

# **Our CSV performance**

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 2015. 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/performance/kpi-summary

	GRI	2014	2015	Page
Economic				
Total Group sales (CHF million) (a)	G4-EC1	91612	88785	n/a
Net profit (CHF million) (b)	G4-EC1	14456	9066	n/a
Nutrition				
Products meeting or exceeding Nestlé Nutritional Foundation profiling criteria (as % of total sales)	G4-EC1	78.5	81.6	15,16,17
Renovated products for nutrition or health considerations <sup>(c)</sup>	G4-FP7	10812	8041	15,16,17
Products with increase in nutritious ingredients or essential nutrients <sup>(c)</sup>	G4-FP7	6359	4643	15
Products with reduction of sodium, sugars, trans fats, total fat, calories or artificial colourings <sup>(c)</sup>	G4-FP6	6973	5471	16,17
Products analysed and improved or confirmed via 60/40+ programme (sales, CHF million) (d)	G4-PR1	33233	33657	15,16,17
Products containing Branded Active Benefits (sales, CHF million)	G4-FP7	6687	6193	15
Products featuring Nestlé Nutritional Compass labelling (% of sales worldwide) (e)	G4-PR3	92.8	92.8	18
Products with Guideline Daily Amounts (GDA) labelling on front of pack (% of sales)	G4-PR3	79.7	89.2	18
Products with specific Portion Guidance (sales, CHF million)	G4-PR3	26456	35 562	18
Popularly Positioned Product SKUs	G4-EC1	5014	4845	15
Popularly Positioned Products (sales, CHF million)	G4-EC1	12205	11599	15
Nestlé television advertising to children under 12 in compliance with policies				
on responsible marketing (%)	G4-PR7	97.2	97	21
Contraventions to the Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes <sup>(f)</sup>	G4-PR7	29	36	21
Infant formula marketing staff in higher-risk countries trained on the WHO Code (% of staff) (9)	G4-PR6	100	100	21
Rural development				
Farmers trained through capacity-building programmes		376000	400 000	22 24 25
Markets covered by Sustainable Agriculture Initiative Nestlé (SAIN) programmes		0,000		757470
		51		
, , , , , , , , , , , , , , , , , , , ,		51 100	52	23,29
Direct procurement markets covered by SAIN programmes (%)		100	52 92	23,29
Direct procurement markets covered by SAIN programmes (%) Percentage of suppliers that fully comply with the Nestlé Supplier Code	G4-FP1	100 73.0	52 92 82.0	23,29 23,29 23
Direct procurement markets covered by SAIN programmes (%)  Percentage of suppliers that fully comply with the Nestlé Supplier Code  Percentage of purchased volume fully compliant with the Nestlé Supplier Code	G4-FP1 G4-FP1	100	52 92	23,29 23,29 23
Direct procurement markets covered by SAIN programmes (%)  Percentage of suppliers that fully comply with the Nestlé Supplier Code  Percentage of purchased volume fully compliant with the Nestlé Supplier Code  Water (h)	G4-FP1	100 73.0 95.0	52 92 82.0 82.0	23,29 23,29 23
Direct procurement markets covered by SAIN programmes (%)  Percentage of suppliers that fully comply with the Nestlé Supplier Code  Percentage of purchased volume fully compliant with the Nestlé Supplier Code  Water (h)  Total water withdrawal (million m³)		100 73.0	52 92 82.0	23,29 23,29 23 23
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Nestlé in society and Creating Shared Value key performance indicators	0.01	0011	2015	_
<del></del>	GRI	2014	2015	Page
Total direct energy consumption (petajoules)	G4-EN3	66.5	63.8	32
Total direct energy consumption from renewable sources (% total direct)	G4-EN3	11.3	11.8	n/a
Total indirect energy consumption (petajoules)	G4-EN4	81.1	80.7	32
Biodiversity				
Total size of manufacturing sites located in protected areas (hectares)	G4-EN11	18.8	18.8	35
Emissions, effluents and waste				
Direct GHG emissions (million tonnes CO <sub>2</sub> eq) <sup>(i)</sup>	G4-EN15	3.91	3.70	33
Direct GHG emissions (kg CO₂eq per tonne of product)	G4-EN15	73.0	68.0	33
Indirect GHG emissions (million tonnes CO <sub>2</sub> eq)	G4-EN16	3.80	3.70	33
Indirect GHG emissions (kg CO <sub>2</sub> eq per tonne of product)	G4-EN16	71.0	68.0	33
Total water discharge (million m³)	G4-EN22	87.0	82.0	28
Total water discharge (m³ per tonne of product)	G4-EN22	1.63	1.49	28
Average quality of water discharged (mg COD/I)	G4-EN22	72.0	70.0	28
By-products (kg per tonne of product)	G4-EN23	28.9	29.3	32
Waste for disposal (kg per tonne of product) (i)	G4-EN23	4.3	3.0	32
Environmental sustainability governance				
Manufacturing sites certified against ISO 14001 (% of total manufacturing sites)		92.0	92.0	n/a
Human rights and compliance				
Total number of significant product recalls or incidents of non-compliance	G4-PR2	12	6	n/a
Number of human rights impact assessments completed	G4-HR9	1	2	37
Number of employees trained on human rights		7 485	11242	37
Our people				
Total workforce (number of employees) (a)		339 456	335 213	n/a
Total rate of new employee hires (%) (i)	G4-LA1	10.3	11.1	n/a
Total rate of employee turnover (%) (i)	G4-LA1	11.7	12.5	n/a
CARE gaps identified related to Business Integrity and HR (k)		32	12	38
Of which: Minor		32	12	38
Major		0	0	38
Critical		0	0	38
Lost-time injuries and illnesses rate (per million hours worked)				
(employees, on-site contractors and on-site members of public) (m)	G4-LA6	2.35	2.05	38
Total recordable injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) (m)	G4-LA6	3.98	3.42	38
Total number of fatalities (employees, on-site contractors and on-site members of public) (m)	G4-LA6	5.90	10	38
Average hours of training per year per employee per category (1)	G4-LA0	28.8	31.6	39
	G4-LA9 G4-LA12			39
Leadership positions held by women (%) (i)  Local Management Committee members native to country in developing countries (%) (n)	G4-LA12 G4-EC6	33.7 56.4	34.0 63.3	
Local Management Committee members harve to country in developing countries (%)	G4-EC0	30.4	03.3	n/a

(b) Includes Nestlé's share in net result of joint ventures. (c) Based on reports of 82% of factories. Products can have 'less of' one ingredient and 'more of' another at the same time. (d) In the 60/40+ programme, Nestlé products tested with consumers must be preferred over the competitor's. Assessment results are valid for a maximum of three years if all parameters remain equal. (e) Excludes total petcare and, for

(a) Does not include joint ventures.

- USA only, Dreyer's and licensed brands Häagen-Dazs and California Pizza Kitchen.
- (f) Based on Internal Audits conducted by corporate auditors

and External Audits conducted by Bureau Veritas. Final number of contraventions could change as the findings of verifications which took place at the end of 2015 are still being assessed.

- (g) We follow the FTSE4Good breastmilk 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'.
- (h) Includes joint ventures. (i) 2014 data restated due to more complete information.
- (i) Covers Nestlé employees registered in the HR system (approximately 85% of all employees).

(k) 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. US CARE programme is carried out every five years. (I) Training hours are significantly higher due to roll-out of Learning Management System across the Group. Training hours per employee cover approximately 85% of all employees. Training hours by gender covers approximately 40% of all employees in the HR system. (m) Recordable illnesses are those work-related illnesses that result in:

medical treatment beyond first aid, restricted work, lost time, or fatalities. Recordable injuries are those work-related injuries that result in: medical treatment beyond first aid, restricted work, lost time, or fatalities. (n) Does not include joint ventures. Due to privacy regulations and the sensitive nature of this KPI, this number only reflects those countries that were able to report it.

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Annual Review 2015



Corporate Governance Report 2015 Compensation Report 2015 Financial Statements 2015

## Front Cover

Maggi seasoning cubes are fortified with micronutrients to help address deficiencies among consumers across low- and middle-income countries. In 2015, we launched our Policy on Micronutrient Fortification, which promotes fortification in our products at levels that improve public health.

# **Our commitments**

Our 39 commitments in the *Nestlé in society* report guide all of us at Nestlé in our collective efforts to meet specific objectives.

For a company to prosper over the long term and create value for shareholders, it must create value for society at the same time. We call this Creating Shared Value. On the right is a selection of key achievements from each CSV focus area.



## Nutrition, health and wellness

## 192 billion

Number of servings of fortified foods provided worldwide

## 8041

Number of products renovated for nutrition or health considerations



## Rural development

760000

Number of farmers supplying directly to Nestlé

## 10950

Total number of Tier 1 suppliers audited from 2010–2015



## Water

41.2%

Cumulative reduction since 2005 of direct water withdrawals per tonne of product in every product category

## 7.7 million m<sup>3</sup>

Quantity of water in our operations either recycled or reused



## **Environmental sustainability**

42.7%

Cumulative reduction since 2005 of greenhouse gas (GHG) emissions

## 105

Number of factories achieving zero waste for disposal



Our people, human rights and compliance

6049

Number of work opportunities offered to young people by Nestlé in Europe 34%

Percentage of women holding leadership roles

## A message from our Chairman and our CEO

This year, as we celebrate the 150th birthday of Nestlé, we honour Henri Nestlé, who founded the company on the success of a life-saving infant cereal. Today, we continue to aim to enhance lives with science-based nutrition and health solutions for all stages of life, helping people care for themselves and their families. We are further investing in the future nutrition, health and wellness of our consumers through our network of research centres that serve our food and beverage business, as well as through Nestlé Health Science and Nestlé Skin Health. To build a business capable of both delivering superior shareholder value and helping people improve their nutrition, health and wellness, Creating Shared Value is the approach we take to the business as a whole. In addition to nutrition, we focus on water, because water is quite simply the linchpin of food security, and water scarcity is a very serious issue in many parts of the world. And we focus on rural development, because the overall well-being of farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the long-term success of our business.

We continue to actively manage our commitments to environmental and social sustainability, necessary for operating our factories and for the sustainable growth and development of the communities and countries where we operate. We have always believed that in order to prosper we need the communities we serve and in which we operate to prosper as well, and that over the long term, healthy populations, healthy economies and healthy business performance are mutually reinforcing. This involves substantial training and education of people inside and outside Nestlé, as well as large investments in technology with lower environmental impact.

We recognise that our position in society brings both opportunities and responsibilities: to do business in compliance with national laws, international standards and our own values and principles, as expressed in our Code of Business Conduct, Corporate Business Principles and Management and Leadership Principles. For a company like ours to prosper, we must take a long-term view, framed in a robust set of principles and values which have been developed

over 150 years. They are based on respect: respect for people, respect for cultures, respect for the environment and respect for the future of the world we live in.

Thus, our 39 commitments go beyond simple compliance and are based on common sense values we believe in, that form the foundation upon which we build our actions in Creating Shared Value. Some key achievements in 2015 include: transforming the Nestlé needs YOUth programme into a global initiative; adopting the UN Guiding Principles reporting framework for human rights issues; activating 84 Nestlé Healthy Kids programmes around the world to promote healthy diets and lifestyles; finalising our new Nestlé Guidelines Respecting the Human Right to Water and Sanitation; achieving our targets for traceability and responsible sourcing of our priority ingredients; working to eliminate child labour; and strengthening our commitment to reduce food loss and waste. You will read more about these in the pages that follow.

We believe investors will and should look at company performance, both in financial and societal terms, and evaluate how management integrates them in corporate governance, strategy and operations. What is missing today is a consistent methodology for measuring societal and financial value. We shall continue to contribute our own progress and learnings to this important dialogue, while encouraging voluntary and transparent sustainability reporting.

This reporting year was important, not just for Nestlé but for the United Nations, civil society and the private sector as a whole. In September 2015, 193 Member States of the UN adopted 17 new Sustainable Development Goals (SDGs) to define global priorities from now until 2030. For the first time, these goals were elaborated in consultation with all parties, including the private sector, representing a real step forward in understanding the constructive role of business in society. At Nestlé, we will make a concerted effort to link our own Creating Shared Value agenda with the broader development goals, particularly in areas where we believe we can contribute in a meaningful way.

Nestlé has also committed, through the CDP's six climate action initiatives and the World

Economic Forum's Alliance of CEO Climate Leaders, to help lead the global transition to a low-carbon, climate-resilient economy in line with the global agreement achieved at the 2015 Paris UN Climate Change Conference (COP21).

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. Most importantly, this report reflects our own fundamental belief that, for our business to prosper in the long term, we must deliver value for shareholders, the communities where we operate, and society as a whole. This is why we say that Creating Shared Value is the way we do business.



Paul Bulcke Chief Executive Officer



Peter Brabeck-Letmathe, the Chairman of Nestlé, talks to farmers in Ghana who supply maize produced with support from the Nestlé Grains Quality Improvement Project.



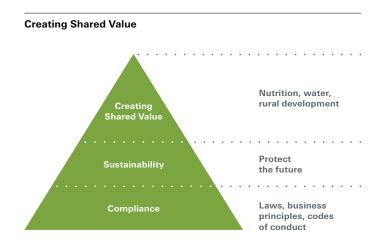
Paul Bulcke, Nestlé's CEO, opens a new Nespresso factory in Romont – our first Swiss production site to obtain LEED (Leadership in Energy and Environmental Design) Gold certification.

## Creating Shared Value: a long-term perspective

## Celebrating 150 years

This year, as Nestlé celebrates its 150<sup>th</sup> anniversary, we honour the Page brothers at the Anglo-Swiss Condensed Milk Company in Switzerland who, in 1866, launched the Milkmaid brand. From our Anglo-Swiss origins, we learned how to work closely with Swiss dairy farmers. The Page brothers created the beginnings of what we call the milk district model of collaboration in dairy. This experience led us to set up milk districts around the world, such as before World War II in Brazil, in the 1960s in India and in the 1990s in China, as well as collaborating with hundreds of thousands of dairy, coffee and cocoa farmers in developing and emerging countries, providing them with technical support and advice. And we honour our namesake Henri Nestlé who, in 1867, founded the company based on the success of a life-saving infant cereal and launched our company on its path to the Nutrition, Health and Wellness strategy of today. Henri Nestlé was motivated to help save the life of a neighbour's child and, more broadly, to help alleviate infant mortality. Still today, we continue to aim to enhance lives with science-based nutrition and health solutions for all stages of life, helping consumers care for themselves and their families. Looking back, one can see the beginnings of our conviction that for a company to be successful over the long term and create value for shareholders, it must create value for society. Today, we call this Creating Shared Value (CSV) but its practice goes back to 1866.

To build a business capable of both delivering superior shareholder value and helping people improve their nutrition, health and wellness, Creating Shared Value is the approach we take to the business as a whole. In addition to nutrition, we focus on water because water scarcity is a very serious issue in many parts of the world and water is quite simply the linchpin of food security. And we focus on rural development because the overall well-being of farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the long-term success of our business. We also 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 in which we operate. Today, with sales in 189 countries, we recognise that our position in society brings both opportunities and responsibilities: to do business in compliance with national laws, international standards and our own values and principles, as expressed in our Code of Business Conduct, Corporate Business Principles and Management and Leadership Principles. For a company like ours to prosper, we must take a long-term view, framed in a robust set of principles and values developed over the last 150 years. They are based on respect: respect for people, respect for cultures, respect for the environment and respect for the future of the world we live in. Thus our commitments go beyond simple compliance and are based on common sense values that form the foundation upon which we build our actions in Creating Shared Value.

## Reporting transparently

In 2012, we decided to publish a set of forward-looking commitments covering every part of our business, to provide a clear sense of the strategic direction in which we are heading and the standards to which we hold ourselves accountable. Our societal commitments, of which we have 39 this year, are derived directly from our focus areas of nutrition, water and rural development, and include environmental sustainability, human rights, compliance and our people.

Some highlights from this year include: In Nutrition, we:

- Activated 84 Nestlé Healthy Kids programmes to promote healthy diets and lifestyles, including physical activity;
- Delivered 192 billion micronutrient-fortified servings of foods and beverages, worldwide;
- Launched a strengthened Policy on Marketing Communication to Children, which will be monitored closely; and
- Continue our work on a global scale to reduce salt, fat and sugar in our foods and beverages while maintaining consumer preference.

In <u>Water</u>, an issue of critical societal concern and the linchpin of food security, we:

- Finalised our new Nestlé Guidelines Respecting the Human Right to Water and Sanitation;
- Won the Global Water Awards Corporate
   Water Stewardship award for our zero water
   technology, enabling dairy factories to operate
   without using local groundwater; and
- Reduced direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 41.2% versus 2005.

In <u>Rural development</u>, where the well-being of farmers and suppliers is intimately linked with our own success, we:

- Achieved our target of 40% for traceability of our 12 priority ingredients and materials; and
- Remain committed to eliminating child labour from our key categories such as cocoa, vanilla and hazelnuts, and have trained 47 962 farmers, built or renovated 42 schools, and ensured that 50% of our cocoa co-operatives in Côte d'Ivoire are covered by a child labour monitoring and remediation system.

## In Our people, we:

- Transformed the Nestlé needs YOUth programme into a global initiative; and
- Published our new Nestlé Maternity
   Protection Policy.

In Environmental sustainability and Human rights, we:

Published our commitment to reduce food loss and waste;

## Our 2015 performance in leading indices

#### **Access to Nutrition Index**

Nestlé ranked 2<sup>nd</sup> in the 2015 assessment of the Global Access to Nutrition Index (published in January 2016), which benchmarks the world's largest food and beverage manufacturers on their nutrition-related commitments, practices and performance. Nestlé ranked 1<sup>st</sup> in the subcategories of breast-milk marketing practices, general nutrition and under-nutrition.

## **CDP Water Programme**

The CDP Water Programme promotes sustainable corporate water stewardship. We participated for the second year running and in October 2015, Nestlé received a 'Leadership' score of A-.

### **Climate Disclosure Leadership Index**

In November 2015, we received a Climate Disclosure Leadership Index Award from environmental sustainability ratings agency CDP, having achieved a score of 100 A.

## **Dow Jones Sustainability Indices**

The Dow Jones Sustainability Indices measure the performance of the world's sustainability leaders. With a score of 89, Nestlé was again a Top Performer in our industry, ranking in the 98<sup>th</sup> percentile. We also received an industry-leading score of 99 out of 100 in the 'environmental dimension'.

## FTSE4Good

Nestlé remains included in FTSE4Good, which measures the performance of companies that meet globally recognised corporate responsibility standards, including clear criteria on the marketing of breast-milk substitutes. In 2015, our practices were audited in 42 countries, including audits from Nestlé Group Audit and Bureau Veritas.

### **Oxfam Behind the Brands**

Nestlé ranks second on Oxfam's 2015 Behind the Brands scorecard, where the NGO ranks the world's 'Big 10' consumer food and beverage companies on policies and commitments to improve food security and sustainability.

- Met our goal to achieve zero waste in 10% of Nestlé factories by 2015; and
- Adopted the UN Guiding Principles reporting framework for human rights issues.

We report transparently on progress and on where there is more work to be done. Since 2011, Nestlé has been reporting against the framework of the Global Reporting Initiative (GRI) and we support the increasing rigour and transparency expected around sustainability reporting. This is our second year reporting 'in accordance' with the comprehensive option of the GRI's G4 guidelines and Food Processing Sector Supplement. In accordance with GRI guidance, our report addresses material issues or those that reflect significant economic environmental and social impacts, and those issues that substantively influence the assessments of our stakeholders.

The full report with complete GRI Index can be found on our CSV website (www.nestle.com/csv). Also, for the first time this year, we are reporting against the newly published UN Guiding Principles Reporting Framework on Human Rights. We have incorporated reporting on the 11 identified salient human rights issues into our existing CSV report to demonstrate the integral nature of respect for human rights to our role in society. Sustainability reporting is no longer simply a collection of anecdotal stories and data, but rather a holistic exercise in internalising

and improving a company's commitment to sustainable development in a way that can be demonstrated to both internal and external stakeholders and shareholders alike. As members of the International Integrated Reporting Council, we will continue to show the connection between our business and our societal activities.

# CSV in support of the Sustainable Development Goals

This reporting year was important, not just for Nestlé but for the United Nations, civil society and the private sector as a whole. In September 2015, 193 Member States of the UN adopted 17 new Sustainable Development Goals (SDGs) to define global priorities from now until 2030. We are reviewing our commitments against the SDGs and believe we should focus on specific goals where, by the nature of the business we are in, we feel we can maximise our impact on a global scale.

The 2015 Nestlé in society: Creating Shared Value report is our third in the series based on meeting our societal commitments. We firmly believe that Nestlé's growth over the last one-and-a-half centuries has been built upon integrated thinking where business and societal needs meet. This fundamental belief will help us accelerate our contribution to quality of life while staying true to our conviction that, for our business to prosper in the long term, we must deliver value for shareholders, the communities in which we operate and society as a whole.

## Strong SDG-CSV linkages



End hunger, achieve food security and improved nutrition and promote sustainable agriculture



Ensure healthy lives and promote well-being for all at all ages



Ensure availability and sustainable management of water and sanitation for all



Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts \* \*Acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change.



We have worked with dairy farmers throughout our 150-year history. Above, farmers deliver milk to the Anglo-Swiss Condensed Milk Company factory in Cham, Switzerland, in 1899.



Dairy farmers at a Nestlé collection centre near our state-of-the-art factory in Erguna, China. We buy fresh milk through our milk district model from about 40 000 Chinese farmers.



Through the Village Women Dairy Development Programme, Nestlé empowers women involved in dairy farming to improve milk quality and productivity. Training is conducted by all-female teams.

## Our material issues

A successful company cannot afford to ignore what the world thinks about it. Our stakeholders have very specific areas of interest that can have a direct impact on our business.

## The materiality process

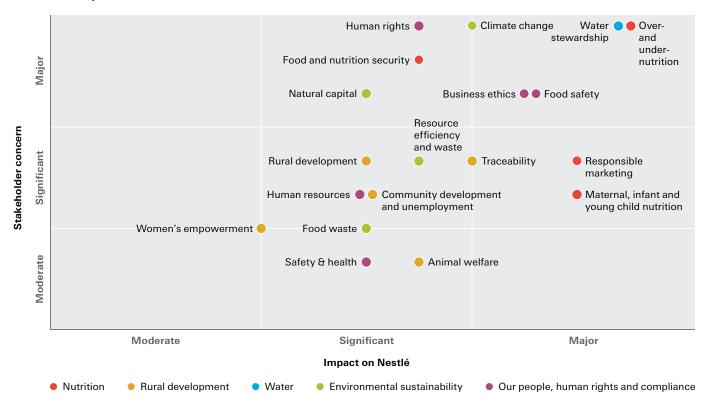
Nestlé uses a formal materiality process, through which we identify the issues that matter most to our business and our stakeholders. After extensive consultation, an independent organisation plots environmental, social and governance issues of concern. The findings are used to determine associated risks and opportunities for Nestlé's reputation, operations and finances.

Together, the results represent the material issues facing our business. The issues are placed on a materiality matrix (see below) that displays their position relative to the degree of stakeholder concern and potential business impact.

In 2014, we produced an extended materiality analysis as part of our G4 reporting. The process featured a broader sample of stakeholders and value chain analysis, allowing for greater precision in the scoring and ranking of our material issues than in previous years. It also included a robust assessment of business impact, with greater attention to the concerns of socially responsible investors and an independent review of commercial relevance.

Since publication, we have continued to collect feedback and input on the 2014 results. We have not identified substantive changes to the issues Nestlé faces, our business impacts or the interests of our stakeholders. We will complete a full refresh of the materiality process for the 2016 report and we expect to update the materiality results on a biennial basis.

## Nestlé materiality matrix



Our 19 material issues have been organised under our eight CSV categories. Each issue is made up of sub-issues, which are explored in more detail in our full report.

### 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.

## Stakeholder engagement

Even when we are making progress, we will always need the advice of the best experts and advocates. We use stakeholder engagement to develop and improve our corporate policies and commitments. It helps us to build our business and target our societal investments.

Our annual programme of stakeholder convenings and Creating Shared Value events provide an opportunity to intensify that dialogue, building on our understanding of critical societal issues. The interaction develops the capability of our people, facilitating more effective collective action. Our stakeholder convenings aim to promote increased levels of trust and mutual respect.

Our businesses engage with stakeholders at a country level. Outcomes are fed back to senior management through the Nestlé in society Board.

## Our stakeholder groups

Our global stakeholder network is vast, ranging from people we engage with regularly through our operations to those in public positions who influence our activities.

Nestlé identifies the following groups as fundamental to our continuing business success:

- Academia;
- Communities:
- Consumers and the general public;
- Customers;
- Employees and their representatives;
- Governments;
- Industry and trade associations;
- Intergovernmental organisations;
- Non-governmental organisations;
- Reporting agencies;
- Shareholders and the financial community; and
- Suppliers (including farmers and smallholders).

## Stakeholder convenings

Nestlé stakeholder convenings are hosted and organised by external experts. They ensure we receive independent opinions and feedback, which is critical. These events address issues that are specific to our value chain and focus areas in which Nestlé can create shared value.

In 2015, we held stakeholder convenings in London in March (50 stakeholders) and Washington DC in December (61 stakeholders),

which were attended by representatives of NGOs, academia, government and international organisations.

## London stakeholder convening, 17–18 March 2015:

This stakeholder convening was the fourth to be held in London since their inception in 2007. It was attended by 50 stakeholders as well as Nestlé S.A. Chief Executive Officer Paul Bulcke, Nestlé senior executives and experts from headquarters.

There was significant interest in the role that Nestlé could play in leading systems level change on CSV issues. Participants called on Nestlé to play a bigger, bolder role and to set a clear, longer-term vision for what the company is aiming to achieve.

## Washington DC stakeholder convening, 7–8 December 2015:

This was Nestlé's second stakeholder convening to be held in Washington DC. The convening provided Nestlé with an opportunity to share progress on its CSV programmes and commitments. This included Nestlé's CSV work in the USA and priorities in the Zone Americas. The event was attended by 61 stakeholders and by Laurent Freixe, Executive Vice President of Nestlé S.A. and Head of Zone Americas, as well as other Nestlé senior executives and experts from headquarters.

## **Creating Shared Value Forum**

The biennial Creating Shared Value Global Forum is a unique day-long event that brings together development and business experts from around the world. It is designed to stimulate thinking about the increasingly important role of business in helping to address major socio-economic challenges in the context of limited natural resources and climate change.

In 2014, Nestlé co-hosted the forum in Switzerland with the United Nations Conference on Trade and Development. The event's goal was to engage panellists and participants in a thoughtful discussion on how governments worldwide can work together with civil society and the private sector to accelerate sustainable

development. More than 200 guests attended in person, 4621 took part via the internet, and the event attracted 5948 Twitter posts.

The 2016 Creating Shared Value Global Forum will be held in Abidjan, Côte d'Ivoire, on 21 June 2016, in partnership with the African Development Bank. Entitled "Investing in Sustainable Development in Africa", the forum will bring together business, civil society and government leaders from Africa and beyond to discuss a range of key topics affecting the African continent, such as building stronger economies and communities, health and nutrition security, increasing farmer resilience, and approaches to inclusive and sustainable economic growth.



The 2014 Creating Shared Value Forum in Lausanne, Switzerland, explored how business can create long-term value to accelerate sustainable development.

## Stakeholder recommendations

Participants at the convenings made a number of recommendations, which we have shared below. Feedback is also considered when assessing the material issues of our business.

## Extend leadership in public policy

Participants emphasised the value of Nestlé participation and leadership in public policy, and identified governments as key partners in work to address CSV issues. The role Nestlé has played in supporting climate policy was acknowledged. Participants emphasised the need for Nestlé to lead and drive change in other CSV areas.

Further develop the Creating Shared Value approach Participants recommended a number of ways in which Nestlé may develop and extend its work on CSV. Participants recommended that Nestlé assume more societal responsibility. Opportunities to advance CSV recommended by participants included:

- Develop and communicate a long-term CSV vision and ambition for Nestlé, as a whole and in each CSV focus area;
- Ensuring the company will continue to progress in areas where it has achieved targets;
- Enhancing transparency and engagement around its CSV work, including sharing data in CSV areas, particularly nutrition, rural development and water;
- Setting science-based targets that reflect the scale of change necessary to address global sustainability challenges; and
- Collaborate with peers, governments, NGOs and the supply chain on CSV issues. This may include stimulating sector level change on salt, sugar and fat reductions by requiring performance improvements and innovation from suppliers.

## Expand Nestlé's role in supporting the delivery of the Sustainable Development Goals (SDGs)

Participants noted the strong alignment between Nestlé's work on CSV and the SDGs. Participants encouraged Nestlé to align commitments, particularly on maternal, infant and young child nutrition with specific goals.

## Focus on the reduction of poverty and the elimination of stunting

Poverty was highlighted as a critical issue and priority in the agricultural supply chain. Participants encouraged Nestlé to look at how poverty alleviation can be included in its own work on its supply chain. Stunting was identified by participants as an urgent priority in efforts to reduce undernutrition. Participants recommended that Nestlé make a commitment to eliminating or reducing child stunting in the communities in which it works.

Source: SustainAbility

## Introducing our commitments

Our commitments relate directly to our CSV focus areas and our material issues. 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. For more details see our full report available at www.nestle.com/csv.





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# Nutrition, health and wellness

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 products

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

Continuously improve our green coffee supply chain









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## 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

Provide climate change leadership

Promote transparency and proactive, long-term engagement in climate policy

Improve the environmental performance of our packaging

Assess and optimise the environmental impact of our products

Provide meaningful and accurate environmental information and dialogue

Preserve natural capital, including forests

## Our people, human rights and compliance

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

Eliminate child labour in key categories

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

Work against corruption and bribery

Ensure all Nestlé employees are covered by a certified Safety and Health Management System

Enhance gender balance in our workforce

Provide training on Corporate Business Principles, Nutrition, and **Environmental Sustainability** 

**Roll out the Global Youth Initiative** across all our operations

## Nutrition, health and wellness

We are the leading Nutrition, Health and Wellness company. We enhance lives with science-based nutrition and health solutions for all stages of life, helping consumers care for themselves and their families.





## Build knowledge leadership in children's nutrition

We seek to develop a deeper understanding of the actual dietary intake, lifestyle and health status of children through our large-scale research projects. The results of our studies help define our product formulation, consumer communication and educational programmes.

## Our objective

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

#### Our progress

We support research for two age groups. The Feeding Infants and Toddlers Study (FITS) investigates the eating patterns and nutritional intake of infants and toddlers from birth to four years old and the Kids Nutrition and Health Study (KNHS) focuses on children from four to 12 years old. Many dietary and activity habits are formed at this age, and KNHS explores the food and nutrient intakes of children related to lifestyle and behaviour patterns.

Initially conducted in the United States in 2002 and 2008, FITS was then launched in China—as the Maternal Infant Nutrition Growth (MING) study—and Mexico, while a new study in the United States began in 2015. In 2016, we are preparing to conduct further FITS studies, including in Russia. The KNHS was initiated in the US in 2014. Studies in Mexico, China and Australia were started in 2015.

We published two papers on diets and nutrient adequacy in Chinese school-aged children, and one evaluating the impact of the number of meals and snacks on energy intake in Mexican children. A review article explored parenting and feeding styles in relation to risk for overweight and obesity in children 4–12 years of age.

## AchievedIn progress



# Lead the industry in nutrition and health research through collaboration

We seek to support public health by investing in both individual and population-based scientific research to deliver better nutrition for current and future generations. In this context, we collaborate with leading academic bodies to build the world's largest private nutrition research network.

#### Our objective

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 (CDU) to help improve the management of diseases using nutritional solutions.

#### Our progress



As the largest private research and development network in the industry, we employ more than 4800 people. In 2015, Nestlé invested CHF 1.7 billion in research and development, predominantly for food and beverage businesses, and filed 292 patents

Our global network is shaped by the Nestlé Research Center (NRC), the NIHS and the CDU, supplemented by 40 Product Technology, and Research and Development centres. In 2015, the NRC hosted the 12th Nestlé International Nutrition Symposium on the topic of "Cognition and Brain Health". Key research in 2015 included: the start of a study in Southampton, Singapore and Auckland into nutrition during and before pregnancy, and research into replacing sodium with potassium to improve cardiovascular health. Nestlé Health Science and the Nestlé Nutrition Institute also hosted a symposium at the 37th ESPEN Congress in Lisbon, Portugal, exploring the nutritional needs of cancer patients.

The continued debate over the definition of medical foods—foods that are specifically formulated for the dietary management of patients with diseases or conditions with distinctive nutritional requirements—represents a challenge for us, particularly in terms of how we label and market our foods and beverages.

## Provide nutritionally sound products designed for children

We assess all our foods and beverages for children against the Nestlé Nutritional Foundation (NF) criteria, which are based on nutrition science and globally accepted public health dietary recommendations. A food or beverage must meet all the criteria to attain NF 'Yes' status, meaning that we consider it appropriate for consumers as part of a balanced diet.

### Our objective

 By 2015: Maintain our children's product portfolio at 100% NF 'Yes' status using specific criteria for children as per official recommendations.

## Our progress

We offer a broad range of foods and beverages for children around the world, and ensuring all of these offerings are healthy and tasty represents a significant challenge. When it comes to reformulating a product, we have to carefully optimise our recipes to preserve taste while reducing public health sensitive nutrients, such as sodium and added sugars, in accordance with the criteria set by the Nestlé Nutritional Profiling System (NNPS).



By the end of 2015, we achieved our objective: virtually all our children's products (99%), including Popularly Positioned Products (PPPs), met all the NNPS criteria for children. We will maintain this level of performance in 2016 with tailored innovations and by carefully monitoring our products at a market level, establishing action plans when necessary to address any gaps identified. As of 2016, we will also include products from our Wyeth acquisition.

## Help reduce the risk of undernutrition through micronutrient fortification

Micronutrient deficiency is a common public health problem, particularly in lowand middle-income countries. Our work on micronutrient deficiencies is focused on developing foods and beverages designed to provide nourishment, especially for children and women of childbearing age.

### Our objectives

- 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.
- 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 2017: Continue to develop the supply chain for biofortified crops and expand our fortified portfolio.

## Our progress

# Worldwide servings of fortified foods (billion servings) – cumulative 2015 192 2014 183 2013 167+

Our delivery of micronutrient-fortified products in 2015 was 192 billion. We also launched our *Policy on Micronutrient Fortification*, which promotes fortification at levels that improve health without risking adverse consequences from excessive consumption.

We have not fully met our objective to launch new biofortified products. This year, in Nigeria, we tested blending biofortified pro-vitamin maize with normal maize in a recipe. Local agricultural production of these new crop varieties was still very small in 2015, and we are working with farmers and suppliers to increase the harvest in 2016. Biofortification is a complex process that can take years and requires a careful collaborative balance between stakeholders. We are currently working on fortifying other crops including cassava (Côte d'Ivoire) and rice (Madagascar).

# Reduce sodium (salt) in our products

We are committed to reducing the amount of sodium in our foods and beverages to provide healthier choices while retaining the same great taste. This is achieved through gradual reductions using our culinary expertise and replacing sodium with other healthier minerals.

## Our objective

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

## Our progress



Much of the salt in our diet is added during manufacturing, home cooking or at the table. We aim to reduce the salt in our foods without consumers feeling the need to add it themselves or choose saltier alternatives. To do so, we have built technical solutions to enable sodium reduction without compromising on taste or texture to retain consumer preference.

Since 2013, we have accelerated salt reduction across all our savoury foods to help consumers achieve the 5 g of salt per day target recommended by the World Health Organization (WHO) and other international and national authorities.

We have engaged more than 20 of our top markets to define innovation and renovation activities. By the end of 2015, when we assessed our renovated foods using the Nestlé NF criteria for sodium, we achieved an overall sodium reduction of 880 tonnes, or 8% towards our objective of a 10% reduction.

## Reduce sugars in our products

Sugar reduction in our foods and beverages is a key part of our commitment to provide healthier choices while retaining the same great taste. We aim to offer preferred taste and texture with less sugar, in order to retain consumer preference and deter them from switching to a less nutritional product.

## Our objectives

- By 2015: Reduce the sugar content in any serving of children's or teenagers' 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 (NF) criteria, to ensure continual improvement even in more challenging areas of our product portfolio.

## Our progress



We continually look for ways to reduce the sugar content across our portfolio, and have already launched a wide range of reduced-sugar foods and beverages. By the end of 2015, we had reduced our added-sugar content by 18000 tonnes, or 4.1%, towards our objective of a 10% reduction. The challenge for us lies in consistently providing tastier and healthier solutions that meet consumer preferences. Further renovation work has been engaged, which we expect to generate additional reductions of 3.6%. In order to implement more lasting and impactful technological solutions in our factories, we may have to extend the work of this commitment beyond 2016.

In 2015, together with Cereal Partners Worldwide (our joint venture with General Mills), we continued to reformulate our recipes to achieve our objective to reduce the sugar content in breakfast cereals to 9 g per serving. Production will begin in 2016.





## Renovating for tasty and healthier snacks

Nescau is one of Brazil's market leaders in chocolate drinks. As a leading Nutrition, Health and Wellness company, Nestlé Brazil wanted to ensure that Nescau would be a tastier and healthier snack choice for children. So, we reformulated the recipe and as a result we were able to ensure that added sugars in a serving of Nescau contribute less than 3% of the energy requirements of moderately active children. Fat was also reduced by 45% and protein content increased by 26% (more milk added). The product launch was accompanied by proactive campaigns to explain the change in taste and benefits of the new recipe. Over 70% of healthcare professionals consider the drink as a good snack option and 63% of consumers say they will buy the product again.

# Reduce saturated fats and remove trans fats in our products

Dietary fats are an important part of a healthy, balanced diet but too much saturated or trans fats can pose a significant risk of non-communicable diseases, such as heart disease and diabetes. We aim to reduce saturated fats in our foods, and completely remove all trans fats from partially hydrogenated oils (PHOs).

## Our objectives

- By 2016: We will further remove trans fat originating from PHOs from all our foods and beverages.
- By 2016: We will further reduce saturated fats by 10% in products that do not meet the Nestlé Nutritional Foundation (NF) criteria.

## Our progress

We commit to remove trans fats originating from PHOs from all foods and beverages to minimise consumers' daily exposure to trans fat intake, as recommended by the WHO. All factories using non-compliant oils have engaged in renovation activities in close collaboration with suppliers and technical teams. We are on track to achieve our objective.



On saturated fats, our challenge lies in developing solutions for reformulating our foods and beverages while having no impact on consumer enjoyment and preserving product quality throughout the entire shelf life.

We are working closely with the businesses involved and have achieved reductions in saturated fats in our foods and beverages of 1900 tonnes, or 2.2% towards our objective of a 10% reduction.

We are developing new, promising technical solutions for the remainder of the products, and we have identified future reductions of 7.2%. This requires industrial validation and capital investment, which may result in extending the work of this commitment beyond 2016.

# Encourage consumption of whole grains and vegetables

Whole grains and vegetables are a key part of a balanced diet, as they are excellent sources of fibre, vitamins and minerals. Through our food and beverage offerings, as well as community activities, Nestlé aims to promote the consumption of both these food groups.

## 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's or teenagers' 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

Through our Cereal Partners Worldwide joint venture, we are working to increase the levels of whole grain in our breakfast cereals for children and teenagers. In 2015, we began applying a new, more stringent standard for classifying whole grain as the main ingredient. Under this new standard, 85% of our kids and teens products have achieved our objective for whole grains. We will continue our work in 2016 on the remaining 15% to ensure that these too meet our high standards.

By the end of 2015, we achieved our objective to launch the *Maggi* Cooking Lesson Programmes in 32 countries. We have implemented a renovation project to increase the use of familiar and recognisable ingredients in our *Maggi* portfolio. This requires changes to our packaging, which has delayed us from meeting our target for 90% of the *Maggi* product portfolio to promote home cooking and meals with vegetables. We continue to work on achieving this objective through the next year by merging it with our work on portion guidance.

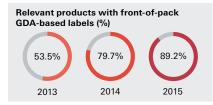
## Deliver nutrition information and advice on all our labels

We believe in empowering consumers to make informed choices. This is why we promote labels based on Guideline Daily Amounts (GDAs), which inform consumers about the nutritional composition of a serving of food or beverage, as defined by calories, sugars, fats and other nutrients. They also show comparisons with reference daily guidelines.

### Our objectives

- By 2016: All our relevant 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: Introduce GDA-based labelling, based on children's reference values, to all products designed for children, 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



Due to differing regulations, not all countries allow GDA-based labels to be implemented on packs. Where these labels are not yet allowed, we work with regulatory bodies to promote the benefits of GDAs, as well as investing in consumer education and engagement. In 2015, we had GDA labelling on 89.2% of products; where regulations allow, 91.4% of relevant products designed for children used children's GDAs.

Consumers can also learn more about the composition of food and beverage items, get dietary advice or tips for preparation through the product information that is now being provided via 3000 product websites covering 78 brands in 50 countries.

## Provide Portion Guidance for consumers

We want to provide consumers with userfriendly information rather than abstract dietary recommendations. Through our portion guidance efforts, we aim to help reframe portion norms, especially in energydense foods and beverages where regular servings may have increased over time.

## Our objectives

- By 2015: Provide Portion Guidance on all children's and family products to encourage healthier portion consumption.
- ⊕ By 2016: Promote healthy portion consumption by deploying our Portion Guidance programme on 100% of our children's and family products, and complement it with guidance in our recipe websites and nutrition education programmes.

## Our progress

Nestlé Portion Guidance is a voluntary initiative designed to bridge international dietary recommendations (e.g. in the form of food guides) and nutrition labelling regulations. This guidance is presented through a variety of consumer-engaging ways: product form, pack design, clear illustrations and, occasionally, a serving device or dispensing machine.



In 2015, 63.3% of children's and family products had specific Portion Guidance. And on products that have a significant impact on the overall diet of children, such as recurring choices and more indulgent foods, 76.9% provided Portion Guidance. Many labels of important categories, such as breakfast cereals and pizza, had also been redesigned at the end of 2015 and the new packs will arrive in stores in the first half of 2016. We are not only committed to implementing Portion Guidance across our relevant portfolio, but also in our communciations to consumers, as we continue our work into 2016.

Redesigning the labels is also allowing us to greatly progress on our target for 90% of the *Maggi* product portfolio to promote home cooking and meals with vegetables.





## Guiding portion sizes through pizza

Portion sizes matter: research shows that when larger quantities of food are served, people eat more. Nestlé has developed new tools to help educate people about what constitutes an appropriate portion size, and to help them select it. One such tool is the Nestlé Pizza Portion Guide, crafted with dieticians by Nestlé USA to help people eat healthily. The guide, which is available online, treats pizza as a 'mixed dish' that combines several food groups in one slice—grains in the crust, calcium-rich dairy, vegetables and protein—and suggests complementing pizza with additional vegetables and fruit.

# Promote healthy diets and lifestyles, including physical activity

We aim to help children understand the role that nutrition plays in their lives and how to balance good nutrition with an active lifestyle. The Nestlé Healthy Kids Global Programme focuses on nutrition education and physical activity, providing information on balanced diets, positive approaches to food and practical advice on improving eating habits.

### Our objectives

- By 2015: Nestlé Healthy Kids Global Programme will be ongoing in 80 countries to improve the nutrition, health and wellness of children around the world.
- By 2018: We commit to maintaining existing Nestlé Healthy Kids Global programmes, while measuring their impact on children based on five globally defined goals.

## Our progress



By the end of 2015, we exceeded our objective of having a Nestlé Healthy Kids Global Programme active in 80 countries.

At the global level, we developed an evaluation framework to align measurement and reporting based on five goals around balanced meals, portion control, drinking water, being active and maintaining good hygiene habits. By the end of 2015, Nestlé was working with 285 partners to deliver the programme to over 8 million children. In 2015, our total spend on the Nestlé Healthy Kids Global Programme was CHF 15 million.

# Promote healthy hydration as part of a healthy lifestyle

As part of a healthy diet and lifestyle, it is important that individuals remain hydrated and be mindful of what they drink. Studies have shown that what you drink is as decisive as what you eat, when it comes to the development of obesity and obesity-related diseases. Nestlé believes that drinking plain water is as important to a healthy lifestyle as what you eat and how often you exercise.

## Our objectives

- By 2015: Further collaborate with governments, NGOs, academics, industry worldwide to provide a better understanding of the benefits of water as a key to healthy hydration.
- By 2015: Define a Healthy Hydration Roadmap that will drive our strategy and performance as of 2016 and beyond.

## Our progress



We are committed to encouraging debate between public and private partners. This year, the San Pellegrino Group held a hydration conference during the Milan Expo 2015 in Italy, focusing on the hidden link between hydration and health, and the first Manifesto of Hydration.

In addition, we continue to promote healthy hydration through long-term programmes and partnerships, such as the Nestlé Healthy Kids Programme, which include a healthy hydration component.

We are currently developing further objectives that reflect our strategy to put more focus on water consumption in public health, which will be announced in 2016.



## Nestlé helps consumers choose water

Choosing water instead of sugared beverages can reduce the intake of calories, helping consumers maintain a healthy weight. In 2015, Nestlé Waters Poland launched the 'I Choose Water' initiative. Developed with the Polish Dietetics Association (PTD), the campaign aims to reach as many people as possible through TV, print and digital advertising, online videos, in-store displays and leaflets to promote healthy hydration.



# Provide education programmes for good nutrition and feeding practices

We believe we have a responsibility to share our nutrition expertise and consumer insight, especially to promote the importance of nutrition in the first 1000 days of life. We disseminate our knowledge, through appropriate channels, with healthcare providers and with parents and caregivers, to help raise healthier children.

## Our objectives

- Ongoing: Offer nutrition education services and programmes for healthcare professionals addressing global under- and over-nutrition problems.
- Ongoing: Provide nutrition education for parents and caregivers 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.
- By 2015: Nestlé Nutrition Institute (NNI) online professional education will be available in over 20 markets worldwide.
- By 2015: Nestlé Start Healthy Stay Healthy will reach over 5 million mothers and caregivers worldwide with multilingual online nutrition education services.
- By 2016: Nestlé Start Healthy Stay Healthy will reach over 10 million mothers and caregivers worldwide with nutrition education.
- ⊕ By 2017: Through a global website and 12 country-specific sites in 10 languages, the NNI online professional education will be available in over 50 countries.

## Our progress

As the largest publisher of nutrition information, the NNI offers education services and programmes for healthcare professionals on nutrition and related health concerns. In 2015, the NNI supported 13 international congresses, and held satellite symposia at nine of them.

Nestlé Start Healthy Stay Healthy provides advice during the first 1000 days of life. By the end of 2015, it exceeded the 2016 objective by reaching over 20 million mothers and caregivers globally.

## Ensure responsible marketing communication to children

Part of being a leading Nutrition, Health and Wellness company means that all Nestlé products are marketed responsibly. The updated *Nestlé Marketing Communication to Children Policy* strengthens our commitment to responsible advertising and marketing.

### Our objectives

- By 2015: Implement a strengthened Nestlé Marketing Communication to Children Policy.
- By 2017: In support of the implementation of the Nestlé Marketing Communication to Children Policy, we will roll out a targeted training for our marketing teams globally.

### Our progress



85% of our global children's ice cream portfolio meets EU Pledge Nutritional Criteria

When marketing to children, we apply the shared EU Pledge Nutritional Criteria as a minimum; and where local or regionally agreed pledges criteria are stricter, they are applied. We achieved our objective by launching a new Nestlé Marketing Communication to Children Policy.

We seek to increase knowledge and awareness of the criteria on marketing to children across our organisation, and are currently developing a web-based tool to embed understanding of our policy among our marketeers and external agency partners. It is critical that our people are aware of the impact the policy has on the foods and beverages we sell. We hope that our objective to roll out targeted training by 2017 will help us raise this awareness.

A dedicated service ('Tell Us') provides a formal mechanism for receiving, processing, investigating and responding to complaints from customers and the general public.

## Market breast-milk substitutes responsibly

We believe breast-milk is the best food for infants. When mothers and families, together with healthcare providers, decide that optimal breastfeeding is not possible, infant formula—the only breast-milk substitute (BMS) recognised by the WHO—plays a vital role in providing essential nutrients to infants. We remain committed to the highest standards of responsible marketing of BMS.

### Our objectives

- Ongoing: Continue to strengthen our practices to ensure the Nestlé Nutrition business consistently meets the FTSE4Good Index BMS criteria.
- 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 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



Since March 2011, Nestlé is the only infant formula manufacturer to be included in the FTSE4Good Index. Independent audits of our compliance with its criteria are conducted in two countries every 18 months.

These assessments help us clarify what is not permitted in terms of marketing BMS in higher-risk countries. They have led to the removal of 3600 branded cabinet displays, strengthening our compliance management system, including internal audits; improved communication on our policies with our distributors and customers; and enhanced our internal and external grievance reporting, such as 'Tell Us', through which anyone can raise concerns about our practices.

We have also made the training of our staff working in infant nutrition global, especially to reinforce their capacity to market our infant products responsibly.

## **Rural development**

To produce our foods and beverages we rely on secure, long-term supplies of raw materials from millions of farmers worldwide. By understanding and managing where and how these ingredients are produced, we can promote better agricultural practices, support rural development in line with local priorities and address supply chain issues from gender inequality to deforestation.





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

The well-being of farmers, their families and their communities is intrinsic to the long-term success of our business. That's why we are committed to providing agricultural support and capacity-building programmes to our direct suppliers. The Rural Development Framework (RDF) is a diagnostic tool that will help us to deliver a consistent approach to addressing issues on the ground.

## Our objectives

- 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.
- By 2016: Put in place strategies (activities and targets) in priority locations to improve food availability and dietary diversity. Pilots running in three locations.
- By 2017: Ensure that farmer training support programmes are: developing agripreneurs; equally accessible to men, women and young people; and available to farm workers.
- By 2018: Establish a total of 18 baseline assessments in the sourcing locations of key importance to our business that show pronounced social need, to guide us in aligning our own activities with the priorities of farmers and local communities.
- By 2020: Improve farm economics in seven priority sourcing locations based upon the results of the RDF baselines. (Farm economics comprises the following four factors on which Nestlé will focus: productivity, quality, costs and price premiums).
- By 2020: Improve food availability and dietary diversity in five priority sourcing locations based upon the results of the RDF baselines.

## Our progress

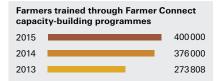
Nestlé has 400 factories located in rural areas, employing 205000 people, and we source raw materials from more than 4 million farmers, 760000 of them supplying us directly.

Focusing on eight core areas, we aim to improve the livelihoods of farmers within our supply chains. Designed with the assistance of several NGOs, the RDF seeks to contribute to our Farmer Connect and smallholder upstream sourcing activities in a manner that ensures our long-term supply, while simultaneously contributing to rural development.

Our programme of baseline assessments is ongoing, and we have introduced a new objective to measure progress. Initially, we planned assessments in 21 sourcing locations but have reduced this to 18 to optimise resources. Having completed 11 assessments, we have defined a series of interim goals and action plans to take us towards our new 2020 objective.

We have also conducted studies to assess the poor nutrition status of farmers and communities. To address this in the short term, we will offer farmer training on nutrition; promote intercropping, kitchen gardens and livestock, and introduce our Nestlé Healthy Kids Programme into more rural areas (see page 19).

Our capacity-building training in Farmer Connect covers a wide range of aspects: from propagation to post-harvest storage; farm animal health, care and welfare to farm management and record keeping; and water conservation irrigation to soil fertility.



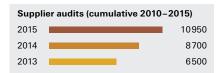
# Implement responsible sourcing in our supply chain

Consumers and other stakeholders increasingly want to know where their food comes from and how it was produced. Working alongside NGO partners, we map our supply chains, and conduct supplier audits and farm assessments to ensure the procurement of 12 priority ingredients complies with our *Responsible Sourcing Guideline* criteria.

### Our objectives

- By 2015: To both improve and demonstrate compliance with the Nestlé Supplier Code, and complete 10 000 Responsible Sourcing Guideline 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
- By 2016: For Tier 1 suppliers, cover 50% of the total volume sourced from Responsible Sourcing Guideline audited Tier 1 suppliers, with 70% compliance.
- By 2016: For upstream, 50% of the volume of our 12 priority categories to be traceable.

## Our progress



Our objective of conducting 10000 audits has been exceeded and, already, 61% of the non-compliances identified have been addressed. We also achieved our traceability and responsible sourcing targets, although levels vary across categories; 95% of the vanilla we procure is traceable but our meat, poultry, eggs and fish supply chains are more complex and progress is slower. We have set ourselves a new traceability objective for 2016.

AchievedIn progress

Not yet achieved

New objective

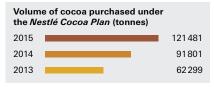
## Roll out the *Nestlé Cocoa Plan* with cocoa farmers

The Nestlé Cocoa Plan aims to increase our suppliers' profitability, secure high-quality cocoa for our business, and address supply chain issues such as child labour, gender inequality and poor social conditions. Through the Nestlé Cocoa Plan, we distribute stronger plants, train farmers in better agricultural practices, support women farmers and improve access to education for children.

## Our objectives

- By 2015: Source 100000 tonnes of cocoa through the Nestlé Cocoa Plan and complete our school building programme to build 40 schools in four years.
- By 2016: Source 130 000 tonnes of cocoa through the Plan and complete the roll-out of our Child Labour Monitoring and Remediation System (CLMRS) 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.
- By 2018: Source 175 000 tonnes of cocoa through the Nestlé Cocoa Plan.

### Our progress



In 2015, we exceeded our objective of purchasing 100000 tonnes of cocoa—25% of our total—through the *Nestlé Cocoa Plan*. We also trained 44617 farmers, distributed 1.6 million plants and achieved our ambition to build or refurbish 40 schools over four years.

Together with the Fair Labor Association, we are working to combat child labour. Our CLMRS covers 34813 cocoa farmers in 40 co-operatives. Through our Action Plan on Women in the Cocoa Supply Chain, we held gender awareness training for 25 co-operatives in 2015 and plan to cover all co-operatives by 2016. See our commitment to Eliminate child labour in key categories on page 37.



## Providing better lives in a cocoa co-operative

USCRG is a co-operative of around 800 farmers in Côte d'Ivoire that Nestlé has worked with since 2009 to develop improved farming practices and social conditions. Nestlé distributes around 30 000 plants a year and, together with ANADER, the National Extension Service for Rural Development, works with farmers to promote training in better farming practices that will increase the tonnage sourced. Since 2013, we have also built or refurbished eight schools, helping remove children from labour into education, while a gender action programme is helping to improve women's income and give them a greater voice in the community.



# Continuously improve our green coffee supply chain

We need to secure supplies of high-quality coffee, but ageing or diseased trees, declining yields, volatile prices and climate change threaten the livelihoods of smallholder farmers and the sustainability of the sector. Our response is to provide farmers with new routes to market, disease-resistant plants and technical assistance through the Nescafé Plan and the Nespresso AAA Sustainable Quality Program.

## Our objectives

- By 2015: To improve the sustainability of the Nescafé supply chain, source 180000 tonnes of coffee from Farmer Connect, all of which are compliant with the Common Code for the Coffee Community's (4C) baseline sustainability standard.
- By 2020: Nescafé to improve the quality, quantity and sustainability of its coffee supply chain by distributing 220 million coffee plantlets.
- By 2020: Nescafé to source 90 000 tonnes of coffee that is compliant with the Sustainable Agriculture Network principles.
- By 2020: Source 100% of the coffee for Nespresso's permanent range through its AAA Sustainable Quality Program on coffee sourcing, and improve farmer social welfare.

## Our progress

In 2015, *Nescafé* achieved its sourcing objective, buying 225 600 tonnes of green coffee through Farmer Connect, 191 700 tonnes of which complied with the 4C standard, while *Nespresso* sourced 85% of its coffee through its *AAA* Program. We also distributed 26.8 million plantlets in 2015, taking our cumulative total to 100.7 million.

Number of coffee plantlets distributed through the <i>Nescafé</i> Plan (in million)					
2015	26.8				
2014	30.0				
2013	21.3				

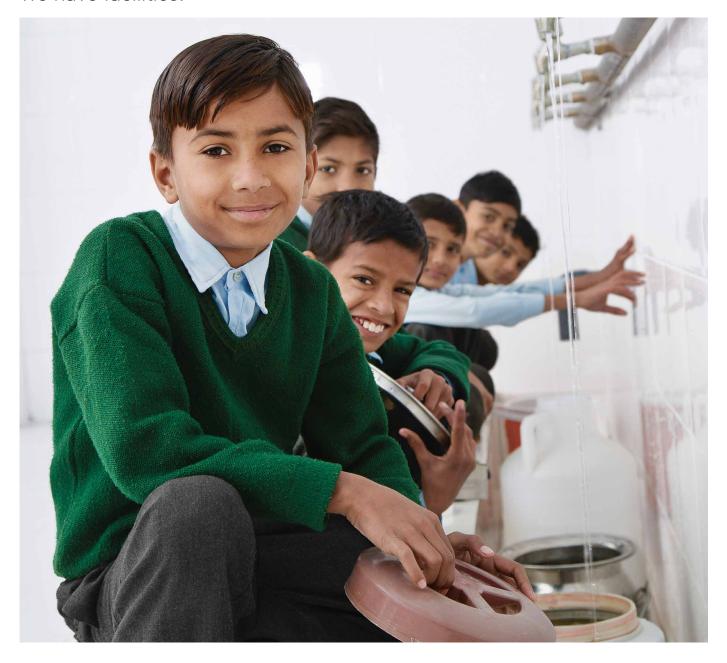


## Experience the Nescafé Plan in 3D

Through the *Nescafé* Plan, we have provided 90 million free or significantly subsidised coffee plants globally to farmers, developed 4C-compliant units for Robusta beans and trained hundreds of farmers. Consumers can now see our development work for themselves via our *Nescafé 360*° app. Using a *Nescafé*-branded virtual reality viewer developed by Google, Android and iPhone users can experience Brazil's coffee fields through specially filmed 3D videos, showing how our *Nescafé* Plan helps farmers achieve better coffee, higher yields and increased incomes. A YouTube video is also available.

## Water

Water is critical to our business and our value chain, yet global withdrawals are predicted to exceed supply by 40% by 2030. Respecting the right to safe, clean water and sanitation, we strive to use water efficiently and facilitate responsible water stewardship in catchments where we source water or ingredients, and where we have facilities.





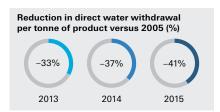
# Work to achieve water efficiency and sustainability across our operations

Water is vital for our operations: for washing and processing raw materials, for cooling and cleaning equipment, for hygiene, and for our bottled water business. With 700 million people in 43 countries experiencing water scarcity, we continue to reduce, reuse and recycle water across our business through water-saving projects and the introduction of innovations such as our zero water withdrawal technology.

## Our objectives

- By 2015: Reduce direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 40% versus 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 Resource Reviews in selected manufacturing facilities, and all greenfield sites.
- By 2020: Reduce direct water
   withdrawals per tonne of product in
   every product category to achieve an
   overall reduction of 35% versus 2010.
- By 2020: Implement detailed guidelines on human rights to water and sanitation due diligence in all Nestlé markets.

## Our progress



In 2015, we reduced direct water withdrawals per tonne of product in every product category. With our factories withdrawing 41.2% less water per tonne of product than they did 10 years ago, we have met our 2015 objective and have now set a new target for 2020. We also recycled or reused 7.7 million m³ of water in our operations in 2015.

Our updated list identifies 28 high-priority factories located in areas of severe water stress or that represent a significant portion of our annual water withdrawals. Our ambition is to implement water savings at these sites. By the end of 2015, we had implemented projects at 16 (57%) of them.

Exemplifying our commitment, we have introduced zero water technology at our dairy factory in Jalisco, Mexico. This system reuses water vapour from the milk instead of withdrawing groundwater, saving around 1.6 million litres of water a day. The technology earned Nestlé the Corporate Water Stewardship Award at the 2015 Global Water Awards and will be replicated at other dairy factories in the United States (see case study), South Africa, India, Pakistan and China.

To help us assess our sites to ensure the responsible and sustainable use of local water resources, especially in light of their potential impact on local ecosystems and the right to water and sanitation of local communities, we conducted 15 Water Resource Reviews in 2015. This brings the total to 148 since we introduced the process in 2006.

Building on guidance from the CEO Water Mandate, we also finalised our *Nestlé Guidelines Respecting the Human Right to Water and Sanitation*, and will report on its roll-out and implementation next year.



# Water stewardship in action in California

Water is a precious resource and its careful stewardship is a key pillar of our business. Our comprehensive water stewardship programme, has five key elements: zero water technology to avoid using groundwater; processes to reduce water use; treating and recycling wastewater; implementing the AWS International Water Stewardship Standard; and collective action with governments, UN bodies and other stakeholders.

Achieved



Not yet achieved

New objective

# Advocate for effective water policies and stewardship

Providing enough water for a rising global population to drink, and for producing enough food, is a global challenge that requires collaborative action, so we welcome growing stakeholder interest in water stewardship issues. We believe governments must deliver policies that enable universal access to clean, safe water and sanitation. Playing our part alongside public, private and civil organisations, we are leading in high-profile water initiatives around the world.

## Our objectives

- 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.
- By 2016: Support the launch of CEO Water Mandate Guidance for Companies on Respecting the Human Rights to Water and Sanitation and pilot test the Guide in our water due diligence in selected markets
- By 2016: Support the World Business Council for Sustainable Development (WBCSD) to achieve 50 signatories of the WASH Pledge.
- 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
- By 2016: Work with the Sustainable Agriculture Initiative Platform (SAI Platform) 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.

### Our progress

Nestlé currently chairs the 2030 Water Resources Group, a public-private-civil society collaboration that aims to address supply and demand issues in water-stressed locations by 2030. Work has been going on for some time in South Africa, Karnataka (India) and Mongolia, while projects in Kenya, India and Bangladesh started during 2015. The plan is to add one or two countries annually over the next couple of years.

As a founding signatory of the UNGC CEO Water Mandate, we actively participate in its workstreams on Policy Engagement and the Human Right to Water, and attended the Mandate's 15th Working Conference in Stockholm in August 2015. We contributed to the publication and launch of the Guidance for Companies on Respecting the Human Rights to Water and Sanitation; this forms the basis for the Nestlé Guidelines Respecting the Human Right to Water and Sanitation finalised this year.

Nestlé champions the WBCSD Pledge, in our own operations and beyond, promoting access to safe water, sanitation and hygiene (WASH) for all employees. To date, 38 signatories have adopted the WASH Pledge, securing access to water and sanitation for 2.2 million employees.

We have produced internal guidance on the AWS International Water Stewardship Standard to strengthen water stewardship at key Nestlé locations and, having used the standard's principles in Sheikhupura, Pakistan, a wider roll-out is underway, including in California, United States, during 2016.

Just a year after the SFL and the SAI Platform launched the Joint Water Risk Assessment and Mitigation project, enabling food companies to share strategies for assessing and mitigating water risks, Nestlé has participated in the initial mapping phase. In 2016, we plan to support the SAI Platform in its mitigation efforts in selected regions.

# Treat the water we discharge effectively

We are committed to treating the effluents from our operations in a responsible manner and adhere to strict quality targets for returning it to the environment. Wherever possible, we use existing municipal wastewater treatment facilities but where they do not exist or cannot meet our standards, we operate our own treatment plants.

#### Our objective

By 2016: Implement the new Nestlé Environmental Requirements for water quality and effluent discharge in all factories.

## Our progress

We have strengthened our Nestlé Environmental Requirements for water quality and effluent discharge, applied by all factories to ensure we go beyond legal compliance across our operations. In 2015, we approved a spend of CHF 19.4 million on improved efficiency, water conservation measures, new and upgraded treatment facilities, and strengthened water quality requirements for effluent treatment installations. This means we have invested a total of almost CHF 400 million in water-saving projects in our factories over the last decade.



19.4 million CHF 19.4 million invested in improved efficiency, water conservation and water treatment facilities in 2015

We monitor water quality and effluents on a monthly basis and we use a Water and Effluents dashboard to help us analyse longer-term trends and identify improvement opportunities.

Since 2005, water discharges per tonne of product have fallen by 56%. In 2015, it fell by 8.2% and waste water quality improved by 2.3% to 70 mg Chemical Oxygen Demand (COD) per litre.

In 2015, we received a 'Leadership level' CDP score of A– for our best-practice approach to managing water and mitigating water risks.





## Promoting better water management

Vietnam, the world's largest exporter of Robusta coffee, faces water scarcity risks due to erratic rainfall, prolonged periods of drought and excessive irrigation. In response, we are helping our Farmer Connect network of almost 20 000 Vietnamese coffee growers to implement best practices contained in the *Nescafé* Better Farming Practices (NBFP). Developed in collaboration with the Rainforest Alliance, the NBFP – for example, using less water during irrigation, preserving water quality and treating wastewater – help farmers increase their yields and quality, while moving towards compliance with social and environmental sustainability criteria such as the 4C Code. We continue to disseminate best practices with a growing number of farmers.

# Engage with suppliers, especially those in agriculture

Water is a shared resource requiring careful stewardship by all stakeholders but, as agriculture is responsible for 70% of global water withdrawals, helping farmers to manage and conserve water can have a significant positive impact. We work directly with 760 000 farmers, providing training on topics such as water use, irrigation and retaining soil moisture, while our R&D teams support the selection and propagation of drought-resistant cocoa and coffee trees.



## Our objectives

- 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.
- By 2020: Implement all action plans defined for improved water management in our upstream supply chain for coffee, sugar, dairy and cereals in high-priority locations.

## Our progress

By the end of 2015, we had met our objective to define, set up and start to implement action plans to save water in our upstream supply chains. Through our Sustainable Agriculture Initiative at Nestlé (SAIN) programme. Nestlé Pakistan collaborated with the University of Agriculture in Faisalabad to trial the direct seeding of rice. With water use halved and arsenic residues from contaminated well water down by over 65%, further trials across the Punjab are planned. We also helped dairy farmers in Panama to collect spring water so that pastures could be watered and cattle milked even during the dry season.

To maintain improvements in water management in our supply chains for coffee, sugar, dairy and cereals in high-priority locations, we set a new objective for 2020, and will report on progress next year.



## WASH Pledge roll-out in Central America

As part of our global roll-out of the WASH Pledge, Nestlé first used the WBCSD self-assessment tool at our *Maggi* factory in Douala, Cameroon, in 2014. The exercise was repeated in 2015, with Nestlé Central America using the tool to assess the access to WASH services of over 3500 employees in sites across Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. All the factories and some distribution centres complied with the Pledge, and improvement plans were established in some instances. Surveying access to water and sanitation outside the workplace also led to the Antigua *Maggi* factory in Guatemala financing eco-filters to ensure safe drinking water in workers' homes.

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

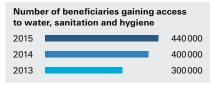
Access to clean drinking water and sanitation is a human right yet, according to the UN, 663 million people still have no access to improved drinking water sources and 2.4 billion lack adequate sanitation. We work with expert partners to provide water, sanitation and hygiene (WASH) services, promoting safe hygiene practices, strengthen communities and preserve personal dignity. We also raise awareness of water conservation issues by supporting Project WET programmes and celebrating World Water Day.

## Our objectives

- By 2015: Every Nestlé employee to have 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.
- By 2017: Implement all corrective action plans derived from the global roll-out of the WBCSD WASH Pledge self-assessment for safe water, sanitation and hygiene in the workplace at Nestlé premises.

## Our progress

To ensure all Nestlé employees have access to WASH services in the workplace, we rolled out the WBCSD's self-assessment tool, and will take any necessary corrective action to meet the terms of the WASH Pledge by 2017.



Through our partnership with the International Federation of Red Cross and Red Crescent Societies (IFRC), we support projects that improve access to WASH facilities in the cocoa-growing regions of Côte d'Ivoire and Ghana. We met our 2016 target early and will set a new objective next year.

## **Environmental sustainability**

Environmental sustainability means protecting the future by making the right choices, in a world where natural resources are constrained, biodiversity is declining, and where climate change may exacerbate these challenges. It also means delighting consumers, and living up to the expectations of our employees and external stakeholders about our environmental responsibility and practices.



# Improve resource efficiency in our operations

To do more with fewer resources and generate less waste, we use the most efficient technologies and processes to further optimise energy and water consumption; use sustainably managed renewable energy sources; recover value from by-products; and minimise greenhouse gas (GHG) emissions. In 2015, we launched the Nestlé Commitment to reduce food loss and waste, and played a leading role in developing the Consumer Goods Forum's Resolution against food wastage.

## Our objectives

- By 2015: Reduce energy consumption per tonne of product in every product category to achieve an overall reduction of 25% versus 2005.
- By 2015: Achieve zero waste for disposal in 10% of our factories.
- By 2020: Achieve zero waste for disposal in our sites.

See our objective for reducing water withdrawals in our operations on page 27.

## Our progress

We exceeded our 2015 objective by reducing energy consumption per tonne of product by 29% since 2005. This ratio improved across all but one product category; this was due to significant changes in our pet litter business, including the recent internalisation of certain manufacturing processes previously done externally. However, these changes resulted in substantial environmental benefits when evaluated across the entire life cycle. Over the last decade, we also reduced our waste for disposal generated in our factories by 62% through recycling, composting and energy recovery.

With 22% of factories achieving zero waste for disposal, we surpassed our 2015 goal and are now working towards zero waste for disposal in our sites by 2020.

We also retained our industry-leading position in the 'environmental dimension' of the Dow Jones Sustainability Index Series, scoring 99 out of 100.



Not yet achieved

In progress

New objective



## Ice cream chest freezers

Every new horizontal chest freezer that Nestlé buys to store ice cream now uses natural refrigerants, which consume 50% less energy than earlier models and are more efficient for customers to run. Nestlé supports the wide-scale adoption of safe, natural refrigerants, and our refrigeration experts around the world work with major equipment suppliers and other organisations to share knowledge, and test and monitor different refrigerants in various applications.



# Provide climate change leadership

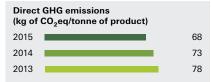
With the highest carbon dioxide levels since the Industrial Revolution, the resulting changes in climate may threaten global food security in general, and our business in particular. The long-term supply of safe, high-quality ingredients may be affected as yields fall and production areas shift; and manufacturing or distributing food products may be hampered by extreme weather events. That's why reducing air emissions and adapting to climate change are integrated into our risk management processes and why our response is a holistic one.

## Our objectives

- By 2015: Reduce our direct GHG emissions per tonne of product by 35% versus 2005, resulting in an absolute reduction of GHG emissions.
- By 2015: All our new ice cream chest freezers will use natural refrigerants.
- By 2016: All our new ice cream chest, upright and island freezers will use natural refrigerants.
- ⊕ By 2016: 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 2017: All our new refrigerated trucks will use natural refrigerants.
- By 2020: All new proprietary cold beverage dispensers of Nestlé Professional will use natural refrigerants.
- ⊕ By 2020: Reduce GHG emissions (scope 1 and 2) per tonne of product in every product category to achieve an overall reduction of 35% in our manufacturing operations versus 2010.
- By 2020: Reduce GHG emissions per tonne of product by 10% in our distribution operations versus 2014.
- By 2020: Reduce GHG emissions per tonne of product by 10% in the 100 major warehouses we use versus 2014.

## Our progress

We surpassed our 2015 objective by reducing direct GHG emissions per tonne of product by 42.7% versus 2005, resulting in an absolute reduction of 14%. We continue to improve efficiency and productivity, saving energy, switching to cleaner fuels and utilising sustainably managed renewable energy sources.



We are phasing out synthetic refrigerants with high global warming and ozonedepleting potential such as HFCs, and have invested CHF 289 million since 1992 to replace them with natural alternatives in our industrial refrigeration systems. We have also expanded the use of natural refrigerants by installing 33 new refrigeration systems. For example, in 2015, we inaugurated our first carbon dioxide/ammonia cascade cold store in the Greater China region, supporting the company's global public commitment to use natural refrigerants in all low-temperature applications. We also extended our pledge to only use natural refrigerants in all new commercial horizontal ice-cream chest freezers to all upright and island freezers worldwide. At the end of 2015, all new ice cream chest freezers - which represent 70% of our total spend on freezers - used natural refrigerants.

Nestle's actions to tackle climate change have been recognised by sustainability ratings agency CDP, which awarded the company a maximum score of 100 A in its annual industry ranking.

Our new 2020 objective to reduce GHG emissions per tonne of product from our manufacturing operations by 35% versus 2010 is consistent with science requirements to limit warming to less than 2°C. It reflects our efforts to further reduce direct and indirect GHG emissions and increase our use of renewable electricity, in line with the outcome of the 2015 Paris UN Climate Change Conference (COP21). We will report on progress against our new objectives next year.

# Promote transparency and proactive, long-term engagement in climate policy

Fully aware of the challenges posed by climate change, we strive to further improve our environmental performance along the value chain to ensure the sustainable development of our company. Our engagement includes leading and actively participating in a number of multi-agency initiatives to drive climate policy dialogue.

## Our objectives

- By 2016: Provide climate change information in our Annual Report package using the Climate Change Reporting Framework developed by the Climate Disclosure Standards Board.
- By 2016: Implement Guide for Responsible Corporate Engagement in Climate Policy developed by CDP, the UN Global Compact, Ceres, The Climate Group, the World Wide Fund for Nature (WWF) and the World Resources Institute (WRI).

## Our progress

This year, we joined the Technical Working Group of the Climate Disclosure Standards Board group and provided climate change information in mainstream corporate filings and reports, conforming with the Climate Disclosure Standards Board's Climate Change Reporting Framework requirements.

Having conducted a gap analysis of how well our *Nestlé in society* reporting meets our commitment to responsible corporate engagement on climate change policy, we have since determined actions for aligning with the UN Global Compact-led guidance on the issue, which sets out how companies can constructively influence public policy.

Our efforts align with our endorsement of the CDP's six climate action initiatives on science-based GHG reduction targets, renewable electricity, deforestation, reporting on climate change, engagement on climate change policy and carbon pricing. Through these initiatives and also through the World Economic Forum's Alliance of CEO Climate Leaders, we will contribute to the global agreement achieved at the COP21.

# Improve the environmental performance of our packaging

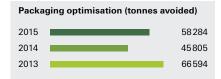
Our packaging is crucial to prevent food waste, guarantee our high-quality standards and inform our consumers, and we seek to optimise its weight and volume. We use ecodesign tools such as EcodEX to assess the overall environmental performance of packaging throughout its life cycle.

### Our objective

By 2017: Continue to systematically analyse and optimise our packaging portfolio, avoiding the use of at least 100000 tonnes of packaging material from 2015 to 2017.

## Our progress

Having achieved significant efficiencies through our ecodesign tools and by using best-in-class materials and technologies, further progress every year is increasingly challenging. In 2015, we avoided the use of 58 284 tonnes of packaging material, equivalent to a saving of CHF 95.4 million. Over the last five years, this equates to the avoidance of 442 946 tonnes of  $\mathrm{CO_2eq}$  – equivalent to taking 95876 cars off the road for a year.



We 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.

# Assess and optimise the environmental impact of our products

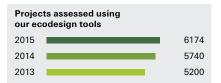
To build environmental sustainability into our products, we use life-cycle assessments (LCAs) to systematically assess and optimise their environmental performance, across the entire value chain, at the earliest stage in the development of new and renovated products. We incorporate LCA results into Nestlé Category Sustainability Profiles, which summarise category-specific hotspots and actions to address them along the value chain.

## Our objectives

- By 2017: Identify or update and address sustainability hotspots for 15 product categories.
- By 2017: Further enlarge the scope of our databases on agricultural raw materials used in EcodEX.

## Our progress

We have completed LCAs for all our product categories, and established and documented Nestlé Category Profiles for 15 categories. We have also deployed our ecodesign tool (EcodEX) in all relevant R&D locations and piloted it in markets including Switzerland and the UK. We are actively supporting the European Union's Environmental Footprint pilot initiative by participating in the steering committee and in three pilot projects for packed water, coffee and pet food.



We work with external collaborators to gather reliable information, developing databases that benefit both Nestlé and other LCA users. As well as co-sponsoring a new World Food Life Cycle Assessment database, we are enlarging the scope of our data on agricultural raw materials. During 2015, 750 datasets were added to EcodEX.

# Provide meaningful and accurate environmental information and dialogue

We believe that, by providing meaningful and accurate environmental information about our products, we can help raise awareness among the millions of people who use them. A variety of contact points, from packaging to digital channels, are used to explain environmental sustainability, build trust and help consumers make informed choices. We also support the development of communications best practice and standards, working with industry bodies, governments and leading fora.

### 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 use a variety of touchpoints to explain the complex topic of environmental sustainability to non-specialists. This includes making science-based information accessible to consumers in 119 countries.

By using smartphone and other mobile technology to go 'beyond the label', we respond to the increased interest and awareness of environmental issues from consumers, using QR codes on product packaging to link to additional online content.

We also continue to use NESECA (Nestlé solution for the Environmental and Social External Communications Approval), a web-based tool that helped to ensure the accuracy of external environmental and social communications in the UK, Germany, Chile, France, the United States, Spain, Australia and India during 2015.



## Nespresso agro-forestry programme

Nespresso is helping coffee farmers improve resilience to climate change through agro-forestry. Planting trees or shrubs among crops helps to tackle soil erosion and make land use more sustainable. Through a partnership with the NGO Pur Projet, we piloted the approach in Guatemala and Colombia, with Nestlé technicians helping to coordinate and evaluate planting activities.

# Preserve natural capital, including forests

We depend on biodiversity in many ways, but especially for the raw materials we source from farms, forests and oceans. We are committed to mobilising resources to achieve zero net deforestation by 2020 and to helping farmers improve environmental performance through Responsible Sourcing initiatives.

## Our objectives

- By 2015: Improvement programmes are taking place for all factories adjacent to Important Water Areas to improve our impacts on the surrounding area.
- By 2015: 30% of the volume of our 12 priority categories of raw materials will be assessed against our Responsible Sourcing Guideline requirements and is compliant, or improvement plans to preserve natural capital are ongoing.
- By 2016: 40% of the volume of our 12 priority categories of raw materials will be assessed against our Responsible Sourcing Guideline requirements and is compliant, or improvement plans to preserve natural capital are ongoing.

## Our progress

We continue to work with partners to identify those factories where we have either a dependency or a potential impact on Important Water Areas, and continue to recommend operational improvements and strengthen stakeholder engagement at these sites

We are currently contributing to the development of the Natural Capital Protocol, which will help organisations understand, measure and value their impacts and dependencies on the natural environment, and are one of 10 companies testing the first draft. We also produced a valuation of Nestlé's own impact on natural capital and, through the Cambridge Institute for Sustainability Leadership's (CISL) Natural Capital Leaders Platform, helped to measure natural capital in the UK dairy sector in 2015.



## Our people, human rights and compliance

Nestlé operates with a fundamental respect for the rights of the people we employ, do business with or otherwise interact with. This respect is at the core of Nestlé's *Corporate Business Principles* and aligned with the UN Guiding Principles Reporting Framework.





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

We have to make sure that respect for human rights remains at the forefront of Nestlé's business, by continually reviewing, monitoring and addressing the human rights risks of our activities. By upholding international human rights standards, and continuous and consistent application of our own policies, which are aligned with the UN Guiding Principles on Business and Human Rights, Nestlé can make a positive impact on all our stakeholders.



## Our objectives

- By 2015: All FTSE4Good Countries of Concern where we operate are covered and our employees trained to reduce human rights risks in our operations. (FTSE4Good is an ethical stock market index series of the London Stock Exchange, designed to measure objectively the performance of companies that meet globally recognised responsibility standards.)
- By 2015: Include human rights across all 12 categories covered by the Nestlé Responsible Sourcing Guideline.
- By 2016: Develop action plans and targets for each of the 11 priority human rights risks.
- By 2018: Carry out six additional human rights impact assessments in countries where we have significant business operations.

## Our progress

With five years' experience of rolling out our Human Rights Due Diligence Programme across our value chain in various countries, we now have a better understanding of what our human rights priorities should be. These are largely determined by the nature and scope of our business activities, such as the complexity of our supply chains and the diversity of the countries in which we operate. However, it is first and foremost the severity of the impacts we may have on our stakeholders that determines our priorities.

We follow an integrated approach to report on our performance through our

Human Rights Due Diligence Programme. In addition, Nestlé is one of the early adopters of the UN Guiding Principles Reporting Framework. As a result, we have identified 11 salient issues (those human rights at risk of the most severe negative impact on stakeholders through the company's activities and business relationships, and therefore the material issues we most need to address):

- Freedom of association and collective bargaining;
- Working time:
- Workers' accommodation and access to basic needs;
- Safety and health:
- Living wage;
- Data protection and privacy;
- Child labour:
- Forced labour;
- Land acquisition;
- Access to water and sanitation; and
- Access to grievance mechanism.

Please refer to the full *Nestlé in society:* Creating Shared Value report for comprehensive reporting against the UN Guiding Principles Reporting Framework.

Given increasing concerns about labour and human rights abuses in the seafood supply chain, and our commitment to eliminate such practices, Nestlé published an Action Plan on seafood sourced from Thailand. It contains a series of actions designed to protect workers from abuses.

In 2015, we trained 8130 employees on human rights across nine FTSE4Good Countries of Concern, meaning 72778 employees across 66 countries have been trained since 2011. All our 12 priority raw ingredient categories-cocoa, coffee, dairy, fish and seafood, hazelnuts, meat, poultry and eggs, palm oil, pulp and paper, shea, soya, sugar, and vanilla-are covered by the human rights clause of our Responsible Sourcing Guideline, some having further category-specific human rights clauses. In 2015, we carried out **Human Rights Impact Assessments** in two countries. For reasons beyond our control, planned assessments could not be carried out in Egypt and Saudi Arabia. As a result, our original 2015 objective could not be met in full and a new 2018 objective has been introduced to provide an extension, allowing these and other remaining assessments to be carried out.

# Eliminate child labour in key categories

Nestlé opposes all forms of child exploitation. We are committed to preventing and eliminating child labour in our supply chain, working with stakeholders to develop and implement meaningful solutions. We conduct comprehensive monitoring, implement remediation activities and provide targeted support to local communities.

#### Our objectives

- By 2015: Complete action plans to reduce child labour in our cocoa, hazelnut and vanilla supply chains, with 60 000 farmers trained on child labour practices, 60 schools built or renovated, and 80% of co-operatives covered by a child labour monitoring and remediation system (100% by 2016).
- ⊕ By 2018: Child labour risk assessment done for all 12 high-priority categories of raw ingredients and responsible sourcing strategies deployed to monitor and mitigate occurrences of child labour.

## Our progress

Our Child Labour Monitoring and Remediation System (CLMRS) identifies child labour in our cocoa supply chain, helping us understand root causes and develop appropriate responses. By the end of 2015, the system covered 40 cocoa co-operatives (50% of those supplying us), while 44617 farmers and 120067 community members had been made aware of child labour. All vanilla and hazelnut cooperatives were also covered.

In 2015, we maintained our commitment to fight child labour as a member of the International Labour Organization's Child Labour Platform, and continued to implement action plans focused on categories and countries with a higher risk of child labour issues.



- Achieved
- . (
- Not yet achieved
- In progress
- New objective

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

The Nestlé Corporate Business Principles reflect our commitment to a strong compliance culture as a non-negotiable foundation of how we do business. Through our Code of Business Conduct and Supplier Code, we encourage employees, suppliers and stakeholders to report practices or actions believed to be inappropriate or illegal, and we assess and investigate the reports if warranted, responding appropriately.

## 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.
- By 2016: Reinforce awareness of the existence of confidential reporting lines across the organisation.
- By 2016: Continue to scale up the communication about 'Tell Us' to suppliers and downstream business partners as well as to second phase countries (additional 20 countries).

### Our progress

Our internal system has been implemented in 100% of Nestlé's Markets, and we have outlined steps for managing concerns and complaints to all our employees. To promote transparency, the number of messages and subjects of breaches are communicated through the Nestlé in society: Creating Shared Value full report, available online.

Suppliers are informed of the 'Tell Us' system through the *Supplier Code*. We have communicated the system to 1000 downstream business partners in over 12 first-phase countries, and we reached 5000 suppliers by the end of 2015.

# Work against corruption and bribery

Nestlé aims to meet the highest standards of business conduct across all our operations. We work against corruption in all its forms and act decisively to put an immediate end to any potential breaches of integrity.

## 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**

Our CARE audit programme enables us to monitor anti-corruption processes, and employees are encouraged to report misconduct through our Integrity Reporting System. To the best of our knowledge, no public allegations of corruption were made against Nestlé in 2015 and 10 internal private bribery complaints were confirmed.



In 2015, we trained 22729 employees on new and previously existing online courses, of whom 6568 (29%) occupy management positions. The new online training will be expanded locally throughout 2016 and adapted to suit local market conditions.

# Ensure all Nestlé employees are covered by a certified safety and health management system

Nestlé believes that all accidents are preventable and we work hard to foster our company's safety culture. Our aim of zero injuries and work-related illnesses is ambitious but, with our Safety and Health Roadmap, we are moving towards it. We are also helping employees make more informed decisions on their health.

## Our objective

By 2016: Ensure that robust safety and health management systems are in place and certified to OHSAS 18001:2007, covering all Nestlé employee populations so there is a uniform level of safety and health protection across all businesses.

### Our progress



At the end of 2015, BS OHSAS 18001 certified safety and health management systems were in place at 70% of our sites. Our Human Resources team are sponsoring Safety and Health beyond Operations, helping to improve compliance in sales and office-based functions. And to improve the capability of our managers, we introduced leadership training programmes. The Nestlé Framework for Employee Health was approved this year and our markets have already started to align their local health strategies to the global framework.





## Introducing our new Maternity Protection Policy

Our global Maternity Protection Policy applies to primary caregivers of newborns, including male employees and adoptive parents. It includes: 14 weeks' paid maternity leave, which can be extended up to six months; a conducive work environment in which to breastfeed; workplace health protection; employment protection and non-discrimination; and flexible work arrangements. The policy will be fully implemented by 2018.

## Enhance gender balance in our workforce

We believe that diversity in our business and throughout our supply chain is a real asset. It is something that should be encouraged and nurtured. Our gender balance initiative is making improvements at all levels, with a key focus on senior leaders and managers. Progress is achieved using a rigorous succession planning process, clear development plans and the roll-out of unconscious bias training.

### 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



We are on track to achieve our 2018 objective. At the end of 2015, 3058 employees (since the beginning of the programme in 2014) have received unconscious bias training from our global network of more than 80 trainers. It has been embedded into central programmes such as Leadership, Marketing and Sales, Human Resources, R&D and Technology Management, and our markets in the Middle East, India and the Nordics have integrated it into their Leadership training.

In June 2015, Nestlé launched a global *Maternity Protection Policy*, based on the ILO Maternity Protection Convention, with minimum standards to be implemented by 2018. It will help us to better support employees in our sites across the world.

# Provide training on *Corporate Business Principles*, Nutrition, and Environmental Sustainability

The training we offer is designed to help our employees adopt a healthy, balanced diet, develop their careers, contribute to our environmental objectives and achieve our business goals. At the end of 2014, we successfully embedded Creating Shared Value learning into all courses at our international training centre and seek to do the same now with the Nestlé Corporate Business Principles.

## Our objectives

- By 2015: We aim to have all Nestlé employees trained at least once on the Nutrition Quotient (NQ) Foundation Module.
- By 2016: We will embed Nutrition Quotient (NQ) training into the new employee orientation programme at all of our work sites.
- By 2016: Environmental awareness training will be run in all countries.
- By 2017: Nestlé Corporate Business Principles are fully embedded in all courses at our international training centre and e-learning made available to all employees.

## Our progress

We have made progress towards training all employees on the NQ Foundation Module, with 94.4% trained by the end of 2015 (cumulative since 2007), and we extended our commitment to address all our joint ventures and employee turnover.



Environmental awareness training was conducted in 74% of the countries where we operate. More than 4000 employees successfully completed our e-learning course and we held 'We make Nestlé Resourceful' leadership workshops in Australia, Brazil, China, Dubai, Malaysia, Mexico, Panama, the Philippines, Spain, Switzerland, the United States and Venezuela.



## The Nestlé needs YOUth Initiative in France

In France, Nestlé has pioneered three employee volunteering programmes to help tackle the country's high rate of youth unemployment (currently 24.4%). Wednesday workshops provide coaching for up to 40 unemployed young people every month, while volunteers have encouraged more than 2300 children to stay in school through a 'school dedication' scheme, run in partnership with the NGO Energie Jeunes ('Young Energy'). Collaborating with another NGO, Un Stage et Après ('An Internship and After'), Nestlé offices and factories throughout France host on average 10 school children each month for a 'week of discovery', so that they can experience the workplace and be inspired to achieve their potential.

# Roll out the Global Youth Initiative across all our operations

With high youth unemployment, we are committed to working hand in hand with policymakers and the education sector to foster employability and job creation around the world. We are extending the reach of our youth initiatives globally, to recruit and develop the next generation of Nestlé leaders, and to help young people with the transition from education to work.

## Our objectives

- By 2016: Nestlé will offer 10000 job opportunities and 10000 traineeships or apprenticeships to young people below 30 years of age in Europe, to help tackle unemployment in this age group.
- By 2018: Nestlé will offer 24000 job opportunities, and 7000 apprenticeship, internship or traineeship positions across the Americas.

#### Our progress



Across Europe, this year we have offered permanent and temporary positions to 6049 young people and strengthened apprenticeships and traineeships.

Around 200 companies have now joined the Alliance for YOUth initiative. Started by Nestlé, it has helped more than 50 000 young Europeans to find jobs or training opportunities in its first year. Engie and Metro also joined in 2015 as pan-European partners.

We are transforming the Nestlé needs YOUth programme into a global initiative, launching it in the Americas, where Nestlé will offer 24000 job opportunities and 7000 apprenticeships, internships or traineeships by the end of 2018. We are preparing similar action plans for Asia, Oceania, Africa and the Middle East.

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