minority groups to negotiate collective agreements, we aim to maintain regular dialogue with individuals on issues of common interest.

Working time

We have been committed to limiting working time to a maximum of 60 hours a week across our operations – including where there are no local rules or where maximum limits are higher – since 2012. Across our locations, we are currently monitoring the working time of our employees according to local law, and tracking and addressing issues as they arise.

In markets with legal limits above 60 hours, we are working hard to move towards our desired maximum.

Minimum notice period

Before making operational changes that could substantially affect our employees, we provide a period of notice outlining proposed changes. The minimum notice period depends on local laws and therefore varies from country to country, but on average, it is nearly 45 days. This minimum period is specified in collective agreements in 25 countries.

Workplace relations challenges

In 2013, we saw continued improvement in our relations with trade unions, with a general increase in the number, but a decrease in the impact of labour incidents around the world. Even with the commitment and dedication of local managers, we know we will face occasional challenges.

In 2013, 25 industrial actions took place around the world (2012: 34), all of which we resolved through local dialogue and engagement.

The percentage of working time lost due to industrial disputes, strikes and/or lockouts averaged 0.004% (2012: 0.07%).

Legal action by a Colombian trade union

In our [2012 report](#), we reported that a Colombian trade union, represented by the European Center for Constitutional and Human Rights, was taking legal action in Switzerland against Nestlé, linking us with the murder of a former employee.

The trade union had previously accused Nestlé of complicity in the murder of union officials in Colombia, but has never produced any evidence to support its claims. It has failed to win legal actions against the company in courts in Colombia, the USA and at the International Labour Organization (ILO).

Our position on this issue, at the time this report was published, is covered in a [statement](#) dated 2 May 2013. While we acknowledge how serious the situation is, we respect the decision of the Attorney General of the Canton of Vaud not to proceed with the legal action and we continue to reject all accusations. We also respect the decision by the Court of Appeals confirming the decision of the Attorney General thus not proceeding with the legal actions against Nestlé.

Discrimination

At Nestlé, we take a zero tolerance approach to discrimination on any grounds, including origin, nationality, religion, race, gender, age, sexual orientation or disability.

In 2013, 92 alleged incidents of discrimination in our operations were reported (2012: 85). We have reviewed 46 of these and put remediation plans in place for 11 cases. Thirty-five cases have now been resolved through constructive dialogue, listening to all parties in the dispute, and the consistent application of our policies.

Strengthening capabilities

To strengthen skills and capabilities within our Employee Relations community – around 60 people worldwide – three regional workshops took place in 2013: in Italy, Thailand and the Dominican Republic. During the workshops, Employee Relations managers shared good practice and challenges on labour and compliance topics.

[Read more](#) about [diversity](#).

Union settles with Nestlé Japan after 31 years

In October 2013, the Nestlé Japan Labor Union and the Hyogo Prefectural Federation of Trade Unions (Hyogo-roren) settled a dispute with Nestlé Japan that has rumbled on since the early 1980s.

During that time, Nestlé Japan was denounced for the discriminative treatment and unfair dismissal of union workers. In 2005, the union, along with the National Confederation of Trade Unions (Zenroren), filed a complaint against Nestlé Japan in the OECD (local National Contact Point).

A joint statement from Zenroren and the Nestlé Japan Labor Union welcomes the fact that the agreement will set a precedent to prevent or solve labour disputes with foreign multinationals operating in Japan. Nestlé Japan and the union are very satisfied with this agreement and will continue work in a constructive way.

Improving industrial relations through leadership behaviours

In 2009, the industrial relations climate at our Cabuyao factory in the Philippines was tense, with dismissed employees and high levels of mistrust affecting reputation and operational efficiency, as well as the costs associated with security and litigation.

The factory's management adopted a strategy that aimed to settle the legal cases, improve staff–management relations and reach out to the community.

To achieve this, the factory was selected as a pilot to implement Nestlé Continuous Excellence to align the factory's goals with the market, and to cascade these priorities to all workers. Union representatives were invited to contribute to this 'goal alignment' process.

Greater cooperation between leaders and employees was also evident in:

- Factory leaders asking trade unions for their support when introducing key initiatives;
- Coaching on supportive behaviours being offered to all levels of employee, including managers;
- The introduction of a recognition programme where positive behaviours and staff achievements are highlighted; and
- A five-year Creating Shared Value programme on rural development, supported by the community around the factory and local government, to foster mutual trust with the trade unions.

Together, these efforts have brought about a 43% reduction in security costs over five years, reinforced the credibility and reputation of the factory, and improved employee engagement.

The factory also received 'outstanding' citations for 'industrial peace and harmony' and 'corporate social responsibility' from the Employers Confederation of the Philippines.

This has recently culminated in the final official closure of the labour dispute between Nestlé and the former Cabuyao union, UFE-DFA-KMU. With this now resolved, lessons learnt and with the Nestlé Continuous Excellence foundations established, the whole factory team is in an excellent place to move forward from this significant milestone.

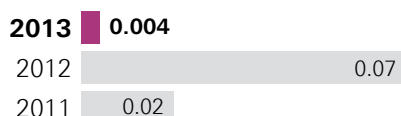
In numbers

See also our [Commitments table](#).

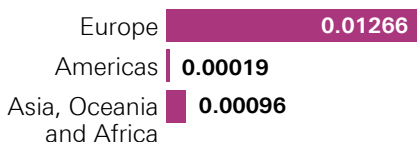
Number of industrial actions



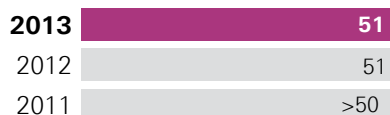
Working time lost due to industrial disputes, strikes and/or lock-outs (%)



Working time lost due to industrial disputes, strikes and/or lock-outs (% by region in 2013)



Percentage of employees covered by collective bargaining agreements (%)



Next steps

- We will continue to be guided by our principles and policies as we aim to foster our engagement with the IUF and, at a local level, to reinforce and maintain constructive dialogue with trade unions and employee representatives;
- We will continue to resolve all labour disputes according to our principles and make better decisions using constructive dialogue and negotiation; and
- We will maintain our efforts on continuous improvements in working conditions.

Diversity

As a global organisation, diversity is high up on our agenda. We want a culture that provides equal opportunities for everyone and that ensures people are always treated with dignity and respect. We're aiming to diversify our talent pool and promote gender balance as a priority. We've still got work to do to improve gender balance, especially at management levels, so we've signed up to the UN's Women's Empowerment Principles to strengthen our commitment. We see improving all aspects of diversity, across Nestlé, as an asset, helping us harness the local insight and imagination of our people, and building our competitive advantage and responsiveness to customers' and society's needs.

At a glance

- We're improving gender balance by focusing on developing talent, growing local knowledge and ensuring men and women at management levels progress at the same rate;
- We've signed up to the UN Women's Empowerment Principles, and we've broadened our effort to include promoting women's empowerment in our supply chain; and
- We were named Company of the Year at the European Diversity Awards 2013.

What we're doing

Women's empowerment

We recognise that gender equality, women's rights, education for women and girls worldwide, and women's empowerment are critical to Creating Shared Value for our business and for society. We believe that different ways of thinking complement each other and lead to better decisions. In other words, gender balance simply makes business sense. It is therefore essential that we help to increase women's participation in, and contribution to, the value chain in a sustainable way.

In an attempt to overcome some of the challenges women face, such as limited financial resources, knowledge gaps and access to credit and lending, we have developed several initiatives that promote training and professional development for women, in line with the UN's [Millennium Development Goals](#).

In 2013, we signed up to the [Women's Empowerment Principles](#), a set of seven steps that businesses can take to advance gender equality and empower women to participate fully in economic life in three key areas – workplace, marketplace and community – as outlined below.

However, we remain opposed to setting artificial quotas, preferring to put strategic steps in place to encourage a natural gender balance, promoting the best person for the role.



Women's empowerment in focus

Women do more than two thirds of the work involved in coffee farming in Kenya and we are working with nine co-operatives to encourage more female coffee growers to take up leadership roles.

Read more about this and our other [global initiatives](#).

Workplace

Gender Balance Initiative

We see gender balance and diversity as a cultural and business asset, rather than a necessity driven by talent gaps, demographic change or regulation, and we've made a public commitment to enhance gender balance across our company. Diverse teams are more creative, inclusive and competitive, and better reflect the markets we serve. They're also critical to us because we are a growing business, and we need the best talent.

We have been investing in our Gender Balance Initiative since 2008, with a focus on awareness and education, flexible working, mentoring and mobility solutions.

As well as ensuring gender equality across the company in general, we've made important progress towards greater representation of women on our management teams. By 2018, we will create the enabling conditions in our work environment to achieve annual increases in the percentage of women managers and senior leaders (market management members and key roles at the Headquarters) so that we can achieve our goal to be a gender-balanced company. In 2013, 31% of our managers were women, 19% of whom were in senior leadership roles.

However, more remains to be done, and removing all gender-related barriers to women reaching management positions will continue to be a long-term priority.

We are taking steps to ensure that there is a minimum of one woman or man in every succession plan for key roles, ensuring development plans are in place for high-potential women and tracking our progress in this area.

Parental support initiatives

We offer maternity and paternity leave according to the relevant legislation in the countries where we operate.

In Japan and Italy, we now offer two weeks' paid paternity leave for new fathers, while Nestlé Hungary has been named in the Top 10 diverse and family-friendly organisations for its efforts to improve employee engagement. Maternity leave in Hungary is three years. To ensure communication and transparency with employees on maternity leave, ongoing dialogue with mothers helps to understand their expectations on returning to work. Mothers and their children are also invited into Nestlé Hungary headquarters throughout the year for business updates and to maintain contact with their line manager.

We also offer additional support to parents, including crèches at approximately 10 head office locations and breastfeeding rooms at 150 sites around the world.

Return-to-work and retention rates after childbirth are recognised indicators of work-life satisfaction, and gender balance. In 2013, the return-to-work rate of employees who took parental leave was 88% for women (2012: 89%; 2011: 70%) and 89% for men (2012: 92%; 2011: 79%).



In Morocco our ongoing support for the Zakoura Education Foundation helps women to complete the Foundation's adult literacy programme.



Enhance gender
balance

For full details [see page 328](#)

Company of the Year at the 2013

Nestlé (Zone Europe) was named Company of the Year at the 2013 [European Diversity Awards](#), beating eight other nominated companies. Such external recognition shows the quality of our plans and our leadership, and reflects our ambition to lead the industry in this critical area for the future success of our business.

Promoting equality in Spain

In July, Nestlé Spain set up an Equality Commission made up of an equality representative from every work centre in the company. The commission is developing a single Equality Plan which will cover all workplaces and will incorporate both corporate-level and local actions. It will meet twice a year to identify and facilitate action that promotes equal opportunities for everyone.

Marketplace

By offering help such as business training, technical assistance and credit schemes to women in emerging and developing countries, we can help more women run their own businesses. Our current programmes, including Nestlé Até Você in Brazil, Club Bario in the Caribbean and the Nescafé Street Barista campaign in Thailand, have reached more than 600 000 women.

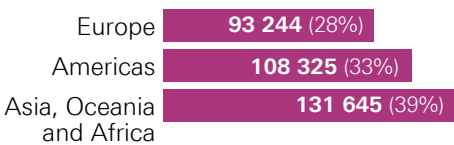
Community

We also work with our suppliers to improve gender balance along our value chain. We support female farmers through technical support, financing and capacity-building assistance, helping them gain greater access to markets and make an increased contribution to agricultural productivity. We've already impacted an estimated 130 000 women through initiatives such as the Nestlé Cocoa Plan in Côte d'Ivoire, the Nescafé Plan in Kenya and Vietnam, the Grains Improvement Quality Project in Ghana and Nigeria, and the Women Dairy Development Programme in India and Morocco.

Read more about [Empowering women in the cocoa supply chain](#) and [Empowering women coffee farmers in Kenya](#).

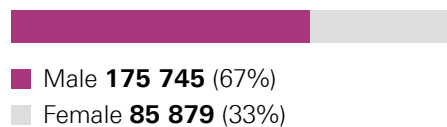
In numbers

Total workforce (by region)

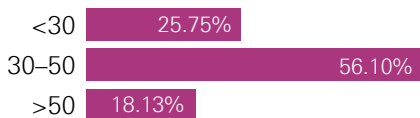


Total **333 214**

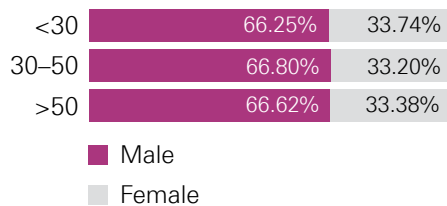
Total workforce (by gender)²



The percentage of total employees by age group

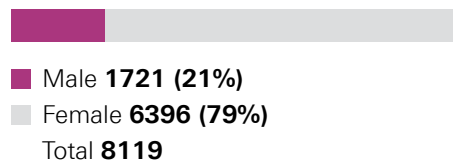


For the identified age groups, report the percentage of employees by gender

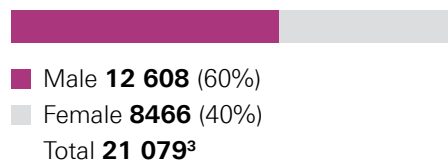


² Covers Nestlé employees registered in the HR system (approximately 85% of all employees), but excludes temporary employees.

Part-time employees (by gender)

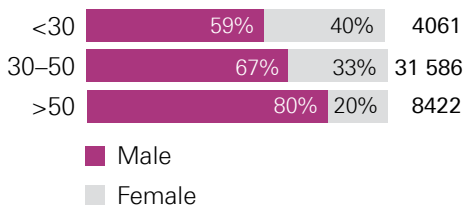


Temporary employees (by gender)



See also our [Commitments table](#).

Total number of managers (by gender and age)

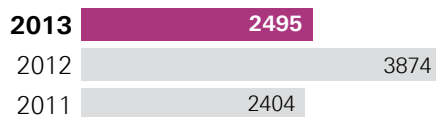


Leadership positions held by women (%)



Covers Nestlé employees registered on the Human Resources system (approximately 80% of all employees).

Number of disabled employees



Due to privacy regulations and the sensitive nature of this KPI, this number only reflects those countries that were able to report it.

Next steps

Gender balance continues to be a high priority for us. We will also broaden our focus to include all major diversity groups beyond gender, ie physical ability, social background and generations. Activities for 2014 will include:

- Education and awareness, training trainers on how to run gender balance and unconscious bias awareness programmes in our countries of operation, focusing on line managers; and
- Continuing with the corporate mentoring scheme, matching identified high-performing talent with senior leaders in the organisation, and rolling out a global mentoring culture within the Group, so that everyone who would benefit from a mentor can access one at different times in their career. 412 matches were made in 2012, and 470 were planned in 2013.

3 This total includes 5 gender undeclared employees.

Developing talent

We depend on the talent, creativity and competencies of our people and we promote continuous learning and development for everyone. We give people responsibility as early as possible in their careers, and we offer opportunities to work across many different countries and cultures. We're also supporting the careers of people's partners – recognising that dual career partnerships are an important feature of our workforce for the continuous development of our people.

At a glance

- International career opportunities attract people to Nestlé. We take a balanced approach, aiming for equal movement between developed and developing countries;
- We support dual career relationships, helping the partners of our employees find jobs;
- We are using local talent recruitment and development to broaden the diversity of our talent;
- Across Europe, we announced a new youth employment initiative to help 20 000 young people into work;
- We are focused on continually enhancing line manager capabilities to increase business performance and leadership; and
- Our corporate mentoring programme is accelerating the careers of Nestlé executives. Additionally, we have rolled out mentoring programmes at the local market level.

What we're doing

Career development

We balance a strategic approach to career development with a decentralised focus to develop the leadership and functional competencies that will enable people to meet their career aspirations and their more immediate local needs.

A key tool is the Job Success Profile, which identifies what success looks like for any given role. It helps our people understand what they need to do to succeed and helps them identify their development needs.

Job success profiles are published at corporate and local levels. As a key part of the personal development process, they are monitored by HR business partners, training and learning consultants, and auditors. We publish relevant job success profiles on the intranet, along with information about possible career paths.

For operators on the factory floor, we use a tailored skills matrix to track individual learning and development needs.

International career development

One of the things that attracts people to working for Nestlé is the potential for international career development. Our business is based on respect for different cultures, and we expect our people to be comfortable and effective working across boundaries, in different settings. Opportunities to gain experience across Nestlé include short-term missions, project assignments and long-term expatriation.

Our priority is to have the right talent in the right place at the right time. Alongside this, we aim for equal movement between developing and developed countries.

In 2013, of all expatriates at Nestlé's Group headquarters in Switzerland and central functions, 35% were from emerging and developing markets (2012: 30%) and 65% from developed markets. 57% of expatriates from our Swiss headquarters were based in emerging countries and 65% were based in developed countries.

International Training and Conference Centre, Rive-Reine

Employees can also give their careers a global dimension at our International Training and Conference Centre, Rive-Reine, in Switzerland. Here, Nestlé people from all over the world meet and interact during training courses where they learn from each other and gain different insights. Their leadership skills are strengthened and the true essence of Nestlé's culture, values and principles is reinforced.

In 2013, 2682 employees from around the world attended courses at Rive-Reine, 42% of whom were women (2012: 2148 attendees, 44% of whom were women).

Leadership training

In this increasingly competitive world, we must take advantage of global business opportunities faster than our competitors. Nestlé's senior leaders attend the Leading the Nestlé Way Programme, which has been designed to help them connect with 'the new reality', inspire our employees and shape the working environment to compete and sustain success. The target scope of Nestlé leaders to attend this two-week programme is 2225.

Inspiring and motivating our people lies at the heart of Nestlé's strong performance culture. Since 2005, the Nestlé Leadership Programme has become a 'must-attend' for all managers in the company. A total of 4567 managers attended this programme by the end of 2013.

Both programmes are run in collaboration with the London Business School.

New sales training approach

From early 2014, Nestlé's new sales training offer will increase the support and development offered across our sales community worldwide. It will target more than 50 000 employees at three specific levels: international, regional and local.

The first new regional training solutions will be delivered by a network of regional sales training hubs, and started with an initial pilot in Dubai in December 2013. Further regional training hubs will be rolled out in 2014.

Responding to the rise of dual career relationships

Many of our expatriate employees are in dual career relationships, with partners who also value their careers. The negative impacts that moving abroad may have on a partner's career may lessen people's willingness or desire to relocate, or may result in them leaving their job. A survey by consultants Ernst & Young revealed that more than 10% of expatriates leave their jobs before the end of their contracts, in one in 12 companies worldwide.

We led the setting up of the International Dual Career Network initiative to help people's partners get back to work – providing job search and career information, ultimately helping us retain the best people. We hold the President's role, with the likes of Coca-Cola, Novartis, Ernst & Young, Cargill and L'Oréal also on the board. The initiative also gives us access to a great pool of professional talent.

Now two years old, the network involves 60 international partner organisations. First launched in Switzerland in 2011, it now covers Lake Geneva, Zurich, Mexico City, Paris, London and São Paulo, with launches in Los Angeles, Basel, Shanghai and Hong Kong planned for 2014.

There are more than 1000 partners registered with the initiative and, since it launched, more than 100 people have found jobs through the scheme; of those, 30 have been recruited at Nestlé headquarters in Vevey.

Leadership framework

We look for people to demonstrate strong leadership at all levels – from individuals and teams to executive managers. In response to feedback through our Nestlé & I survey, we've strengthened our leadership framework by identifying competencies at three different levels, to help us target development initiatives at the right levels to drive our business.

Talent and diversity

Diversity in our workforce is key to maintaining our competitive advantage, so promoting talent diversity – including geographic diversity – is one of our key HR priorities. See the [Diversity](#) section for more detail.

Developing local talent and hiring

As well as providing international career opportunities, we look to recruit and develop local talent with local knowledge – especially in developing countries where the proportion of native employees at management levels lags behind that of more developed countries. In 2013, 52% of local management committee members in developing countries were native to that country (2012: 49.5%), compared with 67% in developed countries (2012: 59%).

Developing local talent

Africa, Oceania and Asia is the fastest growing region in Nestlé. We have significant opportunities in its emerging markets and, to support the sustainable growth of the business, we have strong graduate recruitment programmes in place at market level.

Graduates are hired from leading universities for the full range of functions, including sales, marketing, finance, human resources, operations, supply chain and information technology.

Once hired, the graduates are part of a development programme that typically lasts for two years. The programme focuses on providing a rounded exposure within the core areas they are hired for, as well as to the wider Nestlé organisation. The overall goal is to develop talent that will be able to take on critical roles within the business as they continue to grow in their careers.

In 2013, we had a total intake of 620 graduates (2012: 469).

Improving line manager capability

In response to employee feedback through the Nestlé & I employee survey, we made line manager capability a key priority in 2013.

Corporate actions taken in 2013 to enhance line manager capability include the launch of an employee and line manager portal, me@Nestlé. The line manager section within this portal, 'me as a Line Manager', provides line managers with access to all the information and transactions needed to support them in building a high-performance organisation and a great place to work.

We have also launched the Leadership Development Reference Guide for Markets in line with our Nestlé Continuous Excellence initiative. This serves as a reference standard for Leadership Development Pillar members to ensure a common and aligned framework for leadership development across the company.

Additionally, we launched a new training core curriculum built around the Nestlé Leadership Framework, established a global coaching network and a standardised global coaching curriculum.

Employee mentoring and coaching

We expect every manager to act as a coach for his or her employees, supporting their day-to-day development. We also use mentoring as a powerful tool across the business, allowing more senior staff to share their personal experience, insights and guidance with designated mentees.

Our corporate mentoring programme aims to accelerate the careers of our leaders as part of their professional development. Mentees are paired with a senior leader for 18 months. Now in its fourth year, this programme hundreds of direct mentoring relationships – some mentees have also gone on to be mentors.

As part of our HR priorities, more than 25 markets launched local mentoring programmes in 2013.

Best practice training

We aim to provide best practice training, tools and support structures at all locations. Our core curriculum includes learning solutions that address the competencies required to optimise performance and achieve major business goals, as reflected in the Nestlé Strategic Roadmap. The offering is revised and enhanced as necessary, based on business requirements. Of the hundreds of other e-courses we offer, 351 have been specially developed for Nestlé. We deliver our training programmes in-house, as well as through local and global external partners.

In 2013, we launched a new Global Learning Management System, iLearn@Nestlé. This powerful technology platform helps us maximise employee development benefits, providing employees with the opportunity to manage their own development and enabling line managers to track their teams' performance development. This is now live in 14 markets, with the remainder due to be live by late 2015.

Last year, we launched Reference Guides for both Leadership Development and Education and Training, providing our markets with 'living' guidelines to develop the right learning and leadership to meet the needs of our people and benefit our business. More recently, Executive Summaries of both guides were published, capturing the essential points in a few pages.

In 2013, employees received an average of 23 hours of training each (2012: 10 hours). This figure is significantly higher than the 2012 figure because of the roll-out of a new Learning Management system, which has increased coverage to 88% of those employees in the HR system.

Environmental and nutritional training

It is always a challenge for any training or development programme to influence day-to-day activity but we're committed to providing training and education for our employees on relevant procedures during induction and on-the-job coaching.

These are supported by detailed guidelines and instructions available through the company intranet. Training solutions range from e-learning tools – such as e-learning packages on environmental sustainability for non-specialists, sustainable distribution and packaging – to face-to-face engagement at events, depending on the number of participants and their access to technology. To meet the specific needs of factory-based employees, we supplement workshop sessions and e-learning modules with posters, activities and information they can take home to their families.

We continually review our training portfolio to meet our changing needs. Nestlé's Nutrition Quotient (NQ) training programme helps our people make both personal and business nutrition choices based on the most up-to-date scientific evidence. Our company-wide commitment is to have all Nestlé employees trained at least once on the NQ Foundation Module by the end of 2015, including an e-learning Module. More than 245 650 employees have completed Nutrition Quotient training since the programme was launched in 2007 and in 2013, 48 404 people received refresher training.

And to strengthen our ability to meet our commitments through environmental awareness sessions for our employees, we plan to run training in all countries by 2016. In 2013, environmental awareness training and education sessions for our employees were held in 79 countries.

23 hours

Our people received an average of 23 hours of training each in 2013.



Provide training and education for our employees in CSV, Nutrition Quotient (NQ) and environmental sustainability

For full details [see page 329](#)

These included the roll-out of a new 1.5-day ‘We Make Nestlé Resourceful – Environmental Sustainability Leadership’ workshop for Nestlé employees providing new tools and approaches and enabling different functions to share and develop new ideas.

We also engage with employees on sustainability issues through:

- Participating in a range of events such as World Water Day and World Environment Day, which focused on food wastage in 2013;
- ‘We Make Nestlé Sustainable: For Employees by Employees’ online sessions, presentations and debates; and
- Nespresso’s MyEcolaboration™ employee programme – supporting public commitments in [coffee sourcing](#), [capsule recycling](#) and [emissions reduction](#).

Best practice knowledge-sharing

We promote knowledge-sharing as a tool for building experience and global best practice. Corporate and country-level teams are responsible for putting systems in place to facilitate knowledge transfer across their communities of experts.

For example, all HR best practices are shared through a forum called The Vault. Market HR managers may submit a best practice idea for evaluation to a global committee of senior HR leaders, and if the idea is viewed as one that has global applicability and can be easily implemented, it is included in The Vault. All HR managers from around the world have access to this information and can leverage it to improve local practices.

Promoting lifelong learning

We are committed to supporting lifelong learning, ensuring that employees have the knowledge and capabilities required to perform their current roles, particularly in an environment that is continuously evolving, as well as to ensure that they have the opportunity to learn and develop new competencies. This is achieved through the development process known as the Progress and Development Guide.

Through the process, employees and line managers discuss and agree on development actions that are aligned with career and mobility aspirations, and that consider dual career implications. Each development plan comprises a variety of actions that promote learning through different means:

- Experiential development – job rotations, special assignments, live projects;
- Relationship-based development – mentoring, networking; and
- Classroom-based development – training, e-learning, conferences.

These plans are tracked on a yearly basis to ensure that they are relevant and up to date, and changed as and when necessary. While the formal discussion process takes place once a year, an employee may change or revise their development plans at any point through the year in agreement with the manager.



An example of environmental awareness at our Lipa factory in the Philippines, which has a system to collect rainwater from catchment areas and then reuse it in areas such as the cooling tower.

Succession planning

Quality succession planning provides a healthy supply of talented people to meet our future business needs. It helps us make the most of the talent we have, promoting people on the basis of competence, performance and potential, and aligning opportunities for growth with future business need.

Succession planning also provides opportunities to promote gender balance and diversity, particularly at more senior levels. In each succession plan, especially for key positions, we will consider at least one woman.

In 2013, we filled 75% of key positions through succession planning (2012: 75%). About 6700 people have now been identified as potential successors for key Nestlé positions across the organisation.

Youth employment

Youth unemployment is a major issue for European economies and societies, impacting a quarter of young Europeans (about 5.6 million people). We are growing in Europe and we need to attract and retain the best talent if we're to gain competitive advantage in a slowly recovering economy.

Therefore, as part of our three-year Europe-wide youth employment initiative, Nestlé Needs YOUth, we have committed to offer 20 000 new job opportunities for young people below 30 years old at Nestlé in Europe.

Through the programme, we will:

- offer 10 000 jobs to people under the age of 30, by 2016;
- create a further 10 000 apprenticeships and traineeships; and
- conduct 'readiness for work' activities such as CV clinics, job fairs, open days and company information sessions, and new hires will be offered training and career advice, and coaching and mentoring by Nestlé colleagues.

The roles on offer at Nestlé will be across the business and at all levels, from operators on the factory floor to sales assistants and business management. We are looking for talented young people with vocational skills and training, as well as graduates seeking their first position after university.

By working in collaboration with business partners we can have a much larger impact, so we're also encouraging our 63 000 European suppliers to offer jobs, apprenticeships or traineeships to young people. We plan to launch this Alliance for YOUth in mid-2014, and will be focusing initially on a small number of major pan-European suppliers.

This three-year plan spans 2014–2016, and we will capture our progress against all markets' objectives with regular monitoring across all European operations.



Offer 20 000 job opportunities for young people below 30 years of age at Nestlé in Europe

For full details [see page 328](#)



The Nestlé European Youth Employment Initiative

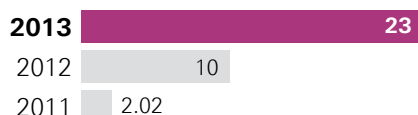


Androulla Vassiliou, EU Commissioner for Education, Culture, Multilingualism, Sport, Media and Youth at the launch of the Nestlé Youth Employment Initiative.

In numbers

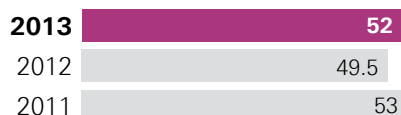
See also our [Commitments table](#).

Average hours of training per year per employee



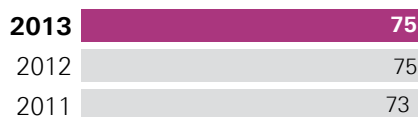
The 2013 figure is significantly higher than the 2012 figure because of the roll-out of a new Learning Management system, which has increased coverage to 88% of those employees in the HR system.

Local Management Committee members native to country in developing countries (%)

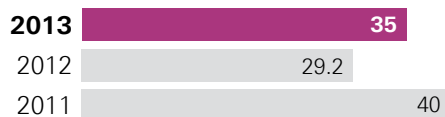


Covers all Nestlé employees including joint ventures.

Key positions filled through succession planning (%)



Percentage of expatriates at Nestlé's headquarters and central functions from emerging markets (%)



Next steps

- Our people development priorities and succession planning will continue to focus on and align with our business priorities. Some key initiatives include workforce planning, gender balance and diversity, leadership development, performance management and reward, and living a responsible culture;
- We will foster our reporting capabilities and report against all market-specific objectives; and
- We also plan to ease the mobility of talent in dual career situations by rolling out the International Dual Career Network to four or five new locations a year.

Employee engagement

We believe engaged employees perform better and stay with us longer. We are committed to giving each employee the opportunity to grow, evolve and contribute. This strong virtuous cycle between the company's success and people's contribution in the short term and longer term is at the heart of our Total Rewards Policy.

We benefit from everyone getting involved in improving how we do things. We encourage everyone to engage with the leadership teams, get involved in local opportunities and take part in the Nestlé & I employee survey. Our recognition and reward programmes are tailored to individual markets, and we want everyone to be recognised and appropriately rewarded for their contribution to our success.

At a glance

- The 2012 Nestlé & I survey highlighted our performance culture, product quality and people's pride in Nestlé as key strengths;
- We need to work on further enhancing the link between pay and performance, providing recognition, and sharing ideas and resources across the company;
- In response to the 2012 survey, we are enhancing leadership capabilities, and recognition and reward initiatives;
- Our Total Rewards Policy aims to give everyone a clear understanding of our approach to rewarding good performance; and
- Many of our businesses have developed their own recognition schemes, following our Corporate Recognition Guidelines.

What we're doing

Nestlé & I survey

In 2012, 197 261 staff – or 78% of our global workforce (2011: 77%) – responded to our most recent Nestlé & I survey.

Main strengths	<ul style="list-style-type: none"> • The quality of our products; • Our high-performance culture; • People's understanding of what is expected of them; and • People's pride in the company and their intention to remain in employment with Nestlé.
Other positives	<ul style="list-style-type: none"> • Safe work environment; and • Understanding and meeting needs of consumers.
Areas for improvement	<ul style="list-style-type: none"> • Recognition for doing a good job; • Pay linked to performance; • Employee benefits; and • Sharing ideas and resources across the company.

In response to this feedback, and from previous Nestlé & I surveys, we are focusing on leadership capabilities (see [Career development](#)) and recognition and reward (see below).

We are taking action at both a corporate and country level. Every line manager receives consolidated survey results for their team, so they can take personal responsibility and work with their team to address issues raised. Countries have been developing their own local action plans based on the results of Nestlé & I country-level surveys.

Recognition and reward

Total Rewards Policy

We launched our Total Rewards Policy in 2012 in response to employee feedback through Nestlé & I, to ensure Nestlé develops as an employer of choice across all markets, in a constantly evolving operating environment. Total Rewards varies between markets, reflecting differing candidate aspirations and values across the globe, but the policy gives everyone a clear understanding of the principles behind our approach.

The guiding principles are to:

- Provide a globally consistent framework with the flexibility for each market to create competitive programmes that comply with local legislation; and
- Focus on attracting and retaining talented employees, building a high-performance culture and ensuring a highly engaged workforce that achieves sustainable business results.

Although there are variations between markets in what employees value, there are common elements that help us to define consistent communication across the Group. Every employee reward covers what they receive and should expect, as they grow, evolve and contribute, with respect to:

- Fixed pay;
- Variable pay;
- Benefits;
- Personal growth and development; and
- Work–life environment.

In support of our key priority to continue enhancing HR capabilities across the Nestlé Group, we launched our Total Rewards Learning Centre in 2013. This covers all aspects of reward, pay, remuneration and the link with performance, and materials have been cascaded down to line manager level.

We have also created a library of market-based Total Rewards material for training purposes, as well as Total Rewards webinar modules for HR business partners covering topics such as compensation basics, differentiating pay and performance, and communicating fixed and variable pay.

In addition, we are working on a Total Rewards toolkit portal, to further empower markets to understand deeply, invest wisely and communicate well. It will also provide an opportunity to share what works or not, so that tools can be refined. This will strengthen our strategy of a coherent and consistent approach that is locally relevant.

Recognising our people

We think everyone should be recognised for their contribution and achievements. We believe the best way to do this is through everyday interactions, particularly with managers.

Our Corporate Recognition Guidelines advise how our business should recognise their employees.

In some countries, businesses have developed more structured and visible recognition programmes. For example:

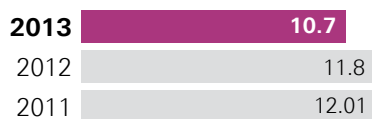
- Nestlé Brazil uses recognition cards to allow employees to acknowledge the work of a colleague. They have provided extensive training to help managers understand the importance of recognition; and
- Nestlé USA runs Real Recognition, an online programme that enables employees to recognise their co-workers quickly and easily based on clearly explained award criteria.

As recognition is now a key HR priority, we are establishing a Global Strategic Recognition Framework to drive a consistent approach that is locally relevant at each level of the organisation. This supports the findings of our internal and external research: that recognition is about enabling a culture that brings to life our corporate value of respect, in alignment with our strategies and leadership behaviours.

To provide our people with more information, we encourage them to visit the relevant rewards sections of our website or talk with appropriate project leaders.

In numbers

Total rate of new employee hires (%)



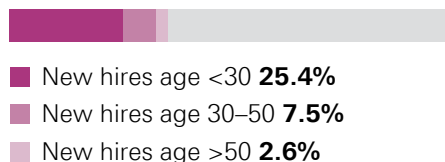
Covers Nestlé employees registered in the HR system – an average of 282 781 during 2013 (approximately 85% of all employees).

New employee hires 2013 (%)

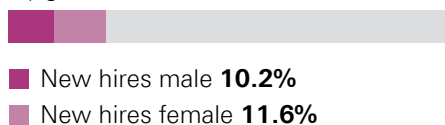
By total



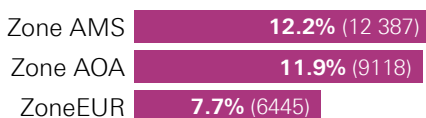
By age



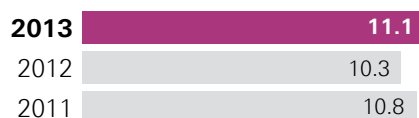
By gender



New employee hires by region 2013 (excluding temps)



Total rate of employee turnover (%)

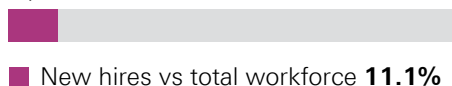


See also our [Commitments table](#).

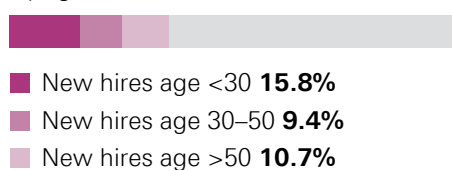
Covers Nestlé employees registered in the HR system – an average of 282 781 during 2013 (approximately 85% of all employees).

Employee turnover (%)

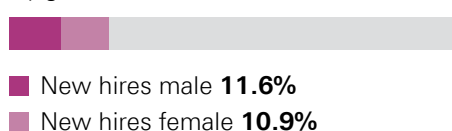
By total



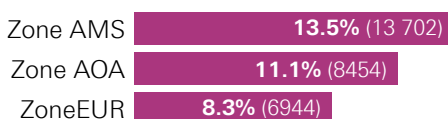
By age



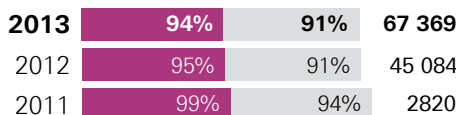
By gender



Employee turnover by region 2013 (excluding temps)



Weighted comparative salary ratio average by gender



■ Male
■ Female

Reporting on this KPI in 2012 was performed mainly on our senior managers and professional staff (a total population of 45 084). For 2013 results, we increased the coverage to 67 369 employees, further demonstrating our commitment to our Total Rewards Policy and our basic principles of fairness and non-discrimination.

Next steps

- We will continue to improve the Total Rewards Learning Centre to constantly adapt to the needs of the HR community, raise the level of awareness throughout our organisation, and develop our people's capabilities;
- We will test our Total Rewards toolkit in three markets and implement training with all Compensation and Benefits managers in 2014, with follow-up support with each of the markets; and
- The Global Strategic Recognition Framework will be officially approved in 2014 and tested in three markets.

Appendix

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Bureau Veritas' Independent Assurance Statement



To: The Stakeholders of Nestlé S.A.

Introduction and objectives of the engagement

Bureau Veritas has been engaged by Nestlé S.A. (Nestlé) to provide independent assurance over the Nestlé in Society: Creating Shared Value and Meeting Our Commitment Report 2013 ('the CSV Report') published in hard copy and online PDF on the Nestlé website. The overall aim of this process is to provide reassurance to Nestlé's stakeholders over the accuracy, reliability and objectivity of the reported information and that it covers the issues material to the business.

Scope of work

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard (2008) Type 2¹ assurance. The scope of work included a review of CSV activities and performance data over the reporting period January 1st to December 31st 2013. Specifically, this included the provision of assurance over:

- i) Statements, information and performance data contained within the CSV report; and
- ii) Nestlé's reporting against the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines and the Food Processing Sector Supplement, at the A+ application level.

We applied a **moderate**² level of assurance to the engagement. Information and performance data subject to assurance is limited to the content of the CSV report.

Opinion and commentary

On the basis on the scope of the assurance engagement, nothing came to our attention to suggest that:

- the account of Nestlé's CSV activities and performance during 2013 and presented in the CSV Report is materially misstated;
- Nestlé's self-declared application level of A+ against the GRI G3.1 Guidelines is materially misstated;
- Nestlé does not adhere to the principles of inclusivity, materiality and responsiveness as per the AA1000 Accountability Principles Standard 2008.

Any errors or misstatements identified during the engagement were corrected prior to the CSV Report being published.

For our detailed methodology which explains the work undertaken to inform our opinion, please see '**Methodology**' below.

1 Type 2 Assurance: An assurance engagement in which the assurance provider gives findings and conclusions on the principles of Inclusivity, Materiality and Responsiveness and also verifies the reliability of specified reported sustainability performance information (AA1000AS (2008) Standard). For further information see www.accountability.org/standards/aa1000as/

2 All relevant text was supported by interview evidence as a minimum, and supported by corroborating interview evidence or another source wherever possible. A moderate level of assurance is commensurate with "limited" assurance as defined in the ISAE3000 assurance standard.

Positive Developments

We are pleased to observe progress in the following areas:

- Nestlé's 'beyond compliance' approach to tackling complex societal issues such as child labour in the cocoa supply chain and human rights contraventions in the value chain through local community participation and empowerment is commendable. Nestlé should consider how best to report publicly on the progress of its programmes whilst at the same time, respecting the on-going sensitivity of the issues being addressed.
- It is acknowledged within the business that some CSV related issues cannot be addressed independently, and as a result there is an increasing emphasis on collective action on issues material to the business through the formalisation of a number of strategic and long term partnerships with civil society organisations.
- During 2013, Nestlé renewed and strengthened a number of its CSV related policies including its Commitment on Water Stewardship and its nutrition policies. These policies are underpinned by a number of supporting commitments and key performance indicators (KPIs) that will enable the business to systematically measure performance over time and ultimately achievement of the policy objectives. Furthermore, the inclusion of these policies, commitments and KPIs in the CSV report demonstrates Nestlé's intention to be accountable to its stakeholders.
- Nestlé's CSV reporting this year provides greater disclosure on the challenges faced by the business in achieving its commitments, making it a more balanced report. Bureau Veritas encourages Nestlé to continue disclosing the contextual sustainability challenges in future reporting, but also the difficulties faced in implementing its frameworks, programmes and initiatives.

Key observations and recommendations for 2013

- Reporting on the Rural Development pillar of CSV is still largely based on case studies where performance is measured and reported using KPIs that evaluate the reach and extent of a particular programme. Quantification of the direct impacts and benefits of its CSV activities still remains a challenge for the business. Nestlé should focus efforts on developing a methodology to measure the tangible impacts and benefits of its projects in line with stakeholder expectations.
- Information on the governance of CSV issues is provided in each section of the report. Further information could be included in future reporting cycles to communicate to stakeholders how governance of these issues extends beyond the headquarters and into the markets and other entities such as Joint Ventures and newly acquired businesses.
- Due to the size and complexity of the Nestlé business, some GRI performance indicators in the 2012 CSV Report were only partially reported due to systematically collect data. For these indicators, Nestlé committed to improve the level of disclosure in the 2013 Report. Whilst Nestlé has been able to demonstrate an improvement against indicators relating to H&S, environment, consumer health and grievances, collating data relating to local public policy and advocacy activities continues to be a challenge. To improve visibility over performance and to enable future reporting, Nestlé should enhance its internal reporting systems to allow for more comprehensive disclosure on the economic performance indicators.
- Nestlé should conduct a review of its commitments in conjunction with the outcomes of the materiality assessment to ensure that all material issues which are considered to be of high concern to stakeholders and of high impact on Nestlé are adequately represented by its commitments. Commitments related to the following issues of high materiality: food safety, food waste and business integrity, did not feature in this year's report, although there is report commentary.

- With an increasing portfolio of health focused businesses and products, issues such as patents and clinical trials are considered to be issues of increasing materiality for Nestle. It is recommended that Nestle provides stakeholders with greater information on policy, governance and performance with respect to these issues.

Findings and conclusions concerning adherence to the AA1000 principles of Inclusivity, Materiality and Responsiveness and specified performance information.

Inclusivity³ – Stakeholder inclusivity is promoted and valued at all levels of the business. Nestlé continues to evaluate the effectiveness of engagement activities and recognises the need to better understand what engagement activities are being undertaken locally. The recent dissemination of engagement guidelines to its local markets will provide a common framework for local management teams to facilitate improved stakeholder mapping for more constructive dialogue at market level. Nestle should accelerate the implementation of the community engagement guidelines that has been initiated by Nestle Waters across all its factories.

Materiality⁴ –The identification of material issues and the capturing of material concerns of stakeholders for the purposes of CSV reporting is robust, and is undertaken on an annual basis. Stakeholder engagement activities at a corporate level were conducted earlier in the 2013 reporting cycle, providing sufficient time for the results to be incorporated into the materiality analysis to inform the content and the structure of the 2013 CSV reporting. Nestlé should consider how to systematically capture the outputs of the market level engagement activities for trend analysis and future issues identification. Furthermore Nestle should consider how it can incorporate these outcomes into the materiality determination process.

Responsiveness⁵ - Nestlé remains responsive to stakeholder concerns, recently demonstrated by the launch of the Creating Shared Value and Meeting Our Commitments 2013 Report, an example of how stakeholders have shaped Nestle strategy and reporting. Within the reporting year, stakeholders have highlighted some gaps in Nestle approach to managing key supply chain issues such as land grabbing and women’s rights. Whilst Nestle is publically responding to these concerns and is accelerating activities in these areas to address them, it is recommended that Nestle undertakes a systematic review of the governance and implementation of programmes around its material issues (identified in the materiality matrix) to proactively identify and address any remaining gaps.

Specified performance information – Nestlé continues to invest in new systems for improved data management and reporting and has successfully integrated a new safety health and environment system to enhance data reporting capabilities for CSV reporting. These systems enable on-going management of issues through monthly and quarterly internal reporting of performance. The collation of data for labour relations, human rights and nutrition education programmes still largely depends on manual year-end data collection processes, which increases the risk of potential errors in data collation and calculation due to the challenging year end reporting deadlines.

3 **Inclusivity** is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.
 4 **Materiality** is determining the relevance and significance of an issue to an organisation and its stakeholders.
 5 **Responsiveness** is the extent of an organisation’s response to stakeholder issues and is realised through decisions, actions and communication with stakeholders.

Methodology

We undertook the following activities to inform our assurance engagement:

- interviewed personnel at various levels throughout the organisation at Nestlé's head office in Vevey, Switzerland;
- document reviews, data sampling and interrogation of supporting databases and associated reporting systems as they relate to selected content and performance data;
- reviewed a selection of external media reports relating to Nestlé and the food sector to evaluate the coverage of topics within the CSV pages of the Nestlé website;
- attended, as observers, the stakeholder convening held in London in March 2013;
- reviewed the materiality analysis undertaken by Nestlé's independent advisors and the outputs provided to Nestlé; and
- evaluated Nestlé's public disclosures against the GRI G3.1 Sustainability Reporting Guidelines. This included cross checking the content of the GRI index table and corresponding weblinks.

Exclusions and Limitations

Excluded from the scope of our work is information relating to:

- Activities outside the defined reporting period or scope;
- Company position statements (including any expression of opinion, belief, aspiration, expectation, aim or future intent);
- Historic text which was unchanged from previous years and did not relate to ongoing activities;
- Financial data taken from Nestlé's Annual Report and Accounts 2013 which is audited by an external financial auditor;
- Content of external websites or documents linked from within www.nestle.com/CSV pages; and,
- Country or business unit specific CSV reports of other Nestlé entities or joint ventures.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the CSV report. The scope of our work was defined and agreed in consultation with Nestlé. Our work covers global operations and relies upon the collation of global information at Nestlé head office in Vevey, Switzerland.

Responsibilities of Nestlé SA and of the assurance provider

The preparation, presentation and content of the printed and online versions of the Nestlé in Society: Creating Shared Value and Meeting Our Commitment Report 2013 ('the CSV report') is the sole responsibility of Nestlé SA. The responsibility of Bureau Veritas is to provide independent assurance to stakeholders on the accuracy, reliability and objectivity of the information contained therein, and to express our overall opinion as per the scope of assurance engagement defined in this statement.

Bureau Veritas recognises the need for a robust, transparent assurance process to ensure credibility and to act as a tool to drive performance improvement in Nestlé's CSV reporting and strategy. This is achieved by providing an impartial commentary on the reporting process and recommendations for further development in this assurance statement, and in an internal management report presented to Nestlé.

Statement of Bureau Veritas Independence, Impartiality and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 180 years of history in providing independent assurance services.

Bureau Veritas has implemented a Code of Ethics across its business which ensures that all our staff maintains high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest. Bureau Veritas has a number of existing commercial contracts with Nestlé. Our assurance team does not have any involvement in any other projects with Nestlé outside those of an independent assurance scope and we do not consider there to be a conflict between the other services provided by Bureau Veritas and that of our assurance team.

Our assurance team completing the work for Nestlé has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information and systems, and through its combined experience in this field, an excellent understanding of good practice in corporate responsibility reporting and assurance.



**BUREAU
VERITAS**

London, March 2014

GRI statement



Statement GRI Application Level Check

GRI hereby states that **Nestlé S.A.** has presented its report "Nestlé in Society: Creating Shared Value and meeting our commitments 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 20 March 2014

A handwritten signature in black ink, appearing to read "Ásthildur Hjaltadóttir".

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



The "+" has been added to this Application Level because Nestlé S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 11 March 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

GRI content index

Our fully linked GRI index is available [online](#).

Key: ● Fully ● Partially ○ Not

STANDARD DISCLOSURES PART 1: Profile Disclosures			
Profile Disclosure	Description	Reported	Cross-reference
1. Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization.	●	NIS: A message from our Chairman and our CEO p4, 5
1.2	Description of key impacts, risks, and opportunities.	●	AR: Principal risks and uncertainties p67, 68 NIS: Our Corporate Business Principles p14 , 2013 Nestlé Materiality Matrix p16
2. Organizational Profile			
2.1	Name of the organization.	●	CSV: all sections
2.2	Primary brands, products, and/or services.	●	NIS: About Nestlé p3 Nestle.com/brands
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	CGR: p13
2.4	Location of organization's headquarters.	●	CGR: p13
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	AR: Geographic data: Factories, p69 CFS: Operating Segments p94
2.6	Nature of ownership and legal form.	●	CFS: Companies of the Nestlé Group p154–172 AR: Corporate Governance and Compliance, Shareholders by Geography p10
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	AR: Principal key figures p56–57 and sales by area p59–65 CFS: Companies of the Nestlé Group p154–172 AR: Geographic data: Factories, p69
2.8	Scale of the reporting organization.	●	AR: Business Review p56 AR: Geographic data: Factories p69 CFS: Financial information – 5 year review p152, 153 NIS: Key Performance Indicators p17, 18
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	CFS: Acquisitions and disposals p91–93 AR: Letter to our shareholders p4, 5
2.10	Awards received in the reporting period.	●	AR: Group Highlights NIS: p4 YIR: Research and development capabilities p18 NIS: Community p38 W: p168, p196 ES: p266, p276
3. Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	NIS: About this Report p6
3.2	Date of most recent previous report (if any).	●	NIS: About this Report p6
3.3	Reporting cycle (annual, biennial, etc.)	●	NIS: About this Report p6

Key: ● Fully ● Partially ○ Not

Profile Disclosure	Description	Reported	Cross-reference
3.4	Contact point for questions regarding the report or its contents.	●	NIS: About this Report p7
3.5	Process for defining report content.	●	NIS: About this Report p6 NIS: Materiality p15 NIS: Stakeholder engagement p27, 28
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	●	NIS: About this Report p6
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	●	NIS: About this Report p6
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●	Data is provided for our wholly-owned companies and subsidiaries, excluding joint ventures and suppliers, unless specifically stated.
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	●	NIS: Key Performance Indicators p17, 18 Consolidated environmental performance indicators p19 Measuring our progress p26 ES: Reporting scope 3 emissions p268
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	●	NIS: Key Performance Indicators p18 Consolidated environmental performance indicators p20
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	Consolidated environmental performance indicators p20
3.12	Table identifying the location of the Standard Disclosures in the report.	●	Appendix: GRI content index p377–401
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	NIS: About this Report p6 Appendix: Assurance statement p371–375
4. Governance, Commitments, and Engagement			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	CGR: p34
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	CGR: p21
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	●	CGR: Board p16–20
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	CGR: Shareholder Participation p30
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	●	CGR: Compensation Report p36

Key: ● Fully ● Partially ○ Not

Profile Disclosure	Description	Reported	Cross-reference
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	CGR: Allocation of Tasks p21 Audit: p22 NCBC: Section 2, p2 onwards
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	●	NIS: Our Governance and Advisory Structure p19–21 CGR: p16 for qualifications & p17–20
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	NIS: Corporate Business Principles p14
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	NIS: Our Governance and Advisory Structure p21–24
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	CGR: Principles of compensation for members of the Executive Board p41
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	ES: Policy on Environmental Sustainability p213
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	NIS: Corporate Business Principles p14 UNGC: p41
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	●	NIS: Partnerships and Alliances p31–40
4.14	List of stakeholder groups engaged by the organization.	●	NIS: Partnerships p31
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	NIS: Partnerships and Alliances – Strategic Approach p31
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	NIS: Partnerships and Alliances – A Strategic Approach p31 NIS: Partnerships and Alliances p31–40 Stakeholder engagement p27, 28 RS: Stakeholder engagement p138 HRC: Child Labour – Engaging with stakeholders p300 W: Communicating our progress p178 W: Supporting standard measures for water use p179 W: Policy engagement through social media p188 W: The SAI Platform p190 ES: Public policy engagement and collective action p218, 219
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	NIS: Stakeholder recommendations: London convening 2013 p28, 29

Key: ● Fully ● Partially ○ Not

STANDARD DISCLOSURES PART 2: Disclosures on Management Approach (DMAs)

G3.1 FPSS DMAs	Description	Reported	Cross-reference	Reason for omission
DMA SC Disclosure on Management Approach SC				
Aspects	Protecting natural resources	●	<p>NIS: Corporate Business Principles: no.9 Environmental Sustainability p14</p> <p>ES: Managing Environmental Sustainability p213–215</p> <p>ES: Waste & Recovery p256-258</p> <p>W: Supporting ecological corridors in Switzerland p201</p> <p>NIS: Partnerships and Industry Alliances, Proforest p33</p>	
	Minimizing toxicity	●	<p>HRC: Food safety p307</p> <p>ES: Reducing mycotoxin contamination levels p259</p> <p>ES: Promoting environmentally sustainable agriculture – Coffee p227, 228</p>	
	Fair trade	●	<p>RS: Setting out our standards – Independent verification and certification p130</p> <p>RD: Productive and respected workers p111</p> <p>RS: Farmer Connect – direct sourcing with farmers p136</p> <p>RS: Nespresso AAA Sustainable Quality™ Program p153, 154</p> <p>RS: Cocoa p158</p>	
	Fair compensation for labor	●	<p>RD: The Rural Development Framework p104</p> <p>RS: Farmer Connect – direct sourcing with farmers p136</p>	
	Traceability	●	<p>RS: Managing Responsible Sourcing p128–136 (specifically: 'Traceability in extended value chains')</p> <p>RS: Deforestation p140-142</p> <p>RS: Nespresso AAA Sustainable Quality™ Program p153</p> <p>ES: Traceability of raw materials p274</p>	
	Genetically modified organisms (GMOs)	●	<p>N: Exploring emerging technologies p70, 71</p>	
	Animal welfare	●	<p>RS: Farm animal welfare p164, 165</p> <p>RS: Responsible Sourcing Guideline requirements p165</p>	
	Biofuels	●	<p>ES: Provide climate change leadership p210</p> <p>RD: The rise of biogas in Mexico p108</p> <p>COM: Ask Nestle – http://www.nestle.com/aboutus/ask-nestle/answers/biofuels</p>	
DMA EC Disclosure on Management Approach EC				
Aspects	Economic performance	●	<p>AR: Key Figures p3</p> <p>CGR: Investor relations p33</p> <p>Compensation: p36, 40</p> <p>NIS: Our Corporate Business Principles p14</p>	
	Market presence	●	<p>AR: Principal sales by area p59–65</p> <p>CFS: Companies of the Nestlé Group p154–172</p> <p>NIS: Our Corporate Business Principles p14</p>	

Key: ● Fully ● Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	Reason for omission
	Indirect economic impacts	●	<p>NIS: Our Corporate Business Principles p14</p> <p>RD: Managing rural development – The Rural Development Framework p104, 105</p> <p>RD: Successful farmers – Farmer Connect p106, 107</p> <p>RS: Nespresso AAA Sustainable Quality™ Program p153</p>	

DMA EN Disclosure on Management Approach EN

Aspects			
Materials	●	ES: Raw Materials p226–228	
Energy	●	<p>ES: Transport and distribution p247–249</p> <p>ES: Climate Change p264–266</p>	
Water	●	<p>W: Managing water responsibly p176</p> <p>W: Water in our operations p181–183</p> <p>W: Public policy engagement p187</p> <p>W: Our water stewardship commitments – and why we make them p170–174</p> <p>COM: Nestle commitment on Water Stewardship – http://www.nestle.com/asset-library/documents/reports/csv%20reports/water/water-stewardship-commitment.pdf</p>	
Biodiversity	●	<p>ES: Preserve natural capital, including forests p210</p> <p>ES: Assessing the status of biodiversity p272</p> <p>ES: Supporting public policy p277</p>	
Emissions, effluents and waste	●	<p>ES: Provide climate change leadership, p209, 2010 Manufacturing p231–233</p> <p>ES: Climate Change p264–266</p> <p>ES: Waste and recovery p257, 258</p> <p>W: Improving water quality p185</p>	
Products and services	●	ES: Environmental life-cycle of products p220–221	
Compliance	●	ES: Applying international standards p215	
Transport	●	ES: Transport and Distribution p247–249	
Overall	●	ES: Managing Environmental Sustainability p213, 214	

DMA LA Disclosure on Management Approach LA

Aspects			
Employment	●	OP: Policy on Conditions of Work and Employment p334, 335	
Labor/management relations	●	OP: Labour Relations p349–351	
Occupational health and safety	●	<p>OP: Safety and health management p335</p> <p>OP: Our people commitments – and why we make them p327</p>	
Training and education	●	OP: Developing Talent p358–363	
Diversity and equal opportunity	●	<p>Our Corporate Business Principles – Leadership and personal responsibility p14</p> <p>OP: Diversity p354–356</p> <p>OP: Our people commitments – and why we make them p327</p>	
Equal remuneration for women and men	●	<p>OP: Women’s empowerment principles p37, 38</p> <p>OP: Diversity p17</p> <p>OP: Discrimination p351, 369</p>	

Key: ● Fully ● Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	Reason for omission
DMA HR Disclosure on Management Approach HR				
Aspects	Investment and procurement practices	●	RS: Managing Responsible Sourcing p128–132 RD: RISE assessment p107 HRC: Human Rights Due Diligence Programme p292–296	
	Non-discrimination	●	OP: Discrimination p351 Our Corporate Business principles – Leadership and personal responsibility p14	
	Freedom of association and collective bargaining	●	OP: Collective bargaining and freedom of association p350	
	Child labor	●	RS: Managing responsible sourcing – The journey p132 RS: The Nestlé Cocoa Plan p158, 159, 161 HRC: Our human rights and compliance commitments – and why we make them p282 HRC: Child Labour p299, 300	
	Prevention of forced and compulsory labor	●	RS: Managing responsible sourcing – The journey p132 The Nestlé Cocoa Plan p158, 159, 161 HRC: Child Labour p299, 300	
	Security practices	●	HRC: Balancing Human Rights and Security Risks p296	
	Indigenous rights	●	RD: Land acquisition: Respecting the rights of local and indigenous peoples p115, 116	
	Assessment	●	HRC: Human Rights Due Diligence Programme p292–294	
	Remediation	●	HRC: Human Rights Due Diligence Programme p292–295	
DMA SO Disclosure on Management Approach SO				
Aspects	Local communities	●	RD: Farmer Connect p106 W: Water Resource Reviews p181, 182 RD: Prospering communities p113–115	
	Healthy and affordable food	●	N: Our nutrition commitments – and why we make them p51–57 Our nutrition strategy p61–63 N: Assessing and renovating our products p67, 68 N: Maternal and infant nutrition p73 N: Micronutrient deficiencies p90–93	
	Corruption	●	HRC: Anti-corruption p289–291	
	Public policy	●	ES: Supporting public policy p277 NIS: Public policy and advocacy p30	
	Anti-competitive behavior	●	AR: Corporate Governance and Compliance p8	
	Compliance	●	HRC: Building a foundation of compliance p292 HRC: Human Rights Due Diligence Programme p292 HRC: Compliance Reporting System p286 HRC: Internal corporate audits p316 AR: Corporate Governance and Compliance p8	

Key: ● Fully ○ Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	Reason for omission
DMA PR Disclosure on Management Approach PR				
Aspects	Customer health and safety	●	HRC: Product safety and quality p305, 306 HRC: Responsible marketing of breast-milk substitutes p314–317	
	Product and service labelling	●	NIS: Corporate Business Principles – Consumer communication p14 N: Our nutrition commitments – and why we make them p56, 57 N: Nutrition advice and guidance p85–87	
	Marketing communications	●	HRC: Our responsible marketing journey p310–312 N: Promoting and supporting breastfeeding p74, 75 N: Employee Training p63	
	Customer privacy	●	HRC: Consumer privacy p322, 323	
	Compliance	●	CGR: Board of directors' overall responsibility HRC: Making voluntary commitments p311, 312 HRC: Responsible marketing of breast-milk substitutes – Compliance p314, 315	

DMA AW Disclosure on Management Approach AW				
Aspects	Breeding and genetics	○		Not material
	Animal husbandry	○		Not material
	Transportation, handling and slaughter	○		Not material

STANDARD DISCLOSURES PART 3: Performance Indicators

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
Sourcing							
Across all aspects of sourcing							
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy.	●	RS: Setting out our standards p128 , Monitoring implementation p129 , In numbers p139				
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard.	○	RS: Managing responsible sourcing – Implement responsible sourcing p126 , The basis: Nestlé Responsible Sourcing Guideline p132, 134 RS: Deforestation – Palm oil p141, 142 RS: Cocoa p158 RS: Coffee – The Nescafé Plan p152	Percentage/ volume information	Proprietary information	We provide information on spend and some volumes purchased to give a representation of scale, but are unable to report the details due to commercial sensitivities and traceability. We give information by region where possible. Only 17% of key commodities are currently traceable. However, where possible, we do indicate countries of origin. See p128	

Key: ● Fully ● Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
Economic							
Economic performance							
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	CFS: p74–79 RD: Managing rural development – Successful farmers p106 N: The Nestlé Healthy Kids Global Programme p77 CFS: Government Debt as %, p112			This has been reviewed, and the predominant spending is on Healthy Kids. Data is collected across Nestle markets for this. Total spending on Nestle Healthy Kids Programme in 2013: CHF 8.6 million (2,500 person days donated by Nestle employees to the programme).	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	ES: Climate change p264 COM: CDP 2013 Investor submission – http://www.nestle.com/asset-library/documents/creating%20shared%20value/performance/nestle-response-to-cdp-2013-investors.pdf				
EC3	Coverage of the organization's defined benefit plan obligations.	●	CFS: Employee benefits p108–112				
EC4 COMM	Significant financial assistance received from government.	●				Based on existing information, we do not receive significant financial assistance from government that would materially affect our position.	
Market presence							
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	○					
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	●	RD: Successful farmers, Farmer Connect p106 RS: Managing responsible sourcing – Setting out our standards p128 RS: The basis: Nestlé Responsible Sourcing Guideline p131, 132 RS: Farmer Connect – direct sourcing with farmers p136 RS: Milk p144 RS: Coffee – Understanding the drivers p149	Proportion of spending on locally-based suppliers	Proprietary information	We provide information on financial assistance to farmers to give a representation of scale, but are unable to report due to commercial sensitivities.	

Key: ● Fully ◐ Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
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EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	●	OP: Developing talent – Career development – Developing local talent and hiring p360				
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Indirect economic impacts

EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	<p>This has been reviewed, and the predominant spending is on Healthy Kids. Data is collected across Nestle markets for this. Total spending on Nestle Healthy Kids Programme in 2013: CHF 8.6 million (2,500 person days donated by Nestle employees to the programme)</p> <p>RS: Managing responsible sourcing – Building a better tomorrow in Madagascar p135</p> <p>RS: Cocoa – Investing in plant and soil research p160</p> <p>Building schools p161</p> <p>RD: Managing rural development – Investing in plant science to help farmers p109</p> <p>RD: Prospering communities – Prioritising interventions p113, 114</p> <p>N: The Nestlé Healthy Kids Global Programme p77</p>				
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EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	<p>RD: Managing rural development – The Rural Development Framework p104, 105</p> <p>RD: Successful farmers – Farmer Connect p106, 107</p>				
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Environmental

Materials

EN1 COMM	Materials used by weight or volume.	●	<p>NIS: Consolidated Environmental Performance Indicators p18</p> <p>ES: Raw materials – In numbers p230</p>				
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Key: ● Fully ● Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
EN2	Percentage of materials used that are recycled input materials.	●	NIS: Consolidated Environmental Performance Indicators p19 ES: Packaging – In numbers p246				
Energy							
EN3	Direct energy consumption by primary energy source.	●	NIS: Consolidated Environmental Performance Indicators p19				
EN4	Indirect energy consumption by primary source.	●	NIS: Consolidated Environmental Performance Indicators p19				
EN5	Energy saved due to conservation and efficiency improvements.	●	ES: Manufacturing – Improving energy efficiency p233, 234				
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	●	ES: Environmental life-cycle of products p220–221 (specifically: Environmental product improvements)				
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	●	ES: Manufacturing – Improving energy efficiency p233, 244 ES: Transportation and distribution – Improving our warehousing p250 ES: Climate change – Renewable energy p265				
Water							
EN8	Total water withdrawal by source.	●	NIS: Consolidated Environmental Performance Indicators p19 W: Improving water efficiency p183				
EN9	Water sources significantly affected by withdrawal of water.	○	W: Collective action p190		Not available	See explanation in text (Water: Collective Action)	
EN10	Percentage and total volume of water recycled and reused.	●	W: In numbers p186				

Key: ● Fully ● Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
Biodiversity							
EN11 COMM	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	●	<p>NIS: Consolidated Environmental Performance Indicators p19</p> <p>W: Working to protect important water areas p185</p> <p>ES: Biodiversity – Nestlé factories and biodiversity status p275, 276</p> <p>ES: Biodiversity – Direct sourcing of raw materials p274</p>				
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	●	<p>ES: Biodiversity – Nestlé factories and biodiversity status p275, 276</p> <p>ES: What we're doing p271, 272</p>				
EN13	Habitats protected or restored.	●	<p>ES: Biodiversity p271–276 (Specifically: 'Improving biodiversity through silvopasture' and 'Biodiversity projects in the Vosges water basin, France')</p> <p>W: supporting ecological corridors in Switzerland p201</p> <p>W: watershed protection through reforestation in Ecuador p201</p>				
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	●	<p>ES: Biodiversity – What we're doing p272–276 (Specifically: 'Assessing the status of biodiversity' and 'Improving the performance of our factories')</p> <p>COM: Nestlé Commitment on Natural Capital (http://www.nestle.com/Asset-Library/Documents/Creating%20Shared%20Value/Environment/Natural%20Capital%20Commitment%20april%202012.pdf)</p>				

Key: ● Fully ◐ Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	○					
Emissions, effluents and waste							
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	NIS: Consolidated Environmental Performance Indicators p19 ES: Climate Change – In numbers p269				
EN17	Other relevant indirect greenhouse gas emissions by weight.	●	ES: Emissions reporting p268 COM: See scope 3 emissions in CDP 2013 Investor submission – http://www.nestle.com/asset-library/documents/creating%20shared%20value/performance/nestle-response-to-cdp-2013-investors.pdf				
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	ES: Manufacturing – Reducing air emissions p234–235 ES: Transportation and distribution – What we’re doing p247–250 ES: Climate change – What we’re doing p264–266				
EN19	Emissions of ozone-depleting substances by weight.	●	NIS: Consolidated Environmental Performance Indicators p20				
EN20	NOx, SOx, and other significant air emissions by type and weight.	●	NIS: Consolidated Environmental Performance Indicators p20				
EN21	Total water discharge by quality and destination.	●	NIS: Consolidated Environmental Performance Indicators p19 W: In numbers p186				
EN22	Total weight of waste by type and disposal method.	●	ES: Waste and recovery – Key commitments and performance p256, 257 In numbers p262, 263				

Key: ● Fully ◐ Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
EN23	Total number and volume of significant spills.	●	NIS: Consolidated Environmental Performance Indicators p20				
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	○					
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	◐	W: Working to protect important water areas p185 ES: Biodiversity – Nestlé factories and biodiversity status p275, 276	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not available	Having identified the factories associated with 'important water areas', we are now working to determine what interventions we should take, and intend to report further in future years.	
Products and services							
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	ES: Environmental life-cycle of products p220–224 (specifically: 'Environmental product improvements' and 'Dry pet food hotspots')				
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	●	ES: Packaging p239–246 (specifically: 'Understanding and contributing to packaging recycling rates', and 'In numbers')				
Compliance							
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	NIS: Consolidated Environmental Performance Indicators p20				
Transport							
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	●	ES: Transport and distribution p247				

Key: ● Fully ● Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
Overall							
EN30	Total environmental protection expenditures and investments by type.	●	ES: Manufacturing (specifically: 'Environmental initiatives and investment) – p234				
Social: Labor Practices and Decent Work							
Employment							
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	●	KPI table: Our people p18 OP: Diversity – In numbers p356, 357 Covers Nestlé employees registered in the HR system (approximately 85% of all employees).				
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	●	OP: Employee engagement – In numbers p368, 369				
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	○					
LA15	Return to work and retention rates after parental leave, by gender.	●	OP: Workplace wellness, In numbers p348				
Labor/management relations							
LA4	Percentage of employees covered by collective bargaining agreements.	●	OP: Labour relations – Collective bargaining and freedom of association p350				
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	●	OP: Labour relations – Minimum notice period p350				
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country.	●	OP: Labour relations – Workplace relations challenges p350, 351 OP: Labour relations – In numbers p353				
Occupational health and safety							
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	○					

Key: ● Fully ◐ Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	◐	<p>NIS: Key Performance Indicators p18</p> <p>OP: Nestlé Occupational Safety and Health Management System, Monitoring p339</p> <p>OP: Safety and health performance p337, 338</p> <p>OP: Safety and health – In numbers p344</p> <p>OP: Workplace wellness – Sickness absence p345</p>	Nestlé does not currently report occupational health and safety metrics by gender because it is not seen as relevant.	Not material	We do not see any differences in our male and female populations that would significantly affect risk of injury or illness. There are lots of factors/variables that can affect risk levels, and we are starting to look at these (eg employment status, years of experience, training received, etc).	
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	●	OP: Workplace wellness – Enhancing the work-life environment p346, 347				
LA9	Health and safety topics covered in formal agreements with trade unions.	○					
Training and education							
LA10	Average hours of training per year per employee by gender, and by employee category.	◐	OP: Developing talent – In numbers p365	Not broken out by gender or employee category	Not available	We do not see any differences in our male and female populations that would significantly affect training needs. There are lots of factors/variables that can affect training needs.	

Key: ● Fully ○ Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	○	OP: Developing talent p358–364	Have provided information on skills development and lifelong learning, but not on managing their career endings	Not available	<p>Nestlé is committed, as stated in Nestlé on the Move and other Corporate documentation, to support Lifelong Learning. In a people flexible society, staff needs to be helped to keep abreast of the evolution in a fast changing environment, in order to increase the efficiency of the Company.</p> <p>What is needed:</p> <ul style="list-style-type: none"> • Supportive leadership and management (vision) • A sustainable Learning Culture with learning commitment from employees (attitude development) and guidance and advice (from specialists) • Environment with Access to means/tools (budget, resources, methods) • Continual Promotion and Awareness (Motivation and Sustainability) • Evaluation and Measurement (realize the positive results in the Business). 	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	○					
Diversity and equal opportunity							
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	○	OP: Diversity – In numbers p356, 357 CGR: Board of Directors p16–20 CGR: Executive Board p25–28	Employees are not broken out by minority group.	Proprietary information	Employees are not broken out by minority group due to differing privacy concerns in our markets.	
Equal remuneration for women and men							
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	●	OP: Employee engagement – In numbers p369 We are working on providing ratio data for geographical zones and plan to report this for 2014.				

Key: ● Fully ◐ Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
Social: Human Rights							
Investment and procurement practices							
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	●	HRC: Human rights – In numbers p297				
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	●	HRC: Human rights – In numbers p297				
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	●	HRC: Human rights – In numbers p298				
Non-discrimination							
HR4	Total number of incidents of discrimination and corrective actions taken.	●	OP: Labour relations – Discrimination p351				
Freedom of association and collective bargaining							
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	●	OP: Labour relations – Collective bargaining and freedom of association p350 HRC: Human rights – In numbers p297				
Child labor							
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	●	HRC: Human rights – In numbers p297 RS: The basis: Nestlé Responsible Sourcing Guideline: p131, 132 RS: Nestlé Cocoa Plan p158 HRC: Child labour – Applying a comprehensive strategy p299–302				

Key: ● Fully ● Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
Forced and compulsory labor							
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	●	HRC: Human rights – In numbers p297 RS: Audit programme for Tier 1 suppliers p130				
Security practices							
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	●	HRC: Managing compliance – Security personnel p288				
Indigenous rights							
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	We are reporting incidents from reviews undertaken as part of the Responsible Sourcing Guideline, on a risk basis, rather than across all commodities. RD: Compliant handling and resolution p116 Information on action taken provided in RD: Community needs assessment in Nigeria p116 RD: Prospering communities – Land acquisition: Respecting the rights of local and indigenous peoples p115				
Assessment							
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	●	Human rights reviews are undertaken on a risk basis for countries, rather than across global operations. HR: Pillar 5 Impact assessment p293 COM: Talking the Human Rights Walk – http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-hria-white-paper.pdf				

Key: ● Fully ● Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in	
Remediation								
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	●	HRC: Human rights – In numbers p298					
Social: Society								
Local communities								
SO1 (FPSS)	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	●	<p>W: Water Resource Reviews p181, 182</p> <p>RD: Prospering communities p113–115 (specifically: ‘Improving hygiene and sanitation in Côte d’Ivoire’ and ‘Reducing direct impacts on communities’)</p> <p>COM: (See also http://www.nestle.com/asset-library/Documents/Creating%20Shared%20Value/Rural_development/Nestl%C3%A9-Commitment-on-Rural-Development-12-11-30.pdf)</p> <p>RD: The Rural Development Framework p104</p> <p>RS: Coffee – The <i>Nescafé Plan</i> p151–154 (specifically: 2013 initiatives)</p> <p>RS: Milk – Our milk district model p144–146</p>					
SO1 (G3.1)	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	●	<p>RD: The Rural Development Framework p104, 105</p> <p>W: Water Resource Reviews p181, 182</p> <p>RD: Prospering communities p113–115 (specifically: ‘Improving hygiene and sanitation in Côte d’Ivoire’ and ‘Reducing direct impacts on communities’)</p>					We are prioritising local community engagement activities and impact assessments through our Rural Development Framework, rather than implementing across all global operations

Key: ● Fully ● Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
SO9	Operations with significant potential or actual negative impacts on local communities.	●	<p>W: Water Resource Reviews p181, 182</p> <p>RD: Our rural development commitments p101</p> <p>RD: Reducing any direct impacts on communities p115</p> <p>COM: (See also http://www.nestle.com/asset-library/Documents/Creating%20Shared%20Value/Rural_development/Nest%C3%A9-Commitment-on-Rural-Development-12-11-30.pdf)</p>				
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	●	<p>RD: Prospering communities p113, 114</p> <p>W: Improving water efficiency at La Penilla p182</p>				
Healthy and affordable food							
FP4	Nature, scope and effectiveness of any programs and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need.	●	<p>N: Our nutrition commitments p51–59</p> <p>N: Research and development p64, 65</p> <p>N: Providing healthy choices for mothers and infants and young children p75</p> <p>N: The Nestlé Healthy Kids Global Programme p77, 78</p> <p>N: Promoting healthy hydration p81, 82</p> <p>N: Micronutrient fortification p90–93</p> <p>N: Specialised nutrition p95–97</p>				
Corruption							
SO2	Percentage and total number of business units analysed for risks related to corruption.	●	HRC: Anti-corruption – In numbers p291				
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	HRC: Anti-corruption p289–291 (Specifically: 'Training our employees' and 'In numbers')			We have reported the percentage of targeted managers who have been trained on Anti-corruption policies, as identified by our legal counsels on a risk basis.	
SO4	Actions taken in response to incidents of corruption.	●	HRC: Anti-corruption – In numbers p291				

Key: ● Fully ◐ Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
Public policy							
S05 COMM	Public policy positions and participation in public policy development and lobbying.	◐	<p>COM: Public policy positions found on – http://www.nestle.com/aboutus/ask-nestle</p> <p>NIS: Public policy and advocacy p30</p> <p>W: Public policy engagement p187, 188</p>		Not available	There are no significant differences between lobbying positions and stated policies, nor do we conduct any lobbying activities related to subsidized or otherwise advantaged production. We outline our approach to public policy and advocacy activities, and are continuously improving the collection of information from our markets.	
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●	Under Section 10, Page 6 of the Nestle Code of Business Conduct, political contributions are not allowed. The only exception is the parent company in its home country Switzerland, where minor contributions are made to political parties' secretariats to support the economic conditions and democratic structure in Switzerland. In 2013, the total of such payments for the functioning of party secretariats (no payments for campaigns) was CHF 250,000				
Anti-competitive behavior							
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	◐	There are 22 ongoing cases affecting Nestle. Of these 22 ongoing cases, judicial remedies are being sought in five. In one case, in Greece, a fine has been imposed.	Outcomes	Not applicable	No outcomes can yet be reported for the other four as no decisions have been made on these cases.	
Compliance							
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	<p>CFS: Note 13 – Provisions and contingencies p117, 118</p> <p>There are no events to report as a "significant fine". The threshold for a 'significant fine' is CHF 10 mio.</p>				

Key: ● Fully ◐ Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
Social: Product Responsibility							
Customer health and safety							
PR1 COMM	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	●	HRC: Product safety and quality p305-307 (specifically: 'Nestlé Quality Management System') N: Child and family nutrition p77 N: Assessing and renovating our products p67-71 (specifically: 'In numbers')				
PR2 COMM	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	●	We consider the most material part of this indicator to be product safety for the end consumer. There were 10 product recalls in 2013. HRC: Product safety and quality – Product recalls p307 HRC: Product safety and quality – In numbers p309				
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards.	●	Over 94% of production volume HRC: Product safety and quality – Nestlé Quality Management System p306				
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars.	◐	N: Research and development – Reducing salt, sugars and saturated fats p68 N: How we're meeting our commitments p59	Percentage of total sales volume not reported, only number of items	Not available	Work on the Recipe Management System is still in progress, and we plan to disclose fully on the indicator in future years	2016
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives.	◐	N: Micronutrient deficiencies p90-94 (specifically: 'In numbers') N: Nestlé 60/40+ programme p67 N: Child and family nutrition p77 N: Micronutrient deficiencies p90 N: Fortified Popularly Positioned Products p91	Percentage of total sales volume not reported, only number of items	Not available	Work on the Recipe Management System is still in progress, and we plan to disclose fully on the indicator in future years	2016

Key: ● Fully ◐ Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
Product and service labelling							
PR3 COMM	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	●	N: Providing information to help consumers p85–89 (specifically: In numbers) E: Promoting sustainable consumption – Enhancing consumer understanding p253				
FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements.	●	N: Providing information to help consumers p85–89				
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	●	HRC: Responsible marketing of breast-milk substitutes – Compliance p314 Good governance p314–318 (specifically: Internal corporate audits) HRC: IFBA commitment p311				
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	◐					
Marketing communications							
PR6 COMM	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	●	HRC: Responsible advertising and marketing – Making voluntary commitments p311, 312 HRC: Responsible marketing of breast-milk substitutes – Compliance p314 , Good governance p315–318 N: Research and development p64				
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	●	HRC: Responsible advertising and marketing – Making voluntary commitments p311, 312 HRC: Responsible marketing of breast-milk substitutes – In numbers p321				

Key: ● Fully ◐ Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
Customer privacy							
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	○					
Compliance							
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●	CFS: Note 12: Provisions and contingencies p117, 118				
Animal welfare							
Breeding and genetics							
FP9	Percentage and total of animals raised and/or processed, by species and breed type.	○			Not applicable	Nestlé only raises animals in two small test farm settings, and does not process any animals. We do not consider the disclosure to be material in its current state. More context available in the Animal welfare section of the report – RS: p164	
Animal husbandry							
FP10	Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic.	○			Not applicable	Nestlé only raises animals in two small test farm settings, and does not process any animals. We do not consider the disclosure to be material in its current state. More context available in the Animal welfare section of the report – RS: p164	
FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type.	○			Not applicable	Nestlé only raises animals in two small test farm settings, and does not process any animals. We do not consider the disclosure to be material in its current state. More context available in the Animal welfare section of the report – RS: p164	

Key: ● Fully ● Partially ○ Not

G3.1 FPSS DMAs	Description	Reported	Cross-reference	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type.	○			Not applicable	Nestlé only raises animals in two small test farm settings, and does not process any animals. We do not consider the disclosure to be material in its current state. More context available in the Animal welfare section of the report – RS: p164	
Transportation, handling and slaughter							
FP13	Total number of incidents of non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals.	○			Not applicable	Nestlé only raises animals in two small test farm settings, and does not process any animals. We do not consider the disclosure to be material in its current state. More context available in the Animal welfare section of the report – RS: p164	

Abbreviations:

- AR:** Annual Report 2013
- CFS:** Consolidated Financial Statements of the Nestlé Group
- CGR:** Corporate Governance Report
- CSV:** Creating Shared Value at Nestlé
- HRC:** Human Rights & Compliance
- NCBP:** Nestlé Corporate Business Principles
- RD:** Rural Development
- RS:** Responsible Sourcing
- N:** Nutrition
- NCBC:** Nestlé Code of Business Conduct
- W:** Water
- ES:** Environmental sustainability
- OP:** Our people
- COM:** Nestlé Corporate website
- DMA:** Disclosure of Management Approach

Materiality Matrix Definitions 2013

We consolidated the original list of 48 issues into 23 key issues, listed in CSV categories.

Issue	Definition
Nutrition	
1 Over- and under-nutrition	Tackling non-communicable diseases and micro-nutrient deficiencies through portfolio transformation, product development and renovation
2 Food and nutrition security	Contributing to the availability of and affordable access to sufficient, safe, nutritious food
3 Product labelling	Disclosing nutritional and other relevant product information (e.g. GMOs) through product labels
4 Product marketing and communications	Shaping consumer behaviour to promote better health outcomes
Water and Environmental Sustainability	
5 Water stewardship	Implementing the actions, individually and/or collectively, needed for the sustainable management of shared water resources, including enabling access to water, sanitation and hygiene
6 Packaging	Optimising packaging materials considering product and packaging impacts across the life cycle
7 Natural capital	Valuing elements of the ecosystem that generate benefit
8 Manufacturing	Minimising negative environmental impacts of the production process
9 Transport and distribution	Minimising negative environmental impacts of transport and distribution
10 Food waste	Reducing waste of crops and food products in the production, post-harvest, processing, retail, consumption and post-consumption stages
11 Climate change	Contributing to the mitigation of and adaptation to the negative effects of climate change
Rural Development	
12 Human rights	Promoting respect for the basic rights and freedoms to which all people are entitled
13 Sourcing and traceability	Ensuring that key ingredients have been grown and processed responsibly and can be traced back to origin where possible
14 Rural development	Directly and indirectly promoting economic activity in factory locations and improving livelihoods of agricultural workers in the supply chain
15 Animal welfare	Safeguarding the well-being of animals in the supply chain and in product testing
16 Community relations	Positively engaging with and respecting the rights of communities in areas of operation
Our people	
17 Women's empowerment and equality	Empowering women to participate fully in society and the economy across the value chain and advancing gender equality in the workplace
18 Employee relations	Maintaining positive relations with employees and promoting positive working conditions
19 Employee health and safety	Targeting zero accidents in the workplace and promoting safe and healthy behaviours
Compliance	
20 Public policy, advocacy and lobbying	Interacting with government and policymakers on areas of mutual interest as well as disclosing positions, contributions and related activities
21 Food safety	Ensuring a high quality product and preventing health risks arising from handling, preparation and storage throughout the value chain
22 Business integrity	Upholding ethical principles in the business and workplace
23 Governance and transparency	Developing structures that enable oversight, accountability and transparency at all levels of the business