



Nestlé in society

Creating Shared Value and meeting our commitments 2014

2014 performance summary

Nestlé's performance indicators provide a focus for measuring and reporting Creating Shared Value, sustainability and compliance. This performance summary forms part of our communication on progress for the United Nations Global Compact Principles. Unless otherwise stated, performance indicators are for the year ending 31 December 2014. The references in the GRI column relate to the applicable indicator from the Global Reporting Initiative G4 guidelines.

We report against GRI G4 guidelines and indicators, in line with the material issues we need to address. The issues are identified through our stakeholder engagement process and they also shape the public commitments we have made. To provide transparency for our stakeholders, in this table we have indicated the correlation between GRI indicators, our KPIs and our commitments.

 Please see www.nestle.com/csv/2014/kpis

Nestlé in society and Creating Shared Value key performance indicator	GRI	2013	2014	Page
Economic				
Total Group sales (CHF million) ^(a)				
Total Group sales (CHF million) ^(a)	G4-EC1	92 158	91 612	5
Net profit (CHF million) ^(b)	G4-EC1	10 015	14 456	n/a
Nutrition				
Products meeting or exceeding Nestlé Nutritional Foundation profiling criteria (as % of total sales) ^(c)	G4-EC1	76.0	78.5	10,11,12
Renovated products for nutrition or health considerations ^(d)	G4-FP7	7 789	10 812	10,11,12
Products with increase in nutritious ingredients or essential nutrients ^(d)	G4-FP7	4 778	6 359	10
Products with reduction of sodium, sugars, trans fats, total fat, calories or artificial colourings ^(d)	G4-FP6	4 221	6 973	11,12
Products analysed and improved or confirmed via 60/40+ programme (sales, CHF million) ^(e)	G4-PR1	33 001	33 233	10,11,12
Products containing Branded Active Benefits (sales, CHF million)	G4-FP7	6 836	6 687	10
Products featuring <i>Nestlé Nutritional Compass</i> labelling (% of sales worldwide) ^(f)	G4-PR3	92.5	92.8	13
Products with Guideline Daily Amounts (GDA) labelling on front of pack (% of sales) ^(g)	G4-PR3	99.3	79.7	13
Products with specific portion guidance (sales, CHF million) ^(h)	G4-PR3	26 700	26 456	14
Popularly Positioned Product SKUs ⁽ⁱ⁾	G4-EC1	9 562	5 014	10
Popularly Positioned Products (sales, CHF million)	G4-EC1	11 803	12 205	10
Nestlé television advertising to children under 12 in compliance with policies on responsible marketing (%) ^(j)	G4-PR7	98.3	97.2	16
Contraventions to the Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes ^(k)	G4-PR7	27	29	17
Infant formula marketing staff in higher-risk countries trained on the WHO Code (% of staff) ^(l)	G4-PR6	100	100	17
Rural development				
Farmers trained through capacity-building programmes		300 000	376 000	18,20,21
Markets covered by Sustainable Agriculture Initiative Nestlé (SAIN) programmes		48	51	23,24
Direct procurement markets covered by SAIN programmes (%)		100	100	23,24
Percentage of suppliers that fully comply with the Nestlé Supplier Code	G4-FP1	74.0	73.0	19
Percentage of purchased volume fully compliant with the Nestlé Supplier Code	G4-FP1	92.0	95.0	19
Water ^(m)				
Total water withdrawal (million m ³)	G4-EN8	152	147	22
Total water withdrawal (m ³ per tonne of product)	G4-EN8	2.92	2.74	22
Environmental sustainability ^(m)				
Production volume				
Total production volume (million tonnes)		52.1	53.7	n/a
Materials				
Raw materials used (million tonnes) ⁽ⁿ⁾	G4-EN1	25.1	25.8	n/a
Materials for packaging purposes (million tonnes) ⁽ⁿ⁾	G4-EN1	5.7	5.6	26
Packaging source optimisation (kilotonnes saved)		66.6	45.8	26
Energy				
Total on-site energy consumption (petajoules)		97.7	95.8	26

Nestlé in society and Creating Shared Value key performance indicator	GRI	2013	2014	Page
Total on-site energy consumption (gigajoules per tonne of product)		1.87	1.78	26
Total on-site energy consumption from renewable sources (% total)	G4-EN3	13.3	14.7	n/a
Total direct energy consumption (petajoules)	G4-EN3	67.1	65.5	26
Total direct energy consumption from renewable sources (% total direct)	G4-EN3	10.8	11.3	n/a
Total indirect energy consumption (petajoules)	G4-EN4	81.5	81.1	26
Biodiversity				
Total size of manufacturing sites located in protected areas (hectares) ^(o)	G4-EN11	32.9	18.8	28
Emissions, effluents and waste				
Direct GHG emissions (million tonnes CO ₂ eq)	G4-EN15	3.99	3.81	28
Direct GHG emissions (kg CO ₂ eq per tonne of product)	G4-EN15	76.0	71.0	28
Indirect GHG emissions (million tonnes CO ₂ eq)	G4-EN16	3.81	3.80	28
Indirect GHG emissions (kg CO ₂ eq per tonne of product)	G4-EN16	73.0	71.0	28
Total water discharge (million m ³)	G4-EN22	91.0	87.0	24
Total water discharge (m ³ per tonne of product)	G4-EN22	1.74	1.63	24
Average quality of water discharged (mg COD/l)	G4-EN22	76.0	72.0	24
By-products (kg per tonne of product)	G4-EN23	29.1	28.9	26
Waste for disposal (kg per tonne of product)	G4-EN23	4.9	4.0	26
Environmental sustainability governance				
Manufacturing sites certified against ISO 14001 (% of total manufacturing sites)		91.0	92.0	n/a
Human rights and compliance				
Total number of significant product recalls or incidents of non-compliance	G4-PR2	10	12	n/a
Number of human rights impact assessments completed	G4-HR9	1	1	30
Number of employees trained on human rights		13 793	7 485	30
Our people				
Total workforce (number of employees) ^(a)		333 214	339 456	5
Total rate of new employee hires (%) ^(p)	G4-LA1	10.7	10.3	n/a
Total rate of employee turnover (%) ^(p)	G4-LA1	11.1	11.7	n/a
CARE gaps identified related to Business Integrity and HR ^(q)		146	32	32
Of which: Minor		130	32	32
Major		16	0	32
Critical		0	0	32
Lost-time injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) ^(m)	G4-LA6	2.34	2.35	33
Total recordable injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) ^(m)	G4-LA6	4.10	3.98	33
Total number of fatalities (employees, on-site contractors and on-site members of public) ^(m)	G4-LA6	12	5	33
Average hours of training per year per employee per category ^(r)	G4-LA9	23.0	28.8	35
Leadership positions held by women (%) ^(p)	G4-LA12	31.1	33.7	33
Local Management Committee members native to country in developing countries (%) ^(s)	G4-EC6	52.0	56.4	n/a

(a) Does not include joint ventures.
(b) Includes Nestlé's share in net result of joint ventures.

(c) 2014 assessment scope: 73.8% total Nestlé sales volume. We evaluate our products against the Nestlé Nutritional Foundation criteria, which are based on scientific and public health recommendations (WHO, Institute of Medicine (IOM) and others).

(d) 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.

(e) In the 60/40 programme products are tested with consumer panels and at least 60 of the 100 people must prefer the Nestlé product over the competitor's. 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.

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

(g) 2014 figure is global. 2013 figure is EU 28 plus Switzerland, the Adriatic Region, Ukraine and Moldavia. Excludes plain coffee, tea and water, products for Nestlé Professional, gifting chocolate, seasonings, petcare, Nestlé Health Science and Nestlé Nutrition.

(h) 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.

(i) SKU count recalculated for increased accuracy and now only includes active SKUs.

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

(k) Based on internal and external audits. Internal audits are conducted by HQ-based auditors (Nestlé Group Audit) and country-based auditors (Nestlé Market Audit). External audits were conducted by Bureau Veritas.

(l) 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'.

(m) Includes joint ventures.

(n) 2013 data restated due to some of our large joint ventures reporting environmental data for the first time in 2013 but not having material consumption data available at the time.

(o) Differences from 2013 due to correction of factory coordinates, clarification of PA boundaries and sale of three factories.

(p) Covers Nestlé employees registered in the HR system (approximately 85% of all employees).

(q) CARE, our global external audit programme, is conducted by three audit companies and verifies that all employees and sites we own or operate comply with local legislation, our *Corporate Business Principles* and *Code of Business Conduct*. The audits take place every three years.

(r) Covers approximately 85% of all employees through a combination of manual submission from the markets and the training system.

(s) Covers all Nestlé employees including joint ventures.

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Annual Report 2014



Corporate Governance Report 2014
Compensation Report 2014
Financial Statements 2014

Front cover

Ramón Malé Calcó, from Spain, is a technical leader for the bottling line in the *Nescafé Dolce Gusto* factory in Schwerin, Germany. He is one of the 10 000 young people Nestlé plans to have hired across Europe by 2016 through the Nestlé needs YOuth programme. The initiative, which will also take on 10 000 trainees and apprentices aged below 30, is designed to attract the talented youth we will need to develop and grow our business.

Highlights 2014

98%

of our children's products met all of the Nestlé Nutritional Foundation criteria¹ for children at the end of 2014.

73

Our Healthy Kids Global Programme reached more than 7.6 million children in 73 countries in 2014.

Top 3

We are ranked one of the top 3 global food and beverage manufacturers in the current Access to Nutrition Index.

73%

We audited 8700 of our 10 000 Tier 1 suppliers and found 73% fully complied with our Supplier Code.

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.

Leader

We were ranked number one by the charity Oxfam in its 2014 scorecard, Behind the Brands. The survey scored 10 food and beverage companies on their efforts to improve food security.

38%

Volume of high-priority categories of raw material that are traceable back to the primary source.

52%

Water discharges per tonne of product cut by 52% since 2005.

72

factories achieving zero waste for disposal in 2014.

12 458

farmers sensitised on child labour issues in 2014.

11 832

Nestlé needs YOuth helped 11 832 young people in Europe find work or apprenticeship opportunities in 2014.

26%

Energy consumption per tonne of product cut by 26% since 2005.

¹ The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization (WHO), the Institute of Medicine 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 status.

A message from our Chairman and our CEO

We are pleased to share our 2014 Creating Shared Value Report including an assessment of the challenges we face and the real progress we have made in meeting our societal commitments. This report underlines our firm belief that for a company to prosper over the long term and create value for shareholders, it must create value for society at the same time. Each and every commitment is based on our own convictions, not convenience. Respect, for people, different cultures, the environment and for the future of the world we live in, is the foundation of Creating Shared Value.

These commitments serve both external and internal purposes. They have helped frame our external communications but, equally importantly, they guide our management and all of us at Nestlé across Business Units, Zones and Markets in our collective efforts to reach these specific objectives. They also take into account the views of our stakeholders. We meet regularly with NGOs, academics, multilateral agencies, governments and others to listen and learn from their criticisms and encouragement. Our efforts are strengthened by this dialogue.

Our shareholders also guide us with insightful questions about these societal commitments and how they strengthen our business. This we can explain. Our ambition to be the leading Nutrition, Health and Wellness company is at the heart of our corporate strategy and what we live for as a company. We care deeply about people's health and wellness, and are investing for the future through our network of research centres, the Nestlé Institute of Health Sciences, Nestlé Health Science and the new Nestlé Skin Health. A deep understanding of nutrition, and access to tastier and healthier food and beverages, is what our consumers demand and what society needs.

Water too is an essential part of good nutrition and, at the same time, a human right and the linchpin of food security. We actively promote healthy hydration at all ages while making every effort to reduce water use in our own operations and advocating for inclusion of a specific goal on water in the post-2015 development agenda. Our new Cero Agua factory in Mexico, a dairy factory with a positive water impact, exemplifies our commitment to reducing water use in our own operations and how we embrace new technologies and



Peter Brabeck-Letmathe speaking at the 2014 CSV Forum

Peter Brabeck-Letmathe (Chairman, Nestlé) welcoming guests from government, academia, civil society and business to the 6th Creating Shared Value Forum in Switzerland, which was co-hosted with the United Nations Conference on Trade and Development.



Paul Bulcke visiting the Food Safety Institute in Beijing

Paul Bulcke (CEO, Nestlé) visiting Beijing in March 2014, to open the Nestlé Food Safety Institute, which works with authorities to help provide the scientific foundation for food safety policies and standards.

innovative ways to achieve this goal. Water is a business opportunity, an operational challenge and a societal issue that is of deep concern to us all. As we have said many times, we will run out of water long before we run out of oil.

Likewise, rural development and our work with farmers combined with our Responsible Sourcing Guideline help address the need to build sustainable farming communities, but also to answer our own consumers' demands to know 'where does my food come from?' Our rural development work helps secure the quality and quantity of supply of our key categories and increase the attractiveness of farming for future generations.

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. Our commitment to youth employment, called the Nestlé needs YOUlt Initiative, helps strengthen and develop the skills and employability of young people across Europe. This programme will soon be extended globally.

At Nestlé, Creating Shared Value is the way we do business and it is embedded in our holistic management thinking. Integrating business opportunity and societal need is what we expect of our leaders and employees. Internal management tools help facilitate this process, such as a strategic portfolio tool that assesses our brands against financial and nutrition targets, a capital expenditure process that includes societal indicators, and a Rural Development Framework which digs deep into the needs of cocoa, coffee and dairy farmers and farming communities, helping us to better target our efforts and investments. Our challenge is to find a consistent method of measuring the business value of Creating Shared Value as well as to assess societal impacts and not just activities. We will continue to develop our thinking on this during 2015.

Join us on our Creating Shared Value journey which focuses business on the long term where the success of society and economic activity are intimately intertwined and mutually reinforcing. It should also lead to more effective, collective action to address some of society's deepest concerns and challenges. Better dialogue, engagement and partnerships are required if we are to help address the 'double burden' of malnutrition, water scarcity, sustainable farming, climate change, human rights and more.

This year, again, we have introduced some new commitments in the areas of responsible marketing to children, anti-corruption and internal and external grievance mechanisms. With this report, we also restate our support for the UN Global Compact, as a founding member of the UN Global Compact Lead – an important platform for corporate sustainability leadership. We look forward to your feedback on our commitments and on this report.



Peter Brabeck-Letmathe
Chairman



Paul Bulcke
Chief Executive Officer

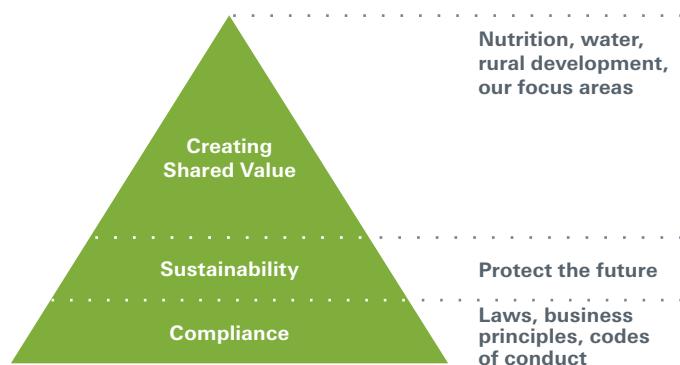
Creating Shared Value at Nestlé

Nestlé has grown from a company founded nearly 150 years ago on the success of a life-saving infant cereal to a global leader in Nutrition, Health and Wellness. Our growth has enabled us to help improve the lives of millions of people – through the products and services we provide and through employment, our supplier networks and the contribution we make to economies around the world. 4.1 million families earn a living because of Nestlé, including many rural small-holders in developing countries. In 2014, we supported the livelihoods of 695 000 farmers and directly employed 339 456 people. Our total group salaries and social welfare expenses were almost CHF 16 billion and we paid corporate taxes of CHF 2859 million.

We see this value creation as a basic requirement for successful business, but it doesn't stop there. Being a global leader brings not only a duty to operate responsibly, but also an opportunity to create long-term positive value for society. We call this Creating Shared Value, and we embed it firmly in our holistic management thinking across all parts of our business.

Our ambition is to be the leading Nutrition, Health and Wellness company. As the population grows and healthcare challenges increase, the intrinsic value of our nutrition agenda will continue to expand. That's why Nutrition, Health and Wellness are at the heart of Creating Shared Value. As critical issues facing society, water and rural development are also top priorities, representing both business opportunities and operational challenges. All this is underpinned by a duty to protect scarce natural resources for the future. Our commitments to environmental and social sustainability ensure we can continue to be part of the long-term solution. Finding better ways to collaborate and secure collective action is key to addressing society's most critical challenges and maximising the shared value we can create.

Creating Shared Value



Our 2014 performance in these leading environmental and sustainability indices illustrates our progress on the commitments:

Carbon Disclosure Leadership Index – In October 2014, we received a Climate Disclosure Leadership Index Award from environmental sustainability ratings agency CDP, having achieved a score of 96 out of 100.

CDP Water Programme – The CDP Water programme promotes corporate water stewardship. Nestlé's response was scored for the first time in 2014. We received a 'Leadership' rating, with a maximum score of 20 and we were recognised for our water strategy and public policy commitments.

Dow Jones Sustainability Indices – The Dow Jones Sustainability Indices measure the performance of the world's sustainability leaders. In 2014, we maintained our score of 88, placing us second in our industry.

FTSE4Good – Nestlé remains included in FTSE4Good, which measures the performance of companies that meet globally recognised corporate responsibility standards.

Oxfam Behind the Brands – Once again in 2014, Nestlé topped Oxfam's Behind the Brands ranking, which assesses the world's ten largest food and beverage companies across seven themes including women in the supply chain, farmers and land rights.

CHF 91.6 billion
total group sales



More than 1 billion
number of servings consumed per day



4.1 million
number of families earning
a livelihood because of us



339 456
number of employees



**Creating
Shared Value**

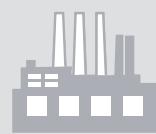
CHF 16 billion
total group salaries and social
welfare expenses



695 000
farmers working directly
with Nestlé



442
number of factories worldwide



CHF 2859 million
corporate taxes paid in 2014



Summary of our commitments

Our commitments relate directly to our material issues (see page 39). They help drive continuous improvement and allow stakeholders to hold Nestlé accountable for delivering on its promises. In some instances, the title of a commitment has been updated from last year, to provide greater clarity and transparency, although the ambitions behind our commitments remain unchanged.

 See our full report for more details of our approach, policies and procedures at www.nestle.com/csv/downloads



Nutrition

- Build knowledge leadership in children's nutrition**
- Lead the industry in nutrition and health research through collaboration**
- Provide nutritionally sound products designed for children**
- Help reduce the risk of undernutrition through micronutrient fortification**
- Reduce sodium (salt) in our products**
- Reduce sugars in our products**
- Reduce saturated fats and remove trans fats in our products²**
- Encourage consumption of whole grains and vegetables**
- Deliver nutrition information and advice on all our labels**
- Provide portion guidance for consumers**
- Promote healthy diets and lifestyles, including physical activity**
- Promote healthy hydration as part of a healthy lifestyle**
- Provide education programmes for good nutrition and feeding practices**
- Ensure responsible marketing communication to children**
- Market breast-milk substitutes responsibly**



Rural development

- Roll out the Rural Development Framework to understand the needs of farmers**
- Implement responsible sourcing in our supply chain**
- Roll out the *Nestlé Cocoa Plan* with cocoa farmers**
- Roll out the *Nescafé Plan* with coffee farmers**



² This commitment refers to trans fats originating from partially hydrogenated oils in our products.



Water

Work to achieve water efficiency and sustainability 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 on water conservation and improve access to water and sanitation across our value chain



Environmental sustainability

Improve resource efficiency in our operations

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

Provide meaningful and accurate environmental information and dialogue



Our people, human rights and compliance

Assess and address human rights impacts in our operations and supply chain

Eliminate child labour in key commodities

Ensure that all employees and stakeholders can easily report possible compliance violations

Work against corruption and bribery

Ensure all Nestlé units have basic safety and health protection systems for all employees

Enhance gender balance in our workforce

Offer 20 000 job opportunities for young people below 30 years of age at Nestlé in Europe

Provide CSV, nutrition (NQ) and environmental sustainability training for our employees



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Our ambition is to be the world's leading Nutrition, Health and Wellness company. Our global commitments on research, product reformulation and innovation, nutrition labelling, responsible marketing to children, and promotion of healthy lifestyles help shape our strategies, and ensure effective implementation.

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

Our commitment

Build knowledge leadership in children's nutrition

Our objective

By 2016 – Launch large-scale research projects in at least 10 countries across the globe, including the USA, Mexico, China and Russia, to expand understanding of children's nutrition and inform our own product and service development.³

Our progress

Our new commitment to carry out studies in at least 10 countries, to understand children's nutrient intakes, dietary patterns and related lifestyle factors, is based on the success of the Nestlé *Feeding Infants and Toddlers Study*, which had previously been conducted twice in the USA and, at varying scales, in five other countries. We have now started a third round of field research in the USA and we are analysing data in Mexico and China, where we have also studied maternal nutrition.

The Kids Nutrition and Health Study, which analyses the diets of children aged 4–12 years, is underway in the USA, Mexico and China. We are engaging with stakeholders in a number of other countries to set up additional studies. In 2014, research results were presented at several international congresses and health practitioner conferences, and we strengthened our new product innovation workstream in response to research findings.

Our perspective

We aim to provide products, information and education that support parents in ensuring the healthy growth and development of their children. In addition to dietary intakes and behaviours, our research explores family dynamics around diets and key lifestyle patterns of children, while documenting their height and weight. This informs our product formulation, consumer communication and educational programmes.

Our research and collaboration with local experts across the world offers huge learning potential but also presents significant challenges, such as achieving detailed knowledge on children's dietary habits, which is difficult to record and can be sensitive. We also continue to share the results, through the Nestlé Nutrition Institute, with over 240 000 public health opinion leaders, third-party organisations and paediatricians to maximise the benefits of our research.

Our commitment

Lead the industry in nutrition and health research through collaboration

Our objectives

By 2016 – 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 help improve the management of diseases using nutritional solutions.

By 2016 – Refocus the Nestlé Research Center (NRC) on five key platforms where we can make a positive difference: Healthy Ageing; Healthy Pleasure; First 1000 days and Healthy Kids; Sustainable Nutrition; and Food Safety and Integrity.

Our progress

In January 2014, the Nestlé Institute of Health Sciences signed a long-term agreement with a USA-based developer of stem cell technologies, Cellular Dynamics International (CDI). The agreement will give the Institute access to cell products, obtained from adult non-embryonic stem cells (iPSCs)⁴, to support research programmes on maintaining health and managing conditions such as diabetes and obesity.

Also in 2014, Nestlé entered into a strategic partnership with the Singapore government's Agency for Science, Technology and Research, A*STAR, with the goal of setting up global research programmes in food science and technology.

The research teams at NRC are now focused on five research programmes: Food Safety and Integrity, First 1000 days and Healthy Kids; Healthy Ageing; Healthy Pleasure; and Sustainable Nutrition. At the end of 2014, the NRC had 33 clinical trials, 10 trials briefed by NRC and 23 trials briefed by Nestlé businesses and managed by NRC.

Our perspective

We have a responsibility to use our knowledge, research and development capability to make a positive difference to society. Through investing in innovation and leveraging leading-edge science, we are striving to forge a new industry between food and pharmaceuticals based upon inherently safe nutritional therapies with relevant levels of quality of life benefits and proven clinical and health economic value. Nestlé Health Science aims at advancing the role of nutritional therapy to change the course of health management for consumers, patients and our partners in healthcare. However, converting scientific research into a commercially viable product is a long and complex process. One of the challenges relates to the definition of medical foods – foods that are specifically formulated for the dietary management of patients with diseases or conditions for which there are distinctive nutritional requirements. There are still many questions around the definition of medical foods, which have knock-on implications for product claims, labelling and marketing.



First step towards made-to-measure vitamins

To understand the molecular relationships between nutrients and their effects on patients at different stages of their lives, the Nestlé Institute of Health Sciences and the Waters Corporation – based in Massachusetts, USA – are collaborating on a ground-breaking research project that could lead to vitamin combinations tailored to individual needs. The partnership aims to develop new tests to measure the amount of vitamins in bodily fluids, such as blood and urine. Eventually, these tools will help to define and address the specific nutrient needs of individuals and groups.

³ Russia has replaced France as one of the countries in the objective.

⁴ Nestlé does not do any research using human embryonic stem cells.

Our commitment

Provide nutritionally sound products designed for children

Our objectives

By 2014 – 100% of our children's products⁵ meet Nestlé Nutritional Foundation criteria¹ for children, based on nutrition science and dietary recommendations, such as those published by the World Health Organization and the Institute of Medicine.

By 2015 – Maintain at 100% our children's products⁵ that meet all Nestlé Nutritional Foundation criteria¹ for children.

Our progress

At the end of 2014, 98%⁶ of our children's products met all of the Nestlé Nutritional Foundation criteria¹ for children (2013: 96%). We continued to work with renowned scientists to review the strength and breadth of our Nestlé Nutritional Foundation criteria. Products that were reformulated to meet the criteria in 2014 include *Milkybar* cream dessert (40% reduction in saturated fat; for launch in 2015); *Pirulo* ice lollies (35% reduction in sugar); and *Mio* yoghurt (18% reduction in sugar).

From January 2015, all of our children's products will be manufactured to meet Nestlé Nutritional Foundation criteria.

Our perspective

Our aim is to contribute to improving children's food environments by assessing all children's products⁵ against international public health recommendations, such as those of the World Health Organization and the Institute of Medicine.

We manufacture and sell products in many countries. This poses both nutrition and public health science challenges, and also challenges for our own Nutritional Profiling System, which must reflect changes in public health priorities. Another important hurdle we face is accurately capturing and tracking the development of all our recipes across the globe in a single IT system. Our product portfolio will continue to evolve; with more than 1 billion Nestlé servings consumed every day, this will be a significant and ongoing task.



Reducing sugars in Nestlé Nesquik powder products

Since 2014, the global range of *Nestlé Nesquik* powder products have undergone a significant sugar reduction of 1200 tonnes to achieve our Nutrition Foundation status, while still retaining consumer preference. The main challenge was to reduce the sugar content and maintain a taste preference, which was achieved by replacing sugar with cocoa. The journey continues into 2015, with newly available technical solutions allowing us to make even more substantial sugar reductions.

Our commitment

Help reduce the risk of undernutrition through micronutrient fortification

Our objectives

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

By 2015 – We will develop biofortified crops and launch new products in key markets to expand our fortified products portfolio and benefit rural farming communities.

Our progress

In 2014, we continued to make good progress towards our target, providing 183 billion servings of fortified foods worldwide (2013: over 167 billion). We extended reach on product categories for children and women of childbearing age, such as fortified infant cereals and growing-up milks.

We continue to develop and test biofortified varieties of staple crops in collaboration with agricultural research institutes in several countries. Current work focuses on establishing supply chains to ensure the availability of commercial quantities of these crops. We have focused on four promising biofortified crops in 2014: maize, wheat, sweet potato and rice.

Our perspective

Nestlé is committed to helping address micronutrient deficiencies through fortification of affordable, nutritious foods and beverages. Developing new varieties of biofortified staple food crops is one way we can improve the nutritional content of our products and address micronutrient deficiencies in the diets of local communities at the same time. But this complex process can take several years as new plant varieties must be tested for crop yield under different climatic conditions and disease resistance, and their nutritional characteristics validated. The new crop must then be approved for release by the relevant governmental authorities and a stable supply of high-quality seeds established. Farmers may need training and support to grow it with good results. Identifying ways to measure the impact of our biofortified foods remains a key focus.

98%⁶ of our children's products⁵ met the Nestlé Nutritional Foundation criteria for salt



Our commitment

Reduce sodium (salt) in our products

Our objectives

By 2014 – 100% of children's products⁵ meet the Nestlé Nutritional Foundation sodium criteria¹ to help promote a reduction of salt in children's diets.

By 2016 – We will further reduce salt content by 10% in products that do not meet the Nestlé Nutritional Foundation criteria¹, ensuring gradual salt reduction even in more challenging areas of our product portfolio.

Our progress

In 2014, 98%⁶ of our children's products⁵ met the Nestlé Nutritional Foundation sodium criteria¹ (2013: 96%).

We have assessed our entire product portfolio against the Nestlé Nutritional Foundation sodium criteria, and our overall sodium reduction achievement was 4.7%. We are now looking into potential solutions for those products that do not currently meet the required standards.

We have already relaunched a wide range of reduced-salt products, including:

- *Maggi* Spaghetti Bolognese 'Fix' in Germany (17% sodium reduction);
- *Maggi* Juicy Chicken Garlic and *Maggi* Juicy Chicken Paprika in Russia (respectively 12% and 19% sodium reduction);
- *Maggi* soup range in Austria (14.5% – 22.5% sodium reduction); and
- *Stouffer's* vegetable lasagna in the USA (19% sodium reduction).

Our perspective

Sodium is an essential mineral, but too much of the salt in our diet comes from what's added during manufacturing, home cooking or at the table. In 2013, we pledged to accelerate salt reduction across all of our savoury food products to support the WHO salt target of no more than 5 g of salt per person per day by 2025. However, reducing the salt content in some products poses a technical challenge. Besides seasoning, salt is important for food preservation and texture.

We also need to reduce salt content without consumers either adding it themselves or choosing saltier alternatives. That is why we take a gradual approach and combine reduced salt content with optimised ingredient combinations to promote taste.



Reducing salt in Tomato Mozzarella Soup

We have cut the salt content of our *Maggi* Tomato Mozzarella Soup, sold in Germany, by 34%. Our challenge was to reduce salt without impacting on taste. Our research and development chefs overcame this challenge by selecting and optimising the best ingredients to rebalance the taste profile. At the same time, they were able to reduce sugar content by 36% and saturated fat by 53%. The new recipe achieved a consumer taste test win of 66/34, meaning 66% of people prefer it over our competitor's alternative. The product is due to be re-launched in June 2015.

¹ The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization (WHO), the Institute of Medicine 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 status.
⁵ Products for which 50% or more of consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.
⁶ We have identified all products in the outstanding 2%, which are at different stages of the approval and/or registration process at market level before the product can be launched.

There are more whole grains than any other ingredient in at least **95%** of our children's⁵ and teenagers'⁸ breakfast cereal servings



Our commitment

Reduce sugars in our products

Our objectives

By 2015 – Reduce the sugar content in any serving of children's⁵ or teenagers'⁸ breakfast cereal brands to 9g or less per serving, to promote a reduction in sugar in children's diets.

By 2016 – We will further reduce sugar content by 10% in products that do not meet the Nestlé Nutritional Foundation criteria¹, to ensure continual improvement even in more challenging areas of our product portfolio.

Our progress

By the end of 2014, 98%⁶ of our children's products⁵ met the Nestlé Nutritional Foundation¹ sugars criteria (2013: 96%).

We are reducing the sugar content to 9g total sugars or less per serving (30g) in Nestlé breakfast cereal brands such as *Nesquik*, *Chocapic*, *Honey Cheerios*, *Lion* and *Milo*, as well as over 15 other Nestlé branded breakfast cereals. We have already relaunched a number of other reduced-sugar products including:

- *Nesquik* global range of powder products (sugar reduction of 1200 tonnes – see page 10); and
- *Belte* ice tea in Italy (18% sugar reduction, 18% calorie reduction).

Our perspective

Public health authorities recommend a reduction in the intake of added sugars, particularly because sugar can displace other essential, nutritious foods in the diet. We know it can be a challenge getting kids to eat a balanced breakfast – or any breakfast at all – so we are taking a gradual approach to reducing sugar, to help adapt taste preferences for the long term. Sometimes, reducing sugar without affecting flavour, texture, structure, colour and preservative properties is a significant challenge. Certain products, such as sweetened condensed milk, must comply with legally set compositional requirements. For these products, we are working to improve nutritional labelling and portion guidance.

Our commitment

Reduce saturated fats and remove trans fats in our products²

Our objectives

By 2014 – 100% of children's products⁵ meet the Nestlé Nutritional Foundation saturated fats criteria¹, helping to promote a reduction in saturated fats in children's diets.

By 2016 – We will further reduce saturated fat content by 10% in products that do not meet the Nestlé Nutritional Foundation criteria¹ and we will remove trans fats originating from partially hydrogenated oils (PHOs), to ensure continual improvement even in more challenging areas of our product portfolio.

Our progress

By the end of 2014, 98%⁶ of our children's products⁵ met the Nestlé Nutritional Foundation saturated fats criteria¹ (2013: 96%).

In total, around 10% of our products do not yet meet the Nestlé Nutritional Foundation criteria for saturated fat. We are now working to identify solutions for some of these products.

In 2014, we strengthened our policy to remove all trans fats originating from PHOs from our foods and beverages.

96% of the oils we use now meet our Nestlé Policy on Trans Fats.

We have re-launched a number of products with reduced saturated fat levels, including:

- Bouillon in Poland (13% reduction);
- Herb sauce in Germany (33% reduction);
- Onion soup in France (80% reduction); and
- *Uncle Toby's Le Yoghurt Topps* in Australia (34% reduction).

Our perspective

Dietary fats are important as part of a healthy, balanced diet but too much saturated fat in the diet poses a significant risk for non-communicable diseases such as cardiovascular disease. For some products, reducing saturated fat without impacting safety, texture, appearance and taste is a challenge.

Trans fats occur naturally in foods such as milk and meat, but most trans fats in the human diet come from foods containing partially hydrogenated vegetable oils, such as bakery and savoury snacks. Our objective is to complete the removal of all trans fats originating from PHOs. We are working intensively with suppliers to source and develop new ingredients where required.



Removing trans fat from liquid *Coffee-mate*

In 2014, our leading Product Technology Centre successfully challenged long-established beliefs about oil stability when they reformulated the recipe for liquid *Coffee-mate*. In collaboration with our oil supplier, we succeeded in replacing the partially hydrogenated soybean/cottonseed oil with a high oleic soybean oil. It was the first time this new oil crop had been grown at large scale, and it was successfully industrialised to match our quality demands. The result is already a complete replacement of 16 000 tonnes of partially hydrogenated oil per year and the removal of 6000 tonnes of trans fat from our product in 2014. This was achieved without compromising on taste and consumer's acceptance, or increasing saturated fat content. In 2015, 26 000 tonnes of oils will be replaced and 10 000 tonnes of pure trans fats removed. The changeover will be completed by September 2015.

Product information is provided through QR code scanning technology on **31** Nestlé brands in **43 countries**



Our commitment

Encourage consumption of whole grains and vegetables

Our objectives

By 2015 – To ensure a high nutritional content, there will be more whole grain than any other ingredient in any serving of children's⁵ or teenagers'⁸ breakfast cereals.

By 2015 – Maggi Cooking Lesson

Programme will be ongoing in 30 countries to promote cooking with whole grains and vegetables.

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

Our progress

We have introduced more whole grains than any other ingredient in at least 95% of our children's⁵ and teenagers'⁸ breakfast cereal servings (2013: 74%) and have committed to including whole grain as the primary ingredient of 100% of these products by 2015. Today we help consumers identify cereal options with more than 8 g of whole grain per serving, as indicated on packaging with the Green Banner.

At the end of 2014, our *Maggi* Cooking Lesson Programme was taking place in 20 countries (2013: 16). To date, 73% of the *Maggi* product portfolio promotes home cooking and meals with vegetables via packaging/promotional materials (2013: 68%).

Our perspective

Whole grains and vegetables are vital for a healthy diet, but many people do not consume enough. Evidence suggests that nine out of 10 people do not reach the recommended level of consumption. This is the reason why we use whole grain to make our breakfast cereals, and why our innovation and renovation programmes aim to increase the whole grain content of our recipes. We have made steady progress in this but, because adding more whole grain impacts on everything from taste and texture to shelf life, we are proceeding with care to achieve a gradual, lasting improvement. We are optimistic that we will be able to convert all our children's⁵ or teenagers'⁸ breakfast cereals to have more whole grain by the end of 2015. The challenge we face around promoting vegetable consumption is the difficulty in tracking whether our efforts translate into long-term behaviour change among consumers.

Our commitment

Deliver nutrition information and advice on all our labels

Our objectives

By 2016 – All our relevant⁹ food and beverage products worldwide will have Guideline Daily Amount (GDA)-based labels on front of pack to inform consumers about nutritional content.

By 2016 – We will introduce GDA-based labelling, based on children's reference values, for all products designed for children⁵ (where regulations allow) to help parents make better nutritional choices for children.

By 2016 – Make information more accessible by providing further product information and nutrition advice on pack, via Quick Response (QR) codes for smartphones.

Our progress

After broadly implementing GDA-based nutritional information on our products across Europe, we are now extending our approach into all other regions. At the end of 2014, 79.7% of our relevant⁷ products feature front-of-pack GDA-based labels (2013: 53.5%). In 2014, 62.7% of relevant products designed for children used children's GDA (Guideline Daily Allowances), where regulations allow in 53 countries.

Product information is now being provided via more than 2000 product websites¹⁰ covering a total of 31 brands in 43 countries, especially children's and family brands.

Our perspective

We champion GDA-based labels that inform consumers about calories, sugars, fat and other nutrients and how this compares with reference daily guidelines. We believe in providing GDA percentages that are based on a serving reasonably consumed, rather than the more abstract 100 g quantity. GDA challenges include product labelling regulation. We believe in empowering consumers to make informed choices and, where allowed, we have started re-launching our children's products⁵ featuring GDA information tailored to the consumer audience. Where it is not yet allowed, we engage with authorities, nutrition experts and industry bodies to promote GDA benefits, as well as targeting consumer education and engagement.

Going beyond the label

Media reports last year forecast that phone users in India and China would purchase more than 500 million smartphones in 2014. India alone was predicted to be the second-largest country for smartphones worldwide. We want to make nutritional information more accessible for our consumers, and our *Maggi* brand is using smartphone QR codes in India to deliver it. *Maggi* Soups has launched a microsite (accessible by scanning on-pack QR codes with a smartphone) that contains tips on portion guidance and vegetable consumption.

¹ The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization (WHO), the Institute of Medicine 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 status.

² This commitment refers to trans fats originating from partially hydrogenated oils in our products.

⁵ Products for which 50% or more of consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.

⁶ We have identified all products in the outstanding 2% which are at different stages of the approval and/or registration process at market level before the product can be launched.

⁷ Relevant products means to exclude exemptions (Nestlé Nutrition, Nestlé Health Science, Nestlé Professional, Nestlé Purina PetCare, plain water/coffee/tea, Confectionery gifting, Culinary free-dosing and table-top seasonings, and products designed for children below four years of age as other legal considerations are relevant) and where regulations are not allowed.

⁸ Products for which 50% or more of consumers are below 18 years of age and, within this, more teens than children.

⁹ Products with significant everyday usage, by humans (not pets), that deliver calories, and have sufficient pack surface to feature a GDA label.

¹⁰ In 2014, product websites are reported over product lines to provide more robust measurement.

Our commitment

Provide portion guidance for consumers

Our objective

By 2015 – Provide portion guidance on all children's⁵ and family products⁸ to encourage healthy portion consumption.

Our progress

By the end of 2014, we offered specific portion guidance for an estimated 30.2% of our children's⁵ and family products⁸ portfolio.

Our perspective

Nestlé Portion Guidance¹¹ is a voluntary initiative that bridges the gap between dietary recommendations and more user-friendly information to promote mindful portion size. The initiative is designed to help re-frame portion norms, particularly in energy-dense categories where habitual servings have increased over time.

By providing practical on-pack portion guidance, we aim to help consumers make intuitive portion choices in terms of size and quantity.

Modifying norms about portion sizes is a complex issue involving many different challenges, which requires innovative solutions and collaboration between nutrition, education and industry experts. There are also perception-related challenges. Encouraging consumers to adopt smaller portion sizes of a product may represent a cultural change that will take time to embed. And among our stakeholders, we need to build trust and understanding around our motivation to lead the industry in promoting healthier portion sizes.

Our commitment

Promote healthy diets and lifestyles, including physical activity

Our objective

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 to improve the nutrition, health and wellness of children around the world.

Our progress

By the end of 2014, we were actively working with 294 partners across 73 countries to deliver our Healthy Kids Global Programme (2013: 68 countries). 67 out of a total of 77 Healthy Kids programmes contain a physical activity component, for which our main partner is the IAAF (see case study on page 15). We reached more than 7.6 million children in 2014 alone (2013: 6.9 million).

Our perspective

Driving behaviour change towards healthier diets and lifestyles is a global challenge. Nestlé is committed to promoting the importance of a balanced diet and regular physical activity among young people. We support initiatives that demonstrate how diet and exercise can improve health and well-being, and we are developing evidence-based, impactful initiatives that contribute to the health of local school communities.

Effectively measuring the long-term success of our Healthy Kids Global Programme is a key priority, and at times a challenge. Sustained success is itself a challenge as this depends on quality partnerships and the ability of the education system to provide nutrition education and physical activity in schools. Nestlé is committed to supporting authorities globally, to help ensure children adopt appropriate nutrition and physical activity habits, which are important for their development and learning ability. Together with our partners, we need to further advocate for whole-school approaches where nutrition and health are considered an important part of children's development.



Portion guidance

The Nestlé Pizza Portion Guide offers nutritional information and ideas for incorporating pizza into a balanced meal.

Our Healthy Kids Global Programme reached **more than 7.6 million** children in **73 countries** in 2014



Supporting Australian kids' athletics
In April 2014, Athletics Australia launched the IAAF Nestlé Healthy Active Kids' Athletics to boost participation among young people. The pilot will be offered to Australian children through the national after-school care scheme, and more than 100 children attended a sports clinic run by Australian and American champions to launch the programme.

Our commitment

Promote healthy hydration as part of a healthy lifestyle

Our objective

By 2014 – Further implement our fact-based healthy hydration awareness programme for healthcare professionals, caregivers and parents worldwide, providing a better understanding of the benefits of water as key to healthy hydration.

Our progress

In 2014, we analysed the data of a national nutrition survey conducted in Mexico to estimate the total water intake of children aged 1-18. This work, published in a peer-reviewed journal, showed that children are not meeting their daily water needs as recommended by the Institute of Medicine. We are in the process of publishing similar research conducted in Egypt.

We continue to raise awareness of healthy hydration – notably through campaigns in the USA and Turkey. Healthy hydration is now integral to the Nestlé Healthy Kids Global Programme, and Nestlé Waters has expanded the reach of Project WET (a global water education programme) modules on healthy hydration through national programmes in Nigeria, Jordan and China, and during World Water Day events globally. In 2014, our World Water Day events alone educated over 20000 children about the benefits of healthy hydration.

Our commitment to promote healthy hydration as part of a healthy lifestyle is an ongoing effort. Having fulfilled our objectives for 2014, we are working with our Markets and stakeholders to come up with objectives for 2015 and beyond, that will be communicated in next year's report.

Our perspective

What you drink is as important to a healthy lifestyle as what you eat and how often you exercise. Plain water – whether from a tap or a bottle – should be the preferred choice for daily hydration, as it doesn't add any calories to the diet.

We believe healthy hydration habits start early, but our studies in four countries have shown that two-thirds of children are insufficiently hydrated when they arrive at school. We provide child-health stakeholders – including teachers, parents and educators – with the tools and information they need to ensure children learn about the benefits of healthy hydration.



Carrying on the love of water to the next generation

Drink Better. Live Better.

with Nestlé Waters

Nestlé Waters supports the Partnership for Healthier America's Drink Up initiative, a programme that guides people to drink more water. *Nestlé Pure Life* communicated the partnership on bottled water products, trucks, advertising and social media conversations with both English and Spanish-speaking audiences. Nestlé Waters also launched *Drink Better. Live Better.*, a programme that makes drinking water more fun for families by redeeming points collected for a variety of rewards.

⁵ Products for which 50% or more of consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.

⁸ Products for which more than 20% but less than 50% of consumers are below 18 years of age.

¹¹ We capitalize portion guidance to distinguish and promote its consumer-engaging on-pack guidance nature compared to simple portion information.

Our commitment

Provide education programmes for good nutrition and feeding practices

Our objectives

Help guide parents and caregivers to raise healthier children, and help healthcare professionals have a greater impact on the nutritional aspects of care of future generations.

Ongoing – Offer nutrition education services and programmes for healthcare professionals addressing global under- and over-nutrition problems (Nestlé Nutrition Institute).

Ongoing – Provide science-based practical nutrition education for parents and caregivers that focuses on the importance of the first 1000 days (from conception to the child's second birthday), including maternal nutrition during pregnancy and promoting breastfeeding as the best start in life (Nestlé *Start Healthy Stay Healthy*).

By 2015 – Nestlé Nutrition Institute will reach over 1 million healthcare professionals via its online educational services in nine languages.

By 2015 – Nestlé *Start Healthy Stay Healthy* will reach over 5 million mothers and caregivers worldwide with multi-lingual online nutrition education services.

Our progress

The Nestlé Nutrition Institute (NNI) offers educational services to healthcare professionals in 195 countries. More than 243 000 healthcare professionals are registered as members of its educational website. As the world's largest private publisher of nutritional information, over 3000 publications can be downloaded free by members from the NNI website. Since its inception in 1981, the NNI has held 85 International Nutrition Workshops, over 700 online conferences and awarded 8–10 postgraduate academic fellowships per year to young medical doctors from developing regions. In 2014, by broadcasting NNI workshops live over the internet, we reached ten times more healthcare professionals than in previous years.

Nestlé *Start Healthy Stay Healthy* is our new interactive, science-based education programme designed to help mothers and caregivers provide nutritionally and developmentally adequate nutrition in the crucial first 1000 days of life.

Our perspective

Nestlé believes it has a responsibility to share its expertise in nutrition and deep consumer understanding to benefit society. We place significant focus on promoting better health through nutrition in the first 1000 days of life. Poor maternal nutrition, for example, affects foetal growth and cognitive functions and increases infant morbidity and mortality. Children who suffer malnutrition in their early years fail to fully develop their physical and cognitive potential and have an increased risk of poor health later in life.

Our educational programmes are targeted at the people who are most involved in implementing good practices during the first 1000 days to help guide parents and caregivers to raise healthier children, and help healthcare professionals have a greater impact on the nutritional aspects of care of future generations. One challenge we face in this objective is overcoming a perceived conflict of interest concerning our engagement with the scientific and public health communities. We address this challenge by maintaining the highest level of transparency, scientific rigour, and ethical standards in the collaboration, conduct, and dissemination of scientific research and educational programmes.

ESPHGAN Goes Africa

To maximise the reach of our programmes to benefit communities around the world, Nestlé supports the European Society for Paediatric Gastroenterology, Hepatology and Nutrition (ESPGHAN) with an education grant to run a Diploma course on gastroenterology and nutrition for paediatricians in Africa. Eighty seven doctors from 18 African countries have been trained since 2012, and 30 more will be trained in 2015. Our aim is to build up a critical mass of trained paediatricians in gastroenterology and nutrition who will then cascade their knowledge to others.

Our commitment

Ensure responsible marketing communication to children

Our objective

By 2015 – Implement a strengthened Policy on Marketing Communication to Children.

Our progress

We have ensured global compliance with responsible advertising and marketing standards for children since establishing our Corporate Communication Principles in 2002 and introducing the Policy on Marketing Communication to Children in 2008. We abide by external pledges including IFBA Commitments¹², the EU Pledge and local pledges. In 2014, 97.2% of Nestlé television advertising to children under 12 was compliant with responsible marketing policies¹³ (2013: 98.3%).

Our Marketing to Children Policy states that we do not direct marketing communication to children under six. From December 2015 direct marketing communication to children 6 to 12 years of age can only be with products that achieve EU Pledge Nutrition Criteria or meet Nestlé Nutritional Foundation status where no criteria have been adopted under the EU Pledge criteria. Irrespective of the criteria being met, we do not direct any marketing communication for biscuits, sugar confectionery and chocolate confectionery products to children¹⁴. The media channels covered by this Policy include television, radio, print, cinema, digital media, mobile, games, consumer relationship marketing, viral marketing, apps, emails/SMS, Nestlé-owned websites, movie tie-ins, promotions, contests, product sponsorship, events and sampling. With the new policy we developed a qualitative set of criteria to define the 'appeal' of marketing communications to children under 12.

To ensure consistent and effective implementation, detailed internal guidelines have been developed and external stakeholders are encouraged to provide feedback via our 'Tell us' reporting mechanism (see page 32).

Our perspective

We are phasing out our marketing communications in schools, while strengthening our health and wellness education activities, particularly those that positively impact childrens' development and support governments' goals to increase physical activity, such as the *Nestlé Milo* sports development programmes.

Our commitment

Market breast-milk substitutes responsibly

Our objectives

Ongoing – As part of our ongoing efforts to promote good nutrition in the first 1000 days of life and support 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.

By 2015 – Continue to strengthen our practices to ensure both Nestlé Infant Nutrition and Wyeth Infant Nutrition consistently meet the FTSE4Good Index BMS criteria.

Our progress

We have been included in the FTSE4Good Index since 2011, the only global responsible investment index with clear criteria on the marketing of breast-milk substitutes (BMS) up to 12 months of age in 152 higher-risk countries. Policies and procedures applied by our Wyeth Infant Nutrition business are now aligned with the requirements stemming from the FTSE4Good BMS Marketing Criteria.

In 2014, our practices were audited in 39 countries by internal auditors and in four countries by external auditors¹⁵.

Building on these and previous years' recommendations, we have strengthened training for third-party distributors and their requirements to comply with national legislation and the Nestlé Policy and Instructions for Implementation of the WHO Code. We also enhanced our systems for the reporting of concerns, largely by external stakeholders, through the 'Tell us' system (see page 32).

Our perspective

We believe breast-milk is the best food for infants and this is why we promote it. However, there are still numerous barriers to breastfeeding. When, in consultation with their healthcare providers, mothers and families decide that optimal breastfeeding is not possible, infant formula – the only suitable breast-milk substitute 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 as well as the Nestlé Policy and Instructions for Implementation of the WHO Code. We pledge to apply the most rigorous policies and systems to monitor our practices. As we seek to continuously improve, we encourage stakeholders to share with us their comments. In 2015, we will pursue our efforts to create a conducive environment for our employees who breastfeed. We will also continue to engage with key stakeholders to increase collaboration, promote responsible conduct and establish an accepted standard for assessing the commercialisation of breast-milk substitutes.



The image shows a promotional graphic for Nestlé's Super Babies campaign. On the left, the Nestlé logo is displayed with the tagline "Start Healthy Stay Healthy". To the right, the text "SUPERBABY WHEN BREASTFED IT SHOWS." is written in a stylized font. Below the text are three cartoon illustrations of babies dressed as superheroes, each wearing a purple cape. The babies are in various poses, suggesting they are flying or superheroing.

Super Babies shout the benefits of breastfeeding in India

During Breastfeeding Week in August 2014, Nestlé India launched a social media campaign to reinforce the importance of breastfeeding. Featuring the animated, rapping Super Babies, the 2014 campaign aimed to go beyond the half a million pledges generated the previous year, by taking public support and converting it into an action through discussions on the benefits of breastfeeding and involving the public at large. By the end of 2014, the Super Babies video had been watched more than two million times.

12 International Food and Beverage Alliance's Global Policy on Advertising and Marketing Communications to Children.

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

14 Marketing communication will be deemed directed to children 6–12 years old if 35% or more of the media channel's audience is that of that age group. In addition, we will take into account channels of placement, content and overall impression of the marketing communication.

15 As per existing company practices, internal audits of newly acquired businesses slightly differed upon acquisition to allow time for integration of policies and practices. Wyeth Nutrition will be included in the standard audit cycle along with the business starting from 2015 onwards.



Rural development

We depend on a secure, long-term supply of ingredients for our products and we want to ensure those ingredients are produced responsibly. By understanding where and how our raw materials are produced and aligning our business activities with local priorities, we can contribute to important issues such as rural development, eliminating child labour and promoting better agricultural practices.

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

Our commitment

Roll out the Rural Development Framework to understand the needs of farmers

Our objectives

The Nestlé Rural Development Framework¹⁶ helps us to identify the needs of farmers and farming communities and, therefore, to target our investments better.

By 2015 – Continue to establish baseline assessments in the countries of key importance to our business that show pronounced social need to guide us in aligning our own activities with the priorities of local communities.

Our progress

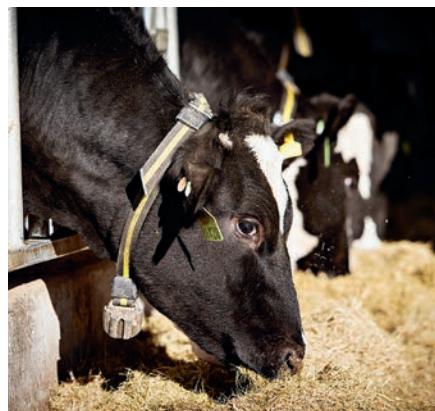
In 2013, we piloted the Rural Development Framework in our coffee programmes in China and Vietnam, and coffee, cocoa and cassava procurement in Côte d'Ivoire. This involved conducting baseline assessments to understand current conditions and design appropriate interventions. Some common findings, published in July 2014, include poor resource management, and variable access to clean water, sanitation and nutrition. In some cases, issues concerning land tenure, the status of women and agronomy knowledge were also raised.

Following stakeholder feedback on our human rights and rural development approach in April 2014, we adjusted our approach and began work across Mexico, Colombia, Kenya, Ethiopia, Indonesia and the Philippines. Some of our findings have already been incorporated into country business plans, while others require further discussions with partners, communities and government agencies to align our efforts and avoid duplication.

Our perspective

Nestlé has a huge stake in rural communities around the world, sourcing agricultural raw materials from millions of farmers globally. These farmers are essential to the ongoing success of our business, but the global farming population is ageing and more people are moving away to urban areas. The Nestlé Rural Development Framework helps align our business activities with local development priorities. In addition to helping farmers access financial assistance, our agripreneurship model provides a training pipeline for farmers to develop their skills.

But making rural areas attractive places to live, work and invest in doesn't just depend on our supply chain. Rural populations need access to clean energy, banking and finance, healthcare, telecommunications and other infrastructure. We are working with the World Business Council for Sustainable Development (WBCSD) and its member companies to explore how different sectors can come together to focus their investments in rural areas. We also know that for many communities, nutritional status remains a critical challenge. At this point, our Rural Development Framework may not yet address this aspect sufficiently.



Developing the dairy farming sector in China

Nestlé built its factory in Shuangcheng, China, in 1987. In 2012, having recognised a need to improve the sustainability of our milk supply chain, we committed to establishing the Nestlé Dairy Farming Institute. Helping farmers to increase their knowledge and skills is a key focus area of our rural development strategy. By adopting best practices, farmers are able to improve productivity, trading relations and cost control. The Institute consists of three demonstration dairy farms, where farm owners and workers attend training sessions to improve farm management skills, learn how to use the latest technology and gain practical experience in expanding their businesses. In 2014, the Institute launched training programmes covering dairy farm management and dairy cow breeding.

We have audited 8700 of our 10000 Tier 1 suppliers and found **73%** fully complied with our Supplier Code



Our commitment

Implement responsible sourcing in our supply chain

Our objectives

By 2015 – To both improve and demonstrate compliance with the Nestlé Supplier Code, and complete 10 000 Responsible Sourcing audits, 70% of them with full compliance.

By 2015 – 40% of the volumes of the 12 priority categories (palm oil; soya; sugar; pulp and paper; coffee; cocoa; dairy; fish and seafood; shea; vanilla; hazelnuts; and meat, poultry and eggs) to be traceable.

Our progress

By the end of 2014, we had audited 8700 of our 10 000 Tier 1 suppliers (2013: 6500), 73% of which fully complied with our Supplier Code. 1300 more audits are planned for 2015. If we reach 10 000 audits by the end of 2015, we will have covered over 60% of our raw and packaging material suppliers, accounting for over 95% of our overall spend.

Currently, 38% of purchased volumes of our priority categories are traceable (2013: 17%), which means all farmers involved in supplying that ingredient (even via third parties) are known and identifiable by Nestlé or our suppliers. Furthermore, 28% (2013: 9%) are Responsibly Sourced, whereby the plantation or farm is either compliant with our Responsible Sourcing Guideline requirements or has an improvement plan in place, or complies with an equivalent certification scheme.

With operational activities for meat, dairy, shea and fish commencing in 2014, we are confident that 40% of our priority category volumes will be traceable, and 30% Responsibly Sourced, by 2015.

Our perspective

With consumers and other stakeholders increasingly looking for information about where their food comes from and how it was produced, responsible sourcing is an important investment, in both Nestlé's future and that of the producers we rely on.

Our supply chains are complex and continuous improvement requires all parties to address social and environmental issues. We've made steady progress by encouraging the adoption of good agricultural practices, and engaging in capacity building, knowledge sharing and training, enabling our suppliers to reach higher levels of sustainability.

As well as working alongside NGO partners such as Proforest and The Forest Trust to map our supply chains for sugar, soya, palm oil and paper, we are also taking a proactive role in assessing suppliers of animal-derived ingredients against our Responsible Sourcing Guideline on farm animal welfare, and in tackling deforestation and addressing child labour in our supply chains.

A global partnership for animal welfare

In March 2014, Nestlé became the first major food company to form a global partnership with an international animal welfare NGO, World Animal Protection. Nestlé uses dairy, eggs, meat and poultry as ingredients in a range of products and has publicly committed to further improving farm welfare in its global supply chain. Through this partnership, World Animal Protection shares its expertise on farm animal health, care and welfare. In turn, Nestlé, through its responsible sourcing activities, provides World Animal Protection with the opportunity to further engage with suppliers and to promote good farm animal welfare practices within the food industry.



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



Rural development

Our commitment

Roll out the *Nestlé Cocoa Plan* with cocoa farmers

Our objectives

The *Nestlé Cocoa Plan* aims to improve the lives of cocoa farming communities and the quality of the cocoa we purchase.

By 2015 – Source 100 000 tonnes of cocoa through the *Nestlé Cocoa Plan*.

By 2016 – Source 120 000 tonnes of cocoa through the *Nestlé Cocoa Plan* and complete the roll-out of our Child Labour Monitoring and Remediation System to identify child labour in all *Nestlé Cocoa Plan* co-operatives in Côte d'Ivoire.

By 2017 – Source 150 000 tonnes of cocoa through the *Nestlé Cocoa Plan*.

Our progress

In 2014, we purchased 91 801 tonnes of cocoa through the *Nestlé Cocoa Plan* (2013: 62 299). We trained 45 833 cocoa farmers (2013: 33 885) and built or refurbished 17 schools (2013: 13), meeting our target of building or refurbishing 40 schools in four years.

In August 2014, the Fair Labor Association (FLA) published its first report on Nestlé's cocoa supply chain in Côte d'Ivoire, highlighting areas where we need to do more to meet its Code of Conduct. We have since extended our Child Labour Monitoring and Remediation System to include another 14 co-operatives in Côte d'Ivoire (2013: eight), bringing the cumulative total to 22. Community liaison officers are selected from the farming communities to identify the children at risk, and to engage with cocoa farmers in an open and transparent way. We plan to extend the initiative to cover all 67 *Nestlé Cocoa Plan* co-operatives by the end of 2016.

For more details about the Nestlé Commitment on Child Labour in Agricultural Supply Chains and our action plans to address the issue in the supply chains of key categories, see our commitment on child labour on page 31.

Our perspective

The *Nestlé Cocoa Plan* has three pillars: enabling farmers to run profitable farms; improving social conditions; and sourcing good quality, sustainable cocoa for our products. By providing stronger plants and training farmers in better agricultural practices, we can help them improve their long-term profitability and sustainability. Better access to education and support for women involved in our supply chain is improving social conditions and reducing the risks of child labour. Nestlé is one of the largest buyers of Ivorian cocoa, working with 67 cocoa co-operatives. Our Child Labour Monitoring and Remediation System is exposing the extent of and causes behind child labour in Côte d'Ivoire's cocoa farming industry, helping Nestlé and our partners tackle the problem in a way that meets the needs of families and communities.

Nestlé Cocoa Plan in Venezuela

In Venezuela, we have faced a number of challenges in securing a reliable supply of some of the world's finest cocoa; these range from a decline in the quality of native cocoa plants to the limited appeal of agricultural work to the younger generation. But through the *Nestlé Cocoa Plan*, we are helping to make cocoa production a livelihood of choice – one that leads to higher incomes and improved social conditions. Six hundred farmers across the country's three main cocoa-producing regions are currently involved in the *Nestlé Cocoa Plan*. And since 2008, Nestlé Venezuela staff have made almost 6130 visits to their farms, distributing high-quality plantlets and organic fertilizers, offering technical assistance and providing training in good agricultural practices such as pruning, which increases yield and restricts the spread of disease. On our demo plots pod counts indicate an increase from 878 kg to over 1500 kg per hectare.



In 2014 Nescafé
responsibly sourced
412 538 tonnes
of coffee



Our commitment

Roll out the *Nescafé* Plan with coffee farmers

Our objectives

By 2015 – To improve the sustainability of our coffee supply chain, source 180 000 tonnes of coffee from Farmer Connect¹⁷, all of which is 100% in line with 4C's¹⁸ baseline sustainability standard.

By 2020 – To improve the quality, quantity and sustainability of our coffee supply chain, distribute 220 million coffee plantlets¹⁹ and source 90 000 tonnes of coffee that is compliant with the Sustainable Agriculture Network principles²⁰.

Our progress

During 2014, we further embedded the *Nescafé* Plan in the 14 countries where it currently operates. We also enhanced its scope in Vietnam and Colombia through initiatives related to water, coffee and rural development.

By the end of 2014, *Nescafé* had sourced around 186 750 tonnes directly through our Farmer Connect¹⁷ sourcing operations from about 171 900 farmers (2013: 176 040 farmers). Of this amount 130 500 tonnes (or 70%) is compliant according to the 4C standard (2013: 71 493 tonnes, 48%).

The total volume of responsibly sourced coffee increased to 412 538 tonnes (2013: 366 270 tonnes).

We also distributed more than 29.8 million high-yield, disease-resistant coffee plantlets to farmers in 2014 (2013: 21.4 million), taking our cumulative total to 73.8 million.

Our perspective

Our long-term ability to source the right quality and quantity of coffee for our major brands depends on the sustainability of coffee farming. Ageing trees, plant diseases, declining yields, volatile prices and climate change are just some of the threats to the livelihoods of coffee farmers, the vast majority of whom are smallholders. Coffee growing is also being challenged by alternative crops, considered by growers as better commercial prospects.

We are responding by helping farmers build a more robust business – offering efficient routes to market, local training, plant propagation and distribution, and technical assistance through our team of more than 300 agronomists.



The Positive Cup

In addition to our *Nescafé* Plan activities, in August 2014, Nespresso announced 'The Positive Cup', a new sustainability strategy to improve farmer welfare and drive environmental sustainability in coffee sourcing and consumption over the next six years. It sets out the steps the company will take to achieve ambitious goals in the areas of coffee sourcing and social welfare; aluminium sourcing, use and disposal; and resilience to climate change. Building on what Nespresso has already achieved over the last 11 years, Nespresso will source 100% of its permanent range of *Nespresso Grands Crus* coffees sustainably through its Nespresso AAA Sustainable Quality Programme, including investing in the economic and social development of coffee-farming communities in Ethiopia, Kenya and South Sudan.

¹⁷ Our programme for direct sourcing from farmers, through which we commit to the local sourcing of raw materials, offering technical assistance and ensuring cooperation to meet the highest sourcing standards.

¹⁸ 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.

¹⁹ This is an aggregate figure from 2010 to 2020.

²⁰ An international coalition of leading conservation groups in sustainable agriculture, with standards for environmental protection, social responsibility and economic vitality.

Water, more than any other substance, is essential for human survival and cannot be replaced. The gap between the supply and demand of safe fresh water is increasing and, by 2030, water withdrawals are predicted to exceed renewals by 40% if no action is taken. Responsible water stewardship is critical for all of us and to the future of our business. We respect the human right to water and sanitation, and are helping to facilitate the sustainable management of water catchments where we source our goods, where our factories are located, and where our suppliers and consumers live.

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

Our commitment

Work to achieve water efficiency and sustainability across our operations

Our objectives

We aim to minimise the impact of our operations on natural water resources and the communities they support.

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 line with our Commitment on Water Stewardship (2013), Nestlé actively seeks new opportunities to reduce, reuse and recycle water in our operations. We have introduced a global 'Water Stewardship Master Plan' at a corporate level, and we have started to develop local master plans in key markets, beginning with Pakistan (2014). These contain documented responsibilities, targets and deadlines that direct our improvements.

Today, our people are carrying out over 376 water-saving projects in Nestlé's factories, which will save around 1.84 million m³ of water. In 2014, we reduced direct water withdrawals per tonne of product by 6% (37% reduction since 2005).

We have identified and prioritised 31 high-priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our water withdrawals. By the end of 2014, we have decreased water withdrawals and improved efficiency (against 2013 levels) in 42% of these facilities. We improve local water stewardship efforts by conducting Water Resource Reviews across our factory sites, with 18 new reviews carried out this year. Water, Sanitation and Hygiene (WASH) considerations are being integrated into the process.

Our perspective

Nestlé welcomes the growing level of stakeholder interest in water issues, recognising that it reflects a greater awareness of the impacts of global water scarcity. We remain convinced that public debate around water use (including our own water use), leads to positive collective action. With 38% of our factories situated in water-stressed regions, responsible water stewardship rightly remains a critical issue for our business and our stakeholders. Water resource reviews help us to assess potential impacts to the Right to Water and Sanitation of local communities where we operate and they propose appropriate corrective actions, when needed. The right to water and sanitation is also systematically included in our corporate Human Rights Impact Assessment. By the end of 2014, 133 factories had undergone a Water Resources Review. We will continue to drive improvements in water efficiency and sustainability across our operations.



Cero Agua Mexico

This year, in Mexico, we opened our most water-efficient factory. Over the last 60 years, water availability per person has drastically declined in the country, due to population growth. Using new processes, our Cero Agua dairy factory in the water-stressed state of Jalisco is already moving towards zero water withdrawals on-site. Instead, the factory uses the water vapour generated when we evaporate cow's milk. This water is condensed, treated and recycled for use as potable process water, and again for cooling and cleaning. This is saving around 1.6 million litres of water a day – enough to meet the average daily consumption of 6400 people in the surrounding area²¹. We are replicating the process in locations such as Nestlé South Africa, where our five-year investment plan includes converting our Mossel Bay dairy factory to 'Zero Water'.

Water discharges
per tonne of
product
cut by **52%**
since 2005



Our commitment

Advocate for effective water policies and stewardship

Our objectives

We aim to promote water policy and management that helps towards sustainable use by industry and others, both globally and locally.

By 2016 – Continue to build the 2030 Water Resources Group Public Private Partnership by adding two more countries per year and further develop and publicise the Global Catalogue on Good Practices.²²

By 2016 – Support the launch of the CEO Water Mandate Guide on Good Practices for Business on the Human Right to Water and Sanitation and pilot test the Guide in our water due diligence in selected markets.²³

By 2016 – Support the World Business Council for Sustainable Development (WBCSD) to achieve 50 signatories of the WASH Pledge.²⁴

By 2016 – Initiate the roll-out process of the Alliance for Water Stewardship's (AWS) International Water Stewardship Standard by implementing it in at least five locations.²⁵

By 2016 – Work with the Sustainable Agriculture Initiative Platform (SAI) and the Sustainable Food Lab (SFL) to implement the Water Risk Assessment and Mitigation collaboration initiative in at least one sourcing area of agricultural raw materials.²⁵

Our progress

Nestlé maintains a strong presence in high-profile initiatives on water policy and stewardship, promoting opportunities to improve best practice. Many of our senior people, including our Chairman, play a leading role in the 2030 Water Resources Group (2030 WRG). We currently chair this public-private-civil society collaboration, which seeks to catalyse practical solutions for water resources reform in water-stressed developing economies. The WRG has been invited to work in Peru and Tanzania, and is also exploring other countries such as Bangladesh, Kenya and Lebanon.

In July 2014, we welcomed the publication of the international standard ISO 14046:2014 Environmental management – Water footprint – Principles, Requirements and Guidelines. It marks the culmination of five years of collaboration between more than 90 experts and Nestlé has been an active member of the working group.

We continue to support the CEO Water Mandate Public Disclosure Guidelines, released in September 2014, and champion the WBCSD Pledge in our own operations and beyond, acting as a vocal WASH Ambassador on the international platform.

We have produced internal guidance on the AWS International Water Stewardship Standard (AWS Standard) to strengthen water stewardship at key Nestlé locations. A wider roll-out is planned for 2015.

Our perspective

We are all facing an urgent challenge to provide safe water for and feed the world's growing population. It calls for joint efforts and common goals going forward. We believe governments must take a systemic approach to water. They must provide strong leadership, avoid acting in 'silos' and ensure accountability towards political commitments. They must also strengthen institutions, particularly for community-based affordable solutions within the water safety/sanitation/poverty nexus, act as regulators (for both public and private water supply structures) and set incentives to ensure cost-effective solutions and good management of water security, water supply, sanitation and treatment. We are willing to help by advocating for effective water policies and water stewardship. Our proactive approach brings us into contact with Public Private Partnerships, industry bodies, NGOs and research institutions to learn and share best practice. The progress delivered through these relationships is communicated transparently via our website.



Promoting water stewardship at Nestlé's Douala factory in Cameroon

In 2014, we completed a Water Resources Review (WRR) at our Douala factory in Cameroon where we produce Maggi soup bases. We used the WBCSD WASH self-assessment tool to examine access to water, sanitation and hygiene for more than 500 employees, vendors and visitors to the site. The factory satisfactorily met the Pledge's overall compliance levels, and we have developed an action plan to tackle the few improvement issues it highlighted. Communities as far as two to three kilometres away benefit from free access to water fountains on site during set hours, resulting in around 5000 litres of water being collected by local residents every day. A new CHF 474 905 wastewater drainage project is planned to help reduce the risk of flooding and improve the local environment for communities.

21 This figure is based on use of an average daily consumption of approximately 250l per person. Source: Tecnologías Alternativas y Ecodiseño.

22 This is an ongoing extension of our 2014 objective.

23 Our 2014 objective to contribute to the Guidelines was achieved.

24 Our 2014 objective to contribute to the ISO 14046: Water Footprint – Principles, Requirements and Guidelines was achieved.

25 Our 2014 objective to use the principles of the AWS Standard as a self-assessment guide at selected high-priority locations was achieved.

Our commitment

Treat the water we discharge effectively

Our objective

By 2016 – Implement the new and strengthened Nestlé Environmental Requirements for water quality and effluent discharge in all factories in order to help protect the environment.

Our progress

In 2014, we approved a spend of CHF 18 million on new and improved treatment facilities and strengthened our water quality requirements for new effluent treatment installations.

At the end of 2014, we have reduced water discharges per tonne of product by 51.8% since 2005 (2013: 48.5%), with an average quality of water discharge of 72 mg COD/l (2013: 76 mg COD/l).



Treating waste water with bio-digestion

Nestlé's Fawdon confectionary factory in the UK has invested CHF 4.9 million in an anaerobic digestion system, completed in September 2014, which converts solid and liquid sewage waste into clean water and methane gas using natural biological digestion processes. The facility will save 1000 tonnes CO₂ every year, cut solid waste by 4000 kg per day, and reduce effluent discharges by 95%. Financial savings represent CHF 380 000 in effluent charges and CHF 600 000 in electricity charges.

Our perspective

We are committed to developing our business in a way that helps to safeguard biodiversity and ecosystem services. Nestlé has set ambitious targets for discharged water quality from 2016, and ensuring we meet them is a challenge. We have deployed a water and effluents dashboard focusing on water withdrawal, discharge and quality reporting to support progress. Training and raising awareness among our employees is a priority. Wherever possible, we use municipal wastewater treatment facilities. Where these are non-existent or not efficient enough, we invest in our own facilities to discharge water treated to a level that meets local legislation and/or our internal standards, whichever is more stringent.

Our commitment

Engage with suppliers, especially those in agriculture

Our objective

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

Improving the water efficiency of our complex agricultural supply chain is one of our greatest challenges. Nestlé works directly with around 695 000 farmers and, through the Sustainable Agriculture Initiative at Nestlé, we promote sustainable development and offer support to farmers. The global programme focuses on a range of categories and enables us to address some key challenges in water management and irrigation, such as resilience to drought and flooding; wastewater and organic waste treatment; and farm intensification techniques. In 2014, we supported:

- an integrated water management project to develop a climate-intelligent coffee sector in Colombia;
- the application of the Water Footprint methodology in Colombia, to improve water use awareness, efficiency and water pollution control on dairy farms and at our factories;
- a water stewardship agriculture seminar in Spain; and
- new changes to irrigation methods and water management in Vietnam to produce more coffee beans with less water.

Our perspective

Water is a shared resource, impacted by all users in a catchment area. We believe that, sometimes, the greatest improvement to the health of a water catchment can be achieved when Nestlé invests resources in an external initiative rather than our own factory. We can achieve significant improvements in water use by introducing better agricultural techniques at a farm level, and these do not always require significant investment. We also believe there is an opportunity for businesses that purchase from large global suppliers to use their collective influence to demand better water efficiency, for example through the Sustainable Agricultural Initiative Platform. We will invest in external shared initiatives that help all catchment users to improve water efficiency.

Our commitment

Raise awareness on water conservation and improve access to water and sanitation across our value chain

Our objectives

By 2015 – Every Nestlé employee has access to safe water, sanitation and hygiene of an appropriate standard at the workplace.

By 2016 – 350 000 beneficiaries in local communities will have access to water, sanitation or hygiene projects around our manufacturing facilities and in Farmer Connect areas.

Our progress

We continue to work with expert partners, including the WBCSD and the International Federation of Red Cross and Red Crescent Societies (IFRC) (see case study below), to improve access to water and sanitation, and in 2014:

- we tested the WBCSD self-assessment WASH tool at key manufacturing sites, and

- almost 400 000 people (2013: over 300 000) had access to water, sanitation or hygiene around our manufacturing facilities and in Farmer Connect areas meaning we reached our 2016 target early.

Through education initiatives, we are helping our employees, suppliers and consumers to improve their understanding of the importance of water conservation and stewardship. In addition to supplier activities (see page 24), during 2014 we have:

- delivered a new training programme to our Corporate HR Team (117 people), and made course content available to all employees via the company intranet;
- continued our sponsorship of the global water education programme, 'Project WET', which expanded its reach in Nigeria to the Osun State; and
- marked World Water Day with around 650 employees helping to organise factory events for more than 22 000 children in 32 countries.

Our perspective

The WHO estimates that every person needs 50 to 100 litres of fresh water per day to meet their basic daily needs. But, today, as estimated by the WBCSD, more than 1.8 billion people depend on unsafe drinking water, and an estimated 4 billion lack access to basic sanitation²⁶. We agree that lack of access to safe water, sanitation and hygiene can cause illness or death, impair productivity, and restrict markets for some products and services. We believe there is a clear and compelling economic case for businesses to demonstrate leadership by addressing this situation. That is why, last year, Nestlé became one of the first signatories of the WBCSD WASH Pledge, committing to providing access to safe water, sanitation and hygiene at all of our direct workplace premises within three years. By signing the pledge, we restated our own commitment and are encouraging others along the value chain to do the same. If all WBCSD member companies signed the WASH Pledge it would represent 15 million employees.



Providing clean water and sanitation in Côte d'Ivoire

Since 2006, the International Federation of Red Cross and Red Crescent Societies and Nestlé have been working together with a particular focus on improving rural communities' access to water. Through the collaboration, 196 546 people in Côte d'Ivoire's cocoa communities now have access to clean drinking water and sanitation facilities.

In October 2014, we renewed our long-standing collaboration with the IFRC, and will contribute CHF 5 million over five years to the organisation to improve access to sustainable water, sanitation and hygiene services in rural areas, and to extend the project to Ghana. Nestlé was the IFRC's first corporate partner in 2002. In addition to the ongoing collaboration on water and sanitation, we are also sponsoring the production of the IFRC's annual World Disaster Report, engaging with national Red Cross and Red Crescent societies and supporting the IFRC's disaster relief operations (e.g. Ebola in 2014).



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. Our goal is that 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.

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

Our commitment

Improve resource efficiency in our operations

Our objectives

Our aim is to do more with fewer resources and less waste to help preserve natural resources.

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 2012, we set ourselves the objective of achieving zero waste for disposal by 2015, which we reached in 2013, two years early (2013: 56 factories, 11%)²⁷. This accomplishment was maintained in 2014, with 15% of Nestlé factories (72 in total) achieving zero waste for disposal.

Our overall energy consumption per tonne of product has been cut by 26% since 2005 – taking us 1% ahead of our 2015 target – (2013: 23%) and reduced in every product category.

Our perspective

By improving efficiency, quality and productivity, we can do more with fewer resources and less waste. Waste for disposal 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 incineration without energy recovery. Our overall ambition is to work towards zero waste for disposal, where no factory waste goes to landfill or is incinerated without energy recovered, and to maximise the value of remaining by-products. In 2014, we launched a new toolkit to help factories achieve zero waste for disposal. In many countries, we face challenges to improving our resource efficiency due to a lack of public waste recovery and recycling infrastructure, as well as instances where we are required by local legislation to send certain materials to landfill.

Improving resource efficiency in our operations contributes to our broader efforts to reduce food waste along our value chain. We are introducing the Nestlé Commitment on Food Waste in early 2015. We are also proactively contributing to the development of the World Resources Institute's Food Loss and Waste Measurement Protocol that will be issued in 2015.

Our commitment

Improve the environmental performance of our packaging

Our objective

By 2017 – Continue to systematically analyse and optimise our packaging portfolio, avoiding the use of at least 100 000 tonnes of packaging material.

Our progress

We are expanding the scope of our packaging ecodesign by moving from PIQET, a tool that assesses the environmental performance of our packaging, to Ecodesign for Sustainable Product Development and Introduction (EcodEX), a broader, more holistic approach that covers the entire value chain.

We successfully completed the transfer from PIQET to EcodEX worldwide through 8 webinars with 63 participants who will conduct further training of packaging specialists in their respective locations and markets.

In 2014, we avoided the use of 45 805 tonnes of packaging material (2013: 66 594 tonnes), equivalent to a saving of CHF 77.4 million.

Our perspective

Our product packaging is crucial to prevent food waste, guarantee quality and inform consumers. We take a holistic approach to assessing the environmental impact of materials when designing our packaging. During the innovation and renovation design process, we aim for performance and functionality while optimising weight and volume.

Our challenge is to find optimal packaging design that allows us to save packaging material and avoid food wastage. We lead the development and use of materials from sustainably managed renewable resources, considering packaging and product performance requirements. We also support initiatives to recycle or recover energy from used packaging and we use recycled materials where there is an environmental benefit and it is appropriate.

45 805 tonnes

of packaging
material saved
in 2014



Nespresso expands aluminium recycling and reuse

As part of its new sustainability strategy, The Positive Cup, Nespresso is expanding its capacity to collect all used aluminium capsules, wherever it does business, and to recycle them into new ones in countries such as the UK and France. Building on progress over the past five years, 100% of the aluminium capsule material Nespresso sources will be compliant with the new Aluminium Stewardship Initiative standard being developed. To ensure capsules are recycled and reused, the business continues to roll out recycling programmes in new markets. Nespresso has installed more than 14 000 capsule collection points across 31 countries, and a home collection service is available in 15 markets.



Our commitment

Assess and optimise the environmental impact of our products

Our objectives

To improve the environmental performance of our products, we need to better understand their impacts throughout the product life cycle and address them efficiently.

By 2014 – Extend the EcodEX ecodesign tool to all research and development locations²⁸.

By 2017 – Further enlarge the scope of our databases on agricultural raw materials used in EcodEX.

By 2017 – Identify or update and address sustainability hotspots for 15 product categories.

Our progress

In 2013, we met our objective to identify and address sustainability hotspots (high-impact areas) in 12 product categories a year early. In 2014, we updated our actions to address sustainability hotspots across 13 product categories. All new products undergo an environmental sustainability assessment.

The EcodEX ecodesign tool has now been rolled out to the entire research and development organisation, and piloted in several markets.

This was achieved in 2014 through five training sessions and nine webinars attended by 312 participants. To date, 5740 projects representing 16 507 scenarios (2013: 5200 projects, 15 500 scenarios)²⁹ have been assessed using our ecodesign tools (covering packaging and product development projects).

Our perspective

We believe the environmental performance of a product starts with good ecodesign. This must be based on a clear understanding of the complex balance between environmental life-cycle impacts and other product requirements. We have carried out life-cycle assessments for all our main product categories.

Our EcodEX tool gives product designers a faster, more effective way to analyse impacts. It is being gradually phased in to ensure it is adopted effectively and to address the challenges raised by new users, such as getting used to interpreting the results.

We are now focusing on enlarging the scope of the data to cover agricultural raw materials more comprehensively, as they constitute a significant environmental impact of many products.

Piloting the EU method for environmental assessment of food products

In 2014, the European Commission launched a three-year pilot to develop a common environmental footprint methodology for 25 product categories and two business sectors. All three Nestlé applications to co-lead the development of Product Environmental Footprint Category Rules (PEFCR) were selected by the European Commission: Nestlé Waters for packed water; Nespresso and Nescafé for coffee; and Nestlé Purina for pet food. This project will set up and validate the process of the development of PEFCRs, including the development of performance benchmarks to test different compliance and verification systems, and communication vehicles.

²⁷ 2013 data has been restated due to some of our large joint ventures reporting environmental data for the first time in 2013 but not having material consumption data available at the time.

²⁸ Locations comprises R&D Centres and Product Technology Centres.

²⁹ A project is a detailed description of all the different scenarios that a product can be packaged in. A scenario is a packaging system format (e.g. aluminium can in corrugated board, glass bottle in shrink film, etc.).



Environmental sustainability

92% of our industrial refrigerants replaced with natural ones in 2014



Our commitment

Provide climate change leadership

Our objectives

By 2014 – Expand the use of natural refrigerants, which do not harm the ozone layer and have a negligible impact on climate change, in our industrial refrigeration systems.

By 2015 – All of our new ice cream chest freezers will use natural refrigerants.

By 2015 – To contribute to greenhouse gas (GHG) emission reduction, we will reduce our direct GHG emissions per tonne of product by 35% since 2005, resulting in an absolute reduction of GHG emissions.

Our progress

During UN Climate Week 2014, Nestlé endorsed ambitious commitments on climate change. The pledges we made included signing up to:

- the UN Caring for Climate: The Business Leadership Platform statement;
- the Trillion Tonne Communiqué of the Prince of Wales Corporate Leaders Group;
- the New York Declaration on Forests; and
- the six climate action initiatives of CDP on science-based GHG reduction targets, renewable electricity, deforestation, climate change information and engagement, and carbon pricing.

We began piloting Mind the Science, Mind the Gap methodology, a collaboration between the CDP, the World Resources Institute, UN Global Compact and the WWF to engage companies in setting science-based GHG reduction targets.

By the end of 2014, we had phased out 92% of our industrial refrigerants (2013: 93%), replacing them with natural refrigerants. This slight decrease is due to some divestitures of installations using natural refrigerants. Our new horizontal ice cream chest freezers, which represent 70% of Nestlé's total spend on freezers, now consume 50% less energy.

We have reduced our direct GHG emissions per tonne of product by 40% since 2005, achieving an absolute reduction of 11.4% and taking us 5% ahead of our 2015 target (2013: direct GHG emissions declined 35% between 2005 and 2013), while production increased by 48% since 2005.

Our perspective

Our commitment to providing climate change leadership goes far beyond just reducing air emissions. It also includes responsible water stewardship; striving for zero waste; using energy and resources efficiently; switching to cleaner fuels; investing in renewable energy sources; optimising distribution networks; and helping to adapt agricultural and production systems to the changing climate.

Although business is only part of the solution, we are eager to participate at a wider, collaborative level, which is why we support a range of industry and multi-agency initiatives. We also work with farmers to help them adapt to climate change, and we help consumers to reduce energy consumption and emissions when preparing their food.



Environment and water education for communities in Indonesia

Our Kejayan factory in Indonesia is built in a rural area where the community relies on agriculture for income, but lacks sufficient knowledge and awareness to apply water conservation best practices. Nestlé is committed to water sustainability that benefits stakeholders along the value chain. In 2014, we launched an Environmental Education for Students programme that aims to raise students' environmental awareness and help them influence their parents to also contribute to environment and water conservation. The programme will be conducted at every elementary school in the sub-district, reaching an average of 1000 pupils each year, and in 2015 throughout Indonesia via the Healthy Kids Programme.

Our commitment

Preserve natural capital, including forests

Our objectives

By 2015 – 30% of the volume of our 12 priority categories of raw materials has been assessed against our Responsible Sourcing Guideline requirements and is compliant, or improvement plans to preserve natural capital are ongoing.

By 2015 – Improvement programmes are taking place for all factories adjacent to Important Water Areas³⁰ to improve our impacts on the surrounding area.

Our progress

28% by volume of our priority categories are now responsibly sourced in accordance with our guideline requirements (2013: 17%).

In 2014, the pledges we made included backing the New York Declaration on Forests, whose vision is to halt and reverse the loss of forests.

We continue to identify improvement programmes at those factories adjacent to Important Water Areas and will report our progress next year.

Our perspective

We source 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. That is why, in our Nestlé Commitment on Natural Capital, we state our intention to manage our operations in a way that protects forests, biodiversity and ecosystem services; act as a responsible steward of natural capital; report on risks and responses; support consumers to make better-informed choices; and work with stakeholders.

³⁰ Water-related areas of a catchment that are legally protected or under a conservation agreement and 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.

We have reduced our direct GHG emissions per tonne of product by **40%** since 2005



We take a proactive role in tackling deforestation through improved traceability and supplier engagement, pledging through our No Deforestation Commitment that our products will not be associated with the practice. We continue to work with partners to source credible data on where deforestation is occurring and to identify Important Water Areas around our operations.

In 2014, we backed the New York Declaration on Forests, whose vision is of halting and reversing the loss of forests, and endorsed the CDP climate change initiative to commit to removing commodity-driven deforestation from all supply chains by 2020. We also share the Consumer Goods Forum resolution "to mobilise resources within our respective businesses to help achieve zero net deforestation by 2020".



Protecting Latin American forests with bio-digestion

In 2014, Nestlé invested CHF 24 750 in providing 15 small livestock farmers in Panama with bio-digesters that turn animal waste into gas for cooking and liquid fertiliser. The digesters take care of manure waste, avoiding environmental pollution. GHG emissions are cut by providing a more sustainable energy source, and the farmer no longer needs to rely on wood for fuel, reducing deforestation in the surrounding areas.

Our commitment

Provide meaningful and accurate environmental information and dialogue

Our objective

By 2016 – Fact-based environmental information will be accessible to consumers in all countries, enabling them to make informed choices and improve their own environmental impacts.

Our progress

We continue to make best use of digital, packaging and point-of-sale contact points to inform consumers of environmental improvements and challenges.

In 2014, we continued to provide fact-based environmental information, based on scientific, substantiated evidence from Life Cycle Assessments (LCAs) to consumers in 109 countries (2013: 109 countries).

We launched the Nestlé solution for Environmental and Social External Communications Approval (NESECA), an internal web-based tool designed to improve the quality of external environmental and social communications.

Our perspective

We believe that by providing meaningful and accurate environmental information about our products at different touchpoints in the product life cycle, we can help raise environmental awareness among the millions of people who use them. We communicate science-based environmental information at corporate, market and product brand level. This helps consumers make informed choices and allows us to promote more sustainable consumption. To understand how our activities are perceived, we continuously review consumer feedback, carry out brand research and keep abreast of leading external studies. As demonstrated by our performance in the 2013 Corporate Equity Monitor surveys, when consumers were asked to rate us on the statement "Nestlé cares for the environment", we performed better than the market average in 24 out of 31 countries; Nestlé also significantly outperformed the best competitor in 12 of those markets.

The NESECA tool has reinforced our internal validation of environmental and social communications with a more robust approvals process based on reliable and documented evidence.

We also support the development of communications best practice in collaboration with industry and governments through the European Food Sustainable Consumption and Production Round Table and the European 'Product Environmental Footprint' initiative.



Helping consumers improve their environmental impact

Today, by scanning a QR code with a mobile phone, consumers of *Everyday a+ Milk* and *Nestea* in India can access information through the internet, to improve their environmental impact when preparing their meals and cleaning up. They can learn how to make the ideal glass of iced tea and read energy-saving tips, to use every day. The website also features a Product Life Cycle section, explaining more about how we make products, such as UHT milk.

Our people, human rights and compliance

The *Nestlé Corporate Business Principles* reflect our commitment to a strong compliance culture as a non-negotiable foundation of how we do business. We fully support the United Nations Global Compact's (UNGC) guiding principles on human rights and labour and aim to provide an example of good human rights and labour practices throughout our business activities. 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, including both internal reporting (Integrity Reporting System) and external audits (CARE).

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

Our commitment

Assess and address human rights impacts in our operations and supply chain

Our objectives

By 2015 – All FTSE4Good³¹ Countries of Concern where we operate are covered and our employees trained to reduce human rights risks in our operations.

By 2015 – Include human rights across all 12 commodity categories covered by the Nestlé Responsible Sourcing Guideline.

Our progress

In 2014, we trained a further 7485 employees on human rights across 11 FTSE4Good Countries of Concern. Since 2011, we have trained 49444 employees across 64 countries.

All 12 commodity categories are covered by the human rights clause of the Nestlé Responsible Sourcing Guideline, and some have further commodity-specific human rights clauses.

In 2014, we carried out Human Rights Impact Assessments in Pakistan and formalised as a Group commitment our Responsible Sourcing Guideline for all upstream supply chain sourcing back to farms.

Our perspective

Nestlé operates with a fundamental respect for the rights of the people we employ, do business and interact with along our value chain. Maintaining these high standards across the company makes us more effective in our approach to compliance (for example, in our fight against child labour and corruption) while ensuring that human rights – such as workers' freedom of association, local communities' access to water or consumer privacy – are respected.

We continue to roll out our Human Rights Due Diligence (HRDD) Programme and strive for continuous improvement in this area. Stakeholder engagement is one of the programme's eight pillars so in April 2014, based on our *Talking the Human Rights Walk* report, we consulted stakeholders in London on our approach to human rights and rural development. A discussion, facilitated by the Danish Institute for Human Rights, gathered 20 human rights and rural development experts from NGOs, intergovernmental organisations, think tanks, consultancies and trade associations. The results of this discussion will be integrated into our overall HRDD Programme and into the future Human Rights Impact Assessments that we will carry out.



Taking advice from the experts

The Corporate Social Responsibility Initiative at the Harvard Kennedy School of Government is a multi-disciplinary and multi-stakeholder programme that seeks to study the public contributions of private enterprise, bridging theory and practice through the intersection of corporate responsibility, corporate governance and strategy. The Initiative is developing a case study on the eight pillars of Nestlé's Human Rights Due Diligence Programme, focusing on the internal processes and external partnerships that the company has established with NGOs. The case study will explore how the company's programme aligns with the UN Guiding Principles on Business and Human Rights, and how it is being implemented at the country level in partnership with others.

12 458 farmers sensitised to child labour in 2014



Our commitment

Eliminate child labour in key commodities

Our objective

By 2015 – Complete action plans to reduce child labour in our cocoa, hazelnut and vanilla supply chains, 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), our Child Labour Monitoring and Remediation System (CLMRS) identifies the extent of child labour in our cocoa supply chain, and helps to understand root causes and develop appropriate measures in response.

By the end of 2014, the system covered 22 cocoa co-operatives, helping us to identify multiple cases of child labour in our supply chain and deploy remediation actions. 12 458 farmers and 35 736 community members have been sensitised to child labour as part of the CLMRS. In 2014, the FLA published the results of its first audit of our cocoa supply chain in Côte d'Ivoire, highlighting where we need to do more to meet the FLA Code of Conduct. For specific details of the progress we have made through the *Nestlé Cocoa Plan*, see page 20.

The Nestlé Responsible Sourcing of Vanilla Strategy guides work to tackle child labour in Madagascar's vanilla industry, through investments in infrastructure such as schools and providing technical assistance, which have continued in 2014.

Our perspective

Our ambition is to eliminate all forms of child labour from our supply chain, while respecting family situations and the legitimate need for rural development. We believe in being open and transparent about the use of child labour in our supply chain and how we address it. We need to work with others, first to identify where child labour is a problem and then to tackle its root causes. We introduced our CLMRS in 2013, following FLA recommendations. The underlying causes behind child labour are complex, and the majority of child labour in our supply chain occurs within the family unit.

Tackling the issues will require industry, NGOs, governments and local authorities to work together with communities. Nestlé is responding in a variety of ways, from investing in schools to working with authorities to improve access to birth certificates and supporting women to secure better personal incomes.



Empowering women to combat child labour

Women have a pivotal role to play in the fight against child labour, as they are often responsible for taking care of the household. Our vision is to empower women to improve their livelihoods and eliminate child labour by updating the three priorities of Nestlé's Action Plan for Women in the Cocoa Supply Chain: promoting equal opportunities, giving women a voice and helping increase their income.

In 2014, we launched a series of gender awareness training in Côte d'Ivoire to open up more opportunities for women, and address a number of social and cultural barriers. We will extend this training to all co-ops by 2017. In collaboration with the FLA, we will be working with women's associations to widen their participation and increase their influence in the sector. As one of the key causes of child labour is a lack of income, we are also helping women to grow additional food crops to sell.

31 FTSE4Good is the ethical investment stock market index series of the London Stock Exchange. It is designed to objectively measure the performance of companies that meet globally recognised corporate responsibility standards.



Our people, human rights and compliance

Our commitment

Ensure that all employees and stakeholders can easily report possible compliance violations

Our objectives

By 2015 – The Nestlé Integrity Reporting System (Internal Grievance Mechanism) or equivalent will be operational in 100% of Nestlé Markets and information made available to employees outlining the steps taken by the company to manage concerns and complaints.

By 2015 – Scale up our communication about the external grievance system

'Tell us' to 5000 suppliers and to 1000 downstream business partners (i.e. distributors) of Nestlé Nutrition products, as well as in first phase countries identified by the company, to further promote reporting of non-compliance incidents by all stakeholders.

By 2016 – Awareness of the existence of confidential reporting lines is reinforced across the organisation.

By 2016 – Continue to scale up the communication about 'Tell us' to suppliers and downstream business partners.

Our progress

The internal Integrity Reporting System has been implemented in 98% of the countries by the end of 2014³². To promote transparency and a unified approach, the total number of messages and subjects of breaches on corruption/bribery, leadership style, labour practices and discrimination and harassment have been communicated through the Nestlé in society: Creating Shared Value report since 2013.

Suppliers are informed of the 'Tell us' system through the Supplier Code.

Our perspective

We encourage employees, suppliers and stakeholders to report inappropriate or illegal practices or actions at Nestlé. We properly investigate all complaints with impartiality and we prohibit retaliation for reports made. When a breach is uncovered, Nestlé acts decisively to put an immediate end to it and will take appropriate response measures. We aim to make the 'Tell us' system accessible to all external stakeholders. Our strategy is to gradually scale up communications, first as a pilot in countries identified as potential high-risk areas before expanding to all countries where Nestlé operates (where local data protection law allows). Our challenge is to help people understand our different reporting channels and give them the confidence to use them.

Our commitment

Work against corruption and bribery

Our objectives

By 2015 – Reinforce the Anti-Corruption Programme and communicate it to all markets and businesses. Roll out a new compliance e-learning to ensure employees understand what is expected of them.

By 2016 – Adoption of local Anti-Corruption Policy implementation procedures in those markets and businesses where there is a need for further reinforcement.

By 2017 – All employees with computers to complete the compliance e-learning.

Our progress

We have included the UN Global Compact Principle 10 on corruption in our *Corporate Business Principles* and *Code of Business Conduct* since 2004. In 2014, Nestlé signed the UN Call to Action against corruption.

We have provided online and in-class training to employees since 2008. In 2014, 9369 people completed training on bribery and corruption.

Our perspective

We are clear that to be able to continue to operate, we need to meet the highest standards of business conduct across all our operations. That is why Nestlé promotes its products on the basis of quality, price, competitiveness and sustainability, and not on the basis of improper advantages. We work against corruption in all its forms and act decisively to put an immediate end to any potential breach of integrity. Our CARE audit programme enables us to monitor anti-corruption processes, allowing for the identification of improvement areas or opportunities for additional training. Employees are encouraged to report misconduct through our Integrity Reporting System.

³² This figure includes markets which have other systems in place already fulfilling the requirements of the Integrity Reporting System.

Our commitment

Ensure all Nestlé units have basic safety and health protection systems for all employees

Our objective

By 2016 – Ensure that robust safety and health management systems are in place, covering all employee populations so there is the same level of safety and protection across all businesses.

Our progress

At the end of 2014, OHSAS18001 certified safety and health management systems were in place for 444 factories, 119 distribution centres, 26 R&D centres, 30 offices and 30 field sales forces (2013: 442 factories, 130 distribution facilities and 25 R&D centres).

A global network of safety and health specialists was set up to help office and sales communities to implement this commitment. This network shares information and practices between markets and helps identify good practice. In 2014, action plans were put in place to close remaining certification gaps and a robust monitoring system was established to track company-wide progress.

Our perspective

All industries must deal with inherent hazards and dangers. At Nestlé, the significance of these hazards is increased by the scale of our global operations. While we are already among the leaders in safety & health in our industry, our aim is to strive for true excellence, with the ultimate goal of zero injuries and work-related illnesses. This ambitious goal, which is fully aligned with our *Corporate Business Principles*, is supported by various programmes and initiatives set out in our Safety & Health Roadmap. One of our most important initiatives is to expand the scope of our safety & health programme beyond our manufacturing and distribution activities, to include our colleagues working in R&D, sales and office-based functions. It is this objective that is reflected in our commitment to put 18001 certified management systems in place across all our employee populations.

Our commitment

Enhance gender balance in our workforce

Our objective

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

In 2014, 25% of our senior leaders and 34% of our managers were women (2013: 31%). This puts us on track to achieve our 2018 commitment. We launched unconscious bias training and there are now 77 trainers rolling this out to leaders and HR professionals across our global markets.

Our perspective

We believe that diversity in our business, and in our supply chain, is a real asset and something which should be encouraged and nurtured. Furthermore, the changing role of women and men in society in recent years has created a need for gender balance at all levels in business. Nestlé believes that different ways of thinking complement each other and lead to better decisions. However, we remain opposed to setting artificial quotas. We prefer to put in place strategic steps towards creating a working ecosystem where men and women can progress equally. In 2010, we launched the global Flexible Work Environment at Nestlé Guidelines, following up in 2012 with the Flexible Working Arrangements Guidelines to help employees in our head office balance their personal and professional lives. Since then over 25 markets have launched market-specific flexible working policies. We have introduced a wide range of practices that have been well received by both male and female employees – including breastfeeding rooms, paternity leave and flexible work arrangements.



Samata Alidu, maize grower and shea harvester, Ghana

40-year-old maize grower and shea harvester Samata Alidu lives in Gushie, in northern Ghana. She is one of 24 000 female farmers who have received training in better agricultural practices through the Nestlé Grains Quality Improvement Project. Thanks to the advice she has received from our agronomists, she has been able to more than double her production. "The impact on the community has been immense. I can now pay my children's school fees. I can now afford to sew them school uniforms. And I even have some extra income."

Our people, human rights and compliance

Our commitment

Offer 20 000 job opportunities for young people below 30 years of age at Nestlé in Europe

Our objective

By 2016 – Nestlé will hire 10 000 young people and 10 000 trainees or apprentices below 30 years of age in Europe, to help tackle unemployment in this age group.

Our progress

Following the announcement of the Nestlé needs YOuth programme in 2013, Nestlé launched the Alliance for YOuth in 2014. The Alliance unites companies to provide apprenticeships, traineeships and readiness for work events to young people. Around 200 companies have now joined the initiative, which has received positive recognition from European institutions, governments, educational institutions and trade unions.

By the end of 2014, Nestlé needs YOuth had helped 11 832 young people find work or apprenticeship opportunities. Specifically, we have held more than 1 675 readiness for work events, mobilising 5 652 employees across Europe.

A global extension of the initiative was announced by CEO Paul Bulcke at the 2014 CSV Forum. The Global Youth Initiative has two aims – to recruit and develop the next generation of Nestlé leaders and to help young people with the transition from education to work (through apprenticeships/traineeships and readiness for work programmes).

Nestlé hired 7 690 young people for temporary and permanent roles, and 4 142 trainees or apprentices younger than 30.

Our perspective

Attracting and retaining the best talent is critical for gaining competitive advantage in a slowly recovering economy. As we grow, we also have an opportunity to support the economy and provide the next generation of employees we depend on by providing training opportunities and jobs. Youth unemployment is a major issue around the world and this programme will soon be extended globally.

In Europe, one in four young people is unemployed. Nestlé has committed to offer thousands of jobs, traineeships and apprenticeships to under-30s by 2016. The roles are across the business and at all levels – from operators on the factory floor to sales assistants and business managers.

We are capturing progress with regular monitoring across all European markets. Through the Nestlé needs YOuth initiative, we are raising our brand profile as an employer and providing valuable opportunities, including promoting co-operation across our markets.

Alliance for YOuth

In June 2014, Nestlé launched Alliance for YOuth to mobilise companies that are determined to play a positive role in helping to tackle the youth unemployment crisis in Europe. Around 200 companies from all over Europe had joined the initiative by the end of 2014, pledging to create more than 100 000 opportunities for young people in the coming years. Alliance for YOuth is the first pan-European business-driven movement pledging to help young people be better prepared to enter the professional world and improve their chances in a challenging job market.



Nestlé needs YOuth helped **11 832** young people in Europe find work or apprenticeship opportunities in 2014



Our commitment

Provide CSV, nutrition (NQ) and environmental sustainability training for our employees

Our objectives

With the right training and support, we believe everyone at Nestlé can play a role in Creating Shared Value.

By 2014 – Creating Shared Value is fully 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) training³³, 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

CSV is now firmly embedded in all courses run at our International Training Centre and across all Zones – reaching 2398 current and future leaders in 2014.

Working with ProfitAbility, we have developed a game-oriented training module to help develop Creating Shared Value understanding and behaviours among Nestlé leaders. This solution is delivered in our International Training Centre and will be deployed globally.

By the end of 2014, 310 833 employees around the world had completed NQ³³ training since it was launched in 2007. In 2014, 51 113 people received NQ refresher training (2013: 108 083).

We ran environmental awareness training and education sessions for employees in 86 countries (2013: 79 countries). We further rolled out our new Environmental Sustainability Leadership workshop, with sessions in the International Training Centre and Markets. We initiated Train the Trainer sessions to support its acceleration across the countries where we operate.

Senior managers also have the opportunity to attend the Prince of Wales Business and Sustainability Programme at Cambridge University.

Our perspective

As a leading Nutrition, Health and Wellness company, we care about our own people and we aim to provide training and education that has a positive influence on their day-to-day activities. We begin by building Creating Shared Value into our management training to maximise capability and understanding at leadership levels. We provide engaging nutrition training that is based on the most up-to-date public health priorities, called Nutrition Quotient (NQ), to all Nestlé employees – regardless of their worksite and working conditions. Our aim is to help our people make informed decisions about their own nutrition, the nutrition of their family and, if it is their role, the nutrition of consumers.

Thirdly, we are developing our environmental awareness programmes to foster a continuous improvement culture towards more environmentally sustainable business practices. Our challenge in all of this is to balance the need to engage and enable people in Creating Shared Value with ensuring we do not overload them with information and training. A strategic approach based on our Creating Shared Value priorities is key.

³³ 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.

Stakeholder engagement

Maintaining an effective dialogue with our stakeholders is central to Creating Shared Value throughout the Nestlé value chain. Delivering our commitments requires a collaborative approach, so it is essential that we listen to and understand the views of our stakeholders and address ongoing expectations.

Our approach

Our global engagement activities are co-ordinated centrally and delivered through the Nestlé Creating Shared Value Forum series and regular stakeholder convenings. Our individual businesses also engage with stakeholders at a national level.

The Creating Shared Value Forum focuses on the role of business in addressing key challenges, especially those relating to nutrition, rural development and water.

Nestlé stakeholder convenings tackle issues specific to our company and our Creating Shared Value focus areas. 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), 2013 (London) and 2014 (London and Jakarta).

The outcomes of stakeholder convenings are fed back to senior management and taken into account in the development of policies, strategies and actions for the following year. Feedback from the convenings also forms a strong basis for our materiality analysis.

Creating Shared Value Forum 2014

On 9 October 2014, Nestlé co-hosted the 6th Creating Shared Value Forum in Switzerland with the United Nations Conference on Trade and Development. This year, we discussed how to focus the role for industry at the heart of society. The forum provided a space for debate and discussion involving over 20 prominent international experts from government, academia, civil society and business, and hundreds of others. Discussions centred on how to accelerate sustainable development, with a key focus on nutrition, water and rural development. Over 200 guests attended in person, 4621 took part via the internet, and the event attracted 5948 Twitter posts.

Stakeholder convenings 2014

Our 2014 stakeholder convenings were held in London (49 stakeholders) and Jakarta (92 stakeholders), and were attended by representatives of NGOs, academia, government, industry associations and international bodies.



2014 Creating Shared Value prize

This year, we were delighted to announce Honey Care Africa, an East African fair trade honey company currently working with 15000 farmers in South Sudan, as the overall winner of the Creating Shared Value prize.

Much of the emphasis of this year's discussions was on the Nestlé business model and our role in influencing collective action and facilitating change on sustainable development.

Attendees expressed appreciation of Nestlé's transparency and listening approach, and valued hearing from senior management. Generally, stakeholders felt their comments were being heard and acted upon. Participants made a number of recommendations, for example in the area of nutrition, health and wellness (see opposite).

Key external stakeholder groups

Our global stakeholder network is vast. It ranges from people we regularly engage with through 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)

"The Creating Shared Value prize is such a wonderful recognition of the hard work and passion of our team, farmers and customers in Africa. And what is even more exciting is the opportunity to build a long-term relationship with Nestlé, as we leverage our sustainable local supply chain with Nestlé's global resources and expertise."

Madison Ayer, Chairman and CEO of Honey Care Africa

Stakeholder recommendations		Source: SustainAbility
Develop and communicate a long-term CSV vision for Nestlé, as a whole and in each CSV focus area.	Stakeholders want to see Nestlé articulate a longer-term vision for what 'the world's leading Nutrition, Health and Wellness company' would look like in 5, 10 and 15 years' time, and potentially in different countries or regions. Stakeholders encouraged Nestlé to continue to focus on the outcomes secured by delivering on its nutrition, health and wellness commitments.	
Advance product portfolio changes to be best in class in all product categories – emphasising "adding good stuff in" as well as "taking bad stuff out", providing useful portion guidance and, ultimately, divesting unhealthy brands.	Stakeholders called on Nestlé to continue to address urgently the basics of sugar, fat and salt, and to work on micronutrient fortification in middle- and lower-income countries. Some also wanted to see Nestlé ultimately divest less healthy items from its portfolio, while others were interested in what Nestlé could do to continue to improve portion guidance.	
Engage more actively on the early childhood nutrition agenda.	Nestlé was encouraged to find common ground with organisations in this challenging area. Stakeholders see both stunting and childhood obesity as urgent health concerns where Nestlé can play a more active role in finding solutions.	
Ensure both that Nestlé's marketing is 'pristine' in every market and that Nestlé uses its influencing power to drive better marketing across the industry.	There is a desire to see Nestlé lead the industry to reframe the marketing environment that children are exposed to, and to work with retailers to drive more responsible marketing practices such as reducing or eliminating multi-buy promotions of foods high in sugar, salt and fat.	
Use Nestlé's advocacy and convening power with governments and with industry peers to promote better health and nutrition.	Stakeholders want to see Nestlé lobbying governments and positively influencing industry legislation on the health and nutrition agenda. They suggested that Nestlé could lead an industry contribution to preventing diabetes and promoting healthier eating policies. They also encouraged Nestlé to tackle hunger and malnutrition with stunting as a more specific focus.	
Contribute to industry-wide learning in terms of "doing well AND making a profit" and influencing corporate and consumer behaviour.	Stakeholders would like to see Nestlé be transparent about the challenges it faces in terms of balancing profit and change in the short and long term, particularly in competitive environments where others are not participating in a "race to the top", e.g. in regions such as China. Stakeholders also suggested that Nestlé promotes research and data that can be used to drive corporate action or consumer behaviour change, such as the economic cost of food waste or how to influence healthier eating decisions.	
Leverage existing systems across the whole supply chain to engage and initiate education at a grassroots level to increase understanding and awareness of health and nutrition issues (including food safety and Non Communicable Diseases (NCDs)) for farmers, suppliers, employees, communities, consumers, business, students.	Stakeholders recognised how nutrition is a broad issue with an integrated dynamic involving the whole supply chain (from farm to 'table': healthy farmers – healthy crops – healthy nutrition – healthy people). They want to see Nestlé raise awareness and increase education specifically in the area of public health, nutrition (threshold levels for sugar and salt) and food safety as a means to tackling the NCDs and the 'double burden' of malnutrition. Recommendation that engagement should be done at the local grassroots level, e.g. mother and child groups in the villages.	
Share research data, information and best practice.	There was agreement amongst stakeholders that collective action could help fill gaps in information and bring alignment in communication of key public messages. There was a call for Nestlé to share its data and best practices from other markets for replicability and scale, e.g. human rights work and data on health and nutrition or 'greening supply chain' model from Pakistan.	
Move beyond using language of compliance in the CSV triangle and commitments and be more ambitious.	Stakeholders want Nestlé to be more vocal about its more ambitious targets as a means to influencing best practice across the industry.	

Materiality

What are material issues?

According to the Global Reporting Initiative's (GRI) G4 guidelines, material issues (or 'material aspects') are "those that reflect the organisation's significant economic, environmental and social impacts, or that substantively influence the assessments and decisions of stakeholders."

In simple terms, materiality is about identifying the issues that matter most to our business and to our stakeholders. We plot economic, social and environmental issues that are of most concern to our external stakeholders against the risks or opportunities they present to Nestlé – including for our reputation, operations and finances. This helps us to meet a number of objectives:

- To keep abreast of changes and new challenges for our business;
- To provide a robust basis for making decisions on what is covered by our Creating Shared Value report and ensure it meets different stakeholders' needs for information; and
- To meet the GRI G4 requirements for materiality.

Refreshing our materiality assessment

In 2014, we engaged SustainAbility, an independent think tank and strategic advisor, to re-assess Nestlé's material

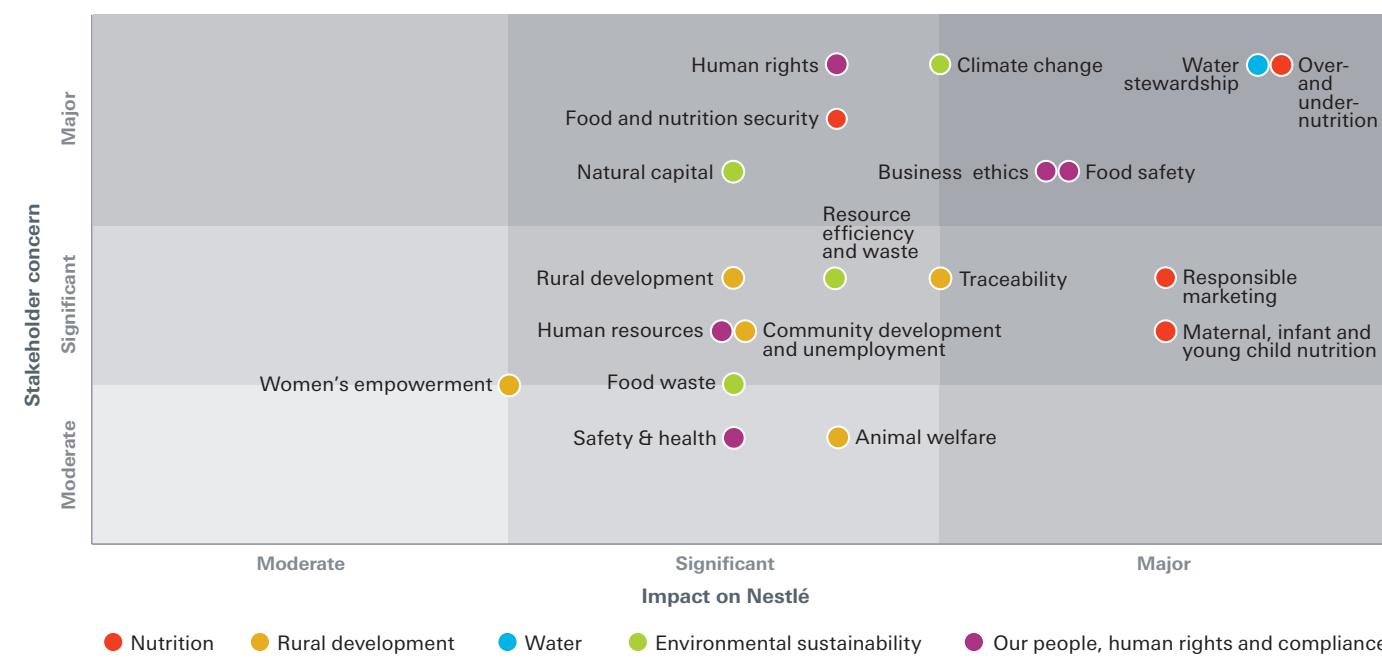
issues. They applied a rigorous methodology that allows for greater precision in the scoring and ranking of material issues than in previous years. The methodology involved first identifying issues, and the broad range of external stakeholders who have an interest in each of them, before assessing the level of stakeholder concern and business impact of each issue and plotting issues on a materiality matrix.

This year, we paid greater attention to the interests and priorities of the socially responsible investment community through tracking sources such as the Access to Nutrition Index, the Dow Jones Sustainability Index, shareholder resolutions and analyst reports on the food sector.

Assessing impacts across the value chain

For the first time in 2014, material issues were considered and plotted on a value chain map. This was done according to where and when the financial, operational and reputational impacts of each issue is felt along the value chain – e.g. during agricultural production, at the supply chain stage, during processing and production by Nestlé, at point of sale or when a product reaches the consumer. This process allows us to focus our monitoring and reporting of an issue at stages in our value chain where it has the greatest impact.

2014 Nestlé materiality matrix



Nestlé's material issues

Our 2013 materiality matrix was based on a refresh of the 2012 matrix designed to deepen and update the analysis. The 2014 materiality matrix is based on a completely new materiality assessment. The following issues are **new** or have been **re-framed** from the 2013 analysis:

- business ethics;
- maternal, infant and young child nutrition;
- resource efficiency and waste;
- traceability;
- responsible marketing;
- human resources;
- community development and unemployment; and
- women's empowerment.

Our 19 material issues have been organised under our eight CSV categories:

Nutrition	
Food and nutrition security	Contributing to the availability of – and affordable access to – sufficient, safe, nutritious food.
Over- and undernutrition	Supporting optimal Nutrition, Health and Wellness through the life course. Helping to address overnutrition, undernutrition, related micronutrient deficiencies, conditions such as being overweight and obesity, and non-communicable diseases (NCDs) through portfolio transformation, product and service development and renovation, and popularly positioned products.
Maternal, infant and young child nutrition	Improving the nutrition of mothers, infants and young children for better health and well-being outcomes.
Responsible marketing	Marketing in ways that are appropriate to consumer audiences and shaping consumer behaviour to promote better health and environmental outcomes.
Rural development	
Animal welfare	Safeguarding the well-being of animals in the supply chain and in product testing and promoting animal health and wellness.
Rural development	Directly and indirectly promoting economic activity and improving livelihoods of agricultural workers in the supply chain to promote sustainable agricultural communities.
Women's empowerment	Empowering women to participate fully in society and the economy across the value chain.

Community development	
Community development and unemployment	Improving people's lives through community and societal participation and improving access to employment, education and skills development.
Responsible sourcing	
Traceability	Ensuring that key ingredients have been grown and processed responsibly and can be traced back to origin where possible.
Water	
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.
Environmental sustainability	
Climate change	Reducing greenhouse gas emissions and contributing to the mitigation of and adaptation to the negative effects of climate change.
Food waste	Avoiding losses of raw materials and waste of food products, including in consumer and post-consumer use, distribution, manufacturing and agriculture.
Natural capital	Identifying and preserving elements of ecosystem services that generate value directly and indirectly.
Resource efficiency and waste	Reducing the direct and indirect use of resources, reducing waste and optimising opportunities for recovery, reuse or recycling of by-products and disposing of waste appropriately.
Human rights and compliance	
Business ethics	Upholding ethical principles in the business and workplace.
Food safety	Ensuring a high-quality product and preventing health risks arising from handling, preparation and storage throughout the value chain.
Human rights	Respecting human rights in our business activities, operations and supply chains.
Our people	
Human resources	Maintaining positive relations with employees and promoting positive working conditions.
Safety and health	Targeting zero accidents in the workplace and promoting safe and healthy employee behaviours.

Full commitments table



Commitments	Objectives	How
Build knowledge leadership in children's nutrition	<ul style="list-style-type: none"> ● By 2016 – Launch large-scale research projects in at least 10 countries across the globe, including the USA, Mexico, China and Russia, to expand understanding of children's nutrition and inform our own product and service development¹. 	<p>As part of the Nutrition, Health and Wellness Roadmap, implement large-scale studies and research to identify key nutrient gaps, understand dietary and lifestyle patterns of pregnant women, babies and kids up to 12 years of age including:</p> <p>Feeding Infants and Toddlers Study (FITS). Kids Nutrition and Health Study (KNHS). Nestlé Nutrition Institute (NNI) studies.</p>
Lead the industry in nutrition and health research through collaboration	<ul style="list-style-type: none"> ● By 2016 – 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 help improve the management of diseases using nutritional solutions. ● By 2016 – Refocus the Nestlé Research Center (NRC) on five key platforms where we can make a positive difference: Healthy Ageing; Healthy Pleasure; First 1000 days and Healthy Kids; Sustainable Nutrition; and Food Safety and Integrity. 	<p>Launched in 2011, 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 to pioneer innovative nutritional solutions for people with chronic medical conditions. Nestlé Health Science focuses on five areas: Vital Support, Consumer health; Brain health; Metabolic health; and Gastrointestinal health.</p>
Provide nutritionally sound products designed for children	<ul style="list-style-type: none"> ● By 2014 – 100% of our children's products² meet Nestlé Nutritional Foundation criteria³ for children, based on nutrition science and dietary recommendations, such as those published by the World Health Organization and the Institute of Medicine. ● By 2015 – Maintain at 100% our children's products² that meet all Nestlé Nutritional Foundation criteria³ for children. 	<p>Nestlé Nutritional Profiling System – constantly reviewed to reflect latest scientific evidence. All children's products assessed against the Nestlé Nutritional Foundation³ criteria. Product renovation. Nestlé Children's Healthy Growth Strategy.</p>
Help reduce the risk of undernutrition through micronutrient fortification	<ul style="list-style-type: none"> ● By 2016 – We will reach 200 billion micronutrient-fortified servings of foods and beverages annually worldwide, helping to address global micronutrient deficiencies with a special focus on children and women of childbearing age. ● By 2015 – We will develop biofortified crops and launch new biofortified products in key markets to expand our fortified products portfolio and benefit rural farming communities. 	<p>Nestlé Micronutrient Fortification Policy – sets targets for meaningful fortification and safety thresholds (2000, updated 2011). Nestlé Biofortification Programme: sourcing conventionally-bred staple crops in developing countries which are biofortified to promote planting and consumption.</p>
Reduce sodium (salt) in our products	<ul style="list-style-type: none"> ● By 2014 – 100% of children's products² meet the Nestlé Nutritional Foundation sodium criteria³ to help promote a reduction of salt in children's diets. ● By 2016 – We will further reduce salt content by 10% in products that do not meet the Nestlé Nutritional Foundation criteria³, ensuring gradual salt reduction even in more challenging areas of our product portfolio. 	<p>Nestlé Policy on Sodium (Salt) (2005, updated 2014) based on WHO recommendations.</p>

Key to objectives: ● Achieved ● On target ○ Started + New objective



Nutrition

Commitments	Objectives	How
Reduce sugars in our products	<ul style="list-style-type: none"> ● By 2015 – Reduce the sugar content in any serving of children's² or teenagers'⁴ breakfast cereal brands to 9 g or less per serving, to promote a reduction in sugar in children's diets. ● By 2016 – We will further reduce sugar content by 10% in products that do not meet the Nestlé Nutritional Foundation criteria³, to ensure continual improvement even in more challenging areas of our product portfolio. 	Nestlé Policy on Sugars (2007, updated 2014) based on WHO recommendations.
Reduce saturated fats and remove trans fats in our products ⁵	<ul style="list-style-type: none"> ● By 2014 – 100% of children's products² meet the Nestlé Nutritional Foundation saturated fats criteria³, helping to promote a reduction in saturated fats in children's diets. ● By 2016 – We will further reduce saturated fat content by 10% in products that do not meet the Nestlé Nutritional Foundation criteria³ and we will remove trans fats originating from partially hydrogenated oils (PHOs), to ensure continual improvement even in more challenging areas of our product portfolio. 	Nestlé Policy on Saturated Fats (2009, updated 2014) based on WHO recommendations. Nestlé Policy on Trans Fats (2003, updated 2014) based on WHO recommendations.
Encourage consumption of whole grains and vegetables	<ul style="list-style-type: none"> ● By 2015 – To ensure a high nutritional content, there will be more whole grain than any other ingredient in any serving of children's² or teenagers'⁴ breakfast cereals ● By 2015 – Maggi Cooking Lesson Programme will be ongoing in 30 countries to promote cooking with whole grains and vegetables ● By 2015 – 90% of Maggi product portfolio worldwide will be promoting home cooking and meals with vegetables. 	Public commitment to add whole grains to breakfast cereals. Promoting vegetable consumption through lessons on home cooking and healthy meal structure.
Deliver nutrition information and advice on all our labels	<ul style="list-style-type: none"> ● By 2016 – All our relevant⁶ food and beverage products worldwide will have Guideline Daily Amount (GDA)-based labels on front of pack to inform consumers about nutritional content. ● By 2016 – We will introduce GDA-based labelling, based on children's reference values, for all products designed for children² (where regulations allow) to help parents make better nutritional choices for children. ● By 2016 – Make information more accessible by providing further product information and nutrition advice on pack, via Quick Response (QR) codes for smartphones. 	Nestlé Standard on Nutritional Compass Labelling (2005, updated 2011). Nestlé Standard on Nutrition/Guideline Daily Amount (GDA) Labelling (2006, update 2013).
Provide portion guidance for consumers	<ul style="list-style-type: none"> ● By 2015 – Provide portion guidance on all children's² and family products to encourage healthy portion consumption. 	Nestlé Portion Guidance initiative. Nestlé 'Portion Books' issued for product categories per Zone. Making the right size and frequency of consumption as intuitive as possible (launched 2011).

Commitments	Objectives	How
Promote healthy diets and lifestyles, including physical activity	<ul style="list-style-type: none"> ● 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 to improve the nutrition, health and wellness of children around the world. 	Nestlé Healthy Kids Global Programme (launched 2009): teaching schoolchildren about healthy diets and active lifestyles, in partnership with expert stakeholders, including the International Association of Athletics Federations, in 2013.
Promote healthy hydration as part of a healthy lifestyle	<ul style="list-style-type: none"> ● By 2014 – Further implement our fact-based healthy hydration awareness programme for healthcare professionals, caregivers and parents worldwide, providing a better understanding of the benefits of water as key to healthy hydration. 	<p>Gather medical evidence and raise awareness about the essential role of hydration for health, with a special focus on children (launched 2010).</p> <p>Water Education for Teachers (Project WET) Healthy Hydration modules.</p> <p>Nestlé Healthy Kids Global Programme.</p>
Provide education programmes for good nutrition and feeding practices	<ul style="list-style-type: none"> ● Ongoing – Offer nutrition education services and programmes for healthcare professionals addressing global under- and over-nutrition problems (Nestlé Nutrition Institute). ● Ongoing – Provide science-based practical nutrition education for parents and caregivers that focuses on the importance of the first 1000 days (from conception to the child's second birthday), including maternal nutrition during pregnancy and promoting breastfeeding as the best start in life (Nestlé <i>Start Healthy Stay Healthy</i>). ⊕ By 2015 – Nestlé Nutrition Institute will reach over 1 million healthcare professionals via its online educational services in nine languages. ⊕ By 2015 – Nestlé <i>Start Healthy Stay Healthy</i> will reach over 5 million mothers and caregivers worldwide with multi-lingual online nutrition education services. 	<p>Nestlé Nutrition Institute (NNI) leads programmes and services for healthcare professionals focused on the first 1000 days of life, from conception to the second birthday.</p> <p>Provide nutrition education for parents and caregivers on the importance of the first 1000 days (-9 months to 2 years). This includes maternal nutrition during pregnancy and the promotion of breastfeeding as the best start in life.</p> <p><i>Start Healthy Stay Healthy</i> – our interactive, science-based education programme.</p>
Ensure responsible marketing communication to children	<ul style="list-style-type: none"> ⊕ By 2015 – Implement a strengthened Policy on Marketing Communication to Children. 	Policy on Marketing Communication to Children.
Market breast-milk substitutes responsibly	<ul style="list-style-type: none"> ● Ongoing – As part of our ongoing efforts to promote good nutrition in the first 1000 days of life and support breastfeeding, report publicly 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. ⊕ By 2015 – Continue to strengthen our practices to ensure both Nestlé Infant Nutrition and Wyeth Infant Nutrition consistently meet the FTSE4Good Index BMS criteria. 	<p>Compliance with the WHO Code as implemented by national governments and the Nestlé Policy and Instructions for Implementation of the WHO Code.</p> <p>Independent third parties to verify and validate our policies and practices.</p>

Key to objectives: ● Achieved ○ On target ◎ Started ⊕ New objective



Rural development

Commitments	Objectives	How
Roll out the Rural Development Framework to understand the needs of farmers	● By 2015 – Continue to establish baseline assessments in the countries of key importance to our business that show pronounced social need to guide us in aligning our own activities with the priorities of local communities.	Our Rural Development Framework ⁷ helps us deliver a consistent approach to rural development, ensuring that our activities address real issues on the ground. We focus on global priorities while retaining the flexibility to address specific local challenges. It blends development and human rights approaches to the challenges faced in rural areas by farmers, workers and rural communities.
Implement responsible sourcing in our supply chain	● By 2015 – To both improve and demonstrate compliance with the Nestlé Supplier Code, and complete 10000 Responsible Sourcing audits, 70% of them with full compliance. ● By 2015 – 40% of the volumes of the 12 priority categories (palm oil; soya; sugar; pulp and paper; coffee; cocoa; dairy; fish and seafood; shea; vanilla; hazelnuts; and meat, poultry and eggs) to be traceable.	Nestlé Supplier Code. Nestlé Responsible Sourcing and Traceability Programme. Partnerships with third parties.
Roll out the <i>Nestlé Cocoa Plan</i> with cocoa farmers	● By 2015 – Source 100000 tonnes of cocoa through the <i>Nestlé Cocoa Plan</i> . ● By 2016 – Source 120000 tonnes of cocoa through the <i>Nestlé Cocoa Plan</i> and complete the roll-out of our Child Labour Monitoring and Remediation System to identify child labour in all <i>Nestlé Cocoa Plan</i> co-operatives in Côte d'Ivoire. ⊕ By 2017 – Source 150000 tonnes of cocoa through the <i>Nestlé Cocoa Plan</i> .	By enabling farmers to run profitable farms and eliminating child labour while developing a sustainable supply chain for Nestlé cocoa. The <i>Nestlé Cocoa Plan</i> covers Côte d'Ivoire, Ghana, Ecuador, Venezuela, Mexico, Brazil and Indonesia.
Roll out the <i>Nescafé Plan</i> with coffee farmers	● By 2015 – To improve the sustainability of our coffee supply chain, source 180000 tonnes of coffee from Farmer Connect ⁸ , all of which is 100% in line with 4C's ⁹ baseline sustainability standard. ● By 2020 – To improve the quality, quantity and sustainability of our coffee supply chain, distribute 220 million coffee plantlets ¹⁰ and source 90000 tonnes of coffee that is compliant with the Sustainable Agriculture Network principles ¹¹ .	Focus on sustainable consumption, production and manufacturing. Membership of Common Code for the Coffee Community (4C). Partnership with Rainforest Alliance.

Commitments	Objectives	How
Work to achieve water efficiency and sustainability across our operations	<ul style="list-style-type: none"> ● 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. 	The Nestlé Commitment on Water Stewardship.
Advocate for effective water policies and stewardship	<ul style="list-style-type: none"> ⊕ By 2016 – Continue to build the 2030 Water Resources Group Public Private Partnership by adding two more countries per year and further develop and publicise the Global Catalogue on Good Practices.¹² ⊕ By 2016 – Support the launch of the CEO Water Mandate Guide on Good Practices for Business on the Human Right to Water and Sanitation and pilot test the Guide in our water due diligence in selected markets.¹³ ⊕ By 2016 – Support the World Business Council for Sustainable Development (WBCSD) to achieve 50 signatories of the WASH Pledge.¹⁴ ⊕ By 2016 – Initiate the roll-out process of the Alliance for Water Stewardship's International Water Stewardship Standard by implementing it in at least five locations.¹² ⊕ By 2016 – Work with the Sustainable Agriculture Initiative Platform (SAI) and the Sustainable Food Lab (SFL) to implement the Water Risk Assessment and Mitigation collaboration initiative in at least one sourcing area of agricultural raw materials.¹⁵ 	The Nestlé Commitment on Water Stewardship.
Treat the water we discharge effectively	<ul style="list-style-type: none"> ● By 2016 – Implement the new and strengthened Nestlé Environmental Requirements for water quality and effluent discharge in all factories in order to help protect the environment. 	The Nestlé Commitment on Water Stewardship. Nestlé Environmental Requirements.
Engage with suppliers, especially those in agriculture	<ul style="list-style-type: none"> ● 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. 	The Nestlé Commitment on Water Stewardship. Global Sustainable Agriculture Initiative.
Raise awareness on water conservation and improve access to water and sanitation across our value chain	<ul style="list-style-type: none"> ● By 2015 – Every Nestlé employee has access to safe water, sanitation and hygiene of an appropriate standard at the workplace. ● By 2016 – 350 000 beneficiaries in local communities will have access to water, sanitation or hygiene projects around our manufacturing facilities and in Farmer Connect areas. 	The Nestlé Commitment on Water Stewardship. The World Business Council for Sustainable Development Pledge for access to safe water, sanitation and hygiene at the workplace (WASH Pledge).



Environmental sustainability

Commitments	Objectives	How
Improve resource efficiency in our operations	<ul style="list-style-type: none"> ● 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. 	<p>The Nestlé Policy on Environmental Sustainability.</p> <p>Nestlé Environmental Management System.</p> <p>The Nestlé Commitment on Food Waste.</p>
Improve the environmental performance of our packaging	<ul style="list-style-type: none"> + By 2017 – Continue to systematically analyse and optimise our packaging portfolio, avoiding the use of at least 100 000 tonnes of packaging material. 	<p>The Nestlé Policy on Environmental Sustainability.</p> <p>Nestlé Environmental Management System.</p> <p>Ecodesign for Sustainable Product Development and Introduction (EcodEX).</p>
Assess and optimise the environmental impact of our products	<ul style="list-style-type: none"> ● By 2014 – Extend the EcodEX ecodesign tool to all research and development locations¹⁶. ● By 2017 – Further enlarge the scope of our databases on agricultural raw materials used in EcodEX. ● By 2017 – Identify or update and address sustainability hotspots for 15 product categories. 	<p>The Nestlé Policy on Environmental Sustainability.</p> <p>Sustainability by Design Programme.</p> <p>Sustainability by Design Network.</p> <p>Ecodesign tool EcodEX covering the entire value chain.</p> <p>Life-Cycle Assessment (LCA).</p> <p>Nestlé Sustainability Category Profiles.</p>
Provide climate change leadership	<ul style="list-style-type: none"> ● By 2014 – Expand the use of natural refrigerants, which do not harm the ozone layer and have a negligible impact on climate change, in our industrial refrigeration systems. ● By 2015 – All of our new ice cream chest freezers will use natural refrigerants. ● By 2015 – To contribute to greenhouse gas (GHG) emission reduction, we will reduce our direct GHG emissions per tonne of product by 35% since 2005, resulting in an absolute reduction of GHG emissions. 	<p>The Nestlé Policy on Environmental Sustainability.</p> <p>The Nestlé Commitment on Climate Change.</p>
Preserve natural capital, including forests	<ul style="list-style-type: none"> ● By 2015 – 30% of the volume of our 12 priority categories of raw materials has been assessed against our Responsible Sourcing Guideline requirements and is compliant, or improvement plans to preserve natural capital are ongoing. ● By 2015 – Improvement programmes are taking place for all factories adjacent to Important Water Areas¹⁷ to improve our impacts on the surrounding area. 	<p>The Nestlé Policy on Environmental Sustainability.</p> <p>The Nestlé Responsible Sourcing Guideline.</p> <p>The Nestlé Commitment on Responsible Use of Materials from Agricultural Origins.</p> <p>Sustainability by Design Programme.</p> <p>Sustainability by Design Network.</p> <p>New Ecodesign tool EcodEX covering the entire value chain.</p> <p>Life-Cycle Assessment (LCA).</p>
Provide meaningful and accurate environmental information and dialogue	<ul style="list-style-type: none"> ● By 2016 – Fact-based environmental information will be accessible to consumers in all countries, enabling them to make informed choices and improve their own environmental impacts. 	<p>The Nestlé Policy on Environmental Sustainability.</p> <p>Nestlé Brands and Creating Shared Value Communications Standard.</p>



Our people, human rights and compliance

Commitments	Objectives	How
Assess and address human rights impacts in our operations and supply chain	<ul style="list-style-type: none"> ● By 2015 – All FTSE4Good¹⁸ Countries of Concern where we operate covered and our employees trained to reduce human rights risks in our operations. ● By 2015 – Include human rights across all 12 commodity categories covered by the Nestlé Responsible Sourcing Guideline. 	<p>Nestlé Corporate Business Principles. Nestlé Supplier Code. Nestlé Responsible Sourcing Guideline. Human Rights Due Diligence Programme. UN Global Compact Principles. Partnership with the Danish Institute for Human Rights.</p>
Eliminate child labour in key commodities	<ul style="list-style-type: none"> ● By 2015 – Complete action plans to reduce child labour in our cocoa, hazelnut and vanilla supply chains, 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). 	<p>Nestlé Responsible Sourcing Programme. Nestlé Progress Report on the Responsible Sourcing of Vanilla in Madagascar. Nestlé Progress Report on the Responsible Sourcing of Hazelnuts from Turkey. Nestlé Action Plan on the Responsible Sourcing of Cocoa from Côte d'Ivoire. Membership of Fair Labor Association.</p>
Ensure that all employees and stakeholders can easily report possible compliance violations	<ul style="list-style-type: none"> ⊕ By 2015 – The Nestlé Integrity Reporting System (Internal Grievance Mechanism) or equivalent will be operational in 100% of Nestlé Markets and information made available to employees outlining the steps taken by the company to manage concerns and complaints. ⊕ By 2015 – Scale up our communication about the external grievance system 'Tell us' to 5000 suppliers and to 1000 downstream business partners (i.e. distributors) of Nestlé Nutrition products, as well as in first phase countries identified by the company, to further promote reporting of non-compliance incidents by all stakeholders. ⊕ By 2016 – Awareness of the existence of confidential reporting lines is reinforced across the organisation. ⊕ By 2016 – Continue to scale up the communication about 'Tell us' to suppliers and downstream business partners. 	<p>Nestlé Supplier Code. Nestlé Code of Business Conduct. Anti-Corruption Policy. Nestlé Corporate Business Principles.</p>
Work against corruption and bribery	<ul style="list-style-type: none"> ⊕ By 2015 – Reinforce the Anti-Corruption Programme and communicate it to all markets and businesses. Roll out a new compliance e-learning to ensure employees understand what is expected of them. ⊕ By 2016 – Adoption of local Anti-Corruption Policy implementation procedures in those markets and businesses where there is a need for further reinforcement. ⊕ By 2017 – All employees with computers to complete the compliance e-learning. 	<p>Nestlé Corporate Business Principles. Nestlé Code of Business Conduct.</p>
Ensure all Nestlé units have basic safety and health protection systems for all employees	<ul style="list-style-type: none"> ● By 2016 – Ensure that robust safety and health management systems are in place, covering all employee populations so there is the same level of safety and protection across all businesses. 	<p>Extend the scope of existing management systems to ensure all employee populations are covered, including manufacturing, supply chain, R&D, office and sales staff. Use third party auditors to verify implementation and certify systems to OHSAS 18001.</p>

Key to objectives: ● Achieved ○ On target ◎ Started ⊕ New objective



Our people, human rights and compliance

Commitments	Objectives	How
Enhance gender balance in our workforce	<ul style="list-style-type: none">● 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).	Nestlé Management and Leadership Principles and Nestlé Corporate Business Principles.
Offer 20 000 job opportunities for young people below 30 years of age at Nestlé in Europe	<ul style="list-style-type: none">● By 2016 – Nestlé will hire 10 000 young people and 10 000 trainees or apprentices below 30 years of age in Europe, to help tackle unemployment in this age group.	<p>Enhance direct recruitment. Strengthen apprenticeship and traineeship in all European markets. Nestlé needs YOuth programme. Alliance for YOuth.</p>
Provide CSV, nutrition (NQ) and environmental sustainability training for our employees	<ul style="list-style-type: none">● By 2014 – Creating Shared Value is fully embedded in all courses at our international training centre in Switzerland (reaching approximately 2398 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) training¹⁹, 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.	<p>CSV integral to global training and development programmes. NQ (Nutrition Quotient)¹⁹ training programme; Nutrition, Health and Wellness Roadmap; United for Healthier Kids. The Nestlé Policy on Environmental Sustainability.</p>

- 1 Russia has replaced France as one of the countries in the objective.
- 2 Products for which 50% or more of consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.
- 3 The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization (WHO), the Institute of Medicine 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 status.
- 4 Products for which 50% or more of consumers are below 18 years of age and, within this, more teens than children.
- 5 This commitment refers to trans fats originating from partially hydrogenated oils in our products.
- 6 Products with significant everyday usage, by humans (not pets), that deliver calories, and have sufficient pack surface to feature a GDA label.
- 7 Created to bring all our rural development activities together, the framework – supported by our Rural Development Commitment – is composed of three pillars underpinned by alignment; collaboration and advocacy; successful farmers; productive and respected workers; and prospering communities.
- 8 Our programme for direct sourcing from farmers, through which we commit to the local sourcing of raw materials, offering technical assistance and ensuring cooperation to meet the highest sourcing standards.
- 9 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.
- 10 This is an aggregate figure from 2010 to 2020.
- 11 An international coalition of leading conservation groups in sustainable agriculture, with standards for environmental protection, social responsibility and economic vitality.
- 12 This is an ongoing extension of our 2014 objective.
- 13 Our 2014 objective to contribute to the Guidelines was achieved.
- 14 Our 2014 objective to contribute to the ISO 14046: Water Footprint – Principles, Requirements and Guidelines was achieved.
- 15 Our 2014 objective to use the principles of the AWS Standard as a self-assessment guide at selected high-priority locations was achieved.
- 16 Locations comprises R&D Centres and Product Technology Centres.
- 17 Water-related areas of a catchment that are legally protected or under a conservation agreement and 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.
- 18 FTSE4Good is the ethical investment stock market index series of the London Stock Exchange. It is designed to objectively measure the performance of companies that meet globally recognised corporate responsibility standards.
- 19 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.

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