



Good Food, Good Life

## Nestlé in society

Creating Shared Value and meeting our commitments 2017

Nestlé 2017 Annual Review extract





# Our commitments

Our 41 commitments featured in the Creating Shared Value chapter guide our collective efforts to meet specific objectives.

Every day, we touch the lives of billions of people: from the farmers who grow our ingredients and the families who enjoy our products; through the communities where we live and work; to the natural environment upon which we all depend.



## For individuals and families

**Over 1000**

new nutritious products launched that address daily needs and gaps as per children intake studies

**174 billion**

servings of fortified foods and beverages in 66 countries with higher vulnerability to micronutrient malnutrition

**CHF 40.1 billion**

sales of products providing *Portion Guidance*

**Over 8000**

products/year renovated for nutrition or health considerations (2012–2016 average)



## For our communities

**159.9 million**

coffee plantlets distributed (cumulative since 2010) to farmers, against a target of 220 million by 2020

**41 867**

job opportunities, traineeships or apprenticeships were provided for young people through our *Nestlé needs YOUth* initiative

**57%**

of the volume of our 12 priority categories of raw materials and paper are responsibly sourced

**431 000**

farmers trained through capacity-building programmes



## For the planet

**33.2%**

reduction in our GHG emissions (scope 1 and 2) per tonne of product since 2007

**253**

factories achieved zero waste for disposal

**38.1%**

reduction in our water withdrawal per tonne of product since 2007

**25.7%**

of our electricity comes from renewable sources



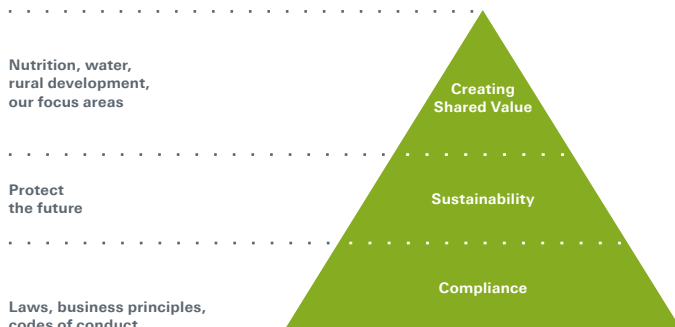
# Creating Shared Value

We believe that our company will be successful in the long term by creating value for both our shareholders and for society as a whole. This approach, called Creating Shared Value (CSV), is the principle for how we do business. It enables us to bring our purpose to life: enhancing quality of life and contributing to a healthier future.



## Further information

Find details of our management approach and governance structure, as well as performance data, case studies and additional content, in our annual *Nestlé in society – Creating Shared Value* online report and the Nestlé in society section of our corporate website ([www.nestle.com/CSV](http://www.nestle.com/CSV)).



## Maximising value creation

Through our CSV approach we aim to create value not only for shareholders but also for society. Our CSV priorities are those areas of greatest intersection between Nestlé's business and society. These include: nutrition, rural development and water.

Our aim is to have a positive impact on society while we grow our business. We enable healthier and happier lives for individuals and families, we help develop thriving and resilient communities, and finally, we steward the planet's natural resources for future generations.

To guide us, we have developed long-term ambitions and specific commitments, against which we report our progress transparently each year. Essential to achieving our goals is a robust approach to sustainability, human rights and compliance.

## Our values

Underpinning all our efforts are our values, which are rooted in respect: respect for ourselves, respect for others, respect for diversity and respect for the future. Guided by these values, we work alongside our partners and stakeholders to ensure that our approach to CSV continues to inform all our behaviours, policies and actions.

## The business case for CSV

A long-term approach to business has always been part of Nestlé's DNA. Through CSV, we integrate sustainable development into business activities. This is increasingly important to long-term investors.

CSV brings business and society together by generating economic value in a way that also produces value for society. Foods and beverages with a nutrition, health and wellness dimension perform better. Rural development programmes for farmers offer commercial differentiation to consumers, while responsible stewardship of water reduces costs and secures supplies for our businesses.

## Stakeholder engagement

Engaging others on important issues lies at the heart of how we do business. We seek the advice of experts and advocates to develop our



New York, 18 September 2017 – Nestlé Chairman, Paul Bulcke, receives the Concordia Leadership Award 2017 for leading the company's ongoing commitment to CSV and supporting the UN Sustainable Development Goals.

corporate policies and commitments, strengthen our business and target our investments.

Stakeholder convenings and CSV events provide opportunities to intensify that dialogue and increase our understanding of the intersection between business and society. They facilitate collective action, and promote trust and mutual respect. In March 2017, our Chief Executive Officer, U. Mark Schneider, participated in our stakeholder convening in London, which was attended by 66 representatives from a wide number of organisations.

## Our material issues

Every two years, we invite an independent third party to conduct a formal materiality assessment. It helps us to identify the issues that matter most to our business and our stakeholders, and to better support our strategic decision-making and reporting. Issues of concern are evaluated to determine both risks and opportunities for our reputation, revenues and costs.

Our most material issues are:

- over- and undernutrition
- water stewardship
- human rights
- food and product safety
- responsible marketing and influence
- business ethics
- resource efficiency and (food) waste
- responsible sourcing and traceability
- climate change
- rural development and poverty alleviation

# Nestlé. Enhancing quality of life and contributing to a healthier future.

Driven by our company purpose – enhancing quality of life and contributing to a healthier future – our 2030 ambitions align with those of the United Nations 2030 Agenda for Sustainable Development.

## Focused on impact

We recognise that we live in an interconnected world in which our futures are inextricably linked. Hence, our work in our three main impact areas is supported by 41 public commitments, many of which target our efforts towards meeting our three 2030 ambitions. Having helped to shape the 17 Sustainable Development Goals (SDGs), we – and many companies like Nestlé – are now contributing towards delivering them.

## Working towards our ambitions

We have integrated the SDGs into our CSV approach. In 2017, we took a number of steps to drive progress towards meeting our 2030 ambitions, as well as contributing to the 17 SDGs. These included strengthening *Nestlé for Healthier Kids*, extending our *Nestlé needs YOUth* initiative and further developing our responsible water stewardship activities.



**For individuals and families**

## Enabling healthier and happier lives

Food is not just a source of nutrition, it also brings us together as families and friends. It is part of every culture. But food also presents one of the largest public health challenges: obesity has doubled since 1980, while hunger and malnutrition affect millions. We support individuals and their families with tastier and healthier choices, with information programmes that inspire people to live healthier lives, and through helping millions of children develop good eating habits and to enjoy exercise.

**Our 2030 ambition is to help 50 million children lead healthier lives**

## Related CSV impact area

– Nutrition



## Committed to healthier kids

We enhance quality of life and contribute to a healthier future, by offering healthier products and by helping families to eat and drink better and move more. We have developed *Nestlé for Healthier Kids* to bring together all our efforts that support parents and caregivers. This includes research, product formulation, education and lifestyle services.

## Supporting the SDGs:

- 1 No poverty
- 2 Zero hunger
- 3 Good health and well-being
- 4 Quality education
- 5 Gender equality
- 10 Reduced inequalities

- 12 Responsible consumption and production
- 13 Climate action
- 14 Life below water
- 15 Life on land
- 17 Partnerships for the goals





## For our communities

### Helping develop thriving, resilient communities

1.2 billion people live in extreme poverty, many of them in rural areas and dependant on agriculture. Our ambition is to help improve livelihoods and develop thriving communities. Our global reach allows us to improve rural development through better incomes, fostering education, respecting human rights, and supporting women and young people.

**Our 2030 ambition is to improve 30 million livelihoods in communities directly connected to our business activities**

#### Related CSV impact areas

- Rural development
- Our people, human rights and compliance



### Supporting our youth

Our ambition for our global youth initiative, *Nestlé needs YOUth*, is to help 10 million young people around the world have access to economic opportunities by 2030. This global initiative combines and coordinates all our activities, and those of our partners, that support young people around the world.

#### Supporting the SDGs:

- |  |  |
|--|--|
| <b>1</b> No poverty                      | <b>10</b> Reduced inequalities                   |
| <b>3</b> Good health and well-being      | <b>12</b> Responsible consumption and production |
| <b>4</b> Quality education               | <b>16</b> Peace, justice and strong institutions |
| <b>5</b> Gender equality                 | <b>17</b> Partnerships for the goals             |
| <b>8</b> Decent work and economic growth |  |



## For the planet

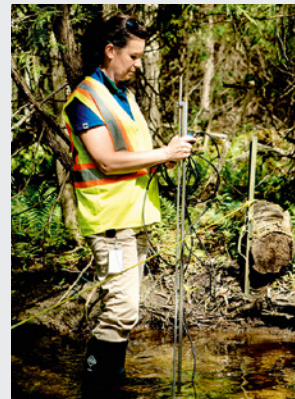
### Stewarding resources for future generations

Natural resources are becoming more constrained. Biodiversity is rapidly declining and forests are still disappearing. Water is increasingly scarce. Moreover, climate change will exacerbate all the challenges that we are currently facing. In addition, one third of the food produced is either lost or wasted every year. To grow sustainably, we must use the planet's resources wisely and draw on our global influence to effect positive change.

**Our 2030 ambition is to strive for zero environmental impact in our operations**

#### Related CSV impact areas

- Water
- Environmental sustainability



### Improving our environmental performance

We act on climate change by further reducing greenhouse gas (GHG) emissions along our value chain. We continue to reduce withdrawals of water per tonne of product and help increase access to safe water and sanitation. Reducing waste is a priority: we reuse and recycle wherever possible. We help the farmers we work with to adopt sustainable practices.

#### Supporting the SDGs:

- |  |  |
|--|--|
| <b>1</b> No poverty                              | <b>11</b> Sustainable cities and communities     |
| <b>2</b> Zero hunger                             | <b>12</b> Responsible consumption and production |
| <b>3</b> Good health and well-being              | <b>13</b> Climate action                         |
| <b>6</b> Clean water and sanitation              | <b>14</b> Life below water                       |
| <b>7</b> Affordable and clean energy             | <b>15</b> Life on land                           |
| <b>9</b> Industry, innovation and infrastructure | <b>17</b> Partnerships for the goals             |

# Enabling healthier and happier lives

Inspired by our founder, Henri Nestlé, and with nutrition at our core, we work closely with partners to offer foods and beverages that enable healthier and happier lives. We have set commitments and objectives to make our portfolio even healthier and tastier, inspire consumers to lead healthier lives, and develop and share our understanding of the connection between nutrition and health.



Uncle Tobys, Australia's leading brand of oats, has launched *Nature's Mix*, a no-added sugar range that is naturally sweetened with dried fruit and nuts.

## ➤ Added value for investors

The market for healthier foods and beverages is growing. Products with a nutrition, health and wellness dimension perform better. Through our broad portfolio, covering needs from babies to old age, and our constant investment in product innovation we are well placed to seize this opportunity.

Nestlé foods and beverages with an above average NHW benefit achieve 1.8x higher growth rates than other products and are 1.5x more profitable. This is clearly an opportunity for increased financial impact. Furthermore, our health and wellness work helps us stay ahead of regulations, possibly avoiding major costs of non-compliance.

## Offering tastier and healthier choices

Nutrition is the area of greatest intersection between Nestlé's business and society, where we can help tackle the global public health issues of over- and undernutrition. It is important that consumers have tasty, convenient options containing the nutrients they need, so that they can maintain a healthy diet.

We are launching more nutritious foods and beverages, simplifying ingredient lists and removing artificial colours, while adding micronutrients where they are deficient in the local population.

A scientific breakthrough will allow us to reduce the total amount of sugar in confectionery by up to 40% without compromising on taste. The first products will be launched in 2018.

We have also reinforced our commitment to further reduce sodium by an average of 10% by the end of 2020, in support of the WHO recommended intake levels.

**7%**

reduction in sugar content of *KitKat*, which we achieved by using more milk and cocoa

**174 billion**

servings of fortified foods and beverages in 66 countries with higher vulnerability to micronutrient malnutrition





Every year, over 22 million children benefit from Nestlé *Milo*'s programmes promoting physical activity. A new partnership with FC Barcelona signed in 2017 will inspire millions more children to participate in sport.

### Inspiring people to lead healthier lives

We are committed to improving access to nutrition to help reduce non-communicable diseases. We work with partners to promote balanced diets, healthy cooking and hydration, and regular physical activity. We encourage people to lead healthier lives by providing nutritional information and portion guidance, and through responsible marketing.

*Nestlé for Healthier Kids* celebrated International Chefs' Day by conducting cookery workshops with Nestlé Professional chefs and children from over 50 countries. In Thailand, *Milo* launched a low-sugar ready-to-drink beverage, and the *Milo* sports programme reached over one million children in 1000 schools.

**89.4%**

of our foods and beverages display Guideline Daily Amount labels on the front of pack

**81**

countries participating in *Nestlé for Healthier Kids*



In 2016, we announced a new way to structure sugar particles that allows us to reduce the sugar in some of our confectionery products. We scaled up our technology in 2017 and 2018 will see our first launches.

### Building, sharing and applying nutrition knowledge

Our scientists examine the link between nutrition and health across generations. From maternal and children's health to healthy ageing, we adopt a holistic approach. It focuses on nutrition and physical activity and their combined impact on metabolic health. We use our findings to improve our own foods and beverages.

Our Feeding Infants and Toddlers Study (FITS) and Kids Nutrition and Health Study (KNHS) continued to research the eating habits of infants and children. FITS in the US, for example, found that 30% of older infants and toddlers eat very few or no vegetables each day. In 2017, as a result of our research, we launched *Gerber Grabbers Strong Veggies Squeezable Puree*, a nutritious snack providing one serving of vegetable (the first ingredient) and three-quarters of a serving of fruit.

**1.724 billion**

Swiss francs invested in research and development

**313**

Our scientists shared nutrition knowledge by publishing 313 research papers

# Help develop thriving, resilient communities

In addition to our own employees, we work with hundreds of partners, thousands of suppliers and millions of farmers around the world. Our collective aim is to help develop thriving and resilient communities as part of a secure, long-term supply chain. Our programmes and commitments are designed to support rural development, promote and respect human rights, and ensure fair employment and diversity.



As part of *Nestlé's Cocoa Plan*, we have developed the Child Labour Monitoring and Remediation System. Detailed in our first *Tackling Child Labour* report, it is the most comprehensive programme yet to help children working in cocoa production, according to the organisation STOP THE TRAFFIK.

## Enhancing rural development and livelihoods

We have over four million farmers in our supply chain and we work directly with approximately 700 000 of them. To help secure a long-term supply of high-quality raw materials for our foods and beverages, we need to understand where and how our ingredients are produced, support the farmers who supply us and drive rural development. We include in this process our commitment to continue to improve animal welfare and, in 2017, we set new goals in this regard.

Our agripreneurship programme supports the next generation of farmers by providing essential skills training. We offer training to improve agricultural practices, develop alternative income streams and improve dietary diversity.

Through our partnership with the International Federation of the Red Cross and Red Crescent Societies (IFRC), we support access to water, sanitation and hygiene, and women's empowerment in selected areas where we source our products.

## ➤ Added value for investors

Consumers increasingly want to know where their foods and beverages come from and that human rights are respected during their production. Our responsible sourcing activities, such as our *Nespresso AAA Program*, *Nescafé Plan* and *Nestlé Cocoa Plan*, help us to ensure the resilience of our supply chain and offer commercial differentiation to the consumer.

**57%**

of the volume of our 12 priority categories of raw materials and paper are responsibly sourced

**2025**

Our aim is to source all our eggs from cage-free hens for all our food products globally by 2025



Responsible sourcing in pet food: in partnership with the Thai Government and a supplier, we have developed a showcase vessel. It is used in trainings to address labour rights abuses in the seafood industry.



Nestlé with other partnering companies have offered young people over 95 000 jobs and training opportunities since 2014.

### Respecting and promoting human rights in our business activities

Human rights abuses have no place in our supply chain, which is why we promote human rights at global and local levels across our business operations and value chain. We continually strive to meet the highest ethical standards, and insist that our partners and suppliers uphold the same high criteria. This requires commitment and work over time. We will always be open and transparent about our efforts to address issues, from forced labour and gender inequality to corruption.

Through our responsible sourcing activities, we take concrete actions, based on our 11 salient human rights issues identified in 2015. As part of this effort, in 2017 we published our *Labour Rights in Agricultural Supply Chains: A Roadmap*. It has enabled us to identify and prioritise 11 countries that present known higher levels of labour risks and from which we source our 12 priority commodities. Through this process, we can better target our remediation efforts on labour rights.

### Promoting fair employment and diversity

Fair employment, diversity and inclusion are integral to Nestlé's culture. We aim to provide a safe, rewarding workplace that inspires employees to fulfil their potential. We provide people with equal development opportunities and treat each other with dignity and respect.

We place a particular focus on the challenge of youth unemployment. In 2017, we announced the extension of our *Nestlé needs YOUth* initiative to our entire value chain. Its aim is to help 10 million young people around the world have access to economic opportunities by 2030. By doing so, we support the development of the communities where we live and work, while ensuring our talent pipeline. This brings diversity and new skills to the organisation and supports local innovation and entrepreneurship.

**13**

human rights impact assessments completed in countries where we have significant business operations

**96 599**

employees trained in human rights since 2011

**30 157**

jobs and 11 710 traineeships or apprenticeships provided to young people under 30 in 2017

**97%**

of our markets have a health and wellness programme in place



# Steward resources for future generations

We are working, with partners and stakeholders, towards our ambition to strive for zero environmental impact in our operations. We have set clear commitments and objectives to use sustainably-managed and renewable resources, operate more efficiently, aim for zero waste for disposal and improve water management. We also continue to participate actively in initiatives that reduce food loss and waste, and that preserve our forests, oceans and biodiversity.



The Nestlé Pakistan water plan was unveiled in October 2017, in collaboration with Lahore University of Management Sciences and WWF. It promotes water resources conservation, introduces sustainable agricultural techniques, and provides access to clean and safe water.

## Caring for water

Water is a shared and precious resource that we need to manage sustainably. We unequivocally believe access to water is a basic human right. Everyone, everywhere in the world, has the right to clean, safe water for drinking and sanitation.

Caring for water is a key part of achieving our ambition to strive for zero environmental impact in our operations. Water is essential for our business. The ingredients we source need water to grow. We need water to run our factories and consumers use water to enjoy many of our foods and beverages.

Our initiatives continue to look for ways to further reduce withdrawals per tonne and reuse water in our operations. We also work with others on water stewardship initiatives, and increase access to safe water, sanitation and hygiene.

## ➤ Added value for investors

By offering consumers more sustainable foods and beverages, we provide them with more reasons to choose our brands, generating additional revenue. We bring savings through improved operational efficiency, better resource management and less waste. Investing in climate change adaptation and mitigation, as well as responsible water stewardship, helps secure a more sustainable supply of resources for our business.

**38.1%**

reduction in our water withdrawals per tonne of product since 2007

**20**

Nestlé Waters announced that it will strengthen its collaboration with the Alliance for Water Stewardship (AWS) to certify 20 factories by 2020



Our Nescafé Dolce Gusto factory in Montes Claros, Brazil, achieved a triple-zero milestone: zero water withdrawal, zero waste for disposal and zero net GHG emissions.



Nespresso continues to extend its global recycling scheme and invested CHF 25 million in 2017.

### Acting on climate change

Climate change is a major global challenge, with shifting weather patterns threatening food security and changes in consumption putting pressure on natural resources. Our size and scale means we can show real leadership on climate change, and find ways to further reduce the emissions of greenhouse gases (GHGs) and use more renewable energy. We have set ambitious targets to reduce GHGs, in line with the Paris Agreement on climate change.

We have doubled the amount of renewable energy we procure compared to 2016. More than 100 sites are now powered with renewable electricity, including from spent coffee grounds or wood chips. These are just some of the many initiatives that have helped us earn a place in the annual CDP Climate A List and become No.1 in the food products industry in the 2017 Dow Jones Sustainability Index.

### Safeguarding the environment

The basic ingredients of all of our food products come from plants and animals, forests, farms, and oceans. Protecting the natural environment where those ingredients grow and live is essential.

We aim to develop our business while improving our environmental performance, to ensure that a more sustainable supply of natural resources and raw ingredients goes into making our products.

We continue to play our part in helping to reduce food loss and waste. In our sites, we reduce, reuse and recycle with the ultimate goal of achieving zero waste for disposal. On an agricultural level, our team of over 1000 agronomists and other support staff provides training to help our farmers improve their methods, reduce losses and keep their land healthy and productive.

**25.7%**

of our electricity now comes from renewable sources. In markets such as Germany, UK & Ireland and Brazil, we procure 100% from solar, wind and hydropower sources

**33.2%**

reduction in our GHG emissions (scope 1 and 2) per tonne of product since 2007

**253**

factories achieved zero waste for disposal in 2017

**100%**

Nestlé Waters joined the Natur'ALL Bottle Alliance in striving to create a fully recyclable plastic bottle made from 100% bio-based material

# Our 2020 commitments

Our impact areas – individuals and families, our communities and the planet – are interconnected, and our efforts in each of these areas are supported through our 41 public commitments. These hold us publicly accountable for our performance and we report our progress against them every year.

All our public commitments are directly aligned with our corporate purpose, our 2030 ambitions and the UN SDGs. The majority of these commitments are supported by specific objectives for 2020.

The table below shows our current progress against our 2020 commitments, including those achieved by the end of 2017, as indicated by a tick. Our full online report provides more detailed information and updates on progress.

## Our performance in leading indices

Although we are not driven by awards and recognition, we remain proud to have our sustainability efforts and achievements acknowledged by world-leading rating and ranking agencies:

 <p><b>FTSE4Good</b></p>	<p><b>First</b> breast-milk substitute manufacturer to be included in the <b>FTSE4Good Index</b>, and we have retained our place for six years.</p>
 <p><b>ACCESS TO NUTRITION INDEX™</b></p>	<p><b>Second</b> out of 22 global food and beverage manufacturers in the 2016 <b>Access to Nutrition Index™ (ATNI)</b>.</p>
<p>MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM</p>	<p><b>First</b> in the foods products sector of the 2017 <b>Dow Jones Sustainability Index (DJSI)</b> with an overall score of 89 out of 100.</p>
 <p><b>CDP</b> DRIVING SUSTAINABLE ECONOMIES</p>	<p><b>Topped</b> the list of global companies in 2017 <b>CDP climate change</b>, earning a place in CDP's Climate A list.</p>
 <p><b>Ceres</b></p>	<p>Ranked <b>top scorer</b> within the packaged food industry at <b>Ceres' Feeding Ourselves Thirsty</b> an analysis comparing the water risk management performance of 42 global companies.</p>



## For individuals and families

Offering tastier and healthier choices	
Launch more nutritious foods and beverages, especially for mothers-to-be, new mothers and children	
Further decrease sugars, sodium and saturated fat	
Increase vegetables, fibre-rich grains, pulses, nuts and seeds in our foods and beverages	
Simplify our ingredient list and remove artificial colours	
Address undernutrition through micronutrient fortification	
Inspiring people to lead healthier lives	
Apply and explain nutrition information on packs, at point of sale and online	
Offer guidance on portions for our products	
Market to children only choices that help them achieve a nutritious diet	✓
Empower parents, caregivers and teachers to foster healthy behaviours in children	
Leverage our marketing efforts to promote healthy cooking, eating and lifestyles	
Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly	
Inspire people to choose water to lead healthier lives	
Partner for promoting healthy food environments	
Building, sharing and applying nutrition knowledge	
Build and share nutrition knowledge from the first 1000 days through to healthy ageing	
Build biomedical science leading to health-promoting products, personalised nutrition and digital solutions	





## For our communities

Rural development and enhancing rural livelihoods	
Roll-out rural development baseline assessments to understand the needs of farmers	✓
Improve farm economics among the farmers who supply us	
Improve food availability and dietary diversity among the farmers who supply us	
Implement responsible sourcing in our supply chain and promote animal welfare	
Continuously improve our green coffee supply chain	
Roll out the <i>Nestlé Cocoa Plan</i> with cocoa farmers	
Respecting and promoting human rights	
Assess and address human rights impacts across our business activities	
Improve workers' livelihoods and protect children in our agricultural supply chain	
Enhance a culture of integrity across the organisation	
Promoting decent employment and diversity	
Roll-out our <i>Nestlé needs YOUTH</i> initiative across all our operations	
Provide training on <i>Corporate Business Principles, Nutrition and Environmental Sustainability</i>	✓
Enhance gender balance in our workforce and empower women across the entire value chain	
Advocate for healthy workplaces and healthier employees	
Provide effective grievance mechanisms to employees and stakeholders	



## For the planet

Caring for 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	
Acting on climate change	
Provide climate change leadership	
Promote transparency and proactive, long-term engagement in climate policy	
Safeguarding the environment	
Assess and optimise the environmental impact of our products	✓
Improve the environmental performance of our packaging	
Reduce food loss and waste	
Provide meaningful and accurate environmental information and dialogue	
Preserve natural capital, including forests	

✓ Commitments achieved by the end of 2017

