Nestlé in society

Creating Shared Value and meeting our commitments 2016

Full report

Nestlé 150 Years of Good Food, Good Life

Contents

Nestlé in society: Creating Shared Value 3

A message from our Chairman and our CEO 4
Our positive impact on society 6
Building on Creating Shared Value 7
Why is CSV important for investors? 9
Our contribution to the global agenda 10
Driving innovation: The Nestlé Creating Shared Value Prize 11
Accountable and inclusive governance 13
Business ethics 15
Public policy and advocacy 16
Materiality 17
Responding to stakeholders 22
Our commitments 24
Our key performance indicators 28

Nutrition, health and wellness 31

Our nutrition, health and wellness strategy 32
Offering tastier and healthier choices 35
Inspiring people to lead healthier lives 48

Rural development 74

Our rural development strategy 75
Enhancing rural livelihoods 78
Responsible sourcing and traceability 83

Water 94

Our water strategy 95
Caring for water 98

Environmental sustainability 108

Our environmental sustainability strategy 109
Acting on climate change 112
Safeguarding the environment 118

Human rights and compliance 132

Our human rights and compliance strategy 133
Human rights 136
Compliance 147

Our people 152

Our people strategy 153
Why our people matter 156
Building a safer, healthier workplace 162

Appendix 173

About this Report 174
Bureau Veritas' Independent Assurance Statement 176

Where to find more information

This document forms an integral part of Nestlé's UN Global Compact (UNGC) Communication on Progress, together with:

A report summary

Our Annual Report

The CSV section of our corporate website

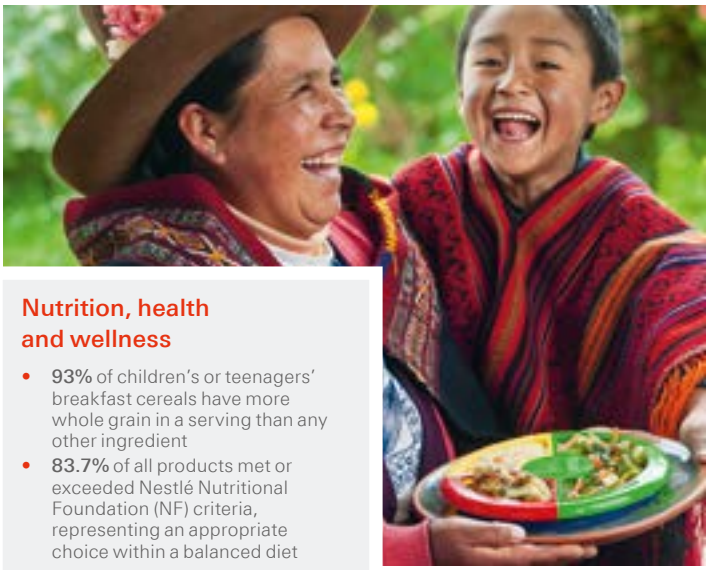
Our reports are made available online at www.nestle.com/CSV, where you can also find:

- More detailed information on our management approach and governance structure;
- Additional information on human rights due diligence;
- Our performance data;
- Case studies; and
- Additional audio and video content.

Our UNGC Communication on Progress, Human Rights Reporting Framework and GRI Index are available as separate pdfs, and can be downloaded from the data performance centre.

Nestlé in society: Creating Shared Value

Our year in review



Nutrition, health and wellness

- **93%** of children's or teenagers' breakfast cereals have more whole grain in a serving than any other ingredient
- **83.7%** of all products met or exceeded Nestlé Nutritional Foundation (NF) criteria, representing an appropriate choice within a balanced diet

Rural development

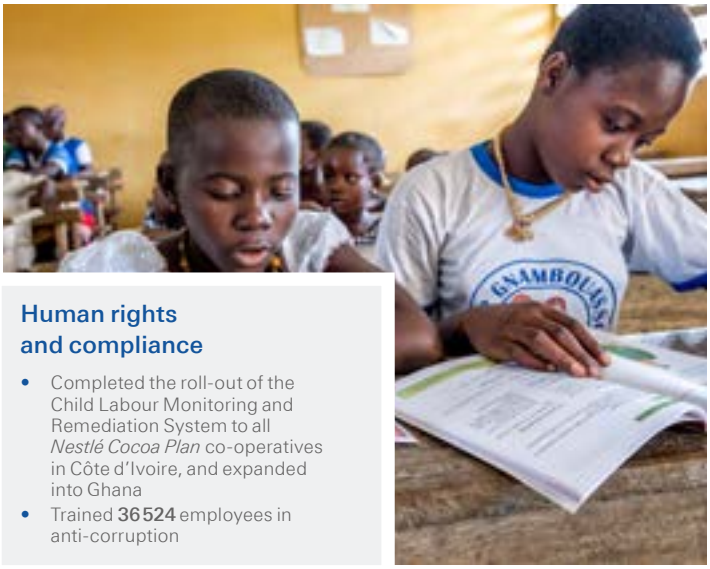
- Invested **CHF 13.9 million** in plant science and soil management
- Distributed **28.3 million** coffee and **2.2 million** cocoa plantlets to farmers
- Empowered **1.3 million** women with technical assistance to date

Water

- Reduced water withdrawals per tonne of product by **25%** since 2010
- Saved **3.2 million m³** of water through **516** water-saving projects
- Invested **CHF 22.5 million** in new and improved water treatment facilities
- Provided access to safe water and sanitation to **213345** beneficiaries in rural communities

Environmental sustainability

- Reduced our direct greenhouse gas emissions per tonne of product by **38.9%**
- Invested **CHF 299 million** in replacing synthetic refrigerants with natural alternatives
- Achieved zero waste for disposal at **182 sites** (**39%** of total)
- Avoided **22525 tonnes** of packaging material through optimisation



Human rights and compliance

- Completed the roll-out of the Child Labour Monitoring and Remediation System to all *Nestlé Cocoa Plan* co-operatives in Côte d'Ivoire, and expanded into Ghana
- Trained **36524** employees in anti-corruption

Our people

- Recognised as the most diverse and inclusive company in the food industry, and ranked 13th overall, in the Thomson Reuters Diversity and Inclusion Index
- Offered **6778** job opportunities and **4206** traineeships or apprenticeships to people under 30 in Europe
- **79%** of facilities certified against OHSAS 18001:2007

4 A message from our Chairman and our CEO
6 Our positive impact on society
7 Building on Creating Shared Value
9 Why is CSV important for investors
10 Our contribution to the global agenda
11 Driving innovation: The Nestlé Creating Shared Value Prize
13 Accountable and inclusive governance
15 Business ethics
16 Public policy and advocacy
17 Materiality
22 Responding to stakeholders
24 Our commitments
28 Our key performance indicators

A message from our Chairman and our CEO

The year 2016 was marked by two important milestones.

First, Nestlé celebrated its 150th anniversary. Our company's journey began with Henri Nestlé's invention of *Farine Lactée* infant cereal and ever since, we have lived up to our purpose of enhancing quality of life and contributing to a healthier future.

Every day, Nestlé touches the lives of billions of people worldwide: from our employees to the farmers who grow our ingredients and the families who enjoy our products; to the communities where we live and work; as well as the natural environment upon which we all depend. Guided by our values rooted in respect, we work alongside partners to create shared value – contributing to society while ensuring the long-term success of our business.

We are pleased to share our 2016 *Nestlé in society: Creating Shared Value* report, which demonstrates our progress and shows how our company purpose, ambitions and 42 specific public commitments are contributing to society.

Our Creating Shared Value priorities are those areas of greatest intersection between Nestlé's business and society, and where we can create the most value and make the most difference. These include: nutrition, where we refined our commitments to enable healthier and happier lives for individuals and families, with a strong focus on infants and children; rural development, to help develop thriving and resilient communities, and support better livelihoods for those we live and work with; and water, an issue of critical concern for the planet and the lynchpin of food security. We have strengthened our commitments in the areas of water and environmental sustainability to underline our determination to steward natural resources for future generations.

Underpinning all these efforts is a robust approach to compliance, human rights and our people. We respect and promote human rights, fair employment and diversity. An issue of major concern globally is the high level of unemployment experienced by young people. In response, we continue to extend our *Global Youth Initiative* while encouraging the participation of other companies and partners.

The second milestone for Nestlé in 2016 was the first anniversary of the United Nations Sustainable Development Goals (SDGs) with the definition of a clear indicator framework and a solid recognition of the role of the private sector and its contribution in the spirit of Creating Shared Value.

The goals set out a vision for ending poverty, hunger and inequality, and protecting the Earth's natural resources by 2030. The 17 goals are closely interlinked and are being integrated into our Creating Shared Value approach, with an emphasis on those where we can make the most meaningful, positive impact.

To mirror the SDG timescale, we have introduced a set of overarching ambitions for 2030, which will guide our actions and provide direction for our 2020 commitments (please see page 24).

Nestlé plays its full part in meeting the SDGs not only through our Creating Shared Value approach to doing business, but also through partnerships, collaborations and stakeholder engagement. Through the Consumer Goods Forum, for example, we help shape the global collective agenda through resolutions and commitments on health and wellness, social sustainability, climate change and environmental sustainability.

As in previous years, in 2016 we restated our support for the UN Global Compact as a founding member of the UN Global Compact Lead – an important platform for corporate sustainability leadership and collective engagement with the SDGs.

Behind all of these efforts are our company values, which are rooted in respect – respect for ourselves, respect for others, respect for diversity of the world we live in and respect for the future. Our *Corporate Business Principles* and Code of Business Conduct clearly set out our responsibilities.

G4-1, Economic performance G4-DMA

Through reports such as this, we hope you can see that a mindset of transparency, improvement and engagement drives all our actions. The Creating Shared Value Council, and many other stakeholders, guide our work through their insights and constructive criticism.

We encourage investors to look at company performance both in financial and societal terms, and evaluate how management integrates them both in corporate governance, strategy and operations. As such, our report this year includes a section for the investment community.

Most importantly, this report demonstrates our fundamental belief in Creating Shared Value as our way of delivering a long-term positive impact for shareholders and society, through everything that we do as a company. CSV is unique in that it is a business strategy that allows us to target activities where we can optimise the creation of value for our shareholders, as well as for society.

We look forward to your feedback on our commitments and on this report.

Peter Brabeck-Letmathe
Chairman

Paul Bulcke
Chief Executive Officer

During the CSV Forum in Côte d'Ivoire, Nestlé Chairman Peter Brabeck-Letmathe visits the Zambakro experimental farm, an extension of our R&D Centre in Abidjan, with Wan Ling Martello, Head of Zone Asia, Oceania and sub-Saharan Africa.

Nestlé CEO Paul Bulcke joins local government representatives, industry leaders and coffee farmers for the inauguration of the *Nescafé* Coffee Center in Pu'er, Yunnan, China.

G4-1, Economic performance G4-DMA

Our positive impact on society

Creating Shared Value (CSV) is our way of delivering a long-term positive impact for shareholders and for society, through everything that we do as a company.

CSV is unique in that it is a business strategy that allows us to target activities where we can optimise the creation of value for our shareholders, as well as for society.

The introduction of the Creating Shared Value approach 10 years ago helped us identify, operationalise and manage strategies towards linking business benefit and social impact. Since then, we have made significant progress, launching in 2012 a set of public commitments that we use to drive continuous improvement.

Our positive impact on society is evident across our core focus areas and some of the highlights of the past 10 years of our public reporting are shown here. The principles behind CSV driving Nestlé's approach to business, however, have been with us throughout the 150 years of our existence.

FTSE4Good

1st
We were the first breast-milk substitute manufacturer to be included in the **FTSE4Good Index**, and have retained our place for five years.

ACCESS TO NUTRITION INDEX™

2nd
We were ranked second out of 22 global food and beverage manufacturers in the 2016 **Access to Nutrition Index (ATNI)™**.

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

1st
With an overall score of 92 out of 100, we received industry-best scores in all three dimensions (economic, environmental and social) of the 2016 **Dow Jones Sustainability Index (DJSI)**. The DJSI is a globally recognised independent benchmark that measures the performance of the largest 2500 companies.

5th
We were ranked fifth in Fortune's 2016 **Change the World** list, an annual ranking of 50 companies that are 'doing well by doing good'.

CDP

A-
The **CDP Water Program** promotes sustainable corporate water stewardship. We have participated since its launch and in November 2016, Nestlé received a 'Leadership' score of A-.

100A
In November 2016, we achieved a score of 100A in the **Climate Disclosure Leadership Index** from environmental sustainability ratings agency CDP.

OXFAM

2nd
Nestlé ranked second on Oxfam's ***Behind the Brands*** scorecard in April 2016.

G4-EC1, Compliance (Environmental) G4-DMA

Building on Creating Shared Value

Looking to the future, Creating Shared Value remains the fundamental guiding principle for how Nestlé does business. CSV is the strategy tool that Nestlé uses to operationalise and manage all the actions it takes to ensure it creates value for shareholders and for society. This is how Nestlé brings its purpose to life – to enhance quality of life and contribute to a healthier future.

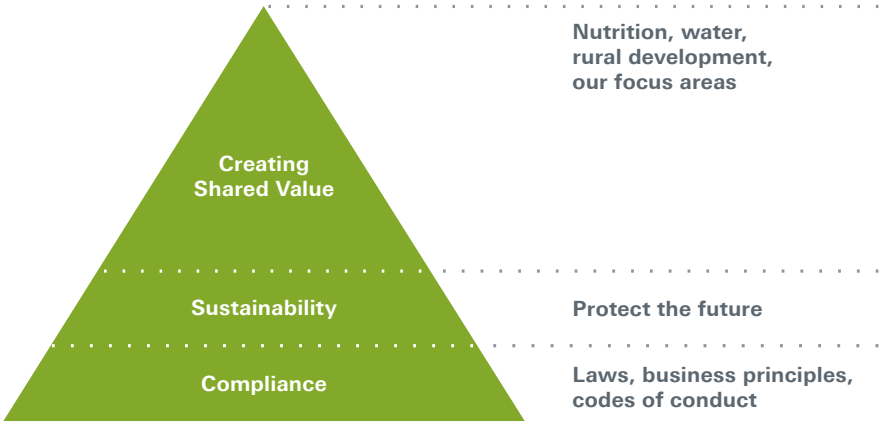
Our focus areas are firmly embedded in our purpose. Individuals and families, our communities and the planet as a whole are interconnected, and our efforts in each of these areas are supported through our 42 specific commitments, the vast majority of which have been reframed and feature objectives to 2020. These commitments will, in turn, enable us to meet our ambitions for 2030 in line with the timescale of the Sustainable Development Goals (SDGs).

Watch a video of our Chairman, Peter Brabeck-Letmathe, discussing CSV with Harvard University's Mark Kramer.

Our purpose and timetable allow us to take Creating Shared Value a step further, while adhering to our fundamental belief that our business will be successful in the long term by creating value for both our shareholders and for society as a whole. Our positive impact on society focuses on enabling healthier and happier lives for individuals and families, on helping the development of thriving and resilient communities, and finally, on stewarding the planet's natural resources for future generations, with particular care for water.

As we move into a new period in our company's history, we will continue to evolve and strengthen our approach to Creating Shared Value as the way we do business, ensuring that its thinking continues to inform all our behaviours, policies and actions.

Creating Shared Value



We will also continue to prioritise key areas where value creation can be maximised for shareholders and society, and report transparently on our progress. Our progress can also be tracked by our rankings in leading indices (see page 6).

Economic performance G4-DMA, Overall G4-DMA

The roots and development of Creating Shared Value at Nestlé

2006

The Nestlé concept of corporate social responsibility, as implemented in Latin America, was published. This report followed a three-part value chain framework of agricultural raw materials, manufacturing, and management, products and consumers.

2007

Three Creating Shared Value areas of focus were identified: nutrition, water and rural development.

2008

The Creating Shared Value pyramid, which also integrated sustainability and compliance in one visual device, was launched in our first *Nestlé Creating Shared Value* report (2007).

2009

The first Creating Shared Value Forum was held at the United Nations in New York.

2010

The second global *Nestlé Creating Shared Value* report (2009) was published. The second CSV Forum held in London. The inaugural Nestlé Creating Shared Value Prize was awarded to iDE Cambodia.

2011

The *Nestlé Creating Shared Value and Rural Development* report (2010) was issued, and the third CSV Forum held in Washington DC. The GRI reporting framework was adopted.

2012

The *Nestlé Creating Shared Value Summary Report 2011: Meeting the global water challenge* was published. The full online report was delivered in accordance with GRI A+ criteria. The fourth CSV Forum was held in India and the CSV Prize was awarded to Fundación Paraguaya.

2013

The report *Nestlé in society: Creating Shared Value and meeting our commitments 2012* was published, focusing on nutrition and, for the first time, including forward-looking commitments. The fifth CSV Forum was held in Colombia in partnership with the Inter-American Development Bank.

2014

The 2013 *Nestlé in society: Creating Shared Value and meeting our commitments 2013* report was published. The sixth CSV Forum was held in Switzerland with the United Nations Conference on Trade and Development, and the CSV Prize was awarded to Honey Care Africa.

2015

The 2014 *Nestlé in society: Creating Shared Value and meeting our commitments 2014* report provided a progress update on our public commitments.

2016

Three overarching ambitions for 2030 were introduced, in support of the SDGs. The majority of our commitments, now totalling 42, were updated towards 2020. The seventh Creating Shared Value Forum took place in Abidjan, Côte d'Ivoire, and Agro-Hub took first place in the CSV Prize.

Why is CSV important for investors?

Investor benefits

For investor benefit information by impact area, see pages 32, 75, 95, 109, 133, 153.

The *Nestlé Articles of Association* state that Nestlé shall, in pursuing its business purpose, aim for long-term, sustainable value creation. This is entirely consistent with our fundamental belief that Creating Shared Value is the way we should do business – that what is good for shareholders should also be good for society.

Investors are increasingly recognising that the value of companies is in intangibles and that looking only at the financial balance sheet is no longer sufficient. Global initiatives such as the Principles for Responsible Investment and the Sustainable Stock Exchanges initiative, which is supported by Nestlé, are playing an increasing role in promoting responsible investment and integrating sustainable development into the mainstream.

For long-term investors particularly, Creating Shared Value is important in that it supports the long-term health of the company. With its emphasis on both shareholders and society, the CSV approach to business helps us define which products and services are in line with the expectations of society.

For example, we have recently analysed the performance of our businesses with an above-average Nutrition, Health and Wellness (NHW) dimension in terms of performance against our 60/40+ and Nutritional Foundation criteria. This showed that these businesses performed better than those businesses where the NHW dimension was below average.

Our forward-looking materiality analysis (page 17) helps us anticipate consumer trends including potential legal challenges and ensures we continue to meet consumer expectations of sustainable behaviour. The latest matrix shows that issues such as over- and under-nutrition, water and responsible marketing are central to the delivery of our business strategy, while climate change and human rights are vital for our business success.

Our *Creating Shared Value* report gives investors an insight into our performance on a range of issues by outlining our commitments, targets and progress annually while also explaining the broader context of our operations. Our detailed online report gives a fuller narrative and uses the Global Reporting Initiative G4 guidelines and other leading frameworks such as the UN Guiding Principles Reporting Framework to provide data that can also be compared with others in the sector.

The information in our reports is also used by leading indices to assess our performance and our progress (see page 6).

With the launch of the Sustainable Development Goals, companies and investors have an opportunity to collectively make a huge contribution to the creation of a sustainable society. We welcome feedback on our report and look forward to dialogue with investors on the topics raised here.

Our contribution to the global agenda

We are framing our Creating Shared Value agenda closely with the United Nations 2030 Agenda for Sustainable Development. Having had the opportunity to participate in shaping the 17 Sustainable Development Goals (SDGs), the private sector has also assumed responsibility towards delivering those goals.

We have integrated the SDGs into our CSV approach, which allows us to identify those goals where we can add most value. We have mapped our material issues against the SDGs to help us do this.

Driven by our company purpose to enhance quality of life and contribute to a healthier future, we have defined three overarching ambitions, which will guide our work towards achieving our 2020 commitments and supporting the achievement of the SDGs. These ambitions are to:

- **Enable healthier and happier lives:** this will include helping 50 million children lead healthier lives;
- **Help develop thriving, resilient communities:** this will include helping to improve 30 million livelihoods in communities directly connected to our business activities; and
- **Steward resources for future generations:** this will include striving for zero environmental impact in our operations.

These ambitions stem from the recognition that we live in an interconnected world where our futures are inextricably linked.

We will leverage our scale to help meet these ambitions. However, achieving the SDGs will only be possible through more effective and dynamic partnerships at local, national and international levels. We strive to play our part and urge others to join this collective effort. We look forward to working with civil society, governments and others in making this a reality.

Our company purpose
Enhancing quality of life and contributing to a healthier future

Our ambitions		
For individuals and families Enabling healthier and happier lives	**For our communities** Helping develop thriving, resilient communities	**For the planet** Stewarding resources for future generations

Our CSV impact areas		
Nutrition, health and wellness	**Rural development** **Human rights and compliance** **Our people**	**Water** **Environmental sustainability**

How we make an impact		
Offering tastier and healthier choices Inspiring people to lead healthier lives Building, sharing and applying nutrition knowledge	Enhancing rural livelihoods Respecting and promoting human rights Promoting decent employment and diversity	Caring for water Acting on climate change Safeguarding the environment

Through our ambitions, we are supporting the Sustainable Development Goals

G4-26

Driving innovation: The Nestlé Creating Shared Value Prize

The Nestlé Creating Shared Value (CSV) Prize is awarded by the Nestlé CSV Council every two years. The competition helps scale up or replicate business-oriented initiatives that address challenges in nutrition, water or rural development. It is open to social and private enterprises, as well as non-governmental organisations (NGOs).

About the Creating Shared Value Prize

We established the CSV Prize to reward initiatives that reflect the spirit of Creating Shared Value. We look for innovative projects, programmes or businesses that have already been tested either as a pilot study or at a small scale; that demonstrate positive social and environmental impact; and that need support to become commercially viable.

We invest financial and technical resources in the winning initiatives, to help them expand and achieve financial sustainability. The winners share CHF 500 000 in prize money.

The 2016 winners

We received 450 entries from 83 countries for the CSV Prize in 2016, the fourth time we have made this award. Applications were thoroughly screened by external and internal experts, and the CSV Council. The winner and runner-up were announced at the CSV Forum in Abidjan, Côte d'Ivoire, in June 2016.

Winner: Agro-Hub, Cameroon

Helping cassava farmers gain access to markets

Agro-Hub is an agricultural production and marketing agency in south-west Cameroon, working to connect smallholder farmers with sustainable markets.

It has built a small integrated factory to transform cassava, a staple crop in Cameroon, into starch and garri, a type of tapioca, and sell these value-added goods to consumers through its own fresh food store (Agro-Mart). So far, the agency has helped more than 700 farmers increase productivity and income as they build long-term sustainable relationships with buyers.

Agro-Hub received a prize of CHF 300 000, which it intends to use for upgrading its cassava processing facilities. This increase in production capacity will allow it to support more farmers, and contribute to improved food security and living conditions.

> "At the beginning, the production processes were carried out manually, but the Nestlé CSV Prize will help us in establishing a modern, integrated starch and garri factory. With this factory, we will be able to reduce the production process to one day or a few hours, potentially increasing our production to 10 tons of starch per week."
>
> **Atem Ernest Lefu,**
> Co-Founder and CEO, Agro-Hub

Watch a short video about Agro-Hub's work.

Runner-up: Natural Extracts Industries (NEI), Tanzania

Pioneering the sustainable extraction of vanilla

Natural Extracts Industries, a social enterprise from Tanzania, was selected as the 2016 CSV Prize runner-up for pioneering the sustainable production of natural flavour extracts from vanilla, cacao and orange.

Working with farmers and co-operatives, NEI helps build local capacity through sustainable agricultural practices such as agroforestry, intercropping, drip irrigation and composting.

It has also developed manufacturing operations that add value to the products supplied by smallholder farmers.

NEI plans to invest the CHF 200 000 prize money to expand its network of smallholder farmers and maintain the subsidy scheme it introduced to reduce barriers to entry.

> "Our business model is predicated on creating value for business and community alike. On the business front, we offer customers a natural product that follows the global clean-label trend. And for the community, the incremental income received by farmers enables women and youths to succeed without having to migrate to urban centres, where they may not even find employment. The Nestlé CSV Prize will bring us additional financial strength and credibility."

Juan Guardado,
Co-Founder, Natural Extracts Industries

Watch a short video about NEI's work.

The 2018 CSV Prize

The application process for the 2018 Nestlé CSV Prize will open in 2017 when, once again, we will be inviting applications from innovative businesses and social enterprises.

Visit our website for details of our simplified application process, screening and selection criteria, as well as updates on previous winners and runners-up.

For more information, see the Official Rules and our Frequently Asked Questions.

Accountable and inclusive governance

We want to be the trusted leader in our sector. Building our business on clear principles and sound governance helps us maintain trust in the Nestlé brand and reduce risk throughout our value chain.

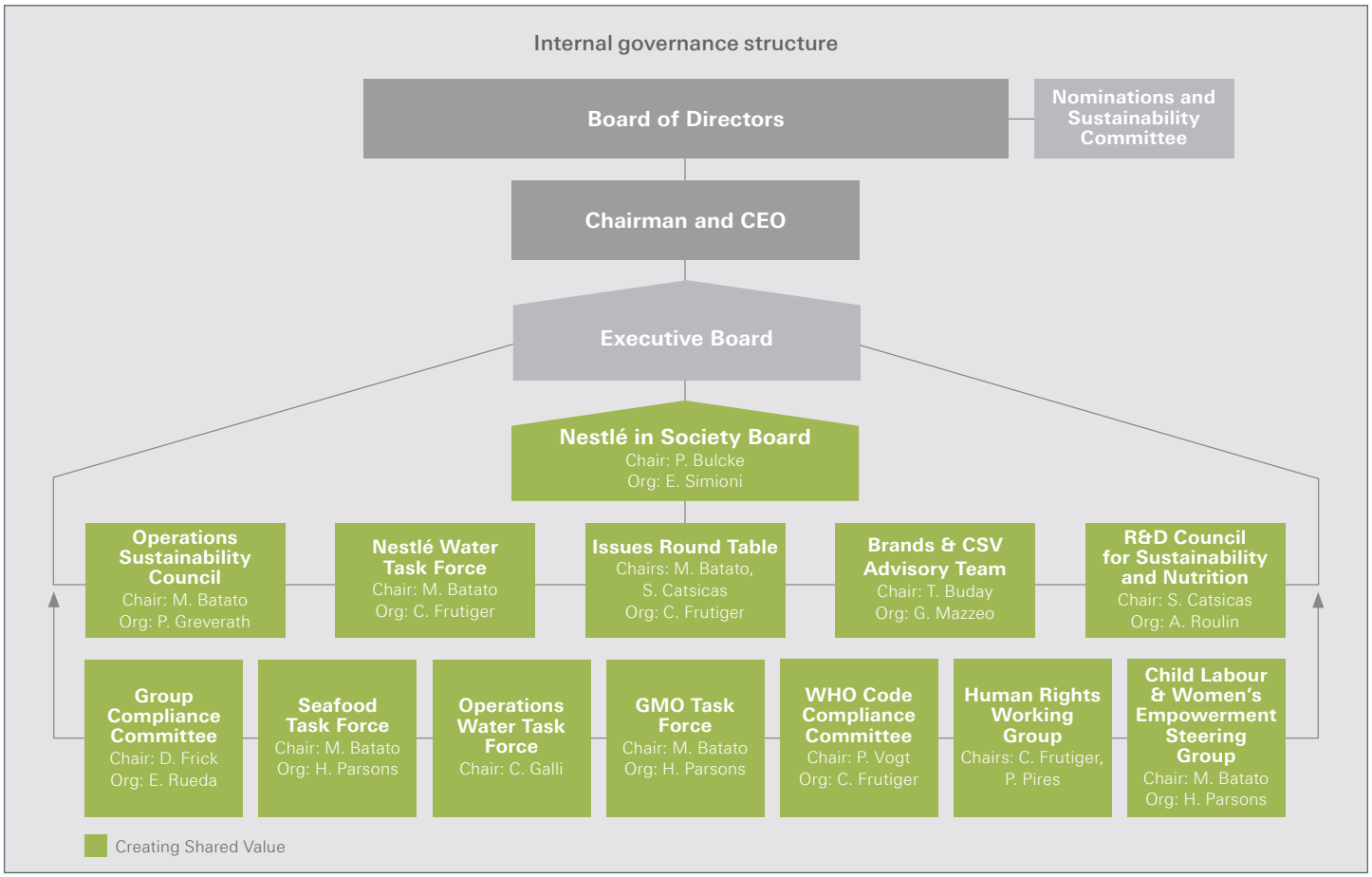
The Nestlé Corporate Business Principles

We regulate the way we operate using the Nestlé *Corporate Business Principles*, which form the basis of our culture, our values and our Creating Shared Value strategy. Available in more than 50 languages, all employees must comply with them through the ongoing implementation of relevant business codes, policies, processes and tools. We monitor their application and effectiveness through various channels, including our CARE audits, and have a formal public commitment to provide employees with training on the principles.

Our Corporate Business Principles are reviewed by our Executive Board and aligned with international best practice and standards such as the UN Global Compact (UNGC) Principles.

Our internal governance structure

The Board of Directors, the Chairman, CEO and Executive Board are responsible for the supervision and management of our role in society, and for the Creating Shared Value strategy. They are supported by internal management bodies such as the Nestlé in Society Board (see below), as well as the Operations Sustainability Council, Issues Round Table, R&D Council for Sustainability and Nutrition, and the Group Compliance Committee.



The Nestlé in Society Board

The Nestlé in Society Board is chaired by our CEO. It leads the strategic development and implementation of Creating Shared Value across our business, including for all societal commitments, objectives and strategies, and reverts to the Executive Board for input and confirmation.

G4-34, G4-35, G4-36, G4-42, G4-49, G4-56, Procurement practices G4-DMA, Anti-competitive behavior G4-DMA

Read more about our governance and advisory structure in our Annual report and Corporate Governance Report.

Specifically, the Board works to:

- Ensure all activities and workstreams align with Nestlé's positioning in society;
- Assess and draw appropriate conclusions from societal developments affecting Nestlé; and
- Further strengthen our credentials in Creating Shared Value, environmental sustainability and compliance.

The Nestlé in Society Board currently comprises: Mark Schneider, Stefan Catsicas, Magdi Batato, Peter Vogt, Eugenio Simioni, Christian Frutiger, Hilary Parsons, Thomas Buday, Patrice Bula.

Nomination and Sustainability Committee

In 2016, we created a new Nomination and Sustainability Committee. This Committee prepares the succession planning of the Board and periodically reviews other measures which ensure our company's sustainability and how its long-term strategy relates to our ability to create shared value.

The Nomination and Sustainability Committee currently comprises: Peter Brabeck-Letmathe, Andreas Koopmann (chair), Steven G. Hoch, Ann M. Veneman.

External advisory groups

Beyond our inclusive governance structure, we also take a wider, more inclusive approach, with advice from external advisory groups, as outlined below.

The Nestlé Creating Shared Value Council

Chaired by Janet Voûte, the Nestlé CSV Council comprises 13 external members, whose expertise spans corporate social responsibility, strategy, sustainability, nutrition, water and rural development. The group advises Nestlé management on implementing Creating Shared Value and assesses our progress. Council members also participate in Nestlé's CSV Global Forum and form the judging panel for the Nestlé CSV Prize.

The external members of the council are:

Visit our website for biographical profiles of the members of the CSV Council and the Nestlé Nutrition Council.

- **Nancy Birdsall:** President of the Center for Global Development
- **Robert E. Black:** Chairman of the Department of International Health, Johns Hopkins University, Bloomberg School of Public Health
- **John Elkington:** co-founder of SustainAbility
- **José Lopez:** Executive Vice President, Chief Operations Officer, at Nestlé SA (retired September 2015)
- **Venkatesh Mannar:** former President of the Micronutrient Initiative (MI)
- **Ruth Khasaya Oniang'o:** formerly Professor of Food Science and Nutrition at Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya and adjunct Professor of Nutrition at Tufts University in the USA
- **Prabhu Pingali:** Professor and Director of the Tata-Cornell Agriculture and Nutrition initiative at Cornell University and Full Professor in Applied Economics
- **Michael E. Porter:** Bishop William Lawrence University Professor at the Harvard Business School
- **Robert L. Thompson:** Professor Emeritus of Agricultural Policy at the University of Illinois in Urbana-Champaign
- **Ajay Vashee:** President of the International Federation of Agricultural Producers (IFAP)
- **Ann M. Veneman:** Executive Director of the United Nations Children's Fund (UNICEF) until 2010
- **Janet Voûte:** Chairperson of the Creating Shared Value Council and a member of the Board of Bupa (the British United Provident Association) as well as Bamboo Finance
- **Alexander J.B. Zehnder:** Scientific Director of the Alberta Water Research Institute in Edmonton, Canada, founder and director of Triple Z Ltd, Visiting Professor at NTU, and Professor Emeritus of ETH Zurich

The Nestlé Nutrition Council

The Nestlé Nutrition Council, an independent advisory panel of leading international nutrition scientists, meets twice a year to advise our senior management team on nutrition challenges and their potential impact on our policies and strategy. It also challenges the reviews of our research programmes, and organises the annual Nestlé International Nutrition Symposium. The Council is chaired by Executive Vice President.

G4-26, G4-34, G4-35, G4-36, G4-42, G4-43, G4-49, Anti-competitive behavior G4-DMA

Business ethics

Business ethics remains one of our most material issues. Upholding ethical principles in our business and throughout our value chain is fundamental to the way we operate, and underpins consumer trust and our licence to operate. This includes our zero tolerance of fraud, bribery and corruption, our stringent efforts to ensure data privacy and our open disclosure of tax payments.

Compliance

Please see Human rights and compliance, our Corporate Governance Report and the GRI Index for further information on compliance.

We are confident that the structure and processes of our corporate compliance programme are robust and are being implemented effectively, overseen by a Group-level compliance committee and local committees in each market. We encourage all our stakeholders to respect and comply with our ethical standards and codes, and to report any instances of non-compliance through our internal and external grievance mechanisms.

Anti-corruption

Bribery and corruption, wherever they occur, negatively impact on company performance and stakeholders' perceptions. Nestlé does not tolerate deception, bribery, breach of confidence and abuse of power of any kind, and we have made a public commitment to ensure a culture of integrity across the organisation.

Read more about anti-corruption.

However, we recognise that these activities can and occasionally do arise in some markets. We therefore aim to ensure that our policies and standards for combating bribery and corruption are clear, applicable for all employees and suppliers, and widely communicated and understood.

We clearly set out our position on these issues through our Code of Business Conduct. Operations in 28 countries strengthened their anti-corruption policies and procedures in 2016, while a further five markets identified the need and made substantial progress during the year.

Data privacy

Sustainable Development Goals

We identified the following goals where our work adds value:

The data protection regulatory landscape underwent great change in 2016, due to the adoption of the European General Data Protection Regulation (GDPR), a major reform designed to strengthen and unify data protection, and China's new Cybersecurity Law.

To meet the demands of the ever-changing regulatory landscape and new consumer expectations for data protection, Nestlé commenced a project to undertake a review of its personal data processing and related procedures. The purpose of the project is twofold:

- To ensure necessary changes are made to Nestlé's current practices to meet requirements under the GDPR when it comes into effect in 2018; and
- To have a consistent, simplified and standardised approach to the handling of personal data across the Nestlé Group.

Two key features of the compliance project are a new Data Privacy Standard, which will reinforce Nestlé's data protection principles across the world, and a revised and strengthened data protection organisation. This comprises data privacy officers and champions to support the implementation of Nestlé's data protection strategy.

Taxation

Read more about fair taxation.
Read more about data privacy.

We view the tax we pay as a compliance issue as well as an integral part of Creating Shared Value in the countries where we operate. We pay taxes in accordance with local laws, and believe it is good practice to disclose information about our contributions.

Charitable contributions

Creating Shared Value is an integral part of our business strategy, and key achievements from each CSV focus area described in this report. In addition, in 2016, Nestlé provided a total of CHF 75 million in charitable contributions and other non-commercial economic support (in monetary or product form), assisting many communities at the local level; for example, with cultural and academic activities, during natural disasters, and through the donations of finished goods, etc. This amount includes the approximately CHF 11 million global spend on the Nestlé Healthy Kids Programme.

G4-42, Anti-competitive behavior G4-DMA

Public policy and advocacy

Companies are playing an increasingly active role in society, and are often consulted in the process of developing policies and regulations. Today, businesses such as Nestlé are expected to participate in such activities.

Providing our expertise to inform decision-making, in a collaborative environment with governments, authorities and other relevant bodies, is an important responsibility. We have procedures in place that ensure engagement is conducted professionally and to high standards. Our policies, documents and reports are publicly available online, as are our positions on key issues (see Ask Nestlé).

Committed to transparency

Transparency and good faith underpins our engagement process, providing the basis for deeper dialogue, and, in turn, building knowledge and creating deeper understanding. We outline our expectations with employees through the Nestlé Policy on transparent interaction with authorities and organisations. We provide guidance to country-level Nestlé staff and we are preparing a global guideline for the end of 2017.

In Europe, we are listed in the European Union Transparency Register, which provides information about who is engaging with decision-makers, and follow its code of conduct; in the United States, we file quarterly public reports outlining our engagement activities with the US Congress.

We also maintain two websites that enable stakeholders to raise their concerns directly with us:

- 'Ask Nestlé', which is open to receive comments, questions or complaints from the general public; and
- 'Tell us', an online external grievance system.

Nestlé's industry affairs guidelines

Due to the size and diversity of our business, and global presence of our operations, we are involved with many industry organisations and trade associations at all levels across our regions. Nestlé's membership of these organisations requires subject matter expertise, committed resources, and strategic coordination and alignment across our business.

Our internal guidelines help markets manage these elements and lead industry agendas, in alignment with our corporate strategy. They provide a strategic and structured approach to industry affairs and specific recommendations for employees, guiding them in:

- Understanding the industry landscape and the role of Nestlé, as an industry leader in these organisations;
- Identifying and setting priorities, and selecting the relevant industry and trade organisations to deliver desired industry and societal outcomes; and
- Developing rules of engagement with industry and trade organisations, and promoting good governance.

Public policy G4-DMA

Materiality

To ensure we prioritise the most important issues for our stakeholders and our business, we conduct a formal materiality analysis every two years. We have shared the methodology and findings of our latest assessment below.

The materiality process

To identify the issues that matter most to our business and our stakeholders, and to better support our reporting and strategic decision-making, we work with SustainAbility, an independent consultancy and think tank specialising in corporate sustainability, using a formal materiality process. After extensive consultation, environmental, social and governance (ESG) issues of concern are identified and evaluated to determine associated risks and opportunities for Nestlé's reputation, revenues and costs.

In 2016, SustainAbility refreshed the materiality analysis, last undertaken in 2014, through four phases of work:

- **Issue identification:** SustainAbility reviewed the list of Nestlé's material issues and sub-issues. They interviewed subject matter experts from across the business to identify emerging issues, considered the feedback received from stakeholders through stakeholder convenings, reviewed the issues managed by peers, explored global trends and reviewed global standards and commitments including the UN Sustainable Development Goals (SDGs).
- **Assess business impact:** SustainAbility assessed the potential impact of issues on Nestlé revenue, costs and reputation. The assessment was informed by a survey of global Nestlé executives, and included input from the Enterprise Risk Management System.
- **Assess stakeholder interest:** SustainAbility evaluated the level of interest of Nestlé stakeholders (including key stakeholders, opinion leaders and investors) in the issues. The assessment was informed by the results of Nestlé stakeholder convenings, independently commissioned key opinion leader research and investor engagement.
- **Review and validation:** the results were plotted issues onto a draft materiality matrix, which was reviewed and validated by Nestlé experts.

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

These issues should not be viewed in isolation; they are usually interconnected and sometimes improvements in one can lead to changes in another.

Nestlé materiality matrix 2016

G4-2, G4-18, G4-19, G4-20, G4-21, G4-23, G4-26, G4-45

The Nestlé value chain

Our material issues are considered and mapped with regard to where they may impact our value chain. In the chain, agriculture also includes smallholder farmers with whom we do not have direct relationships. Tier 1 refers to suppliers in direct commercial relationships with Nestlé.

Materiality Issue	Value Chain — Agriculture	Tier 1 suppliers	Nestlé	Retail/business channels	Consumers
Overnutrition and undernutrition					
Supporting optimal nutrition, health and wellness through the life course. Helping to address over-nutrition, under-nutrition, related micronutrient deficiencies, conditions such as overweight and obesity, and non-communicable or non-contagious diseases (NCDs) through portfolio transformation, product and service development and renovation, and popularly positioned products.	Major	Moderate	Major	Major	Major
• Maternal, infant and young child nutrition (MIYCN) • Micronutrient deficiencies • NCDs • Obesity • Overweight • Stunting • Underweight					
Food and nutrition security					
Contributing to the availability of and affordable access to sufficient, safe, nutritious food.	Major	Significant	Major	Significant	Major
• Affordability					
Responsible marketing and influence					
Marketing in ways that are appropriate to consumer audiences and shaping consumer behaviour to promote better health and environmental outcomes.	Moderate	Moderate	Major	Major	Major
• Foster environmentally friendly behaviours • Foster healthy behaviours • Infant formula marketing • Product labelling • Responsible marketing to children					
Food and product safety					
Ensuring a high quality product and preventing health risks arising from use, consumption, handling, preparation and storage throughout the value chain.	Major	Major	Major	Major	Major
• Additives, preservatives, artificial ingredients • Chemical safety • Food safety • Product authenticity					
Rural development and poverty alleviation					
Directly and indirectly promoting stable economic activity and improving livelihoods of agricultural farmers and workers in the supply chain to promote sustainable agricultural communities and alleviate poverty.	Major	Significant	Major	Moderate	Significant
• Land tenure security • Rural living wage					

KEY: Moderate Significant Major

G4-2, G4-18, G4-19, G4-20, G4-21, G4-23, G4-45

Materiality Issue	Value Chain KEY: ○ Moderate ● Significant ● Major				
	Agriculture	Tier 1 suppliers	Nestlé	Retail/business channels	Consumers
Responsible sourcing and traceability					
Ensuring that key ingredients have been grown and processed responsibly and can be traced back to origin where possible.	●	●	●	○	○
Animal welfare					
Safeguarding the well-being of animals in the supply chain and promoting animal health and wellness. • Animal testing • Antimicrobial resistance	●	●	○	○	○
Women's empowerment[1]					
Empowering women to participate fully in society and the economy across the value chain. • Women farmers	○	○	●	○	○
Water stewardship					
Implementing the actions, individually and/or collectively, needed for the sustainable management of shared water resources. • Bottled water • Water quality • Water security • Water use	●	○	●	○	○
Water, sanitation and hygiene					
Improving access to safe water and sanitation, and appropriate facilities to ensure personal hygiene, across our value chain.	●	○	●	○	●
Resource efficiency, (food) waste and the circular economy					
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. • Circular and bio-economy • Energy consumption • Food loss and waste • Land use • Littering • Manufacturing environmental impacts • Marine plastic debris • Packaging • Transport and distribution	●	○	●	●	●
Climate change					
Reducing GHG emissions and contributing to the mitigation of, and adaptation to, the effects of climate change. • Climate change adaptation • Climate change mitigation • Advocacy on climate policy	●	○	●	●	○

1 These issues have sub-issues that are shared across Rural development and Our people.

G4-2, G4-18, G4-19, G4-20, G4-21, G4-23, G4-45, G4-EN30

Materiality Issue	Value Chain — Agriculture	Tier 1 suppliers	Nestlé	Retail/business channels	Consumers
Natural resource stewardship					
Identifying and preserving natural resources and ecosystem services. • Biodiversity • Deforestation • Soil fertility	Major	Major	Significant	Moderate	Moderate
Business ethics					
Upholding ethical principles in the business and workplace. • Data privacy and protection • Executive compensation • Fair taxation • Governance and transparency • Fraud, bribery and corruption	Significant	Significant	Major	Significant	Major
Human rights					
Respecting human rights in our business activities, operations and supply chains. • Child labour • Labour rights in our operations* • Forced labour in the upstream supply chain * Issue is covered in the chapter on Our people	Major	Major	Major	Significant	Significant
Employee safety, health and wellness					
Targeting zero accidents in the workplace, promoting safe and healthy employee behaviours, and helping employees make more informed decisions to achieve and maintain a healthy lifestyle.	Major	Major	Major	Moderate	Moderate
Women's empowerment[1]					
Empowering women to participate fully in society and the economy across the value chain, in the workplace, marketplace, and community. • Women farmers	Major	Significant	Major	Moderate	Significant
Fair employment and youth employability					
Developing Nestlé's human capital, including maintaining positive relations with employees, promoting positive working conditions and youth employment. • Employee benefits, remuneration, attraction, retention • Employee diversity • Employee engagement • Employee training and learning • Job creation and youth employment	Moderate	Moderate	Major	Moderate	Moderate

KEY: Moderate Significant Major

1 These issues have sub-issues that are shared across Rural development and Our people.

G4-2, G4-18, G4-19, G4-20, G4-21, G4-23, G4-45

Visit our website for more information on our material issues across our value chain.

Using the findings

We use the materiality assessment findings to refine our corporate commitments, identify areas for improvement and select the information contained in this report so that it responds to stakeholder needs and expectations.

Materiality and the Sustainable Development Goals

Nestlé welcomes the opportunity to continue contributing to the global agenda, first through the UN Millennium Development Goals (MDGs) and now the Sustainable Development Goals (SDGs). With SustainAbility, we also undertook a mapping exercise to show the alignment between our material issues and the SDGs. This exercise helps us draw insights into where our activities are best placed and most able to contribute, both directly and indirectly, towards meeting the aims of the goals.

	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE AND JUSTICE STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Food & Nutrition Security	●	●	●		●					●			●	●	●		●
Over- & Under-Nutrition		●	●		●					●		●					●
Responsible Marketing and Influence			●	●								●	●				●
Food & Product safety			●														●
Animal Welfare			●														●
Rural Development & Poverty Alleviation	●	●		●	●	●		●	●	●						●	●
Responsible Sourcing and Traceability												●		●	●		●
Women's Empowerment	●	●	●		●			●		●							●
Water Stewardship						●						●		●			●
Water, Sanitation & Hygiene	●	●	●			●								●			●
Natural Resource Stewardship		●				●						●	●	●	●		●
Climate Change		●				●	●		●			●	●		●		●
Resource Efficiency, (Food) Waste & the Circular Economy		●					●		●		●	●	●	●	●		●
Business Ethics								●								●	●
Human Rights	●				●			●		●						●	●
Fair Employment and Youth Employability	●			●	●			●		●						●	●
Employee Safety, Health & Wellness			●			●		●									●

● Indicates where Nestlé activities under a material issue have an impact (direct or indirect) on achieving the SDGs. Does not indicate scale of Nestlé's contribution.

G4-2, G4-18, G4-19, G4-20, G4-21, G4-23, G4-45

Responding to stakeholders

Engaging stakeholders on Creating Shared Value issues and tackling them together lies at the heart of how we do business. We seek the advice of the best experts and advocates to develop and improve our corporate policies and commitments, strengthen our business and target our societal investments.

Our approach

Visit our website for more information about our stakeholder engagement.

Our global stakeholder network ranges from people we engage with regularly through our operations to those in public positions who influence our activities. They range from employees, consumers, suppliers and communities to governments, NGOs, shareholders, industry and trade associations, and academia.

Our annual programme of stakeholder convenings and CSV Forum events provides opportunities to intensify that dialogue, building on our understanding of critical societal issues. The interaction develops the capability of our people, facilitates collective action, and promotes trust and mutual respect. Outcomes from such dialogue are fed back to senior management through the Nestlé in Society Board.

Stakeholder convenings

Nestlé stakeholder convenings are hosted and organised by external experts to ensure we receive independent opinions and feedback. These events address issues that are specific to our value chain and highlight where Nestlé can create shared value.

On 30–31 March 2016, representatives of NGOs, academia, government and international organisations attended our stakeholder convening in Geneva, Switzerland. With 64 stakeholders, Nestlé CEO Paul Bulcke and 18 other Nestlé staff in attendance, the event invited delegates to share their perspectives of Nestlé's CSV commitments and performance, and sought to explore Nestlé's role in stimulating collective action to support the UN's Sustainable Development Goals.

Stakeholder recommendations

Participants at the 2016 convening in Geneva made a number of recommendations; key issues are outlined below, along with our responses. Feedback is also considered when assessing the material issues of our business.

Recommendations	Our response
Ensure portfolio coherence: The importance of coherence between Nestlé's portfolio, programmes and the positions it is taking on nutrition and health was emphasised by participants. The consistency of the nutrition profile of products in different jurisdictions was also identified as important.	We have reframed and strengthened our nutrition commitments.
Move beyond breast-milk substitute (BMS) legacy: Participants recommended Nestlé move beyond legacy BMS issues by demonstrating leadership in practices and driving industry-wide improvements in standards. Taking an industry leadership position is seen by stakeholders as a prerequisite for a credible and successful execution of nutrition strategies.	A strengthened BMS commitment has been introduced to address the legacy issue.
Engage investors to enhance value from CSV: Growing investor interest in the long-term value created by CSV was noted. Demonstrating the financial value CSV is creating will strengthen Nestlé's capacity to act. Participants highlighted opportunities to engage investors to help raise industry-wide standards.	Our 2016 reporting aims to actively engage investors in why CSV is important.
Describe a long-term vision to guide short-term action: Describing a long-term vision, linked to the SDGs, will inform the scale and focus of current CSV activities of Nestlé and its partners.	We rearticulated our corporate purpose with strengthened commitments and 2030 ambitions.
Explore the linkages and opportunities across the SDGs: Seek opportunities to act across the SDGs, particularly where there are linkages between the SDGs and Nestlé's commitments (such as the link between Nestlé's efforts to support nutrition, health and wellness and SDG 12 on responsible consumption).	Our public commitments were reviewed against the SDGs and our ambitions were articulated.

G4-18, G4-24, G4-25, G4-26, G4-27, G4-37

Recommendations	Our response
Connect thinking on nutrition, the environment and social issues: Participants recommended Nestlé consider the interconnectedness of nutrition, environmental outcomes and social issues in its portfolio and business decisions.	We take a holistic approach to all decisions concerning our business operations, activities, products and services. In 2016, we piloted the Natural Capital Protocol [link to ES>Preserving natural capital], to gain a better understanding of our dependence on nature for key brands such as *Nespresso*.
Raise the ambition on water: Participants recommended Nestlé take a more innovative approach to water, focused on opportunities including setting targets to increase access and responsible sourcing. Participants highlighted challenges around bottled water and recommended extending the Water Plan to give equal focus to Nestlé Waters, the agriculture supply chain and operations.	We are in the process of developing the Nestlé Water Plan, which strengthens our approach to water.
Simplify approach and increase transparency: Participants saw opportunities to simplify the CSV approach, but stressed the value in maintaining the high level of transparency and disclosure of data.	While maintaining the comprehensiveness of our reporting and the robustness of the data, we have sought to make our full CSV report more focused on material issues.
Women and equality: Participants highlighted that gender equality, within Nestlé's own operations and across the supply chain, underpins CSV performance as a cross-cutting issue and is critical to nutrition, health and rural development outcomes.	We strengthened our commitment to enhance gender balance in our workforce by including women across our supply chains.
Addressing environmental impacts from agriculture is urgent: Addressing the GHG emissions from animal agriculture was identified as a particular priority.	In addition to ongoing work with farming communities, we are creating a GHG footprint benchmark to improve the tracking of improvements with additional metrics.
Products that do no harm: Participants emphasised the growing consumer demand and need for products that provide healthy nutrition, while protecting the environment and avoiding social harm.	We have formulated three new long-term ambitions and strengthened our 42 commitments to individuals and families, communities, and the planet.

Creating Shared Value Global Forum 2016

The biennial Creating Shared Value Global Forum is a 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 addressing major socio-economic challenges in the context of limited natural resources and climate change.

The 2016 Creating Shared Value Global Forum was held in Abidjan, Côte d'Ivoire, on 21 June 2016. Under the theme of 'Investing in Sustainable Development in Africa', the forum brought together leaders from across business, civil society and government to discuss key topics affecting the continent. A number of ministers, including Daniel Kablan Duncan, the Prime Minister and Minister of Economy and Finance of the Republic of Côte d'Ivoire, were in attendance.

Visit our website for more information about the CSV Forum.

Acknowledged experts such as Kofi Annan, former Secretary-General of the United Nations, and Professor Michael Porter of Harvard Business School led panel discussions on a range of challenges. These explored building stronger economies and communities, health and nutrition security, increasing farmer resilience, and approaches to inclusive and sustainable economic growth.

Collaborations and partnerships

Visit our website for a summary of our key relationships and partnerships, and details of our public policy and advocacy efforts.

As a global company, Nestlé faces a wide range of complex challenges, from rising obesity to child labour and climate change. By pursuing collective action and building relationships with partners and like-minded stakeholders at all levels, including multilateral agencies, international organisations, governments, academia, NGOs and industry bodies, we enable our people to listen, learn and contribute more effectively and maximise what can be achieved.

We have established criteria that guide us in the selection process and ensure our partnerships generate added value. Nestlé only considers collaborations that are relevant to our commitments and that have the potential for positive impact at scale.

G4-18, G4-24, G4-25, G4-26, G4-27, G4-37

Our commitments

Four years ago, we published a series of commitments to hold ourselves publicly accountable for our performance. We continue to report on them every year, to show both our progress and where we still need to do more. During 2016, we conducted an extensive internal review of our commitments and, in line with our 2030 ambitions, we have introduced some new commitments to go further and deeper than previously. All commitments are directly aligned with our business.

Nutrition, health and wellness

- 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
- Address undernutrition through micronutrient fortification
- Simplify our ingredients list and remove artificial colours
- Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly
- Empower parents, caregivers and teachers to foster healthy behaviours in children
- Market to children only choices that help them achieve a nutritious diet
- Inspire people to choose water to lead healthier lives
- Leverage our marketing efforts to promote healthy cooking, eating and lifestyles
- Apply and explain nutrition information on packs, at point of sale and online
- Offer guidance on portions for our products
- Partner for promoting healthy food environments
- 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

Rural development

- Roll out of 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
- Roll out the *Nestlé Cocoa Plan* with cocoa farmers
- Continuously improve our green coffee supply chain

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

- Provide climate change leadership
- Promote transparency and proactive, long-term engagement in climate policy
- Reduce food loss and waste
- 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

Indicates commitments aimed at infants and children

G4-2

Human rights and compliance

- 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
- Provide effective grievance mechanisms to employees and stakeholders

Our people

- Enhance gender balance in our workforce and empower women across the entire value chain
- Roll out the *Global Youth Initiative* across all our operations
- Provide training on *Corporate Business Principles*, Nutrition and Environmental Sustainability
- Ensure that all Nestlé employees are covered by a certified safety and health management system
- Advocate for healthy workplaces and healthier employees

Our commitments and the Sustainable Development Goals

In addition to the materiality mapping we have also reviewed the alignment between the SDGs and our 42 commitments.

UN Sustainable Development Goal	Nestlé commitment
1 NO POVERTY	Roll out of rural development baseline assessments to understand the needs of farmers Improve farm economics among the farmers who supply us Improve workers' livelihoods and protect children in our agricultural supply chain
2 ZERO HUNGER	Address undernutrition through micronutrient fortification Roll out of rural development baseline assessments to understand the needs of farmers Improve food availability and dietary diversity among the farmers who supply us Implement responsible sourcing in our supply chain and promote animal welfare Preserve natural capital, including forests
3 GOOD HEALTH AND WELL-BEING	Launch more nutritious foods and beverages, especially for mothers-to-be, new mothers and children Increase vegetables, fibre-rich grains, pulses, nuts and seeds in our foods and beverages Address undernutrition through micronutrient fortification Further decrease sugars, sodium and saturated fat Simplify our ingredient lists and remove artificial colours Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly Empower parents, caregivers and teachers to foster healthy behaviours in children Market to children only choices that help them achieve a nutritious diet Inspire people to choose water to lead healthier lives Leverage our marketing efforts to promote healthy cooking, eating and lifestyles Apply and explain nutrition information on packs, at point of sale and online Offer guidance on portions for our products Partner for promoting healthy food environments 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 Improve food availability and dietary diversity among the farmers who supply us Advocate for healthy workplaces and healthier employees

Indicates commitments aimed at infants and children

G4-2

UN Sustainable Development Goal	Nestlé commitment
4 QUALITY EDUCATION	Roll out of rural development baseline assessments to understand the needs of farmers Roll out the *Nestlé Cocoa Plan* with cocoa farmers Engage with suppliers, especially those in agriculture Continuously improve our green coffee supply chain
5 GENDER EQUALITY	Enhance gender balance in our workforce and empower women across the entire value chain Roll out of rural development baseline assessments to understand the needs of farmers
6 CLEAN WATER AND SANITATION	Roll out of rural development baseline assessments to understand the needs of farmers 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
7 AFFORDABLE AND CLEAN ENERGY	Reduce food loss and waste Improve the environmental performance of our packaging Assess and optimise the environmental impact of our products
8 DECENT WORK AND ECONOMIC GROWTH	Roll out of rural development baseline assessments to understand the needs of farmers Improve farm economics among the farmers who supply us Improve workers' livelihoods and protect children in our agricultural supply chain Provide effective grievance mechanisms to employees and stakeholders Enhance a culture of integrity across the organisation Roll out the *Global Youth Initiative* across all our operations Ensure that all Nestlé employees are covered by a certified safety and health management system
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Work to achieve water efficiency and sustainability across our operations Treat the water we discharge effectively Reduce food loss and waste Assess and optimise the environmental impact of our products
10 REDUCED INEQUALITIES	Improve workers' livelihoods and protect children in our agricultural supply chain Enhance gender balance in our workforce and empower women across the entire value chain Roll out the *Global Youth Initiative* across all our operations
11 SUSTAINABLE CITIES AND COMMUNITIES	Empower parents, caregivers and teachers to foster healthy behaviours in children Inspire people to choose water to lead healthier lives Reduce food loss and waste Improve the environmental performance of our packaging Assess and optimise the environmental impact of our products Roll out the *Global Youth Initiative* across all our operations

Indicates commitments aimed at infants and children

UN Sustainable Development Goal	Nestlé commitment
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Roll out of rural development baseline assessments to understand the needs of farmers Work to achieve water efficiency and sustainability across our operations Treat the water we discharge effectively Reduce food loss and waste 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 Provide training on *Corporate Business Principles*, Nutrition and Environmental Sustainability
13 CLIMATE ACTION	Roll out of rural development baseline assessments to understand the needs of farmers Engage with suppliers, especially those in agriculture Provide climate change leadership Promote transparency and proactive long-term engagement in climate policy Preserve natural capital, including forests
14 LIFE BELOW WATER	Implement responsible sourcing in our supply chain and promote animal welfare Treat the water we discharge effectively
15 LIFE ON LAND	Roll out of rural development baseline assessments to understand the needs of farmers Implement responsible sourcing in our supply chain and promote animal welfare Engage with suppliers, especially those in agriculture Preserve natural capital, including forests
16 PEACE AND JUSTICE STRONG INSTITUTIONS	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
17 PARTNERSHIPS FOR THE GOALS	Roll out of rural development baseline assessments to understand the needs of farmers Provide meaningful and accurate environmental information and dialogue

Our work with the United Nations Global Compact

The United Nations Global Compact (UNGC) is a strategic policy initiative for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Nestlé's own *Corporate Business Principles* incorporate the 10 UNGC Principles and we reflect the basic concepts of fairness, honesty and respect for people and the environment in our business actions. We have also contributed to the UNGC's Blueprint for Corporate Sustainability Leadership, a document designed to improve corporate sustainability performance.

UNGC LEAD

Nestlé is one of more than 50 companies that make up the UNGC's leadership platform LEAD. As a member of this group, and the LEAD Steering Committee, we work towards advancing the integration of sustainability principles into core business operations and aligning corporate goal-setting with global development priorities. We also help to establish work plans and assist with coordination, while taking an active part in a number of LEAD task forces and UNGC-led initiatives.

Visit our website for more information on how we support the United Nations Global Compact.

Our key performance indicators

Nestlé's key performance indicators (KPIs) provide a focus for measuring and reporting CSV, sustainability and compliance. The performance summary below forms part of our communication on progress for the United Nations Global Compact Principles. Unless otherwise stated, performance indicators are for the calendar year ending 31 December 2016.

To provide transparency for our stakeholders, the correlation between our KPIs, our commitments and Global Reporting Initiative (GRI) indicators are indicated in the table below.

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 our material issues.

These issues are identified through our stakeholder engagement process and shape our public commitments.

Nestlé in society: Creating Shared Value key performance indicators	GRI	2015	2016	Page
Economic				
Total Group sales (CHF million) [a]	G4-EC1	88785	**89469**	n/a
Net profit (CHF million) [b]	G4-EC1	9066	**8531**	n/a
Nutrition, health and wellness				
Products meeting or exceeding Nestlé Nutritional Foundation profiling criteria (as % of total sales) [c]	G4-EC1	81.6	**83.7**	36, 37, 38, 39
Renovated products for nutrition or health considerations [d]	G4-FP7	8041	**8856**	36, 37, 38, 39, 41, 44
Products with increase in nutritious ingredients or essential nutrients [d]	G4-FP7	4643	**4095**	41
Products with reduction of sodium, sugars, *trans* fats, total fat, calories or artificial colourings [d]	G4-FP6	5471	**5777**	37, 38, 39
Products analysed and improved or confirmed via 60/40+ programme (sales, CHF million) [e]	G4-PR1	33657	**34426**	37, 38, 39
Products containing Branded Active Benefits (sales, CHF million)	G4-FP7	6193	**6174**	41
Products featuring *Nestlé Nutritional Compass*® labelling (% of sales worldwide) [f]	G4-PR3	92.8	**96.4**	49
Products with Guideline Daily Amounts (GDA) labelling on front of pack (% of sales) [g]	G4-PR3	89.2	**92.3**	50
Products with specific *Portion Guidance* (sales, CHF million)	G4-PR3	35562	**45333**	51
Popularly Positioned Product SKUs	G4-EC1	4845	**4845**	43
Popularly Positioned Products (sales, CHF million)	G4-EC1	11599	**12341**	36
Nestlé television advertising to children under 12 in compliance with policies on responsible marketing (%)	G4-PR7	97	**98.7**	55
Contraventions to the *Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes* [h]	G4-PR7	36	**19**	53
Infant formula marketing staff in higher-risk countries trained on the WHO Code (% of staff) [i]	G4-PR6	100	**100**	53
Rural development				
Farmers trained through capacity-building programmes		400000	**363000**	75, 85, 86
Markets covered by *Sustainable Agriculture Initiative Nestlé* (SAIN) programmes		52	**53**	81
Direct procurement markets covered by SAIN programmes (%)		97	**97**	81
Percentage of purchased volume fully compliant with the *Nestlé Supplier Code* [n]	G4-FP1	82	**61**	83

G4-9, G4-10, G4-17, G4-32, G4-EC8

Nestlé in society: Creating Shared Value key performance indicators	GRI	2015	2016	Page
Water [j]				
Total water withdrawal (million m^3)	G4-EN8	141	**138**	100
Total water withdrawal (m^3 per tonne of product)	G4-EN8	2.57	**2.5**	100
Environmental sustainability				
Production volume				
Total production volume (million tonnes)		54.6	**55.8**	n/a
Materials				
Raw materials used (million tonnes)	G4-EN1	24.7	**24.9**	n/a
Materials for packaging purposes (million tonnes)	G4-EN1	5.3	**5.0**	125
Packaging source optimisation (kilotonnes saved)		58.2	**22.5**	125
Energy				
Total on-site energy consumption (petajoules)		93.8	**92.9**	124
Total on-site energy consumption (gigajoules per tonne of product)		1.72	**1.67**	124
Total on-site energy consumption from renewable sources (% total)	G4-EN3	15.4	**16.9**	n/a
Total direct energy consumption (petajoules)	G4-EN3	63.8	**63.2**	124
Total direct energy consumption from renewable sources (% total direct)	G4-EN3	11.8	**12.1**	n/a
Total indirect energy consumption (petajoules)	G4-EN4	80.9	**78.4**	124
Biodiversity				
Total size of manufacturing sites located in protected areas (hectares)	G4-EN11	18.8	**18.8**	130
Emissions, effluent and waste				
Direct GHG emissions (million tonnes CO_2eq)	G4-EN15	3.7	**3.6**	115
Direct GHG emissions (kg CO_2eq per tonne of product)	G4-EN15	69	**65**	115
Indirect GHG emissions (million tonnes CO_2eq)	G4-EN16	3.7	**3.5**	115
Indirect GHG emissions (kg CO_2eq per tonne of product)	G4-EN16	68	**62**	115
Total water discharge (million m^3)	G4-EN22	80.5	**78.1**	103
Total water discharge (m^3 per tonne of product)	G4-EN22	1.47	**1.4**	103
Average quality of water discharged (mg COD/l)	G4-EN22	70.9	**72**	103
By-products (kg per tonne of product)	G4-EN23	29.3	**29.7**	124
Waste for disposal (kg per tonne of product)	G4-EN23	3	**1.9**	124
Environmental sustainability governance				
Manufacturing sites certified against ISO 14001 (% of total manufacturing sites)		92	**94**	n/a
Human rights and compliance				
Total number of significant product recalls or incidents of non-compliance	G4-PR2	6	**10**	46
Number of human rights impact assessments completed	G4-HR9	2	**1**	137
Number of employees trained on human rights		11 242	**10 967**	137

G4-9, G4-10, G4-17, G4-32, G4-EC8

Nestlé in society: Creating Shared Value key performance indicators	GRI	2015	2016	Page
Our people				
Total workforce (number of employees) [a]		335 213	**328 221**	n/a
Total rate of new employee hires (%) [k]	G4-LA1	11.1	**11.1**	n/a
Total rate of employee turnover (%) [k]	G4-LA1	12.5	**12.4**	n/a
CARE gaps identified related to Business Integrity and HR [l]		12	**7**	148
Of which: Minor		12	**7**	148
Major		0	**0**	148
Critical		0	**0**	148
Lost-time injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) [j]	G4-LA6	2.05	**1.93**	164
Total recordable injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) [j]	G4-LA6	3.42	**3.13**	164
Total number of fatalities (employees, on-site contractors and on-site members of public) [j]	G4-LA6	10	**4**	167
Average hours of training per year per employee per category [m]	G4-LA9	31.6	**38.8**	169
Leadership positions held by women (%) [k]	G4-LA12	34.0	**35.4**	157
Local Management Committee members native to country in developing countries (%) [k]	G4-EC6	63.3	**73.3**	n/a

(a) Does not include joint ventures.

(b) Includes Nestlé's share in net result of joint ventures.

(c) Total Nestlé (F&B except CPW, NHSc, Pharma, *Nespresso*, Businesses not in GLOBE reporting). % of products meeting NNPS criteria over total products being assessed.

(d) Based on reports of 78% of factories. Products can have 'less of' one ingredient and 'more of' another at the same time.

(e) 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.

(f) PetCare, Gerber Life, Nestlé Health Care Nutrition, Wyeth Nutrition, other Nestlé Health Science businesses and non Nestlé branded products in Nestlé Waters are out of scope.

(g) Includes all F&B + Nestlé Waters except plain water. It excludes joint ventures, Nestlé Nutrition, Wyeth, Nestlé Health Science, specific category / country exemptions.

(h) Instances attributed to Nestlé 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 some verifications are still being assessed. Our Annual Reports on compliance can be accessed on our corporate website.

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

(j) Includes joint ventures.

(k) Covers Nestlé employees registered in HR system (approximately 84% of all employees).

(l) 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.

(m) Training hours are based only on information recorded in the Learning Management System (LMS). The numbers will be higher if manually recorded training hours were considered (as was the case in 2015 when the LMS was just newly launched). Training hours per employee covers 100% of employees in the system.

(n) 2015 scope of tier 1 audits was direct materials only. In 2016, scope extended to include service and indirect materials with target of 50%.

Visit our website for more information on our performance.

G4-9, G4-10, G4-17, G4-32, G4-EC8

Nutrition, health and wellness

Enabling healthier and happier lives

Our 2030 ambition is to help 50 million children lead healthier lives. Nestlé is the world's largest food and beverage company, with the widest portfolio. We provide individuals and families with foods, beverages and services they can trust, including products for those requiring a life-supporting nutritional formula, appropriately packaged and priced products for consumers on low incomes, and premium products and services for those wanting an indulgent moment of pleasure. Inspired by our founder, Henri Nestlé, guided by our values and with nutrition at our core, we work alongside partners to offer individuals and families products, services and knowledge that enhance quality of life and contribute to a healthier future.

Offering tastier and healthier choices

Because we want to encourage healthy diets and address malnutrition in all its forms, from undernutrition to overnutrition.

Building, sharing and applying nutrition knowledge

Because through our nutrition knowledge and research findings, we can make a positive contribution to society and help address some of today's key public health and nutrition challenges.

83.7%
of all products met or exceeded Nestlé Nutritional Foundation (NF) criteria, representing an appropriate choice within a balanced diet

8%
reduction in sugar, a 10.5% reduction in sodium and a 6.5% reduction in saturated fats in products that currently do not meet our NF criteria

93%
of children's or teenagers' breakfast cereals have more whole grain in a serving than any other ingredient

CHF 1.7bn
invested in nutrition research and development

302 000
registered healthcare professionals reached through the Nestlé Nutrition Institute

92.3%
of relevant products have GDA-based labels

55m
people reached through Nestlé *Start Healthy Stay Healthy*

2nd
ranked among food and beverage manufacturers in the 2016 Access to Nutrition Index (ATNI)™

8.3m
children in 84 countries reached through the Nestlé Healthy Kids Global Programme promoting healthy diets and lifestyles

5th
consecutive year listed in the FTSE4Good Responsible Investment Index for the responsible marketing of breast-milk substitute (BMS)

Inspiring people to lead healthier lives

Because by giving individuals and families the best start in life and supporting them through all stages of life, we are nurturing a healthy generation.

Contributing to the Sustainable Development Goals (SDGs)

Nestlé supports the SDGs. These SDGs in particular are relevant to our work on nutrition, health and wellness:

- SDG 1: No poverty
- SDG 2: Zero hunger
- SDG 3: Good health and wellbeing
- SDG 4: Quality education
- SDG 5: Gender equality
- SDG 10: Reduced inequalities
- SDG 12: Responsible consumption and production
- SDG 13: Climate action
- SDG 14: Life below water
- SDG 15: Life on land
- SDG 17: Partnerships for the goals

32 Our nutrition, health and wellness strategy
35 Offering tastier and healthier choices
64 Building, sharing and applying nutrition knowledge

"At Nestlé, we have a conviction that there is no such thing as the global consumer. We treat each consumer as an individual, with individual needs and preferences, and the future will depend on our ability to personalise our offer."

Peter Brabeck-Letmathe,
Chairman, Nestlé

Investor benefits

Products with a nutrition, health and wellness dimension perform better. This has been demonstrated in a recent analysis, which compared products that are above average in terms of meeting our 60/40+ taste preference and Nutritional Foundation (NF) criteria with those that are below average. Our health and wellness work helps us stay ahead of regulations, the non-compliance of which could result in major costs. The market for healthier foods and beverages is growing. There is a demonstrated opportunity for increased revenue through sales of such products.

Our nutrition, health and wellness strategy

We want to be a trusted leader with deep respect for individuals and families, helping them reach and maintain optimal nutrition, hydration and health both today and throughout their lives.

Our industry-leading research and development (R&D) drives innovation and supports the ongoing renovation of our foods and beverages to ensure we provide nutritious and delicious options. We inspire people to live healthy, active lives through global education programmes, awareness campaigns, clear nutritional advice and guidance on portions. And our researchers explore the adequacy of current diets and the role of nutritional therapies, so that we can help this generation and the next experience better health throughout their lives.

By sharing our insights on global health and nutrition challenges, and engaging with policy-makers, stakeholders and key opinion leaders, we foster a dynamic exchange of ideas and solutions that could positively impact millions of individuals and families.

For individuals and families: Enabling healthier and happier lives

Food: we need it to survive. But it also presents one of the largest public health challenges ever. On the one hand, obesity is on the rise in both adults and children; at the same time, hunger and inadequate nutrition pose a serious threat. We want to help individuals and their families make tastier and healthier choices – to live healthier lives. Driven by our company purpose to enhance quality of life and contribute to a healthier future we have defined an overarching ambition that will guide our work towards achieving our 2020 commitments and supporting the achievement of the SDGs. Our 2030 ambition is to help 50 million children lead healthier lives.

Offering tastier and healthier choices

People want their food to be both healthy and enjoyable. They want food and beverages that are both nutritious and delicious, made with ingredients that they easily recognise. By adding nutrients that support good health, and reducing others, like salt, we offer better choices. At every moment of the day, at every stage of life, Nestlé food and beverages deliver good nutrition without compromising on taste. We are working to ensure our products and services can always make a positive contribution to health and development.

Read more on our actions in this chapter.

Inspiring people to lead healthier lives

People want help, support and encouragement to stay healthy throughout their life. We can contribute by providing clear nutritional information and portion guidance. This means they can make more informed food choices. Easy to understand information, combined with advice and guidance can help people select the foods they need in their diet. Through our brands we help people, especially children, understand the importance of healthy eating and exercise by promoting activities and sports programmes. In this way we support people on the journey to better health.

Read more on our actions in this chapter.

Building, sharing and applying nutrition knowledge

Every year scientists learn more about the human body and the role food plays in overall health. We currently have the most advanced science and innovation network in the food industry, which gives us the ability to develop food and beverages at the cutting edge of nutrition science. Throughout our 150-year history, we have created new products and systems, new industries even. Now, as scientific advances allow us to develop nutritional solutions to help tackle illness, along with our partners in universities and public health, we continue our pioneering work.

Read more on our actions in the Our people chapter.

Healthy and affordable food G4-DMA, Product and service labeling G4-DMA, G4-PR3

Inclusive and accountable governance

To achieve our strategy, we have put robust governance and management systems, policies and standards in place. These are regularly reviewed and verified by independent organisations to provide transparency and accountability, and ensure they align with international and national regulations and guidelines, including the World Health Organization (WHO) Code of Marketing of Breast-milk Substitutes (the WHO Code).

Visit our website for more information about our governance structure, policies and management systems.

The Nestlé Nutrition Council, an independent advisory panel of leading nutrition scientists, also advises our senior management team on nutrition challenges and their potential impact on our policies and strategy.

External recognition

Our nutrition performance is independently audited and verified annually. We participate voluntarily in a number of third-party reporting initiatives, where the results and feedback are made public. Our leadership has been recognised in several rankings and indices:

Organisation	Progress
FTSE4Good Responsible Investment Index	We were the first breast-milk substitute (BMS) manufacturer to be included in the FTSE4Good Responsible Investment Index, and have maintained our inclusion for five years. In 2016, we achieved the highest score in two of the three Environmental, Social and Governance (ESG) themes.
2016 Access to Nutrition Index (ATNI)™	Nestlé ranked second out of 22 global food and beverage manufacturers in the 2016 Access to Nutrition Index (ATNI)™, and topped the sub-indexes of breast-milk marketing practices, general nutrition and undernutrition.
2016 Dow Jones Sustainability Index	With an overall score of 92 out of 100, we led our industry in all three dimensions (economic, environmental and social) of the 2016 Dow Jones Sustainability Index, a globally recognised independent benchmark that measures the performance of the world's largest 2500 companies.

Our material issues and commitments

Nestlé uses a formal materiality process to identify the most important issues for our stakeholders and our business. We communicate the results in a materiality matrix.

Out of our formal materiality process, four material issues – and a number of specific sub-issues – fall under the banner of respect for individuals and families that are rated as being of concern to our stakeholders and of strategic importance to our business: food and nutrition security; over- and undernutrition; food and product safety; and responsible marketing and influence.

These issues are critical to our business, and our stakeholders expect us to play a leading role in addressing them.

- **Food and nutrition security –** contributing to the availability of and affordable access to sufficient, safe, nutritious food.
  Sub-issue:
  - **Affordability**
- **Over- and undernutrition –** supporting optimal nutrition, health and wellness through the life course. Helping to address undernutrition, micronutrient deficiencies, overweight and obesity, and non-communicable diseases (NCDs) through portfolio transformation, product and service development and renovation, and popularly positioned products.
  Sub-issues:
  - **Maternal, infant and young child nutrition**
  - **Micronutrient deficiencies**
  - **NCDs**
  - **Obesity**
  - **Overweight**
  - **Stunting**
  - **Underweight**

Healthy and affordable food G4-DMA, Customer health and safety G4-DMA, Product and service labeling G4-DMA, G4-PR3, Marketing communications G4-DMA

- **Food and product safety** – ensuring a high-quality product and preventing health risks arising from use, consumption, handling, preparation and storage throughout the value chain.
  Sub-issues:
  - **Additives, preservatives, artificial ingredients**
  - **Chemical safety**
  - **Food safety**
  - **Product authenticity**
- **Responsible marketing and influence** – marketing in ways that are appropriate to specific audiences and shaping behaviour to promote healthful choices and better environmental outcomes.
  Sub-issues:
  - **Foster environmentally sensitive behaviours**
  - **Foster healthy behaviours**
  - **Infant formula marketing**
  - **Product labelling**
  - **Responsible marketing to children**

Visit our website for more information on our material issues across our value chain.

Our commitments

Our public commitments stem from our respect for individuals and families, communities and the planet. Having listened to the views of our stakeholders, we have refined our commitments in the area of nutrition, health and wellness to enable healthier and happier lives for individuals and families, with a strong focus on infants and children.

Put simply, we want to improve the lives of the individuals and families we serve. Where there are gaps, we want to fill them, and where there are obstacles to ensuring a health-promoting environment, we want to remove them.

Our commitments drive continuous improvement and allow stakeholders to hold us to account for delivering on our promises. Our commitments have been updated to provide greater clarity and transparency, allowing us to build on our efforts to date and what we have learned along the way.

To enable us to achieve our ambition, we have established a comprehensive series of commitments, including new 2020 objectives to push us forward, and a robust set of key performance indicators.

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
- Address undernutrition through micronutrient fortification
- Simplify our ingredient lists and remove artificial colours

Inspiring people to lead healthier lives

- Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly
- Empower parents, caregivers and teachers to foster healthy behaviours in children
- Market to children only choices that help them achieve a nutritious diet
- Inspire people to choose water to lead healthier lives
- Leverage our marketing efforts to promote healthy cooking, eating and lifestyles
- Apply and explain nutrition information on packs, at point of sale and online
- Offer guidance on portions for our products
- 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

Progress against our nutrition, health and wellness commitments is detailed in the following pages.

Our progress against our objectives is indicated throughout the report using the following icons:

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

Visit our website for more information on our commitment performance dashboard and GRI content index.

Indicates commitments aimed at infants and children

Healthy and affordable food G4-DMA, Product and service labeling G4-DMA, G4-PR3, Marketing communications G4-DMA

Offering tastier and healthier choices

Why offering tastier and healthier choices matters

Sustainable Development Goals

We identified the following goals where our work adds value:

Achieving nutritional balance remains a significant global challenge: millions of people lack access to the right nutrition, while millions more over-consume foods and beverages that are high in key nutrients of concern, such as sugar, salt and fat. Addressing all forms of malnutrition – undernutrition, micronutrient fortification, and overweight and obesity – as well as encouraging healthy diets, requires concerted collective action from governments, public health authorities, industry and civil society.

Of the two SDGs supported by our work on nutrition, health and wellness, SDG 2 calls on governments and companies to help end hunger and achieve food security for all, while SDG 3 seeks the improved access to nutrition to reduce the prevalence of NCDs such as diabetes, heart disease and some forms of cancer.

- **Millions of people still suffer from hunger.**
  Around 793 million people worldwide lack access to adequate food (Food and Agriculture Organization).
- **Chronic undernutrition persists among young children.**
  Around one in six children in developing countries is underweight due to poor nutrition, and 161 million children aged under five had stunted growth in 2016. South Asia and Africa bear the highest burden of stunting (ATNI™ Global Index 2016 report).
- **Essential micronutrients are commonly missing from the diets of infants, young children and women.**
  More than 2 billion people – over 30% of the world's population – suffer from deficiencies in essential vitamins and minerals such as iron, vitamin A, iodine and zinc. This can lead to mental impairment, poor health, low productivity and even death (WHO). Recent results from our own studies in five countries suggest that children aged 4–12 are also not consuming enough fibre from whole grains or vegetables, and lack calcium and vitamin D in their diets.
- **Malnutrition also affects the elderly and people with dietary intolerances.**
  Both the elderly and people living with a severe intolerance issue, such as coeliac patients, are susceptible to the insufficient intake of certain nutrients.
- **Malnutrition includes overweight and obesity.**
  The prevalence of obesity is increasing in both developed and developing countries. In 2014, more than 1.9 billion adults were overweight, of whom over 600 million were obese (WHO).
- **Overweight and obesity affects children too.**
  41 million children aged under five are considered to be overweight or obese (WHO).

To contribute to food and nutrition security, and tackle global public health issues, we focus our research activities on understanding consumer habits, and seek to deliver tastier, healthier choices compared to others on the market. We continually work to reduce the levels of salt, sugar and saturated fats in our foods and beverages, to add more vegetables, whole grains and fibre, and to fortify them with micronutrients where they are deficient in the local population.

Launching more nutritious foods and beverages

Our business is to nourish individuals and families. It is important that consumers have tasty, convenient options containing the nutrients they need, so that they can maintain a healthy diet. We also aim to address malnutrition in all its forms, from overweight and obesity to undernutrition.

Sustainable Development Goals

We identified the following goals where our work adds value:

Our commitment

Launch more nutritious foods and beverages, especially for mothers-to-be, new mothers and children

Our objective towards 2020

By 2020 – In both developed and developing countries, design and launch foods and beverages that address the daily nutritional needs and key nutritional gaps of infants, children up to age 12, new mothers and mothers-to-be.

Meeting taste and nutritional needs

We seek to continually improve our foods and beverages for children by assessing them all through the Nestlé Nutritional Profiling System (NNPS) criteria, and undertaking significant research when developing products for infants. Our consumer testing programme ensures a taste preference by at least 60% of consumers, while the NNPS guarantees our recipes make a positive nutritional contribution. Together, they form our 60/40+ programme.

Our work begins with the NNPS criteria, which we use to determine how our foods and beverages fit into a child's or adult's daily dietary intake. We consider nutrients such as added sugars, saturated fats, *trans* fats, salt and energy content, as well as ensuring the nutritional contributions from calcium, protein, fibre and whole grain sources.

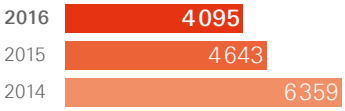
When all the criteria for a specific category are met, a product is considered to represent an appropriate choice in the context of a balanced diet, thereby achieving Nestlé Nutritional Foundation (NF) status. Around 88.5% of our total portfolio has been assessed through the NNPS, and 95% of our foods and beverages for children achieved NF status in 2016.

A recent peer-reviewed scientific study concluded that Nestlé has used the system successfully to produce more nutritious products, showcasing that the application of the NNPS between 2009–2010 and 2014–2015 was associated with an overall downwards trend for all nutrients to limit. Analyses for the United States and France demonstrated that sodium and total sugars contents were reduced by up to 22% and 31% respectively. Saturated fatty acids and total fat reductions were less homogeneous across categories, with children products having larger reductions. Energy per serving was reduced by less than 10% in most categories, while serving sizes remained unchanged. A follow-up publication showed that if the NNPS were adopted as the industry standard and pizza products in the US met the specific targets set by the NNPS, the amount of public health sensitive nutrients in the food category could be significantly reduced.

In July 2016, we hosted a symposium on Nutrient Profiling at University College, Dublin, in collaboration with the Nutrition Society. The symposium was attended by more than 250 people and brought together four key distinguished experts to discuss the importance of nutrient profiling and its application from the regulatory, marketing, communication and reformulation aspects. Overall positive feedback on the symposium was received from speakers and attendees.

Visit our website for more information about the NNPS criteria and the NF.

Renovated products with increased nutritious ingredients or essential nutrients* (number)



* Based on reports of approximately 82% of factories.

Children's foods and beverages* that meet Nestlé Nutritional Foundation (NF) criteria (%)

* By children's foods and beverages, we mean those where 50% or more of the consumers are up to 12 years of age, or that have been designed (or perceived as being designed) for this age group. Assessment is done with children-appropriate criteria.

Making nutrition affordable and accessible

We have a responsibility to ensure consumers can access high-quality, nutritious foods and beverages, regardless of where we sell them. Price is also an important consideration, which is why we make them available to those on lower incomes through our Popularly Positioned Products (PPPs). We sell PPP versions of several leading brands, including *Milo, Maggi* and *Nescafé*.

Popularly Positioned Products (sales volume, CHF million)

Popularly Positioned Products (stock-keeping units)

Indicates commitments aimed at infants and children

Addressing overconsumption through product innovation and renovation

Sustainable Development Goals

We identified the following goals where our work adds value:

Public health evidence shows that diets with lower salt, sugar, saturated fat and *trans* fats can improve health outcomes and decrease non-communicable diseases (NCDs). We aim to reduce the levels of these nutrients in our foods and beverages through gradual, science-based renovation. While the nutritional improvement is essential, it cannot be done at the expense of consumer preference, if we want individuals and families to continue to choose our brands more often.

Our commitment

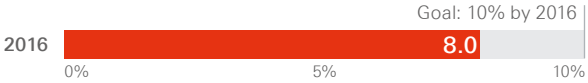
Further decrease sugars, sodium and saturated fat

Reducing sugar

Our objective in 2016

By 2016 – Further reduce sugar content by 10% in products that do not meet the Nestlé Nutritional Foundation (NF) criteria with respect to sugar, to ensure continual improvement – including the more challenging areas of our product portfolio.

Food and beverage categories with less sugar
(cumulative % since 1 January 2014)*



* Nestlé-branded products sold under Licence Partners are not included.
Categories: All food and beverage products that do not meet NF criteria.

Our objective towards 2020

By 2020 – Reduce the sugars we add in our products by 5% to support individuals and families in meeting global recommendations.

Free sugars are all sugars added to foods and beverages by the manufacturer, cook or consumer, as well as those naturally present in honey, syrups, fruit juices and fruit juice concentrates. Sugars are added for taste or technical properties but, in excess, are linked to tooth decay, obesity and NCDs such as diabetes. The guidelines issued by public health authorities recommend that people maintain a free sugar intake below 10% of their total energy intake.

We aim to create and reformulate foods and beverages with less sugar that still delight our consumers, deterring them from switching to less nutritional alternatives. For example, in November 2016, we announced a ground-breaking discovery in materials science that will help our sugar reduction efforts in the future. Campaigns explaining how we have achieved such changes reinforce consumer trust in our brands.

By the end of 2016, we had reduced sugars by 8.0%, the equivalent of 39 000 tonnes, compared with our 10% objective. As 7% of our total portfolio doesn't meet our strict criteria for sugar – including some more indulgent products that are not intended to do so for frequent consumption, even though they may be healthier than similar products on the market – our efforts to drive continuous improvement in this area will continue.

New *Milo* two-in-one

In Chile, a third of children under six years old are overweight. To help address this, a new regulation was passed in June 2016 requiring black logos on the packaging of foods and beverages considered to exceed the Government's thresholds in total energy, total sugars, saturated fats and sodium.

Under this new law, Nestlé *Milo* was considered to be high in sugar, with 8.1 g of total sugars per 100 g compared to the category threshold of 6 g. Nestlé Chile reformulated the recipe to meet the new requirements without compromising on the ingredients or using any artificial sweeteners. The new *Milo* has 32% less sugar content, and now meets the new standard while still delivering the nutritional requirements, convenience and great taste expected in our *Milo* brand.

Healthy and affordable food G4-DMA, G4-PR1, FP6

OUTSHINE: a healthier choice

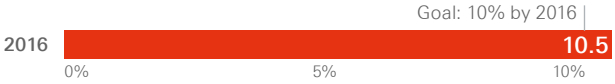
OUTSHINE, one of our key brands in the United States, is pioneering healthier choices in the ice cream business. Nestlé USA has been on a 10-year journey to deliver a healthier recipe without compromising on the unique taste offered by frozen fruit bars. In 2016, our ice cream experts successfully managed to increase real fruit content by 77% and reduce sugar by 11% in our top eight *OUTSHINE* Fruit Bars, while maintaining consumer preference in taste and texture (a difficult task as iciness increases as sugar decreases). With a simple list of ingredients that shows real fruit content first, our consumers now enjoy a delicious, creamy fruit bar knowing that they have made a healthier choice. And our work is not yet complete; in 2018, we plan to further reduce added sugar from the *OUTSHINE* range to continue giving consumers the wholesome goodness of fruit and vegetables while maintaining a delightful experience.

Reducing sodium

Our objective in 2016

By 2016 – Further reduce sodium content by 10% in products that do not meet the Nestlé Nutritional Foundation (NF) criteria with respect to sodium, ensuring a gradual reduction even in more challenging areas of our product portfolio.

Food and beverage categories with less sodium
(cumulative % since 1 January 2013)*



* Nestlé-branded products sold under Licence Partners are not included.
Categories: All food and beverage products that do not meet NF criteria.

Our objective towards 2020

By 2020 – Reduce the sodium we add in our products by 10% to support individuals and families in meeting global recommendations.

Sodium, essential for normal cell function, primarily enters our diet as salt via processed foods, 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.

We have continued to reduce the sodium content of our products to help consumers achieve an intake of 2 g per day, the level recommended by the World Health Organization (WHO). By the end of 2016, we had reduced sodium content by 10.5% in our foods and beverages, the equivalent of an overall salt reduction of 2700 tonnes. While this means we exceeded our 10% reduction objective, our efforts in this area will continue through our new commitment on sodium reduction.

Our wider engagement on salt reduction includes:

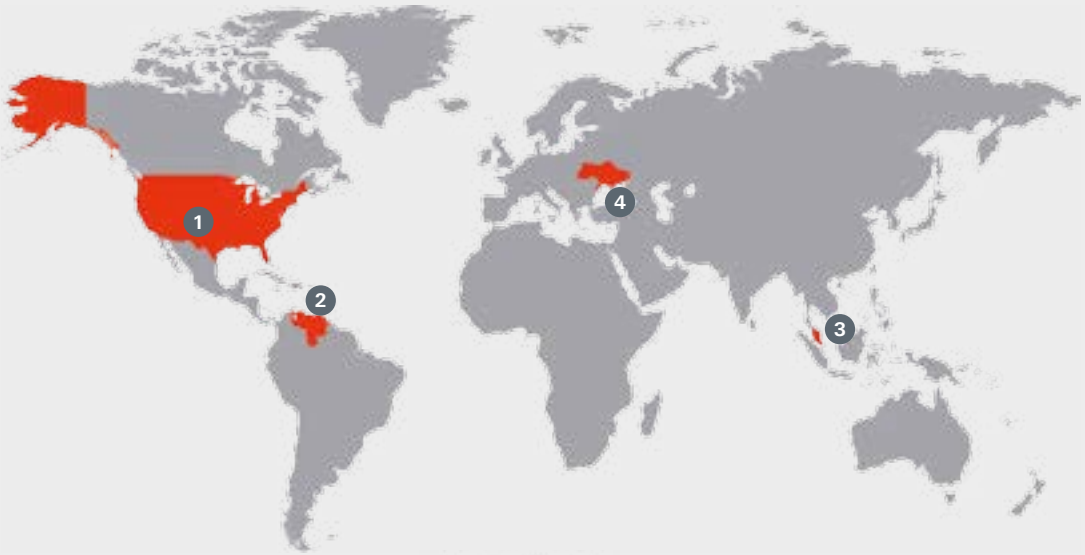
- Contributing our expertise to the Salt-Smart Americas initiative led by the Salt Smart Consortium, whose approach combines aggressive salt reduction targets and a relevant consumer awareness strategy; and
- Pledging our ongoing support to the Pan-American Health Organization's and the World Economic Forum's statement on Dietary Sodium/Salt Reduction in the Americas, signed in 2011.

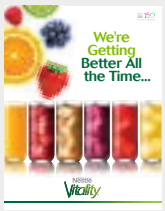
Healthy and affordable food G4-DMA, G4-PR1, FP6

8%
reduction in sugar content

10.5%
reduction in sodium content

6.5%
reduction in saturated fat content





1 United States: Sugar

Nestlé Professional has made several recipe adjustments to its portfolio of *Vitality* juices to meet demand for purer, simpler ingredient lists and reduced sugar content. As well as artificial colours and flavours, we have removed high-fructose corn syrup, helping reduce sugar across the portfolio by an average of 23%.

2 Venezuela: Sodium

To ensure our market-leading *Maggi* Chicken Noodle soup remains a tastier, healthier choice in Venezuela, our experts have reformulated the recipe, using traditional, natural ingredients and reducing sodium by more than 25%. This now supports the government campaign raising awareness about obesity and targeting products high in sodium, fat and sugar.

3 Malaysia: Sodium

Maggi has successfully improved Malaysia's most popular curry instant noodles by using freshly selected spices, a unique cooking technique and an improved recipe, while reducing sodium by more than 12%. We plan to further decrease sodium levels by another 12%, without affecting consumer preference.

4 Ukraine: Saturated fat

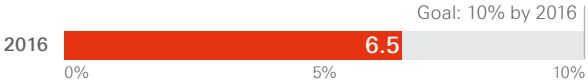
Our product renovation team in Ukraine set an ambitious target to halve the saturated fat content in our portfolio of Asian noodles. Our initial approach failed to maintain consumer preference so we have revised our approach, and now plan to introduce an emerging oil in collaboration with a local supplier. A significant amount of time will be required to grow this crop at scale and industrialise it to our standards.

Reducing saturated fats

Our objective in 2016

By 2016 – Further reduce saturated fats by 10% in products that do not meet the Nestlé Nutritional Foundation (NF) criteria with respect to saturated fats.

Food and beverage categories with less saturated fats
(cumulative % since 1 January 2014)*



* Nestlé-branded products sold under Licence Partners are not included.
Categories: All food and beverage products that do not meet NF criteria.

Our objective towards 2020

By 2020 – Complete the 10% commitment taken in 2014, to reduce saturated fats by 10% in all relevant products that do not meet the NF criteria with respect to saturated fats.

Fats and oils are an important part of a balanced diet. They provide energy, help us absorb vitamins and contribute to many essential bodily functions.

The WHO recommends that only 10% of calories in our diet should come from saturated fats, and our Nutritional Foundation (NF) criterion for saturated fats is meant to help consumers achieve that. We have identified 8500 individual foods and beverages (around 7% of our portfolio) that do not meet our NF criterion for saturated fats yet. By reformulating these products, by the end of 2016, we reduced the saturated fat content by 6.5%, the equivalent of 6200 tonnes, compared with the 10% we committed to achieve.

Healthy and affordable food G4-DMA, G4-PR1, FP6

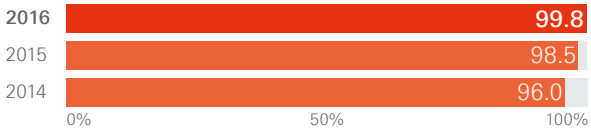
Reformulation is challenging, not least because ingredients and manufacturing processes must be considered simultaneously, and investment in new technologies and equipment may be required. To complete these activities, while offering tastier and healthier choices to our consumers, we require more time to develop, test and implement. We have therefore extended the deadline for this specific commitment.

Removing *trans* fats

Our objective in 2016

By 2016 – Remove *trans* fats originating from partially hydrogenated oils (PHOs) from all our foods and beverages.

Procurement of oils already achieving the target of the Nestlé Policy on *Trans* Fat (%)



Healthy diets include fats and oils, but too much of them, especially partially hydrogenated oils (PHOs), increase the risk of NCDs such as heart disease. Some *trans* fats are formed when vegetable oil undergoes a process known as hydrogenation, which makes it more solid at room temperature and more chemically stable. PHOs have been widely used due to their processing and stability performance and their ability to stimulate the senses (through their taste, odour, colour and texture).

Through the Nestlé Policy on *Trans* Fat, we committed to removing *trans* fats originating from PHOs from our portfolio by the end of 2016. Working with suppliers, we have been able to renovate our products and, from 1 January 2017, more than 99.8% of the fats and oils that Nestlé will purchase in 2017 will not contain *trans* fats originating from PHOs.

Improving nutrition through whole grains and vegetables

Our commitment

Increase vegetables, fibre-rich grains, pulses, nuts and seeds in our foods and beverages

Balanced diets make space for ingredients such as vegetables, grains, pulses, nuts and seeds, as they are excellent sources of fibre, vitamins, minerals and other essential nutrients. Yet recent research indicates that these nutrient-dense foods are often lacking in the daily food choices of both children and adults.

We are committed to encouraging their consumption. By adding more whole grains through our foods and beverages, providing relevant nutrition guidance on-pack and online where relevant, and promoting healthy home cooking, we have been offering solutions that help families achieve whole grain recommendations.

Our objectives towards 2020

By 2020 – Add to our products at least 750 million portions of vegetables, 300 million portions of nutrient-rich grains, pulses and bran, and more nuts and seeds.

By 2020 – In addition to whole grain already being the number one ingredient in our ready-to-eat breakfast cereals for children and teenagers, all our cereals will be a source of fibre, with as much fibre as possible coming from whole grain.

More whole grain than any other ingredient in any serving of children's or teenagers' breakfast cereals (%)

* Reduction compared to 2014 due to the adoption in 2015 of a more stringent tracking methodology for whole grains.

Through Cereal Partners Worldwide, our joint venture with General Mills, we have set whole grain requirements for our breakfast cereal brands. All those carrying the 'Whole Grain Tick' contain at least 8 g of whole grain per serving and display a green banner for easy identification.

Beyond that, we committed to ensuring that our cereals popular with children and teenagers contain more whole grain than any other ingredient, and we have been applying a more stringent classification to measure our progress since 2015. At the end of 2016, 93% of our cereals for children and teenagers had achieved this new, higher standard.

Moving forward, we are committed to making all of our cereals a source of fibre (3 g of fibre per 100 g), with as much fibre as possible coming from whole grain. While progressing towards this goal, we continue to ensure that any product reformulation does not adversely affect consumer preference through changes to texture, taste or shelf life.

Healthy and affordable food G4-DMA, G4-PR1, FP6

Simplifying ingredient lists

Our commitment

Simplify our ingredient lists and remove artificial colours

Our objectives towards 2020

- **By 2020 –** Remove all artificial colours from our products.
- **By 2020 –** Continue removing unfamiliar ingredients.

Consumers increasingly seek reassurance about the composition of the food they buy, and new health trends have reinforced the demand for transparency, authenticity and higher quality ingredients.

To meet these rising expectations, we have been transforming our foods and beverages through our 'Kitchen Cupboard' approach. This focuses on using familiar and recognisable natural ingredients such as vegetables, spices, herbs and flours. Kitchen Cupboard also seeks to simplify ingredient lists, increase the vegetable and whole grain content, and reduce the salt and sugar in our foods and beverages.

We are complementing this work by accelerating the removal of artificial additives, flavours and colours, and by providing transparent, easy-to-read information about their use.

Addressing undernutrition through micronutrient fortification

We believe we have a responsibility, as well as a unique opportunity, to improve the nutritional status of people by adding relevant micronutrients to foods and beverages they regularly consume. We also provide relevant information and education to help people make healthier choices.

Sustainable Development Goals

We identified the following goals where our work adds value:

Our commitment

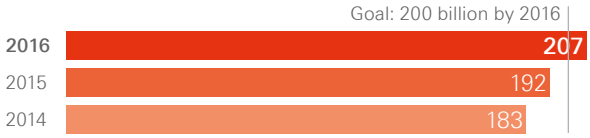
Address undernutrition through micronutrient fortification

Micronutrient fortification

Our objective in 2016

- **By 2016 –** 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.

Micronutrient-fortified servings of foods and beverages annually worldwide (billion)



Our objectives towards 2020

- **By 2020 –** Reach millions of children and families with fortified foods and beverages.
- **By 2020 –** Initiate collective actions to reduce micronutrient deficiencies in 10 countries.

An estimated 2 billion people – over 30% of the world's population – suffer from deficiencies in essential vitamins and minerals, especially the 'Big 4': iron, iodine, vitamin A and zinc. Micronutrient deficiencies disproportionately affect infants, young children and women, preventing them from achieving their full potential in life. The consequences of this can be devastating, leading to mental impairment, poor health, low productivity and, in severe cases, death. Even mild to moderate deficiencies can affect a person's wellbeing and development.

Ideally, these nutrients should come from a balanced, varied diet but this is not always possible, particularly in developing countries. We improve the nutrition status of people at risk by adding relevant micronutrients to foods and beverages consumed regularly by vulnerable populations.

In 2016, we provided 207 billion servings of micronutrient-fortified servings of foods and beverages around the world, exceeding our target of 200 billion servings.

Healthy and affordable food G4-DMA, G4-PR1, FP7

Micronutrient deficiency

	Iron	Iodine	Zinc	Vitamin A
What is the scale of the problem?	• Responsible for 20% of all nutrition-based deaths • In developing countries, prevalence is around 50% in pregnant women and infants under 2 years, and 40% in school-aged children **2 billion** people affected globally	• The leading cause of mental development disorders in young children **2 billion** Iodine deficiency disorder is a serious public health threat for almost 2 billion people	**2 billion** people are at risk of being zinc deficient	• Up to 0.5 million vitamin A-deficient children go blind every year, half of whom die within a year of losing their sight **250 million** pre-school children affected
Why do we need it?	• Production of **red blood cells** to carry oxygen to organs, muscles and tissues	• Healthy metabolism • Healthy body weight • **Bone and brain development**	• Healthy immune system • **Growth and development**	• Healthy immune system • Maintaining eye health • **Growth and development**
What happens if we don't get enough?	• Tiredness and lack of energy • Dizziness and shortness of breath • Heart palpitations • **Delayed growth in infants**	• During pregnancy: stillbirth, miscarriage and congenital abnormalities • In children: reduced cognitive development • **In adults: reduced mental function, energy levels and productivity**	• Stunted growth in childhood • Skin disorders • Poor wound healing • Hair loss • **Infections**	• Impaired vision and night blindness • More prone to respiratory and digestive infections • Increased severity of childhood diseases (e.g. measles) • **Scarring of corneas and blindness**
Who is most at risk?	• **Infants and children** • **Pregnant women**	• Pregnant women • Women who breastfeed • **People who live in regions with iodine-deficient soils**	• **Pregnant women**	• **Children in low-income countries** • Pregnant women in low-income countries **GDP**

Impact of Nestlé's activities in 2016

Iron	Iodine	Zinc	Vitamin A
121 billion individual servings of Nestlé products were fortified with iron	**113 billion** individual servings of Nestlé products were fortified with iodine • Participated in a study on the biofortification of wheat, rice and maize with iodine; trials ongoing in Turkey and India	**27 billion** individual servings of Nestlé products were fortified with zinc • Explored the viability of zinc-biofortified wheat in India	**42 billion** individual servings of Nestlé products were fortified with vitamin A • Reserved more than 1000 tonnes of vitamin A-biofortified maize varieties for use in our branded cereal porridge in Nigeria • Encouraged more farmers to adopt biofortified seeds through demonstration plots • Continued to buy biofortified maize for use in our commercial products

Healthy and affordable food G4-DMA, G4-PR1, FP7

We fortify foods and beverages such as condiments, children's milks and cereals to provide additional nourishment for vulnerable groups such as school-age children and expectant mothers. These products are all effective carriers for micronutrient fortification because they are consumed widely and frequently, building on existing eating habits. We focus our efforts on regions that face some of the largest burden of micronutrient deficiencies such as Africa and South East Asia.

Of the 207 billion servings provided in 2016, 121 billion were fortified with iron (an annual increase of 23%), 113 billion with iodine (an 8% increase), 27 billion with zinc and 42 billion with vitamin A. Products can be fortified with one or several micronutrients.

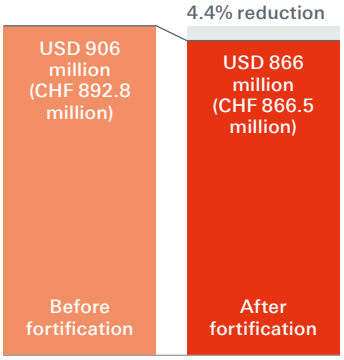
83%

of our Popularly Positioned Products (PPPs) for lower-income consumers were fortified with at least one of the 'Big 4'

For example, the popularity and market reach of our *Maggi* product range give us a solid platform for helping tackle micronutrient deficiencies at scale. Almost 103 billion individual servings of *Maggi* soups, condiments, seasonings and noodles were fortified in 2016, of which 59 billion were fortified with iron.

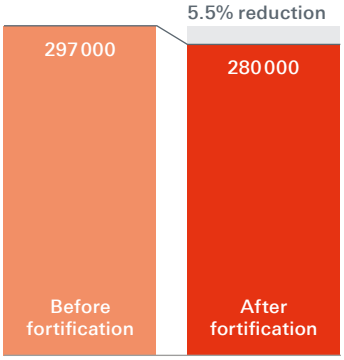
As reported last year, the burden of iron-deficiency anaemia in the population of Côte d'Ivoire was assessed through a model based on the principles of the global burden of disease. The result showed that micronutrient-fortified bouillon cubes, the roll-out of which began in 2013, are an effective way of reducing malnutrition (see below).

Production losses: down USD 40 million (CHF 39.4 million)



Production Losses

Time saved: 16 000 Disability Adjusted Life Years (DALYs)



DALYs

One DALY: one lost year of 'healthy' life.

We also increased the contribution of micronutrient fortification to vulnerable groups such as children and women of child-bearing age. Beyond seasoning, the foods and beverages that are relevant to these groups are cereals and children's milks.

Fortified cereals for Indian infants

The WHO claims that iron deficiency is the biggest nutritional risk factor in India, while the Indian National Family Health Survey (published in 2007 using data collected in 2005–2006) indicates that 80% of pre-school children (aged 6–23 months) are anaemic, mainly due to iron deficiency. Nestlé India fortifies foods that can become part of an infant's diet, complementing breast milk after the critical first six months. This is when iron-fortified complementary feeding can reduce the risks associated with iron deficiency.

The Winterthur Institute of Health Economics, mandated by the Nestlé Research Center, calculated the public health burden of iron deficiency anaemia among infants aged 6 months to 59 months. The result is striking: due to untreated anaemia, India loses almost USD 24 billion (CHF 23.6 billion) a year (1.3% of GDP) and sacrifices 8.3 million DALYs (Disability Adjusted Life Years); one DALY is the equivalent of one lost year of 'healthy' life.

A separate analysis of India's National Family Health Survey showed that, with only 16% of infants receiving fortified complimentary food, approximately 21 million more infants could benefit from it, based on the number of births in 2016 and the level of penetration of fortified infant cereals. (This figure is a weighted average based on the number of breastfed children receiving fortified complementary food and the number of non-breastfed children receiving fortified complementary food as included in the INFHS.) Recent evaluations suggest that fortified infant cereals have a positive public health and economic impact, with research from Nestlé estimating they have already reduced the annual burden of iron deficiency anaemia by up to USD 1.4 billion (CHF 1.4 billion) and 0.6 million DALYs.

Healthy and affordable food G4-DMA, G4-PR1, FP7

The role of biofortification

Our objective towards 2020

By 2020 – Continue to develop the supply chain for biofortified crops and expand our fortified portfolio.

Our size and reach give us the potential to deliver more nutrition to more people. Through our engagement in support of biofortification, we use and promote varieties of crops that are naturally rich in micronutrients. Beyond their use in Nestlé products, these crops are intended for populations, particularly in developing countries, that conventional fortification (with nutrients added during food processing) may not be able to reach. However, biofortification is a lengthy process that involves breeding and selecting enriched crop varieties, and engaging with distribution partners and farmers. Establishing biofortified crops in local markets can take a decade or two.

In the past few years, we have worked with other society stakeholders to develop supply chains for biofortified crops, and we have started using these materials in some of our recipes. The availability of biofortified crops benefits rural farming communities, because these foods bring into their diets a steady supply of micronutrients with no risk of excess or overdosing and in a sustainable way.

Since 2003 HarvestPlus, a global research programme bridging agriculture and nutrition, has played an important role in this complex process. In support of this initiative, we are working with agricultural research institutes to establish supply chains for biofortified crops in several countries. The goal is to replace common varieties of staple crops with nutrient-rich alternatives, improving access to nutrition almost by default.

> "After more than a decade of rigorous research into the proof of concept of biofortification, HarvestPlus has achieved global recognition for this scalable, cost-effective innovation. Thanks to our donors and partners around the world, we have proved it's possible to grow nutrient-rich varieties of everyday food crops using conventional breeding, and improve the lives of millions of people in rural communities. Our goal is to work with partners to develop inclusive, sustainable supply chains and reach one billion people with biofortified food by 2030."
>
> **Bev Postma**, CEO, HarvestPlus

In Nigeria, we use a mix of pro-vitamin A biofortified maize and normal maize. While local production of the new variety was very small in 2015, we are working with farmers and intermediary suppliers to increase the harvest, and we reserved more than 1000 tonnes of grain in 2016 for use in our branded cereal porridge. In 2017, with support from HarvestPlus, we plan to use demonstration plots to encourage more farmers to adopt biofortified seeds. We will also continue buying biofortified maize for use in our commercial products.

Elsewhere:

- Our R&D Centre in Abidjan, Côte d'Ivoire, explored opportunities in cassava and rice, leading to biofortified rice seeds being distributed to farmers in Madagascar;
- We participated in an academic study focused on the agronomic biofortification of wheat, rice and maize with iodine; grains are being analysed to understand their behaviour in commercial recipes, and a second phase of trials is under way in Turkey and India;
- With EMBRAPA, the Brazilian institute of agricultural research, we have been testing biofortified crops in our products in Brazil; and
- We are exploring the availability of zinc-biofortified wheat in India, in collaboration with HarvestPlus.

Read more about our commitment to sustainable agriculture.

Healthy and affordable food G4-DMA, G4-PR1, FP7

Product safety and quality

Sustainable Development Goals

We identified the following goals where our work adds value:

It is a given that consumers expect our food products to be safe and high quality. We set challenging safety and quality standards, and have a well-established set of systems and processes to ensure our food and beverages meet those standards. This builds trust and fosters long-lasting relationships with those who choose our foods and beverages. Our main focus now is to embed our quality culture across every aspect of our business.

Monitoring and compliance

Our work to ensure food safety, compliance and quality is guided by the company's Quality Policy. This seeks to further enhance consumer trust and satisfaction with all our brands, products and services by:

- Guaranteeing food safety and full compliance with all our policies, principles and standards;
- Ensuring preference and consistency, and offering products, systems and services that meet or exceed consumer expectations;
- Striving for zero defects and no waste through our continuous improvement approach; and
- Engaging everybody's commitment across our value chain and at all levels of our organisation.

Our Quality Policy is implemented through a connected and comprehensive series of company-wide systems, processes and tools, as summarised below.

Systems and processes	Functions performed	Metrics and key performance indicators (KPIs)
Nestlé Quality Management System (NQMS)	• Sets out the basic principles for managing food safety and product quality. • Allocates responsibilities for manufacturing practices, hazard analysis and traceability throughout the value chain. • Drives continuous improvement by eliminating defects and waste. • Certified by independent third parties.	94% of our sites are certified against NQMS.
Nestlé Food Safety Management System (NFSMS)		96% of our manufacturing and R&D sites are certified against FSSC 22000/ISO 22000 standards.
GLOBE Quality Monitoring Scheme (QMS)	• Ensures manufactured products meet consumer requirements. • Identifies and controls processes that impact consumer, food safety and regulatory requirements. • Supports our manufacturing excellence strategy of zero waste through 'right first time' approach.	Implemented for 96% of our portfolio by the end of 2016.
Nestlé Quality Assurance Centres (NQACs)	• Quality support and laboratory services to help markets and businesses comply with Quality Policy and meet food safety objectives. • Covers food safety and quality expertise, verification, certification audits and training, and analysis of raw materials, packaging and products. • Encompasses diagnosis and resolution of quality gaps; competence building in food safety and compliance; guidance on implementing standards; capacity-building with external stakeholders. • Working with Nestlé Research Center on advanced technologies that screen raw food materials.	24 Nestlé Quality Assurance Centres are ISO 17025 accredited.
Compliance Tracking Tool (CTT)	• Ensures implementation of our standards	Implementation index score of 99.5%.
Quality Compliance Verification	• Each factory has an annual quality compliance assessment	95.2% of sites comply with base level for quality compliance assessment.
Early warning system (EWS)	• Global system to identify, evaluate and anticipate emerging risks (e.g. counterfeit products, adulteration of ingredients).	

Customer health and safety G4-DMA, G4-PR1, FP5, Product and service labeling G4-DMA, G4-PR3, G4-PR4, Compliance (Product responsibility) G4-DMA

More than

180 million

samples tested every year, to ensure product quality

Through the implementation of these and other associated systems, we have continued to improve our performance, and have reduced the number of complaints and incidents. In 2016, Nestlé globally achieved a 17% reduction in consumer complaints, primarily related to a reduction in service-related complaints in the Nestlé Waters business. We continue to improve the quality of our machines in our coffee businesses, resulting in a significant improvement in machine return rates with a less than 1.5% return rate for the majority of machines launched after 2014. Additionally, 'major incidents' (product recalls or large withdrawals), already low in occurrence, have been reduced by 3%.

Further improvements will become incrementally more challenging to achieve over time, not least because our business and our product portfolio are expanding. To help ensure we continue to meet the highest standards, we have invested CHF 30 million in the Nestlé Quality Assurance Centre (NQAC) in Dublin, Ohio, United States. This investment has doubled the size of NQAC Dublin, making it our largest and most sophisticated testing facility anywhere in the world.

Visit our website for more information about food safety.

Product recalls and foreign bodies elimination

The health and wellbeing of those who buy our foods and beverages is our top priority. Our quality assurance and product safety systems continue to allow for product recalls should foreign bodies be found in our products.

We use our consumer feedback tool (PULSE) to monitor all consumer complaints about foreign bodies. Data from PULSE shows an annual 2% reduction in foreign body complaints in 2016.

We continue to drive awareness and improvement of this issue through our Nestlé Foreign Body Prevention Strategy and our Standard for Foreign Body Management. We share guidance and best practices with our upstream supply chain partners, promote the use of state-of-the-art detection systems and continue to improve preventive measures in our facilities.

Vendor management and supply chain quality

Responding to increasing challenges in a complex global food supply chain, we have implemented a global strategy for managing food safety and quality risks in our upstream supply chain:

- **Our Vendor Audit Management (VAM) system** supports the process, from first request for approval to the planning, execution and follow-up of audits, through to material delivery at the factory gate. In addition to the automated management of audits, the system features a verification stage, which guarantees that materials only come from approved vendor sites.
- **Our Food Fraud Prevention Programme** includes awareness raising and best practice among supply chain partners, a process for prevention and mitigation of food fraud, and supporting tools developed both internally and in collaboration with others (such as SSAFE and United States Pharmacopeial Convention).
- **Our programme on Value Chain Transparency and Product Traceability** enhances our capability to provide consumers with reliable information, from the origin of ingredients through to final product delivery. This programme is aligned with the Consumer Goods Forum (CGF) Task Force on Traceability, of which we are a leading participant.

To advance food safety competence and management systems throughout the value chain, we promote the Global Food Safety Initiative (GFSI) principles with all our vendors. This enhances shared food safety competence among small and large businesses, and increases consumer confidence. This approach also eliminates redundancies in audits, allowing resources to be redirected towards activities of mutual value to Nestlé and its suppliers.

Engaging with employees

In a world in which consumers and authorities react instantly to both real and perceived risks, we need to provide clear, prompt communication to all stakeholders regarding the quality and safety of our products and services. To engage with them and help them share best practice, we implemented our Quality Competency Development tools in all markets by the end of 2016.

Nestlé's early warning system is further strengthened by our Food Safety Network and Issues Round Table meetings, enabling us to take the necessary actions to eliminate, mitigate or manage potential concerns. We also have a system to facilitate global communication following major quality or safety incidents, to share preventive measures and eliminate root causes.

Customer health and safety G4-DMA, G4-PR1, G4-PR2, Product and service labeling G4-DMA, G4-PR3, G4-PR4, Compliance (Product responsibility) G4-DMA

498

leaders further trained on responsibilities for quality, across all operations and R&D functions

But it's not just those who work in quality and food safety functions we need to reach; everyone in our business has a role to play in ensuring our products and services meet the highest levels of quality and safety. With this in mind, we are committing resources to training, awareness and engagement so that all Nestlé employees display a quality mindset at all times.

We have also incorporated our Culture of Quality Survey, which previously reached around 62 000 employees, into our company-wide 'Nestlé and I' Survey. This will help drive quality throughout our business.

Engaging with consumers

We want consumers to be able to contact us immediately if they are concerned about any of our products, so our branded products carry an invitation to 'Talk to Nestlé'. All relevant contact details are displayed alongside guidance on product use and storage.

Our worldwide consumer services organisation ensures we can immediately respond to any consumer or trade questions or complaints and, if needed, take necessary corrective action without delay. Through traditional consumer services and social media platforms, we are also introducing channels that will enable consumers to contact us at any time, day or night.

Customer health and safety G4-DMA, Product and service labeling G4-DMA, G4-PR3, G4-PR4, Compliance (Product responsibility) G4-DMA

Inspiring people to lead healthier lives

Why leading healthier lives matters

Sustainable Development Goals

We identified the following goals where our work adds value:

Nestlé works with partners to promote balanced diets and regular physical activity, giving individuals the support they need to live healthier lives. In our efforts to nurture a healthy generation, we focus on maternal and infant health during the first 1000 days, and supporting individuals and families throughout life.

In line with the UN's SDG 3, we believe we have a responsibility to help improve the health of individuals and families at all ages, from conception to old age. We are also committed to improving access to nutrition to reduce the prevalence of non-communicable diseases (NCDs).

- **Maternal, infant and child deaths remain unacceptably high.**
  Despite ongoing reductions in maternal mortality and the mortality rate of children under age five, an estimated 5.9 million children under five died in 2015, mostly from preventable causes (WHO).
- **Mortality from NCDs also remains high.**
  NCDs are responsible for around 38 million deaths (68% of the global total). Over three-quarters of premature deaths from NCDs were caused by cardiovascular disease, cancer, diabetes and chronic respiratory disease (WHO).
- **Morbidity is also significant among adults.**
  Globally, the incidence rate of HIV and AIDS was 30 cases per 100 000 population in 2013. The equivalent rate for tuberculosis was 126 per 100 000, while the 2012 incidence rate for malaria was 3774 per 100 000. Africa has the highest incidence of all three (WHO World Health Statistics 2015).
- **There has been little progress in breastfeeding rates over the last 15 years.**
  Only 45% of newborns breastfeed within the first hour of life. Globally, breastfeeding could save more than 800 000 child lives, prevent 20 000 maternal deaths due to breast cancer and add over USD 300 billion (CHF 295.6 billion) to the economy each year (UNICEF).
- **Only one in six babies and young children receives a minimum acceptable diet.**
  About one-third of infants aged 6–8 months are introduced to solid foods too late, and only half of children aged 6–23 months get the minimum recommended number of meals a day for their age. Less than one-third of the world's infants and young children are fed at least four food groups (UNICEF).
- **In many countries, we need to adopt more active lifestyles.**
  In 2014, 39% of the global adult population was overweight and 13% was obese (WHO).

Two major risk factors in the prevalence of overweight and obesity, and NCDs, are nutrient-poor diets and physical inactivity. Therefore, we work to promote improved nutrition and active lifestyles through guidance on portions, on-pack nutritional information, healthy hydration messaging, healthy cooking classes and programmes to encourage exercise.

The first 1000 days are crucial when it comes to establishing dietary preferences and patterns later in life, while the years children spend at school are also a critical habit-forming period. We place particular emphasis on providing mothers and caregivers with the information they need to ensure their children adopt healthy diets and lifestyles.

Healthy and affordable food G4-DMA, Customer health and safety G4-DMA

Accessible and truthful product information

We have a responsibility to promote our foods and beverages truthfully and reliably, enabling individuals to make informed decisions about their own nutrition. We are committed to transparency, and provide clear information about ingredients, nutritional benefits, health information and portion size.

Nutritional information on our foods and beverages

Our commitment

Apply and explain nutrition information on packs, at point of sale and online

We believe in empowering people to make informed choices about what they consume. We help by providing clear information about ingredients, nutritional benefits, health information and portion size on all our packaging. This information must be truthful, meaningful, transparent and scientifically substantiated, and cannot mislead.

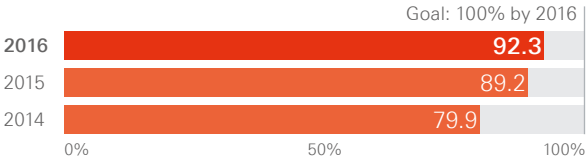
We strive to ensure that our labelling is fully accurate, and follows the principles outlined by the Food and Agriculture Association's Codex Alimentarius. It also declares the absence, removal or presence of a nutrient, ingredient or substance that an individual might wish to avoid, such as sugar or saturated fats.

Nutritional content labelling

Our objectives in 2016

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.

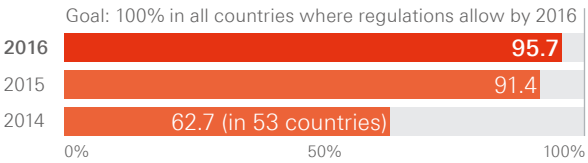
All relevant* foods and beverages will have GDA-based labels on front of pack (%)



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

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.

GDA-based labelling introduced to all products designed 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 objective towards 2020

By 2020 – Continue providing detailed product nutrition facts with daily value percentages, ingredients and allergens, and add special diet information, nutrition labelling explanations and healthy eating tips on all our relevant packs, as well as on our websites and e-retailer sites, to better enable informed choices.

Labels that use GDAs detail the nutritional composition of a typical serving of food or beverage, with the reference daily guidelines for calories, sugars, fats and/or other nutrients.

We have accelerated the implementation of GDA information over the last two years, particularly in Asia and Africa, where reach has increased from around 60% of relevant products to 96%. Today, in countries where labelling regulations allow it, around 92% of all relevant foods and beverages, and almost 96% of children's products, carry on-pack GDA information.

Healthy and affordable food G4-DMA, Product and service labeling G4-DMA, G4-PR3

Due to differing regulations and labelling protocols around the world, not all countries allow GDA-based labels on packs. Nonetheless, we remain committed to providing GDA percentages on all packaging wherever possible and tailor the information in each market to make it as relevant, visible and accessible as possible.

Going beyond the label

Product information and nutrition advice beyond the pack, via Quick Response (QR) codes

	2014	2015	2016
Websites	2000	3000	**4400**
Brands	56	78	**90**
Countries	46	50	**50**

With our *Nestlé Nutritional Compass*®, people can learn more about what they consume through our products. The compass presents a variety of information including at least the nutritional composition of each product, contact details for more information and, whenever possible, lifestyle and nutrition tips. The *Nestlé Nutritional Compass*® was displayed on 96.4% of our foods and beverages at the end of 2016.

To meet the increasing consumer demand for product information, we have expanded the use of Quick Response (QR) codes displayed within the *Nestlé Nutritional Compass*®. QR codes give individuals with smartphones easy access to online information, enabling them to go 'beyond the label' and learn more about a brand's or product's nutritional contributions.

We also provide 'beyond the label' information about social or community aspects or reductions in environmental impacts associated with the production and distribution of our products or the sourcing of the ingredients they contain.

Portion Guidance

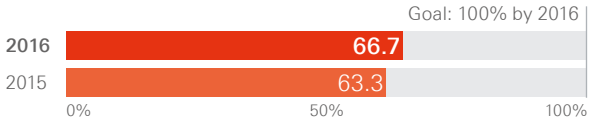
Our commitment

Offer guidance on portions for our products

Our objective in 2016

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.

Nestlé Portion Guidance* across our children's and family portfolio (%)



* Children's foods and beverages refer to those for which 50% or more of consumers are up to 12 years of age, or are designed for (or perceived as being designed for) this age group. Family foods and beverages are those for which 20–50% of individuals are below the age of 18 years.

Our objectives towards 2020

By 2020 – Continue providing guidance on portions globally on all children's and family product packs and add frequency of consumption indications on relevant products.

By 2020 – Extend our guidance on portions to our consumer recipes, and relevant teenager and adult products.

By 2020 – Gradually increase the proportion of guidance on portions provided through product form, pack design, serving device or dispenser to make it even more intuitive than on-pack messaging.

Around the world, expanding portion sizes contribute to imbalanced eating habits and lead to adverse health outcomes. We believe we share the responsibility for guiding consumers to pursue a healthy diet when it comes to consumption quantity, frequency and quality, and we encourage age-appropriate portion sizes through our voluntary *Nestlé Portion Guidance* initiative. This helps individuals and families understand the nutritional value of our foods and beverages, and redefine their portion habits, particularly for energy-dense foods and beverages. Our guidance is based on national food guides and recommendations from internationally recognised bodies such as the WHO, the US Institute of Medicine and other independent bodies.

Indicates commitments aimed at infants and children

Healthy and affordable food G4-DMA, Product and service labeling G4-DMA, G4-PR3

Nestlé Portion Guidance is made available in a variety of ways, including product form, pack design, website content illustrations and, when possible, a serving device or dispensing machine. We also continue to make our recipe sites more accessible, searchable and user friendly, and integrate age-appropriate portion information.

By the end of 2016, we featured *Portion Guidance* on 66.7% of our foods and beverages for children and families. On products that have a more significant impact on the overall diet of children, such as recurring and more indulgent choices, 80.5% provided *Portion Guidance*.

Nestlé Portion Guidance in France

In France, the *Nestlé Portion Guidance* programme is delivered in several complementary ways – from product packaging to engaging online information. Additional information is made available to healthcare professionals to assist them when advising patients. These include an article in a peer-reviewed scientific journal, a brochure and tools. By the end of 2016, 85% of Nestlé France's children's and family products offered *Portion Guidance*.

"Studies conclude that portion management strategies should be part of multi-pronged, multi-sector efforts to improve health. Today's convening is therefore a welcome step towards making it work for consumers."

Anna Maria Corazza Bild,
MEP and host of 'Healthier Portions for a Healthier Diet' convening

Measuring our impact

As part of our integrated approach to promoting healthier choices, we tailor our portion sizes and information to suit specific cultural habits. This often requires redesigned packaging, with *Portion Guidance* considered alongside other elements such as brand messaging and local regulatory information.

We also evaluate the relevance and awareness of our messaging, and any efforts made by consumers to follow guidance on portions. To understand consumer receptiveness to portion guidance, we undertook research among mothers in Brazil, the United States, the UK, India and Germany.

Naturally, changing social norms takes time and effort, but we are pleased with the progress we are making against our commitment to offer guidance on portions to individuals and families. We know not to draw generalisations, as perceptions vary with age, culture, lifestyle and even type of product, but we remain committed to continuously engaging with parents, packaging experts and public health researchers to learn – and do – more.

Fuelling the discussion, inspiring action

On 16 March 2016, Nestlé helped bring together a group of 30 leading scientists, policy-makers, health practitioners and consumer advocates at the European Parliament in Brussels to discuss why portion size matters and explore ways to encourage healthier consumption habits.

Participants at the 'Healthier Portions for a Healthier Diet' convening debated the state of scientific research, possible public health implications and potential stakeholder actions, and the impact of such actions on people's habits. Our commitment to providing portion guidance on foods and beverages for children and families was also presented during the event.

While stakeholders expressed a variety of views on how best to address inappropriate portion habits, several related and common themes emerged. These included: the contribution of oversized portions to obesity and NCDs; the importance of the proportion of foods and nutrients within a meal or snack, and the frequency of consumption; the importance of engaging with society at large; and the complementary role played by policy and regulation interventions.

Responsible marketing

Sustainable Development Goals

We identified the following goals where our work adds value:

We have a responsibility to promote our foods and beverages truthfully and reliably. In doing so, we are guided by the Nestlé Consumer Communication Principles, which set the highest standards for all our marketing and communication to consumers.

We support healthy, active lifestyles and balanced diets, and our advertising states clearly that we will not use extremely thin or obese people as role models when doing so. Our commitment to avoid misleading information about our foods and beverages means we will not oversell potential benefits, such as status or popularity, physical growth, enhanced strength or ability.

We aim to lead the industry, reporting transparently on our responsible marketing of foods and beverages designed for consumption by children, including breast-milk substitutes (BMS).

Promoting, supporting and protecting breastfeeding

Our commitment

Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly

Our objectives in 2016

Ongoing – Ensure that the practices of the Nestlé Nutrition business consistently meet the FTSE4Good Index BMS criteria.

Ongoing – Continue to strengthen our policy and procedures to maintain industry leadership on the implementation of the WHO Code.

Ongoing – Continue to report publicly on our progress on the implementation of our policy on the WHO Code.

Our objectives towards 2020

By 2018 – Ensure that all provisions supporting breastfeeding in our *Maternity Protection Policy* are implemented.

By 2020 – Advocate for a breastfeeding-friendly environment by supporting the set-up of breastfeeding rooms in communities where we operate.

Support breastfeeding

We believe breast milk is the ideal nutrition for infants. That's why we promote the WHO's recommendation to exclusively breastfeed infants for the first six months of life, followed by the introduction of adequate nutritious complementary foods, along with sustained breastfeeding up to two years and beyond.

We also seek to support breastfeeding among our employees by promoting a conducive environment, as reflected in our global Maternity Protection Policy. The policy, based on the ILO Maternity Protection Convention, is one of the most progressive programmes of its kind in the industry, and establishes minimum standards that must be implemented at Nestlé workplaces across the world by 2018.

The policy applies to all primary caregivers of a newborn, including male employees and those who adopt children. It includes 14 weeks' paid maternity leave, which can be extended up to six months, employment protection, flexible working arrangements and access to breastfeeding rooms during working hours in head offices and sites with more than 50 female employees.

Currently, we have

302

breastfeeding rooms across our global working facilities

Read more about our parental support initiatives for employees.

Indicates commitments aimed at infants and children

Healthy and affordable food G4-DMA, Customer health and safety G4-DMA, Marketing communications G4-DMA, Compliance (Product responsibility) G4-DMA

Read more about how we promote breastfeeding.

We have made commitments to support breastfeeding-conducive work environments through the Every Woman Every Child movement and the Clinton Global Initiative, and encourage other stakeholders and companies to follow. Through our Nestlé *Start Healthy Stay Healthy* programme, we have partnered with several public and private organisations to open 945 breastfeeding rooms in India and more than 1500 in China. And to help mothers to find the nearest facility, we have developed a breastfeeding room locator mobile app.

World Breastfeeding Week

Every August, World Breastfeeding Week is celebrated in more than 170 countries to encourage breastfeeding and improve the health of babies around the world.

In 2016, activities focused on informing people about how breastfeeding plays an important role in achieving the new United Nations Sustainable Development Goals (SDGs). We have leveraged digital and social media, press and TV programmes, Nestlé intranet websites and Nestle.com, and also our communications with healthcare professionals.

In 2016, we reached more than 55 million people through activities such as our first global Superbabies campaign to support breastfeeding. Our Superbabies videos have been viewed more than 21 million times.

Responsible marketing of breast-milk substitutes

Receiving breast milk is not an option for some babies. Additionally, not all mothers can or choose to breastfeed, and some infants cannot thrive on breast milk for health reasons, or they may be adopted. It is critical that, in those cases, infants be fed with the highest quality, scientifically proven alternative that gives them the nutritional goodness they need to thrive. That's why our scientists continuously research and develop our products to make sure these babies can also get the best possible start in life.

For children who cannot be breastfed as recommended, infant formula is the only suitable breast-milk substitute (BMS) recognised as appropriate by the WHO. We are committed to market BMS responsibly by complying with the WHO Code as implemented by national governments throughout the world as a minimum.

The WHO Code

Through a set of recommendations for 194 member states, the WHO Code aims to contribute to the provision of safe and adequate nutrition for infants through the protection and promotion of breastfeeding. It also seeks to ensure the proper use of BMS, when these are necessary, on the basis of adequate information and appropriate marketing and distribution.

With only 39 out of 194 countries having comprehensive legislation or other legal measures reflecting all or most provisions of the WHO Code, the regulatory environment is highly variable and complex. This can lead to misunderstandings and differences in interpretation about the application of the Code. We share a common commitment to improving maternal, infant and young child nutrition and we continue to do all we can to support countries' efforts to promote a conducive environment to breastfeeding.

Compliance

We seek to continue leading industry practice towards higher and more transparent marketing practices of BMS. By voluntarily applying our Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes when it is stricter than the national Code, we remain one of only two companies that restrict the marketing of infant formula and follow-on formula up to 12 months of age in 152 countries considered to be higher risk in terms of infant mortality and malnutrition. In doing so, we recognise our critical role in ensuring BMS are marketed responsibly and used in a safe and hygienic manner.

We require all employees working in infant nutrition to fully understand the importance of promoting and protecting breastfeeding, as well as complying with our policy. To strengthen our capacity to market our infant products responsibly, we have implemented a mandatory global training programme. In 2016, 2487 staff involved in marketing BMS underwent training on WHO Code-related topics.

G4-15, Healthy and affordable food G4-DMA, Customer health and safety G4-DMA, Marketing communications G4-DMA, G4-PR6, G4-PR7, Compliance (Product responsibility) G4-DMA

We also include clauses in formal agreements and contracts, as well as develop guidelines and dispense regular training, to help distributors and retailers comply with our policy and any national legislations implementing the WHO Code. We take disciplinary measures against Nestlé personnel and terminate contracts with customers who deliberately violate our policy or national legislation implementing the WHO Code.

Our compliance is verified through:

- Routine internal monitoring;
- Internal audits, undertaken in 37 different countries by our corporate auditors in 2016;
- External verifications by Bureau Veritas (assurance statements also available online) conducted in Colombia, Uganda and Saudi Arabia in 2016, and one by PricewaterhouseCoopers; and
- The verification processes used for inclusion on rankings and indices (see below).

We publish an annual report, which summarises the results of our compliance record over the year and actions taken to remedy any contravention found (available online).

We face two major challenges in ensuring that all Nestlé's infant nutrition products are marketed responsibly: the importation of products commercialised in other countries under different legislation by independent businesses, and the multiplication of independent e-retailers. While we do our best to encourage the responsible marketing of our BMS throughout the value chain, anti-trust and commercial laws limit our influence over how BMS is sold by independent parties with whom we do not have a commercial relationship. This is why we encourage the close collaboration between the authorities, civil society and the private sector to monitor and ensure that breast-milk substitutes are marketed responsibly.

FTSE4Good and ATNI™ third-party validation

We are proud to have been the first BMS manufacturer included in the FTSE4Good Responsible Investment Index and to have consistently met its rigorous criteria for the responsible marketing of BMS since 2011. We congratulate Danone for following Nestlé's lead, and encourage other BMS manufacturers to seek inclusion in the FTSE4Good Index.

Nestlé topped the BMS sub-index of the 2016 Global Access to Nutrition Index (ATNI)™, which assessed the BMS marketing policies and practices of the world's six leading manufacturers. We also topped the two sub-categories, undernutrition and general nutrition, and ranked second overall out of 22 global food and beverage manufacturers that were benchmarked on their nutrition-related commitments, practices and performance.

ATNI™ also assessed Nestlé's BMS marketing practices in India and reported in December 2016:

> "With respect to BMS marketing, Nestlé India demonstrated a high level of compliance with the Indian IMS Act and the Code. Nestlé India, like Nestlé S.A., is an industry leader with respect to committing to provide facilities that support breastfeeding mothers at work."

Good governance

Our Corporate WHO Code Compliance Committee, which includes three Executive Board members, oversees compliance with our Policy, national legislations implementing the WHO Code and the FTSE4Good verification criteria. In addition, all operations in higher-risk countries have established WHO Code Compliance Committees that meet regularly to oversee compliance at a country level.

Our monitoring is complemented by a range of internal and external grievance mechanisms:

- Our **WHO Code Ombudsperson system** allows employees to report concerns about infant food marketing practices anonymously and confidentially; and
- Our **'Tell us' system** enables external stakeholders to report potential violations online or by toll-free phone line.

G4-15, Healthy and affordable food G4-DMA, Customer health and safety G4-DMA, Marketing communications G4-DMA, G4-PR6, Compliance (Product responsibility) G4-DMA

Transparency

We believe we can continue to build trust by being open and honest, so we make the following information publicly available:

- Our external reports of compliance with the Nestlé Policy on the WHO Code and national legislations implementing the WHO Code;
- Our position statements on maternal, infant and young child nutrition; and
- As part of our comprehensive Q&A section, we address questions on why Nestlé supports breastfeeding and the application of the WHO Code.

When we receive formal correspondence expressing concerns about our practices, we publish the response on our website.

Engaging constructively with stakeholders

We encourage active and constructive engagement with stakeholders, including governments, non-governmental organisations (NGOs), industry and civil society organisations, to promote responsible conduct and establish accepted standards for assessing the marketing of BMS. When doing so, we follow the Nestlé Policy on transparent interaction with authorities and organisations.

We are also a member of a number of national and regional industry associations dedicated to specialised nutrition in the countries where we operate. Some of these associations are members of the International Special Dietary Foods Industries (ISDI), which promotes high standards in the production and trade of special dietary foods. We have been active in the ISDI since its foundation.

Continuous improvement

In 2016, we focused on improvement in the following areas:

- **Internal grievance mechanism:** we scaled up our WHO Code Ombudsperson system, which is now a global mechanism covering all Nestlé Group employees (see 'Good governance', above); and
- **Internal audit process:** we reinforced our internal audit mechanisms by issuing detailed guidelines to our corporate auditors on how to assess compliance with our policy and national legislations implementing the WHO Code by conducting more comprehensive interviews with healthcare professionals (see 'Compliance', above).

Responsible marketing to children

Our commitment

Market to children only choices that help them achieve a nutritious diet

Our objectives

By 2017 – In support of the implementation of the *Nestlé Policy on Marketing Communication to Children*, we will roll out targeted training for our marketing teams globally.

By 2017 – Promote to children only choices that are core to a nutritious diet.

Nestlé has long been a firm proponent of responsible marketing to children (see our Communication Principles). We are a founding member of the International Food & Beverage Alliance (IFBA) and are committed to complying with its Global Policy on Advertising and Marketing Communications to Children.

Nestlé is also a signatory to voluntary industry Pledges, including one across the European Union (the EU Pledge), to change the way leading food and beverage companies advertise to children. This is an industry response to calls made by the EU institutions for the food industry to use commercial communications that support parents in making the right diet and lifestyle choices for their children. A third-party monitoring system ensures that children are not targeted by non-compliant communications from member companies.

- In total, 217 142 Nestlé television spots were analysed by Accenture in 2016 as part of this third-party auditing process, and our overall compliance rate was 98.3%.
- In addition, 18 Nestlé websites were reviewed by the European Advertising Standards Alliance (EASA), and 100% were compliant with the EU Pledge commitment.
- EASA also carried out a pilot to assess the compliance of company-owned mobile applications (apps). A total of 20 mobile applications were reviewed. One Nestlé app was reviewed and found to be potentially in breach of the EU Pledge.

The 2016 monitoring results are available to download on the EU Pledge website.

Indicates commitments aimed at infants and children

Healthy and affordable food G4-DMA, Customer health and safety G4-DMA, Marketing communications G4-DMA, G4-PR6, G4-PR7, Compliance (Product responsibility) G4-DMA

Promoting voluntary pledges on marketing to children

Nestlé supports the development of voluntary initiatives around the world to dramatically improve – and, in some cases, remove – advertising to children and encourage industry peers to commit to this minimum standard. These pledges have two main commitments:

- No advertising of food and beverage products to children under 12 on television, print or online, except for products that fulfil common nutritional criteria; and
- No communication related to products in primary schools, except where specifically agreed with the school for educational purposes.

Our own Nestlé Marketing Communication to Children Policy goes beyond these pledges (with stricter nutritional criteria and a wider scope) and applies globally. National or regional pledges on the marketing of foods to children now cover 51 countries.

Shifting the marketing target for our children's ice cream brands

Over the years, we have put considerable effort into reformulating our children's ice cream portfolio, to ensure our products meet the EU Pledge criteria of not exceeding 110 calories per 100 g. A dedicated 'Quality for kids' label guides parents to this healthier choice and, by the end of 2017, we will evolve our communication to specifically target parents only. We will not market ice cream directly to children from 31 December 2017.

As well as continuing to keep children's ice cream below 110 calories per 100 g and working towards removing artificial colours and flavours from our portfolio, we will continue to improve the nutritional, quality and taste profile by increasing the milk and fruit content.

Marketing healthy choices

Our commitment

Leverage our marketing efforts to promote healthy cooking, eating and lifestyles

Our objective towards 2020

By 2020 – Double the outreach of our efforts to promote healthy cooking and eating, and healthy lifestyles for individuals, families and their pets.

Encouraging healthy home cooking

***Maggi* product portfolio worldwide that promotes home cooking and meals with vegetables** (%)

***Maggi* Cooking Lesson Programme** (number of countries)

The belief that lies behind our *Maggi* brand is that good eating habits start in the kitchen. In 2016, we continued to promote home cooking and healthy meals with vegetables through our *Maggi* portfolio. This is part of the implementation of our 'Kitchen Cupboard' approach, through which we are renovating our foods and beverages to simplify the ingredients we use.

To encourage children and parents to get involved in home cooking and craft tasty, well-balanced meals, *Maggi* has developed a global cooking education programme. The *Maggi* Cooking Lesson Programme comprises cooking lessons for adults, teenagers and children, as well as menu ideas, recipes and practical tips. During 2016, we extended the reach of the programme to 35 countries.

- In the Philippines, the *Maggi* Sarap Sustansya Caravan teaches mothers to prepare budget-friendly meals with guidance in good nutrition, food safety and cooking methods. The five-day programme involves discussions, demonstrations and hands-on exercises. Then, the 'Sarap Sustansya Champions' go through a train-the-trainers programme so that they can share what they have learned with others in the community; and
- In Australia and New Zealand, *Maggi* uses pop-up kitchens to provide young people with basic nutrition information and to teach them the skills they need to cook fresh, tasty and nutritious meals.

Kitchen Cupboard

Our 'Kitchen Cupboard' approach involves four elements:

- Using only natural ingredients that consumers are familiar with and enjoy;
- Simplifying ingredient lists, increasing the vegetable and whole grain content, and reducing the salt and sugar in our products, and improving their nutritional value through micronutrient fortification;
- Caring for the environment by, for example, introducing more organic ingredients; and
- Inspiring people to cook at home through events and recipes, both online and on-pack.

Healthy and affordable food G4-DMA, Customer health and safety G4-DMA, Marketing communications G4-DMA, G4-PR7, Compliance (Product responsibility) G4-DMA

Watch a short video about *Maggi*'s Pop-Up Kitchen.

The successful implementation of 'Kitchen Cupboard' requires widespread changes to our packaging, which delayed us from meeting our previous objective on home cooking promotion on each pack. We have therefore extended it to the end of 2020.

'Cooking Together' with Nestlé Russia

To meet the growing demand for programmes that teach Russian schoolchildren about good nutrition and encourage healthy lifestyles, our 'Cooking Together' classes have been designed to ensure children get the opportunity to practise cooking healthy meals.

Held at a well-equipped culinary studio at Nestlé's head office in Moscow, the classes welcome disadvantaged children and teens, including those from orphanages, children with disabilities, and young adolescent mothers who are experiencing hardship. During each session, around 20 children learn the principles of healthy nutrition from Nestlé volunteers, and are taught how to cook simple, healthy meals with the support of Nestlé Russia professional chefs.

El Rico Plato Nestlé

A key tool of the El Plato más Rico del Perú programme, developed to help address child malnutrition in Peru, is a portions plate. The Nestlé Portion Plate (*El Rico Plato* Nestlé) has three coloured compartments, one each for protein, carbohydrates and vegetables. With this, we are guiding parents and caregivers to prepare balanced meals containing a lot of vegetables, and in appropriate portion sizes for children aged 4–12.

We will have distributed 200 000 portion plates during 2016 and plan to have delivered 500 000 by the end of 2019.

Promoting active lifestyles

As well as promoting healthy eating, we use our marketing reach to encourage physical activity. Through brand commitments to encourage active lifestyles in Africa, Oceania and Asia, *Milo* has a long history of investing in sports programmes and nutrition projects. In partnership with governments and sporting organisations, we reached 22 million children in 2015 through grassroots sports initiatives.

For example, we sponsor the Milo in2CRICKET programme, recognised as Australia's premier junior development opportunity. It provides children aged 5–10 with the possibility to make friends, develop team skills and have fun. And in a new partnership, *Milo* has teamed up with FC Barcelona to promote healthier lifestyles and the importance of physical activity to young people. The four-year global partnership will make *Milo* the official tonic food drink of the Spanish football giant, and in some countries in Europe, the Middle East and North Africa, the partnership will be extended to include our *Nesquik* brand.

Read a case study on how we have also reduced the sugar content of *Milo*.

Milo is also promoting a new activity tracker and app, helping parents to keep their children physically active. The programme was initially launched in Australia, the Philippines and Indonesia in 2016.

Healthy and affordable food G4-DMA, Customer health and safety G4-DMA, Marketing communications G4-DMA, Compliance (Product responsibility) G4-DMA

Promoting healthy diets and lifestyles

We believe that we have an important role to play in promoting good nutrition and healthy lifestyles for this generation and the next. We equip scientists and health professionals with information, and use a range of programmes and activities to enable greater understanding of nutrition among individuals, families and food professionals.

Fostering healthy behaviours in children and families

Our commitment

Empower parents, caregivers and teachers to foster healthy behaviours in children

Social movement

Game-changing solutions through partnerships in the community

Proprietary Nestlé education programmes

Nutrition education and promotion of healthy lifestyle

Conception

Birth

1 year

2 years

3 years

4 years

5 years

6 years

7 years

8 years

9 years

10 years

11 years

12 years

United for Healthier Kids®

Dedicated to inspiring parents and working with like-minded partners to promote healthy habits in children below 12 years of age.

Digital

Family in the home

Sports and activities

Neighbourhood

Retailers

Parks

Nestlé *Start Healthy Stay Healthy*

Dedicated to educating parents on the importance of nutrition in the first 1 000 days of life, from conception to a child's second birthday.

Nestlé Healthy Kids Global Programme

Dedicated to empowering teachers and children with nutrition education and promoting healthy lifestyles in the school environment through authorities and expert groups.

School

Indicates commitments aimed at infants and children

Healthy and affordable food G4-DMA

In a context where childhood malnutrition remains a major public health concern, we aim to foster behaviours in children and families that contribute to building a healthier environment.

Our efforts touch a range of target audiences and allow Nestlé to reach children and families where their needs are greatest and where we can offer a potential positive impact on health.

Three key areas of focus include early childhood, school nutrition and inspiring parents.

We believe this multi-faceted approach will support public health objectives effectively and give children and families a strong foundation that enables healthier and happier lives.

Empowering parents and caregivers

People reached by Nestlé *Start Healthy Stay Healthy* through media (million)

Our objective in 2016

Ongoing – Provide nutrition education for parents and caregivers on the importance of the first 1000 days of life (from conception to the child's second birthday), including maternal nutrition during pregnancy and promoting breastfeeding as the best start in life.

Our objectives towards 2020

By 2018 – Maintain existing *Nestlé Healthy Kids* global programmes, while measuring their impact on children based on five globally defined goals: eat nutritious and diverse meals; manage portions; choose water; play and be active; and maintain good hygiene habits.

By 2020 – Support 50 million children through our nutrition education and behaviour change programmes; an important milestone towards our wider 2030 ambition.

Good nutrition and feeding practices during the first 1000 days of life lay the foundation for lifelong health and wellbeing. It is therefore important for mothers to establish healthy eating habits for themselves during pregnancy and breastfeeding, and for their children.

Our global education programme for parents and caregivers, Nestlé *Start Healthy Stay Healthy*, is designed to support individuals caring for a newborn during this critical time. The engaging e-learning course, created by nutrition scientists and based on the latest scientific findings and public health data, helps mothers understand what to feed, how to feed and why the first 1000 days are crucial to their baby's future health. It also provides doctors with practical tools and support for use in face-to-face sessions with parents.

In line with the WHO's recommendation, the programme actively promotes exclusive breastfeeding during the first six months of life, followed by the introduction of nutritious foods that complement sustained breastfeeding for up to two years and beyond.

At the end of 2016, Nestlé Start Healthy Stay Healthy was live in more than 40 markets, and had reached 55 million people through media. Although a global programme, Nestlé *Start Healthy Stay Healthy* is customised to support local guidelines, with articles, videos and infographics tailored for use across national websites from Australia to India.

Empowering teachers and schools

Our Nestlé Healthy Kids Global Programme is a key element in helping children and adolescents balance good nutrition and healthy hydration with an active lifestyle. Through their teachers, they learn the basics of nutrition, develop a positive approach to food, and receive practical advice on improving eating and drinking habits. Physical activity sessions are included in most cases. The programme's framework is flexible, enabling schools to tailor the programme to the specific health and nutritional needs of their communities.

Nestlé Healthy Kids Global Programme (number of countries)

With the assistance of government authorities, NGOs, nutrition institutes and universities, we continue to advocate for a whole-school approach to nutrition and health, and have launched our latest Healthy Kids programmes in Gabon and Palestine.

The Nestlé Healthy Kids Global Programme has also forged a new partnership with EuropeActive, which represents the European health and fitness sector. The NGO ran the second annual Action Learning for Children in School project across 10 countries. With community-based sport and fitness centres cooperating with schools, more than 20 000 children benefited from the four-week programme.

G4-EC1, G4-EC7, Healthy and affordable food G4-DMA

8.3 million

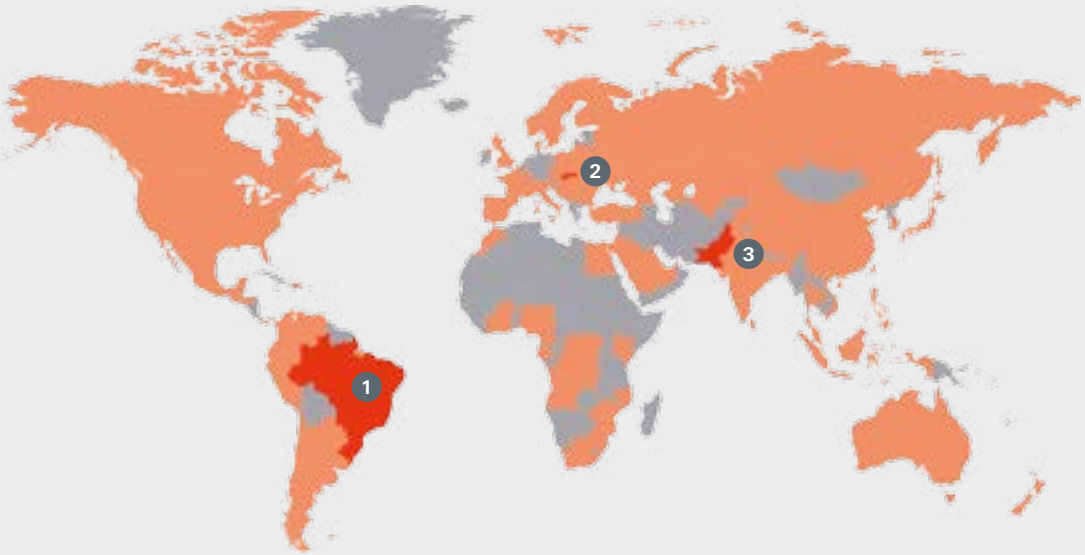
children reached worldwide through the Nestlé Healthy Kids Programme

84

countries in which the Nestlé Healthy Kids Programme is active

311

active partnerships in the Nestlé Healthy Kids Programme



1 Americas: Brazil

Hundreds of thousands of schoolchildren in São Paulo will benefit from education on the importance of healthy eating and active lifestyles through the city's first Nutrition and Food Security Plan, which incorporates the Nestlé Healthy Kids (*Nutrir*) Programme.

2 Europe: Slovakia

The academic year 2015–2016 was the first year of the Nestlé Healthy Kids Programme in Slovakia. The pilot project was implemented at two schools in the capital Bratislava, under the patronage of the country's president. Since September 2016, the schools have started a partnership with the Public Health Authority of Slovakia. Popular chefs and fitness trainers have been involved in project activities, which have so far directly impacted 8000 children.

3 Asia: Pakistan

Nestlé Pakistan organised a Nestlé Healthy Kids day in October 2016 in Lahore, attracting students, teachers, parents and representatives of partner institutions. The day included stalls, a speech contest, quizzes and competitions, and performances by the children highlighting the importance of nutrition. The programme has now reached more than 100 000 children and trained more than 425 teachers in 180 schools since 2010. We plan to reach 25 000 more children in 2017.

Assessing our impact

We assess the impact of Nestlé Healthy Kids Programmes through a global framework, based on the following goals:

- Eat nutritious and diverse meals;
- Manage portions;
- Choose water;
- Play and be active; and
- Maintain good hygiene habits.

Read more about the findings from our large-scale research programmes.

Programmes are usually evaluated at a local level by external, independent bodies such as universities, scientific institutions and national academic organisations. As well as the reach and scale of our programmes, we also aim to measure their impact in terms of changes in knowledge and behaviour. We know behaviour change is challenging to measure and can take a long time to become sustainable, but it is critical if we want to ensure a long-term, positive influence on children.

International Chefs Day 2016

Each October, chefs around the world celebrate International Chefs Day, with the support of Nestlé Professional. Organised by the World Association of Chefs Societies (Worldchefs), the activity sees chefs engage with their local communities, providing exposure to their profession and promoting healthy eating among children. In 2016, under the theme 'Art on a Plate', more than 2000 chefs joined an estimated 19 000 children in 54 countries via Nestlé Healthy Kids cooking workshops.

Watch a short video about International Chefs Day.

G4-EC1, G4-EC7, Healthy and affordable food G4-DMA

Inspiring parents through innovative tools

As part of our global commitment to foster healthy behaviours in children, we established United for Healthier Kids® in 2014.

Through engagement with private and public partners, and pioneering, science-based resources, we intend to provide parents of children under 12 with new tools to inspire and enable behaviour change. United for Healthier Kids® uniquely relies on mass media, social media and integrated social marketing to reach parents. Over the last two years, it has reached 170 million people through online and on-the-ground activities, and is currently collaborating with 50 private and public partners in 10 countries.

Pilots in Mexico and the Philippines in 2014 showed that collaboration with media companies and communication partners is crucial for promoting positive public health messages. United for Healthier Kids® has since expanded to Panama, Brazil, the Middle East, Egypt, Thailand, Pakistan, Guatemala and Ecuador. It is also partnering with our existing efforts – *Start Healthy Stay Healthy* and the Nestlé Healthy Kids Programme – to offer a holistic approach to improving the community landscape and driving a stronger culture of health at the local level.

'Tummyfish': Helping children in the Middle East choose water

In the Middle East, United for Healthier Kids® is exploring new ways of promoting healthier habits. Children in the region often choose sugar-sweetened beverages over water as their primary hydration choice.

Using gamification and the power of storytelling, 'Tummyfish' is a behaviour change tool that encourages children to choose water over sugary drinks on more occasions during the day. Using a storybook, parents introduce 'Tummyfish' to their children, who then care for their own 'Tummyfish' through an app.

'Tummyfish' was launched in partnership with a leading publishing house and an international hotel chain, and is endorsed by the local health authority.

Promoting healthy hydration

We believe that what you drink is as important to a healthy lifestyle as what you eat and how often you exercise. We recommend plain water – from any source – as a top choice for daily hydration, as it does not add any calories to diets.

Our commitment

Inspire people to choose water to lead healthier lives[1]

Our objectives towards 2020

- **By 2017 –** Release with partners an open access platform offering global statistics on people's drinking habits.
- **By 2020 –** Launch national campaigns promoting healthy hydration with public and private partners in 10 countries.

We all need to drink water to function properly. About 20–30% of the water we consume comes from food, and the rest is obtained through what we drink. Hydration levels vary with physical activity, health, ambient temperature, age and gender, and even mild levels of dehydration can affect how we perform mentally and physically. As well as thirst, dehydration can result in headaches, tiredness and a decrease in alertness, concentration, memory and physical ability.

1 This commitment and its objectives underwent revision after the March 7th, 2017 publication of our Summary report (which was issued as part of our Annual Report). The new wording included here reflects the final feedback from the Nestlé Waters Board of Directors.

Healthy and affordable food G4-DMA

We encourage debate between public and private partners on the topic of healthy hydration. For example, Nestlé Waters North America supports the 'Drink Up' initiative, of which Michelle Obama is the honorary chair. 'Drink Up' is run by the Partnership for a Healthier America, which works with the private sector to urge Americans to choose water – still or sparkling, tap or bottled. Meanwhile, the national 'I Choose Water' campaign, developed by the Polish Dietetics Association and gathering interested parties such as Nestlé Waters Poland, has attracted new partners in 2016. Healthy hydration is also promoted as a healthy habit through the Nestlé Healthy Kids Global Programme and United for Healthier Kids®.

The findings of our own research have shaped our approach to education on healthy hydration. A recent study shows a high proportion of Lebanese children failing to meet total water intake recommendations, and calls for culturally relevant interventions to establish healthy consumption patterns early in life. These results are similar to those previously observed in the United States, Mexico and France.

Read more about how we educate our employees about healthy hydration.

We have also supported the University of California at Davis to conduct an independent study published in the journal *Appetite*, which tested the benefits of drinking water on working memory and attention among children aged 9–12. The results suggest that water intake that leads to moderate hydration-status changes improves cognitive performance.

Family Hydration Day in Mexico

Consumption of sugar is excessive for a large proportion of Mexican people, linked to high levels of sugar-sweetened drinks on an everyday basis. Against this backdrop, Nestlé Waters Mexico teamed up with the country's Federal Ministry of Health to create a National Family Hydration Programme, promoting water as the drink of choice for healthy hydration among Mexican families.

The initiative was launched in July 2016 with a Family Hydration Day at Chapultepec, a park in Mexico City. The event attracted more than 40 000 people, who enjoyed a range of activities while learning about healthy hydration with Nestlé *Pure Life*.

These included a recycling workshop and *Reloj de la Hidratación* (Hydration Clock), where they had to identify the best times in the day to drink water. Thousands of participants also signed a wall, marking their commitment to Family Hydration.

Other initiatives included a media tour in five major cities to share the healthy hydration message, and Hydration Brigade roadshows, which organised conferences with Health Sciences students at the country's leading universities.

Discussions to deploy similar initiatives in other countries are ongoing.

Health-promoting food environments

Extending our approach to nutrition, health and wellness to the point of purchase and out of the home, we want to partner with retailers and food service providers to foster healthier food environments.

Our commitment

Partner for promoting healthy food environments

Our objective towards 2020

By 2020 – Partner with retailers and food professionals to foster environments that promote healthier diets and lifestyles.

Grocery stores use basic layout principles to create a general flow, keeping customers moving through the aisles and making purchases. Food and beverage self-serve outlets do the same. Our aim is to work with partners to ensure more of these purchase opportunities feature healthier diets and lifestyles.

Healthy and affordable food G4-DMA

Through long-term collaborations with strategic retail and food service partners, we work at defining out-of-home programmes to fit their strategies and environments, while continuously helping individuals and families make healthier choices. Such programmes may include placing healthier choices at the checkout or on food service menus, messages to encourage healthier shopping baskets in store and online, skin protection and good sleeping habits, in addition to responsible marketing communications directed at parents and caregivers. These actions will be tailored to suit local communities and cultures.

We will also develop a methodology that can be scaled up to engage further partnerships and actions.

Supporting food service professionals

168

beverages sold every second by Nestlé Professional

Through our Nestlé Professional business, we work with chefs and food service operators – the people who directly influence the nutritional content of the food served in restaurants, hospitals, schools and public institutions.

Based on research conducted at our culinary centres in the United States, Germany, China and Singapore, Nestlé Professional creates foods and beverages in nine dedicated manufacturing facilities. Here also, we continue to renovate foods and beverages to lower their salt, sugar and saturated fat content, remove *trans* fats and introduce more essential nutrients.

Read more about Nestlé Professional's support for International Chefs Day.

We also provide educational materials and services to support food service professionals in improving the nutritional content of their food. We run articles in industry magazine *Worldchefs*, produce online videos and publish our own dedicated magazine, *Nutripro*, which contains cooking tips and advice for chefs.

Educating our employees

We offer nutrition training through our well-established online Nutrition Quotient (NQ) programme. This provides all our employees with a strong foundation of nutrition knowledge that they can apply to their daily activities and their own lives.

Read more about our training and learning strategies.

NQ has progressive levels covering subjects such as nutrient basics and food groups, and how to integrate nutrition principles into daily habits. We also offer offline activities such as classroom training and factory site campaigns, with educational posters and hand-outs.

In 2016, 92% of our markets embedded the NQ Foundation Module into their employee orientation programmes.

We also train Nestlé Nutrition employees on the marketing of breast-milk substitutes.

Nestlé Waters educates through the *Blue Book*

The *Blue Book* is a new publication designed to help Nestlé Waters' employees better understand the important role of healthy hydration. Every employee worldwide will have a copy so that they can learn more and share their knowledge with family and friends.

The *Blue Book* also helps engage Nestlé Waters people in the Blue Book Ambassadors programme. Employees are encouraged to become volunteer trainers on the nutritional value of water and the importance of healthy hydration. A toolkit has been developed to help volunteers cascade the health-promoting messages. The programme, already running in North America and Italy, aims to spread awareness among both internal and external audiences.

Healthy and affordable food G4-DMA

Building, sharing and applying nutrition knowledge

Why sharing and applying knowledge matters

Sustainable Development Goals

We identified the following goals where our work adds value:

Food and beverage companies can support public health by investing in both personalised nutrition and population-based scientific research. Partnerships and collaborations allow us to contribute to the development of measurable strategies and meaningful initiatives designed to close nutrition gaps and address public health challenges.

With obesity and type 2 diabetes already at epidemic proportions, and Alzheimer's disease increasingly prevalent in a growing, ageing population, many of our studies are focused on brain and intestinal health, obesity and weight management. Some of these conditions have common physiological factors that can be affected by, and addressed through, nutrition. Nonetheless, we adopt a holistic approach, not focusing on nutrition in isolation but also exploring physical activity, and their combined effect on metabolic health.

- **A partnership to explore the science of the microbiome**
  A growing body of evidence suggests that gut bacteria (known as 'the microbiome') play a pivotal role in the way our bodies respond to food and nutrients. Over the next five years, Nestlé will invest CHF 10 million in a partnership with Imperial College London. It will focus on a number of areas, including an understanding of how the microbiome influences our physical and mental health.
- **Focusing on healthy ageing in Asia**
  With Asia's ageing population expected to reach 1.3 billion and account for 60% of the world's population of older people by 2050 (United Nations Population Division), Nestlé has extended its strategic innovation partnership with the Singapore Government's Agency for Science Technology and Research (A*STAR), providing a new base for Nestlé's regional centre for research into healthy ageing. The Nestlé Research Centre Asia will concentrate on supporting the unmet nutritional needs of Asia's growing older population.
- **Study to help reduce the incidence of diabetes**
  Losing weight is believed to help prevent obese pre-diabetic people from becoming diabetic; however, some who manage to lose weight still go on to develop the disease and other obesity-related complications. As part of the pan-European 'Diogenes' research programme, which targets obesity from a dietary perspective, teams from the Nestlé Institute of Health Sciences, and universities in Maastricht and Copenhagen, have identified distinct markers in the blood that can differentiate between pre-diabetic individuals who are likely to respond to weight loss, with better sugar control that may successfully prevent Type 2 diabetes, and those who are not.

By building and sharing a deeper understanding of the current – and evolving – dietary patterns of individuals and families around the world, we can adjust our product offer and empower people to make healthier choices they enjoy throughout their lives. Working with like-minded partners, we can also explore better ways to support healthier lifestyles and contribute to fact-based conversations about health and food policies.

We aim to use our nutrition knowledge and research findings to make a positive contribution to society, at every touchpoint: from the home to the store checkout; at all life stages, from conception to old age; and across all aspects of health and wellbeing.

We have built one of the largest R&D capabilities in our industry, which works to share understanding, improve our foods and beverages, and address key public health and nutrition challenges.

Visit our website for more information on our research network.

Healthy and affordable food G4-DMA, Customer health and safety G4-DMA

A science-based approach

Through our research and associated network, we are working to discover science-based nutritional solutions that can reduce and manage disease, or improve care for the young and the elderly. By bridging the gap between nutrition and pharmaceutical sciences, we are well placed to develop innovative, personalised and effective therapeutic approaches.

Leading the food and beverage industry in R&D capabilities, we have 40 centres worldwide and more than 5000 employees. Our two key research centres – the Nestlé Research Center (NRC) and the Nestlé Institute of Health Sciences (NIHS) – act as focal points.

Our research activities allow us to develop foods and beverages that address specific health needs and lifestyle issues, and we share this understanding through our research network.

CHF 1.7bn

invested in R&D by Nestlé in 2016

Our research community

- **Nestlé Research Center (NRC):** drives science and technology, from basic nutrition and health research to applied research for product development and application.
- **Nestlé Institute of Health Sciences (NIHS):** a biomedical and molecular nutrition research institute specialising in metabolic health, gastrointestinal health, brain health and ageing.
- **Nestlé Clinical Development Unit (CDU):** a hub for Nestlé's clinical development programmes for evaluating the impact of our foods and beverages on human biology, nutrition and health, and taste and pleasure.
- **Nestlé Health Science (NHSc):** pioneering the development and application of evolving science to create a new role for nutrition in disease prevention and management.
- **Nestlé Nutrition Institute (NNI):** shares leading science-based nutrition information and education with healthcare professionals, scientists, and public health communities and stakeholders.
- **Nestlé Skin Health:** a global leader focused on meeting the world's increasing skin health needs with a broad range of innovative and scientifically proven products.

Our R&D network drives innovation and supports the constant renovation of our food and beverage portfolio. Our researchers are also exploring the role of nutrition to help people maintain or improve their health, and investigating how we can help people look after their health, including their skin. We continue to build our research and development capabilities, forging key partnerships and looking to develop the nutritional therapies of the future.

Visit our website for more information on our R&D network.

Nestlé Research Center (NRC)

The Nestlé Research Center (NRC) drives science and technology, from basic nutrition and health research to applied research for product development and application.

The NRC's research programmes are designed to help us meet our commitment to offer individuals and families safe, healthy and tasty foods and beverages of the highest quality:

- **Food safety and integrity:** we aim to overcome complex food safety and integrity challenges by improving processes at different stages, including the optimisation of heating processes, raw material selection and packaging.
- **First 1000 days and Nestlé Healthy Kids Programme:** our nutritional concepts and programmes promote the health of mothers, infants and growing children. Through our focus on the first 1000 days of life, we seek to address specific nutritional needs, and promote optimal growth and development for long-term health and wellness.
- **Healthy ageing:** we are developing nutrition and service solutions to support the health and wellness of an ageing global population.
- **Healthy pleasure:** we are committed to delivering foods and beverages that taste great, are nutritious and exceed consumer expectations.
- **Sustainable nutrition:** our research helps promote access to sufficient, safe and nutritious foods and beverages to meet people's dietary needs, and enable an active lifestyle while minimising environmental impact.

Customer health and safety G4-DMA

"With FITS and KNHS, we are in a unique position to analyse and compare nutrient intakes, food groups consumed, and children's eating and related behaviours across diverse populations and geographical regions. Results provide useful diet and behaviour information at the market level, and a broad perspective on topical nutritional challenges around the world."

Dr Alison Eldridge,
Principal Investigator,
Nestlé Research Center

For healthier generations today and tomorrow

By establishing the right feeding practices early in childhood, we believe that children can be encouraged to pursue healthy eating and hydration throughout their lives. We seek to continually improve our understanding of eating habits, during the crucial first 1000 days of life as well as up to age 12, which are important habit-forming years. We are also developing nutrition and service solutions to support the long-term health and wellness of an ageing global population.

Our commitment

Build and share nutrition knowledge from the first 1000 days through to healthy ageing

Our research-led approach to children's nutrition: FITS and KNHS

Our objective in 2016

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

Our objective towards 2020

By 2020 – Build further knowledge in the dietary intake, eating behaviours and lifestyles in infants and children.

Nestlé has been conducting research on the eating habits of young children for 15 years, but three years ago, we committed to widen our knowledge of older children's diets too. This remains a top research priority, and we are building knowledge leadership in children's nutrition through a deeper understanding of their dietary intakes and lifestyle habits.

Our objective was to commence major research initiatives in at least 10 countries by the end of 2016. To date, we have worked or are working in nine markets, and we are confident we are implementing studies in an effective and timely manner, while ensuring they remain relevant and viable.

- **Feeding Infants and Toddlers Study (FITS):** FITS deepens our understanding of the eating patterns of infants and toddlers, and their associated nutritional intake. It covers children from birth to four years old, as they transition from an all-milk diet, through complementary feeding, to foods consumed by the whole family.
- **Kids Nutrition and Health Study (KNHS):** KNHS focuses on children at the next life stage, aged 4–12 years old, when many of the dietary and activity habits that influence health later in life are established. KNHS explores the food and nutrient intakes of children, as well as lifestyle and behaviour patterns.

Findings from both FITS and KNHS can help inform conversations with healthcare providers and policy-makers concerned with children's nutrition and health.

The format of these studies is tailored to each location. In some countries, there is no data available so we collect a wide range of information (about nutrients and foods consumed as well as complementary feeding, daily eating patterns and how parents interact with their children during feeding) through questionnaires and interviews. In other countries, we are supporting the analysis of the data already collected by national authorities such as the Institute of Nutrition in Moscow, Russia, and the Food and Nutrition Research Institute in the Philippines.

In 2016, we continued to analyse results from studies in the United States, Mexico and China and, with our partners, conducted new studies in Russia, Australia and the Philippines. We also completed the result analysis of a pilot study in the São Paulo region of Brazil and conducted a thorough preparatory literature review in the Middle East with the American University of Beirut. We are currently in the process of preparing for three new primary data collection studies.

We are increasingly seeing the value of analysing the results at an international level, enabling us to cross-reference locations and gain insights we would not otherwise have. The findings, both in terms of commonalities and differences, will help define our product reformulation, strengthen our communications to parents and inform educational content for Nestlé *Start Healthy Stay Healthy*, Nestlé Healthy Kids Programme and United for Healthier Kids®.

Indicates commitments aimed at infants and children

Healthy and affordable food G4-DMA, Customer health and safety G4-DMA

Why these countries?

The selection of countries in which to conduct FITS and KNHS research depends on three criteria:

- **Relevant:** would the results allow Nestlé to help address public health concerns such as high obesity rates or nutritional deficiency incidence?
- **Feasible:** is there data on local food, nutrition habits and food customs so that we are able to analyse diets? Do we have local teams, partners and research tools in that country?
- **Actionable:** do we have the market presence to utilise these results to develop food and beverage solutions or educational initiatives?

Sharing our findings

Externally, we share our findings with healthcare professionals and public health authorities. Our most recently published papers on studies around the world are summarised below.

1 China

Food groups consumed by infants and toddlers in urban areas of China.
Food & Nutrition Research (2016)

Perceptions of food intake and weight status among parents of picky eating infants and toddlers in China: A cross-sectional study.
Appetite (2017; published online in 2016)

Obesity, non-communicable disease (NCD) risk factors and dietary factors among Chinese school-aged children.
Asia Pacific Journal of Clinical Nutrition (2016; published online 2015)

Snacking is longitudinally associated with declines in body mass index z scores for overweight children, but increases for underweight children.
Journal of Nutrition (2016)

Analysis of physical activity and sedentary behaviors in children and adolescents from 12 provinces/municipalities in China (in Chinese with English abstract).
Journal of Hygiene Research (accepted 2016)

2 United States

Picky eating: Associations with child eating characteristics and food intake.
Appetite (2016)

Usual food intakes of 2- and 3-year old U.S. children are not consistent with dietary guidelines.
BMC Nutrition (2016)

Screen-based sedentary behavior and associations with functional strength in 6–15 year-old children in the United States.
BMC Public Health (2016)

Missing lunch is associated with lower intakes of micronutrients from foods and beverages among children and adolescents in the United States.
Journal of the Academy of Nutrition and Dietrics (2016)

Snacking among US children: patterns differ by time of day.
Journal of Nutrition Education and Behavior (2016)

3 Mexico

Estimating usual intakes mainly affects the micronutrient distribution among infants, toddlers and pre-schoolers from the 2012 Mexican National Health and Nutrition Survey.
Public Health Nutrition (2015)

Early feeding patterns among Mexican babies: findings from the 2012 National Health and Nutrition Survey and implications for health and obesity prevention.
BMC Nutrition (2016)

Increased snacking and eating occasions are associated with higher energy intake among Mexican children aged 2–13 years.
Journal of Nutrition (2015)

The contribution of at-home and away-from-home food to dietary intake among 2–13-year-old Mexican children.
Public Health Nutrition (2016)

Such findings are already influencing the foods and beverages we are developing to tackle nutritional gaps. For example, to address toddler diets lacking in vegetables and whole grains, *Lil' Pastas* contain half a serving of vegetables 'hidden' in the wholegrain pasta dough and in the filling, while *Lil' Beanies* use navy beans in a snack for toddlers whose diets lack vegetables, fibre and vitamin E. They contain 1 g of fibre, 2 g of protein (9% of a toddler's recommended daily intake) and 10% of the recommended amount of vitamin E, which comes naturally from sunflower oil. Neither contain artificial colours, flavours or preservatives.

Healthy and affordable food G4-DMA, Customer health and safety G4-DMA

As we learn more, we intend to share more with healthcare professionals and other groups who share a common interest in improving the lives of children and families.

Applying FITS and KNHS findings in Latin America

Having looked at eating occasions and energy intake of children aged 2–13, findings from local FITS and KNHS research have been applied to United for Healthier Kids® platforms in Mexico. Snacking was identified as a potential area for diet improvement, as sweets are the second-highest percentage of calories per capita. These findings have underscored Nestlé Mexico's decision to pursue the United for Healthier Kids® behaviours of 'Manage portions' and 'Choose nutritious and varied options'. A portion plate was developed to help parents provide the right portion sizes and balance of food groups in their children's meals. The tool was distributed among 50 000 families, supported by a guide that gives nutrition and lifestyle recommendations for children and adolescents.

Nestlé Brazil has also integrated KNHS findings into its United for Healthier Kids® efforts. Insights from a pilot in São Paulo suggest that more than 50% of overweight kids spend too much time being sedentary. The Brazil team is therefore focusing on the United for Healthier Kids® behaviour 'Move more, sit less', using gamification to encourage behaviour change. As part of a Superheroes game, kids are sent on 'healthy missions', where they can earn points for completing fun and healthy activities such as exercising and playing outside.

EpiGen and the NiPPeR study

Our objective towards 2020

By 2020 – Build knowledge on the associations between nutrition and lifestyle, and biomarkers of health in mothers and children through the EpiGen collaboration.

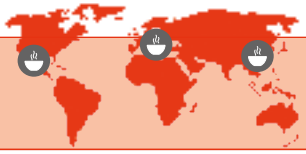
In one of the largest public–private partnerships of its kind, we are looking at the impact of nutrition and lifestyle on maternal and infant health in collaboration with the EpiGen Global Research Consortium (EpiGen).

The latest findings were presented at an international conference in Munich, Germany, in October 2016. The event 'The Power of Programming' brought together experts to discuss the impact of early nutrition and lifestyle factors on obesity and related disorders later in life. Topics presented from the EpiGen collaboration included:

- Associations between epigenetic changes at birth and disease risk factors in childhood;
- The impact of specific nutrients during pregnancy on maternal and infant metabolic health; and
- Associations between maternal feeding practices and children's eating behaviours and weight status.

The partnership has also led to articles appearing in a number of scientific publications and the launch of the NiPPeR study in 2015. Through this study, mothers-to-be in Singapore, New Zealand and the UK are helping us explore whether a specific combination of nutrients and probiotics, taken before conception and during pregnancy, improves the health of mothers and their babies. By the end of 2016, the NiPPeR study had recruited more than 1300 women (over 80% of target) with more than 90 babies (over 17% of target).

The economic burden of gestational diabetes



Gestational diabetes mellitus (GDM) is a condition that affects millions of pregnant women worldwide, causing high blood glucose levels during their last term. Evidence shows that this may lead to serious adverse health outcomes during pregnancy, delivery and the initial post-natal period for both mother and baby.

To understand the economic burden of GDM, we are conducting studies in China, Italy and Mexico, in cooperation with Peking University (Beijing), Bocconi University (Milan) and the National Institute of Public Health (Cuernavaca) respectively. We are analysing the difference in cost between a normal pregnancy and one complicated by GDM, which incurs additional medical expenses during and after pregnancy.

Healthy and affordable food G4-DMA, Customer health and safety G4-DMA

Healthy ageing and brain health

Our objective towards 2020

By 2020 – Develop a deeper understanding of dietary intake, preferences and lifestyle habits during ageing.

There is much still to learn about the links between nutrition and cognitive health, and how nutrition could help prevent the onset or slow the progression of conditions such as Alzheimer's disease. NIHS is involved in a number of collaborative studies and clinical trials into brain health, including:

- The **PUFA** clinical trial: a trial among older adults to evaluate the ability of a fish oil extract (polyunsaturated fatty acids) to prevent vascular injury in the brain, a factor in the decline in mental ability associated with ageing; and
- The **MIND** diet trial**:** involving 600 people aged at least 65. This is the largest diet-only intervention for preventing age-related cognitive decline and neurodegeneration such as Alzheimer's disease.

We are also involved in three major clinical cohort studies:

- **The Nutrition and Brain Aging Study (NBAS)** is a partnership between the NIHS and Oregon Health & Science University's Layton Aging and AD Center. Involving 315 older subjects at risk of dementia, the study uses blood profiling conducted by the NIHS to identify distinct nutritional requirements to prevent Alzheimer's disease and cognitive decline.
- ADAGE, funded by the EU Joint Program for Neurogenerative Disease, seeks to identify distinct molecular, genetic and physiological factors that explain the evolution of cognitive ageing, Alzheimer's disease and neuropathology. Investigators from Italy, Sweden, Switzerland and the UK will test how 'omics' technologies will help identify the molecular 'signatures' of the ageing process, pointing towards new risk factors and relevant targets for preventing age-related cognitive decline. NIHS will conduct several of these 'omics' studies, which aim to characterise and quantify many different molecules (DNA, proteins, etc.) at a time. This information is used to more completely characterise physiological states of how nutrition alters the balance between health and disease.
- The **Swiss Brain Aging Study**, a collaboration with the CHUV Leenaards Memory Center in Lausanne running until 2017, is the first within Nestlé to pilot the 'multi-omics systems' approach. Using biomarker platforms including genomics and comprehensive nutrient profiling, we hope to gain holistic insights that will lead to the development of nutritional interventions.

Nutrition education for healthcare professionals

Our objective for 2016

Ongoing – Offer nutrition education services and programmes for healthcare professionals addressing global under- and over-nutrition problems.

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 better define health globally for the management of disease using nutritional solutions.

Our objective towards 2020

By 2017 – Through a global website and 13 country-specific sites in 10 languages, the Nestlé Nutrition Institute's (NNI) online professional education will be available in over 50 countries.

Education services for healthcare professionals

The Nestlé Nutrition Institute (NNI), a not-for-profit organisation based in Switzerland, is the world's largest private publisher of nutritional papers and information. NNI contributes to public health by sharing science-based information, education and research findings in the area of nutrition with healthcare professionals, scientists and nutrition communities around the world.

This information, accessible both online and offline, spans a wide range of topics, including nutrition from preconception, lactation and infancy through to healthy ageing and geriatrics. It also covers nutrition in healthy humans and nutritional support in disease management.

With approximately 302 000 registered members from 194 countries having free access to the NNI's global website and 13 other country-specific sites, we have met our 2017 objective a year early. We continually aim to increase our reach in terms of locations and members, and engage with both more experienced and younger health professionals through different channels.

Healthy and affordable food G4-DMA, Customer health and safety G4-DMA

For example, the NNI began broadening its audience to a wider array of frontline medical staff through its first event for midwives, held in the Philippines in November 2015.

The NNI also fostered exchange on nutritional and health-related topics through four conferences and four symposia in 2016, and held two major international workshops. In May 2016, the 87th NNI workshop in Singapore focused on complementary feeding as a foundation for a healthy life, while the 88th NNI workshop, held in Mexico in September, centred on the intestinal microbiome and its role in health and disease.

The NNI Fellowship supports young clinicians, with a particular focus on those from the developing world. An educational grant given in 2012–2015 to medical universities in Cape Town and Stellenbosch helped educate African paediatricians in paediatric gastroenterology and nutrition, while an investment in the Centre for Global Child Health in Toronto, Canada, is helping fund a new online course on public health and nutrition.

"The NNI Fellowship allowed me to pursue training in Cape Town and to network with other Fellows across Africa. This, together with the ESPGHAN Goes Africa Initiative, created a rich resource of interconnected paediatricians who are free to share interesting and challenging cases and learn from each other. The award opened my mind, and taught me to notice conditions that I previously may not have identified. I see opportunities for improving the services offered, training younger doctors and engaging in research. I am excited by the opportunities of growth in our country and region, and look forward to contributing to this growth."

Dr Waceke Nganga,
Paediatric Gastroenterologist, Aga Khan University Hospital, Nairobi, Kenya (and NNI Fellowship recipient)

Researching advanced nutrition for better health

As part of our research network, the Nestlé Institute of Health Sciences (NIHS) creates knowledge to provide the understanding we need to define health. It is applying these insights in new science-based nutritional solutions that help people maintain and improve their health. It researches how health and ageing are influenced by diet, genetics, environment and lifestyle, taking into consideration many factors such as gut micro-organisms, metabolism and nutritional status.

Our commitment

Build biomedical science leading to health-promoting products, personalised nutrition and digital solutions

Personalised nutrition

Our objective towards 2020:

By 2020 – Develop digital nutrition profiling for calculating nutrient intakes, as well as for making recommendations for nutritional balance, into a comprehensive tool to assist individuals and families to lead happier and healthier lives.

The data from sensors and devices in our daily lives, such as mobile phones, wearables and 'smart' homes, can help us understand our nutrition and activity, and guide us towards a healthier lifestyle. Our long-term aim is to combine this increasingly connected technology with breakthroughs in nutrition science, to provide people with greater ownership of their quality of life.

In one of NIHS's most exciting areas of research, we have begun a collaboration with the Samsung Strategy and Innovation Center (SSIC) to harness the combined power of nutrition science and digital sensor technologies. Together, we are creating a new digital health platform that will provide individuals and families with personalised recommendations around nutrition, lifestyle and fitness. We aim to empower people to better manage their health and wellness using one simple connected entity rather than multiple platforms and devices.

207

scientific manuscripts have been published by NIHS since it was founded

Healthy and affordable food G4-DMA, Customer health and safety G4-DMA

The future of customised foods

NIHS is researching ways to measure the levels of essential nutrients in a person's body as we believe that characterising nutritional status is fundamental to defining personal health. As it stands, there is no comprehensive and cost-efficient way to measure an individual's 'personalised nutrient profile', so developing such methods and analytical tools is a crucial first step.

We then aim to develop a system to deliver nutritional solutions containing those missing nutrients, moving towards truly personalised food in the future.

"Nutrition is at the seat of how our immune system and our metabolism works. It affects our brain function; it affects our gut function; it affects virtually every tissue and cell in our body. And the most important thing that we must do is understand what our nutritional status is."

Ed Baetge,
Head of the Nestlé Institute of Health Sciences

Innovative therapies

Our objective towards 2020

By 2020 – Develop new interventional nutritional solutions driven by studies and diagnostic profiling. These programmes will focus on key areas such as metabolism, gastrointestinal and brain health, healthy ageing, skin health and pets.

We want healthy nutrition to be accessible to everyone, regardless of age or health status, and offer a range of nutrition products designed to meet the needs of people with specific medical conditions, including nutrition needs related to ageing. Our nutrition-based therapies are founded on scientific research and an in-depth understanding of both consumers and healthcare providers.

To support consumers throughout their lives, we have created new opportunities dedicated to innovative therapies. One of them, Nestlé Health Science (NHSc), seeks to develop scientific methods and products to improve health through nutrition.

Watch a short video about NHSc and its nutritional therapies.

NHSc is engaged in advancing the therapeutic role of nutrition. It applies medical research conducted across our R&D network to empower patients and healthcare professionals to transform health outcomes; enable earlier interventions; build clinical evidence; and create a science-based innovation pipeline to address unmet, under-served and growing needs.

NHSc aims to lead in three business areas:

- **Consumer Care:** addressing specific health conditions through products and services accessed through a pharmacy, retail outlet or online;
- **Medical Nutrition:** supplying food and nutrition products recommended by healthcare professionals to hospitals and healthcare facilities, to help treat medical conditions; and
- **Novel Therapeutic Nutrition:** working on new clinically proven nutritional therapies for specific diseases and conditions, focusing on areas such as gastrointestinal and brain health.

Through investment, innovation and expansion, we are continuing to develop innovative nutritional solutions, and have made three major investments in our NHSc operations around the world:

- The creation of a Nestlé Product Technology Centre (NPTC) in New Jersey, United States;
- An upgrade to our infant nutrition factory in the Netherlands; and
- Our first FSMP (food for special medical purpose) factory in Taizhou, China.

Collaborations to address today's health challenges

Healthy ageing
In 2016, we continued to deliver science-based nutritional solutions to support healthy ageing through leading brands such as *Boost* (North America), *Meritene* (Europe), *Nutren Senior* (Brazil) and *Sustagen* (Australia).

With a view to meeting our 2020 objective, we also undertook a major study among 14 000 people in 10 countries, to understand the attitudes, health status and habits of global consumers aged 50 and over.

Customer health and safety G4-DMA

Gut health

Our exploration into nutritional therapies to address food-related digestive discomfort and Irritable Bowel Syndrome (IBS) include the development of low FODMAP[1] diets. These eliminate short-chain carbohydrates (commonly found in wheat bread, beans, yogurt, milk, apples, onions and mushrooms) that are not easily absorbed in the small intestine. NHSc launched the website www.LowFODMAPCentral.com in April 2016 to support consumers and healthcare professionals looking for information. We are also developing innovative products such as *ProNourish*, a nutritional drink that makes it easier for consumers to follow a low-FODMAP diet.

Other types of inflammatory bowel disease, including Crohn's disease and ulcerative colitis, have a complex range of causes that appear to be at least partially related to Western lifestyle factors. With clinical trials starting in 2016, NHSc's Project Crown is developing an amino-acid-based medical food to help patients with Crohn's disease.

Brain health

We are helping US company Accera fund clinical trials featuring *Axona*, a prescribed medical food for patients with mild or moderate Alzheimer's disease. *Axona* helps the brain metabolise glucose, providing the fuel needed for cognitive function and memory.

Our work is also exploring nutritional innovations designed to target seizure control for sufferers of epilepsy who do not respond to medication. Ketogenic diets replace carbohydrates with fats as the main source of energy and while high-fat diets may not sound particularly healthy, they significantly reduce the number of seizures. Nonetheless, such diets are challenging to sustain, so in 2016 we initiated clinical trials with *Vitaflo*®, a nutritional drink. Taken twice day as part of a normal balanced diet, this may enhance seizure control in children, dramatically improving the quality of life for those with epilepsy.

The NHSc website My Ketogenic Diet provides dietary information, videos and other resources, as well as product details, hints and tips, and recipes.

Food allergies and intolerances

Cow's Milk Protein Allergy (CMPA) is the most common food allergy among infants and young children, yet it is often missed due to the non-specific nature of its symptoms. NHSc co-funded a tool to help primary healthcare professionals identify CMPA and intervene sooner. The CoMiSS® (Cow's Milk-related Symptom Score) tool is now available in more than 10 markets.

NHSc also entered into a strategic collaboration with French company DBV Technologies in May 2016 to develop its innovative patch-test tool for diagnosing CMPA in infants.

And in November 2016, NHSc announced a USD 145 million (CHF 142.9 million) investment in Aimmune Therapeutics, based in California. The collaboration will accelerate the development of innovative oral immunotherapies for people with food allergies.

Acute care

Other key areas of focus for us include the critically ill, and older people suffering from malnutrition or who have difficulty swallowing. We launched the *Compat Ella*® tube feeding pump, which adjusts feeding rates to patient needs, and also announced a collaboration with GE Healthcare to develop integrated management systems that improve nutrition during stays in intensive care units.

Beyond acute care in hospitals, NHSc has also developed launched two online resources, MyTubefeeding and MyTubefeedingKid, to help patients transition to tube feeding at home while maintaining a normal life.

Visit our website for more information about our medical nutrition R&D.

1 Fermentable, Oligosaccharides, Disaccharides, Monosaccharides And Polyols.

Skin health

The skin, our largest organ, protects us from harmful environmental factors, acts as an envelope for the body and can influence the way we interact with the world. Other people look at our skin, shaping their perception of who we are; and when we look at our skin, it influences our view of ourselves and our sense of wellbeing. As people live longer, their needs and expectations change, and we want to help them maintain healthy skin as they age.

To provide the healthcare community and consumers with innovative technologies and products to preserve, restore and maintain healthy skin, hair and nails, we founded Nestlé Skin Health. Our solutions are delivered through Galderma, its medical solutions business, and Consumer Skin Health, which is aimed at the broader market.

Watch a short video about SHIELD.

Nestlé Skin Health also collaborates with other institutions when generating ideas to advance skin health, and has started to establish a global network of innovation and education hubs. The first of these Nestlé Skin Health Investigation, Education and Longevity Development (SHIELD) centres opened in 2016 in New York.

To help sustain a long-lasting global community, the Galderma SkinPact Awards recognises and supports educational projects and initiatives led by dermatologists and physicians to improve skin health in their communities. The awards are focused on each global region in turn, with the 2016 awards open to submissions from Latin America.

Camp Wonder

Galderma supports Camp Wonder, a week-long summer camp for children with chronic and life-threatening skin diseases. Every year, around 100 children get away to experience the childhood joys of summer camp. In partnership with the Children's Skin Disease Foundation, Galderma provides funding, employee volunteers and *Cetaphil* products, both during the camp and throughout the year.

Customer health and safety G4-DMA

Rural development

Helping develop thriving, resilient communities

Our 2030 ambition is to improve 30 million livelihoods in communities directly connected to our business activities. We source supplies of raw materials from millions of farmers across the world. These farmers and their many workers are critical to a secure, long-term supply, and therefore to our success. By understanding and managing where and how our ingredients are produced, and the issues farmers and their communities face, we can better support rural development. Working closely with farmers will enable us to promote better agricultural practices, work towards responsible sourcing, and address issues such as rural poverty.

Enhancing rural livelihoods

Because alleviating poverty and encouraging the next generation of farmers will help ensure a sustainable supply chain.

113 446
farmers provided with technical assistance

28.3m
coffee and 2.2 million cocoa plantlets distributed to farmers

CHF 13.9m
invested in plant science

55 000
farmers in Kenya trained on nutrition in partnership with Solidaridad

61%
of total volume sourced from suppliers compliant with the Nestlé Supplier Code, exceeding our target

We extended our Child Labour Monitoring and Remediation System (CLMRS) to all co-ops that were in the *Nestlé Cocoa Plan* by August, and launched the CLMRS in Ghana

51%
of raw materials traceable, exceeding our target

44%
of raw materials Responsibly Sourced, exceeding our target

Responsible sourcing and traceability

Because we aim to source raw materials transparently and in compliance with our standards concerning economic, social and environmental issues.

Contributing to the Sustainable Development Goals (SDGs)

Nestlé supports the SDGs. These SDGs in particular are relevant to our work on rural development:

- **SDG 1:** No poverty
- **SDG 5:** Gender equality
- **SDG 10:** Reduced inequalities
- **SDG 12:** Responsible consumption and production
- **SDG 17:** Partnerships for the goals

75 Our rural development strategy
78 Enhancing rural livelihoods
83 Responsible sourcing and traceability

"As we look ahead, it seems wrong to talk about 'the future of sustainable agriculture'. Simply put, there is no future without sustainable agriculture."

Peter Brabeck-Letmathe,
Chairman, Nestlé

Our rural development strategy

We support farmers through a range of activities, including improving access to markets, training and technical support, helping them develop alternative income streams, and supporting young farmers and women. Through our work, we also tackle wider issues such as poverty and human rights. Programmes such as Farmer Connect and the Sustainable Agriculture Initiative Nestlé (SAIN) help us strengthen and secure the long-term supply of high-quality raw materials. Thereby our support contributes to improving farmers' livelihood and encourages the next generation of farmers, ultimately strengthening rural communities.

Investor benefits

Our work establishing milk districts has enabled us to become the world-leading milk company. Our *Nespresso* AAA Program gives us a clear commercial differentiation. We can also distinguish ourselves from our competitors through our *Nespresso* supplier agreements, which have enabled us to become the first company to offer Cuban coffee in the United States.

Our activities for the *Nescafé* Plan and the Cocoa Plan have strengthened these businesses commercially. Consumers are increasingly wanting to know where their products come from and our traceability work ensures we meet their needs.

For our communities: Helping develop thriving, resilient communities

According to the UN, 1.2 billion people still live in extreme poverty. More than 75% of them live in rural areas and depend on agriculture, including family smallholdings, for their livelihoods. We aim to improve livelihoods and develop thriving communities. Driven by our company purpose to enhance quality of life and contribute to a healthier future, we have defined an overarching ambition which will guide our work towards achieving our 2020 commitments and supporting the achievement of the SDGs. Our 2030 ambition is to improve 30 million livelihoods in communities directly connected to our business activities.

Enhancing rural livelihoods

By 2050 the world will have to produce 50% more food than today to feed the population – but climate change is making it harder for farmers in rural communities to grow enough crops and earn a living. We rely on people living and working in rural communities to produce the ingredients that go into our food. We have a responsibility to make sure that our farmers and their families are healthy and have sufficient resources and food. By supporting them and helping their children to thrive, we build stronger communities.

Read more on our actions in this chapter.

Respecting and promoting human rights

Human rights abuses often occur when people are at their most vulnerable, and can take many forms – from labour abuses to slavery or child labour. People expect companies to uphold the highest standards in protecting, respecting and promoting the rights of their employees and those who work for their partners and suppliers. The values of our company are rooted in respect. Human rights abuses of any kind have no place in our business and supply chain, and we have a responsibility to respect human rights across our business. It is critical to the security and wellbeing of our workforce and suppliers.

Read more on our actions in the Human rights and compliance chapter.

Promoting decent employment and diversity

Global uncertainty over the economy is generating concern over the future. Young people everywhere are finding it harder than ever to find jobs, with many lacking qualifications and skills. The world cannot afford to lose a generation to unemployment. We are determined to help young people find jobs and training while supporting local communities, fairly and without prejudice. Good working conditions, respect for labour practices and human rights are essential – as are a safe and healthy work environment and flexible employment, which enable us to attract and retain the best people, from the widest range of people and cultures.

Read more on our actions in the Our people chapter.

Indirect economic impacts G4-DMA, Procurement practices G4-DMA, Supplier environmental assessment G4-DMA, Environmental grievance mechanisms G4-DMA, Investment G4-DMA, Child labor G4-DMA, Supplier human rights assessment G4-DMA, Local communities G4-DMA, Supplier assessment for impacts on society G4-DMA

Inclusive and accountable governance

Visit our website for more information about our governance structure, policies and management systems.

To ensure we achieve our strategy, we have robust governance and management systems, policies and standards in place, such as our Nestlé Supplier Code and Responsible Sourcing Guideline. These are regularly reviewed and verified by independent organisations to ensure they align with international and national regulations and guidelines.

Strategic responsibility for Nestlé's rural development activities and procurement lies with our Executive Vice-President of Operations, while final accountability rests with the Executive Board and the CEO. Operational strategy is chiefly delivered by the Corporate Agriculture Team through a network of sourcing staff and extension workers in the supply chain. Responsible Sourcing, including farm animal welfare, is jointly delivered by Corporate Procurement and Corporate Agriculture.

External recognition

Visit our website for more information about our partnerships alliances.

Through our rural development activities, we are tackling key global issues such as rural poverty and gender equality. Our leadership is independently reviewed and audited as part of voluntary third-party reporting initiatives, where the results and feedback are made public. We have summarised the most significant recognition below.

Organisation	Progress
KnowTheChain benchmark	In the 2016 benchmark, which covers the 20 largest food and beverage companies, Nestlé ranked 3rd, with a score of 57, for addressing forced labour. Our score demonstrates a higher degree of transparency in our approach to managing forced labour risks in the supply chain. KnowTheChain is a leading benchmark of corporate practices. Nestlé ranked 1st in the 'worker voice' theme, displaying leading practices, and in the top three for commitment and governance and risk assessment.
UN Guiding Principles Reporting Framework	We were one of the first companies to adopt the UNGPRF, with 2016 being the first full year of its implementation within Nestlé.
UN Global Compact	We hold Advanced-level status for our Communication on Progress.
Oxfam *Behind the Brands*	We were ranked second on Oxfam's *Behind the Brands* scorecard in April 2016.

Our material issues and commitments

Visit our website for more information on our material issues across our value chain.

Nestlé uses a formal materiality process to identify the most important issues for our stakeholders and our business, and communicates the results in a materiality matrix.

Material issues

Out of our formal materiality process, four material issues fall under the banner of rural development and responsible sourcing that are rated as being of concern to our stakeholders and of strategic importance to our business.

These issues are critical to our business, and our stakeholders expect us to play a leading role in addressing them.

- **Animal welfare** – safeguarding the wellbeing of animals in the supply chain and promoting farm animal health and welfare.
  Sub-issues:
  - **Animal testing**
  - **Antimicrobial resistance**

Indirect economic impacts G4-DMA, Procurement practices G4-DMA, G4-EC9, Supplier environmental assessment G4-DMA, Environmental grievance mechanisms G4-DMA, Supplier assessment for labor practices G4-DMA, Investment G4-DMA, Child labor G4-DMA, Forced or compulsory labor G4-DMA, Supplier human rights assessment G4-DMA, Local communities G4-DMA, Animal welfare G4-DMA, Supplier assessment for impacts on society G4-DMA

- **Rural development and poverty alleviation –** directly and indirectly promoting stable economic activity and improving livelihoods of agricultural farmers and workers in the supply chain to promote sustainable agricultural communities and alleviate poverty.
  Sub-issues:
  - **Land tenure security**
  - **Rural living wage**
- **Responsible sourcing and traceability** – ensuring that key ingredients have been grown and processed responsibly and can be traced back to origin where possible.
- **Women's empowerment** – empowering women to participate fully in society and the economy across the value chain.
  Sub-issue:
  - **Women farmers**

Our commitments

Our public commitments align directly with our material issues. They drive continuous improvement and allow stakeholders to hold us to account for delivering on our promises. Our commitments are supported by a series of objectives through which we will achieve each of them. This year we have introduced a number of new 2020 objectives to take our work forwards.

Our commitments are:

- Roll out of 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; and
- Roll out the *Nestlé Cocoa Plan* with cocoa farmers.

Progress against our objectives is detailed in the following pages.

Our progress against our objectives is indicated throughout the report using the following icons:

- ● Achieved
- ◐ In progress
- ◔ Not yet achieved
- ⊕ New objective

Visit our website for more information on our commitment performance dashboard and GRI content index.

Indirect economic impacts G4-DMA, Procurement practices G4-DMA, Supplier assessment for labor practices G4-DMA, Investment G4-DMA, Forced or compulsory labor G4-DMA, Supplier human rights assessment G4-DMA, Local communities G4-DMA, Animal welfare G4-DMA, Supplier assessment for impacts on society G4-DMA

Enhancing rural livelihoods

We source ingredients for our products from millions of farmers across the world. Poor livelihoods are common in many rural areas. Rural poverty, in combination with a changing environment, represents a huge challenge for ensuring long-term supply of safe, quality raw materials. It is essential to alleviate this and enable farmers to meet these challenges, all the while contributing to enhancing rural livelihoods.

Sustainable Development Goals

We identified the following goals where our work adds value:

Why enhancing rural livelihoods matters

Demand for high-quality food continues to grow, but issues such as climate change, poor soil management, biodiversity loss and water use in agriculture raise serious challenges to meeting that demand. Many farmers live on low incomes and farming is not always seen as a desirable or profitable career option for the next generation. However, safe, high-quality food comes from healthy farms and communities, which is why we're focused on engaging with our upstream value chain. At the same time, this allows us to create an enabling environment to enhance farmers' livelihoods.

Research by the Food and Agriculture Organization of the United Nations shows that women comprise nearly half (43%) of the agriculture labour force in developing countries. Women work hard, as do men, but women also face some gender-specific cultural barriers such as access to tools, materials, training and financial assistance. We aim to increase awareness of the roles of women in agricultural production and support them, together with partners, in generating alternative income streams. Where relevant, we also seek appropriate technologies that improve sanitation and hygiene in raw material production areas.

Understanding farmers' needs

Our commitment

Roll out of rural development baseline assessments to understand the needs of farmers

Our objective in 2016

By 2016 – Put in place strategies (activities and targets) in priority locations to improve food availability and dietary diversity. Pilots running in three locations.

Our objective towards 2020

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.

The Rural Development Baseline Assessment

Through a series of diagnostic tools, we assess the sustainability of our farmers' livelihoods and understand their needs. These baseline assessments are complementary to the rural development activities within Farmer Connect and allow us to identify further areas for interventions going forward. The insights and learning gained from our findings help shape the focus of programmes such as the *Nescafé* Plan, the *Nestlé Cocoa Plan*, the *Nespresso* AAA Sustainable Quality™ Program and Dairy 4 You.

The tools for rural development baseline assessment are:

- The Rural Development Framework (RDF); and
- Response-Inducing Sustainability Evaluation (RISE).

"The sustainable development of agriculture has to be a central pillar in the endeavour to achieve food and nutrition security. All actors in the food value chain, starting with farmers, must be involved."

Paul Bulcke,
CEO, Nestlé

G4-EC1, Indirect economic impacts G4-DMA, G4-EC7, G4-EC8, Procurement practices G4-DMA, G4-EC9, Employment G4-DMA, Supplier assessment for labor practices G4-DMA, Child labor G4-DMA, Forced or compulsory labor G4-DMA, Indigenous rights G4-DMA, G4-SO2, Supplier assessment for impacts on society G4-DMA

The RDF has a broad focus and includes relevant development drivers at farm and community level. It enables us to gain data, insights and information including, for example, the Household Dietary Diversity Score and the Individual Dietary Diversity Score for nutrition, and the Months of Adequate Household Food Provisioning survey. The RDF was designed in collaboration with key partners, including the Danish Institute for Human Rights, the Fair Labor Association, the Rainforest Alliance and Solidaridad.

The RDF has been mainly applied in our coffee supply chain since it was introduced. We're using the insights gained through the RDF to help shape the focus of our plans and programmes by addressing the root causes of issues, such as poor nutrition and poverty among the communities from which we source.

Find out more about the findings from our RDF studies.

The RISE tool is more targeted at the farm level. It is a well-proven tool for sustainability assessment in agriculture and helps make sustainable farming measurable, communicable and tangible to farmers. RISE uses a number of indicators and identifies strengths and weaknesses. Indicators include, but are not limited to, economic viability, quality of life and natural resources such as water, soil and biodiversity. In addition, the tool evaluates the embeddedness of the farms in the local context. RISE is a means of achieving continuous improvement.

RISE continues to be systematically integrated into our development approach. It is particularly suitable to obtain a holistic view of mixed farming systems, including crop and animal production. In 2016, RISE studies were mainly conducted in Mexico, Pakistan and Ukraine on a variety of production systems. Some studies have allowed us to gather insights for agricultural production potential, whereas others served to identify gaps for continuous improvement.

RISE in action – Improving dairy farmer income in Pakistan: Muhammad's story

Pakistan is one of the world's largest milk producers, but the sector relies mostly on farmers with just two or three cows. Using agripreneurship and the Response-Inducing Sustainability Evaluation tool (RISE), we help farmers increase milk yields and incomes.

Muhammad Amjad had kept poultry before switching to dairy cows in 2008. However, with only two cows, each yielding just 5 litres of milk a day on average, his expenses exceeded earnings. Nevertheless, we saw the potential in his business and together we developed an action plan. The Nestlé Dairy Training Farm provided training in good practices, with ongoing support. We then used RISE to identify further improvements.

Thanks to this, Muhammad's daily yields rose sharply to 13 litres of milk per cow, while his earnings tripled to PKR 30 000 (CHF 282.2) per month. These major improvements have enabled him to increase his herd to 17 cows, renovate his house and install a milking machine and a maize chopper for silage production – and even send his children to a better school.

Farmer Connect and direct sourcing operations

Our commitment

Improve farm economics among the farmers who supply us

Our objective towards 2020

By 2020 – Improve farm economics in seven priority sourcing locations based on the results of the RDF baselines. (Farm economics comprises the following four factors on which Nestlé will focus: productivity, quality, costs and price premiums.)

Number of farmers supplying directly to Nestlé

Farmer Connect is our unique flagship sourcing programme, helping ensure the supply of high-quality agricultural raw materials, along with providing traceability back to farm level. Through Farmer Connect we engage with farmers directly, to develop a supply chain that meets our social, environmental and ethical requirements. It also helps towards establishing consistent and fair pricing, improved yields and reduced environmental impacts. Farmer Connect places an emphasis on activities such as local sourcing, assistance, farmer training, developing alternative income streams and supporting women and young farmers.

G4-EC1, Indirect economic impacts G4-DMA, G4-EC7, G4-EC8, Procurement practices G4-DMA, G4-EC9, Employment G4-DMA, Supplier assessment for labor practices G4-DMA, Child labor G4-DMA, Forced or compulsory labor G4-DMA, G4-SO2, Supplier assessment for impacts on society G4-DMA

Our progress

In 2016, we worked with 719 000 farmers to train them in good agricultural practices. Our emphasis was on helping them grow safe, high-quality raw materials, using training designed to produce effective impacts.

We also continued supporting women in our supply chain, and provided training and assistance. At the Cacao Fino de Aroma San Placido co-op in Ecuador, for example, we have been providing training to women in chocolate production to develop an additional income stream, enabling them to use raw materials they produce to manufacture hand-made chocolates. These can then be sold to tourists as an additional income stream.

Read more about how we are supporting women in our supply chain.

719 000

farmers engaged through Farmer Connect

28.9 million

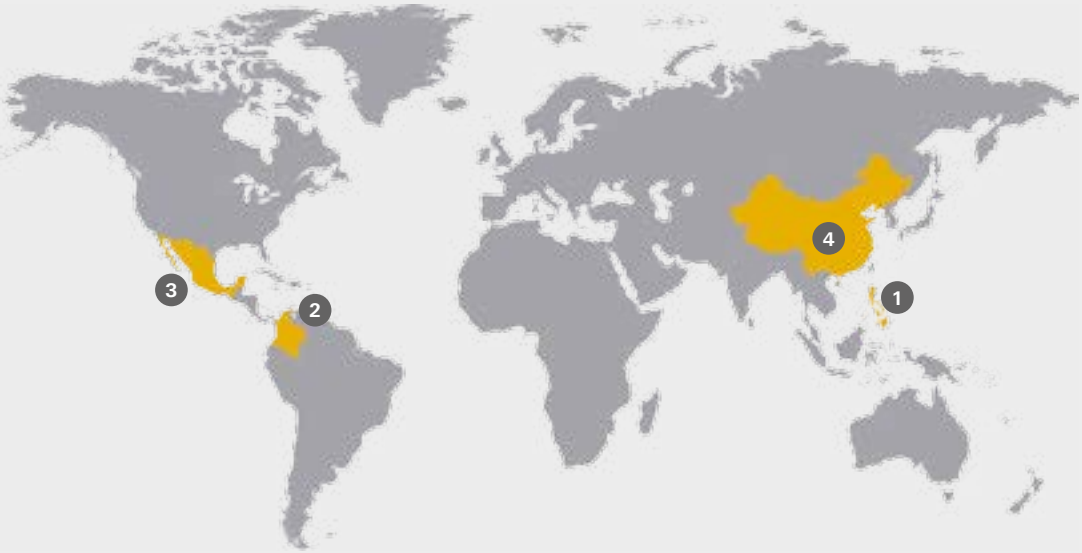
leaf-resistant coffee trees distributed in Colombia

35%

increase in green coffee productivity and a

41%

rise in profitability for Colombian farmers



1 Philippines

Educating the next generation of coffee farmers

Santa Maria is a village in Tagbina in the Philippines, and relies on coffee as one its primary income sources. *Nescafé* Plan staff works with the Santa Maria Integrated School to introduce coffee seedling production and nursery management into the school's curriculum. Students learn about coffee farming and seedling production, and a small coffee nursery has been established at the school. Plantlets are sold to local farmers, raising income for the school and enabling the farmers to replace old and diseased trees. The first class comprised 74 students, and 5000 Robusta plantlets were produced. The scheme is now being expanded to more students, with a larger nursery, and may be extended to other villages.

2 Colombia

Rejuvenating coffee production

Colombia is our largest source of Arabica coffee but volumes nearly halved due to leaf rust disease, ageing trees and adverse weather. We applied science to reverse this slump.

We distributed 28.9 million new, leaf-resistant coffee trees and trained 18 000 farmers in soil conservation, water management, solid waste, and the use of agrochemicals and fertilisers. The result was a 35% increase in green coffee productivity and a 41% rise in profitability, while the proportion of coffee growers leaving the industry has fallen.

3 Mexico

Three generations of farmers working with Nestlé

Israel Garrido Hernandez is a dairy farmer in Mexico. He began supplying Nestlé in the 1980s, with 19 litres of milk a day. Israel linked up with Nestlé's Dairy Commitment in Mexico programme, which offers technical assistance to support small and large dairy farmers. We also financed the development of the farm's infrastructure.

Today, the farm is run by Israel's son Jorge and his two grandchildren, and has grown to 400 cows producing 750 litres of milk daily. Jorge was also part of the Nestlé Seminar for Dairy Entrepreneurs that we offer to small and medium-scale producers in partnership with the Tecnólogico de Monterrey private university.

4 Pu'er, China

Assisting coffee farmers in China

Zhong Dong Dan grows coffee in Pu'er, China. Growing coffee here has its challenges. Climate change has led to weather fluctuations and increased frost, affecting yield and quality. Market price fluctuation is also an issue.

Nescafé agronomists like Liu Wen Bing help Zhong and hundreds of farmers like him to build sustainable, adaptable businesses. Liu and his colleagues train farmers on new crop management methods, and the use of simple measures like effective pruning and watering. Support like this is helping farmers to meet the challenges they face, and helping Nestlé secure a sustainable flow of good-quality green coffee to meet rising global demand.

Indirect economic impacts G4-DMA, G4-EC9, Child labor G4-DMA, Supplier assessment for impacts on society G4-DMA

The Sustainable Agriculture Initiative at Nestlé

Countries covered by SAIN programmes (number of countries)

Farmer Connect markets covered by SAIN programmes (%)

SAIN is part of Farmer Connect. Through SAIN, we disseminate and promote good agricultural practices and standards, technical assistance schemes, and in-kind and financial support instruments. These practices help farmers enhance their yields, sell more of their produce and increase their income, so that they can support their families and grow their businesses, while meeting our highest sourcing standards.

SAIN further drives innovation projects at a local level. Some may start small, and success is proven in pilot projects. Other projects build on proven local pilots and document the scale-up of practices in our sourcing origins. These projects further help to improve sustainable agricultural practices and directly contribute to meeting the targets of the SDGs.

Our progress

A wide range of initiatives and projects were carried out through SAIN in 2016, across our markets and categories. A total of 35 projects have been highlighted as part of the SAIN programme in 2016, including:

- Development and trialling of a new tool, the Pelle Bongo, as a safer, cleaner and more efficient way for farmers to remove seeds from cocoa pods; the tool was presented at the World Cocoa Foundation's partnership meeting in October 2016.
- A partnership with regional government in Peru to boost dairy farmers' income and product quality in Chetilla, a rural area with extreme poverty; following its success, this project is now being replicated in another area, Maqui-Maqui.
- A project to introduce coffee seedling production and nursery management courses to the curriculum of a school in the Philippines village of Tagbina, where coffee is one of the main sources of income.

Through these and other initiatives, SAIN continues to make a significant contribution to addressing real issues for farmers on the ground.

Farmer training and plant science

CHF 13.9m
invested in plant science

In total
CHF 23m
in financial support was offered to farmers worldwide, including CHF 19 million in direct financial assistance

363 000
farmers received training in 2016

Training is one of the central tools of our rural development work. We are working to turn poor-performing farmers into skilled farmers, helping them to meet our standards and become suppliers. We also aim to further improve the performance of advanced farmers and agripreneurs, with a special focus on owner-operated family farms.

In 2016, we provided training to around 363 000 farmers globally, focusing on a range of issues including:

- Seed and plant propagation techniques;
- Soil fertility and plant nutrition;
- Plant health and protection;
- Post-harvest processing, storage and waste reduction;
- Animal feed and fodder production, storage and conservation;
- Farm animal nutrition, including raw material safety and quality;
- Farm animal health, care and welfare;
- Farm management and record-keeping (e.g. farm economics);
- Water conservation and irrigation management; and
- Water and environmental sanitation for farming communities (including liquid and solid waste management) at farm level and in farming communities.

Agripreneurship is our programme to accelerate the development of a new generation of farmers to nurture their farming skills, competencies and business management. It particularly addresses farmers who are operating in our Farmer Connect and direct sourcing operations. We believe agripreneurship produces social and economic benefits for farmers, empowers and enables them to embrace sustainable farming methods, and supports the UN's Sustainable Development Goals.

We also continue to invest in plant science, developing plants that are more disease resistant and produce higher yields. In 2016, we invested CHF 13.9 million in plant science at our two research centres in Tours, France and Abidjan, Côte d'Ivoire.

Read more about our commitment to enhance gender balance.

Indirect economic impacts G4-DMA, G4-EC9, Child labor G4-DMA, Supplier assessment for impacts on society G4-DMA

Nutrition and food security in farm communities

Our commitment

Improve food availability and dietary diversity among the farmers who supply us

Our objective towards 2020

By 2020 – Improve food availability and dietary diversity in five priority sourcing locations based upon the results of the RDF baselines.

Farmers – and their families – sometimes have insufficient food or dietary diversity for themselves. This can lead to health and developmental problems for farmers, their families and communities. Nutrition is a very sensitive topic, as there is a need to balance support and advice with a respect for local beliefs and traditions. We need to take what we've learned about this issue and work with government entities, multilateral agencies and NGOs where we don't have the capacity ourselves to build the necessary framework to address the issue.

Through our RDF, we carry out various studies, such as the Household Dietary Diversity Score (or Individual Dietary Diversity Score) and the Months of Adequate Household Food Provisioning. These surveys assess the nutrition status of farmers and their families. To address this in the short term, we provide training to farmers on nutrition, promote intercropping, and help farmers develop and maintain kitchen gardens and livestock. In 2016, for example, the concept of house gardening, and the growing of vegetables for home use, was introduced in Indonesia. This has a double impact, as the food grown can improve the farmers' nutrition and diets, and surplus crops after those needs have been met can provide additional income.

During 2016, we gathered more detailed information on dietary diversity in Mexico and the Philippines, and commissioned further detailed research in Kenya. We were part of a study to gather similar information in Côte d'Ivoire and Ghana. We already have information from Indonesia and China. Based upon the insights we have from these studies, we have commenced designing programmes to support farmers and their families to improve the availability and diversity of food. To address this in the short term, we provide training to farmers on nutrition, promote intercropping, and help farmers develop and maintain kitchen gardens and livestock. We are also taking our Nestlé Healthy Kids programme to rural areas in Indonesia, the Philippines and Kenya. We continued our project with an NGO, Solidaridad, to improve food security for farmers in Kenya and Ethiopia by increasing production and incomes. Solidaridad is focusing upon farmer training on nutrition and coffee production, as well as developing intercropping to improve farmer income; Nestlé, meanwhile, is developing training and support for kitchen gardens to improve individual family nutrition.

Improving nutrition for African farmers

In 2013, Nestlé joined Solidaridad in an important project to improve food security and nutrition in Kenya and Ethiopia – FOSEK. The project is a seven-year, public–private partnership targeting 120 000 smallholder coffee farmers across 77 co-operatives, and aims to increase production and farmers' income, as well as improving farmers' knowledge and awareness of nutrition and diets.

In Kenya, the project developed manuals and modules on two subjects: good agricultural practices (GAP) for coffee and GAP for food crops. The food crop manual includes information on a selection of crops based on their importance for food and nutrition security, suitability for intercropping with coffee, and opportunities for marketing locally. A third manual, on agrinutrition, developed by the United States Agency for International Development (USAID), will be used to address knowledge gaps among communities and households on the importance of nutrition. It integrates agriculture and nutrition with the aim of minimising cases of disease and malnutrition.

The first round of training, on sustainable coffee production and nutrition, took place in April 2016, followed by a second session in June. In total, 55 000 farmers received training across the two sessions. Following a progress review in August, we participated in a monitoring visit to eight randomly selected co-operatives. The results showed significant change in household behaviour towards nutrition, with more farmers aware of what constitutes a nutritious diet. Diversification of food crop production was also taking root, and intercropping was generating interest, although there was reluctance by some co-operatives to allow this. Results also showed that household expenditure on vegetables reduced by 20–30% because of farmers growing their own vegetables. Some challenges were also identified, such as difficult terrain making it hard to reach all farmers. The project will tackle this and other issues as it continues its activities.

Indirect economic impacts G4-DMA, G4-EC9, Child labor G4-DMA, Supplier assessment for impacts on society G4-DMA

Responsible sourcing and traceability

Sustainable Development Goals

We identified the following goals where our work adds value:

In addition to our direct sourcing activities, we use traditional procurement channels to help meet our raw ingredients requirements. With consumers and stakeholders increasingly wanting to know what's in their food, where it comes from and how it's made, responsible sourcing is an essential part of ensuring the integrity and sustainability of our business. It consists of sourcing our raw materials and paper in compliance with our Supplier Code and Responsible Sourcing Guideline (RSG) criteria, with traceability and transparency throughout our supply chains. The RSG sets out detailed requirements with a focus on critical economic, social, environmental and farm animal welfare-related issues that can affect supply, livelihoods and sustainability in our sourcing activities.

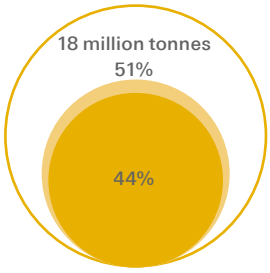
Our commitment

Implement responsible sourcing in our supply chain and promote animal welfare

Our objectives in 2016

- **By 2016 –** For Tier 1 suppliers, cover 50% of the total volume sourced from audited and compliant suppliers.
- **By 2016 –** For upstream, 50% of the volume of our 12 priority categories to be traceable, 40% to be Responsibly Sourced.

Traceability and assessment results



- Total volume in scope: **18 million tonnes**
- Percentage of volume traceable: **51% (target: 50%)**
- Percentage of traceable volume Responsibly Sourced: **44% (target: 40%)**

61%
of total volume sourced from suppliers compliant with the Nestlé Supplier Code, exceeding our target

51%
of raw materials traceable, exceeding our target

44%
of raw materials Responsibly Sourced, exceeding our target

See our GRI Index for further information on supplier screening using environmental, labour practices, human rights and impacts on society criteria (indicators G4-EN32, G4-LA14, G4-HR10 and G4-SO9).

In 2016, we continued to work towards our responsible sourcing goal and achieved our overall objectives for the year. Many of our supply chains are complex and geographically remote, so we work with a range of partners to address issues and develop appropriate local responses and initiatives.

We exceeded our 2016 targets, with 61% of our total volume being sourced from suppliers compliant with the Nestlé supplier code, 51% of raw ingredients in our priority categories being traceable and 44% Responsibly Sourced, although progress varied across categories due to individual circumstances in each supply chain.

One significant change in 2016 was the introduction of cereals to our 12 priority categories in place of shea. This was due to the volume of cereals purchased and its importance as a category to our consumers and our product portfolio. Initial assessments of our cereals supply chain began in 2016. Also in 2016, we extended the scope of Tier 1 audits to include service and indirect materials, with a target of 50%.

We have a further set of objectives for 2017 and beyond:

Our objectives towards 2020

- **By 2017 –** For Tier 1 suppliers, cover 60% of the total volume sourced from audited and compliant suppliers.
- **By 2017 –** For upstream, 60% of the volume of our priority categories to be traceable, 50% to be Responsibly Sourced.
- **By 2020 –** For Tier 1 suppliers, cover 80% of the total volume sourced from audited and compliant suppliers.
- **By 2020 –** For upstream, 80% of the volume of our priority categories to be traceable, 70% to be Responsibly Sourced.

FP1, Supplier environmental assessment G4-DMA, G4-EN33, Supplier assessment for labor practices G4-DMA, G4-LA15, Child labor G4-DMA, Supplier human rights assessment G4-DMA, G4-HR11, G4-SO1, FP9, FP10, FP11, FP12, FP13, Supplier assessment for impacts on society G4-DMA, G4-SO10

Our priority sourcing categories

Our work towards achieving traceable and Responsibly Sourced ingredients focuses on 12 priority categories, which represent the items we source in the largest quantities or which are most important for us.

Visit our website for more information about our priority sourcing categories.

We have included detailed progress on cocoa, coffee and dairy, due to their size and the scope of the programmes run within them, and cereals as it is a new priority category in 2016, replacing shea. Further information on these categories, and full details of our other priority categories, can be found online.

Our progress in 2016

	Traceable			Responsibly Sourced	
Commodity	Target (%)	Actual (%)	Level of traceability	Target (%)	Actual (%)
Cocoa	34	**34**	Back to plantation	34	**34**
Coffee	54	**55**	Back to group of farms/ plantations	54	**55**
Dairy	65	**71**	Back to farm	60	**65**
Cereal	15	**12**	Back to farm	10	**7**
Fish and seafood	60*	**92***	Whole fish back to boat/ aquaculture	40*	**54***
Hazelnuts	70	**84**	Back to farm	30	**43**
Meat, poultry and eggs	20	**10.8**	Back to farm	10	**4**
Palm oil	80	**91.5**	Back to mill	60	**57**
Pulp and paper	80	**75**	Back to country of origin (applies to virgin fibre only). Responsibly sourced figures include recycled fibre.	60	**55**
Soya	60	**68**	At least back to mill	40	**65**
Sugar	70	**59.6**	At least back to mill	60	**46.3**
Vanilla	95	**98**	Back to plantation	60	**38**
All categories	**50**	**51**	**All categories**	**40**	**44**

Coffee

Our commitment

Continuously improve our green coffee supply chain

In 2016, Nestlé purchased 874 000 tonnes of coffee globally. However, coffee production faces serious challenges, with pressure on supplies of high-quality coffee to keep up with constantly growing demand. The availability of arable land will be increasingly limited, and coffee cultivation will need to compete with other food crops aro9und the world. Climate change brings further challenges through the spread of extreme or erratic weather conditions in some key coffee-growing areas.

That's why we assist coffee farmers to improve the economic returns from their crops and to help their communities be more resilient and successful. This especially includes younger farmers and farm workers. We also need to support actions to manage land more sustainably, including climate change adaptation, while ensuring compliant practices and working conditions.

* Data relates to Nestlé Purina only, which receives around 92% of total volume.

G4-12, G4-EC7, Procurement practices G4-DMA, FP1, FP2, Supplier environmental assessment G4-DMA, G4-EN33, G4-LA15, Child labor G4-DMA, Supplier human rights assessment G4-DMA, Local communities G4-DMA, G4-SO1. Supplier assessment for impacts on society G4-DMA, G4-SO10

We support responsible value chains, from coffee farming to coffee consumption, through two major schemes:

- The *Nescafé* Plan, a global initiative that brings together our commitments and activities. These range from on-the-ground support for farmers who supply us both directly and indirectly, to improving the environmental footprint of our *Nescafé* factories. The Plan also makes specific efforts to empower women and young people to become leaders in the coffee sector.
- The *Nespresso* AAA Sustainable Quality™ Program, developed, in collaboration with the Rainforest Alliance, which aims to protect the highest-quality coffees required for *Nespresso* Grands Crus, preserve the environment and enhance farmer welfare.

Nescafé ranked

36th

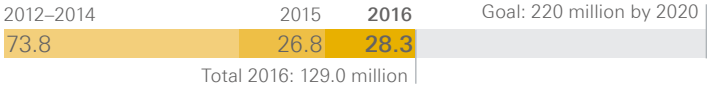
in Interbrand's Top 100 Best Global Brands 2016 with a 2% increase in brand value

The *Nescafé* Plan

Our objectives towards 2020

By 2020 – *Nescafé* to improve the quality, quantity and sustainability of its coffee supply chain by distributing 220 million coffee plantlets.

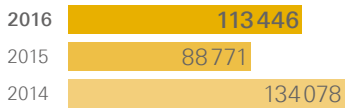
Total number of coffee plantlets distributed through the *Nescafé* Plan (million)



By 2020 – *Nescafé* to source 90 000 tonnes of coffee that is compliant with the Sustainable Agriculture Network (SAN) principles*.

* During 2017, *Nescafé* will be reviewing this objective, including any related progress, to realign it towards a reinforced emphasis on enabling positive impacts on coffee farmers, their communities and landscapes. This will support the focus of our efforts in relation to a clearly identified set of sustainability impacts for each of the coffee-growing regions.

Number of coffee farmers receiving technical assistance and training through our *Nescafé* Plan*



* Excludes the *Nespresso* AAA Sustainable Quality™ Program.

Double-counting can occur but there is no double counting in the 2015 or 2016 figures.

Having achieved our 2015 objectives, and implemented various initiatives with farmers, we are working hard to update the *Nescafé* Plan, incorporating our learning and experiences from the past six years. We are shifting the focus of our activities from inputs – such as the number of plants provided or farmers trained – towards outcomes and impacts, and assessing the improvements facilitated by our actions. Working with the Rainforest Alliance, we are developing an impact assessment toolbox, which we will begin to roll out in 2017. This will enable us to systematically measure, and demonstrate the impact of our actions on farmer livelihood, rural communities and broader landscapes.

Our selected impact areas are focused on improving coffee economics, developing the resilience of coffee farming families and communities, and helping them to sustainably manage coffee landscapes and be compliant with our Responsible Sourcing Guideline. The implementation in each coffee-producing country will follow their identified priorities and align with the Rural Development Framework insights, all supported by the impact assessment toolbox. The renewed *Nescafé* Plan will enable meaningful change and improvements in farmers' livelihoods.

504 484

farmers trained since the *Nescafé* Plan was launched in 2010

In 2016, the *Nescafé* Plan was active in 20 countries. We provided training to 113 446 farmers during the year, bringing the total since the *Nescafé* Plan was launched in 2010 to 504 484. Our 364 Farmer Connect staff also visited coffee farms throughout the year, providing training, distributing plantlets and providing technical assistance to help farmers implement good practices aligned with the *Nescafé* Better Farming Practices. We distributed 28.3 million coffee plantlets in the year, bringing our cumulative total to date to 129 million.

We purchased 204 163 tonnes of Farmer Connect coffee in 2016 from 191 372 farmers, of which 180 148 tonnes were Responsibly Sourced (4C verified). In total, we sourced 480 000 tonnes of Responsibly Sourced (mostly 4C verified but also other voluntary sustainability standards) in 2016, representing 55% of our entire green coffee volume.

The *Nescafé* Plan in action: Jeanette's story

Coffee farmer Bamba Nihigbe Jeanette is a widowed mother of three living in West Africa. She farms around three hectares, but before joining the *Nescafé* Plan in 2013 only managed to produce 500 kg of coffee a year. After receiving training in better agricultural practices through the Plan, and 375 new higher-yielding coffee plantlets, her production rose to 1300 kg in 2016, with potential to grow further. As a result, Jeanette has been able to ensure her children can attend school, and is building a new house to replace the tiny dwelling in which she and her children lived.

G4-12, G4-EC7, Procurement practices G4-DMA, G4-LA15, Local communities G4-DMA, G4-SO1, Supplier assessment for impacts on society G4-DMA

71 000

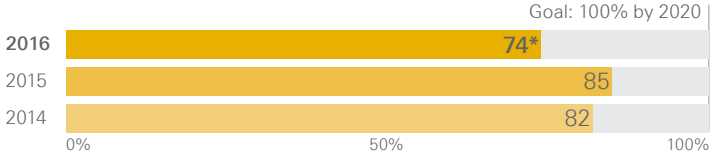
farmers in 12 countries supplying coffee through the *Nespresso* AAA Program

Nespresso AAA Sustainable Quality™ Program

Our objective towards 2020

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.

Share of coffee in *Nespresso*'s permanent range sourced through the *Nespresso* AAA Sustainable Quality™ Program (%)



* *Nespresso* sources a very specific coffee quality through the AAA Program, buying from the same farmers every year. However, enduring droughts in Brazil and Colombia (together with a transport strike in the latter) have resulted in insufficient availability of AAA coffee. Consequently, *Nespresso* was obliged to buy non-AAA coffee in 2016, but with exactly the same specifications. *Nespresso* aims to purchase 100% AAA coffee by 2020, and is actively expanding the AAA Program in Ethiopia and Kenya to reach this objective.

The *Nespresso* AAA Sustainable Quality™ Program has grown from 6225 farmers in 2007 to more than 71 000 farmers in 12 countries in 2016. By the end of the year, 74% of *Nespresso* coffee was being sourced through the programme.

Through the programme, we worked closely with the Colombian National Coffee Federation in 2016 to rejuvenate coffee production in areas of Colombia severely affected by decades of conflict. We are currently exploring similar opportunities to develop coffee growing in Cuba following the easing of political and economic restrictions. In South Sudan, we built on the successful 2015 launch of a new coffee, *Suluja ti South Sudan*, by releasing a second wave in 2016, in France, Germany, the Netherlands, Switzerland and the UK. This work is helping coffee farmers revive the industry after years of conflict.

Nespresso is also working with the International Finance Corporation in a BioCarbon Fund to support coffee farmers in East Africa in combating climate change.

Through the AAA Program, we will work with 40 000 farmers to increase sustainable practices and plant trees on their land. Training will also be provided to help farmers improve the quality and productivity of their coffee, enabling them to increase their income.

750 373

native fruit trees planted as part of our agroforestry initiative

This is also part of our agroforestry initiative, which covers all countries within the AAA Program. We have identified more than 100 benefits to planting trees within and around coffee crops, including reducing the impact of climate change, enriching the soil and providing an additional income source. While farmers select and plant the trees, using only native fruit trees, *Nespresso* provides technical assistance and funding, and we aim to see 10 million trees planted by 2020. Some 750 373 were planted in 2016.

Cocoa

Our commitment

Roll out the *Nestlé Cocoa Plan* with cocoa farmers

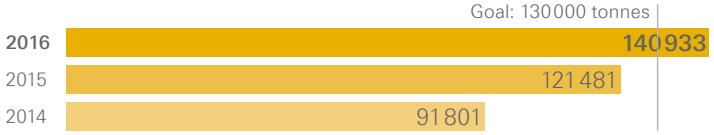
140 933

tonnes of cocoa sourced through the Cocoa Plan, exceeding our target

Our objective in 2016

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.

Volume of cocoa sourced through the *Nestlé Cocoa Plan* (tonnes)



Our objectives towards 2020

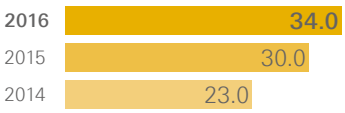
By 2017 – Source 150 000 tonnes of cocoa through the *Nestlé Cocoa Plan*. All co-operatives in Côte d'Ivoire will adopt the Child Labour Monitoring and Remediation System within a year of joining the *Nestlé Cocoa Plan*.

By 2018 – Source 175 000 tonnes of cocoa through the *Nestlé Cocoa Plan*.

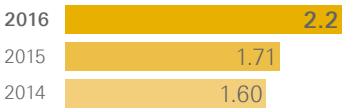
By 2020 – Source 230 000 tonnes of cocoa through the *Nestlé Cocoa Plan*.

G4-12, G4-16, G4-EC7, G4-EC8, Procurement practices G4-DMA, FP2, G4-LA15, G4-HR5, Local communities G4-DMA, G4-SO1, Supplier assessment for impacts on society G4-DMA

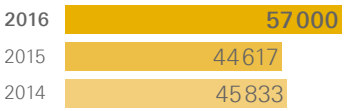
Cocoa sourced through the *Nestlé Cocoa Plan* (%)



Number of high-yield, disease-resistant cocoa plantlets distributed (million)



Number of cocoa farmers trained



The *Nestlé Cocoa Plan* is active in the main producing countries of Côte d'Ivoire, Ghana, Indonesia, Brazil, Dominican Republic, Ecuador, Mexico and Venezuela, with the focus being on the world's largest sources of cocoa, Côte d'Ivoire and Ghana. The Plan's vision is to improve the lives of farmers in our supply chain. Most cocoa farmers are smallholders with low productivity and incomes, living in poor communities, with depleted soils and older, less productive trees. They often resort to using their children for tasks that could be harmful to their physical or mental development and are therefore classified as child labour. Women in the cocoa supply chain are often under-rewarded for their work, or not given a voice in their communities.

The Plan addresses these issues through three pillars – Better Farming, Better Lives and Better Cocoa. Better Farming activities include farmer training and distribution of new cocoa trees, Better Lives includes our child labour and gender equality work, while Better Cocoa covers certification and building long-term relationships in our supply chain.

Underlying all these activities is transparency and partnerships. In 2016, we continued our work within World Cocoa Foundation's CocoaAction, the industry strategy for cocoa sustainability. We also developed our relationship with UTZ, to extend their work from certification to field KPI collection. We kicked off a partnership with Jacobs Foundation to add literacy training to our child labour work.

The Plan has been evolving since its inception in 2009 and this continues with CocoaAction helping us focus on impacts and initiate community development programmes. This year we will start to report on the outcomes and impact of the *Nestlé Cocoa Plan*, along the lines of CocoaAction KPIs and reporting. We will develop and improve this reporting as we have more data in the coming years.

Better farming

Activity KPIs	Country	Unit	2015	2016
Number of high-yield plantlets distributed	Global	Number (million)	1.71	**2.2**
Farmers trained	Global	Number	44617	**57000**
Outcome indicators				
Average yield per hectare (Côte d'Ivoire)	Côte d'Ivoire	Tonnes/ hectares	n/a	**0.6**
% of farmers applying good agricultural practices (according to CocoaAction definition)	Côte d'Ivoire	%	n/a	**31**

Plant distribution exceeded our target, thanks in part to better access to seeds, especially in Ghana due to co-operation through CocoaAction with the Ghana Cocoa Board. This also ensured we remain on track to achieve our 10-year commitment on plant distribution. We have initiated reporting on yield and application of good agricultural practices.

Better lives

37 130

farmers covered by our Child Labour Monitoring and Remediation System

Our roll-out of the Child Labour Monitoring and Remediation System (CLMRS) continued as planned, with all 69 co-ops registered in the Cocoa Plan at September being in the CLMRS by the end of the year. The CLMRS now covers 37 130 farmers. The roll-out will continue in 2017, with all new co-ops in the *Nestlé Cocoa Plan* being in the CLMRS within a year. We also began to set up the system in Ghana in 2016, with initial results next year. The impact of the CLMRS is also increasing with the addition of literacy training to the support offered to farmers and communities, partly funded by the Jacobs Foundation. In 2016, we tightened the definition of 'child labour cases no longer in child labour', which now requires at least two visits from the community liaison person over a six-month period. The number is low due to this redefinition, and an area of focus for us in 2017 will be to follow up many of the children we have helped and evaluate how well the system is working.

The CLMRS is only sustainable if the farmer organisations can continue to drive the work using the premium they receive from the cocoa. Ensuring this transfer of responsibility has been a particular challenge and will be a focus of our effort during 2017.

Read more about how we are tackling child labour in our supply chains.

The Fair Labor Association continued its annual auditing of our Côte d'Ivoire supply chain: the resulting report can be found on its website.

We were very disappointed not to build more schools in 2016. Our plans were delayed while we reconfigured the tendering procedure and our partner brought more technical expertise on board. We intend to get back on track in 2017. School construction is guided by need identified by the CLMRS and government education plans.

G4-12, G4-16, G4-EC7, Procurement practices G4-DMA, FP2, G4-LA15, G4-HR5, Local communities G4-DMA, G4-SO1, Supplier assessment for impacts on society G4-DMA

We continued our work to empower women in 2016. In Côte d'Ivoire, we supported 1073 women to develop income-generating activities, while the percentage of women in leadership positions in Côte d'Ivoire, Ghana, Ecuador and Indonesia is now 8.9%.

Activity KPIs	Country	Unit	2015	2016
Number of co-ops in CLMRS	Côte d'Ivoire	Number	40	**69**
Number of farmers covered by CLMRS	Côte d'Ivoire	Number	24 470	**37 130**
Farmers and community members who attended awareness-raising sessions	Côte d'Ivoire	Number	120 067	**193 424**
Number of women supported to carry out an income-generating activity	Côte d'Ivoire	Number	1 311	**1 073**
Cumulative total of schools built	Côte d'Ivoire	Number	42	**42**
Outcome indicators				
% of women in leadership positions	Côte d'Ivoire, Ghana, Indonesia, Ecuador	%	n/a	**8.9**
Number and % of children participating in child labour	Côte d'Ivoire	Number %	5 135 19	**6 065** **16**
Number and % of child labour cases assisted	Côte d'Ivoire	Number %	3 591 70	**4 680** **77**
Number and % of child labour cases no longer in child labour	Côte d'Ivoire	Number %	n/a n/a	**82** **1.4**
Number of families of children identified in child labour benefiting from income-generating activities	Côte d'Ivoire	Number	1 167	**1 305**

Better cocoa

Activity KPIs	Country	Unit	2015	2016
Volume of *Nestlé Cocoa Plan* cocoa	Global	Tonnes	121 481	**140 933**
Nestlé Cocoa Plan cocoa as % of total Nestlé cocoa	Global	%	30	**34**

100%

certified cocoa used by our *KitKat* brand

In 2016, we continued to increase the amount of cocoa purchased through the *Nestlé Cocoa Plan*, hitting our target despite drought affecting crops in West Africa and Brazil, and supplier financing issues. Our *KitKat* brand became the first global confectionery brand to be sourced from 100% certified cocoa. Our plan is to continue to increase the *Nestlé Cocoa Plan* to 150 000 tonnes in 2017, 175 000 in 2018 and 230 000 tonnes by 2020. A high proportion of this cocoa was sourced from farms and plantations that meet the UTZ certification Code of Conduct for Cocoa standard, one of the largest sustainability programmes for coffee, cocoa and tea, and the Fairtrade certification standard.

The *Nestlé Cocoa Plan* cost around CHF 30 million in 2016, broken down as follows:

Nestlé Cocoa Plan costs	000 CHF
Cocoa research and development, and plant distribution	**3 245**
Membership and global projects	**1 617**
Nestlé Cocoa Plan projects	**678**
CLMRS and school building	**5 516**
Farmer cash premium	**7 068**
Co-op premium, certification, training and other costs	**12 135**
Total	**30 259**

G4-12, G4-16, G4-EC7, Procurement practices G4-DMA, FP2, G4-LA15, G4-HR5, Local communities G4-DMA, G4-SO1, Supplier assessment for impacts on society G4-DMA

Giving women a voice in Côte d'Ivoire

Working with the Fair Labor Association, we've established women's fora in two cocoa-growing communities in Côte d'Ivoire, Yaokouakoukro and Zaranou. These platforms will give the women a voice in their communities, and the opportunity to have grievances addressed.

A Social Impact Assessment in the communities found that women's participation in community affairs was limited, their inclusion in decision-making linked to their economic status, and women often felt more comfortable using informal grievance structures than existing groups.

Following work with two women's associations to build confidence and economic capacity, in May 2016 we trained women in effective dialogue and grievance-handling mechanisms.

Women representatives on the fora were selected by the existing associations. The fora also gave women a clear path to obtain advice when needed.

High illiteracy rates in the communities meant that training materials and techniques needed to be designed to suit the participants. This led to a strong focus on participatory activities such as role plays and simulations. In all, 108 women from Zaranou and 67 from Yaokouakoukro participated.

Read more about gender balance in the Our people chapter.

Dairy

Dairy is our single biggest category by volume. We bought approximately 14 million tonnes of fresh milk and milk derivatives in 2015[1] either directly from our milk districts (through Farmer Connect) or sourced from Tier 1 suppliers. Fresh milk and milk derivatives are used not only in dairy and infant nutrition products, but also as ingredients in ice cream, beverages, confectionery and culinary items.

353 000

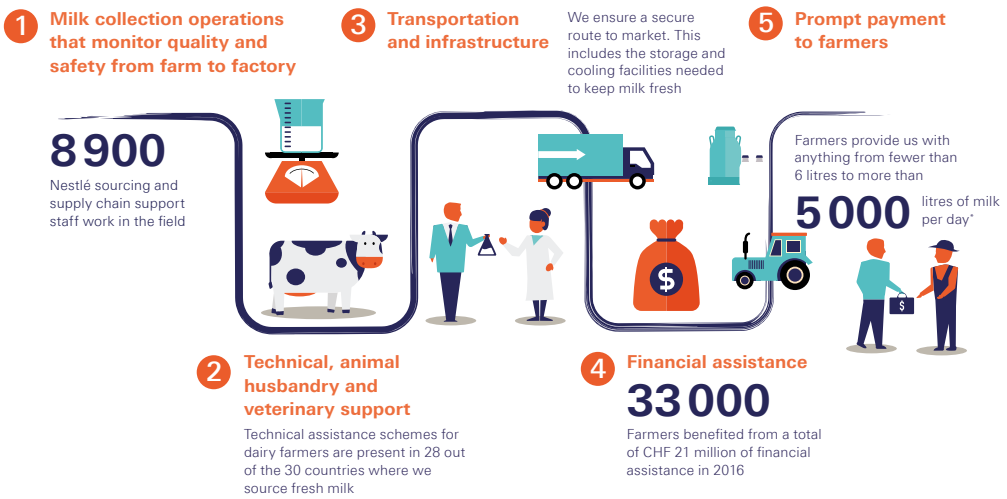
farmers in 30 countries benefit from our milk district model

Fresh milk: our 'milk district' model

An integral part of our Farmer Connect programme, our milk district model supports our direct milk procurement. It helps us develop shorter, more sustainable supply chains and drive positive change through direct relationships with around 353 000 farmers and farming communities in 30 countries around the world.

Our fresh milk is collected using our milk district model

First used in the 1870s in Switzerland, this involves the provision of:



* Estimate based on internal data.

1 Nestlé's milk report for 2016 is published in April 2017, which falls out of scope of the 2016 CSV reporting cycle. The 2015 figure is, therefore, the most recent year for which we have complete data.

G4-12, G4-EC7, Procurement practices G4-DMA, G4-LA15, G4-HR5, Local communities G4-DMA, G4-SO1, Animal welfare G4-DMA, FP9, FP10, FP11, FP12, FP13, Supplier assessment for impacts on society G4-DMA

Dairy 4 You

Dairy 4 You is a new internal initiative launched in 2016, building on work we've been carrying out for some years and acting as an umbrella for a range of activities. It has two main objectives:

- To help continuously improve our sourcing operations, with special focus on traceability, trusted milk quality, responsible sourcing and agripreneurship; and
- To proactively share with consumers information on the entire value chain, on the work done with local farmers and communities and on all the projects to enhance environmental sustainability (particularly on water, emissions and natural resources).

Verification and certification

We buy large quantities of milk derivatives, such as whey protein, lactose, cheese and milk powders from Tier 1 suppliers. These are used in many applications, including healthcare products, beverage mixes, ready-to-drink milk and infant formula.

As well as launching the Dairy 4 You initiative in 2016, we carried out a range of actions across both fresh milk and milk derivative supplies including:

- Assessed, through SGS, 445 dairy farms worldwide, finding issues ranging from missing documentation (e.g. training and fertiliser application records) to painful procedures carried out without local anaesthetic; and
- Some assessments were attended by representatives from World Animal Protection, who also support us in training SGS auditors on animal health and welfare issues. Seven training sessions were delivered by our Global Procurement Team to SGS auditors in 2016, covering our RSG requirements and the assessment process, while World Animal Protection conducted training on farm animal welfare. Nestlé staff also attended the training provided via phone and as classroom training. We are gradually implementing our RSG and category-specific requirements along our global supply chains. These reinforce our commitments on farm animal welfare, and cover breeding, feeding, housing and husbandry, health, transport and slaughtering.

Following assessments, Nestlé USA organised a 'lameness in dairy cows' session with one of its suppliers and its member farmers. While the lameness issue involved an educational component featuring herd health experts from the University of Wisconsin-Madison School of Veterinary Medicine, the day-long session was also an opportunity for other animal care and sustainability issues to be discussed, such as issues with dairy cattle and painful procedures, and protocols for hoof care on their farms.

Farm animal welfare

Visit our website for more information about our position on performance enhancers and anti-microbial resistance.

Nestlé cares strongly about the welfare of animals in our supply chain, and animal welfare is a material issue for us. We recognise and share the concerns of our stakeholders about the welfare of animals raised for food and the need to ensure sustainable animal production systems.

Our Commitment on Farm Animal Welfare provides the basis of our responsible sourcing requirements on meat, poultry and eggs, and dairy-based foods and beverages. Through this policy, we are committed to eliminating from our global supply chain specific practices that are not consistent with the internationally accepted Five Freedoms:

- Freedom from hunger, thirst and malnutrition;
- Freedom from fear and distress;
- Freedom from physical and thermal discomfort;
- Freedom from pain, injury and disease; and
- Freedom to express normal patterns of behaviour.

In 2016, Nestlé USA began implementing its policy to only purchase cage-free eggs by 2020. We are currently working with World Animal Protection to establish a plan for extending this to Europe and the rest of the world. Our Thomy mayonnaise brand in Switzerland has already launched an initiative to use only free-range eggs.

In 2016, we also began development of an Animal Welfare Roadmap based on research from farm assessments over the last two years, strengthening our approach going forward. Working closely with suppliers will be a key part of delivering the policy, and all our suppliers will be expected to meet the standards required.

Business Benchmark on Farm Animal Welfare

In recent years, we contributed to the stakeholder consultation process on the Business Benchmark on Farm Animal Welfare (BBFAW), a global measure of animal welfare standards in food companies supported by World Animal Protection and Compassion in World Farming. In 2016, Nestlé remained in the 'Tier 3: Established but work to be done' ranking.

G4-12, G4-EC7, Procurement practices G4-DMA, G4-LA15, Local communities G4-DMA, G4-SO1, Animal welfare G4-DMA, FP9, FP10, FP11, FP12, FP13, Supplier assessment for impacts on society G4-DMA

Farm animal welfare management ISO working group

We are actively involved in an international, multi-stakeholder working group that has developed an international Organization for Standardization (ISO) technical specification (TS) on animal welfare. The goal of the TS is to improve the living conditions of animals bred and kept for food production, and to provide a management tool to facilitate the implementation of the animal welfare principles of the World Organisation for Animal Health's welfare principles. We contributed to a series of working group meetings, and ISO officially released the new technical specification in December 2016. The TS is science based, non-prescriptive and outcome based. It will facilitate the integration of animal welfare principles in business-to business relations between suppliers and customers, and will provide a route to demonstrate conformance through additional assurance by an external party. We will now work to implement the TS in our supply chain and engage with the OIE to develop further species-specific guidance.

Cereals

In 2016, we added cereals to our 12 priority categories, replacing shea, because of the volume of cereals purchased and their importance to our consumers and our overall product portfolio. We are particularly focusing on cereals used as ingredients in breakfast products and in pizza bases, due to their importance for consumers.

As cereals is a new addition to our priority ingredient list, we're working to assess the state of the supply chain. Once completed, we'll set out an action plan for addressing any issues in the coming years. At present this process is focusing on seven priority countries (based on volume sourced and business priorities): USA, Argentina, Brazil, France, Mexico, Russia and the United Kingdom.

Information on our other priority categories, our approach to traceability and assessment and how we map our supply chains can be found on our website.

Hazelnuts

We source around 4400 tonnes of hazelnuts annually, mostly from the Black Sea region of Turkey. We do not source directly from the growers, but from two suppliers, Olam-Progida and BALSU, which obtain the hazelnuts through a chain of intermediaries. In 2016, 84% of our supplies were traceable and 43% responsibly sourced, both figures exceeding our targets.

The most widespread and serious issue in the hazelnut supply chain is safe and healthy working conditions for labourers. This is particularly so for the many temporary migrant workers employed during the harvest period. Child labour has also been identified as an issue within the hazelnut industry.

For many of these workers and their families, seasonal work is sometimes the only means of survival. A number of specific issues faced by these workers have been identified, including:

- Limited access to sanitation and potable water;
- Overcrowding and lack of personal space and privacy;
- Children not receiving education; and
- Limited knowledge of safe working practices, such as the appropriate use, storage and disposal of chemicals.

A lack of employment records, compensation discrimination and harassment are also issues that have been found to occur.

To address these issues, we have been working with the Fair Labor Association (FLA). FLA audits have found a number of non-compliances, and inadequate hygiene was observed in most hazelnut gardens. Audits have also identified inadequate worker safety as an issue in the majority of gardens, with a lack of both equipment and awareness being particular problems. Personal protective equipment and first aid kits have been provided, but workers were not fully aware of their importance. Moreover, most of the kits were kept at farmers' houses, reducing their use. We have been working on these issues with our suppliers, providing awareness-raising sessions as well as safety equipment.

There are also ongoing issues around the use of child labour in the Turkish hazelnut harvest, possibly as a result of the region's proximity to the conflict in Syria. Many children, young people and women have left the region on their own to seek safety elsewhere.

We have identified and implemented a range of measures to address these issues, such as training farmers on good agricultural practices, and running summer schools to remove children from labour in the orchards. Olam-Progida has helped provide workers with better facilities, such as electricity,

G4-12, G4-EC7, Procurement practices G4-DMA, G4-LA15, Local communities G4-DMA, G4-SO1, Animal welfare G4-DMA, Supplier assessment for impacts on society G4-DMA

toilets and access to city water in the camp areas, as well as training and awareness-raising sessions, and we have provided drinking water, adequate sanitation and hand-washing facilities. Farmers are provided with a toll-free phone number enabling them to report any complaints. Both our suppliers have teams of agronomists and social workers. These teams are active in the field, not only in harvest time but all year round, running awareness-raising activities on child labour, labour standards and good agricultural practices with farmers, local authorities and middlemen.

In 2016, the FLA continued its work on reducing child labour as part of a US Department of Labor-funded project in partnership with Nestlé and our suppliers. Much of the remedial work is based around organising school facilities for the children of migrant workers and providing educational activities to take them out of labour in the orchards.

Fish and seafood

We purchased around 134 000 tonnes of fish and seafood in 2016, of which 92% is for Nestlé Purina. Our fish and seafood come from a wide variety of sources, including wild fisheries in oceans around the world and from fish farms that breed their own fish.

We understand the importance of having sustainable fisheries and healthy fish farms, as well as the immense challenges we all must overcome to source fish and seafood responsibly. Therefore, we work closely with our suppliers to identify, as far as possible, the sources of our fish and seafood ingredients. Our ambition is to confirm that the fish and seafood we source come from healthy fisheries or farms engaged in improvement projects. By communicating our expectations to our suppliers and following up on their progress, we will increasingly be able to assess our supply chain against our category-specific requirements for fish and seafood – for example, that there is no known sourcing from illegal, unreported and unregulated fisheries and vessels, and that there is no known sourcing from operations that are not legally licensed for production and sales. We will also be able to evaluate the sustainability of seafood sources (wild and farmed) and identify projects to enhance the environmental performance of our suppliers.

To best identify the origins of fish by-products, our fish and seafood buyers work closely with their vendors to collect data on the species, country of origin and fishery from where the fish originated. We provide all this seafood purchasing information to our independent, not-for-profit NGO partner – the Sustainable Fisheries Partnership (SFP) – to identify and assess the wild and farmed fisheries from which our seafood supply comes.

We are able to track about 91.7%[1] of our purchases of whole fish to the vessels that caught them. From there, the SFP provides assessments on the source fisheries. A large percentage of the seafood purchased for nutritious pet food products is a by-product of the process of producing fish for human consumption. Currently, we have identified 223[1] source fisheries, up from 153[1] in the previous year. Of those fisheries, 54%[1] were considered responsibly sourced, meaning they were low or medium risk based on Fishsource.org scores, were certified by a recognised agency such as the Marine Stewardship Council (MSC).

Our Responsible Sourcing Guideline (RSG) establishes a framework for continuous improvement in our wild caught and farmed seafood supply chain, building towards Responsible Sourcing. We also recognise seafood certified by independent NGOs such as the MSC, the world's leading certification and eco-labelling programme for sustainable seafood.

Overfishing is a global issue within the supply chain. We are working with partners to address this and ensure sustainable practices are used. Nestlé Purina reviews all the species caught to ensure that no critically endangered, or endangered species of fish according to the International Union for Conservation of Nature (IUCN) Red List are included in our seafood purchases.

Labour conditions

Read more about our work to tackle human rights abuses in the Thai seafood industry.

Poor labour conditions has been identified as one of the issues within the fish and seafood supply chain, particular in Thailand's fishing industry. We commissioned Verité, an independent NGO that works with companies to help understand and tackle labour issues, to investigate allegations of abuses in the Thai fishing industry. They collected information from fishing vessels, ports, mills and farms in Thailand on a range of issues, including trafficking, forced and underage labour, lack of grievance procedures, workplace conditions, and wages and benefits. Following this, we developed an action plan, based on their recommendations, to address these issues. The plan contains initiatives to protect workers from abuses. We continue to work with the Thai Government and other key stakeholders to improve labour conditions in the fish and seafood industry.

To further tackle human rights and labour abuses in the fishing and seafood industry, Nestlé bans all fish and seafood caught from IUU (Illegal, Unregulated, Unreported) fishing. Nestlé Purina committed to a ban on all trans-shipments at sea (where items are transferred from one ship to another) at the end of 2016, and we are updating our RSG to include this prohibition.

1 All 2016 data is for Purina only, not the whole of Nestlé, as data has not yet been received from Nestlé suppliers.

G4-12, G4-EC7, Procurement practices G4-DMA, G4-LA15, G4-HR6, Local communities G4-DMA, G4-SO1

Palm oil

In 2016 we bought 420 000 tonnes of palm oil. Our supplies come from processing countries that source palm oil, mostly from Malaysia and Indonesia. Of our total volume, 91.5% was traceable back to the mill, and 57% responsibly sourced.

Our category-specific requirements for palm oil require our suppliers to source oil from plantations that:

- Comply with local laws and regulations;
- Do not come from areas cleared of natural forest after November 2005;
- Respect the Free, Prior and Informed Consent (FPIC) of local and indigenous communities;
- Protect high-carbon-value forests;
- Protect peatlands; and
- Comply with the principles and criteria of the Roundtable on Sustainable Palm Oil (RSPO), the industry-wide certification body that promotes the growth and use of sustainable palm oil products.

The Nestlé Responsible Sourcing Guideline also goes beyond the RSPO standard. The Responsible Sourcing Guideline makes explicit provisions for the protection of peatland and high-carbon forest, which are critical in combating deforestation, and for preventing social conflict arising from potential disputes over land rights and land acquisition.

Palm oil supply chains often have a lack of transparency and available information. To address this, we use our Traceability Declaration Document, which suppliers complete quarterly to declare the supply chain linked to our foods and beverages. Although information gaps remain, the Document allows for unprecedented transparency and facilitates discussions with suppliers to address those gaps.

Deforestation

Deforestation is a major environmental issue associated with palm oil production. Poor forest management and the loss of high conservation value (HCV) areas remain a challenge. Rising consumer demand means tropical rainforests and associated peatlands have been cleared to make way for plantations, which contribute to greenhouse gas emissions, soil erosion, water pollution and a loss of biodiversity.

In 2010, Nestlé made a 'no deforestation' commitment, stating that all of its products, globally, will not be associated with deforestation by 2020 (we also support the Consumer Goods Forum's ambition for zero net deforestation by 2020). This commitment was the first of its kind by a food company, and covers all the raw materials we use to make our foods and beverages, as well as our packaging.

Land rights

Another challenge within the supply chain is land tenure and acquisition, with farmers' land subject to 'landgrabs' by others. We have been gathering data and insights on the status of farmers' property rights, and are developing an action plan to address this issue.

The Rurality initiative

Nestlé is working with partners The Forest Trust (TFT) on a major initiative, Rurality. Rurality aims to connect key stakeholders in palm oil supply chains, share innovation and knowledge, and connect farmers with bodies such as research centres and schools and to the consumers.

The initiative began with a Rural Dynamics Diagnostic phase, in which Rurality field officers assess farmers' environments, their farming systems and household economics, and their challenges and needs. This phase was also important in building trust with the farmers. The information gathered enabled a transformation strategy to be designed to identify opportunities for change to strengthen the farmers and help them overcome their challenges.

Following this, four projects involving over 400 farmers began in 2016, in Ghana, Côte d'Ivoire, Malaysia and Indonesia. Initial actions have included training on practical topics such as use of appropriate tools, safety equipment and fertilisers, organising field visits to success stories to share ideas, and building awareness of the importance of forest conservation. Supported by Nestlé's funding, Rurality will continue to grow in 2017. As we gather more information, we will be able to implement more activities. These will include capacity building and developing good agricultural practices, improving access to tools and equipment, developing farmers' associations, and developing KPIs to monitor performance.

G4-12, G4-EC7, Procurement practices G4-DMA, G4-EN12, G4-LA15, Indigenous rights G4-DMA, Local communities G4-DMA, G4-SO1

Water

Stewarding resources for future generations

Our 2030 ambition is to strive for zero environmental impact in our operations. Water is a universal human right. It is critical to every part of our value chain: our employees, suppliers, customers and consumers all need access to safe, clean water and sanitation, as do the farmers we work with and the communities in which we operate. In the next 15 years, almost half of the world's population will be living in areas that are running out of water. Water, and the lack of it, is the biggest challenge the world faces going forward. As we are committed to responsible stewardship of this precious resource, we seek continuous improvement in our withdrawal, use and treatment of water.

Caring for Water

Because water is critical to every part of our value chain: our business depends on water. We continue to develop our water stewardship strategies to make available more water than we use. We must be responsible in our water withdrawal, use and treatment.

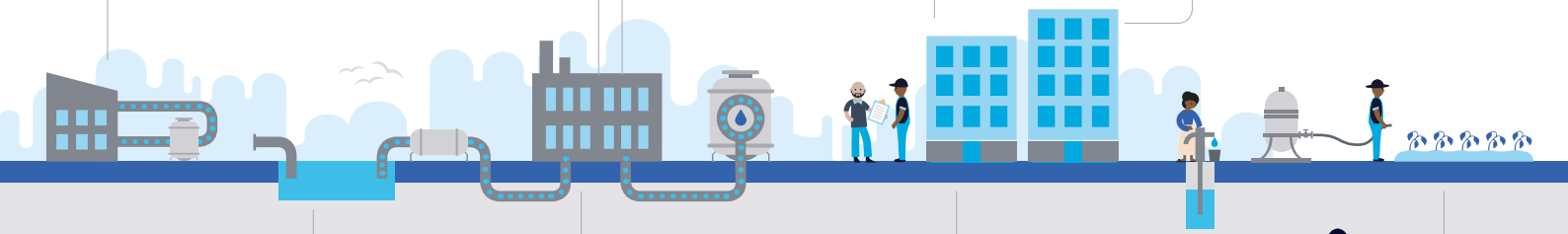
5
factories with zero water technology implemented in Mexico, Brazil, USA and South Africa

3.2 million m^3
of water saved through 516 projects

87.5%
Reduced water withdrawal at 21 out of 24 high-priority manufacturing facilities

19
Joined 19 companies in founding the California Water Action Collaborative

100%
of sites estimated to be providing employees with access to safe water, sanitation and hygiene (WASH)



25%
less water used per tonne of product versus 2010

CHF 22.5m
invested in treating water

46%
of our sugar is responsibly sourced, including assessment on water awareness

213 345
beneficiaries in rural communities were provided access to safe water and sanitation through our partnership with IFRC

47 188
coffee farmers trained on improved water management techniques in Vietnam

Contributing to the Sustainable Development Goals (SDGs)

Nestlé supports the SDGs. These SDGs in particular are relevant to our work on water:

- **SDG 1:** No poverty
- **SDG 2:** Zero hunger
- **SDG 3:** Good health and wellbeing
- **SDG 6:** Clean water and sanitation
- **SDG 12:** Responsible consumption and production
- **SDG 14:** Life below water
- **SDG 15:** Life on land
- **SDG 17:** Partnerships for the goals

95 Our water strategy
98 Caring for water

Our water strategy

We aim to be responsible stewards of water, ensuring it is available and managed sustainably, protecting it through high-profile collaborations, treating the water we use as effectively as possible, supporting our supply chain in the use of water, educating communities in how to use water efficiently, and improving access to water and sanitation.

#1

Received the highest score in water in Oxfam *Behind the Brands* 2016 scorecard

100/100

Topped the Water section of Dow Jones Sustainability Index. Nestlé was awarded a maximum score of 100/100

A-

Received a leadership score of A- from the CDP Water Program for our best practices and actions to manage water and mitigate water risks

Investor benefits

We save costs by increasing the efficiency of water use. Investing in zero water factories can help us avoid future costly relocations. Protecting water resources helps protect the future of our Nestlé Waters business and helps ensure that the sourcing of our raw materials remains competitive. Applying WASH practices can positively impact productivity by improving the health and wellness of our employees and communities and reducing lost working days.

For the planet: Stewarding resources for future generations

The UN estimates that by 2050 the world's population will grow to almost 9 billion people. An estimated 60% more food will be needed to feed the world, and growing that food will put more stress on already fragile water supplies. If we are to continue to grow sustainably we must ensure we use the planet's resources wisely. Driven by our company purpose to enhance quality of life and contribute to a healthier future, we have defined an overarching ambition that will guide our work towards achieving our 2020 commitments and supporting the achievement of the SDGs. Our 2030 ambition is to strive for zero environmental impact in our operations.

Caring for water

More than 2 billion people globally are affected by a lack of safe water, with not enough water to wash, or grow sufficient crops. The WHO estimates that more than 630 million people lack access to clean drinking water and almost 2.4 billion people are exposed to contaminated water. As producing our food and beverages takes a lot of water, it is essential we are as efficient as possible. We are always exploring how to reduce and where possible reuse water. By working with other users, we have the best chance of conserving this precious resource and ensuring the long-term health of our business and the neighbouring communities.

Read more on our actions in this chapter.

Acting on climate change

In the last century, average global temperatures have risen by almost 1°C, causing huge changes in the climate. It's forcing food producers to adjust how, when and where they manage their land and crops. We are determined to be a leader in reducing GHG emissions and use more renewable energy. We set ambitious targets to improve environmental performance and strive for zero impact in our operations, in line with the Paris Agreement. We rely on farmers and food producers to supply our key raw materials; we are always looking for how to produce food with fewer natural resources.

Read more on our actions in the Environmental sustainability chapter.

Safeguarding the environment

Food waste is growing: a third of all food is wasted or lost annually. Per the UN, if these trends continue we will need the equivalent of two Earths to support us by 2030. As a food and beverage company we depend on a healthy environment; all our ingredients come from plants and animals, from forests, farms and oceans. Protecting where those raw materials grow and live is essential. Our agricultural expertise means we can help our farmers keep their land healthy and productive. By working with partners and governments, we can also help protect the environment around their farms.

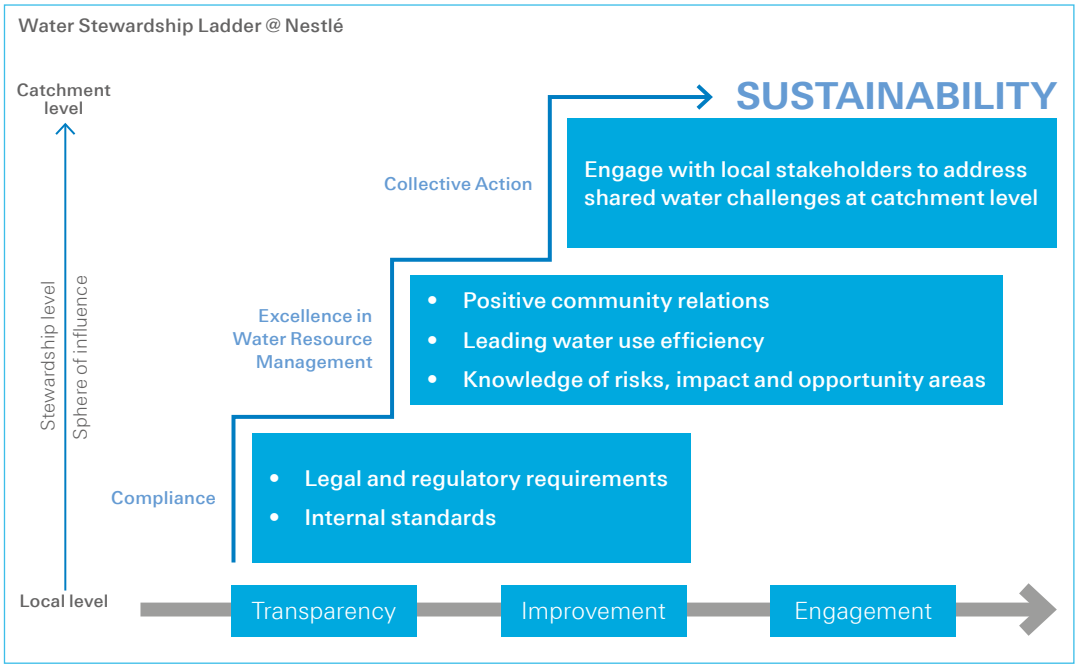
Read more on our actions in the Environmental sustainability chapter.

Water is a shared resource – and yet it is increasingly scarce. As a food and beverage company, water is key to our direct operations. We use it to clean and prepare our raw materials and cool and clean our equipment. We also bottle water to offer our consumers a healthy hydration solution.

Water G4-DMA

In 2015, we launched our Water Stewardship Master Plan, based on our water commitments and designed to mobilise local stakeholders to address shared water challenges collectively, following the steps of the Water Stewardship Ladder (see below).

We are in the process of taking water stewardship at Nestlé even further through a new corporate water strategy. The strategy will help **secure more** sustainable access to water, **multiply** water efficiency innovations and **engage** most of our stakeholders, including consumers and employees, making them water experts, in collective action to sustainably manage our shared water resources.



Inclusive and accountable governance

Visit our website for more information about our governance structure, policies and management systems.

Water is one of three priority areas for our business and we embed responsibility for water stewardship across our business units. Our Operations Water Task Force (OWTF) monitors water-related risks, challenges and opportunities monthly, with a view to shaping our water stewardship strategy. It meets monthly to monitor the implementation of our commitments, reviewing our progress and identifying corrective actions across the organisation, and updates the Operations Sustainability Council.

External recognition

Our leadership in responsible management of water is built on our policies, continuous improvement and transparent reporting. We have summarised the most significant recognition below.

Organisation	Progress
UNGC CEO Water Mandate	We publish a Communication on Progress as part of the CEO Water Mandate every year, which is submitted to the UNGC for review. Read more about our work with the CEO Water Mandate.
CDP Water Program	In 2016, we participated in the CDP Water Program and in November received a 'Leadership' score of A- for our best practices and actions to manage water and mitigate water risks. Reporting on water can be found in our response to the CDP Water Program.
Dow Jones Sustainability Index	With an overall score of 92 out of 100, we received industry-best scores in all three dimensions (economic, environmental and social) of the 2016 Dow Jones Sustainability Index (DJSI), a globally recognised independent benchmark that measures the performance of the world's largest 2535 companies. This year, these scores included industry-best scores in all environmental areas. In the 'environmental' dimension, Nestlé was awarded a maximum score of 100/100.
Oxfam *Behind the Brands*	In the Oxfam *Behind the Brands* 2016 scorecard, we received the highest score in water and land and second-highest in climate. The scorecard assesses rights and access to water and land resources, sustainable use of both, and the strength of actions to mitigate climate change.

Water G4-DMA

Our material issues and commitments

Nestlé uses a formal materiality process to identify the most important issues for our stakeholders and our business, and communicates the results in a materiality matrix.

Material issues

Visit our website for more information on our material issues across our value chain.

Out of our formal materiality process, two material issues fall under the banner of water that are rated as being of high concern to our stakeholders and of strategic importance to our business: **water stewardship**; and **water, sanitation and hygiene**.

These issues are critical to who we are as a responsible business. Our stakeholders expect us to play a leading role in addressing these issues.

- **Water stewardship:** implementing the actions, individually and/or collectively, needed for the sustainable management of shared water resources.
  Sub-issues:
  - **Bottled water**
  - **Water quality**
  - **Water security**
  - **Water use**
- **Water, sanitation and hygiene:** improving access to safe water and sanitation, and appropriate facilities to ensure personal hygiene across our value chain.

Our commitments

Our public commitments are a result of our respect for individuals and families, communities and the planet. Having listened to the views of others, we have identified what is important and where our skills and expertise can be best focused to achieve positive outcomes for some of the world's biggest challenges.

Our public commitments align directly with our material issues. They drive continuous improvement and allow stakeholders to hold us to account for delivering on our promises. Our commitments are supported by a series of objectives to ensure we achieve each of them. This year we have introduced several new 2020 objectives to take our work forwards.

Our progress against our objectives is indicated throughout the report using the following icons:

- ● Achieved
- ◐ In progress
- ◔ Not yet achieved
- ⊕ New objective

Visit our website for more information on our commitment performance dashboard and GRI content index.

Our commitments are:

- 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; and
- Raise awareness on water conservation, and improve access to water and sanitation across our value chain.

Progress against our objectives is detailed in the following pages.

Water G4-DMA

Caring for water

Water is critical to every part of our value chain: our business depends on water. However, the global gap between water supply and demand is increasing, further exacerbated by climate change, with different regions affected by water surplus or scarcity. It is our responsibility to ensure that we protect the ecosystems in which we operate.

Sustainable Development Goals

We identified the following goals where our work adds value:

"As very little can be done to change population growth, and as economic growth is a positive factor, we must find ways to be much more ambitious concerning water efficiency. Water savings only have an impact if achieved at the right place, at the right time and in the right form."

Peter Brabeck-Letmathe,
Chairman, Nestlé

Why caring for water matters

Water and sanitation are critical to sustainable development. Access to clean, fresh water is crucial for domestic life, agriculture and industries such as our own. However, the global population is consuming more water than what's available; if we continue at the same rate, demand will exceed supply by 40% by 2030 (2030 Water Resources Group).

Water resources are unevenly distributed across the planet; more than 40% of the global population are affected by water scarcity (UN). Water stress is the ratio of total fresh water withdrawn versus the renewable water resources available in a region. Currently, water stress affects more than 2 billion people globally, hindering the sustainable use of natural resources in countries on every continent.

- **Access to safe water, sanitation and hygiene**
  Everyone has the right to clean, safe drinking water. Access to sanitation remains a significant challenge for many countries: in 2015 one person in every three (2.4 billion) lacked access to adequate sanitation, with 964 million not using any facilities at all (UN). More people have access to a mobile phone than a toilet (International Telecommunication Union); approximately 6000 children in the developing world die every day from water-related diseases (UNICEF). Most of the wastewater generated by human activities is discharged into rivers or sea without any pollution removal.
- **Agricultural demand on water**
  Growing populations require more food; agriculture puts a huge strain on water sources. More than 70% of irrigated agriculture occurs in water-scarce regions, and global cereal production is expected to hit a shortfall of 30% by 2030 (Water Resources Group). Water is key to our operations. Over 70% of the world's available freshwater supplies are used to grow food (Food and Agriculture Organization). Through our agricultural supply chain, we indirectly use an estimated 64 billion m^3 of water for agricultural purposes – more than 400 times what we use in our direct operations. We work directly with around 719 000 farmers and affect millions more suppliers through the commodities we purchase.

The main challenges that we face in terms of water stewardship are:

- Ensuring efficient water management in our raw material sourcing and manufacturing operations;
- Securing access to safe water for the local communities where our operations occur; and
- Helping our factories and supply chain communities understand and apply our water stewardship philosophy.

We share the water that we use with local communities; we must therefore work together to protect the catchments and supplies we all rely on.

Water G4-DMA

Our water stewardship commitments

Sustainable Development Goals

We identified the following goals where our work adds value:

Water efficiency: every drop counts

As a food and beverage company, water is key along our products' life cycle. Although we have made real progress in recent years, we seek continuous improvement in our withdrawal, use and treatment of water.

W **Work to achieve water efficiency and sustainability across our operations**

- **A** Advocate for effective water policies and stewardship
- **T** Treat the water we discharge effectively
- **E** Engage with suppliers, especially those in agriculture
- **R** Raise awareness on water conservation, and improve access to water and sanitation across our value chain

Our commitment

Work to achieve water efficiency and sustainability across our operations

Reducing water withdrawals

Our objective towards 2020

By 2020 – Reduce direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 35% since 2010.

CHF 31.6m

spent on water-saving initiatives

Water withdrawal refers to the water we take from all sources for our factories, including purchases from suppliers, as well as surface, ground and rainwater. We implement programmes to reduce water withdrawal, reuse water and use alternative sources. By the end of 2016, we had reduced water withdrawal by tonne of product in every product category, achieving an overall reduction of 25% versus 2010. We also use our Water Target Setting methodology to identify further reduction opportunities.

In 2016, we assigned CHF 31.6 million to water-saving initiatives and are currently conducting 516 water-saving programmes across our factories, saving around a projected 3.7 million m^3 of water a year.

Zero water factory in Brazil

In 2014, we were the first company in the world to implement zero water withdrawal technology at a factory in Mexico. In 2015, we replicated the approach in our factory in Palmeira das Missões, Brazil, and included the technology early in the design of our new Dolce Gusto capsules factory in Montes Claros. As a result, this new factory was the first to be built with zero water technology in its original design.

Zero water withdrawal is achieved by extracting and using water from milk, a commodity that represents a third of our business in Brazil. During the production of powdered and condensed milk, the whey is removed by evaporation, and further transformed into clean water for re-use in factories' cooling or cleaning processes.

In Brazil, this approach reduced water withdrawal to zero; four additional factories are expected to implement zero water technology by 2018.

Read more on our Triple Zero achievement at Montes Claros.

Water G4-DMA, G4-EN8, G4-EN9, G4-EN10

Reduced water withdrawals by

25%

per tonne of product versus 2010

Water withdrawn at our factories by source

Water withdrawn (million m³)	2015	2016
Surface water	12.3	13.8
Ground water	75.5	76.2
Municipal water	52.5	48.2
Rainwater	0.03	0.04
Total	140	138

Water withdrawn at our factories by product category

Water withdrawn (m³ per tonne)	2010	2016	Reduction (%)
Powdered and liquid beverages	13.9	7.1	49
Water	1.7	1.5	9
Milk products and ice cream	5.5	4.0	26
Nutrition and healthcare	12.9	9.8	24
Prepared dishes and cooking aids	5.5	3.8	31
Confectionery	7.1	3.7	48
Petcare	1.2	1.1	9
Overall withdrawal rate	3.1	2.5	25

Total water recycled and reused by our factories

Total direct water use (million m³)	2015	2016
Water withdrawal	141	138
Water discharge	81	78
Water recycled or reused	7.7	6.9

Water Resource Reviews

Water Resource Reviews completed at

100%

of Nestlé Waters sites

Our objective in 2016

By 2016 – Carry out 45 new Water Resource Reviews (WRRs) in selected manufacturing facilities and all greenfield sites.

Our objective towards 2020

By 2020 – Carry out 40 new Water Resource Reviews (WRRs) in selected manufacturing facilities and all greenfield sites.

Water Resource Reviews (WRRs) aim to raise awareness at an operational level, identify risks and opportunities, and devise action plans for more sustainable water use. In 2016, we conducted 22 new WRRs in several locations, including Cuba, the USA, Vietnam and Switzerland. We carried out 65 new WRRs in the period 2014/16, thus exceeding our public target (45). We have now reviewed a total of 158 of our factories worldwide since the WRRs began 10 years ago, while Nestlé Waters completed WRRs at 100% of its facilities[1], and continues to work on improving its overall water use ratio (the amount of water required to produce one litre of bottled water). The water that goes into our bottles helps to meet the hydration needs of our consumers, an essential use of water. The WRR process also embeds the human right to water and sanitation principles.

Water and sanitation, a human right

Read more about how Nestlé Waters engages with the community.

Our objective towards 2020

By 2020 – Implement detailed guidelines on human rights to water and sanitation due diligence in all Nestlé markets and key agricultural supply chains.

We fully respect and support the human right to water and sanitation. In 2016, we continued to work on our guidelines on how our markets and factories can reflect this support across their supply chains. The guidelines are expected to be launched in 2017.

1 This data excludes recently acquired or built factories that have not been in Nestlé's operational control for the full year.

Water G4-DMA, G4-EN8, G4-EN9, G4-EN10, G4-EN11, G4-EN13, G4-HR9, Local communities G4-DMA, G4-SO2

WASH in the workplace

We support the World Business Council for Sustainable Development's (WBCSD) pledge to ensure safe access to water, sanitation and hygiene (WASH) in the workplace. Nestlé has supported the WBCSD in its aim to reach 50 signatory companies by 2016; to date, 42 signatories have adopted the WASH Pledge, representing 2.5 million employees in Europe, the United States, Africa, Asia and the Middle East.

Internally, we are committed to achieving and maintaining WASH for all our employees. In 2015, more than 90% of employees had access to WASH; this rose to an estimated 100% in 2016. We remain in the process of continuing self-assessments across our facilities, identifying and correcting gaps through action plans.

Water saving at high-priority sites

Our objective in 2016

By 2016 – Implement water savings projects in 100% of high-priority manufacturing facilities

High-priority manufacturing facilities (HPMF) are sites located in areas of severe water stress or that represent a significant portion of our annual water withdrawals. The list of HPMF is annually updated; in 2016 we identified 24 such facilities. By year-end, we implemented water-saving projects at 21 out of 24 sites, saving 1.8 million m^3 of water.

Read more about how we measure water stress.

The remaining three sites are Chinese factories recently acquired through a joint venture project, which has seen issues with internal target-setting and reporting. These issues have now been resolved. The sites underwent a Corporate Water Target Setting audit in late 2016, which highlighted how the factories delivered important savings in the past (even if not reported in our system) and also identified significant water saving projects for future implementation.

Water stewardship beyond our gates

Our objective in 2016

By 2016 – Define water stewardship initiatives and start implementation in five high-priority locations.

Our objective towards 2020

By 2020 – Implement 10 new water stewardship initiatives in selected locations, with specific focus on high-priority manufacturing facilities.

We understand that our investment in multi-stakeholder initiatives can make a real difference to the wellbeing of local water supplies. We target initiatives that allow us to favour water stewardship together with other catchment users. By the end of 2016, visible progress had been made in Pakistan, Mexico and California, USA.

Advocating for collective action

Water is a shared resource. We are best placed to protect it when we work together with all stakeholders. Our proactive presence in high-profile water initiatives enables us to have a direct impact on global water issues.

- W Work to achieve water efficiency and sustainability across our operations
- A **Advocate for effective water policies and stewardship**
- T Treat the water we discharge effectively
- E Engage with suppliers, especially those in agriculture
- R Raise awareness on water conservation, and improve access to water and sanitation across our value chain

G4-15, G4-26, Water G4-DMA, G4-EN8, G4-EN9, G4-EN10

Commitment

Advocate for effective water policies and stewardship

Our objectives in 2016

- **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 the CEO Water Mandate Guidance for Companies on Respecting the Human Rights to Water and Sanitation, and pilot test the Guidance 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 (AWS) International Water Stewardship Standard by implementing it in at least five locations.
- **By 2016 –** Work with the Sustainable Agriculture Initiative Platform (SAI) and the Sustainable Food Lab (SFL) to implement the Water Risk Assessment and Mitigation collaboration initiative in at least one sourcing area of agricultural raw materials.

Our objectives towards 2020

- **By 2017 –** Support the World Resources Institute (WRI) in the development of an open source valuation methodology to determine the 'Sustainable Cost of Water'.
- **By 2020 –** Continue to build the 2030 Water Resources Group Public–Private Partnership by adding one more country per year.
- **By 2020 –** Actively support the development of CEO Water Mandate local networks in at least three Nestlé markets.
- **By 2020 –** Continue supporting the AWS Standard by implementing it in five new locations.
- **By 2020 –** Apply the new Farm and Catchment-Level Assessment tool prepared by the Sustainable Agriculture Initiative Platform (SAI) in at least five agriculture supply sourcing locations.

Our water partnerships

We firmly believe that proactive long-term engagement and partnership with stakeholders can help to define, implement and evaluate solutions to the complex environmental challenges that we are facing, and that we will see the best results through collective action with industry, governments and non-governmental organisations (NGOs).

Group	Description	Impact and outcomes
2030 Water Resources Group (2030 WRG)	The 2030 WRG is a collaboration between public, private and civil groups that seeks to reform water resources in water-stressed developing economies.	We currently chair the 2030 WRG, and many of our most senior people, including our Chairman, play a leading role in the group, whose governing council meets annually. In 2016, the WRG launched programmes in Brazil (São Paulo state), Ethiopia and Vietnam.
UNGC CEO Water Mandate	The UNGC CEO Water Mandate helps companies develop, implement and disclose their water sustainability policies and practices.	We are a founding signatory of the UNGC CEO Water Mandate. We publish a Communication on Progress every year, and have a seat on the steering committee. We attended the Mandate's 2016 Working Conference in Stockholm, and participated in two projects through the California Water Action Collaborative (CWAC), an initiative driven by the Mandate.
Sustainable Agriculture Initiative Platform (SAI) and the Sustainable Food Lab (SFL)	The Joint Water Risk Assessment and Mitigation project enables food companies to share strategies for assessing and mitigating food risks.	We have supported the project since the start, initially by mapping sourcing information from member companies and additional experts but also by active participation in initiatives.
Alliance for Water Stewardship (AWS)	The AWS International Water Stewardship Standard is a universal reference tool for any organisation to use as a framework for evaluating its water stewardship practices against a series of environmental, social and economic criteria.	This year we applied the AWS Standard principles at four selected high-priority locations (India, Pakistan, South Africa and Mexico) that were chosen due to water scarcity and reputational concerns. We also rolled out the AWS standard in North America.

G4-15, G4-26, Water G4-DMA

Uniting to make a difference in California

Despite increases in rain and snowfall in 2016, California remains in a severe drought. In 2014, Nestlé became a founding member of the California Water Action Collaborative (CWAC), which today consists of 19 companies and environmental organisations. The coalition was set up as platform for food and beverage companies and non-profits, to identify areas of shared interest. The result has been collective action projects that aim to advance a sustainable water future in California for people, business, agriculture and nature.

Nestlé Waters North America has direct involvement in two of the four initial projects identified by CWAC:

- **American River Headwaters Restoration:** a project run by Nature Conservancy with a coalition of partners to determine how forest restoration can improve watershed health, reduce the risk of fires and potentially increase water supply; and
- **Corporate Water Stewardship and the California Water Action Plan:** a collaborative action facilitated by the CEO Water Mandate to bring together private companies, the public sector, academia and leading NGOs to identify opportunities for the private sector to advance elements in the California Water Action Plan.

The other two projects are:

- **Farmland Groundwater Recharge:** the application of excess floodwater to active and fallowed farmland to refill aquifers; and
- **San Gabriel and Big Tujunga Watershed:** a partnership to restore large quantities of water annually to the damaged San Gabriel and Big Tujunga Watershed.

"Water is a shared resource – one that communities, industry, government and the agricultural sector all rely on to ensure our shared prosperity. CWAC will help members uncover new and creative ways to work together and define and take actions that benefit us all."

Nelson Switzer,
Chief Sustainability Officer, Nestlé Waters North America

Water discharge per tonne of product reduced by

55%

since 2006

Treatment: ensuring water quality

We apply the most efficient technologies and methods to treat the water we use, prior to reuse or release into the environment. We are committed to treating the effluents from our operations in a responsible manner and adhere to strict quality requirements for returning it to the environment. In 2016, we strengthened our already demanding Nestlé Environmental Requirements (NER), including new water effluents parameters.

- W Work to achieve water efficiency and sustainability across our operations
- A Advocate for effective water policies and stewardship
- T **Treat the water we discharge effectively**
- E Engage with suppliers, especially those in agriculture
- R Raise awareness on water conservation, and improve access to water and sanitation across our value chain

Commitment

Treat the water we discharge effectively

Our objective in 2016

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

Our objective towards 2020

By 2017 – Monitor the implementation of the new and strengthened Nestlé Environmental Requirements for water quality and effluent discharge in all factories, in order to help protect the environment.

At the end of 2016, we improved the average discharged water quality to 72 mg COD (Chemical Oxygen Demand) per litre versus 2015. Since 2006, we have reduced water discharge per tonne of product by 55%.

G4-15, G4-26, Water G4-DMA, Effluents and water G4-DMA, G4-EN22

All our factories either have their own on-site wastewater treatment plant or are linked to a municipal facility. Where required, we invest in our plants to keep them up to our standards, spending CHF 22.5 million in 2016 on maintenance and improved treatment facilities. We have invested CHF 107 million in water treatment projects since 2010.

We aim to minimise waste generation and recover value from by-products; more than 96% of sludge is recovered or reused. We have improved water effluents training at our operations, engage internally through Safety, Health and Environmental Sustainability workshops and work with stakeholders to identify how best to protect the environment while promoting sustainability.

Engagement: supporting our suppliers

Our greatest challenge to reducing water use lies in addressing the impacts of our agricultural supply chains, as water management and conservation is location-specific and usually seasonal. However, significant improvements can be made by introducing better agricultural practices.

- W Work to achieve water efficiency and sustainability across our operations
- A Advocate for effective water policies and stewardship
- T Treat the water we discharge effectively
- E **Engage with suppliers, especially those in agriculture**
- R Raise awareness on water conservation, and improve access to water and sanitation across our value chain

Commitment

Engage with suppliers, especially those in agriculture

We prioritise training farmers in water-scarce locations on water quality and use. Our R&D teams support the selection and dissemination of drought-resistant cocoa and coffee trees.

The Sustainable Agriculture Initiative at Nestlé (SAIN)

Our objective towards 2020

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.

Through SAIN, we address water issues and promote remediation measures for key water management challenges, including drought and flooding resilience, wastewater and organic waste treatment, and agricultural intensification tools. We are in the process of implementing water management initiatives for coffee, sugar, dairy and cereals in water-stressed areas.

Read more about our direct sourcing operations.

Water G4-DMA, Effluents and water G4-DMA, G4-EN22

47 188

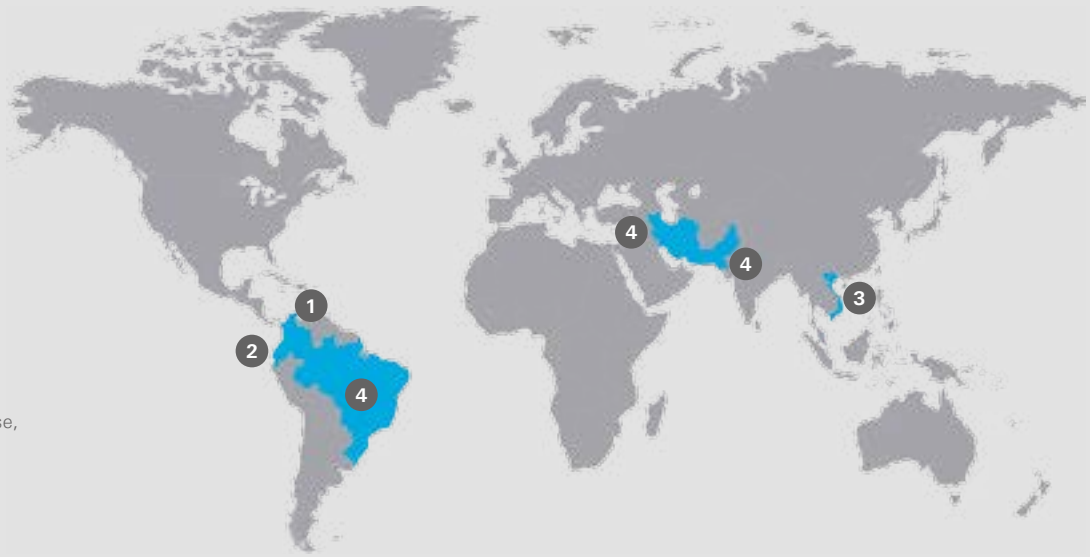
coffee farmers trained on improved water management techniques in Vietnam

46%

sugar responsibly sourced, including assessment on water awareness

37

dairy projects taking place in 21 countries, all aimed at reducing use, improving quality and promoting and implementing recycling



1 Colombia

Nestlé Colombia implemented drip irrigation at four farms that supply us with milk. The farms used an average 55% less water for crop cultivation, while milk production year on year increased by 42% for 2014–2015. The project will now be rolled out to 30 dairy farms over the next two years.

2 Ecuador

We identified oxidation pools as an inexpensive, efficient approach to effluent management for dairy suppliers in Ecuador. As a result, we trained farmers in how to build the pools, and how to use the manure treated through these pools as organic fertilisers.

3 Vietnam

A *Nescafé*-backed study determined that large seasonal water fluctuation was having a detrimental impact on irrigation for robusta coffee production in the Dak Lak region. The study has enabled us to promote better irrigation and water management practices through farmer training.

4 Brazil/Pakistan/Iran

In 2016, we developed an interactive tool to provide a high-level local assessment of water stewardship. The tool aims to gather knowledge, assess risks and identify how to mitigate these. The easy-to-use farm-level tool has been piloted in Brazil, Pakistan and Iran.

Reinforcing community awareness and improving access

Safe drinking water and sanitation is a basic human right. Businesses have a clear role to play in helping to ensure that more people have access to safe water. Providing safe water, sanitation and hygiene (WASH) contributes to broad societal goals such as reducing mortality and morbidity, strengthening community resilience and preserving personal dignity.

Sustainable Development Goals

We identified the following goals where our work adds value:

- W Work to achieve water efficiency and sustainability across our operations
- A Advocate for effective water policies and stewardship
- T Treat the water we discharge effectively
- E Engage with suppliers, especially those in agriculture
- R **Raise awareness on water conservation, and improve access to water and sanitation across our value chain**

Commitment

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

Our objective in 2016

By 2016 – 350 000 beneficiaries in local communities have access to water, sanitation or hygiene projects around our manufacturing facilities and in key agricultural supply chains.

Our objectives towards 2020

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.

By 2020 – 600 000 beneficiaries in local communities have access to water, sanitation or hygiene projects around our manufacturing facilities and key agricultural supply chains.

Water G4-DMA

We work with expert partners to improve access to water and sanitation across our value chain. We support education initiatives to help our employees, communities, suppliers and consumers make better-informed decisions on how to protect water.

213 345

people in rural areas given access to clean water and sanitation since 2002

International Federation of Red Cross and Red Crescent Societies (IFRC)

We have partnered with the IFRC in Africa since 2002, and since 2006 we have focused on improving access to clean water, sanitation and hygiene in rural communities of our supply chain. During this time, we have enabled 213 345 members of rural communities in Côte d'Ivoire and now Ghana to gain greater access to clean water and sanitation, achieving our 2016 objective.

In the cocoa-growing region of Côte d'Ivoire, a programme of activities has been introduced to improve health and hygiene awareness among vulnerable groups, including schoolchildren, teachers and local community members. These have included:

- The rehabilitation and establishment of water points;
- The provision or renovation of sanitation facilities; and
- The raising of awareness through hygiene awareness programmes in villages and schools.

In 2016, we developed a plan for how the Côte d'Ivoire projects would continue, while supporting the IFRC in its roll-out of WASH activities in Ghana.

The Ghana Sustainable Water, Sanitation and Hygiene Project (Gha-WASH) aims to provide the rural population in the Eastern and Ashanti regions of Ghana with access to WASH by 2017, to improve the health and resilience of vulnerable groups. The two regions were selected after in-depth surveys and consultations with governments and other stakeholders; the communities selected are key to Nestlé's cocoa supply chain.

Gha-WASH components and intervention targets

76 300	34 750	43 500	300	1 000
reached with Health and Hygiene education services	reached with sanitation facilities	reached with water supply facilities	staff and volunteers with capacity to manage WASH Project	community members reached with community Based Management Skills

Guided by SDG 6 (Clean water and sanitation), Gha-WASH aims to:

- Increase access to sustainable equitable water services for 43 500 people, including children (by building water points for schools and communities);
- Increase access to adequate, equitable and safe sanitation (by installing latrines at schools and homes);
- Train the local community in how to build and maintain the latrines; and
- Increase awareness and encourage behavioural change to manage water hygiene-related diseases.

Nestlé Waters' Community Relations Programme 2.0

Building on Nestlé Waters' development of its Community Relations Programme 2.0 (CRP 2.0) in 2015, we rolled out CRP 2.0 in 2016: 96% of the sites selected for a 2016 roll-out had implemented the programme by year end.

CRP 2.0 is a tool that is designed to guide factory managers in deploying local engagement plans, with the aim to make Nestlé Waters a welcomed, trusted and value-creating member of each community in which we live and work.

CRP 2.0 is composed of several steps, including:

- Identifying and classifying local stakeholders in the communities where we work;
- Interviewing stakeholders to assess real and perceived community concerns and expectations and identifying gaps; and
- Implementing and tracking engagement and action plans to address the gaps.

Water G4-DMA

Supporting communities in Nigeria

We seek water management opportunities that allow us to work closely with communities, particularly in the developing world. One such country is Nigeria, which is undergoing rapid growth. Through Nestlé Waters, we engaged with the community in the Abaji region through several projects in 2016.

These activities were upheld by three pillars:

- Water stewardship: in 2016, we launched Water Education for Teachers and students (PWET) to help teachers raise awareness about water conservation and proper hydration among schoolchildren. To date, we have trained 8411 students and 453 teachers in 140 schools in the Lagos, Ogun, Osun and Abaji regions;
- Supporting economic growth: we opened a new manufacturing facility for Nestlé Pure Life bottled water. We plan to incorporate a Technical Training Centre to provide practical training for young local engineering students in future; and
- WASH: we commissioned a new community facility for Maderegi village, which will provide access to safe and clean drinking water to the community. This is our second community water facility in Nigeria, after the first centre in the Korogboji community, Agbara, Ogun state.

"We have pledged globally to water stewardship in an effort to adopt sustainable water practices, especially in areas where we operate, source our goods and where our suppliers and consumers live. Local communities play a very important role in achieving this objective."

Jason Lambe,
Country Business Manager, Nestlé Waters, Nigeria

Water G4-DMA

Environmental sustainability

Stewarding resources for future generations

Our 2030 ambition is to strive for zero environmental impact in our operations. If we are to continue to grow sustainably we must ensure we use the planet's resources wisely. As a major nutrition, health and wellness company, we can shape sustainable consumption and steward resources for future generations. We set ourselves commitments and objectives for real progress: from using sustainably managed and renewable resources to operating more efficiently, and from working towards our goal of zero waste to acting on climate change. Together, we can help steward the planet's resources, and safeguard its future by encouraging more sustainable consumption. We are working towards the day when, through efficiencies and new technologies, we can reduce our environmental impact to zero. This will take time but we firmly believe it is achievable.

Acting on climate change

Because climate change may exacerbate the environmental challenges we are facing, such as water scarcity, natural resource constraint and decline in biodiversity.

100
Received industry-leading score of 100 in the 'environment and climate change' dimension of the 2016 Dow Jones Sustainability Index

38.9%
reduction in direct greenhouse gas (GHG) emissions per tonne of product while increasing production by 46% since 2006

CHF 299m
invested in replacing synthetic refrigerants with natural alternatives since 1992

#1
Topped the list of global companies in CDP Climate Change

182
sites achieved zero waste for disposal

12.3
Committed to Champions 12.3 to reduce food loss and waste

22 525
tonnes of packaging material avoided

131
countries have fact-based environmental information that is easily accessible to consumers

Safeguarding the environment

Because we can be more efficient in how we use resources, reduce the amount of food wasted and further improve our impact on the environment.

Contributing to the Sustainable Development Goals (SDGs)

Nestlé supports the SDGs. These SDGs in particular are relevant to our work on environmental sustainability:

- **SDG 6:** Clean water and sanitation
- **SDG 7:** Affordable and clean energy
- **SDG 9:** Industry, innovation and infrastructure
- **SDG 11:** Sustainable cities and communities
- **SDG 12:** Responsible consumption and production
- **SDG 13:** Climate action
- **SDG 14:** Life below water
- **SDG 15:** Life on land
- **SDG 17:** Partnerships for the goals

109 Our environmental sustainability strategy
112 Acting on climate change
118 Safeguarding the environment

"There are significant pressure points in society at large, and in the food system specifically, that we need to deal with if we are to continue meeting our nutrition needs without depleting water tables, degrading soil, causing deforestation and reducing land availability."

Paul Bulcke,
CEO, Nestlé

Investor benefits

Our work in environmental sustainability enables us to generate additional revenue by delighting consumers, especially millennials, who are increasingly looking for more sustainable products.

It also provides opportunities to make cost savings by improving our resource use efficiency – including raw and packaging materials, energy and water – and by avoiding waste.

Investment in climate adaptation and mitigation in our sourcing of raw materials should help us to meet consumer demands in the future.

Our environmental sustainability strategy

We want our products to not only be tastier and healthier but also better for the environment. We will achieve this by striving to safeguard the environment around us.

For the planet: Stewarding resources for future generations

The UN estimates that by 2050 the world's population will grow to almost 9 billion people. An estimated 60% more food will be needed to feed the world, and growing that food will put more stress on already fragile water supplies. If we are to continue to grow sustainably we must ensure we use the planet's resources wisely. Driven by our company purpose to enhance quality of life and contribute to a healthier future, we have defined an overarching ambition that will guide our work towards achieving our 2020 commitments and supporting the achievement of the SDGs. Our 2030 ambition is to strive for zero environmental impact in our operations.

Caring for water

More than 2 billion people globally are affected by a lack of safe water, with not enough water to wash, or grow sufficient crops. The WHO estimates that more than 630 million people lack access to clean drinking water and almost 2.4 billion people are exposed to contaminated water. As producing our food and beverages takes a lot of water, it is essential we are as efficient as possible. We are always exploring how to reduce and where possible reuse water. By working with other users, we have the best chance of conserving this precious resource and ensuring the long-term health of our business and the neighbouring communities.

Read more on our actions in the Water chapter.

Acting on climate change

In the last century, average global temperatures have risen by almost 1°C, causing huge changes in the climate. It's forcing food producers to adjust how, when and where they manage their land and crops. We are determined to be a leader in reducing GHG emissions and use more renewable energy. We set ambitious targets to improve environmental performance and strive for zero impact in our operations, in line with the Paris Agreement. We rely on farmers and food producers to supply our key raw materials; we are always looking for how to produce food with fewer natural resources.

Read more on our actions in this chapter.

Safeguarding the environment

Food waste is growing: a third of all food is wasted or lost annually. Per the UN, if these trends continue we will need the equivalent of two Earths to support us by 2030. As a food and beverage company we depend on a healthy environment; all our ingredients come from plants and animals, from forests, farms and oceans. Protecting where those raw materials grow and live is essential. Our agricultural expertise means we can help our farmers keep their land healthy and productive. By working with partners and governments, we can also help protect the environment around their farms.

Read more on our actions in this chapter.

Our planet faces major sustainability challenges:

- **Climate change** may exacerbate all the challenges that we are currently facing;
- **Natural resources** are becoming more constrained;
- **Biodiversity** is rapidly declining, with forests still disappearing; and
- **Water** is increasingly scarce.

These all affect Nestlé. As a food business, we depend on water and natural resources. We aim to use the most efficient technologies and apply best practices to further optimise energy and water consumption, minimise waste generation, use sustainably managed renewable energy sources, recover value from by-products, and control and eliminate emissions, including GHGs.

Materials G4-DMA, Energy G4-DMA, Biodiversity G4-DMA, Emissions G4-DMA, Effluents and waste G4-DMA, Products and services G4-DMA, Compliance (Environmental) G4-DMA, Transport G4-DMA, Overall G4-DMA, G4-EN31, Supplier environmental assessment G4-DMA, Environmental grievance mechanisms G4-DMA

Inclusive and accountable governance

Visit our website for more information about our governance structure, policies and management systems online.

Our Nestlé Policy on Environmental Sustainability covers our product life-cycle approach, with six focus areas: water preservation; natural resources efficiency; biodiversity conservation; air emissions reduction; climate change adaptation; and zero waste.

To ensure we implement The Nestlé Policy on Environmental Sustainability, we have in place robust governance and management systems, policies and standards. These are regularly reviewed and verified by independent organisations to ensure they align with international and national regulations and guidelines. In 2016, we updated the Nestlé Environmental Requirements.

External recognition

Our leadership from an environmental perspective is built on our policies, continuous improvement and transparent reporting – and the recognition that we achieve. We have summarised the most significant recognition below.

Organisation	Progress
Dow Jones Sustainability Index	With an overall score of 92 out of 100, Nestlé received industry-best scores in all three dimensions (economic, environmental and social) of the 2016 Dow Jones Sustainability Index, a globally recognised independent benchmark that measures the performance of the world's largest 2500 companies. In the 'environmental' dimension, Nestlé was awarded an industry-best maximum score of 100/100. In addition, Nestlé received a Gold Class Sustainability Award 2017 for our industry-leading sustainability performance.
CDP Climate Change Programme	Nestlé has been recognised as a global leader in tackling climate change, earning a place on CDP's Climate A List. Nestlé is among the 9% cent of participating companies to be awarded an A grade, in recognition of its work to reduce emissions and tackle climate change.
CDP Forest Programme	Nestlé was recognised for its participation in combating deforestation, achieving the score of A- for its work in cattle products, palm oil, soya and timber sectors.
Oxfam *Behind the Brands*	In the Oxfam *Behind the Brands* 2016 scorecard, Nestlé received the highest score in water and land and second-highest in climate. The scorecard assesses rights and access to water and land resources, sustainable use of both, and the strength of actions to mitigate climate change.

Material issues and commitments

Nestlé uses a formal materiality process to identify the most important issues for our stakeholders and our business, and communicates the results in a materiality matrix.

Material issues

Visit our website for more information on our material issues across our value chain.

Read more about how we engage in responsible marketing of our products.

Out of our formal materiality process, three material issues fall under the banner of environmental sustainability that are rated as being of concern to our stakeholders and of strategic importance to our business: natural resource stewardship; climate change; and resource efficiency, (food) waste and the circular economy.

These issues are critical to our business, and our stakeholders expect us to play a leading role in addressing them.

- **Natural resource stewardship** – identifying and preserving natural resources and ecosystem services.
  Sub-issues:
  - **Biodiversity**
  - **Deforestation**
  - **Soil fertility**
  - **Land use**
- **Climate change** – reducing GHG emissions and contributing to the mitigation of and adaptation to the effects of climate change.
  Sub-issues:
  - **Climate change adaptation**
  - **Climate change mitigation**
  - **Advocacy on climate policy**

G4-14, Materials G4-DMA, Energy G4-DMA, Biodiversity G4-DMA, Emissions G4-DMA, Effluents and waste G4-DMA, Products and services G4-DMA, Compliance (Environmental) G4-DMA, Transport G4-DMA, Overall G4-DMA, G4-EN31, Supplier environmental assessment G4-DMA, Environmental grievance mechanisms G4-DMA

- **Resource efficiency, (food) waste and the circular economy** – reducing the direct and indirect use of resources, reducing (food) waste and optimising opportunities for recovery, reuse or recycling of by-products and disposing of waste appropriately.
  Sub-issues:
  - **Circular and bio-economy**
  - **Energy consumption**
  - **Food loss and waste**
  - **Littering**
  - **Manufacturing environmental impacts**
  - **Marine plastic debris**
  - **Packaging**
  - **Transport and distribution**
  - **Consumer behaviour**

Our commitments

Our public commitments are a result of our respect for individuals and families, communities and the planet. Having listened to the views of others, we've identified what is important and where our skills and expertise can be best focused to achieve positive outcomes for some of the world's biggest challenges.

Our public commitments align directly with our material issues. They drive continuous improvement and allow stakeholders to hold us to account for delivering on our promises. Our commitments are supported by a series of objectives through which we will achieve each of them.

Our progress against our objectives is indicated throughout the report using the following icons:

- ● Achieved
- ◐ In progress
- ◔ Not yet achieved
- ⊕ New objective

Visit our website for more information on our commitment performance dashboard and GRI content index.

Our commitments are:

Acting on climate change

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

Safeguarding the environment

- Reduce food loss and waste
- 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 progress is detailed in the following pages.

Materials G4-DMA, Energy G4-DMA, Biodiversity G4-DMA, Emissions G4-DMA, Products and services G4-DMA, Compliance (Environmental) G4-DMA, Transport G4-DMA, Overall G4-DMA, Supplier environmental assessment G4-DMA

Acting on climate change

Sustainable Development Goals

We identified the following goals where our work adds value:

Climate change is a critical global challenge. Although COP21 and the Paris Agreement saw global leaders commit to keeping temperature increases below 2°C (with an ideal limit of 1.5°C), achieving this target will only be possible if we all play our part. Climate change already impacts how Nestlé does business; as a food and beverage company, we must further reduce air emissions while supporting our supply chain in becoming more resilient.

Why climate change matters

GHG emissions have increased dramatically over the last century, leading to unprecedented atmospheric concentrations of carbon dioxide (CO_2), methane and nitrous oxide (N_2O). This concentration has almost certainly been the dominant cause of global warming.

This is not news: concern about the environmental impact of GHGs culminated in the Paris Agreement at COP21 in 2015. COP22, held in Marrakech in November 2016, took this further by calling for solidarity between the developed and developing world to eradicate poverty, ensure food security and take stringent action to deal with climate change challenges in agriculture.

Severe challenges related to climate change include:

- **Food wastage**
  About one-third of global food production is either wasted or lost every year, generating unnecessary GHG emissions and water use but also affecting farmer income as well as food costs and availability. Hence, it contributes to inequality and undermines rural development.
- **The need for adaptation**
  Humanity must adapt to more finite resources. Original global estimates of how much adaptation will cost for developing nations (USD 70–100 billion (CHF 69–98.5 billion) annually from 2010–2050) have now been reassessed to USD 140–300 billion (CHF 138–295.6 billion) by 2030, and USD 280–500 billion (CHF 275.9–492.7 billion) by 2050 (United Nations Environment Programme (UNEP), 2016).
- **Increasing water scarcity**
  Research indicates that an increased population and shifting approaches to consumption have increased the pressure on water resources: nearly 50 countries experienced water stress or water scarcity in 2014, up from just over 30 in 1992 (Living Planet Report, 2016).

Read more about Nestlé's water stewardship activities.

Ensuring a more sustainable supply of safe raw materials demands a united approach between governments, our industry and civil society. This approach will require several fundamental changes, including energy: there must be a rapid development of sustainable renewable energy sources, replacing fossil fuel uses with cleaner fuels and renewable energy.

Nestlé is committed to further reducing emissions from our operations and value chain through:

- **Mitigation** – reduce GHG emissions in line with the scientific requirements to limit global warming to less than 2°C (in alignment with SDG 7);
- **Adaptation** – helping farmers to adapt and engage with stakeholders to determine the best practical support we can provide to build farmer resilience; and
- **Reporting** – transparently report our activities and work with governments, trade bodies and non-governmental organisations (NGOs).

Our aim is to ensure the continuity of our own business while protecting the future of the planet. However, we cannot do it alone. It is vital that we work with our stakeholders to find solutions to the environmental challenges that climate changes may exacerbate.

Adaptation: risks and opportunities

Private businesses such as Nestlé have an important role to play in reducing GHG emissions. In recent years, more companies have developed corporate approaches to prepare for and adapt to climate change, to ensure the sustainability of their businesses while strengthening their supply chains.

G4-EC2, Energy G4-DMA

Adaptation, as defined by the Intergovernmental Panel on Climate Change (IPCC), is the 'process of adjustment to actual or expected climate and its effects, to moderate harm or exploit beneficial opportunities' (IPCC, 2014). Companies such as ours must be aware that we all have a responsibility to protect our value chains and serve customers, by anticipating and adapting to the new conditions that climate change will generate.

Successful adaptation requires companies to adopt strategies that allow them to counteract and manage the risks that climate change generates. These strategies vary between companies, due to differing operational requirements, but should include the identification of risks and the determination and piloting of projects to reduce their impact.

With operations and activities around the world, we depend on our value chain – which is large, complex and geographically dispersed by its very nature. We further depend on the resilience of the communities where we live and operate, source materials from and sell our products.

Read more about how we protect natural capital.

At the same time, adaptation offers several strategic benefits and opportunities, including the following:

- **Improving operations** – adaptation can increase company efficiency and reduce costs, while supporting business continuity and risk management;
- **Protecting our value chain** – investing in the communities we depend on builds relationships, preserves resources and enables us to do business in the long term;
- **New business opportunities** – the technical and social innovations required to adapt to climate change can generate new products and services, while supporting the public sector; and
- **Building corporate brand** – taking a position of responsibility allows us to show that we are good corporate citizens that value social wellbeing.

Our climate change commitments

Our commitment

Provide climate change leadership

Reducing GHG emissions

We have made the reduction of GHG emissions one of the focus area of The Nestlé Policy on Environmental Sustainability. Becoming more efficient and switching to cleaner fuels, including renewable sources of energy, is critical to improving our environmental performance. We source wind, solar and hydroelectric power as alternatives to fossil fuels.

Direct GHG emissions reduced by

39%

per tonne of product since 2006

Our objectives towards 2020

Ongoing – As a member of RE100, aim to procure 100% of our electricity from renewable sources within the shortest practical timescale.

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.

GHG emissions (Scope 1 and 2) by product category

GHG emissions (kg CO_2 eq/per tonne)	2010	2016	Reduction (%)
Powdered and liquid beverages	798	**461**	42
Water	28	**22**	22
Milk products and ice cream	348	**264**	24
Nutrition and healthcare	580	**545**	6
Prepared dishes and cooking aids	286	**257**	10
Confectionery	429	**366**	15
Petcare	150	**140**	7
Overall GHG emissions rate	**162**	**127**	**22**

Our science-based objectives are part of our holistic approach to tackle climate change and contribute to efforts to limit climate warming to less than 2°C. Since 2006, we've reduced direct greenhouse gas (GHG) emissions per tonne of product by 39% while increasing production by 46% since 2006. We are on track to achieve our science-based 2020 objective, as we have reduced GHG emissions (Scope 1 and 2) per tonne of product in every product category, achieving an overall reduction of 22% in our manufacturing operations versus 2010.

G4-EC2, Energy G4-DMA, G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7, Emissions G4-DMA, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN21, Overall G4-DMA

As more than 90% of our GHG emissions occur along our value chain, we will also work to reduce Scope 3 GHG emissions by 8% between 2014 and 2020. Our detailed reporting of Scope 3 emissions can be found here and on pages 136–145 of our CDP Climate change submission.

Buying renewable electricity worldwide

We are committed to moving towards 100% renewable electricity to help deliver on our science-based target. In 2016, we issued a guidance note to all our operations, through which we set a June deadline for each area to: optimise electricity consumption; better understand the local power market; and identify opportunities for purchasing renewable energy from the local grid.

We continue to buy renewable electricity around the world, particularly through power purchasing agreements. Locations where we do this include:

- **The UK and Ireland:** since April 2016, our entire grid-supplied electricity in the UK and Ireland has been sourced from renewable sources, including wind;
- **Mexico:** Nestlé Mexico currently meets 80% of its electricity needs through wind power, one of the first food companies in Mexico to do so;
- **Spain:** in 2015, Nestlé Spain sourced 85% of its electricity from renewable power sources, supported by green energy certificates. This has enabled us to avoid more than 20 000 tonnes of CO_2 – emissions equivalent to more than 8230 return trips from Geneva to Sydney; and
- **Italy:** in 2015, Nestlé Italy bought 100% renewable electricity.

Increasing renewable energy share

Renewable energy currently accounts for 17% of our factories' total energy consumption. In addition to renewable electricity, we are also steadily increasing our use of renewable fuels: Nestlé's worldwide operations now include 22 factories that use spent coffee grounds as a renewable fuel, and 24 factories use wood chips. Thus, the share of renewable energy in our total on-site energy consumption has increased by 42% since 2010.

17%
factory energy use comes from renewable sources

39%
reduction in direct GHG emissions per tonne of product since 2006

CHF 82.2m
invested in improving factory environmental performance

22
factories using spent coffee grounds as a renewable fuel

1 Italy

Nestlé Waters opened a new bottled water plant in 2016 that showcases 'smart' technology: the Vera Naturae plant derives all its energy from environmental sources – generating zero CO_2 emissions. We achieved this through photovoltaic systems, LED lighting, and heat recovery and retention systems. Waste materials generated by the plant are collected and recycled.

2 UK

We signed a windfarm partnership in June 2016 with Community Wind Power in Dumfries and Galloway, Scotland. The nine-turbine windfarm, which will be completed in 2017, will meet 50% of Nestlé UK's needs. The initial 15-year deal will see the production of approximately 125 GWh of power per annum, enough to meet the annual demand of 30 000 homes.

3 Switzerland

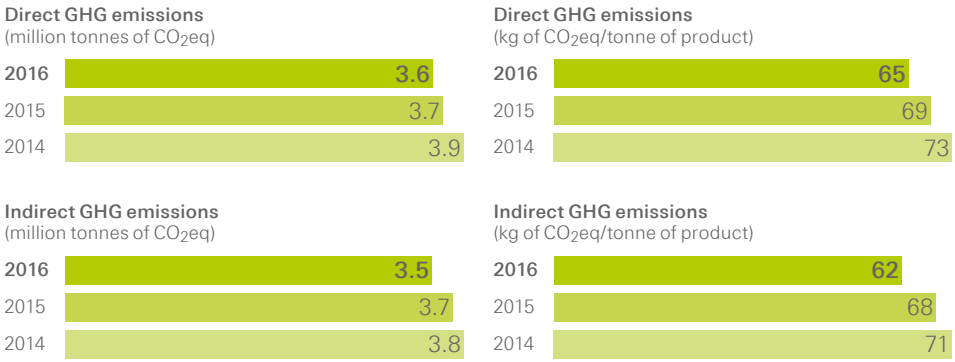
We opened Switzerland's largest agricultural biogas facility next to our Henniez bottling plant. The new plant uses 25 000 tonnes of agricultural fertiliser from 27 local farms, to which will be added 3800 tonnes of organic waste raw material generated by *Nespresso* and *Nescafé*. The plant will produce 4 million kWh of electricity and 4.5 million kWh of heat, avoiding annual emissions of 1750 tonnes of CO_2.

4 Brazil

Our *Nescafé* Dolce Gusto facility in Montes Claros, Brazil, received a landmark Triple Zero award in 2016: zero water withdrawn, zero waste to disposal and zero net GHG emissions. The facility achieved the latter by using biomass from sustainably managed sources and offsetting the remaining emissions.

G4-EC2, Energy G4-DMA, G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7, Emissions G4-DMA, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN21, Overall G4-DMA

Our Environmental Target Setting programme is designed to help our factory teams improve resource efficiency. To support this ambition, we have developed a web-based tool, Do It Yourself, which enables each site to identify and adopt energy- and water-saving opportunities that have already been successful elsewhere in the Group.



Efficient transport and warehouses

We transport more than 145 000 tonnes from 1600 warehouses daily – the equivalent of 274 times around the world each day. Our partnerships with third-party logistics providers enables us to track our environmental performance and improve efficiency by reducing kilometres travelled, fuel consumed, GHG emissions, noise and congestion. Our reporting covers 66% of our total product volume.

We seek to:

- **Optimise** – streamline distribution networks, route planning and vehicle space usage;
- **Explore** – identify and define new transportation methods and alternative fuels; and
- **Prepare** – train our drivers to improve safety and environmental efficiency.

Our objective towards 2020

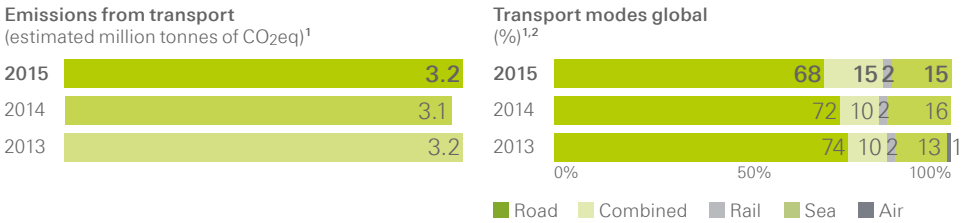
By 2020 – Reduce GHG emissions by 10% in our distribution operations versus 2014.

We aim to transfer our transportation networks from road to rail or sea wherever possible, and use natural gas in our trucks. These advances are made possible through innovation, which is where we invest to make environmental improvements.

Our transport and distribution operations generated 3.2 million tonnes of GHG in 2015[1]. We continue to work to improve the environmental performance of these operations, tightening the efficiency of our distribution networks and making better use of transport space. We are making good progress in reaching our objective, with emissions per tonne of product covered by reporting reduced by 2.7% in 2015 when compared with our 2014 baseline.

We strive to ensure that 'no vehicle leaves empty', improving the efficiency of our transport while reducing unnecessary journeys. We have also redesigned several local distribution networks to improve efficiency.

We investigate and develop opportunities for transport options that lower emissions and continue our research into using alternative fuels.



1 2015 is the latest data available for the report. 2016 data will be available mid-2017.

2 Due to rounding to one decimal place, the values might not add up to exactly 100%.

G4-EC2, Energy G4-DMA, G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7, Emissions G4-DMA, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN21, Transport G4-DMA, G4-EN30, Overall G4-DMA

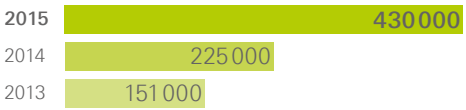
Collaborating with industry in Belgium

Chilled products represent a small but challenging proportion of our business: they must be transported at temperatures between 2–4°C, and often small quantities are required quickly. In terms of optimising transport, this represents a significant challenge – which is not unique to Nestlé.

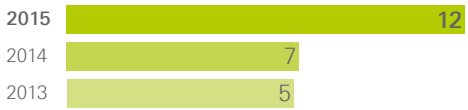
Thanks to an industry working group, our operations in Belgium were brought together with other companies to find a solution that helped both companies resolve this transportation issue. After analysing the chilled product supply chains for our *Herta* brand, we discovered that we could make the most efficient use of space by sharing a distribution centre, run by a third-party logistics company with other industry members.

By working with several external organisations, we made sure that our collaboration complied with legal competition requirements and protected both of our interests. The project was a success, providing both operational and environmental benefits: by lowering the amount of trucks on the road, we have reduced carbon exhaust fumes by 63% and reduced CO_2 emissions by 43 tonnes per year.

Cumulative GHG reduced from 2011–2015 based on changes to transport modes compared to 2011, e.g. shifting from road to rail/sea (tonnes of CO_2 eq saved)[3]



Cumulative GHG savings from 2011–2015 (per tonne of product dispatched) based on changes to transport modes compared to 2011, e.g. shifting from road to rail/sea (%)[3]



Our objective towards 2020

- **By 2020 –** Reduce GHG emissions by 10% in the 100 major warehouses we use versus 2014.

Emissions dispatched through top 100 warehouses (kg CO_2eq per tonne)[4]

We continually search for ways to further reduce the energy consumption in our warehouses by improving illumination, heating, cooling, insulation and internal movements. We are particularly focused on switching to renewable energy. We are currently ahead of schedule to meet our 2020 objective, having reduced emissions by 11% against our 2014 baseline.

Using natural refrigerants

Hydrofluorocarbons (HFCs), known to contribute to climate change, are widely found in refrigeration fluids. We are committed to using safe, natural refrigerants, such as CO_2, ammonia, water, air and hydrocarbons that do not contain HFCs for our refrigeration needs.

Our objective in 2016

- **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.

Our objectives towards 2020

- **By 2020 –** All new proprietary cold beverages dispensers of Nestlé Professional will use natural refrigerants.
- **By 2020 –** 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.

Read more about our climate change approach.

Almost all our factories use industrial refrigeration. Since 1992, we have invested CHF 299 million in replacing traditional refrigerators with natural alternatives. We have also expanded the use of natural refrigerants by installing 47 new refrigeration systems. Our objective is to fit all our new refrigerated trucks with natural refrigerants. Initial testing has been inconclusive, and we have decided to extend our initial objective from 2017 to 2020, to improve the technology.

Read more about our water stewardship efforts.

We have systematically introduced more commercial refrigeration units worldwide that use natural refrigerants and are more energy efficient. Since 2015, every new horizontal chest freezer that we've bought to store ice cream has used natural refrigerants. These new freezers represent 67% of our total spend on freezers, and use half the energy of the previous units. Combined, our actions to date have helped us move beyond meeting the Consumer Good's Forum (CGF) Resolution on Refrigeration, which encourages businesses to take action towards phasing out HFC refrigerants as of 2015.

3 2015 is the latest data available for the report. 2016 data will be available mid-2017.

4 Based on largest 100 warehouses.

G4-EC2, Energy G4-DMA, G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7, Emissions G4-DMA, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN21, Transport G4-DMA, G4-EN30, Overall G4-DMA

Proactive engagement on climate policy

Climate change is a global challenge, and demands a united response. We firmly believe that proactive long-term engagement and partnership with stakeholders can help to define, implement and evaluate solutions to the complex environmental challenges we are facing, and that we will see the best results through collective action with industry, governments and NGOs. We will therefore continue to work with our stakeholders to find solutions to the environmental challenges that climate change exacerbates.

Our commitment

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

Our objective in 2016

By 2016 – Provide climate change information in our *Annual Report* package using the *Climate Change Reporting Framework* developed by the Climate Disclosure Standards Board.

Our objective towards 2020

By 2020 – Implement the *Guide for Responsible Corporate Engagement in Climate Policy* developed by CDP, the UN Global Compact (UNGC), Ceres, The Climate Group, the World Wide Fund for Nature (WWF) and the World Resources Institute (WRI).

We achieved our 2016 objective by providing climate change information in our Annual Report package, using the Climate Change Reporting Framework. After careful consideration, we have extended our objective to implement the Guide for Responsible Corporate Engagement in Climate Policy to 2020.

Nestlé endorses the following climate change initiatives, which we believe are aligned with our commitments. These initiatives reflect our respect for the society, the environment and future generations.

Our climate change initiatives

Initiative	Description	2016 activities
Caring for Climate	The world's largest global coalition on climate issues, with the UNGC, UNEP and UNFCCC	By supporting Caring for Climate, Nestlé commits to renewing its efforts to improve energy efficiency, reducing the GHG emissions of its products, setting voluntary targets and publicly reporting on progress in the spirit of continuous improvement, as well as supporting related initiatives by other leading international organisations such as the CDP.
CDP Climate Action	Six initiatives on climate change with the CDP	We have endorsed the following six climate action initiatives: • Adopt evidence-based GHG emission reduction targets; • Aim to procure 100% electricity from renewable sources; • Remove commodity-driven deforestation from our supply chain; • Provide climate change information in mainstream corporate filings; • Responsibly engage policy-makers on climate change policy; and • Put a price on carbon.
World Alliance for Clean Technologies	Initiative launched by Solar Impulse Foundation at COP22	We provide funding for the alliance, which exists under the aegis of the United Nations Framework Convention on Climate Change (UNFCCC).

We support several other major initiatives by leading international organisations. These include the Trillion Tonne Communiqué by the Prince of Wales's Corporate Leaders Group and the New York Declaration on Forests.

Committing to combat climate change with Feed the Future

Feed the Future is a US government initiative that supports country-driven approaches to addressing the root causes of hunger and poverty. As part of its approach, Feed the Future develops public-private partnerships, designed to create economic and social benefits for specific communities.

In this context, Nestlé signed a partnership with Feed the Future in 2016 to support its new strategic cocoa initiative. The Climate Smart Cocoa project aims to support smallholder farmers in cocoa-producing locations such as Ghana and Côte d'Ivoire adopt agricultural practices to offset the challenges of climate change.

Through the Climate Smart Cocoa project, we will directly contribute to developing evidence-based action strategies, and will also support the design and piloting of services and tools. These could include agroforestry and drought-resistant agricultural practices to increase productivity.

G4-EC2, Energy G4-DMA, Emissions G4-DMA, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN21, Overall G4-DMA, Public policy G4-DMA

Safeguarding the environment

Sustainable Development Goals

We identified the following goals where our work adds value:

We are committed to environmentally sustainable business practices. We can achieve this through pursuing greater efficiency in the resources that we use and rely on and improving the environmental performance of our products and operations. As a food company with a strong belief in the circular economy, we can help further reduce the amount of food that is wasted, and support consumers in making better, science-based decisions about the products they buy.

Why safeguarding the environment matters

The planet's natural resources are finite and rapidly depleting as human consumption rises. Natural habitats continue to shrink because of growing populations and increased demand for raw materials. At the same time, research indicates that, globally, we consume 1.6 times what our planet naturally provides – equivalent to consuming 18 months' worth of materials in only 12 months. Even moderate forecasts predict that if we keep going at the same level, it will take two Earths to sustain us by 2030 (Global Footprint Network, 2016).

- **Natural capital is in sharp decline**
  According to the Living Planet Index, global species populations declined by 58% from 1970–2012 (Living Planet Index, 2016). These species are increasingly affected by pressures from unsustainable human activities, including agriculture, fishing and other human activities that contribute to habitat loss and degradation. Protecting the Earth's natural capital and ecosystems is in everybody's interest.
- **Water scarcity**
  Competition for water is projected to grow because of changing consumption patterns and dietary preferences for animal protein, which, in turn, will significantly increase demand for feed and fodder. In this context, agriculture must produce more food of better quality while using less water – a complex challenge.
- **Food security and its demand on the world**
  Natural habitats around the world, including forests, grasslands and wetlands, continue to be converted into urban and agricultural settings. Of the 1.5 billion hectares of global crop-producing land, one-third is used to produce animal feed. Yet most of the world's poorest are farmers; the world's lowest-income countries are those most dependent on agriculture as a primary source of livelihood for large parts of their population.

The strain that humanity is placing on the planet is clearly apparent. We must grow food to sustain a rapidly enlarging population, but we have to ensure that our agricultural practices and our consumption are sustainable. SDG 12 calls on the world to be more responsible in terms of what we exploit and use, encouraging us to reduce food waste and strive to make the circular economy a reality. We must make the most of all the resources we use.

Looking after these resources also demands that we take greater care of life on this planet, including all natural habitats. SDG 14 calls us to look after life below water, in terms of sustainable fishing, protecting water sources, and preventing waste and pollution, particularly plastics. An average of 13 000 pieces of plastic can be found in every km^2 of ocean; this must be prevented.

At the same time, biodiversity and natural habitats on land remain in constant threat. One-third of the Earth's surface is covered by forests, yet rapid deforestation continues. Habitats across the planet are continually shrinking, due to climate change, agriculture and expanding populations. SDG 15 encourages us all to conserve and restore these ecosystems by 2020, calling for urgent action.

Because Nestlé depends heavily on agriculture, we seek to contribute as much as possible to help achieve these goals. We can do this by designing and developing our products to make them better for the environment. We are committed to making the right choices for our planet's future and enabling our consumers to do so too, using renewable resources wherever possible, pushing to make the circular economy a reality through our operations and reducing waste to zero.

Our environmental commitments

Improving the environmental performance of our products

We assess and optimise the environmental performance of our products across the entire value chain at the earlier stage in the development of new and renovated products. This view of our products from farm to consumer and beyond gives us a clear understanding of their life cycles, or 'lives'.

Commitment

Assess and optimise the environmental impact of our products

Our life-cycle assessments (LCAs) enable us to focus on improving our products' environmental impact. The LCAs also inform our decision-making, helping us to improve our environmental performance by identifying environmental hotspots while responding to stakeholder concerns and providing us with credible evidence to support specific communications.

We systematically conduct environmental assessments through our EcodEX (Eco-design for Sustainable Product Development and Introduction) tool. EcodEX enables our product development teams to assess environmental performance faster and much earlier in the design process, assessing the overall impact of a packaged food along the value chain. We now deploy EcodEX across our entire research and development (R&D) organisation. By the end of 2016, we evaluated 6641 projects and 19 297 scenarios using eco-design tools.

Objectives towards 2020

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

By 2020 – Identify, update and address the sustainability 'hotspots' for 20 product categories.

Prior to developing a new product, we assess its potential impacts through a five-point scale. We share the data produced by our environmental assessments internally through the Nestlé Category Sustainability Profiles. The profiles summarise areas of significant environmental impact (or 'hotspots') and what we are doing to improve performance. In 2016, we published profiles for 19 product categories, including instant coffee, ice cream and pet food.

Objective towards 2020

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

Our environmental findings are also useful for the wider environmental community, in terms of developing a better understanding of LCAs and the data they generate. To ensure the greatest accuracy, we work with external organisations to develop and maintain databases, particularly for raw materials. In 2016, more than 50 datasets were added to EcodEX. We are also funding further data development projects.

Internally, experts from our Sustainability by Design networks continually seek ways to improve our understanding of our LCAs and eco-design, building sustainability into the earliest phase of product development.

Sustainable Development Goals

We identified the following goals where our work adds value:

6 641

projects evaluated using eco-design tools

Visit our website for more information on how we research and apply the data we generate through the LCAs.

Read more about how we apply our LCA experience in Europe through piloting the Product Environmental Footprint.

Materials G4-DMA, Energy G4-DMA, Biodiversity G4-DMA, Emissions G4-DMA, Effluents and waste G4-DMA, Products and services G4-DMA, G4-EN27

Life-Cycle Assessment (LCA)

Product: Ispirazione Italiana/Milano 2 MTS130 solution vs. average roast and ground solution*

End of life

Hotspots
Waste: recycling, incineration (with energy recovery), disposal

Solutions
- Tool created by Nestlé Professional to help providers understand environmental impact of serving coffee to employees or customers and offers practical suggestions for waste disposal

Ingredient supply

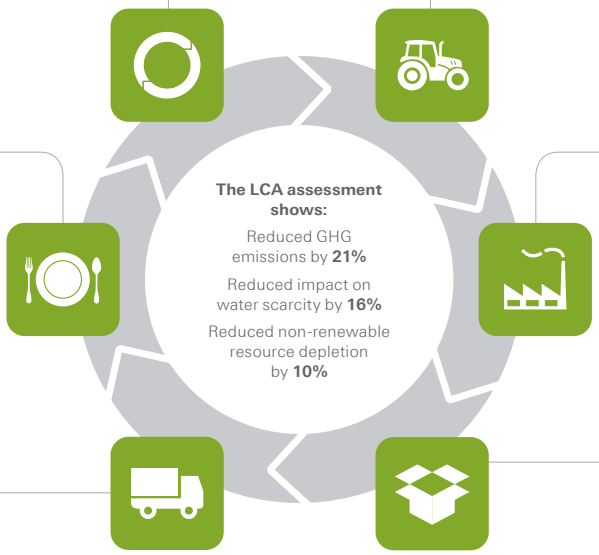
Hotspots
GHG emissions and water: green coffee cultivation

Solutions
Responsible farming:
- Training farmers in agricultural techniques (including irrigation) through the *Nescafé* Plan
- Distributing high-yielding and drought-resistant coffee plantlets

Consumption

Hotspots
Water and energy: cup manufacturing, coffee preparation, cup washing and machine cleaning

Solutions
- LCA communication tools to encourage customers to compare energy and water use of different machines, cups and types of coffee
- Online courses developed by Nestlé Professional for hospitality and food service customers on waste management, including food loss and waste
- An efficient and cost-saving machine due to a better idle and an energy-saving mode



Manufacturing

Hotspots
Energy, water and waste: coffee production.

Solutions
Responsible production and supply:
- Zero waste for disposal
- Reduced water withdrawal and GHG emissions
- Spent coffee grounds used as a factory fuel

Distribution and storage

Hotspots
GHG emissions and energy: transportation from Nestlé factory to point of sale.

Solutions
- Alternative modes of transport and reduced journeys to reduce GHG emissions

Packaging

Hotspots
Energy: raw material extraction, packaging processing

Solutions
- Development of materials made from responsibly managed sources and with improved environmental performance

* Assessment of life cycle environmental impacts: Ispirazione Italiana/Milano 2 MTS130 solution vs. average roast and ground solution serving a 40 ml black espresso to the consumer for out-of-home consumption in Europe.

Materials G4-DMA, Energy G4-DMA, Biodiversity G4-DMA, Emissions G4-DMA, Effluents and waste G4-DMA, Products and services G4-DMA, G4-EN27

Reducing food loss and waste

Food loss:
a decrease in food quality or quantity, which normally occurs during production and distribution due to supply chain flaws.

Food waste:
when food is disposed of which is fit for consumption, or which has spoiled or expired, mainly through economic behaviour, poor stock management or neglect.

About one-third of global food production is either wasted or lost every year (Food and Agricultural Organization of the United Nations (FAO), 2011). Food waste not only generates unnecessary GHG emissions and wastage of water but also affects farmer income as well as the availability and cost of food. Hence, it contributes to inequality and undermines rural development.

This food loss and waste has a tangible social cost – producing it uses 24% of all agriculture-related water, causes 8% of all human-created GHG emissions, and costs consumers, farmers and businesses up to CHF 950 billion annually (WRI, 2013).

The SDGs include a target (12.3) calling for halving per capita global food waste at the retail and consumer levels and for reducing food losses along production and supply chains (including post-harvest losses) by 2030.

In 2016, our CEO, Paul Bulcke, joined Champions 12.3, a coalition of government, industry and NGO influencers dedicated to accelerating progress towards halving food waste by 2030. This will enable us to contribute to a circular economy and allow us to secure our agricultural supplies while having a positive impact on society. As a company, we have guided the CGF to adopt the public resolution of halving food waste from their members' own operations by 2025, five years ahead of UN SDG 12.3.

Our commitment

Reduce food loss and waste

Our objectives towards 2020

- **Ongoing –** As a member of Champions 12.3, accelerate progress towards halving food waste by 2030.
- **By 2020 –** Achieve zero waste for disposal in our sites.
- **By 2020 –** Make date labels understandable to our consumers in order to reduce food waste at consumption stage.

CHAMPIONS 12.3

"With ongoing collaboration and commitment, we can turn the tide. Those who measure waste can better manage it. That's good news for people, business and the planet."

Paul Bulcke,
CEO, Nestlé

We are committed to further playing our part in helping to reduce food loss and waste to help contribute to a resource-efficient circular economy. Not only will this help us secure supply of the agricultural raw materials it sources, but it will also have a positive impact on society by supporting rural development, water conservation and food security.

To overcome one of the major challenges to measure food loss and waste, we steered the development of a major global and recognised protocol, the Food Loss and Waste Protocol (FLW Protocol) to coherently measure food loss and waste throughout the food chain. The Protocol, which was created on behalf of the CGF and together with the WRI, UNEP, FAO, the WBCSD, the EC and WRAP, was launched at the Global Green Growth Forum, held in Copenhagen, Denmark, in June 2016. We have piloted the Food Loss and Waste Accounting and Reporting Standard (FLW Standard) standard in our dairy supply chain in Pakistan, and, to encourage its broader use, we ran a training workshop at the first CGF Sustainability Summit together with WRI in October 2016.

Our Zero Food Wastage Taskforce leads food waste reduction initiatives across our value chain. Following on from the 2015 launch of our commitment to reduce food loss and waste, the Taskforce has developed and updated an operational masterplan to monitor progress. It also launched the Food Waste Toolkit, designed to share and promote activities to reduce food loss and waste along our value chain and raise awareness on the issue.

Materials G4-DMA, Energy G4-DMA, Emissions G4-DMA, Effluents and waste G4-DMA, Products and services G4-DMA, G4-EN27

Key actions in 2016 across our value chain:
Agriculture

We support the farming communities where we source agricultural raw materials, and provide technical assistance on practices that help avoid pre-harvest losses through yield improvement and reduce post-harvest losses through optimising delivery of raw materials up to the factory.

- **Reducing milk losses in Brazil –** since 2014, our Nestle Technical Assistance Programme (NATA) has helped 900 farmers in Brazil manage their farms, increase milk production and make better use of their resources. We have trained these farmers through a third party, offering technical recommendations and providing financial support for key investments. Farms participating in the NATA programme have now shown an average growth that is twice as high as other farmers.
- **Decreasing post-harvesting food loss –** in low income countries, the highest losses are at the beginning of the food chain. Vital First Mile is a new initiative designed to help local farmers, pre-processing suppliers and logistic providers around the world decrease post-harvesting food loss by offering support and expertise in transportation and storage. The pilot took place in Nestlé Qingdao, China.

In low income countries, the highest losses are at the beginning of the food chain (FAO, 2014).

Countries with low income (%)

Upstream value chain (From farm to production) — Downstream value chain (Sales and consumers)

Countries with medium and high income (%)

Upstream value chain (From farm to production) — Downstream value chain (Sales and consumers)

Vital First Mile piloted in China

We recently launched our transformation of the milk district in Qingdao, China. In practice, this implied the transition from milk collection centres and small farms to direct supplier (DS) farms. The main objective of this change was to reduce milk loss and collection costs, increase quality, and improve farm sustainability and product traceability.

We achieved this through three key projects:

- **Cow Insemination Project –** to help improve milk quality and production through nurturing a better quality of cow;
- **Equipment Support Project –** we helped farmers purchase specific dairy farming equipment; and
- **Direct Supplier Farm Training –** in which we assisted and trained the Qingdao farmers.

Since the implementation of the projects, the Qingdao milk district has changed dramatically. There are now 315 DS farmers, providing better quality milk with fewer losses. This is an example of how Nestlé intervention can help make the difference in the Vital First Mile of production.

Read more about our work in the Dairy sector.

Manufacturing and distribution

Read more about how we are making product transportation more efficient.

We continually improve our operational efficiency. This translates into doing more with fewer resources and generating less waste. In our sites, our goal is zero waste for disposal by 2020. We continually reduce food waste in distribution by optimising its inventory management and distribution operations. Some recent initiatives include:

- Avoiding 50% loss of raw material in France;
- 29% reduction in losses related to transport in cereal production in Colombia; and
- 50% food waste reduction for a major customer in Turkey by optimising the supply chain.

Materials G4-DMA, Energy G4-DMA, Emissions G4-DMA, Effluents and waste G4-DMA, Products and services G4-DMA, G4-EN27, Compliance (Environmental) G4-DMA

Read more about how we are innovating our packaging.

Information and education

We help to raise awareness among consumers to improve understanding about food loss and waste, offer guidance on our packaging and develop creative solutions to help consumers make the most of their leftovers.

This year we conducted different awereness activities at the Nestlé headquarters, including exercises where employees had to creatively prepare a meal with leftovers.

Stakeholder engagement and partnerships

- **Champions 12.3 Business Case Workgroup:** we participate in a business case work group, which presented its results in February 2017 after one year of work. The workgroup continues to make progress quantifying the benefit–cost ratios for countries, cities and companies in acting to reduce food loss and waste. We also actively contributed to the Champions 12.3 Progress Report, published in September 2016.
- **Food 2030:** At the EU Commission's FOOD 2030 summit, Paul Bulcke presented ways to future-proof the world's food systems, including reducing food loss and waste. He highlighted the collaborative work of Champions 12.3 in his remarks.
- **Consumer Goods Forum's (CGF) Sustainable Retail Summit:** the opening megatrend plenary at the Summit, held in October 2016, focused on tackling food loss and waste and implementing the CGF 'Food Waste Resolution'. Together with WRI, we led a session on how Nestlé applied the FLW Standard.
- **FoodDrinkEurope:** in our role as chair of the Environmental Sustainability Committee, we contributed to:
  - The **Every Meal Matters** guidelines, which encourage and make it easier for food manufacturers to donate their food surpluses to food banks; and
  - The **Ingredients for a Circular Economy** microsite, designed to clarify the relationship between food farming, manufacturing and consumption.
- **FUSIONS:** we participated in this four-year EU project to establish a shared vision and strategy to prevent food loss and waste across the supply chain. The project concluded in April 2016.
- **Food donation activities in Europe:**
  - Nestlé UK supports FareShare to address poverty and food waste. Since the beginning of the partenership with FareShare, Nestlé has provided 2741 tonnes of fit-for-consumption food, which equates to 6.5 million meals worth of food that would have otherwise gone to waste and has been used to feed vulnerable people instead;
  - Nestlé Italy has worked together with Fondazione Banco Alimentare Onlus for more than 20 years – between 1000 and 1400 tonnes donated annually;
  - Nestlé Sweden supports Stadsmissionen to help vulnerable groups with basic and social needs; and
  - Nestlé Spain regularly donates to the Spanish Federation of Food Banks, and has collaborated with the Spanish Red Cross.

Read more about how we encourage consumers to make more sustainable choices.

Quantifying milk loss and waste in Pakistan

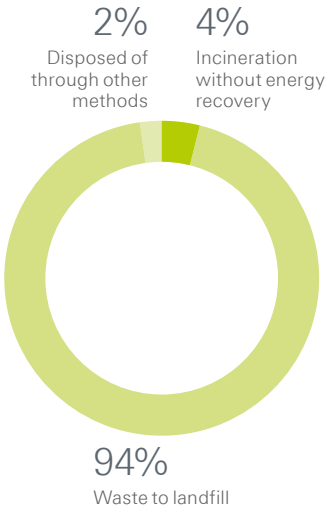
To further understand and reduce the waste occurring in our supply chain, we initiated a milk waste mapping exercise in Pakistan, applying the Food Loss and Waste (FLW) Protocol (see above). The Pakistani dairy sector was chosen because of its complexity, the high volumes involved and because it provided an opportunity to test our dairy hub model.

Working with external consultants, we mapped the value chain from farms to consumers. In total, Nestlé processes 480 kilotonnes of milk a year, sourced mainly from traditional small farms but also some larger operations. For each stage of the value chain, we analysed all potential causes of wastage, with losses quantified and extrapolated across the supply chain.

Results were impressive. The total milk loss in our supply chain was estimated to be only 1.4%, significantly lower than expected, due to the cooling, storage and transport systems we have in place. In addition, sharing best practice between farmers contributes to increased milk production and less milk being rejected by chilling centres, while improved management at the retail stage could further reduce product losses.

Materials G4-DMA, Energy G4-DMA, Emissions G4-DMA, Effluents and waste G4-DMA, Products and services G4-DMA, G4-EN27

Waste for disposal by destination (%)



Going for zero waste for disposal

We look to achieve our target of zero waste for disposal through a series of objectives designed to prevent waste generation. Our resource efficiency approach enables us to prevent and reduce food wastage and get the most out of materials, either through energy recovery or using our by-products in new ways, where we can. The Nestlé Policy on Environmental Sustainability states that 'specific to our food and beverage business…we focus on zero waste'. Our focus is on operational efficiency, quality and productivity – doing more, with fewer resources and generating no waste.

We define waste for disposal as any material that leaves a site and is destined for final disposal with no economic or ecological value. It includes landfilling and incineration without energy recovery. By the end of 2016, 182 of our factories, 84 distribution centres, 13 R&D centres and 97 offices achieved zero waste for disposal. Our aim is to ensure that our sites achieve zero waste for disposal by 2020; since 2006, we've reduced waste for disposal by 77% (105 000 tonnes disposed in 2016), and waste for disposal per tonne of product by 82%. In 2016, 94% of our waste went to landfill, 4% to incineration without energy recovery and 2% was disposed of through other methods.

Using best practice from those markets where we do have sites with zero waste for disposal, we have developed a Zero Waste for Disposal Guideline. Only 0.6% of the waste we generate is classified as hazardous, and is managed and disposed of in accordance with local and global standards and regulations as appropriate.

Zero waste for disposal in Mexico

Waste disposal is a serious issue in Mexico: only 10% of the 117 000 tonnes generated daily across the country is treated appropriately, causing environmental damages, not to mention high financial and health costs.

In this context, Nestlé Mexico achieved zero waste for disposal at its 12 facilities in 2016. We've spent the past 10 years steadily improving waste disposal, diverting quantities of waste the equivalent to those generated by Mexico City (population 8.851 million) in five days. These 12 facilities join our 105 facilities (22%) worldwide that achieved zero waste in 2015.

One example of how Nestlé Mexico has achieved zero waste is its coffee factory in Toluca, which uses spent coffee grounds as a fuel for internal combustion needs. The grounds are channelled through a biomass generator, which provides 50% of the steam required by the factory and lowers gas consumption by 30%.

"We are committed to continue working with our employees to ensure our factories remain zero waste for disposal and are striving for new ways to further improve our environmental performance at each stage of our products' life cycle."

Marco Guimarães,
Technical Manager, Nestlé Mexico

Find out more about the Nestlé Policy on Environmental Sustainability.

By-products

By-products are materials that leave our sites and are reused or recovered, including recycling, composting and incineration with energy recovery. In 2016, we recovered 94% of the materials used in manufacturing. We analyse the waste and by-products we generate through manufacturing to identify best practices and opportunities that can be shared across markets.

Materials G4-DMA, Energy G4-DMA, Emissions G4-DMA, Effluents and waste G4-DMA, G4-EN23, Products and services G4-DMA, G4-EN27

Improving the environmental performance of our packaging

Our packaging is crucial to prevent food waste, guarantee our high-quality standards and inform our consumers. Packaging is an area where visible changes can be made, where used packaging is recovered and put to new use. Ensuring that this occurs is a constant challenge, which requires innovation and dedication.

Packaging plays a key role in protecting food, preventing waste, and ensuring the quality and safety of products until they are consumed. Our mission is to ensure that we use the minimum adequate amount of packaging by weight and volume and that packaging is recovered at the end of its useful life. We are also intensifying our efforts to develop innovative new materials that can deliver the desired protection and functionality of incumbent packaging materials with better environmental performance.

Guided by our Corporate Packaging Environmental Sustainability Roadmap, we seek to:

- Optimise the weight and volume of our packaging;
- Lead the development and use of materials from sustainably managed renewable resources considering packaging and product performance requirements;
- Support initiatives to recycle or recover energy from used packaging; and
- Use recycled materials where there is an environmental benefit and it is appropriate.

We systematically use LCA-based eco-design tools to ensure that all Nestlé packaging placed in the markets is optimised in terms of environmental performance. We have now started the roadmaps implementation process for markets, addressing the local and regional context and key local concerns related to packaging sustainability.

Our commitment

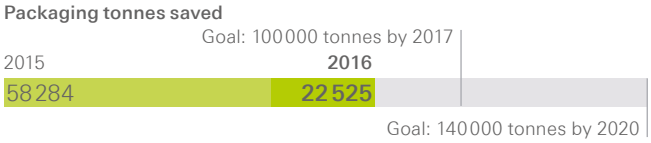
Improve the environmental performance of our packaging

Our objectives towards 2020

By 2017 – Continue to systematically analyse and optimise our packaging portfolio, avoiding the use of at least 100 000 tonnes of packaging material from 2015 to 2017.

By 2020 – Continue to systematically analyse and optimise our packaging portfolio, avoiding the use of at least 140 000 tonnes of packaging material from 2015 to 2020.

Packaging tonnes saved



By 2020 – Drive alliances with relevant stakeholders to address packaging waste management and marine littering in 10 relevant markets.

The difference in approaches to packaging and waste recovery infrastructure across our markets makes it harder to standardise our methods. We have intensified our efforts to prevent our packaging from ending life as litter that then reaches oceans. Our new objective will ensure that we work together with stakeholders – internal Nestlé departments as well as external industry and NGO groups – to make an impact in key markets, including locations in the South-East Asia region.

Our key initiatives in 2016

Our initiatives are supported by our Packaging Environmental Sustainability Network, comprising 11 core team members and 251 affiliates. The network provides scientific support, information and training on environmental sustainability. In 2016, the network helped train 682 Nestlé employees on one or more of the key focus areas.

Eco-design

We improve the environmental performance of our packaging across their life cycle through our eco-design tools. To date, we have evaluated 6641 projects and 19 297 scenarios using eco-design tools, covering packaging and product development.

G4-EN1, G4-EN2, Effluents and waste G4-DMA, G4-EN28, Supplier environmental assessment G4-DMA

Packaging materials used
(million tonnes)

Packaging optimisation

We began optimising packaging in 1991, ahead of our competitors; since then, we have avoided using 794 355 tonnes of packaging material and saved almost CHF 1.4 billion. We have also avoided more than 430 893 tonnes of CO_2eq – equivalent to 91 679 cars being taken off the road for one year. As a result, we are pleased to announce that we have almost reached our 2017 target of optimising our packaging portfolio – a year ahead of schedule.

Although our target is in reach, we are also getting to the stage where removing more weight from packaging could increase food loss and waste. This reality has seen us lower our expectations in terms of how much packaging we can reduce in the years ahead. For this reason, we have committed to implement a process for optimising package weight and volume from creation, which we hope to have achieved by 2020. We also continue to seek new, innovative and sustainable solutions that can help us further optimise packaging weight.

Optimising packaging in bottled water

We continually seek innovative approaches to packaging. A recent example was our re-design to produce new lightweight bottles for our market-leading *Vittel* and *Contrex* bottled water brands. The challenge was to generate real improvements in terms of weight reduction while maintaining the premium positioning of both brands.

Our Packaging Development team identified several design modifications, including conversion to a shorter neck finish that enabled us to lower the weight of the 1.5 litre bottles from 31.0 g to 25.5 g – a 17% saving. In terms of total PET saved from all bottles, that is the equivalent of 2708 tonnes of plastic.

Our initial tests for the new bottles, known as *Ecoshape* (Vittel) and *Greenlight* (Contrex), combined with our EasyGrip cap, showed clear consumer preference for the optimized packaging. As a result, we started manufacturing the bottles for both brands, launching to market in 2016.

Renewable packaging materials
(% of materials for packaging purposes)

Renewable materials

We are currently looking to focus on optimising our packaging using innovative materials, to further improve its environmental performance. At present, 34.9% of the packaging materials we use are made from renewable materials, primarily paper and board. The renewable materials also include bio-polymers made from renewable resources. We are an active member of the Bioplastic Feedstock Alliance (led by WWF) to determine how to responsibly select raw materials.

The Bioplastic Feedstock Alliance

The Bioplastic Feedstock Alliance (BFA) is a collaboration between many of the world's leading brands that aims to increase awareness about the sources of bio-based plastics. Founded in 2013, the BFA seeks to raise understanding about the social and environmental performance of these sources. Its meetings are organised and convened by the WWF.

The primary focus of the alliance is to create guidance on the responsible selection and harvesting of the feedstocks used to make bioplastics. These feedstocks can include sugar cane, corn, bulrush and switchgrass. As a founding member of the BFA, Nestlé has actively participated in the development of a methodology on how to assess feedstock sustainability, which is currently being transferred online as an internet-based Supply Risk tool.

The BFA has also been working on a position in support of measurable, verifiable bio-based claims, which was released in September 2016. The latest meeting of the alliance took place in the Northern Great Plains region, South Dakota, where the WWF is running a grassland restoration project that can generate by-products that can be converted into bioplastics.

Recovery

We also seek to recover packaging, particularly to prevent it from contaminating natural habitats, such as oceans. Our recovery initiatives see us work with all partners along the supply chain, from raw material suppliers to consumers, governments and non-profits, to engage stakeholders in improving the collection, sorting and recycling infrastructure, and to find solutions that are appropriate for all. Examples of our engagement in 2016 include an industry-wide collaboration to collect packaging in Chile, and a project to up-cycle laminate sheets and chairs into school furniture through Bear Brand in the Philippines.

G4-EN1, G4-EN2, Effluents and waste G4-DMA, G4-EN28, Supplier environmental assessment G4-DMA

Recycled content

We use recycled materials for our packaging where they are proven by LCAs to be equal or better in environmental performance, and do not jeopardise the quality, performance, safety or consumer acceptance of our products. Recycled PET (rPET) is the only recycled plastic currently used by Nestlé in direct contact with food and beverage products. We use it in countries where it has similar or better environmental performance than virgin PET, and where it helps encourage consumers, communities and other stakeholders to collect and recycle packaging.

We were a project partner for REFLEX, a UK-based R&D project that explored how to increase the recyclability of flexible packaging across the supply chain. Although REFLEX concluded in 2016, it has merged with another European project that we support, called 'Mapping flexible packaging in a circular economy' (FIACE). The new partnership, CEFLEX (A Circular Economy for Flexible Packaging), aims at capturing the added value of flexible packaging solutions in a circular economy and identify future opportunities to make flexible packaging more circular.

In the USA, we are members of Materials Recovery for the Future (MRFF), an industry research collaboration committed to finding recovery solutions for flexible plastic packaging. MRFF endorses the use of plastics recovery facilities (PRFs), which convert plastics that were previously hard to recycle into flakes or pellets that can be used by companies that produced recycled items, with the remainder going into energy recovery. The sorting equipment was tested by the MRFF in 2016, with a view to making it more efficient and feasible in the years to come.

Nestlé also contributed to the Ellen McArthur Foundation report, The New Plastics Economy, which was published in January 2016, and participated in the inaugural workshop for the programme, held in May.

Marine littering: partnerships

We work with several groups and partnerships to lower the quantity of plastic that can be found in the oceans, and the implicit social, financial and environmental costs. These initiatives cover the impact of macro and micro plastic on the environment. In 2016, these included:

- **Consumer Goods Forum (CGF) –** we participated in the Solid Waste Working Group, which focuses on ocean conservancy, among other issues;
- **World Business Council of Sustainable Development (WBCSD) –** we continued to work on the creation of a roadmap for businesses to take an active role in addressing marine debris through on-land solutions;
- **Prince Albert II of Monaco Foundation and International Union for Conservation of Nature (IUCN) –** as part of the Closing the Plastics Tap project, we participated in a workshop to establish a framework of actions based on sector-by-sector assessments; and
- **Fraunhofer Institute of Environmental, Safety and Energy Technology (UMSICHT) –** we supported the launch of the Microplastics and Plastic Marine Littering project, designed to develop better understanding of the origins, fate and effects of microplastics in marine littering and define potential actions and innovations.

Promoting sustainable consumption

Our foods and beverages are consumed all over the world. This global presence gives us direct access to consumers, meaning that we are in a strong position to help consumers make better choices. We can encourage people to live more sustainably and engage them on recycling, lowering energy and natural resources use, and consuming less water.

Our commitment

Provide meaningful and accurate environmental information and dialogue

Our objective in 2016

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

Our objective towards 2020

By 2020 – Improve the availability and consistency of fact-based environmental information for consumers on our digital and other channels.

G4-EN1, G4-EN2, Effluents and waste G4-DMA, G4-EN28, Supplier environmental assessment G4-DMA, G4-PR3

We believe that people are more likely to adopt more sustainable behaviours when they have access to clear, science-based and relevant information. We aim to keep our consumers as aware as possible of the environmental performance of our products, through science-based evidence and clear, meaningful information. Our LCAs give us a clear view of our products' environmental performance. We use this data as the basis of the information we give our consumers via packaging and digital channels. We continue to support the development of the World Food LCA Database in order for the food sector at large to benefit from sound and reliable datasets and we welcome its inclusion in European Commission Product Environmental Footprint (PEF) compliant studies.

In 2016, we provided information to our consumers and other interested stakeholders on packaging, brand websites and corporate websites in 131 countries.

Piloting environmental footprints in Europe

The Product Environmental Footprint (PEF) is a project led by the European Commission to develop a common environmental footprint methodology for different product categories. We have worked closely with the Commission since 2014 to set up and validate the process of the development of category rules for packed water, coffee and pet food, including the development of performance benchmarks to test different compliance and verification systems, and communication vehicles.

For example, the first phase of the pilot assessed our range of premium pet food, *Purina ONE*. We reviewed the environmental impacts from barn to bowl for adult dry cat food, focusing on our impact on climate change, water resources and land use. The analysis gave us a clearer idea of where *Purina ONE* performs well and which areas require work.

The second phase of the pilot focused on how to communicate assessment results to customers. For instance, for this phase, we tested our *Purina ONE* and Nestlé Waters *Vittel* bottled water brand, tracking our efficiency in communicating first phase results. The aim of the pilot, the results of which will be announced in 2017, was to determine how best to engage customers in more sustainable purchasing decisions.

We have deployed quick response (QR) codes via 4400 product websites covering more than 90 brands in 50 countries. The codes link packaging to mobile websites that contain related, user-friendly content, including tips on sustainable consumption and use, and advice on how to avoid food waste and how to reuse, recycle or dispose of packaging. But more work remains to be done, which is why we have extended our commitment to 2020.

We engage internally and externally to ensure that we communicate science-based information relevant to our stakeholders. Many of our products highlight their environmental sustainability aspects through on-pack messaging, stating ingredients, production methods and adherence to standards. Product packaging also often indicates how it can best be used and recycled to maximise resource efficiency.

Internally, we educate our people through brand-led 'Doing More' workshops, designed to help teams formulate action plans for effectively communicating their brand's contribution across the three key dimensions of nutrition, environment and society. We conducted two of these workshops in 2016.

Going beyond the label in Brazil

We have developed new programmes that allow consumers to learn more about the products that we offer. One such programme is Dairy 4 You, a milk sourcing initiative that gives consumers access to where it comes from.

Dairy is our single biggest category: we bought 14 million tonnes of fresh milk and derivatives in 2015[4], which we use in a range of products, including ice cream, beverages and confectionery. With this in mind, Dairy 4 You was piloted in Brazil in 2016 for our Nido milk powder and liquid milk drinks.

We interviewed dairy farmers, milk factory workers and nutritionists on where the milk that we use for Nido comes from, making this information easily available for consumers. We did this to give them insight into our practices and processes. Dairy 4 You is set to be rolled out in several other locations in the coming year.

5 Nestlé's milk report for 2016 is published in April 2017, which falls out of scope of the 2016 CSV reporting cycle. The 2015 figure is, therefore, the most recent year for which we have complete data.

Effluents and waste G4-DMA, G4-PR3

Assessing our effectiveness

Read more about how we responsibly market our products to consumers.

We want people to be aware of what they consume. We continually monitor what consumers think about the products that we offer, testing how successful we have been at imparting scientific information. We do this through consumer feedback, brand research and external studies, some of which have been recognised by stakeholders, including Interbrand's Best Global Brands 2016, which measures environmental performance against consumer perceptions.

In the latter, consumers were asked to rate us on the statement 'Nestlé cares for the environment', we performed better than the market average in 19 out of 33 countries, and significantly outperformed the best competitor in 12 of those markets. In terms of brand value, both *Nescafé* (ranked 36th) and Nestlé (56th) performed well, registering growth from 2015.

Preserving natural capital

Sustainable Development Goals

We identified the following goals where our work adds value:

Much of our raw materials are procured from farms, forests and oceans. We recognise that our long-term success depends upon natural capital, particularly forests, land, soils and water. We aim to develop our business and operations to safeguard natural capital, acting as a responsible steward of natural resources, particularly in terms of water preservation, no deforestation, soil management and biodiversity conservation.

We are committed to stewarding biodiversity, as an inclusive process with our stakeholders, including farmers, landowners, government agencies, communities, as well as the broader industry and food companies and civil society.

We believe that social awareness of local and regional biodiversity stewardship must be created, similarly to what has already been done for water and climate change. As biodiversity stewards, we understand that individual measures may influence others' biodiversity, and seek to act accordingly in the development of management plans that involve and cater to all stakeholders affected.

We report on our risks and responses, support consumers to make more informed choices and work together with stakeholders at a community and broader level.

Our commitment

Preserve natural capital, including forests

We recognise that our long-term success depends upon natural capital, particularly forests, land, soils and water. We aim to develop our business and operations to safeguard natural capital, acting as a responsible steward of natural resources, particularly in terms of water preservation, net zero deforestation by 2020, soil management and biodiversity conservation.

Responsibly sourcing raw materials

See our GRI Index for further information on supplier screening using environmental criteria (indicator G4-EN32).

Our processes use around 25 million tonnes of raw materials. This includes direct sourcing from millions of farmers, and the procurement of fresh and semi-processed raw materials from those suppliers with whom we have direct commercial relations (Tier 1).

We continue to implement our Responsible Sourcing Guideline (RSG) in the supply chains of our 12 priority categories. The RSG allows us to incorporate performance requirements for the use and management of water and soil, maintaining and enhancing biodiversity (particularly in areas of high conservation value) and the elimination of deforestation.

The destruction of tropical rainforests and associated peatlands contributes to biodiversity loss, as well as social and land conflicts. We have pledged that our products and packaging material will not be associated with deforestation; internally, we raise awareness on the risk to forests, water and food supplies from converting to biofuels.

Our objective in 2016

By 2016 – 40% of the volume of our 12 priority categories of raw materials has been assessed against our *Responsible Sourcing Guideline* (RSG) requirements and is compliant, or improvement plans to preserve natural capital are ongoing.

Our objective towards 2020

By 2020 – 70% of the volume of our 12 priority categories of raw materials has been assessed against our RSG requirements and is compliant, or improvement plans to preserve natural capital are ongoing.

Materials G4-DMA, Biodiversity G4-DMA, G4-EN11, G4-EN12, G4-EN13, G4-EN14, Effluents and waste G4-DMA, G4-EN26, Supplier environmental assessment G4-DMA

Read more about our Responsible Sourcing Guideline (RSG).

Find out more about our commitment on Deforestation and Forest Stewardship (Appendix to the Nestlé Policy on Environmental Sustainability).

Find out more about our commitment on Biofuels (Appendix to the Nestlé Policy on Environmental Sustainability).

Read more about how we work with farmers.

We proactively tackle deforestation through our responsible sourcing programme, particularly in three categories considered critical: palm oil, soya, and pulp and paper. We work with suppliers in these categories by mapping their sourcing, assessing their performance and supporting their improvement activities.

Other categories, including meat, dairy, cocoa and coffee, can also pose specific issues depending on where they are farmed. These are tackled accordingly.

Conserving biodiversity

By putting a value on the impact of the loss of biodiversity on our business, we can understand and define the best way to reduce these impacts, either through targeted investment or by collaborating with regulatory and governmental interventions. In recent years, we have drawn up a list of priority issues and dependencies, as we believe that understanding our dependencies on biodiversity can help us best decide how to focus our activities.

We separate our work on biodiversity into biomes, which are naturally occurring communities of flora and fauna occupying major habitats. Below are some of the key biomes our work focuses on:

Biome	Our work
Forest	Several of our priority commodities – palm oil, paper packaging, soya and cattle – are associated with high levels of deforestation. Other crops such as cocoa and coffee also contribute to deforestation in some locations. We are applying our Responsible Sourcing Guideline (RSG) to these commodities to eliminate deforestation at the earliest opportunity. To facilitate measuring progress in this work, during 2016 we piloted technology developed by Airbus, the Forest Trust and SarVison to use satellites to determine the impact of deforestation programmes. Read more on our deforestation work.
Ocean	We apply our RSG to seafood, follow best practices on fertiliser application for our categories and implement plastic recycling schemes. Read more on our approach to marine littering.
Fresh water	We are committed to responsible water stewardship across our supply chains, factories and public policy.
Grasslands	We apply a high conservation value approach to responsible land management and sourcing, and seek to restore areas through our silvopastoral programmes.
Atmosphere	We are reducing our emissions in factories and using natural refrigeration units, tackling deforestation and facilitating dairy farmer investment in biogas digesters.
Soil	As part of our agroforestry initiatives, we train farmers in soil conservation, water management, solid waste and the use of agrochemicals and fertilisers. This training particularly forms part of our responsible sourcing guideline on palm oil, soya and sugar, which we supplement with UTZ certification. Read more on UTZ certification of our sourcing.

Supporting tomato farmers in Spain

Our aim with *Maggi* is to responsibly source 21 of the vegetables and herbs we use for the brand by 2020. One of these vegetables is tomatoes, which *Maggi* uses large quantities of – 50 000 tomatoes annually for the German market alone. Some of these tomatoes are delivered as powder, some as puree and others are processed fresh. We depend on suppliers in the Mediterranean region and the specific climactic conditions there.

In 2014, we began a project with Conesa, one of the largest tomato producers in Europe, based in Extremadura, Spain. Conesa cultivates 4000 hectares, with an average crop yield of 95 tonnes per hectare. In the pilot, the supplier selected a group of farmers to receive training in environmental issues and sustainable growing practices, with the aim of protecting water catchments and local biodiversity. The tomatoes grown were then tested in a Conesa-owned laboratory; after processing, including washing, 85% of that water is reused in the process.

Over the two years since we implemented the project, small mammals have begun to make their home in the tomato fields – an indicator of responsible water and soil use. Furthermore, the application of drip irrigation has ensured that water use is kept to a minimum. We plan to extend this project to other crops in other regions

Materials G4-DMA, Biodiversity G4-DMA, G4-EN11, G4-EN12, G4-EN13, G4-EN14, Effluents and waste G4-DMA, G4-EN26, Supplier environmental assessment G4-DMA

Collaborative action

The successful management of agrobiodiversity can deliver real benefits, at a regional and global level. For several key categories, we have taken a direct, hands-on approach to assessing impacts and influencing behaviours at a ground level. In locations close to areas of high conservational value, we work with farmers to review their practices and develop action plans that can support agrobiodiversity while providing socio-economic gains. These action plans can include the following:

- Managing crop diversity through rotation and agroforestry;
- Adopting sustainable soil management practices;
- Promoting mixed farming systems, such as crop and livestock;
- Enhancing diversity by providing habitats for sensitive animal, plant and tree species; and
- Managing landscape diversity by conserving ecological corridors.

Read more about RISE.

For example, for dairy, we assess farmers through Response-Inducing Sustainability Evaluation (RISE) studies, completing 55 studies in six markets in 2016. We also help farmers through specific programmes, and support in the planting of different species of trees, hedges and shrubs to improve localised biodiversity.

We engage with several initiatives that aim to help businesses assess, measure and value their dependencies and impacts. These initiatives aim to enable organisations to better understand their impact and identify appropriate environmental protection, management and restoration projects. Nestlé is an active member of the Cambridge Natural Capital Leaders Program and the WBSC work on redefining value.

Nestlé and *Nespresso* also helped the Natural Capital Coalition pilot its Natural Capital Protocol, a global multi-stakeholder programme designed to support organisations in their understanding and valuation of their own impacts and dependencies on nature. The Natural Capital Protocol was launched in 2016.

Good agricultural practices for papaya farmers

As the fifth-largest papaya producer in the world, Mexico exports multiple varieties to many countries. The recent development of a variety specifically for the export market, which requires large quantities of pesticide to produce, has forced us to source papaya from Ecuador for our babyfood company *Gerber*. However, in 2015 we reassessed our *Gerber* operations and began a new collaboration in Mexico.

The collaboration involved local farmers and Frexport, a nearby processing facility. To support the adoption of good agricultural practices, the papaya growers were assessed through RISE, with a focus on plant protection and fertiliser. Alternative agricultural methods tested included:

- Insect repellents made from aromatic herbs and plants;
- Plant disease control using natural fungicides; and
- Fertilising plants with compost and organic fertiliser.

The project was a success: although papaya yields were lower than those for hybrids, samples from the Tierra Caliente harvest contained no traces of chemical contaminants, including pesticides and heavy metals. Higher yielding seeds, although more expensive, will be introduced in future, and the project aims to achieve organic certification by 2019.

Materials G4-DMA, Biodiversity G4-DMA, G4-EN11, G4-EN12, G4-EN13, G4-EN14, Effluents and waste G4-DMA, G4-EN26

Human rights and compliance

Helping develop thriving, resilient communities

Our 2030 ambition is to improve 30 million livelihoods in communities directly connected to our business activities. We take our responsibility to respect human rights across our business activities and to perform to the highest ethical standards very seriously; our commitments require real action to address issues, from forced labour and gender inequality to corruption. We were one of the first companies to adopt the UN Guiding Principles on Business and Human Rights (UNGP) Reporting Framework, and actively support the Sustainable Development Goals (SDGs). We work hard to ensure that employees and our supply chains benefit from fair and decent working conditions, improving livelihoods and making a positive impact on society at large.

Respecting and promoting human rights

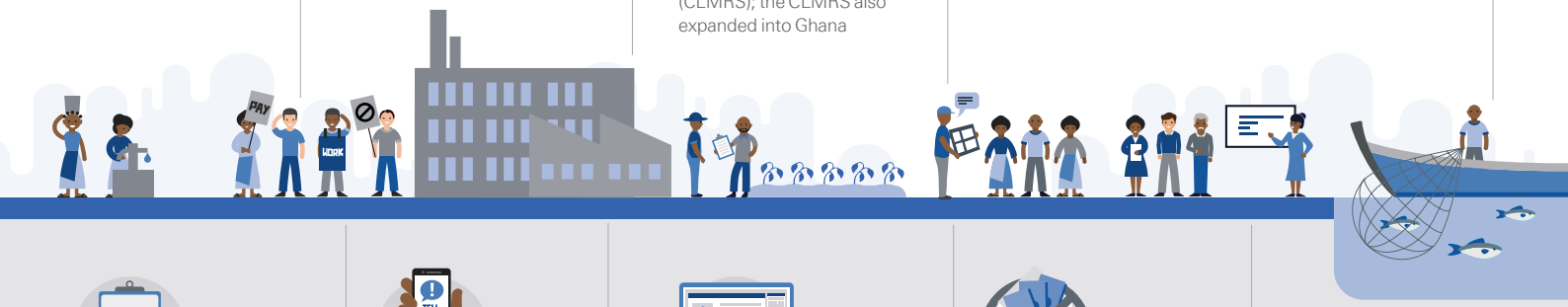
Because we aim to be exemplary in respecting human rights and good labour practices throughout all our business activities and operations.

9
New action plans developed for 9 of the 11 salient issues

Nestlé UK published a report on modern slavery and human trafficking

In Côte d'Ivoire, all co-operatives registered with our *Nestlé Cocoa Plan* by August were part of our Child Labour Monitoring and Remediation System (CLMRS); the CLMRS also expanded into Ghana

Began implementing action plan to tackle human rights abuses in Thai seafood supply chain



CHF 14.7bn
of taxes collected and paid to governments in our largest 53 markets

35
countries implemented our 'Tell us' communication channel for reporting non-compliances

13 729
relevant employees received data privacy training

36 524
employees trained in anti-corruption

Compliance and ethical business

Because we aim to operate to the highest ethical standards, complying fully with all local and international laws and regulations.

Contributing to the Sustainable Development Goals (SDGs)

Nestlé supports the SDGs. These SDGs in particular are relevant to our work on human rights and compliance:

- **SDG 1:** No poverty
- **SDG 5:** Gender equality
- **SDG 8:** Decent work and economic growth
- **SDG 10:** Reduced inequalities
- **SDG 16:** Peace, justice and strong institutions
- **SDG 17:** Partnerships for the goals

133 Our human rights and compliance strategy
136 Human rights
147 Compliance

"We have formally incorporated our human rights commitment into our Corporate Business Principles and into our Management Principles. These are the guiding principles we expect each and every Nestlé employee to live by, every day, wherever they are in the world. And these are not negotiable."

Paul Bulcke,
Chief Executive Officer, Nestlé

Investor benefits

Our work ensures we stay ahead of regulations, helping us reduce costs and improve revenues, as consumers are increasingly looking for products that take care of human rights in the supply chain.

Our business benefits from attracting and retaining the best talent through initiatives such as the Nestlé *Global Youth Initiative*. A positive reputation for employee training and development enhances the company's ability to recruit and retain talent.

Our human rights and compliance strategy

At Nestlé, we operate with a fundamental respect for the rights of the people we employ, do business with or otherwise interact with. We are firmly opposed to all forms of human rights violations or poor labour conditions across our value chain.

For our communities: Helping develop thriving, resilient communities

According to the UN, 1.2 billion people still live in extreme poverty. More than 75% of them live in rural areas and depend on agriculture, including family smallholdings, for their livelihoods. We aim to improve livelihoods and develop thriving communities. Driven by our company purpose to enhance quality of life and contribute to a healthier future, we have defined an overarching ambition which will guide our work towards achieving our 2020 commitments and supporting the achievement of the SDGs. Our 2030 ambition is to improve 30 million livelihoods in communities directly connected to our business activities.

Enhancing rural livelihoods

By 2050 the world will have to produce 50% more food than today to feed the population – but climate change is making it harder for farmers in rural communities to grow enough crops and earn a living. We rely on people living and working in rural communities to produce the ingredients that go into our food. We have a responsibility to make sure that our farmers and their families are healthy and have sufficient resources and food. By supporting them and helping their children to thrive, we build stronger communities.

Read more on our actions in the Rural development chapter.

Respecting and promoting human rights

Human rights abuses often occur when people are at their most vulnerable, and can take many forms – from labour abuses to slavery or child labour. People expect companies to uphold the highest standards in protecting, respecting and promoting the rights of their employees and those who work for their partners and suppliers. The values of our company are rooted in respect. Human rights abuses of any kind have no place in our business and supply chain, and we have a responsibility to respect human rights across our business. It is critical to the security and wellbeing of our workforce and suppliers.

Read more on our actions in this chapter.

Promoting decent employment and diversity

Global uncertainty over the economy is generating concern over the future. Young people everywhere are finding it harder than ever to find jobs, with many lacking qualifications and skills. The world cannot afford to lose a generation to unemployment. We are determined to help young people find jobs and training while supporting local communities, fairly and without prejudice. Good working conditions, respect for labour practices and human rights are essential – as are a safe and healthy work environment and flexible employment, which enable us to attract and retain the best people, from the widest range of people and cultures.

Read more on our actions in the Our people chapter.

Our responsibility to respect human rights is at the forefront of our business. We continually review and assess the human rights risks of our business activities, and strive to prevent and address any negative impacts we may have on the rights of those whom we employ, do business with or interact with along our value chain.

Through our Human Rights Due Diligence Programme (HRDDP), we identify and manage salient human right issues – those at risk of the most severe impacts through our activities and business relationships – and report on our progress through the UNGP Reporting Framework. Integrating this reporting into our CSV report reflects the way human rights are integrated into our policies, procedures and management systems. We believe this approach ensures human rights considerations are embedded in our daily business activities wherever we operate.

G4-2, Investment G4-DMA, Child labor G4-DMA, Indigenous rights G4-DMA, Assessment G4-DMA, Supplier human rights assessment G4-DMA, Human rights grievance mechanisms G4-DMA

Inclusive and accountable governance

Our teams are guided by a series of policies, procedures and documents, at the head of which are the Nestlé *Corporate Business Principles* and the Nestlé Code of Business Conduct. Individual documents address specific human rights and compliance-related issues, including labour rights, child labour, land rights, working conditions, privacy, and bribery and corruption.

Visit our website for more information about our human rights and compliance management systems, policies and standards.

We have in place robust governance and management systems. Our Group Compliance Committee supports our chairman, CEO and Executive Board, and is complemented by our Human Rights Working Group. We work closely with external bodies such as the Fair Labor Association (FLA) and the Danish Institute for Human Rights to ensure our policies are aligned with national and international standards, and correctly implemented.

External recognition

Our human rights and compliance leadership is independently reviewed as part of voluntary third-party reporting initiatives, where the results and feedback are made public. We have summarised the most significant recognition below.

Organisation	Progress
Dow Jones Sustainability Index (DJSI)	With an overall score of 92 out of 100, Nestlé received industry-best scores in all three dimensions (economic, environmental and social) of the 2016 Dow Jones Sustainability Index (DJSI), a globally recognised independent benchmark that measures the performance of the world's largest 2500 companies. Our score for Social dimension, which includes labour practice indicators, was 86, the joint-highest industry score in 2016. The Index stated that 'Nestle's first-class human rights due diligence program demonstrates the outstanding steps the company has taken to embed human rights measures into suppliers' management policies'.
KnowTheChain benchmark	In the 2016 benchmark, which covers the 20 largest food and beverage companies, Nestlé ranked third, with a score of 57, for addressing forced labour. Our score demonstrates a higher degree of transparency in our approach to managing forced labour risks in the supply chain. KnowTheChain is a leading benchmark of corporate practices. Nestlé ranked first in the 'worker voice' theme, displaying leading practices, and in the top three for commitment and governance and risk assessment.
UN Guiding Principles Reporting Framework	We were one of the first companies to adopt the UNGP Reporting Framework, with 2016 being the first full year of its implementation within Nestlé.
UN Global Compact	We hold Advanced-level status for our Communication on Progress.
Corporate Human Rights Benchmark (CHRB)	The CHRB assesses 98 of the largest publicly traded companies in the world on 100 human rights indicators. Nestlé was ranked second in the agricultural products category with a score of 57%, behind only Marks & Spencer (64%) and ahead of Unilever (55%). The average score in this category is 28.8%. Overall, we were ranked fourth, behind Marks & Spencer and two extraction companies, BHP Billiton and Rio Tinto.

Our material issues and commitments

Nestlé uses a formal materiality process to identify the most important issues for our stakeholders and our business, and communicates the results in a materiality matrix.

Material issues

Out of our formal materiality process, two material issues fall under the banner of human rights and compliance that are rated as being of high concern to our stakeholders and of strategic importance to our business.

These issues are critical to our business, and our stakeholders expect us to play a leading role in addressing them.

- **Human rights:** respecting human rights in our business activities, operations and supply chains.
  Sub-issues:
  - **Child labour**
  - **Forced labour in the upstream supply chain**
  - **Labour rights in our operations**

G4-2, G4-56, Investment G4-DMA, Non-discrimination G4-DMA, Freedom of association and collective bargaining G4-DMA, Child labor G4-DMA, G4-HR5, Forced or compulsory labor G4-DMA, Indigenous rights G4-DMA, Assessment G4-DMA, Supplier human rights assessment G4-DMA, Human rights grievance mechanisms G4-DMA, Anti-corruption G4-DMA, Compliance (Society) G4-DMA, Customer privacy G4-DMA, Compliance (Product responsibility) G4-DMA

- **Business ethics:** upholding ethical principles in the business and workplace.
  Sub-issues:
  - **Data privacy and protection**
  - **Executive compensation**
  - **Fair taxes**
  - **Governance and transparency**
  - **Fraud, bribery and corruption**

We have also identified a list of 11 salient issues that span our value chain – those human rights at risk of the most severe negative impacts on stakeholders through the company's activities and business relationships, and therefore the material issues we most need to address. These are:

- **Freedom of association and collective bargaining**
- **Working time**
- **Workers' accommodation and access to basic services**
- **Safety and health**
- **Living wage**
- **Data protection and privacy**
- **Child labour**
- **Forced labour**
- **Land acquisition**
- **Access to water and sanitation**
- **Access to grievance mechanisms**

Visit our website for more information on our material issues across our value chain.

Our commitments

Our public commitments are a result of our respect for individuals and families, communities and the planet. Having listened to the views of others, we've identified what is important (with regards to protecting human rights, for example) and where our skills and expertise can be best focused to achieve positive outcomes for some of the world's biggest challenges.

Our commitments align directly with our material issues. They drive continuous improvement and allow stakeholders to hold us to account for delivering on our promises. This year we have introduced several new objectives for 2020 to help us achieve our commitments.

Our commitments are:

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;

Compliance

- Enhance a culture of integrity across the organisation; and
- Provide effective grievance mechanisms to employees and stakeholders.

Progress against our objectives is detailed in the following pages.

Our progress against our objectives is indicated throughout the report using the following icons:

- ● Achieved
- ◐ In progress
- ◔ Not yet achieved
- ⊕ New objective

Visit our website for more information on our commitment performance dashboard and GRI content index.

G4-2, Investment G4-DMA, Non-discrimination G4-DMA, Freedom of association and collective bargaining G4-DMA, Child labor G4-DMA, G4-HR5, Forced or compulsory labor G4-DMA, Indigenous rights G4-DMA, Assessment G4-DMA, Supplier human rights assessment G4-DMA, Human rights grievance mechanisms G4-DMA, Anti-corruption G4-DMA, Compliance (Society) G4-DMA, Customer privacy G4-DMA, Compliance (Product responsibility) G4-DMA

Human rights

Sustainable Development Goals

We identified the following goals where our work adds value:

Our responsibility to respect human rights is at the forefront of our business, and we continually review and assess the human rights risks of our business activities. We work to prevent and address any negative impacts we may have on the rights of those whom we employ, do business with or interact with throughout our value chain. We carefully balance compliance and continuous improvement with transparency and confidentiality, adapting our approach to local circumstances wherever we operate.

Why respecting and promoting human rights matters

Human rights is one of the great global issues and challenges of today. Around the world, abuses of human rights have a negative impact on millions of people and communities. Wars and conflicts continue to give rise to the conditions in which human rights abuses can flourish. In particular, the refugee crisis that has grown in recent years continues to be a major challenge. The resulting surge in migrant labour has been identified as a root cause of some of the key issues to be addressed, such as child and forced labour.

These and other issues have an impact on the agricultural sector in which we operate. However, more than ever, such human rights abuses are being tackled across the globe. Human rights underpin the UN's Sustainable Development Goals (SDGs) – of the Goals' 169 targets, 156 involve human rights and labour standards – and recent years have seen the emergence of a range of legislation, including, most recently, the UK Modern Slavery Act (2015).

Meanwhile, stakeholders, particularly consumers, increasingly want to know how companies operate, how their products are sourced and produced, and how they demonstrate respect and support for human rights. We were one of the first companies to adopt the UNGP Reporting Framework and this has provided the basis for our integrated approach to reporting on human rights.

We believe we are demonstrating leadership within our sector on identifying and tackling human rights issues, but the scale of the challenge means we cannot do it alone. We therefore continue to work closely with key partners on the ground to identify the causes of, and implement effective remedies for, human rights abuses.

Addressing human rights impacts

Our commitment

Assess and address human rights impacts across our business activities

Our objective in 2016

By 2016 – Develop action plans and targets for each human rights risk identified as salient (Freedom of association and collective bargaining; Working time; Workers' accommodation and access to basic services; Safety and health; Living wage; Data protection and privacy; Child labour; Forced labour; Land acquisition; Access to water and sanitation; Access to grievance mechanisms).

Our objectives towards 2020

By 2017 – Strengthen human rights mainstreaming into existing standards, audit protocols and due diligence procedures, in particular for: our own facilities, including green- and brown-field projects; local communities; our business partners, including local distributors, co-manufacturers, joint ventures, etc.; and mergers and acquisitions.

By 2018 – Carry out six additional Human Rights Impact Assessments in countries where we have significant business operations.

By 2019 – Have a functioning governance structure in place in all markets that looks after human rights risks and opportunities.

By 2020 – Train all Nestlé employees on human rights.

G4-2, Freedom of association and collective bargaining G4-DMA, Child labor G4-DMA, Forced or compulsory labor G4-DMA, Indigenous rights G4-DMA, Assessment G4-DMA, Supplier human rights assessment G4-DMA, Human rights grievance mechanisms G4-DMA

In 2015 Nestlé 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. In 2016, we developed action plans for nine of these issues – accommodation and basic service needs; child labour; freedom of association and collective bargaining; forced labour; living wage; safety and health; working time; access to water and sanitation; and data protection and privacy – the majority of which are important labour rights issues for labourers and agricultural workers (for more information on labour rights, see Labour rights in agricultural supply chains). We also further developed our existing plans for grievance mechanisms. Our plans to tackle these issues are detailed in the chart below, and an action plan for the remaining salient issue, land acquisition, will be developed in 2017. These action plans will guide the work we do across all our markets to address human rights issues in the coming years.

We also developed our response to the Corporate Human Rights Benchmark (CHRB) initiative. We contributed detailed inputs to the CHRB and were ranked fourth overall, and second in the agricultural products category with a score of 57% (nearly double the average score of 28.8% for this category).

In 2016, we continued to work on our unmet objective for 2015, to ensure that all FTSE4Good Countries of Concern where we operate are covered by a human rights impact assessment and our employees there trained to reduce human rights risks in our operations. In total, 12 out of 13 such countries are now covered by impact assessments.

See our Index of Answers for further information on our response to the UNGPRF.

Salient issues

The two tables below show the 11 salient issues identified and the stakeholders they affect, as well as the progress made towards addressing each issue in 2016.

Salient human rights issues			Rights holders						Governance			References in this report
			Employees	On-site contractors	Direct suppliers	Farmers and farm workers	Consumers	Local communities	Lead function	Support functions		
1	Freedom of association and collective bargaining	Discrimination	●	●	●	●			Human Resources	Procurement	Market Compliance Committees	Our people, p171
2	Working time	Discrimination	●	●	●	●			Human Resources	Procurement	Market Compliance Committees	Our people, p171
3	Workers' accommodation and access to basic services	Discrimination	●	●	●	●			Human Resources	Procurement	Market Compliance Committees	Our people, p171 Rural development, p78
4	Safety and health	Discrimination	●	●	●	●		●	Safety, Health and Environment	Human Resources; Procurement; Agriculture; Engineering; Manufacturing; Supply Chain; Sales; Group Risk Services; Security	Market Compliance Committees	Our people, p162
5	Living wage	Discrimination	●	●	●	●			Human Resources	Procurement Agriculture	Market Compliance Committees	Our people, p171
6	Child labour	Discrimination			●	●			Procurement	Strategic business units; Agriculture	Market Compliance Committees	Human rights and compliance, p143 Rural development, p86

Freedom of association and collective bargaining G4-DMA, G4-HR4, Forced or compulsory labor G4-DMA, Indigenous rights G4-DMA, Assessment G4-DMA, Customer privacy G4-DMA

Salient human rights issues			Rights holders						Governance			References in this report
			Employees	On-site contractors	Direct suppliers	Farmers and farm workers	Consumers	Local communities	Lead function	Support functions		
7	Forced labour	Discrimination			●	●			Procurement	Strategic business units; Agriculture	Market Compliance Committees	Human rights and compliance, p143 Rural development , p86
8	Land acquisition	Discrimination						●	Procurement	Operations	Market Compliance Committees	Rural development, p93
9	Access to water and sanitation	Discrimination	●	●	●	●		●	Water	Operations	Market Compliance Committees	Water, p105
10	Access to grievance mechanisms	Discrimination	●	●	●	●	●	●	Compliance	Public Affairs	Market Compliance Committees	Human rights and compliance, p140
11	Data protection and privacy	Discrimination	●			●	●		Legal	IT security	Market Compliance Committees	Human rights and compliance, p149

New action plans developed for

9

salient issues

Progress on action plans

Salient issue	Action plan and progress
Freedom of association and collective bargaining	**2017 –** work with suppliers to promote the rights for their workers to establish and join organisations of their choosing and engage in constructive negotiations; engage a discussion with the International Labour Organization (ILO) and Fair Labor Association (FLA) to better understand what freedom of association and collective bargaining means in the context of smallholder farming.
Working time	**2017 –** work with suppliers to identify how to gather data. **2018 –** roll out system to major Tier 1 suppliers. Report annually on progress. **2020 onwards –** start rolling out system to Tier n[1] suppliers, farmer co-operatives and farmers/farm workers; report annually on progress.
Workers' accomodation and access to basic services	**2017 –** create minimum standard for worker accommodation and measurable KPIs; work with partners and suppliers to gain data and address gaps. **2018 –** roll out system to major Tier 1 suppliers; report annually on progress. **2020 onwards –** start rolling out system to Tier n[1] suppliers, farmer co-operatives and farmers/farm workers; report annually on progress.
Safety and health	**2017–18 –** data gathering to understand material risks; work with key suppliers to establish suitable measurable KPIs to measure progress on safety and health that is comparable to our reporting in our own (direct) Nestlé operations. **2019 –** roll out system to major Tier 1 suppliers; report annually on progress. **2020 onwards –** start rolling out system to Tier n[1] suppliers (ie, those beyond Tier 1), farmer co-operatives and farmers/farm workers; report annually on progress.
Living wage	**2017–18 –** engage externally to develop a better understanding of the identification and methods that can be applied to promote and deliver living wages and incomes; undertake pilot projects in four countries and commodities to gain better understanding of living wages and incomes. **2019 –** roll out system to major suppliers and Farmer Connect farmers, and report annually on progress.
Child labour	**2017 –** continue to tackle child labour in our cocoa supply chain in Côte d'Ivoire and our hazelnut supply chain in Turkey, where child labour is endemic, as well as projects in the vanilla supply chain in Madagascar; identify remediation efforts for other commodities, focusing on vulnerable groups, especially girls and children of migrant workers. **2018 –** roll out system to major suppliers and report annually on progress.
Forced labour	**2017 –** continue to address forced labour in Thai seafood supply chain, as well as in palm oil supply chains in Indonesia and Malaysia, including collective action. Identify measurable KPIs and work with suppliers to gather data. The immediate priorities are that: no worker should pay for a job; every worker should have freedom of movement; no worker should be indebted or coerced to work. **2018 –** roll out system to major suppliers, report annually on progress.
Land acquisition	**2017 –** develop action plan.
Access to water and sanitation	**2017 –** focus on access to water and sanitation in water-scarce countries where we operate. Release the Nestlé Guidelines on Respecting the Human Rights to Water and Sanitation.
Access to grievance mechanisms	**Ongoing –** continue to roll out 'Tell us' system for external stakeholders. **By 2020 –** pilot different grievance mechanism models to the upstream supply chain in priority countries identified by our labour rights roadmap; report annually on progress.
Data protection and privacy	**2017 –** continue to develop data protection and privacy measures for our employees and consumers in line with the evolving regulatory environment and our own Privacy Policy.

1 Tier n refers to suppliers beyond Tier 1.

Freedom of association and collective bargaining G4-DMA, G4-HR4, Forced or compulsory labor G4-DMA, G4-HR6, Indigenous rights G4-DMA, Assessment G4-DMA, Customer privacy G4-DMA

Mapping salient issues against the Sustainable Development Goals

Nestlé commissioned the Danish Institute of Human Rights in 2016 to map our salient issues against the UN Sustainable Development Goals (SDGs), to show exactly how our work is addressing these issues. The table below shows the results; the SDGs are mapped against each salient issue, while the numbers indicate the relevant SDG target. Those in roman font indicate a strong linkage; those in italics show a medium linkage.

Nestlé's salient human rights issues and corresponding SDG goals and targets						
1 Freedom of association and collective bargaining	8 Decent work and economic growth 8.5 8.8	16 Peace and justice strong institutions *16.6* *16.7* *16.10* *16b*				
2 Working time	8 Decent work and economic growth 8.5 8.8	3 Good health and well-being 3.3 3.4 3.1	1 No poverty *1.1*	10 Reduced inequalities *10.2* *10.4*		
3 Workers' accommodation and access to basic services	6 Clean water and sanitation 6.1 6.2 6.3 6.4	7 Affordable and clean energy 7.1	11 Sustainable cities and communities 11.1 11.2 11.c	1 No poverty *1.4*	3 Good health and well-being *3.3* *3.4*	
4 Safety and health	8 Decent work and economic growth 8.5 8.8	3 Good health and well-being 3.1 3.3 3.4 3.6	12 Responsible consumption and production *12.4*			
5 Living wage	8 Decent work and economic growth 8.5 8.8	10 Reduced inequalities 10.1 10.2 10.3 10.4	1 No poverty *1.1*			
6 Child labour	8 Decent work and economic growth 8.5 8.7 8.8 8.6	4 Quality education 4.1 4.5 4.6 4.a	1 No poverty *1.1*	16 Peace and justice strong institutions *16.2* *16.9*		
7 Forced labour	8 Decent work and economic growth 8.5 8.7 8.8	10 Reduced inequalities 10.7	1 No poverty *1.1*	16 Peace and justice strong institutions *16.2*		
8 Land acquisition	1 No poverty 1.4	2 Zero hunger 2.3	5 Gender equality 5.a	11 Sustainable cities and communities *11.3*	15 Life on land 15.1 15.2	
9 Access to water and sanitation	6 Clean water and sanitation 6.1 6.2 6.3 6.4 6.5 6.6 6.a 6.b	3 Good health and well-being 3.3 3.9	12 Responsible consumption and production *12.4*			
10 Access to grievance mechanisms	16 Peace and justice strong institutions 16.3 16.6 16.7 16.10 16.b					
11 Data protection and privacy	17 Partnerships for the goals 17.18					

Read more about our material issues and how they map to the Sustainable Development Goals.

This exercise complements the work conducted to map the correlation between our material issues and the SDGs.

Freedom of association and collective bargaining G4-DMA, Forced or compulsory labor G4-DMA, G4-HR6, Assessment G4-DMA, Customer privacy G4-DMA

Human Rights Due Diligence Programme

We operate a Human Rights Due Diligence Programme (HRDDP) throughout the company. This is the governance mechanism that is used to manage the salient issues identified on page 137, and the specific issues highlighted below. Through the HRDPP, we implement our actions to assess, prevent and address potential human rights impacts, improve our performance on the ground, and gather data with which to measure our performance. The HRDPP has eight operational pillars:

1. Policy commitments

Our approach
We mainstream human rights into corporate policies and commitments to make them operational.

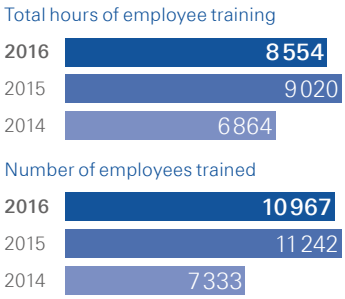
Our achievements in 2016
Disseminated the Nestlé Commitment on Labour Rights in Agricultural Supply Chains, published in December 2015.

2. Stakeholder engagement

Our approach
We engage with key stakeholders to get global and local insights into our human rights performance.

Our achievements in 2016
In 2016, we continued to engage with stakeholders both locally as part of our Human Rights Impact Assessment in Egypt and globally with a variety of organisations such as the Danish Institute for Human Rights, the Fair Labor Association, the International Labour Organization (ILO), Oxfam, Solidaridad, UN Global Compact, UTZ and Verité. In addition, we organised a stakeholder convening in Geneva, which included a specific human rights breakout session with expert stakeholders.

Total hours of employee training on policies and number of employees trained on policies and procedures concerning aspects of human rights that are relevant to operations



3. Training and awareness

Our approach
We develop the awareness and the skills of our employees in order to make their work-related decisions and actions align with human rights.

Our achievements in 2016
We continued to roll out our human rights training to high-risk countries (exact results to be published when available).

4. Risk evaluation

Our approach
We evaluate human rights-related risks in order to manage them proactively.

Our achievements in 2016
Having identified 11 salient issues, we developed detailed action plans for nine of them in 2016 (see page 138).

5. Impact assessment

Our approach
We assess human rights impacts in our business activities to address them effectively.

Our achievements in 2016
We conducted a human rights impact assessment in Egypt. We also started to carry out assessments on our tomato supply chains in Spain and Italy since in both countries, the workforce in this supply chain is largely migrant. Our partner Proforest also began assessing child labour issues in our sugar cane supply chain.

6. Governance

Our approach
We establish clear roles and responsibilities at different levels of the company. Nestlé's top management commitment and leadership on human rights is reflected at different stages of the company.

Our achievements in 2016
There have been no updates in 2016.

Investment G4-DMA, Freedom of association and collective bargaining G4-DMA, G4-HR5, Forced or compulsory labor G4-DMA, Assessment G4-DMA, G4-HR9, G4-HR11, G4-HR12

7. Partnerships

Our approach

We partner with leading organisations to improve our human rights performance on the ground and deliver on our commitments.

Our achievements in 2016

We started to engage with our second vanilla supplier, MANE, to upscale our activities on the ground in Madagascar.

8. Monitoring and reporting

Our approach

We integrate human rights indicators into our management systems to monitor our progress and report on it annually.

Our human rights monitoring mechanisms

	Policies	Programme	Monitoring mechanisms		Partners
			Audits/ assessment	Grievance mechanisms	
Nestlé facilities	*Corporate Business Principles* Human rights-related policies	CARE Programme Nestlé Group Audit (NGA) Programme	CARE audits NGA audits	Integrity Reporting System	Danish Institute for Human Rights (DIHR) SGS Intertek Bureau Veritas
Tier 1 suppliers	Nestlé Supplier Code	Responsible Sourcing Audit Programme	Sedex Members Ethical Trade Audits (SMETA) 4-Pillar	'Tell us'	DIHR SGS Intertek Bureau Veritas
Upstream suppliers	Responsible Sourcing Guideline	Resonsible Sourcing Traceability Programme	Responsible Sourcing Guideline		DIHR FLA Vérité

Key facts for 2016

Percentage of contracts and significant investment agreements that include clauses incorporating human rights concerns, or that have undergone human rights screening[2]

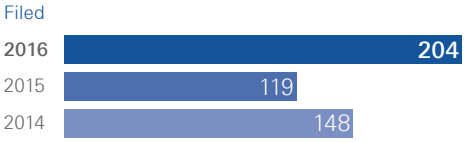
Type of facility	2014	2015	2016
Significant investment agreements	n/a	n/a	**n/a**
Contracts	100%	100%	**100%**

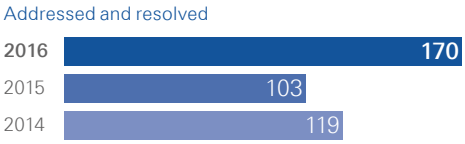
Total number of operations that have undergone human rights screening

Type of facility	2014	2015	2016
Operations	56	255	**237**

Number of human rights impact assessments completed

Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms*





* While we do not yet know the definitive cause for increase in the number of grievances filed in 2016, we attribute some of the increase to greater awareness of the resource and anonymity provided to the complainants. The information corresponds to the category "Discrimination and harassment."

237

operations have undergone human rights screening

Visit our website for more information about our Human Rights Due Diligence Programme.

See our GRI Index for further information on supplier screening using human rights criteria (indicator G4-LA14).

2 Nestlé's approach is that 100% of suppliers must be signed up to our Suppliers Code of Conduct, which covers human rights.

G4-LA15, Investment G4-DMA, G4-HR1, G4-HR2, Freedom of association and collective bargaining G4-DMA, G4-HR5, Forced or compulsory labor G4-DMA, Assessment G4-DMA, G4-HR9, G4-HR11, Human rights grievance mechanisms G4-DMA, G4-HR12

Protecting labour rights

10 697
employees trained on human rights policies and procedures

Our commitment

Improve workers' livelihoods and protect children in our agricultural supply chain

Our objective in 2016

By 2016 – In collaboration with external partners, develop a roadmap on labour rights in agricultural supply chains, addressing salient labour rights issues in all key commodities across sourcing countries.

Our objectives towards 2020

By 2017 – Release the roadmap with clear priorities for each salient labour rights issue.

By 2018 – Start reporting on the number of workers in agricultural supply chains having benefited from our interventions on selected salient labour rights issues.

By 2020 – Start reporting on the number of workers in agricultural supply chains having benefited from our interventions on all salient labour rights issues.

Labour rights in agricultural supply chains

Of the 11 salient human rights issues we have identified, seven are labour rights that are most closely associated with agricultural supply chains, and relate to our sourcing of raw materials through our Farmer Connect and Responsible Sourcing programmes. As a result, we developed the Nestlé Commitment on Labour Rights in Agricultural Supply Chains, which states our ambition regarding these seven practices. In 2016, we developed a detailed labour rights roadmap, which sets out in detail how we will address labour rights issues through remediation activities and engagement with stakeholders, as well as how we will report on progress.

The key elements are:

- To orientate our efforts more towards remediation of labour rights issues where we have known and identified issues, with immediate remediation to start in 2017 (and in 2019–20 where we need more time to understand the issues and design interventions);
- To continue our work to identify labour rights issues in our agricultural supply chains, address gaps in our knowledge, improve our analysis and identify remediation activities in high-risk commodities and countries; and
- Commence reporting on the implementation of this roadmap in the 2017 Nestlé in society report.

Improving workers' livelihoods

It became increasingly clear in 2016 that the growing number of refugees around the world is having an impact on agricultural supply chains. Many refugees are found in agricultural workforces, and some supply chains, such as the hazelnut supply chain in Turkey, rely on workers from other countries. This gives rise to several issues, such as workers' conditions, unethical recruitment and child labour, which we are carefully monitoring in collaboration with key partners. For example, we have begun looking at labour conditions in our tomato supply chain in Spain and Italy. In both countries, the workforce in this supply chain is largely migrant. We started to carry out assessments in 2016, and the results will shape our future actions to address any issues found.

In response to the UK Modern Slavery Act, Nestlé UK launched a detailed report on modern slavery and human trafficking. The report highlighted the mechanisms we have in place, and the actions we're taking, to combat slavery and all forms of human exploitation for labour across our supply chains. While we do not have a standalone modern slavery policy, we have ensured that all related aspects of this issue are ether represented within specific policy commitments or integrated into broader guidance, such as our *Corporate Business Principles*, Nestlé Supplier Code and Nestlé Responsible Sourcing Guideline. This helps us ensure we manage this issue comprehensively and systematically.

During the year, we began rolling out our action plan to tackle human rights issues in our seafood supply chain in Thailand. The plan contains initiatives to protect workers from abuses. We continue to work with the Royal Thai Government and other key stakeholders to address these issues.

Freedom of association and collective bargaining G4-DMA, Forced or compulsory labor G4-DMA, Assessment G4-DMA, G4-HR11, G4-HR12

Tackling human rights abuses in the Thai seafood supply chain

Our Nestlé Supplier Code and Responsible Sourcing Guideline require all our suppliers to respect human rights and to comply with all applicable labour laws. To reinforce this, we are acting to eliminate labour and human rights abuses in the seafood supply chain. In 2015, we commissioned Verité, an independent non-governmental organisation (NGO) that works with companies to help understand and tackle labour issues, to investigate allegations of abuses in the Thai fishing industry. It collected information from fishing vessels, ports, mills and farms in Thailand on a range of issues, including trafficking, forced and underage labour, lack of grievance procedures, workplace conditions, and wages and benefits. Following Verité's investigation we developed and launched an action plan on seafood sourced from Thailand, with a dedicated manager based in Thailand to oversee its implementation. The plan contains a series of actions designed to protect workers from abuses, improve working conditions and tackle unacceptable practices.

In 2016, we worked with Verité, our supplier Thai Union, the Royal Thai Government and the Southeast Asian Fisheries Development Center (SEAFDEC) to develop a training programme to educate fishing vessel owners, captains and crew members on living and working conditions onboard the boats, and on workers' rights. We are currently assisting in the development of a training vessel that will demonstrate acceptable conditions, ahead of its deployment in 2017.

In March, we entered into a partnership with the Issara Institute, a not-for-profit body specialising in worker voice and grievance mechanisms. The partnership will help drive improvements in conditions by providing workers with a new channel through which to voice their concerns. Our suppliers are working with Issara, which is visiting sites in our supply chain to implement its Inclusive Labour Monitoring programme.

We also joined the Seafood Task Force in 2016, and we continue to participate in Task Force multi-stakeholder meetings. We believe collaborative actions can lead to broader and more effective solutions to address human rights and labour abuses.

Sustainable Development Goals

We identified the following goals where our work adds value:

193 424

farmers and community members reached through the CLMRS

Read more about our cocoa supply chain.

Protecting children

Combating child labour is a top priority for Nestlé, especially in our supply chains for hazelnuts in Turkey, vanilla in Madagascar and cocoa in Côte d'Ivoire. Child labour has been identified as a serious issue in all three supply chains, but the root causes and remedies differ considerably. Moreover, the scale of the challenge is enormous – one of the biggest global challenges we have. The size of the problem is such that eliminating child labour in its entirety may not be possible, but we need to be able to detect it everywhere and take all the actions necessary to decrease the reasons why it exists. We aim to ensure that in the future, the only occurrences we find are of children helping their own families.

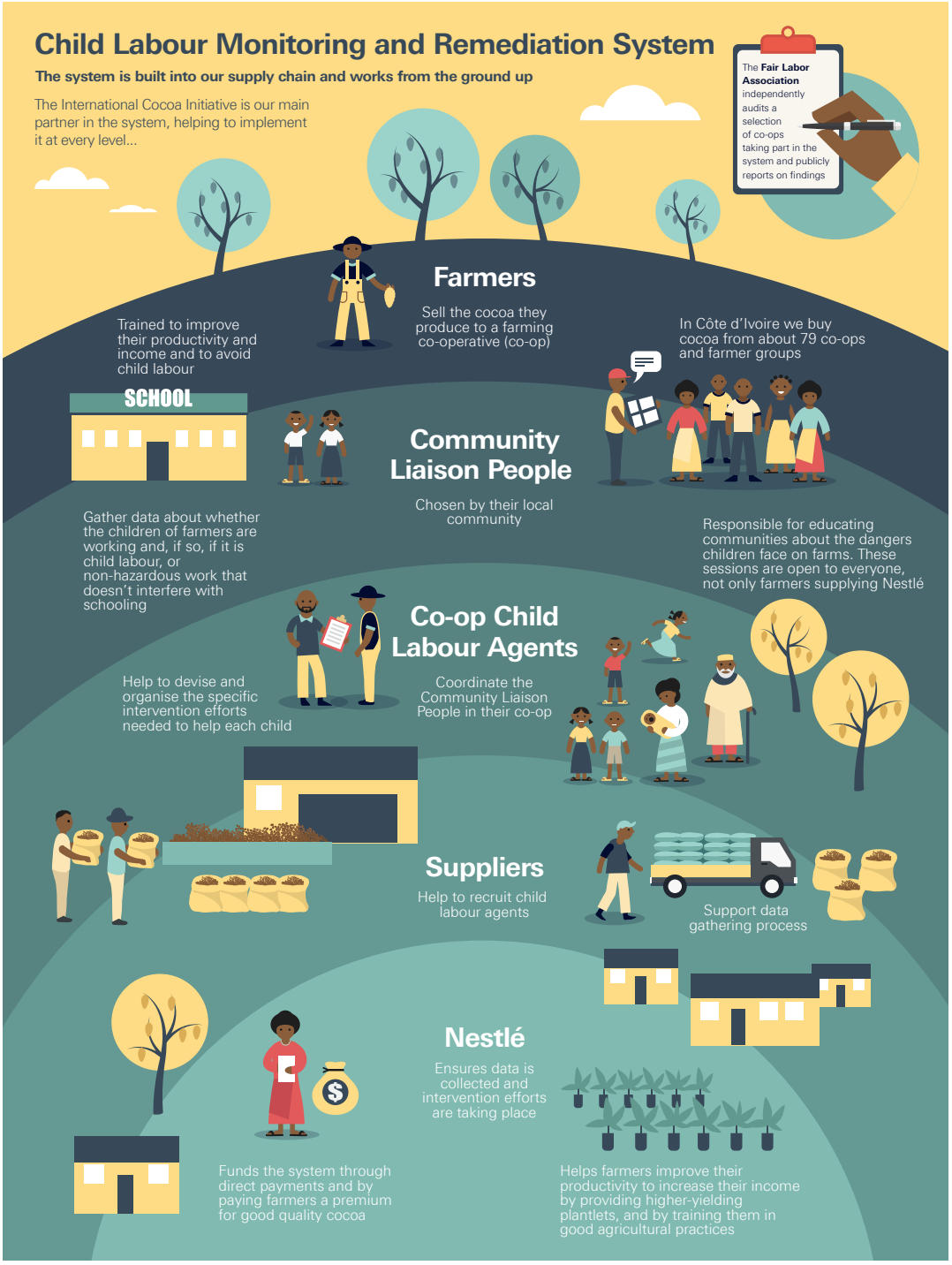
We therefore work with a range of stakeholders to identify the root causes of child labour, and to develop and implement effective solutions, such as enabling children to receive an education rather than being used for labour. Together with these partners, we provide comprehensive monitoring, effective remediation activities and targeted support to local communities.

In Côte d'Ivoire, all co-operatives registered with our *Nestlé Cocoa Plan* by August were part of our Child Labour Monitoring and Remediation System (CLMRS) by the end of the year. Thanks to the success of the CLMRS, in 2016 we were able to extend the system into Ghana. The first data collection from Ghana will be available next year.

Outcome indicators	Country	Unit	2015	2016
% of women in leadership positions	Côte d'Ivoire, Ghana, Indonesia, Ecuador	%	n/a	**8.9**
Number and % of children participating in child labour	Côte d'Ivoire	Number %	5 135 19	**6 065** **16**
Number and % of child labour cases assisted	Côte d'Ivoire	Number %	3 591 70	**4 680** **77**

G4-LA15, Freedom of association and collective bargaining G4-DMA, Child labor G4-DMA, G4-HR5, Forced or compulsory labor G4-DMA, Assessment G4-DMA, G4-HR11, G4-HR12

Our partner the Fair Labor Association (FLA) produced an updated report on our standard (i.e. non-*Nestlé Cocoa Plan*) cocoa supply chain in Côte d'Ivoire, interviewing 110 farmers and 322 farm workers in four communities. In light of the findings from this monitoring, we're focusing on identifying and addressing the root causes of child labour. We are developing a number of specific actions, such as an electronic database of farmers and their families, training and labour standards, and further communication of our Supplier Code. We will also be working with farmers to help them increase their yields and incomes, as low income is known to be a driver of child labour at farm level. Furthermore, we are preparing a major report on child labour in Côte d'Ivoire, which will be published in mid-2017. This will enable us to learn from the findings, and agree best practices to help children.



This infographic shows how the Child Labour Monitoring and Remediation System (CLMRS) works. Although the CLMRS operates exclusively in our cocoa supply chain, similar mechanisms exist to address child labour in other categories, including vanilla in Madagascar and hazelnuts in Turkey.

G4-LA15, Freedom of association and collective bargaining G4-DMA, Child labor G4-DMA, G4-HR5, Forced or compulsory labor G4-DMA, Assessment G4-DMA, G4-HR11, G4-HR12

Growth of the CLMRS

	2014	2015	2016
Number of co-operatives in the CLMRS	22	40	**69**
Number of farmers and community members reached through the CLMRS	48 194	120 067	**193 424**
Number of community awareness sessions held	1 774	7 044	**10 069**

10 069
community awareness sessions held

In Turkey, we identified an increase in the number of children working in the hazelnut supply chain, possibly due to rising numbers of Syrian refugees moving into Turkey. Remedial activities include taking children out of the supply chain and into education. However, temporary schools in migrant camps are often very basic and conditions may not necessarily be beneficial.

Along with key suppliers Olam-Progida and BALSU, and the Turkish Ministry of Labour and Social Security, we are also working on an FLA-led project, funded by the United States Department of Labor, to reduce child and forced labour in the hazelnut supply chain. As part of an institutional survey, in 2016, the FLA published the results of worker profiling carried out with 456 workers and 99 farms, with community profiling scheduled for early 2017. The local implementing partner, the Young Life Foundation, piloted a number of interventions in Ordu and Duzce municipalities during the harvest period, such as summer schools for the children of migrant hazelnut pickers, establishing a database of labour contractors, and providing awareness-raising training to farmers, families and their children, and government representatives. A total of 286 children from 22 villages were provided with a safe space during the harvest season. The findings from the institutional survey have been shared with the companies involved, enabling further company-level interventions to be planned for 2017.

In Madagascar, vanilla farmers often have low incomes and vanilla farming is labour intensive. As a result, farmers often rely on child labour. Nestlé has been working to help farmers diversify their crops and gain additional sources of income. Having previously focused our responsible sourcing activities on one supplier, Givaudan, in 2016 we started to engage with our second supplier, MANE, to upscale our activities on the ground.

We continue to work with Verité, an independent NGO specialising in fair labour, to assess the extent and causes of child labour in our seafood supply chain. The assessment has highlighted unethical recruitment as a root cause, with child labourers being trafficked from other countries such as Myanmar, Cambodia and Indonesia.

Also in 2016, Proforest continued to carry out assessments for Nestlé on child labour in the sugar cane supply chain.

Child labour, and its root causes, are also part of a wider set of issues involving forced and migrant labour. These issues are interconnected, and so our work with our partners and our remedial activities must form part of a connected response. The issue of migrant workers and its effects on child labour became particularly apparent in 2016, with a sharp increase in migrant workers from Syria and southern Africa. By improving our knowledge of how workers from these and other countries are being recruited, we can gain a better understanding of the root causes of child labour, especially in the hazelnut, cocoa and vanilla supply chains. From the audits carried out, we also realised that the audit system was no longer adequate to address the causes. The audits informed us of the number of children working in the supply chain, but any number is too many. Instead, we need to identify why they are there, and we are now working with the FLA to replace this audit programme and to identify and implement new ways of working that will be more effective in enabling us to address these causes.

Read more about how Nestlé combats child labour.

G4-LA15, Freedom of association and collective bargaining G4-DMA, Child labor G4-DMA, G4-HR5, Forced or compulsory labor G4-DMA, Assessment G4-DMA, G4-HR11, G4-HR12

Addressing child labour in the sugar supply chain

Many of the workers in the sugar cane industry in Mexico are migrant labourers from poor areas, including children. Working with Proforest, we have been tackling this issue at the La Gloria mill.

Although there is a lot of pressure from the government, NGOs and others to address child labour, it can be a sensitive issue in the actual mills, with some resistance to attempted remedies. This has made it difficult to establish a clear plan, and so it became clear that a progressive approach was required. This meant initially aiming to reduce the number of children working in the field rather than seeking an immediate end to child labour, and ensuring that children were involved in areas that did not put them or their health at risk.

We implemented a number of checks, such as ID inspections, to avoid children entering field work or working with chemicals. We also worked with La Gloria to develop policies stating that it was not appropriate or permissible to employ children in the harvesting, and particularly the cutting, of sugar cane. Policies were shared with the cabos, the leaders of the cutting teams who were responsible for hiring workers. We trained the cabos in what was expected from them and made sure they understood the relevant law and sanctions relating to employing children. The mill subsequently monitored the cabos to ensure the policies were followed.

The number of children employed at the mill has since fallen significantly, and our expectation is that within three years, child labour will have been eliminated at La Gloria.

G4-LA15, Freedom of association and collective bargaining G4-DMA, Child labor G4-DMA, G4-HR5, Forced or compulsory labor G4-DMA, Assessment G4-DMA, G4-HR11, G4-HR12

Compliance

Sustainable Development Goals

We identified the following goals where our work adds value:

We are committed to a strong compliance culture across our business, as reflected in the Nestlé *Corporate Business Principles*. We will do what is necessary to ensure that our company is managed in line with the principles, through both internal reporting and external audits. We encourage employees, suppliers and stakeholders to report practices or actions at Nestlé that are believed to be inappropriate or illegal, and we investigate all complaints with impartiality, prohibiting retaliation. When a breach is identified, we put an immediate end to it and take appropriate response measures.

Anti-corruption

36 524
employees received anti-corruption training

Our commitment

Enhance a culture of integrity across the organisation

This builds on and strengthens our previous commitment to work against bribery and corruption.

Our objective in 2016

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

Our objectives towards 2020

- **By 2017 –** Employees with computers completing the compliance e-learning process started in 2015. Markets confirming that key corporate compliance practices are in place and improvement areas defined.
- **By 2018 –** Markets launching a compliance communication plan further reinforcing tone at the top and speaking up. CARE audit enhanced on human rights and schedules defined for Nestlé sites with the new protocol.
- **By 2019 –** Markets reinforcing compliance as a leadership responsibility based on corporate tool kit for training managers on business integrity.
- **By 2020 –** A proactive review is conducted for our compliance activities and policies in light of our evolving product portfolio.

In 2016, we continued to work on the mitigation of corruption-related risks, with a focus on inappropriate donations and quid pro quo identified in our deep-dive risk assessment in 2016. Having previously defined levels of risk and developed anti-corruption policies:

- We actively expanded our commitment by engaging in external collective actions and initiatives against corruption. We signed the Compact for Responsive and Responsible Leadership, which is sponsored by the International Business Council of the World Economic Forum, and includes a chapter on anti-corruption for corporations and investors alike. We also maintained our long-standing membership of the UNGC Anti-Corruption Working Group;
- All regions were asked to assess what anti-corruption measures were needed, such as including a procedure requiring the approval in advance of a gift to a government official, or one for the approval of scholarships, grants, charitable contributions and non-commercial sponsorships. In total, 27 markets, countries and businesses adopted at least one new procedure on anti-corruption in 2016; and
- 36 524 employees received anti-corruption training in 2016, of which 24.88% (9087 employees) held management positions.

No public allegations of corruption were made against Nestlé in 2016 and 16 internal private bribery complaints were substantiated.

Driving integrity: the CARE audit programme

We carried out
235
CARE audits

Our CARE programme uses independent assessments to measure compliance with human rights and labour practices, business integrity, safety and health, environmental sustainability and security. In 2016, we carried out 235 CARE audits, which identified 129 gaps requiring action. Of these, 60 have been remedied, with the remainder in the process of being addressed.

CARE provides a solid compliance programme. However, our greater focus on human rights makes this a good time to review the CARE programme, which we will carry out in 2017 to enhance the programme further.

G4-56, Compliance (Product responsibility) G4-DMA, Non-discrimination G4-DMA, Security practices G4-DMA, G4-HR7, Anti-corruption G4-DMA, G4-SO3, G4-SO4, G4-SO5, Compliance (Environmental) G4-DMA

CARE gaps identified 2016

	Human rights and labour practices	Safety and health	Environmental sustainability	Business integrity	Security
Minor	52	9	14	7	20
Major	14	4	5	0	4
Critical	0	0	0	0	0

- **Minor** – an isolated and non-repetitive finding or minor issue;
- **Major** – a systematic finding or major issue or infringement against local legislation; and
- **Critical** – an exceptional issue, which requires immediate notification to the Nestlé Group Compliance Committee.

Reporting compliance violations

We expect our employees to be vigilant for any illegal or non-compliant activity in their workplace, and our Code of Business Conduct requires them to report such incidents should they occur. We have two key systems for managing compliance within the company – the Nestlé Integrity Reporting System and 'Tell us'.

Our commitment

Provide effective grievance mechanisms to employees and stakeholders

Our objectives in 2016

- **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 objectives towards 2020

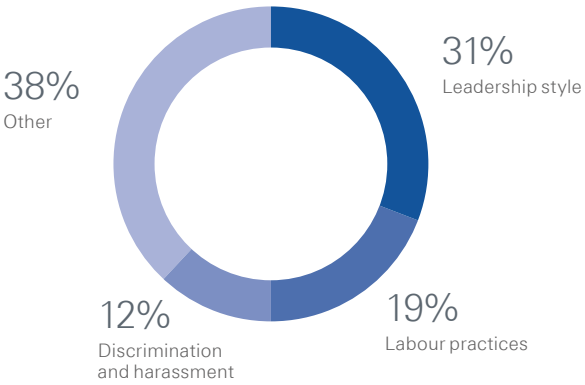
- **By 2017** – 'Tell Us' communicated on all Nestlé market websites where legally possible. Markets implementing corporate best practices for managing, reviewing and investigating compliance complaints received through grievance systems.
- **By 2018** – Markets conducting root-cause analyses for selected compliance cases using tools provided by headquarters.
- **By 2019** – Review grievance system's effectiveness with internal and external stakeholders to define improvement opportunities.
- **By 2020** – Grievance system's improvements implemented in pilot markets.

Nestlé Integrity Reporting System

The Nestlé Integrity Reporting System enables our employees to report anonymously, via phone or an online form, any illegal or non-compliant behaviour they observe, as well as to seek advice or information on our practices. The system has been communicated to all employees using a variety of methods to ensure all employees are reached. This includes local intranets, magazines, leaflets and videos, with markets using the methods that work best locally.

In 2016, we received 1650 messages through the system, covering issues such as leadership style, labour practices, discrimination and harassment. Of all the cases presented, 1438 (87%) were closed and 550 (38%) were substantiated, resulting in 99 employees leaving the company. There were 81 written warnings, nine third-party service providers were terminated, and other measures were taken, including internal process improvement and reinforcement.

Areas of complaint (%)



G4-50, G4-57, G4-58, Compliance (Environmental) G4-DMA, Environmental grievance mechanisms G4-DMA, Labor practices grievance mechanisms G4-DMA, G4-LA16, Non-discrimination G4-DMA, Security practices G4-DMA, Anti-corruption G4-DMA, Compliance (Society) G4-DMA, Grievance mechanisms for impacts on society G4-MDA, G4-PR7

7 748
suppliers have access to 'Tell us'

35
countries implemented our 'Tell us' communication channel for reporting non-compliances

'Tell us'

'Tell us' is a communication channel run by Nestlé but managed externally that enables external stakeholders to report possible compliance and non-compliance issues against the Nestlé *Corporate Business Principles* or applicable laws. 'Tell us' has been made available to 7748 suppliers.

In 2016, an additional 35 Nestlé countries, including Brazil, Thailand, India and countries in Central America, the Equatorial Africa Region and ZAR (South Africa Region), communicated a 'Tell us' link on local corporate websites. Remaining regions will follow suit so that, where legally possible, all Nestlé countries will have communicated the system on their websites by the end of 2017. Other communication methods are also used where appropriate to reach as many employees as possible.

In 2016, we received 642 messages via 'Tell us'. These fell into two main categories – compliance-related complaints, and non-compliance-related issues, e.g. consumer-related or general complaints. All comments received have been, or are being, addressed, and are detailed below.

In total, 13 issues were confirmed, leading to further consequences: five conflicts of interest, four leadership issues, three fraud cases and one instance of harassment. As a result, 14 warning letters were issued, there was one dismissal and a total of 15 people left the company, while internal control measures were reinforced.

'Tell us' 2016 complaints received

Subjects of messages received in 2016	Number of messages received in 2016
Compliance related	
Private-to-private bribery	4
Conflict of interest (grouped with fraud)	48
Environmental sustainability	1
Discrimination and harassment	13
Seeking advice	9
Quality and safety	42
Supplier concerns	9
Labour practices	18
Leadership style	10
Breast-milk marketing concerns	3
Non-compliance related	
Consumer complaints	214
General enquiries (customers' commercial concerns, donation requests, job-seeking, empty/test messages, etc.)	271
Total	642

Data privacy

13 729
employees received data privacy training

The data protection regulatory landscape underwent great change in 2016, due to the adoption of the European General Data Protection Regulation (GDPR), a major reform designed to strengthen and unify data protection, and China's new Cybersecurity Law.

To meet the demands of the ever-changing regulatory landscape and new consumer expectations for data protection, Nestlé commenced a project to undertake a review of its personal data processing and related procedures. The purpose of the project is twofold:

1. To ensure necessary changes are made to Nestlé's current practices to meet requirements under the GDPR when it comes into effect in 2018; and
2. To have a consistent, simplified and standardised approach to the handling of personal data across the Nestlé Group.

See our GRI Index for additional privacy data (indicator G4-PR8).

Two key features of the compliance project are a new Data Privacy Standard, which will reinforce Nestlé's data protection principles across the world, and a revised and strengthened data protection organisation comprising data privacy officers and champions to support the implementation of Nestlé's data protection strategy.

We also carried out further data privacy training in 2016, with 13 729 people completing e-learning courses.

G4-49, G4-57, G4-58, Environmental grievance mechanisms G4-DMA, Labor practices grievance mechanisms G4-DMA, G4-LA16, Human rights grievance mechanisms G4-DMA, Anti-corruption G4-DMA, Grievance mechanisms for impacts on society G4-MDA, G4-SO11, G4-PR7, Customer privacy G4-DMA, G4-PR8

Security

Find out more about Nestlé's *Corporate Business Principles* and how we live them.

All security personnel working on Nestlé's behalf are expected to respect human rights, act within the law and comply with the company's rules, as outlined by our Nestlé Group Security Policy and *Corporate Business Principles*.

We run two mandatory online training modules for site security representatives. The first module covers the principles and security governance; the second is more technical, but includes guidance on where to install surveillance cameras so as to respect privacy. Both modules attended by 382 security representatives and include specific points on human rights.

Furthermore, we held three regional workshops for security managers where particular emphasis was made on security and human rights.

We also incorporated an audit component for security within the CARE programme, which revealed 20 minor gaps and four major gaps in 2016.

Taxation

Sustainable Development Goals

We identified the following goals where our work adds value:

Taxation has been identified by our stakeholders as a material issue for Nestlé. We view the tax we pay as part of both compliance (business ethics) and Creating Shared Value in the countries where we operate. We believe it is good practice to disclose information about our tax management principles and key tax indicators and contributions.

Nestlé Group Tax Management Principles and Foundations of Group Tax Strategy

Over the last years, we have developed 10 Principles of Tax Management and five Foundations of our long-term Group Tax Strategy. They are based on the recognition that Tax is an integral element of our overall corporate social responsibility, as well as on the fundamental objective of tax compliance and of legitimate and responsible planning. Those Principles and Foundations are in line with the Nestlé *Corporate Business Principles* and are cascaded down to, and monitored across, our Tax Organization, both at Group and Market levels..

CHF 14.7bn

of taxes collected and paid to governments in our largest 53 markets

Effective Tax Rate and Tax Payments

In 2016, the Nestlé Group incurred CHF 4.413 billion in corporate taxes worldwide on our group consolidated profit. This corresponds to a 35.2% effective tax rate on our worldwide profits. By comparison in 2015, Nestlé had a 28% effective tax rate worldwide, while incurring an amount of CHF 3.305 billion in corporate taxes. The increase in 2016 is mainly due to prior year taxes and a one-time deferred tax charge related to the reduction of corporate tax rate in the Canton of Vaud, Switzerland (where we have our worldwide Headquarters and our main Swiss companies), which was enacted in 2016 and will be effective as from January 2019. Excluding exceptional items, the underlying effective tax rate in 2016 is in line with our tax rate in 2015 and previous years.

Nestlé also pays and collects for governments various taxes through its transactions with suppliers and customers, as well through our own operations across 197 countries.

After the closing of the year, we run a Group Tax Report on the Total Taxes that we bear and/or collect for governments in the main countries where we operate. This Report covers all direct and indirect taxes, on profit (corporate income tax, withholding taxes, etc.), properties (real estate taxes, stamp taxes), employment (social security charges, employee's salary taxes), transactions (customs, VAT, GST, consumption taxes, excise taxes) and environment (energy taxes, food taxes, green taxes). Therefore, we do not have yet the data for 2016 concerning all indirect taxes, which will be disclosed in our 2017 report.

In 2015, Nestlé collected and paid around CHF 14.7 billion of taxes to the governments in its largest 53 markets, including CHF 6.4 billion that were incurred and borne as costs by Nestlé. Those markets represent nearly the totality of the Group Net Sales.

G4-EC1, Security practices G4-DMA, G4-HR7

If we analyse the taxes borne by type, 48 % of the CHF 6.4 billion was taxes on profit, 30% taxes on employment, 17% taxes on transactions, 3% taxes on properties and 2% taxes on environment.

If we analyse the taxes borne by geography, 37% of the CHF 6.4 billion was incurred in our EMENA Zone, 36% in our Americas Zone, and 27% in our AOA Zone. 73% of that amount was borne in our top 10 countries.

The remaining CHF 8.3 billion of taxes were taxes collected by Nestlé through our operations and paid to governments.

Finally, we had a Group "VAT Throughput" of CHF 22,500 billion, i.e. for the total of all VAT receivable (on customers) and VAT payable (to suppliers), as an indicator of the volume of VAT (and similar indirect consumption based taxes), generated and managed by Nestlé worldwide.

OECD "Base Erosion & Profit Shifting" (BEPS)

In compliance with the new OECD BEPS reports and recommendations, we have proactively worked on:

- Developing and testing a Group Tax Report for complying with the new OECD "Country by Country Reporting" (CbC) that we will run in the coming months with the 2016 financial statements. We will therefore be ready to issue the Nestlé CbC to Swiss authorities and to have it exchanged with other countries based on tax treaties and exchange of information.
- Improving our Nestlé Group Transfer Pricing documentation in order to meet the requirements for the new OECD "Master File" and all "Local Files" for all countries where we operate.
- Monitoring new tax legislations in all countries where we operate, which are implementing the OECD BEPS recommendations, and reviewing our Group transfer pricing policies and transactions accordingly to ensure that we proactively meet the new standards.

Tax Risks & Contingencies

Given our large operations in most countries where we operate and pay taxes, we are subject to regular audits by tax authorities and we actively and openly cooperate in those audits. We are exposed to uncertainties about tax treatments and claims by tax authorities for various activities, on both direct and indirect taxes, including:

- Acceptability of (and compliance with) Group transfer pricing guidelines,
- Deductibility of expenses (particularly IG expenses) under local tax laws,
- Access to incentives and accelerated deductions granted under tax laws,
- Lack of clarity or differences of interpretation of the same tax laws (by the Group and the tax authority or between different departments within the tax authorities).

As part of the year end closing, we run a Group Tax Risk report to identify and assess all direct and indirect tax risks and to validate the adequateness of tax contingencies and provisions, together with our Statutory Auditor.

Over the years, the average period that corporate tax filings remained open in the Nestlé main countries are between 4 to 5 years, with some countries having longer period of open years due to backlog in tax audit procedures. As a matter of policy and effective compliance, we prefer to be as current as possible with tax audits, working cooperatively with tax authorities, in order to reduce the number of open years.

Our major tax audits in 2016 have been in Mexico, Italy, USA, Germany, France, Brazil, and the Philippines.

G4-EC1

Our people

Helping develop thriving, resilient communities

Our 2030 ambition is to improve 30 million livelihoods in communities directly connected to our business activities. At Nestlé, our purpose is to enhance quality of life and contribute to a healthier future. This has to be reflected in everything we do, in all our products and brands. In pursuing our purpose, we are guided by our values, which are rooted in respect. This means respect for ourselves, for others, for diversity and for the future. People are at the heart of our company. They ensure our success and without them nothing can be achieved. This is why we care for people first and why we put people above systems.

Promoting fair employment and diversity

Because diversity strengthens and enriches our company, provides opportunities and makes Nestlé an employer of choice.

27.2%
of our senior leaders are women

34.6% of all employees are women

328 221
people employed

13
Ranked 13th in the global Thomson Reuters Diversity and Inclusion Index

Launched our new Diversity and Inclusion Framework

Supporting youth employment

Because providing opportunities for young people helps alleviate poverty and secures a future talent pipeline for Nestlé.

36 702
job opportunities provided to young people under 30 in Europe and the Americas since 2014

19 986
traineeships or apprenticeships provided in Europe and the Americas since 2014

79%
of employees now covered by a certified safety and health management system

16%
reduction in recordable injury rate

94.2%
of our workplace canteens now offer a healthy eating option and 97% of our markets have a health and wellness programme in place

302
breastfeeding rooms across our working facilities globally

Building a safer, healthier workplace

Because Nestlé is a company founded on caring: for our consumers, the communities in which we operate and, fundamentally, our people. This is why safety and health is a core part of our culture.

Contributing to the Sustainable Development Goals (SDGs)

Nestlé supports the SDGs. These SDGs in particular are relevant to our work on our people:

- **SDG 1:** No poverty
- **SDG 3:** Good health and wellbeing
- **SDG 4:** Quality education
- **SDG 5:** Gender equality
- **SDG 8:** Decent work and economic growth
- **SDG 10:** Reduced inequalities
- **SDG 16:** Peace, justice and strong institutions
- **SDG 17:** Partnerships for the goals

153 Our people strategy
156 Why our people matter
162 Building a safer, healthier workplace

"Success is directly related to the quality of our people. We invest in them and they stay with us."

Paul Bulcke,
CEO, Nestlé

Investor benefits

Our work ensures we stay ahead of regulations, helping us reduce costs and improve revenues, as consumers are increasingly looking for products that take care of human rights in the supply chain.

Our business benefits from attracting and retaining the best talent through initiatives such as the Nestlé *Global Youth Initiative*. A positive reputation for employee training and development enhances the Company's ability to recruit and retain talent.

See our GRI Index for additional workforce and Health and Safety data.

Our people strategy

We are a truly diverse company, with 328 221 employees in 119 countries. Creating and maintaining positive individual and collective relationships is part of everyone's job. Providing good working conditions and keeping our people safe, healthy and engaged are always our top priorities. Across the world, our employees are driven by purpose and guided by values.

For our communities: Helping develop thriving, resilient communities

According to the UN, 1.2 billion people still live in extreme poverty. More than 75% of them live in rural areas and depend on agriculture, including family smallholdings, for their livelihoods. We aim to improve livelihoods and develop thriving communities. Driven by our company purpose to enhance quality of life and contribute to a healthier future, we have defined an overarching ambition that will guide our work towards achieving our 2020 commitments and supporting the achievement of the SDGs. Our 2030 ambition is to improve 30 million livelihoods in communities directly connected to our business activities

Enhancing rural livelihoods

By 2050 the world will have to produce 50% more food than today to feed the population – but climate change is making it harder for farmers in rural communities to grow enough crops and earn a living. We rely on people living and working in rural communities to produce the ingredients that go into our food. We have a responsibility to make sure that our farmers and their families are healthy and have sufficient resources and food. By supporting them and helping their children to thrive, we build stronger communities.

Read more on our actions in the Rural development chapter.

Respecting and promoting human rights

Human rights abuses often occur when people are at their most vulnerable, and can take many forms – from labour abuses to slavery or child labour. People expect companies to uphold the highest standards in protecting, respecting and promoting the rights of their employees and those who work for their partners and suppliers. Our business is founded on respect. Human rights abuses of any kind have no place in our business and supply chain, and we have a responsibility to respect human rights across our business. It is critical to the security and wellbeing of our workforce and suppliers.

Read more on our actions in the Human rights and compliance chapter.

Promoting decent employment and diversity

Global uncertainty over the economy is generating concern over the future. Young people everywhere are finding it harder than ever to find jobs, with many lacking qualifications and skills. The world cannot afford to lose a generation to unemployment. We are determined to help young people find jobs and training while supporting local communities, fairly and without prejudice. Good working conditions, respect for labour practices and human rights are essential – as are a safe and healthy work environment and flexible employment, which enable us to attract and retain the best people, from the widest range of people and cultures.

Read more on our actions in this chapter.

Employment G4-DMA

Our talent pool should reflect the societies in which we operate. We aim to provide a workplace culture that generates equal opportunities for everyone, where people are treated with dignity and respect. We're also committed to promoting youth employment. As a major employer, we can make a positive difference by providing employment and training opportunities and skills development for young people, which in turn can help alleviate poverty.

We are also committed to the development of our people and encourage lifelong learning to help our employees build successful careers and achieve their potential.

Ultimately, ensuring there is more to life at Nestlé begins with safeguarding the safety and health of our people. We want to see all our employees living safe and healthy lives. As we seek to enhance quality of life and contribute to a healthier future, we also want to help our employees take personal responsibility, make more informed decisions about their own health, and choose to live and work in a safe and healthy way. We also listen to what our people have to say to us through our biennial Nestlé & I engagement survey.

Inclusive and accountable governance

Visit our website for more information about our governance structure, policies and management systems.

To ensure we achieve our people strategy, we've put robust governance and management systems, policies and standards in place, such as our Diversity and Inclusion Framework and our Safety and Health Roadmap. These are regularly reviewed and verified by independent organisations to provide transparency and accountability, and to ensure they align with international and national regulations, standards and guidelines.

External recognition

Our leadership as an employer is independently reviewed as part of voluntary third-party reporting initiatives, where the results and feedback are made public. We have summarised the most significant recognition below.

Organisation	Progress
Thomson-Reuters Diversity & Inclusion Index	We were ranked 13th in the 2016 Thomson-Reuters Diversity & Inclusion Index, with a score of 76.75%. The Index ranks the top 100 publicly traded companies globally with the most diverse and inclusive workplaces, across 24 measurements.
Dow Jones Sustainability Index 2016	With an overall score of 92 out of 100, Nestlé is industry leader. For the 'social' dimension, which encompasses: • Corporate citizenship/philanthropy; • Human capital development; • Labour practice indicators and human rights; • Occupational health and safety; • Social reporting; and • Talent attraction and retention, we have the equal-highest industry score, with 86.
Asian-Pacific American Advocates (OCA)	Nestlé *Purina* Petcare received the Champion of Diversity Award at the OCA's 43rd Fundraising and Youth Scholarship Gala, recognising our work to develop and support diversity in the workplace.
Working Mother	Nestlé India was recognised as one of the top 100 best companies for women in India 2016.This was based on a study undertaken by Working Mother, a gender parity champion in the United States, and the AVTAR Group, India's leading diversity advocate and workplace inclusion expert.

G4-56, Employment G4-DMA, Freedom of association and collective bargaining G4-DMA

Our material issues and commitments

Nestlé uses a formal materiality process to identify the most important issues for our stakeholders and our business, and communicates the results in a materiality matrix.

Material issues

Visit our website for more information on our material issues across our value chain.

Out of our formal materiality process, four material issues fall under the banner of 'Our people' that are rated as being of high concern to our stakeholders and of strategic importance to our business, namely: **human resources, safety and health**, **community development and unemployment**, and **women's empowerment**. These issues are critical to our operations as an ethical and responsible business, and our stakeholders expect us to play a leading role in addressing them.

- **Fair employment and youth employability:** developing Nestlé's human capital, including maintaining positive relations with employees, promoting positive working conditions and youth employment.
  Sub-issues:
  - **Employee benefits**, **remuneration**, **attraction**, **retention**
  - **Employee diversity**
  - **Employee engagement**
  - **Employee training and learning**
  - **Job creation and youth employment**
- **Employee safety, health and wellness:** targeting zero accidents in the workplace, promoting safe and healthy employee behaviours, and helping employees make more informed decisions to achieve and maintain a healthy lifestyle.

Our commitments

Our public commitments are a result of our respect for individuals and families, communities and the planet. Having listened to the views of others, we've identified what is important (with regards to promoting diversity and supporting youth employment, for example) and determined where our skills and expertise can be best focused to achieve positive outcomes for some of the world's biggest challenges.

Our public commitments align directly with our material issues. They drive continuous improvement and allow stakeholders to hold us to account for delivering on our promises. Our commitments are supported by a series of objectives to ensure we achieve each of them. This year we have introduced several new 2020 objectives to take our work forward.

Our progress against our objectives is indicated throughout the report using the following icons:

- ● Achieved
- ◐ In progress
- ◔ Not yet achieved
- ⊕ New objective

Visit our website for more information on our commitment performance dashboard and GRI content index.

Our commitments are:

- Enhance gender balance in our workforce and empower women across the entire value chain;
- Roll out the *Global Youth Initiative* across all our operations;
- Provide training on *Corporate Business Principles*, Nutrition and Environmental Sustainability;
- Advocate for healthy workplaces and healthier employees; and
- Ensure that all Nestlé employees are covered by a certified safety and health management system.

Progress against our objectives is detailed in the following pages.

Employment G4-DMA, Labor/management relations G4-DMA, Occupational health and safety G4-DMA, Training and education G4-DMA, Diversity and equal opportunity G4-DMA, Equal remuneration for women and men G4-DMA

Why our people matter

Sustainable Development Goals

We identified the following goals where our work adds value:

Our people are at the heart of our business. Everything we do, and all our success, is dependent on them. We therefore have a responsibility to ensure that all our employees enjoy a workplace that is safe and promotes their health and wellbeing, and in which they can work, thrive and grow without barriers or discrimination.

Fair employment, diversity and inclusion are part of Nestlé's culture. We aim to provide a workplace that generates equal opportunities for everyone, and in which people are treated with dignity and respect. We're expanding our efforts to strengthen this inclusive culture. It's helping us leverage the unique skills, knowledge and experiences of our diverse workforce.

Diversity and inclusion are proven to motivate and engage employees, which leads to high performance. Research shows that companies that embrace diversity and inclusion are 66% more innovative than their homogenous counterparts and 70% more likely to capture a new market. These are significant impacts. Nestlé is a highly diverse company and we want to be able to reflect the diversity of the society in which we operate. Our main focus remains on achieving gender balance, reflected in our commitment to the UN Women's Empowerment Principles. However, throughout the organisation, we're also embedding other diversity aspects, including disability, age and ethnicity. Leveraging our diversity and inclusion will bring significant value to our company and support us in our purpose to enhance quality of life and contribute to a healthier future.

As a major global employer, we also have a responsibility to young people. Youth unemployment is a serious issue across the world, with the International Labour Organization (ILO) estimating the global youth unemployment rate will reach 71 million – 13.1% – in 2017. We believe in providing work and training opportunities to develop and harness youth talent, which both helps to alleviate poverty and provides a stream of new talent for our business.

It's also essential that we provide a safe workplace for all our employees, protecting and promoting their wellbeing. All our sites operate to high standards for safety and health, and employees are encouraged and supported to lead healthy lives, contributing to a workforce that is healthy, safe and motivated.

> "The diversity found outside the Company should also be reflected inside our Company."
>
> **Paul Bulcke,**
> CEO, Nestlé

Nestlé & I engagement survey

Our employee survey, Nestlé & I, is conducted every two years and in 2016 was held in one wave globally for the first time. In September 2016, 260 000 employees worldwide were invited to take part and a record 227 000 (89%) responded, up from 87% in 2014. At Group level, the results showed an increased engagement level at 85% (+1% on 2014), as well as improvements in scores for enablement (79%, +2%) and retention (68%, +1%). We made major advances in scores for rewards, people development and alignment to strategic goals. In almost all survey categories, the scores exceeded the FMCG (fast-moving consumer goods) benchmark of our survey provider, Willis Towers Watson, and narrowed the gap with high-performing companies across all sectors.

Further improvements in the survey included:

- Greater use of online participation in the survey, thus reducing the environmental impact of the exercise. Paper survey usage fell from around one-half of participants last time to one-quarter in 2016, with 18 countries going 100% online;
- A new Inclusion Index was added to measure our progress in diversity and inclusion at work, which also showed improving scores in the areas of accepting individual differences, encouraging trust and respect, and fostering the employees' voice; and
- A Nestlé & I Academy was set up to develop managers' and HR skills in understanding and acting on survey results.

During early 2017, results will be cascaded through management channels, following which action plans will be developed in response to the issues and concerns arising from the survey.

Fair employment and diversity

Diversity and inclusion are integral to Nestlé's culture and bring our purpose and values to life. Our Diversity and Inclusion Framework sets out our business case for a new strategy that will make an impact across innovation, society and culture.

Sustainable Development Goals

We identified the following goals where our work adds value:

See our GRI Index for additional workforce data.

Our Diversity and Inclusion Framework

In pursuing our purpose of enhancing quality of life and contributing to a healthier future, we are guided by our values, which are rooted in respect – for ourselves, for others, for diversity and for the future. Respect for diversity means respecting other ways of thinking, other cultures and all facets of society, and requires openness and inclusiveness in our interactions both inside and outside our company.

For several years, we have held gender balance awareness and unconscious bias sessions for our employees. Building on this, in 2016 we launched our new Diversity and Inclusion Framework, which sets out our business case for a new strategy that will make an impact across innovation, society and culture. The Framework encompasses each area of diversity. Gender balance remains the prime focus, complemented by diversity issues such as inclusion of people with disabilities, cross-generational working and multiculturalism. Each market will define its own actions based on local needs and legislation.

Diversity: everything that makes us different from each other; and

Inclusion: leveraging those differences, and valuing and involving everyone to work towards a common goal.

For Nestlé, to be diverse and inclusive means:

- Building an **inclusive culture**, leveraging the differences of our employees when working together;
- Acting and engaging in an inclusive way with **society** and stakeholders in our diverse business environments across the entire value chain; and
- Thinking about the needs of diverse **consumers and customers** in our products and services, and being inclusive in their accessibility.

We measure our level of inclusion through our Nestlé & I employee satisfaction survey. Six questions provide key indicators of how an individual feels they are being treated, and strongly correlate with their engagement and performance. The questions cover:

Voice: how much effort is made to hear employees' opinions, and how freely they feel they can express those opinions;

Trust and respect: how much trust and openness exists, and whether employees feel respected; and

Individual differences: whether the workplace environment is open to cultural, lifestyle and gender differences.

Working towards gender balance

27.2%
of our senior leaders are women

34.6%
of all employees are women

Our commitment

Enhance gender balance in our workforce and empower women across the entire value chain

Our objectives towards 2020

- **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 –** 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).
- **By 2020 –** The livelihoods of women have been improved in five priority sourcing locations.

The diversity of our workforce in 2016

Total workforce by gender*

Women	93 122 (34.6%)
Men	176 189 (65.4%)

* Covers Nestlé employees registered in the HR system (approximately 82.1% of all employees).

Total rate of employee turnover by age group and gender (2016) (%)

	Female	Male
<30	19.74	17.43
30–50	12.12	9.99
50+	11.84	10.82

G4-10, G4-LA1, Diversity and equal opportunity G4-DMA, G4-LA12, Equal remuneration for women and men G4-DMA

Read more about our farmer training across our value chain.

See our GRI Index for additional diversity data (indicators G4-LA1, G4-LA12 and G4-LA13).

See our GRI Index for our data on parental leave (indicator G4-LA3).

Our Gender Balance Initiative is designed to improve the balance at all levels, with a key focus on our senior leadership and management teams. Across our supply chains, we run and support initiatives to give women a greater voice and economic independence.

We implement the necessary mechanisms to track, monitor and improve gender balance, and progress is achieved using a rigorous succession planning process, clear development plans and awareness training sessions.

The following programmes help us achieve this:

- Unconscious bias training: now integrated into the Diversity and Inclusion Framework;
- Flexible work arrangements and parental support initiatives, helping people combine work with personal or family arrangements;
- Mentoring and coaching, providing employees with support so they can develop themselves;
- Dual-career support for couples who have international careers;
- Gender balance e-learning, raising awareness of gender-related issues;
- International Women's Day, celebrating the achievements of women;
- Sponsoring of the Women's International Networking (WIN) Conference; and
- Women's empowerment activities through our cocoa, *Nescafé* and dairy plans.

Unconscious bias training has been embedded into a range of programmes, and 3779 employees across the company received such training in 2016, totalling 6837 since 2015.

Total number of employees who received unconscious bias training

Nestlé US signs the White House Equal Pay Pledge

In December 2016, Nestlé companies in the United States affirmed their commitment to employees' health and wellness, including the opportunity to work in an environment where everyone feels empowered, appreciated and respected. Announced at the fourth annual Women Rule summit, Nestlé and more than 40 private sector businesses took the White House Equal Pay Pledge to close the national pay gap.

In signing the pledge, each company cemented its belief that businesses must play a critical role in reducing the national pay gap, and committed to:

- Conducting annual company-wide gender pay analyses across occupations;
- Reviewing hiring and promotion processes and procedures to reduce unconscious bias and structural barriers; and
- Embedding equal-pay efforts into broader enterprise-wide equity initiatives, along with identifying and promoting other best practices to close the national wage gap to ensure fundamental fairness for all workers.

Gender Balance Plan in Nestlé Spain

In November, Nestlé Spain and union representatives agreed a new Gender Balance Plan. The plan sets out the company's commitments and values in favour of equal opportunities, integration and non-discrimination based on gender, as well as the measures the company undertakes to develop, implement and strengthen actions in pursuit of these objectives.

To achieve greater equality, we will use measures such as awareness raising to balance employment rates. Where there are equally suitable candidates for roles, we will seek to appoint those from the less represented gender to help address inequality.

Other efforts will focus on:

- Reviewing corporate documents to ensure the use of non-discriminatory language;
- Directing training to the job, regardless of the jobholder's gender;
- Ensuring compensation systems are determined by salary levels established in collective bargaining agreements that guarantee equal treatment; and
- Making conciliation measures known and accessible to all.

Enhancing gender equality

In Nestlé Japan, management positions are mostly occupied by men with similar backgrounds. We have set a goal to have 20% of management positions filled by women by 2020. To support this, we're providing development programmes including overseas personnel exchanges for female employees, supported by mentoring.

G4-10, G4-EC8, Diversity and equal opportunity G4-DMA

Women in Nestlé Sales programme

Women in Nestlé Sales aims to enable us to succeed in the marketplace by focusing on diversity and inclusion. The scheme has three pillars: recruiting and retaining talent, work–life balance, and navigating your career. Through these, it aims to attract and retain high-calibre employees, increase awareness and appreciation of diversity, create a supporter and champion network, and provide personal career development guidance.

SWAN Connect

We continued to implement SWAN – Senior Women at Nestlé – in 2016. Sponsored by the company's Executive Board, SWAN aims to help increase the representation of women in senior leadership positions, through high-profile projects, informal mentoring and advocacy of talented women. In 2016, SWAN set up a mentoring programme for young female talented managers – SWAN Connect. Participants are paired with senior female role models with whom they meet to discuss career challenges and aspirations, and gain insights on how to achieve their career ambitions.

WIN Conference

In October, Nestlé sponsored the Women's International Networking (WIN) Conference in Rome. This international event focuses on women's career development and leadership. Over 100 Nestlé women and men attended, from different businesses and markets. They participated in workshops and plenary session under the theme 'Leading the Way' and a specific session with all Nestlé participants was organised to work on barriers for advancement and actions to be implemented.

One plenary session was led by our Chief Human Resources Officer, Peter Vogt, who stressed:

> "We all need to embrace and accelerate our efforts to adapt to the ever-changing world, both women and men of all generations."

Supporting parents

See our GRI Index for our data on parental leave (indicator G4-LA3).

Our global Maternity Protection Policy, based on the ILO Maternity Protection Convention, is one of the most progressive programmes of its kind in the industry. It establishes minimum standards that must be implemented at Nestlé workplaces across the world by 2018.

The policy applies to all primary caregivers of newly born children, including male employees and those who adopt children. It includes 14 weeks paid maternity leave, which can be extended up to six months, employment protection, flexible working arrangements and guaranteed access to breastfeeding rooms during working hours in head offices and sites with more than 50 female employees. We currently have more than 302 breastfeeding rooms across our global working facilities.

Creating an inclusive workplace for people with different abilities

As the world's largest food and beverages company, including people with different abilities (PWDA) is a priority. We aim to promote a culture that builds on strengths and therefore focuses on abilities.

We developed a global self-assessment procedure for all our markets to assess the level of inclusion and types of activities for people with disabilities in the workplace. The objective is to track best practices and actions in the following areas:

- Training and awareness;
- Return to work practice;
- Accessibility of sites and workplace arrangements.

Nespresso Brazil Intellectual Disabilities Inclusion Programme

Nespresso Brazil created bespoke roles for intellectually disabled people, in partnership with a specialised institution, APAE (Association of Parents and Friends of the Exceptional). They organised sensitivity sessions with managers, HR teams and mentors, and a special recruitment process with parents. Subsequently, five (of 11) boutiques have recruited a total of six intellectually disabled employees.

People with different abilities in Nestlé Philippines

In 2016, Nestlé Philippines held various initiatives on working with people with different abilities, including awareness sessions, conducting access audits and making recommendations on accessibility improvements for implementation. The next steps will be to train all leadership teams on unconscious bias, to expand the role of Gender Balance Champions to include other diversities and to create a Diversity Forum. A focused recruitment strategy was also implemented to:

- Secure commitment from hiring managers;
- Launch the 'Open door to universities' programme;
- Run pre- and post-recruitment programmes for PWDAs;
- Partner with external key stakeholders (job boards, non-profit organisations, universities); and
- Integrate PWDA students into the Interns to Leaders and corporate management trainee programmes.

Cross generations

Read more about our diversity and inclusion performance.

At Nestlé, diversity and inclusion includes ensuring integration and equality for people across all age groups. The Digital Acceleration Team in Vevey runs a reverse mentorship programme with senior executives, a two-way communication to close the knowledge gap between older and younger employees. Older employees learn about social media from younger colleagues and, in return, younger employees learn about business terminology and industry practices.

Promoting youth employment and employability

Youth unemployment is a serious global issue. As a major employer, we recognise that we can make a positive difference by providing employment opportunities and skills development. Through apprenticeships, training schemes and initiatives to equip young people with the skills required for the workplace, and by hiring young people from local communities, we can play a significant role in addressing youth unemployment and its effects. By rolling out the Nestlé *Global Youth Initiative* across all our operations, we are recruiting and developing the next generation of global Nestlé leaders and employees.

Sustainable Development Goals

We identified the following goals where our work adds value:

20 517

job opportunities provided to young people under 30 in Europe, exceeding our target

12 385

trainees under 30 hired in Europe, exceeding our target

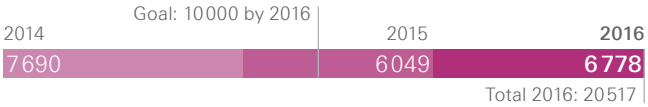
Our commitment

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

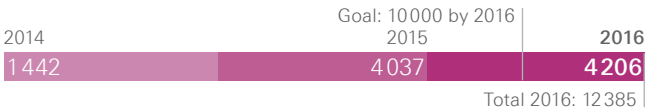
Our objective in 2016

By 2016 – Nestlé will offer 10 000 job opportunities and 10 000 traineeships or apprenticeships to young people below 30 years of age in Europe, to help tackle unemployment in this age group (cumulative since 2014).

Number of young people below 30 years of age hired in Europe



Number of trainees below 30 years of age hired in Europe



Our objective towards 2020

By 2020 – Nestlé *Global Youth Initiative* commits to deliver:

- 45 000 to 50 000 apprenticeship and traineeship opportunities;
- Continue readiness for work events globally, with increasing number of employees involved in such events;
- Enhanced collaboration with external partners to motivate them to join and to increase impact; and
- 20 000 to 25 000 job opportunities for people under 30 years of age every year.

Our 2020 objective includes our previous 2018 objective to support young people in the Americas, and extends this globally.

G4-EC8, Diversity and equal opportunity G4-DMA

36 702

job opportunities provided to young people under 30 in Europe and the Americas

The Nestlé *Global Youth Initiative* was launched to help address the following:

- Skills and talent opportunities in our organisation;
- High unemployment and under-employment in society; and
- Youth employability and social integration.

Nestlé believes that to prosper over the long term and create value for our shareholders, we must also create value for society. Through the *Global Youth Initiative*, we support the development of communities while ensuring our talent pipeline, bringing diversity and new skills to the organisation, and developing the next generation of Nestlé employees and leaders. It is also a way in which we can help tackle poverty and align our youth-related activities with the UN's Sustainable Development Goals.

Our progress

- In Europe, we exceeded our 2014–16 objective on regular and temporary positions, apprenticeships and traineeships offered to young people:
  - 20 517 job opportunities against an objective of 10 000; and
  - 12 385 apprenticeships and traineeships against an objective of 10 000.
- 1735 readiness for work events were organised in Europe in 2016 to help prepare young people for work, with 5166 employees volunteering for such events.
- The Alliance for YOUth continued to grow, reaching 200 partners.
- In the Americas, we exceeded our 2015–18 objective in just over one year, with 7601 apprenticeship and traineeship opportunities against the objective of 7000. We have so far offered 16 185 job opportunities to young people, showing strong progress towards our objective of 24 000.

We have therefore offered a cumulative total of 36 702 job opportunities and 19 986 apprenticeships and traineeships so far to young people across Europe and the Americas.

The *Global Youth Initiative*, which began in Europe, was fully implemented in the Americas and launched in the Middle East, Africa, Asia and Oceania in 2016. As a result, with 100% of our operations behind the initiative, we have achieved our previous objectives and are now making global objectives from 2017 towards 2020.

1 Germany

As part of our Youth Employment Initiative, Nestlé Germany is offering internships, traineeships and apprenticeships to more than 1000 young people. It has also created over 20 additional offers dedicated to young refugees, a significant contribution to addressing the refugee crisis and helping young people with a migrant background to integrate into their new society.

2 South Africa

Nestlé South Africa has run a bursary programme since 2013, funding students at universities and training institutions. As part of the programme, students attend an annual two-day workshop at Nestlé. To date, 200 students from various universities have attended the workshop. In 2016, the focus was on personal effectiveness, such as self-empowerment, dealing with challenges and developing coping strategies. Students developed communication and teamworking skills as well as exploring self-esteem, setting realistic goals and taking charge of their lives – knowing what they want, and how to get it.

3 Brazil

In 2016, working with the University Centre of Pará and Yunus Social Business, we developed Youth in the Amazon, a scheme to identify and nurture entrepreneurial talent in young people living along the river. From over 120 young people in one community, Muaná, 12 received social business training and pitched ideas for nutrition, health and wellness-related projects, such as creating healthy snacks from local ingredients. Four subsequently received Nestlé grants to develop their businesses. The scheme will now be expanded, and has the potential to develop 300 young entrepreneurs by 2018.

4 Oman

The Nestlé Centre of Excellence is a training academy that fosters employability by helping graduates meet local employment requirements and match multinational corporate standards. Launched in Saudi Arabia in 2012, it was extended to Oman in 2014. Two programmes – sales and nutrition – each run for four to six weeks. The centre equips Omani students with training, the right tools and Nestlé's expertise. Since 2014, 32 Omanis have been trained and eight hired for full-time roles at Nestlé Oman. The successful programmes will now be extended to Kuwait and Iran.

G4-EC8

Building a safer, healthier workplace

Sustainable Development Goals

We identified the following goals where our work adds value:

Enhancing quality of life and contributing to a healthier future begins with safeguarding the safety and health of our people. We work hard to create a culture in which safety and health are leading principles, and our aim is to achieve zero work-related injuries and illnesses. We also want to help our employees make more informed decisions about their own health, take personal responsibility, and choose to live and work in a safe and healthy way. Our strategic priorities are set out in the Nestlé Framework for Employee Health, while our Safety and Health Roadmap 2016–18 details our approach to addressing these issues.

Our commitment

Advocate for healthy workplaces and healthier employees

Our objectives towards 2020:

- **By 2020** – Offer our employees education, early screening and programmes that support healthier lifestyle choices.
- **By 2020** – Continue leading through industry forums.

We have always been committed to employee health and wellbeing. Building on this, we have decided to articulate our long-term objective through a public commitment. We have explored options for assessing health risks among our employees, and evaluated effective implementation approaches.

We aim to engage our people in learning more about this area, enabling them to use this learning to improve their own diets, health and wellbeing. Communications, campaigns and events will promote the benefits of healthier lifestyles and provide more information about the foods people eat, the effects of exercise, and practices proven to boost wellbeing. We will also be monitoring key indicators, and developing a methodology that will enable us to report future progress towards our objectives.

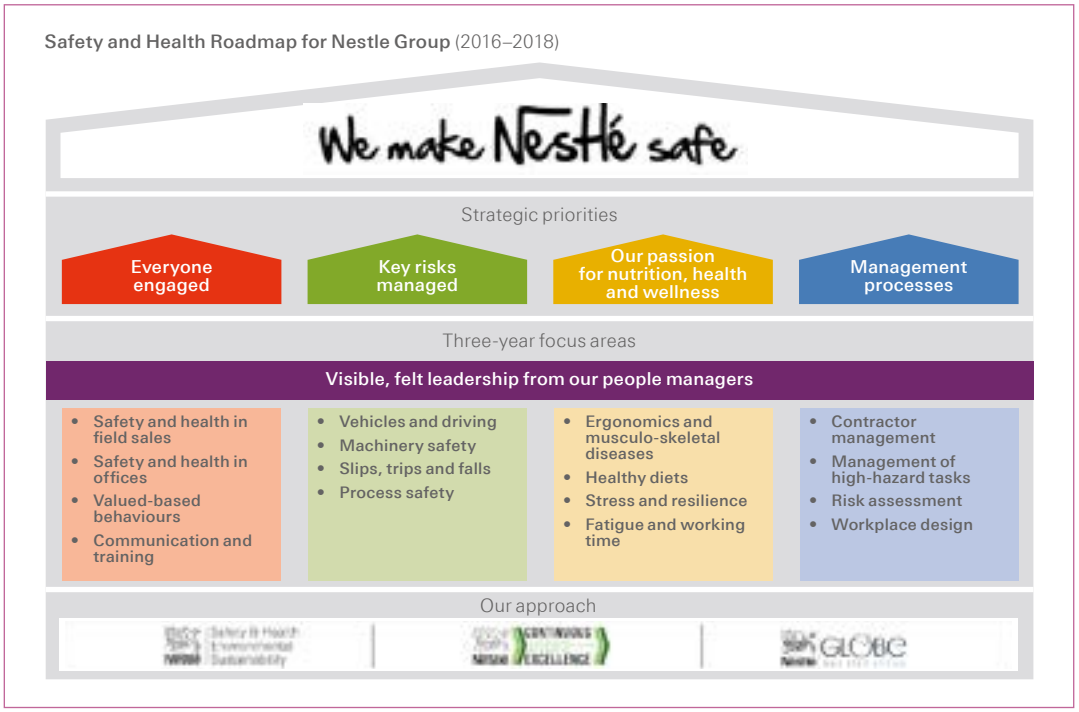
A Global Sharing Platform has also been launched, with the objective of supporting our markets. It will provide education about health and wellness initiatives, strengthening markets' connections with the Framework for Employee Health and establishing a 'friends helping friends' solution for Nestlé in the markets.

In 2016, we also updated our Safety and Health Roadmap, which sets out our approach for managing our strategic priorities through to 2018. The Roadmap is focused on four strategic priorities:

- Everyone engaged;
- Key risks managed;
- Our passion for nutrition, health and wellness; and
- Management processes.

This is not an exhaustive list of everything we need to do or work on. Its aim is to set high-level priorities for the Group that guide our planning for the period 2016–2018. It is used as a reference by zones, globally managed/regionally managed businesses, markets and support functions, though they also take into account the specific context for their organisations.

Occupational health and safety G4-DMA



Everyone engaged

This strategic priority is comprehensive in its scope, covering everyone in Nestlé, from the Management Board to the individual employee. Ultimately, our ambition is to establish safety and health as a shared personal value for everyone by winning hearts and minds.

Safety and health in field sales and offices

We aim to safeguard the safety and health of all our employees and to position safety and health as a company-wide priority. To achieve this, we're implementing the Nestlé Safety and Health Management System beyond manufacturing sites in field sales and all offices, with the aim of covering all employees. In 2016, 79% of eligible staff were covered by this system, meeting our objective for the year. We remain on track for 100% of staff to be covered by 2018.

Values-based behaviours

Excellence in safety and health cannot be imposed from the top: it requires everyone to be engaged, to internalise our safety and health values and to take personal ownership. We're achieving this by focusing on behaviour and improving the quality of management and peer-to-peer feedback. We are working towards achieving 100% base level compliance with GI18.006, our internal standard for Caring and Feedback, and reached 75% compliance in 2016.

Communication and training

Effective communication and training is essential for engaging employees and creating a learning organisation. In 2016, 90% of our sites organised at least one safety and health awareness event during the year, helping us meet our target.

Key risks managed

We're continuing to implement global best practices to manage the key risks or focus areas outlined in our Safety and Health Roadmap. We also monitor key measures such as sickness and absence rates.

Vehicles and driving

Vehicles and driving remain the leading cause of work-related fatalities at Nestlé. We aim to reduce the number of vehicle-related injuries by implementing the safe driving standard across our markets. We're members of the Global Road Safety Partnership, support the United Nations Decade of Action for Road Safety, and network extensively to identify and adopt best practices. We have also established a standard for management of third-party logistics service providers.

Machinery safety

Machinery safety is another significant cause of serious injury in our factories. We have improved our comprehensive and systematic approach to machinery safety, including machine guarding and safe methods of intervention. Our Machinery Safety programme was extended in 2016, with a further five workshops to train 129 super users. We're also striving to reinforce machinery safety in new business acquisitions.

Slips, trips and falls

Slips, trips and falls are the most common cause of recordable injury in Nestlé, typically accounting for 22% of all injuries that occur within the Group. By using the Slips, Trips and Falls guideline and toolkit developed in 2016, we aim to ensure the management of this risk is integrated into other safety and health programmes. Additionally, falls from height are the second most common cause of fatal injuries. In 2016, we implemented the new working at height standard through Skype sessions, hands-on training in workshops in all three zones, and through our intranet best practice library.

Process safety

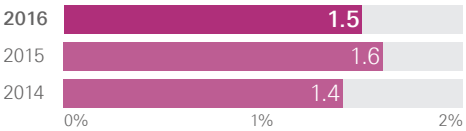
We have identified a number of operational process risks, such as fires, explosions and chemical releases. These have the potential to cause not only serious injury but also significant asset damage and business interruption. Process safety incidents are also part of major incident reporting procedures, and each incident follows the process of a detailed investigation at site level. We also placed a particular focus on boiler and refrigeration safety. A number of workshops were organised to build a network of certified assessors across our operations, with 28 people trained.

Key data

We gather information on key health and safety measures in order to help us recognise the impact of work on health, and to address and reduce workplace health risks.

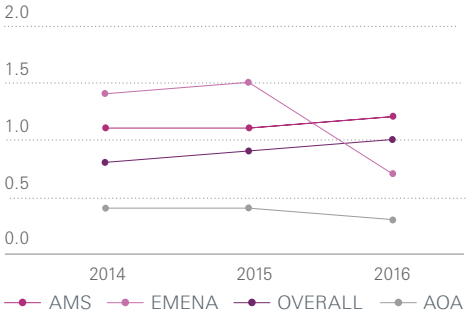
See our GRI Index for our data on recordable illnesses and injuries broken down by type (indicator G4-LA6).

Sickness absence (%)



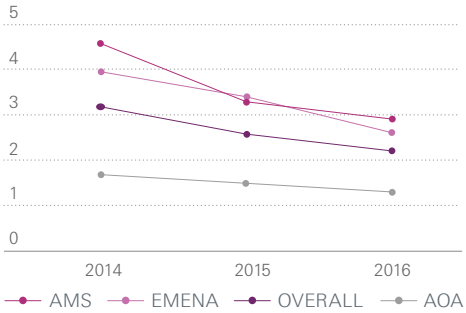
Covers 311 260 employees.

Total recordable illnesses rate for employees, on-site contractors and on-site members of public (per million hours worked)



Includes joint ventures.
Recordable illnesses are those work-related illnesses that result in: medical treatment beyond first aid, restricted work, lost time or fatalities.

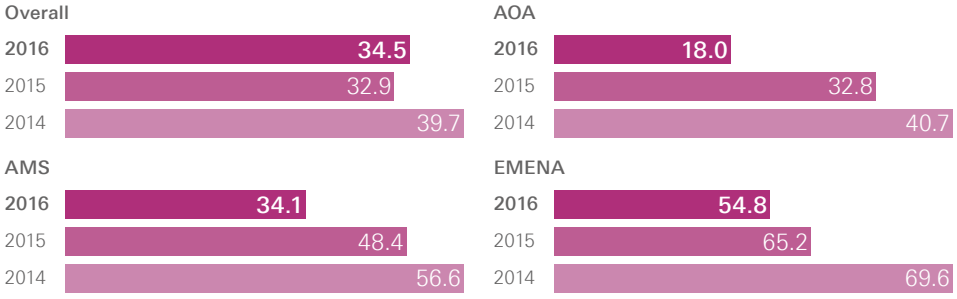
Recordable injury rate (per million hours worked)



Data has been restated to align with the new Nestlé zone structure

Lost day rate for injuries (per million hours worked)

Data has been restated to align with the new Nestlé zone structure



Zone key:
AMS: Americas
AOA: Asia, Oceana and sub-Saharan Africa
EMENA: Europe, Middle East and North Africa

Occupational health and safety G4-DMA, G4-LA6

Our passion for nutrition, health and wellness

Sustainable Development Goals

We identified the following goals where our work adds value:

For Nestlé to live up to its purpose internally, we need employees who are informed and passionate about nutrition, health and wellness. The focus areas for this strategic priority have been chosen from the Nestlé Framework for Employee Health. The framework helps structure and focus our existing efforts, promote proven practices and guide future developments. In 2016, we carried out a health survey that received responses from 73% of our markets, representing 83% of our employees. The survey showed that 97% of our markets have a health and wellness programme in place.

Nestlé Framework for Employee Health
Our passion for nutrition, health and wellness

LEARN	FEEL	CHOOSE
All about nutrition, health and wellness	**That we CARE for each other**	**Balance**
• Communication campaigns and events • Nutrition, health and wellness training	• Know your numbers • Stress and resilience	• Exercise • Healthy diets
FOUNDATIONS	Work environment, occupational safety and health	

Ergonomics and musculo-skeletal diseases

Musculo-skeletal diseases (MSDs) are our most common type of work-related illness, accounting for 73% of recordable illnesses in 2016. Improving the ergonomics of our production lines will help prevent these diseases and create more reliable product processes.

ErgoPro is the Nestlé project aimed at improving the ergonomic design of both the work tasks performed and equipment used in our factories. We are adopting the approach of identifying and assessing ergonomic risks and integrating ergonomics into operating standards. We are tracking 68% of routine tasks assessed and 32% of risks mitigated on a yearly basis. In 2016, we met our target of 25% of routine production tasks having an ErgoPro assessment.

Healthy diets

At the heart of our framework is nutrition, and our goal is to proactively make an impact on the diets of our employees and their families. We aim to do this by offering locally relevant education on nutrition and hydration, and by providing healthy food and drink options at work. In 2016, 94.2% of our canteens provided a healthy meal option to our employees.

Stress and resilience

We continued our efforts in 2016 to enable our employees to better manage work-related pressures and enhance their personal resilience. The Nestlé Guidance on Stress and Resilience, which outlines a holistic approach to reducing the risk of work-related stress, was communicated across our business during the year. To mark the World Day for Safety & Health at Work, we held a panel discussion on the theme of 'Workplace stress: a collective challenge', introduced by the Head of Human Resources, and with the participation of the Executive Vice President for Zone Americas and external speakers. We also conducted Skype sessions, which included stress along with other topics such as safety and health in field sales and offices, ergonomics and musculo-skeletal diseases, healthy diets, and fatigue and working time.

Our 2016 health survey showed that 53% of our markets already have programmes in place to provide training/coaching on managing stress at work.

Occupational health and safety G4-DMA

Fatigue and working time

It's important that employees have a good work–life balance, as this is necessary for their own wellbeing and that of their families. To help ensure this, we monitor our employees' working time, taking account of local law and addressing issues as they arise. We have also set a limit on working time of a maximum of 60 hours a week across our operations. So far, 98% of our markets have implemented and are tracking against this 60-hour weekly limit and we use Group Audit findings to prioritise improvement projects and training.

Management processes

Our commitment

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

Our objective in 2016

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

What is OHSAS: 18001?
BS OHSAS 18001 is a framework for an occupational health and safety management system. It sets out the minimum requirements for best practices.

We have always been committed to employee health and safety and continuously improve our standards, procedures and processes, using the Nestlé Occupational Safety and Health Management System. During 2016, we progressed in expanding our certification scope beyond manufacturing and have currently covered 79% of our employees, against 70% in 2015.

Facilities certified against OHSAS 18001:2007

Type of facility	Number certified
Factories	422
Distribution centres	157
R&D centres	31
Head and regional offices	197
Field sales forces	182
Other	20
Total	**1 009**

Contractor management

While contractors and construction activities are important for our growth, they also present an increased risk of fatality and serious injury, while incidents in engineering projects often cause significant interruption to business. We operate a Group standard on contractor management. This outlines our expectations for each site to implement a process for selecting contractors, planning work activities and ensuring safe execution. The standard is supported by a tool for categorising contracts and determining the level of oversight required.

Project management on all capital projects has been improved to ensure a greater focus on safety and health. We have also enhanced our safety and health training for project managers and engineers.

We operate a Group standard on contractor management. This outlines our expectations for each site to implement a process for selecting contractors, planning work activities and ensuring safe execution. The standard also provides a tool for categorising contracts and determining the level of oversight required to reduce the risk of incidents.

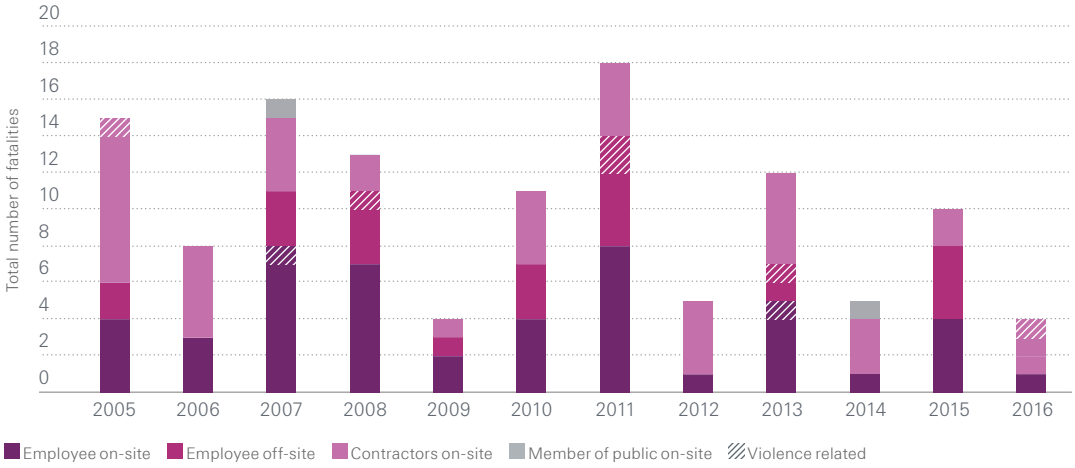
Occupational health and safety G4-DMA

Managing high-hazard tasks

High-hazard tasks present an increased risk of fatality and serious injuries, and industrial incidents often cause significant asset damage and business interruption. We continue to focus on management of high-hazard tasks through a permit-to-work (PTW) process to ensure that such tasks are carried out safely. PTW is a process of approaching certain tasks (such as working at height, hot work, demolition, opening lines and equipment, etc.) with structured steps.

In 2016, we maintained a strong compliance assurance process, which resulted in an overall compliance score of 71%. This process will continue to drive the improvement of the programme and compliance levels. We also published the safety and health guideline to support implementation of the PTW standard and provided support material such as updated templates for work permits, risk prediction and a PTW spot check tool.

Externally reported fatalities by victim status (2005–2016)



Risk assessment

Risk assessment is the primary safety and health management process by which we identify hazards and determine how to protect people. Risk assessment is an integral part of the Occupational Health and Safety Assessment Series (OHSAS) certification process and is in place for certified sites. In 2016, we undertook extensive work on developing an integrated Nestlé management system, which comprises a new risk-assessment toolkit that will enhance the quality of risk assessment. This will be rolled out across sites in 2017.

Workplace design

Read more about safety and health.

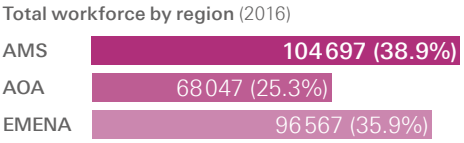
The introduction of new equipment or processes and the construction of new facilities create a potential for new risks. However, they are also an opportunity to build in safety and health at the design stage. Getting this right is critical to managing many of our key risks. Packaging machinery standards for several items of equipment have been revised in 2016.

Our approach is to enhance management of change programmes aligned with our Group standard on the topic.

Occupational health and safety G4-DMA, G4-LA6

Developing our people

Learning is part of our culture, ensuring our employees have the skills and knowledge not just to perform in their roles but to grow and develop. We champion the idea of lifelong learning, with solutions designed to meet employees' specific needs, from e-learning tools to face-to-face tutorials, workshop sessions, and activities and information employees can use to build successful careers.



Does not include joint ventures. Headcount definition is following international accounting standards (IFRS).

Building our capabilities

Training and learning strategy

Through our Training and Learning Strategy, we ensure that learning goes hand in hand with career development and our 70–20–10 approach (in which 70% of development is on the job, 20% is via feedback and 10% is through courses and reading). In 2016, we further developed our strategy to address the evolving learning landscape. These changes were geared towards:

- Equipping our people to face bigger and more complex leadership challenges linked to their career development;
- Accelerating the development and the onboarding of our senior executive leaders;
- Maintaining and enhancing our Category know-how as a key competitive advantage;
- Connecting Nestlé's leaders more closely with the external world to enhance our innovation culture and entrepreneurial spirit; and
- Meeting the 'social learning' needs of the new generations of learners and maximising knowledge sharing.

HR business partner capabilities

Throughout 2016, we continued to encourage our markets to improve their human resources capabilities by leveraging the HR Business Partner (HRBP) Capability Framework. The Framework provides a model for, and guidance on, practical ways to build capabilities.

We have extended the capability framework to our global HR community. Competency and behavioural descriptions, as well as 70–20–10 development actions, are now available online for the Talent Acquisition, Employee Relations and Total Rewards functions.

Succession planning

All Nestlé employees have training plans, which are reviewed against changing career paths and new opportunities. Employees have at least one formal discussion with their line manager around their plan each year.

Succession planning is used to develop the leaders of the future through planned career development, and for filling jobs at various levels in the organisation. In 2016, 51.4% of our Key Talents were identified as potential successors to another role. About 9840 people have now been identified as potential successors for key Nestlé positions across the organisation, up by 12% from 2015.

Training and education G4-DMA, G4-LA10

Supporting our line managers

Developing the capabilities of our business leaders is essential to our success as a company. We support our line managers by providing a number of tools and training programmes, details of which can be found here. In 2016, our Leading the Nestlé Way Programme was attended by 272 participants, while 296 employees took part in the Nestlé Leadership Programme.

Coaching and mentoring

We also continue to develop our Common Framework and Toolkit for coaching, which provides an opportunity for individuals to develop themselves. We have set up a coaching network that enables each of our participating markets to have a representative to coordinate activities. This network was active in 18 markets in 2016. Many of our markets also continued operating local mentoring schemes throughout the year, pairing employees with leaders and senior leaders for around 12 to 18 months.

Responding to international dual-career relationships

As a global employer, with operations in nearly 200 countries, we offer many opportunities for people to work abroad. Together with other multinationals, we've launched a network that helps dual-career spouses with their local job search and professional integration in a new country.

The International Dual Career Network (IDCN) is an independent non-profit association, and Nestlé is a member of its Executive Board. We continue to lead 5 out of 13 networks, which means our local operating companies manage the network in their respective country. We also provide office space and logistics support to the independent Global IDCN Centre of Expertise.

Training our people

Our commitment

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

Our objective

By 2017 – Nestlé's *Corporate Business Principles* are fully embedded in all courses at our international training centre and e-learning made available to all employees.

Our training is designed to enhance personal performance and to help achieve our business goals. Training programmes are continuously changed and improved to meet business needs. They are delivered by internal and external providers, and online. We have provided an overview of some of our training courses during 2016, which took place all over the world, in the table below.

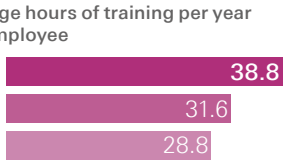
44%

of trainees participating at our international training and conference centre were women

We hosted training for 2670 employees at our international training and conference centre (Rive-Reine) in Switzerland in 2016. The percentage of female trainees continues to rise, reaching 44% of participants last year.

2016 management level courses	Number of sessions	Approximate number of attendees	Locations
Leadership Through Safety®	295	3215	Algeria, Argentina, Brazil, Belgium, Cameroon, Canada, Chile, China, Czech Republic, Dominican Republic, Egypt, France, Germany, Ghana, Greece, India, Iran, Ireland, Israel, Italy, Malaysia, Morocco, Netherlands, Nigeria, Norway, Peru, Philippines, Romania, Russia, Serbia, South Africa, Switzerland, Trinidad and Tobago, United Arab Emirates, United Kingdom, United States, Côte d'Ivoire
Environmental Sustainability Leadership	16	212	Guatemala, Middle East, Nicaragua, Panama, Spain, Switzerland, Thailand

Average hours of training per year per employee



Covers approximately 82.1% of all employees. Training hours are significantly higher due to roll-out of Learning Management System across the Group.

Our Leadership Through Safety® programmes are designed for us by executive coaching and mentoring specialists AlleTrust, who use cognitive science to drive behavioural change. Our IT-based Global Learning Management System, iLearn@Nestlé, enables employees to manage their own development and helps managers track the overall development of their team.

Training and education G4-DMA, G4-LA9, G4-LA10

Embedding our *Corporate Business Principles* in our daily life

The 10 Nestlé *Corporate Business Principles* guide how all Nestlé managers and employees work, and are integrated in business planning, auditing and performance reviews. They are associated with specific policies and reference codes, where compliance procedures are outlined.

We're committed to making sure that our entire company is managed according to the principles and require adherence to them from all our employees around the world. To reinforce this, the Principles will be fully embedded into all international training centre courses by 2017.

Training on the Nestlé Corporate Business Principles provides our people with increased appreciation of the Nestlé Business Model, allowing them to make better and more aligned decisions and elevate the quality of support they can provide to decision-makers. We want our leaders to become role models in doing business the Nestlé way.

Engaging employees with nutrition

Our objective in 2016

By 2016 – We will embed Nutrition Quotient (NQ) training into the new employee orientation programme at all our work sites.

Read more about our nutrition, health and wellness activities.

We make Nutrition Quotient (NQ) training, based on the most up-to-date public health priorities, available to all Nestlé employees, regardless of their work site and working conditions. The programme seeks to ensure our employees have a good understanding of nutrition and it empowers them to use this knowledge in daily life – at work and at home. The training has progressive levels covering subjects such as nutrients and food groups.

92%

of our markets have embedded Nutrition Quotient training for new employees

By the end of 2016, 92% of our markets had embedded the NQ Foundation Module into their orientation programme for new employees.

Empowering employees to be environmental stewards

Our objective in 2016

By 2016 – Environmental awareness training will be run in all countries.

Our objective towards 2020

By 2020 – Run environmental sustainability training in all countries and continue to strengthen environmental awareness among employees.

Number of countries holding environmental awareness training

Read more about our work to improve environmental sustainability.

Our environmental awareness programmes aim to foster a continuous improvement culture that raises awareness of environmental issues, our operations' impact on them, and our employees' role in managing them. In 2016, environmental awareness training was conducted in 95 countries in which we operate.

More than

5 600

employees have completed our environmental e-learning course

More than 5600 employees successfully completed our e-learning course in 2016, enhancing their knowledge and learning how to apply environmentally sustainable business practices. Environmental Sustainability Leadership workshops were held in Guatemala, the Middle East, Nicaragua, Panama, Spain, Switzerland and Thailand. The one-and-a-half-day sessions enable our employees to share best practices, improving their understanding of the challenges and external pressures facing our business. The course helps us promote environmentally sustainable business practices, and helps our leaders to apply policy requirements in daily activities. Nine of our trainers also received training.

Seven of our senior managers also had the opportunity to attend the Prince of Wales' Business & Sustainability Programme at Cambridge University in 2016.

Training and education G4-DMA

Promoting positive employee relations

The values of our company are rooted in respect. Good labour relations are essential to our growth, and our managers and employees work daily to develop and strengthen positive individual and collective relationships, as well as mutual trust. Disputes arise from time to time, but we proactively seek to prevent them through dialogue and training, and global, regional and local initiatives.

Sustainable Development Goals

We identified the following goals where our work adds value:

Read more about our sailent issues.

Supporting the living wage

Last year was the final phase of Nestlé's three-year Living Wage project. We completed our global exercise to validate that all our employees are paid a living wage and, working in partnership with Business for Social Responsibility (BSR), have identified and addressed cases where legal minimum wages do not fulfil employees' basic needs, with any remaining gaps to be closed in early 2017. This exercise covered all countries where we employ 10 or more people, with the exception of certain joint ventures, and those countries where reliable measurement was not possible due to local civil conflicts or extreme economic conditions (such as hyperinflation).

Going forward, the Nestlé living wage figures will be updated every three years to ensure as much as possible that accurate living wages are being applied. Reviews may be done more frequently in some countries because of significant social, economic, environmental and/or political events.

Building a positive working environment

We also continued to focus on improving conditions to make us an increasingly attractive employer. Our Working Conditions Action Plans support compliance with our Policy on Conditions of Work and Employment across our markets.

While we favour permanent employees for core activities, we also employ temporary employees to meet short-term business needs. When we outsource work to service providers, our Policy on Conditions of Work and Employment and our Supplier Code clearly set out the minimum standards relating to labour standards, such as working hours and wages, and the safety and health of employees, which we expect all of our service providers to meet.

We continue to monitor the working time of our employees according to local law and our policies, addressing issues as they arise. We aim to limit working time to a maximum of 60 hours per week across our operations. By the end of 2016, 98% of our markets had implemented and are tracking against this working time limit.

Supporting freedom of association

We support the freedom of association of our employees and the effective recognition of the right to collective bargaining. However, we operate in some countries where these rights are not upheld. Despite the inherent difficulties and the limits of local laws, Nestlé respects – at all times and in all places – the right of employees to meaningful and constructive dialogue over issues that relate to working conditions and the workplace environment. Our people and employee representatives are expected to make all necessary efforts to develop fair and constructive negotiations, overcome the difficulties they might encounter, reach sustainable agreements and implement them.

Our recognition and support of freedom of association and collective bargaining applies to 100% of our employees. In 2016, around 57% of our employees worldwide were covered by formal collective bargaining agreements.

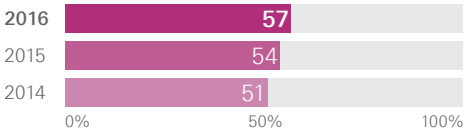
G4-11, Market presence G4-DMA, Employment G4-DMA, Labor/management relations G4-DMA, G4-FP3, G4-LA16, Freedom of association and collective bargaining G4-DMA, G4-HR4

Engaging positively with trade unions

We are committed to fostering positive relations with trade unions, and we respect the right of our employees to engage in union activities. Given the global scale of our operations, it is inevitable that some disputes will occur but, through our policies, principles and values, we seek to ensure that these are settled openly and transparently. In 2016, 42 labour disputes took place around the world, compared with 31 the previous year; however, the average percentage of working time lost due to labour disputes, strikes and/or lock-outs decreased slightly to 0.023%.

At the global level, we continue to engage with the IUF through biannual meetings and work groups focusing on specific topics such as gender equality and non-discrimination. At regional and market levels, we engage with work councils (such as the Nestlé European Council for Information and Consultation (NECIC)), labour federations, external experts and business organisations to find opportunities for continuously improving our labour practices.

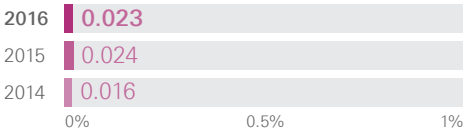
Percentage of employees covered by collective bargaining agreements (%)



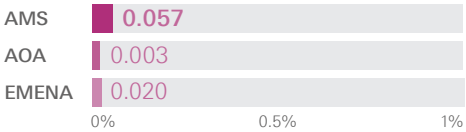
Number of labour disputes

Number of labour disputes by region (2016)

Working time lost due to industrial disputes, strikes and/or lock-outs (%)



Working time lost due to industrial disputes, strikes and/or lock-outs by region 2016 (%)



Combating discrimination

Read more about our 'Tell us' system through which incidents can be reported anonymously.

All our workplaces should be free from discrimination and harassment. Our Human Resources Policy and our Code of Business Conduct state that employees must not discriminate on the basis of origin, nationality, religion, race, gender, age or sexual orientation, or engage in any kind of verbal or physical harassment based on any of the above or any other reason. In 2016, 133 alleged incidents of discrimination in our operations were reported, of which 59% or 79 incidents have been resolved or otherwise require no further action from the company.

Status of alleged incidents of discrimination in 2016

- Organisation reviewed the incident: 44
- Remediation plan implemented and results reviewed through internal management processes: 0
- Incident no longer subject to action (i.e., resolved, case completed, no further action by company, etc.): 79
- Remediation plan being implemented: 10
- Total: 133
- Covers 311 260 Nestlé employees.

Employment G4-DMA, Labor/management relations G4-DMA, G4-FP3, G4-LA16, Non-discrimination G4-DMA, G4-HR3, G4-HR4

Appendix

Our UNGC Communication on Progress, Human Rights Reporting Framework and GRI Index are available as separate pdfs, and can be downloaded from the data performance centre.

About this Report 174

Bureau Veritas' Independent Assurance Statement 176

About this Report

This is our 2016 *Nestlé in society: Creating Shared Value* annual report. It is written to promote communication with, and transparent reporting to, our shareholders and stakeholders. The report shares detailed information about our material issues, and our societal and environmental impacts.

Reporting period and scope

This report covers Nestlé's global operations for the year ending 31 December 2016. It contains data for wholly owned companies and subsidiaries, excluding joint ventures and suppliers, unless specifically stated. Where we refer to a 'market', it means our business and/or activities at the level of a country or countries. The term 'Zone' refers to management responsibilities in a geographic group of markets; they consist of Zone Europe, Middle East and North Africa; Zone Americas; and Zone Asia, Oceania and sub-Saharan Africa.

Global Reporting Initiative

This report is prepared 'in accordance' with the comprehensive option of the Global Reporting Initiative's (GRI) G4 reporting guidelines, and the Food Processing Sector Supplement, and externally assured by Bureau Veritas. The GRI is a non-profit organisation that promotes economic sustainability and leads in the field of non-financial reporting. Our GRI Content Index can be viewed on our website: www.nestle.com/csv/performance/gri-index.

During 2016, Nestlé undertook a stakeholder-led materiality process, through which 17 issues were identified as being the most material. In line with this analysis and the materiality principle of the GRI G4 guidelines, we have focused our reporting on these material issues.

UN Guiding Principles Reporting Framework

This is our second report incorporating our reporting against the UN Guiding Principles Reporting Framework. Our Index of Answers, identifying the location of our responses to the framework within the report, can be viewed on our website: www.nestle.com/csv/performance/un-guiding-principles-reporting.

Report boundaries

We have considered and mapped material issues along the value chain of our business. This process reviews where financial, operational and reputational impacts would be felt in the Nestlé value chain. It also assesses the level of importance placed on issues by stakeholders in different parts of our value chain. The results have informed the scope and boundaries of content featured in this report.

Safety and health and environmental data

Our safety and health data refers to approximately 314 336 employees. Our environmental data refers to factories and warehouses (excluding some recent acquisitions). Nestlé's climate change disclosures were made in conformance with the Climate Disclosure Standards Board (CDSB) framework requirements. We follow the standards of the Greenhouse Gas (GHG) Protocol to establish our GHG inventory, which includes scope 1, 2 and 3 emissions. We use boundaries based on operational control as this better reflects the reality of our business operations. We also refer to our response to the CDP Investor Information Request, which contains comprehensive details of the Group's climate change disclosures and performance.

Currency conversion

All the amounts cited in this report have been converted to Swiss francs (CHF) using the exchange rates reported in the consolidated financial statements of the Nestlé Group 2016.

Audience

We have identified a wide range of stakeholders who have an interest in this report, and hold regular dialogue with them. They include non-governmental organisations (NGOs), think tanks, foundations, organisations, Environment, Social and Governance (ESG) services, our consumers and our suppliers.

Assurance

This report is subject to independent assurance by Bureau Veritas. This includes assurance of the report meeting the requirements of 'in accordance' with comprehensive GRI G4 guidelines.

The aim of this process is to provide reassurance to Nestlé's stakeholders of the accuracy, reliability and objectivity of the reported information, and that it covers the issues material to the business.

To view the scope of work and observations, see the full assurance statement on page 176.

Contact us

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

Bureau Veritas' Independent Assurance Statement

To: The Stakeholders of Nestlé S.A.

Introduction and objectives of the engagement

Bureau Veritas has been engaged by Nestlé S.A. (Nestlé) to provide independent assurance over the Nestlé in Society: Creating Shared Value and Meeting Our Commitments Report 2016 ('the CSV Report') published on the Nestlé website (www.nestlé.com/CSV). The aim of this process is to provide assurance to Nestlé's stakeholders over the accuracy, reliability and objectivity of the reported information and that it covers the issues material to the business and its stakeholders. The CSV Report has been self-declared to comply with the 'in accordance - comprehensive' requirements of the GRI G4 Guidelines.

Scope of work

The scope of our work was limited to assurance over performance data and information included in the CSV Report for the reporting period January 1, 2016 to December 31, 2016 (the 'Selected Information'). Subject to the limitations and exclusions listed in the next section, our review included:

i) statements, information and performance data contained within the CSV Report;

ii) Nestlé's management approach of material issues; and

iii) alignment of the reported data and information to the requirements of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard (2008) Type 2[1] assurance. We applied a moderate[2] level of assurance.

Limitations and exclusions

Excluded from the scope of our work is the following:

- Company position statements (including any expression of opinion, belief, aspiration, expectation, aim or future intent);
- Information related to activities outside the defined reporting period or scope;
- All data and information reported by markets as part of the Sustainable Agricultural Initiative at Nestlé;
- Data related to the number of suppliers and downstream business partners who have been appraised and informed about the Tell Us system;
- Data related to responsible sourcing and traceability of meat, poultry and eggs;
- Data related to number of water units/structures developed for communities in India and Pakistan;
- Data related to the healthy aging study, ketogenic clinical trials and Project Crown;
- Historic text which was unchanged from previous years and did not relate to ongoing activities;
- Financial data taken from Nestlé's Annual Report and Accounts 2016 which is audited by an external financial auditor, including but not limited to any statements relating to tax, sales, and financial investments;
- Content of external websites or documents linked from the CSV Report and www.nestlé.com/CSV pages; and
- Country or business unit specific CSV Reports of other Nestlé entities or joint ventures.

[1] Type 2 Assurance: an engagement in which the assurance provider gives findings and conclusions on the principles of Inclusivity, Materiality and Responsiveness and verifies the reliability of specified sustainability performance information (AA1000AS (2008) Standard). For further information see www.accountability.org/standards/aa1000as/

[2] All relevant text was supported by interview evidence as a minimum, and supported by corroborating interview evidence or another source wherever possible. A moderate level of assurance is commensurate with "limited" assurance as defined in the International Standard on Assurance Engagements 3000 (Revised) – Effective for assurance engagement dated on or after December 15, 2015.

This moderate level assurance engagement relies on a risk based selected sample of the selected information and the associated limitations that this entails. Our work was limited to head office based activities and understanding how Nestlé consolidates and reconciles data provided by local markets/countries. The reliability of the reported data is dependent on the accuracy of data collection and monitoring arrangements at market/site level, not addresses as part of this assurance. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

This assurance engagement does not constitute verification of Zero Waste to Landfill for the locations where Nestlé reported that this has been achieved.

Responsibilities

The preparation and presentation of the Selected Information in the CSV Report are the sole responsibility of the management of Nestlé.

Bureau Veritas was not involved in the drafting of the CSV Report. Our responsibilities were to:

- provide moderate level assurance over the accuracy, reliability and objectivity of the information contained within the CSV Report;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our detailed conclusions and recommendations in an internal letter to management.

Methodology followed and summary of work performed

As part of our independent assurance, our work included:

- Conducting interviews with relevant personnel at various levels throughout the organisation at Nestlé's head office in Vevey, Switzerland and via teleconference;
- Reviewing the internal systems, processes and controls to collect and report the Selected Information, including assessing the appropriateness of assumptions made, estimations techniques used and reporting boundaries;
- Agreeing a selection of the Selected Information to the corresponding source documentation;
- Reviewing a selection of market case studies featured within the CSV Report against corresponding source documentation;
- Performing analytical procedures of the Selected Information;
- Confirming where relevant the accuracy of information with third parties and/or external stakeholders;
- Reviewing the outcomes of Nestlé's materiality analysis and stakeholder engagement activities in 2016;
- Assessing the disclosure and presentation of the Selected Information to ensure consistency with assured information; and
- Evaluating Nestlé's public disclosures against the GRI G4 Sustainability Reporting Guidelines.

Conclusion

On the basis of the scope of work, nothing came to our attention to suggest that:

- the Selected information is not fairly stated in all material aspects;
- Nestlé does not adhere to the principles of inclusivity, materiality and responsiveness as per the AA1000 Accountability Principles Standard 2008.

Any errors or misstatements identified during the engagement were corrected prior to the CSV Report being published.

Observations of good practice and positive developments

We are pleased to observe progress and good practices in the following areas during 2016:

- as some of Nestlé's commitments came to an end in 2016, Nestlé has demonstrated continued focus on its material CSV issues by setting new targets;
- Nestlé also reinforced its long term commitments by incorporating the Sustainable Development Goals into its reporting for the first time;
- the CT-NHW team at head office conducts thorough checks of the reductions being achieved at market level in the salt, sugar, and fat content of products;
- Nestlé recently launched a Diversity and Inclusion Framework, adopting a more integrated approach which covers all diversity topics under a single framework and recognises the significance of diversity along the value chain, including employees, consumers and supply chain;
- we noted a drive from various functions for more centrally integrated reporting systems to ensure greater coverage globally and better visibility of markets and Nestlé businesses;
- during 2016, there was a significant increase in the number of product test results recorded in the global quality management system rather than only in locally managed systems;
- the CT-NHW team have been working towards 100% coverage of all the ingredients and recipes for its products globally in the centrally managed recipe management systems for 2017;
- Nestlé has put a plan in place to upgrade its Human Resources systems by 2020 to achieve completeness of reporting by including its entire workforce (reporting currently covers only 82.5% of employees); and
- as with previous reporting cycles, Nestlé has continued to produce reliable data for its reporting on Safety, Health and Environment through its internal data capture and reporting system.

Key recommendations for 2017

- To increase transparency behind the calculations of the reported performance data, Nestlé should publish a separate reporting criteria document alongside its annual CSV Report, outlining key definitions, reporting boundaries, baseline years, and calculations methodologies, including any exclusions and assumptions. In addition, we recommend that each content owner creates an internal procedure document to explain in details the data collection and aggregation processes. This will help to ensure that the data is collected in a consistent way in case of personnel changes or absences.
- Our work identified data entry errors which were corrected. To ensure accuracy of each key performance indicator in the future, we recommend strengthening and formally documenting the internal review process. This review should be conducted for each indicator at market and/or head office level by someone who is independent from the data gathering process and should include checking the accuracy of calculations, identifying data gaps or abnormal data points and comparing the data to prior years.
- Data owners should ensure that there is a clear, documented link between data sources and the data being reported. For example, the documentation of the data sources, estimation techniques and assumptions used to generate the responsible sourcing data should be improved. Also, a number of activities are carried out at market level as part of the Sustainable Agriculture Initiative at Nestlé. The outcomes of these activities are pulled together into numerous case studies for head office. It is recommended that more robust evidence of these activities is collected from the markets by head office to support the information being reported.
- As per our recommendation in the 2015 CSV Report, reporting on responsible sourcing and transport figures within the CSV Report continues to lag the overall reporting period by one year. Nestlé therefore should review its internal data gathering processes to produce more timely data.
- Nestlé has in place a comprehensive global system to record training delivered. However, some training activities are recorded separately and manually added at year end to the total figures. We recommend that Nestlé records all of its training data into one central system.

Findings and conclusions concerning adherence to the AA1000 principles of Inclusivity, Materiality and Responsiveness:

Inclusivity[3]

At the global level, Nestlé's on-going programme of stakeholder convenings involving NGOs, government, academia and investors, continues to provide the business with valuable stakeholder insight on its CSV strategy and activities. Beyond this, the materiality analysis incorporates a review of stakeholders' interests.

Materiality[4]

Nestlé has conducted a new materiality analysis in 2016 which included an assessment of stakeholders' interest and the corresponding Nestlé business impact. This year the issues were also mapped against the Sustainable Development Goals. A number of new issues were identified, merged with others or have gone up in the prioritisation rankings.

We believe that this updated materiality process is appropriate and relevant to the business in 2016.

Responsiveness[5]

Nestlé remains responsive to stakeholder concerns through the publication of its annual CSV Report. In addition, this year Nestlé has published in the CSV Report the full list of stakeholders' recommendations from the 2016 Stakeholder Convening in Geneva and its responses.

Statement of Independence, Impartiality and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 185 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified[6] Quality Management System which complies with the requirements of ISO 9001:2008, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented a Code of Ethics across its business which ensures that all our staff maintains high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest. Bureau Veritas has a number of existing commercial contracts with Nestlé. Our assurance team does not have any involvement in other projects with Nestlé that would cause a conflict of interest.

London, April 2017

[3] Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.
[4] Materiality is determining the relevance and significance of an issue to an organisation and its stakeholders.
[5] Responsiveness is the extent of an organisation's response to stakeholder issues and is realised through decisions, actions and communication with stakeholders.
[6] Certificate of Registration FS 34143 issued by BSI Assurance UK Limited