

Social impact

Overview

From the people in our business to the farmers who supply our raw materials, the communities where we operate and those we reach everyday through our products, we recognise our responsibility to make a positive impact on society.

We are committed to promoting the principles of human and labour rights and providing a safe workplace for our employees. In addition, our business provides employment and development opportunities as well as training and technical expertise along the supply chain.

Responsible sourcing

Nearly 40% of Nestlé's global expenditure on raw materials goes towards milk, coffee and cocoa. We also source a range of key commodities such as palm oil. Responsible sourcing means we help farmers and other suppliers develop sustainable practices, thereby safeguarding incomes and ensuring a sustainable supply of high-quality materials for our products.



OUR PERFORMANCE HIGHLIGHTS

Trained

19,115

cocoa farmers on improving productivity and sustainability and distributed 824,000 higher-yielding, disease-resistant plantlets, through the Nestlé Cocoa Plan.



Purchased palm oil from

100%

certified sustainable sources since January 2012.



Our targets and performance are on pages 2 and 3

Responsible sourcing traceability programme

In 2010, we identified the first 12 priority categories to be covered by our global Nestlé Responsible Sourcing Traceability Programme, which seeks to ensure we can identify risk and assure responsible sourcing across key product areas. We began by mapping and assessing our palm oil, and pulp and paper supply chains in 2010, and in 2011 we established responsible sourcing strategies for sugar, soya, seafood, vanilla and hazelnuts. In 2012, we will implement responsible sourcing strategies for cocoa, meat, coffee, dairy and shea.

The programme implements our commitments on a range of issues such as deforestation and forest stewardship, and child labour in agricultural supply chains.

Tackling deforestation

In 2010, we made a global commitment to ensure our products do not have a deforestation impact and partnered with The Forest Trust (TFT) to establish Responsible Sourcing Guidelines. These guidelines promote traceability and socially and environmentally sound sourcing practices.

Palm oil is an essential ingredient in many of our products, such as *Kit Kat*®. In the UK, we have already achieved our 2015 target to source 100% RSPO (Roundtable on Sustainable Palm Oil) certified palm oil. From January 2012, 70% of the palm oil we use in the UK is traceable back to RSPO certified plantations. The remaining 30%, which consists of more complex derivatives of palm oil that are more difficult to trace through the supply chain, is purchased through the GreenPalm programme. The GreenPalm programme supports the production of sustainable palm oil through a certificate trading scheme, which is designed to tackle the environmental and social problems created by the production of palm oil by rewarding the growers of RSPO certified palm oil.

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Nestlé's no deforestation policy sends a very clear message to companies that are destroying forests and peatlands for new plantations: if you don't immediately change course then your days of supplying to global brands such as Nestlé are over.

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Andy Tait
Senior Campaign Advisor, Greenpeace

UK milk sourcing



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First Milk and the dedicated group of farmers that supply milk to the Nestlé Girvan site have worked in partnership with Nestlé to create a sustainable supply chain. That work is already delivering tangible results in carbon reduction and decreased water usage on farms. Nestlé actively demonstrates that they have a key role to play in the development of British dairy industry sustainability initiatives like the Dairy Roadmap and Dairy 2020.

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Kate Allum

First Milk CEO and Dairy Roadmap Chair

Working with dairy farmers in the UK

Since 2011, we have partnered with First Milk, the only major British farmer-owned dairy company in the UK, in order to help dairy farmers reduce their environmental impact, improve the quality of their milk and in turn benefit their farming business. We have been working with a group of First Milk farmers based near our Girvan factory in Scotland who supply the site with around 75 million litres of milk each year.

Through our partnership with First Milk, more than 60 farmers who supply Girvan factory have taken part in workshops, which were accredited by the Royal Agricultural College

and covered a range of topics such as herd health, fertility, water and good environmental practices. The workshops were well received and to date the milk supply group has successfully reduced its total greenhouse gas emissions by 5.7%, equating to 5,517 tonnes of carbon saved, and reduced total non-livestock water usage by 5.1%. The figures were calculated by The E-CO₂ Project¹, which provides detailed energy and carbon assessments for farms, using a carbon footprint calculator accredited by the Carbon Trust.

The Nestlé Cocoa Plan



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Fairtrade seeks to connect farmers and workers who grow our food with the public who enjoy those goods. So it was inspiring to mark the second anniversary of Kit Kat four-finger bar becoming Fairtrade by inviting two cocoa farmers from Côte d'Ivoire to visit the UK. They saw the whole process of chocolate production, spoke to Nestlé staff, met local school children and did a brilliant question and answer session on the web. How wonderful that the man whose photo is on the back of the Kit Kat bar was in Britain talking to people who love the chocolate.

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Harriet Lamb

CEO of Fairtrade International

Working with cocoa farmers from Côte d'Ivoire

The [Nestlé Cocoa Plan](#) is a global initiative designed to address key economic, social and environmental issues faced by the cocoa-farming communities we work with. In January 2012, together with the Fairtrade Foundation we welcomed two cocoa farmers from Côte d'Ivoire to the UK to celebrate the second anniversary of *Kit Kat* four-finger becoming Fairtrade certified. Cocoa farmer Kouame Fasseri, who appeared on more than 400 million Fairtrade certified *Kit Kat* chocolate bars,

and Fulgence N'Guessan, the President of Kavokiva farming co-operative, took part in a three-day visit which included a tour of our York factory, where *Kit Kat* bars are made. In 2012, we are also providing the funding for a school to be built in Mr Fasseri's village.

¹ The E-CO₂ Project is a provider of on-farm environment and carbon assessments.

Eliminating child labour from the cocoa supply chain

We believe child labour has no place in our supply chain and we are firmly committed to taking action to eradicate the practice from our cocoa supply chain. In 2011, we became the first food company to partner with the Fair Labor Association (FLA). We commissioned the FLA to investigate our cocoa supply chain in Côte d'Ivoire to identify the risk of child labour on the cocoa farms that supply our factories.

In 2012, the FLA reported that child labour is a reality on the cocoa farms and has its roots in a combination of factors, including poverty and the socio-economic situation of farmers. The report is published on the Fair Labor Association website. We fully support

the 11 recommendations made by the FLA and have implemented an action plan to address these. The plan, which is published on our website, covers immediate actions in 2012, medium-term actions in 2013 and longer-term actions up to 2016. We will prioritise the actions needed to tackle child labour in the first two phases, and will confront other labour standards issues over the third phase.

The aim is to improve management systems in our supply chain and create new mechanisms, where needed, as a basis for further actions to eliminate the causes of child labour.

The NESCAFÉ Plan



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The partnership between Nestlé and the Colombian coffee growers is a unique model in which a very recognised international brand is having direct dialogue and involvement with the producers. It is a new model that we believe creates long-term shared value for the supply chain. The NESCAFÉ Plan complements the Colombian Coffee Growers Federation's ongoing Sustainability that Matters programmes and motivates coffee growers who are now in a position to see the importance of their effort and their direct link with all the participants of the industry, including of course consumers.

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Adriana Mejía
Director for Europe, Colombian Coffee Growers Federation (FNC)

Providing training and technical assistance in Colombia

Through the NESCAFÉ Plan our global business will invest approximately £213 million in coffee projects worldwide and distribute 220 million high-yielding coffee trees by 2020. In 2011, through our partnership with the Colombian Coffee Growers Federation (FNC), we contributed funding, provided around 4.5 million disease-resistant plantlets (exceeding the 2011 objective of 4 million plantlets) and trained 1,551 farmers in good agricultural practices. We plan to roll this out to a further 900 farmers in 2012 and distribute an additional 4.5 million coffee plantlets. The coffee we purchase from these farmers is a key component of NESCAFÉ *Gold Blend*® and is compliant with the 4C (Common Code for Coffee Community) sustainability standard.

In 2012, we are also expanding the initiative to train 115 women heads of household in the farming community on matters of coexistence and prevention of family violence. We are working with The Colombian Institute of Family Welfare and the Manuel Mejía Foundation to develop and deliver this programme.

Supporting Brazilian coffee farmers

In 2012, we have launched an initiative in the Nova Resende province of Brazil, to provide Brazilian coffee farmers with 4C training. We are also funding soil, leaf and water analysis for over 1,800 farmers, and installing 20 septic tanks to prevent the contamination of nearby rivers and streams. These actions are developed in response to the needs identified by the community.

Communities

We value the communities where we operate and are committed to supporting them through a range of activities. Our community partnerships are focused on addressing the challenges around Nutrition, Health and Wellness and Environmental Sustainability. In addition, our employees are engaged in philanthropic work through our Charity of Choice fundraising partnership.



OUR PERFORMANCE HIGHLIGHTS

Provided

400,000

cups of NESCAFÉ coffee for homeless people in centres and mobile units in Ireland, during 2011.



Raised

£400,000

for our UK Charity of the Year, Alzheimer's Society and €70,000 for The Jack & Jill Children's Foundation in Ireland.



 Our targets and performance are on pages 2 and 3

Nestlé Healthy Kids global programme

Our global programme, Nestlé Healthy Kids, aims to help children across the world become more aware of nutrition, health and wellness. As part of this, in 2011 we continued our UK partnership with children's charity 4Children, to run the Make Space for Health campaign.

Make Space for Health aimed to increase nutrition, health and wellness awareness among young people and promote healthy lifestyles to 11 to 19-year-olds through a network of out-of-school clubs. In 2011, our £150,000 investment helped Make Space for Health reach nearly 650 children directly (and many more with our programme materials), and partner with five local authorities and armed forces youth centres.

PhunkyFoods

In 2011, we continued to support PhunkyFoods, an independent, curriculum-based programme providing healthy lifestyle lesson plans and resources for UK primary schools. We donated £75,000, which helped 71 schools to renew their memberships and 50 new schools to join the programme. This enabled 24,000¹ school children to learn about healthy eating and physical activity.

Challenges and future plans

Following a review of our community programmes, our partnership with 4Children came to an end in January 2012. We believe that by focusing our efforts on a new Nestlé UK Healthy Kids programme in partnership with PhunkyFoods, we can make a greater difference in this area. In 2012, we will invest £220,000 to roll out the programme to all primary schools in York and Tutbury. This will also fund research at Leeds Metropolitan University to evaluate the programme and provide nutritionist support to help our schools deliver the programme effectively.

Continuing our support for the catering industry

This year, we continued to support the hospitality industry through our nationwide student catering competition, Nestlé Toque d'Or®. The contest gives students from catering colleges across the UK the opportunity to bridge the gap between theory and hands-on skills with the support of experienced mentors. For the 2012 competition, students were asked to design and present a concept restaurant and create a healthy, two-course lunch menu that took into account issues such as nutrition and sustainability.

¹ 2010–2011 academic year.

People

We employ around 327,500 people globally and around 6,400 people across 19 sites in the UK and Ireland. We are committed to helping our employees achieve their potential, providing them with a safe working environment and embracing equality and diversity throughout our workforce.



Training and development

Developing talent through the Nestlé Academy

In 2011, we launched the Nestlé Academy to bring together our graduate and apprentice programmes, direct entry schemes and vocational training courses. The academy offers flexible entry points to attract people at different life stages, and provide an alternative route to education, offering NVQs and degree-level qualifications.

Doubling our number of apprentices and graduates

We are committed to providing training opportunities for young people in the UK. In 2011, we recruited 25 graduates and 9 apprentices while committing to double our intake of both graduates and apprentices in 2012 and offer an additional 22 internships to university students. So far in 2012 we have taken on 44 graduates, 16 apprentices, 12 university interns and 23 student placements. We also recruited our first commercial apprentice in Human Resources and in the future we plan to extend our apprenticeship programme across other business functions, such as Sales.

Adult apprenticeships

We are committed to ensuring our employees have varied career development routes throughout the organisation. In 2011, four existing employees were given the opportunity to build and develop their skill set through an adult apprenticeship programme in Advanced Engineering. The apprentices based in our Tutbury and Halifax factories are participating in a two-year programme including a mix of college study and on-the-job experience, leading to a new role as a Plant Technician.

OUR PERFORMANCE HIGHLIGHTS

Provided leadership courses for

2,103

employees from around the world in 2011.



Delivered **798** courses to **9,892** attendees¹ in 2011, covering leadership and management, core skills and functional training.



||| Our targets and performance are on pages 2 and 3

Confectionery Academy

We launched our Confectionery Academy in 2011 to develop our next generation of confectioners. Fifteen employees, selected from various roles across the business, joined the academy to gain a range of confectionery skills, including chocolate tempering, toffee manufacturing and biscuit baking. Employees who complete the course are awarded a Diploma Level 3 in Food Industry Skills.

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The Nestlé Academy is a great example of our industry taking action to ensure we attract and retain the best talent in order to deliver sustainable growth. Nestlé's impressive programme demonstrates how providing the right support and development and nurturing an entrepreneurial mindset can uncover individuals' potential and help to create the industry leaders of tomorrow.

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Angela Coleshill
HR Director, Food and Drink Federation

¹ This data relates to Nestlé in the Market (NIM).

Diversity

We embrace cultural and social diversity across our workforce, our customers and the communities where we operate.

Gender balance

Since the launch of our gender balance initiative in 2008, the percentage of women on our leadership teams around the world has increased by over 35%. In 2011, we held gender balance awareness workshops and action-planning sessions to help our UK senior leadership teams identify how to address this issue across the UK business. In the future, we will offer these sessions to all line managers as a mandatory part of line manager training. In 2011, 30% of our entire workforce in the UK and Ireland was female, with 12% of these in management positions. The total number of female employees in management positions in the UK has increased by 19% over the past five years.

Social mobility

In 2011, we signed up to the Social Mobility Business Compact launched by Deputy Prime Minister, Nick Clegg, to create fairer opportunities for people to access training

and jobs. Part of our focus in this area has been to create awareness of the range of careers that are open to young people from all backgrounds in the food and drink industry. In March 2012, we co-hosted an exhibit with the Food and Drink Federation at the Big Bang Science and Engineering Fair, to promote the opportunities in food manufacturing to young people.

Supporting a national equality standard

In 2012, we announced our support for the development of a national equality standard. There is currently no such recognised standard for the UK, and this has led to inconsistent approaches to tackling inequality and promoting inclusion. In joining the new working group, alongside the Equality and Human Rights Commission, we are contributing towards implementing a national equality standard with clear diversity objectives. Companies will be awarded a national equality certification if an internal audit finds them to be meeting all the necessary diversity requirements.

Safety and health

The safety and health of every employee, contractor and visitor is of paramount importance to us and we are committed to creating a world-class safety culture.

Raising awareness of safety and health

In 2011, we successfully launched our employee-based safety programme '3A' (Awareness, Action and Agreement) across the UK. This is an employee-led observation programme focusing on reporting safe and unsafe acts and conditions.



Safety messaging is a priority in each of our sites to ensure employee awareness.

OUR PERFORMANCE HIGHLIGHTS

Introduced regular reviews of safety and health performance in

all Executive Board meetings.

This model is now being followed in management meetings across the world.



Achieved a **78%** reduction in Lost Time Safety Incidents and reduced the number of work days lost by 82% since 2006 (2011 Lost Time Incident Frequency Rate was 1.2²).



Our targets and performance are on pages 2 and 3

Industry recognition

In October 2011, our York factory came in the top three in the National Food and Drink Health and Safety Awards organised by the Institute of Occupational Safety and Health. The factory won third spot for integrating safety and health into employee performance appraisals and for developing specialist safety and health competencies for managers.

² The rate shows 1.2 lost time accidents for every million hours worked.

Investment and growth



We are committed to growing our business in the UK and Ireland by investing in our brands, our people and our factories. In 2011, we committed to invest £500 million over three years to establish our next generation of world-class manufacturing facilities in the UK.

Investing in world-class manufacturing

In 2011, we announced our plans to invest £110 million at our Tutbury site in Derbyshire to extend the NESCAFÉ *Dolce Gusto*® plant, creating 300 new jobs and trebling the site's production.

In January 2012, we proposed to invest a further £200 million to boost the NESCAFÉ coffee manufacturing facility and create an additional 125 jobs for the site. This investment will allow us to transfer coffee production from Hayes factory to the new Tutbury plant, bringing all forms of coffee production including freeze-dried, spray-dried and pod technology together for the first time in the UK. We anticipate that the transfer will be completed by 2014.

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This new investment by Nestlé, and the jobs it will create, is brilliant news for UK manufacturing and for the local community. This demonstrates what can be achieved by investing in capacity and people, as Nestlé has done consistently over recent years. The jobs created by this new investment will benefit both skilled workers and those leaving school who will be able to train in the workplace to become the skilled workers of the future.

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Rt Hon David Cameron MP
Prime Minister, Tutbury visit, November 2011

OUR PERFORMANCE HIGHLIGHTS

Invested more than

£12 million

in our Dalston factory in Cumbria to make it a European centre of excellence for NESCAFÉ *Cappuccino*®.



Invested

£35 million

in a new bottling and warehousing plant in Buxton, one of the most efficient operations of its kind in the world.



 Our targets and performance are on pages 2 and 3