



Nestlé

Good Food, Good Life

Nestlé in society Creating Shared Value and meeting our commitments 2017

Full report

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



A year of positive impact



For individuals and families

For our communities

For the planet

January

Recognised by **CDP** as a global leader in tackling climate change and reducing carbon emissions across our supply chain. Nestlé was featured in CDP's first-ever Supplier Engagement Ranking among 29 companies from over 3300 that were assessed.

Participated in the launch of the **Food Reform for Sustainability and Health (FReSH) programme** to promote healthy, enjoyable diets using food produced with respect for our planet.



March

Nestlé Waters, through the **NaturALL Bottle Alliance**, announced a partnership with Danone and Origin Materials to develop a PET plastic bottle made from 100% sustainable and renewable resources.

Launched a series of **Leading Together employee conferences** to accelerate diversity and inclusion and help us reach our ambition to be a gender-balanced company by 2018.

Announced our new **2020 commitments and long-term ambitions**, in support of the 2030 United Nations Sustainable Development Goals (SDGs).

May

Joined 37 companies at the Second Pacific Alliance Youth Summit in Santiago, Chile to launch the **Alliance for YOUTH** in Latin America.

Maggi announced a renewal of its global product portfolio with simple, recognisable ingredients, as part of its **Simply Good initiative** to inspire and offer tastier, healthier choices.



July

Hosted the **Planting the Seeds for the Future of Food** conference in Vevey, Switzerland, to explore issues around agriculture, sustainability and nutrition.



September

Nestlé Chairman Paul Bulcke was given the **Concordia Leadership Award** for 2017, for leading the company's ongoing commitment to Creating Shared Value and supporting the UN's SDGs.

Launched our global youth initiative, **Nestlé needs YOUTH**, at the Private Sector Forum of the United Nations General Assembly in New York.

October

Published **Tackling Child Labour**, our first report on **child labour in the cocoa supply chain**. It details our approach to this complex challenge and our work with partners on the ground to identify its causes and take remedial action.

Nestlé Pakistan, in collaboration with Lahore University of Management Sciences and WWF, launched a local **Water Plan** to promote sustainable agricultural techniques, and improve access to safe water and sanitation.

Nestlé Waters announced its enhanced collaboration with the Alliance for Water Stewardship, which will certify 20 factories to its global **water stewardship standard** by 2020.

November

Nestlé pledged to source only cage-free eggs by 2025.

Nespresso invested in post-conflict Colombian coffee.

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Where to find more information

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



Our [Annual Review](#)



The [Nestlé in society 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 Human Rights Reporting Framework and GRI Content Index are available as separate [PDF downloads](#).

Our *Corporate Business Principles* are the basis of our company's culture and are available as a [PDF download](#).

Front cover: Our *Nestlé Cocoa Plan* in action

A message from our Chairman and CEO

We are pleased to share with you our 2017 *Nestlé in society: Creating Shared Value* full online report.

This year, we further integrated our public reporting on our financial and non-financial performance by including the highlights from our Nestlé in society report in our Annual Review, which is issued to our shareholders. We recognise that for our company to be successful over time and create sustainable value for shareholders we must also create value for society. This longer report provides greater detail on how we go about this, including our progress in meeting our 2020 public commitments and 2030 ambitions.

The world is changing fast, with consumer expectations, competition and society evolving at an unprecedented pace. While our company is anticipating and adapting to these changes, two important dimensions do not change – our purpose and our values. Our purpose is to enhance quality of life and contribute to a healthier future. Our values, rooted in respect, guide our decisions and actions. This is deeply anchored in Nestlé's culture and reflected in our *Corporate Business Principles* and our *Code of Business Conduct*.

We want to help shape a better, healthier future. This starts with supporting young people. In 2017, we regrouped and aligned our healthy kids initiatives to better support parents and caregivers on their journey to raise healthier children. We also extended our *Nestlé needs YOUth* initiative globally to encompass our entire value chain and set out an ambition to help 10 million young people have access to economic opportunities by 2030.

In recognition of our work in contributing to the UN Sustainable Development Goals (SDGs) through our Creating Shared Value approach, Nestlé received the Concordia Leadership Award. We have also renewed our commitment to the United Nations Global Compact. It promotes the principle of public-private collaborations in support of the SDGs. These efforts, among others, show that business has a vital role to play in building a better, more sustainable world for everyone.

We look forward to your feedback on this report and on our progress towards meeting our 2020 commitments.



Paul Bulcke
Chairman



Mark Schneider
Chief Executive Officer



Creating Shared Value

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

Maximising value creation

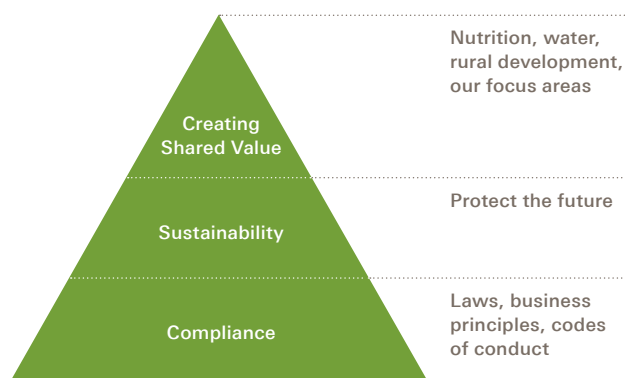
Through our CSV approach we aim to create value not only for shareholders but also for society. Our CSV impact areas are those areas where our business intersects most closely with society, and where we can create the most value and make the most difference. These include:

- **Nutrition**, 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**, to address an issue of critical concern for the planet and a lynchpin of food security.

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

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

Our values



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

The business case for CSV

A long-term approach to business has always been part of Nestlé's DNA. Through CSV, we integrate sustainable development into business activities. This is increasingly important to long-term investors. CSV brings business and society together by generating economic value in a way that also produces value for society. Foods and beverages with a nutrition, health and wellness dimension perform better. Rural development programmes for farmers offer commercial differentiation to consumers, while responsible stewardship of water reduces costs and secures supplies for our businesses.

Nestlé is one of a small number of corporations involved in the Embankment Project for Inclusive Capitalism which aims to encourage and measure long-term value creation.

Our material issues

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

- Read more about the investor benefits of our work with [individuals and families](#), in our [communities and the planet](#)

Framing our CSV approach

Our purpose: enhancing quality of life and contributing to a healthier future



For individuals and families

Enabling healthier and happier lives

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

Offering tastier and healthier choices

Inspiring people to lead healthier lives

Building, sharing and applying nutrition knowledge

Related CSV impact area



Nutrition

See [page 15](#)



For our communities

Helping develop thriving, resilient communities

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

Rural development and enhancing rural livelihoods

Respecting and promoting human rights

Promoting decent employment and diversity

Related CSV impact areas



Rural development



Human rights



Our people

See [page 45](#)



For the planet

Stewarding resources for future generations

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

Caring for water

Acting on climate change

Safeguarding our environment

Related CSV impact areas



Water



Environmental sustainability

See [page 74](#)

Our commitments

We have 41 commitments to hold ourselves publicly accountable for our performance, and we report our progress against them every year. All our public commitments are directly aligned with our corporate purpose and the majority are supported by specific objectives towards 2020.

See our progress against our [commitments](#)

Our values

Underpinning all our efforts are our company values, rooted in respect: respect for ourselves, respect for others, respect for diversity and respect for the future.

Find out more about [business ethics](#)

Please see our feature stories, which demonstrate how we bring our purpose to life for [individuals and families](#), our [communities](#) and the [planet](#)

Brands with purpose

Every day, our brands enhance quality of life and contribute to a healthier future for individuals and families, for our communities and for the planet.

Gerber Grabbers Strong Veggies Squeezable Puree

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



Nespresso 'The choices we make'

The long-term relationship with the coffee producers has been put at the centre of the 2017 *Nespresso* consumer campaign. 'The choices we make' tells the story of the company investments into the community mill built in Jardín, Colombia, and the economic, social and environmental benefits it delivered. Globally, over 75 000 farmers in 12 countries are part of the *Nespresso AAA Sustainable Quality™ Program* which embeds sustainable agricultural practices on farms and surrounding landscapes.



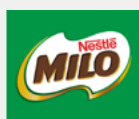
Packaging improvement by Felix™

Over the past few years, as part of a UK Government initiative, *Purina* has been looking at how pouches can be recycled. Felix™ pet food pouches were recycled in households across three towns and eventually turned into new materials – the aluminium into metal products and the plastic into reusable oil.



Milo

Milo launched a low-sugar, ready-to-drink beverage for active kids in Thailand. In support, the *Milo* sports programme encourages a balanced diet and active lifestyle for children aged 6 to 12 years. The in-school scheme reaches more than one million children in 1000 schools throughout the country each year.



Dairy 4 You

Dairy 4 You is an initiative that helps us to continuously improve our sourcing and share information with consumers about our dairy products. This is incorporated into our brand messaging – such as with *Nido* in Chile and Ecuador in 2017 – we are more open and transparent to consumers about the animal welfare standards in our supply chain.



Nestlé Waters

Exploring transport options that lower emissions, Nestlé Waters converted 8% of its fleet in Italy from diesel to gas-powered vehicles at the start of 2017. Nestlé Waters North America is also introducing alternative fuels to reduce its carbon footprint, switching 589 *ReadyRefresh* delivery vehicles to propane gas by October 2017.



Read more about brands with purpose in our [Annual Report](#)

See our [Brands](#) section on Nestlé.com for more information

Global opportunities and challenges

Our world is affected by a wide range of global megatrends. In turn, these have influenced the development of our CSV approach and our 2030 ambitions.



For individuals and families

Over- and under-nutrition

In 2016, around 815 million people lacked access to adequate nutrition ([Food and Agricultural Organization](#)). According to the World Health Organization, much of the world's population suffers from deficiencies in essential vitamins and minerals, including an estimated 2 billion people who suffer from iron-deficient anaemia, and around 45% deaths in children under 5 years of age are associated with under-nutrition. Millions more people over-consume foods and beverages high in sugar, salt and fat, increasing the prevalence of obesity in developed and developing countries.

Increasing personalisation

There is a growing appetite for premium, authentic experiences and high-end, indulgent products and services. Nutrition is also becoming increasingly personalised, with ranges designed to meet the nutritional needs of infants, seniors, those with medical conditions – even pets.

Changing consumer expectations

The demand for more natural and organic foods and beverages without artificial colours and flavours is growing, as is the market for products free from lactose, gluten and sugar. Vegetarian and flexitarian diets, where consumers opt to eat less meat-based protein in favour of vegetarian alternatives, are also on the rise.

Lifestyle changes

In today's hectic world, finding the time to exercise and eat a balanced diet can be challenging. People are increasingly 'time poor', and often look for food to consume on the go or prepare quickly. Even those motivated to follow a healthy lifestyle can easily be confused by conflicting advice and health messages.



For our communities

Human rights

Millions of people are negatively affected by human rights abuses, not least in areas of war and conflict. The refugee crisis, and the resulting surge in migrant labour, remains a major challenge, and a root cause of key issues such as child and forced labour in the agricultural sector.

Sustainable agriculture

Globally, changes in consumption patterns and dietary preferences for animal protein are significantly increasing demand for feed and fodder. Agriculture must therefore produce more food of better quality while using less water and other resources.

Rural development

Demand for food is growing, but farmers face many challenges in meeting that need, due to poor farming practices, ageing or diseased plants, women's lack of empowerment, and low levels of nutrition and sanitation. These can be exacerbated by the increasing pressure on arable land from other crops. As a result, many farmers live on low incomes, making farming a less desirable career option for the next generation.

Youth employability

Youth unemployment is a serious issue across the world, affecting an estimated 71 million people in 2017, according to the [International Labour Organization](#). Work and training opportunities help alleviate poverty and provide our sector with new talent.



For the planet

Water scarcity

Water resources are unevenly distributed across the planet: 1.1 billion people lack access to water, and 2.7 billion find water scarce for at least one month a year ([WWF](#)). Access to clean drinking water and adequate sanitation remains a significant challenge in many countries.

Population growth and urbanisation

The world's population is growing, driving up consumption and putting pressure on precious natural resources, including water. The general trend towards living in urban areas also threatens the pipeline of farmers needed to produce enough food for us all.

Food waste and loss

If food waste was a country, it would be the world's third-largest carbon emitter ([Food and Agriculture Organization](#)). About a third of global food production is wasted or lost every year. This affects farmer income, as well as the cost and availability of food.

Climate change

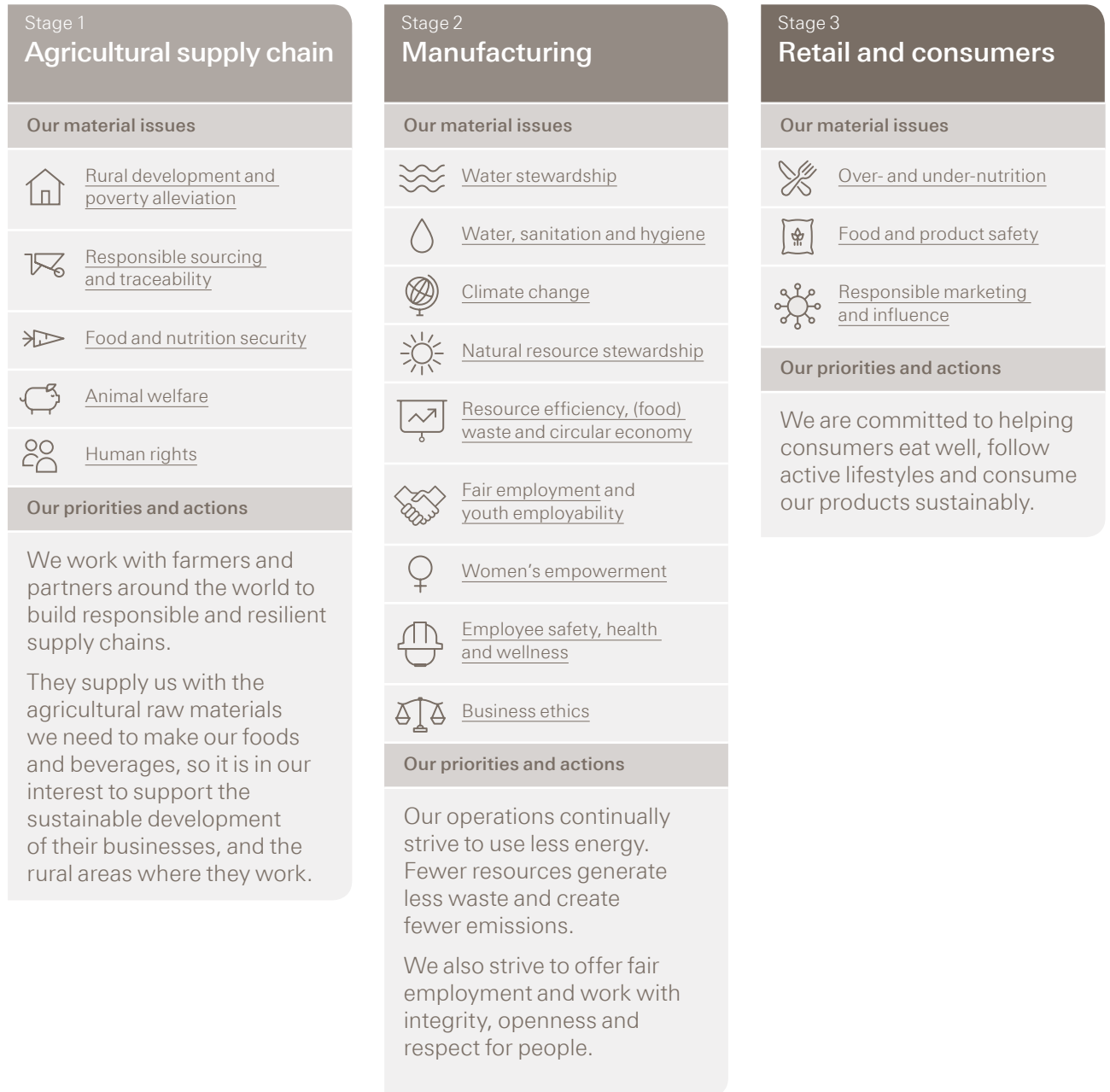
Our industry relies on a sustainable supply of ingredients, but climate change is impacting the food and beverage sector. Shifting weather patterns are affecting when and where crops can be grown.

Declining natural capital

Globally, we consume 1.6 times what our planet naturally provides ([Global Footprint Network](#)). Natural habitats are shrinking because of this demand for raw materials, as well as climate change and the growing population. Forests, grasslands and wetlands continue to be converted into urban and agricultural use.

Our value chain

These global trends cut across our sphere of influence and span our entire value chain. See how these issues have informed our priorities and actions below.



Valuing our contribution to society

We have contributed to the Social Capital Protocol, actively developing methodological approaches to measure social issues. During 2017, we published a [white paper](#) that sets out a methodology for valuing our contribution to society through employment created along a value chain. We used living wage as the benchmark for demonstrating value.

 [Read more about our material issues](#)

Contributing to the global agenda

We frame our Creating Shared Value (CSV) approach closely with the United Nations 2030 Agenda for Sustainable Development. Having helped to shape the 17 Sustainable Development Goals (SDGs), we – and many companies like us – are working hard to achieve them.

Driven by our [company purpose](#), we have defined three main impact areas, which guide us towards achieving our 2020 commitments, and three 2030 ambitions that support the achievement of the SDGs. These recognise that we live in an interconnected world in which our futures are inextricably linked.

Integrating the SDGs into our [CSV approach](#) has enabled us to identify those where we can create a positive impact – or at the very least, mitigate a negative impact. In 2016, we also mapped our [material issues](#) against the goals to see where our activities are best placed and most able to contribute, both directly and indirectly, towards their aims.

In 2017, we focused on integrating the SDGs into key partnerships and global initiatives, such as [Nestlé for Healthier Kids](#), [Nestlé needs YOUth](#) and our [approach to water stewardship](#). We indicate where these, and other activities, support particular SDGs throughout this report, and summarise [our overall contribution to the global agenda](#) online.

We remain committed to leveraging our scale to make progress towards the UN's ambitious 2030 agenda, and our own 2030 ambitions. But we cannot do it alone. Achieving the SDGs will only be possible through effective and dynamic partnerships with a wide range of stakeholders.


 [View the mapping here](#)



Contributing to the SDGs: the example of the Philippines

Published in September 2017, a report from United Nations Development Programme Philippines and the Philippine Business for the Environment details how the private sector contributes locally to the SDGs. Amongst other initiatives, the report features Nestlé's Micronutrient Fortification efforts through popular products, our Healthy Kids programme that we have in partnership with the Department of Science and Technology – Food and Nutrition Research Institute (DOST-FNRI) and our responsible coffee farming activities in the Philippines.

The report is the first of its kind in the Philippines and showcases the preliminary results of an online voluntary reporting process and in-depth research on how businesses are aligning their core business processes, activities and initiatives with the SDGs.

 [Read a report](#) and an [article](#) about the Philippines' contribution to the SDGs

Collaborating for a positive impact

As a global company, Nestlé faces a wide range of complex challenges, from obesity to child labour to climate change. We cannot tackle these alone but, through collective action and partnerships, we are better placed to contribute more effectively and maximise what can be achieved.

Our main partnerships and collaborations

EpiGen Global Research Consortium (EpiGen)

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 as part of the EpiGen Global Research Consortium (EpiGen). Through EpiGen's NiPPeR study, we are exploring whether micronutrient supplements taken before conception and during pregnancy improve the health of mothers and their babies.

 Read more about our collaboration with [EpiGen](#)

Responsible Sourcing partners

As part of our Responsible Sourcing programme, we work with implementation partners in the countries where we source our ingredients. By bringing their technical expertise in agricultural supply chains, these partners help us to ensure that the work we do on the ground has the greatest positive impact on our sourcing communities and their local environments. We work with partners including TFT, ProForest, Verité and the Fair Labor Association (FLA) across all 12 global priority commodities. You can read more about our partnerships with these organisations and work that we are doing together in the [Responsible Sourcing section](#).

International Federation of Red Cross and Red Crescent Societies (IFRC)

We have worked with the IFRC in Africa for 15 years, in support of its Global Water and Sanitation Initiative to improve access to safe water and sanitation to 30 million people by 2030. Our efforts focus on assisting the rural communities in the cocoa-growing regions of Côte d'Ivoire and Ghana and, more recently, the communities around our bottled water factories in Ethiopia, helping them gain greater access to clean water and sanitation. Our 10 years of collaboration in Côte d'Ivoire has been summarised in a recent report.

 Read more about our work with the [IFRC](#)

 Learn more about our [partnerships](#)

Working 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 covering human rights, labour, environment and anti-corruption. Our *Corporate Business Principles* incorporate the 10 UNGC Principles, and we reflect the concepts of fairness, honesty and respect for people and the environment in our actions.

As a member of the UNGC's leadership platform, LEAD, Nestlé continues to further its work towards advancing the integration of sustainability principles into our core business operations. Through LEAD, we are also able to deepen our efforts and commitments to answer to the call to action made by the SDGs.

In 2017, we participated in several UNGC [Action Platforms](#), advancing responsible business activities that support the UN SDGs:

- We contributed to the [Blueprint for Business Leadership Platform](#), inspiring businesses to apply five leadership qualities to create positive impact at scale;
- In helping develop a comprehensive inventory of indicators for each SDG for the [Business Reporting Platform](#), we have taken a major step towards a single framework with a common set of indicators; and
- Through the [Breakthrough Innovation Challenge](#), we developed *bagzielicious*, a prototype app that allows consumers to manage their groceries, prepare healthy meals and decrease food waste. This was unveiled at the [UNGC Leaders Summit](#) in September 2017.

 Read more about our engagement with the [UNGC](#)

Nestlé Pakistan won **First Prize** for 'Living the UN Global Compact (UNGC) Business Sustainability Award 2017', in the **Multinational Category**.

The award was presented at the 'Business Sustainability Moot and Annual General Meeting of Global Compact Network Pakistan', organised in collaboration with the Employers' Federation of Pakistan on 28 February 2018 in Karachi. This is the second time in a row; in 2016, Nestlé Pakistan was awarded the first prize as well in the category 'Living the Global Compact Business Excellence 2014–15'. Winning this prestigious award twice in a row signifies Nestlé Pakistan's continuous commitment towards its purpose of enhancing quality of life and contributing to a healthier future, in complete alignment with the SDGs.

Our 2020 commitments and progress

Our commitments hold us publicly accountable for our performance, and we report on them every year. The table below shows both our current progress against them, and where we still strive to do more. All commitments are directly aligned with our business and our 2030 ambitions, and many directly support the UN's Sustainable Development Goals (SDGs).

Key		● Achieved	◐ In progress
 For individuals and families		     	
2020 Commitment	Status	More information	
Offering tastier and healthier choices			
Launch more foods and beverages that are nutritious, especially for mothers-to-be, new mothers and infants and children	◐	Page 21	
Further decrease sugars, sodium and saturated fat	◐	Page 23	
Increase vegetables, fibre-rich grains, pulses, nuts and seeds in our foods and beverages	◐	Page 25	
Simplify our ingredients list and remove artificial colours	◐	Page 26	
Address under-nutrition through micronutrient fortification	◐	Page 27	
Inspiring people to lead healthier lives			
Apply and explain nutrition information on packs, at point of sale and online	◐	Page 30	
Offer guidance on portions for our products	◐	Page 31	
Leverage our marketing efforts to promote healthy cooking, eating and lifestyles	◐	Page 33	
Empower parents, caregivers and teachers to foster healthy behaviours in children	◐	Page 34	
Market to children only choices that help them achieve a nutritious diet	● Achieved	Page 35	
Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly	◐	Page 36	
Inspire people to choose water to lead healthier lives	◐	Page 38	
Partner for promoting healthy food environments	◐	Page 39	
Building, sharing and applying nutrition knowledge			
Build and share nutrition knowledge from the first 1000 days through to healthy ageing	◐	Page 41	
Build biomedical science leading to health-promoting products, personalised nutrition and digital solutions	◐	Page 43	

You can find each commitment explained in detail on the page indicated above. A full overview of our key performance indicators (KPIs) is provided at the end of this report.



For our communities



2020 Commitment	Status	More information
Rural development and enhancing livelihoods		
Roll-out of rural development baseline assessments to understand the needs of farmers	● Achieved	Page 52
Improve farm economics among the farmers who supply us	◐	Page 53
Improve food availability and dietary diversity among the farmers who supply us	◐	Page 54
Implement responsible sourcing in our supply chain and promote animal welfare	◐	Page 55
Continuously improve our green coffee supply chain	◐	Page 56
Roll out the <i>Nestlé Cocoa Plan</i> with cocoa farmers	◐	Page 57
Respecting and promoting human rights across our business activities		
Assess and address human rights impacts across our business activities	◐	Page 60
Improve workers' livelihoods and protect children in our agricultural supply chain	◐	Page 61
Enhance a culture of integrity across the organisation	◐	Page 62
Promoting decent employment and diversity		
Roll out our <i>Nestlé needs YOUth</i> initiative across our operations	◐	Page 64
Provide training on <i>Corporate Business Principles</i> , nutrition and environmental sustainability	● Achieved	Page 65
Enhance gender balance in our workforce and empower women across the entire value chain	◐	Page 66
Advocate for healthy workplaces and healthier employees	◐	Page 68
Provide effective grievance mechanisms to employees and stakeholders	◐	Page 73

You can find each commitment explained in detail on the page indicated above. A full overview of our key performance indicators (KPIs) is provided at the end of this report.



For the planet



2020 Commitment	Status	More information
Caring for water		
Work to achieve water efficiency and sustainability across our operations	◐	Page 80
Advocate for effective water policies and stewardship	◐	Page 81
Treat the water we discharge effectively	● Achieved	Page 83
Engage with suppliers, especially those in agriculture	◐	Page 84
Raise awareness on water conservation and improve access to water and sanitation across our value chain	◐	Page 85
Acting on climate change		
Provide climate change leadership	◐	Page 88
Promote transparency and proactive, long-term engagement in climate policy	◐	Page 90
Safeguarding the environment		
Assess and optimise the environmental impact of our products	● Achieved	Page 92
Improve the environmental performance of our packaging	◐	Page 93
Reduce food loss and waste	◐	Page 95
Provide meaningful and accurate environmental information and dialogue	◐	Page 96
Preserve natural capital, including forests	◐	Page 97

You can find each commitment explained in detail on the page indicated above. A full overview of our key performance indicators (KPIs) is provided at the end of this report.



For individuals and families

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

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



Offering tastier and healthier choices

because we want to encourage healthy diets and reduce malnutrition in all its forms, from under- to over-nutrition.

2017 highlights

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

1041 new nutritious products launched, that address daily needs and gaps as per children intake studies

8438 products per year* renovated for nutrition or health considerations

Over half of our products currently follow the WHO's 5% conditional recommendation for sugar intake

* 2012–2016 average.

From [page 20](#)



Inspiring people to lead healthier lives

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

2017 highlights

14.4 million children meaningfully reached across the world through our *Nestlé for Healthier Kids* programme

89.4% of our foods and beverages display Guideline Daily Amount (GDA) labels on the front of pack in countries where labelling regulations allow

CHF 40.1 billion sales of products providing *Portion Guidance*

81 countries participating in *Nestlé for Healthier Kids*

From [page 29](#)



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.

2017 highlights

Published **313** peer-reviewed scientific papers on FITS and KNHS studies focused on the dietary intakes of babies and children

Launched the first infant formula with two human milk oligosaccharides (HMOs), which support infants' immune systems and promote healthy gut flora

1.724 billion Swiss francs invested in research and development

Nestlé Health Science launched our *Boost* nutritional drink range in China, Japan, the Philippines and Mexico to support healthy ageing

From [page 40](#)

Investor benefits

The market for healthier foods and beverages is growing. Products with a nutrition, health and wellness (NHW) dimension perform better financially and resonate deeply with consumers. Our portfolio means we are well placed to seize this growing and evolving opportunity. Nestlé foods and beverages with an above-average NHW dimension demonstrate growth rates 1.8 times higher than those that are below average and are 1.5 times more profitable.

Supporting the Sustainable Development Goals



Read more about how we are helping [individuals and families](#)

Nestlé for Healthier Kids

Today, more than 40 million children under five years of age are considered overweight or obese, and almost 155 million are stunted due to under-nutrition*. This calls for action.

At Nestlé, we believe that by helping new generations eat and drink better and exercise more, we will enhance quality of life and contribute to a healthier future.

In 2017, we brought together our *United for Healthier Kids* and *Nestlé Healthy Kids Global Programme* under one name: *Nestlé for Healthier Kids*. This initiative brings together all our efforts to support parents and caregivers on their journey to raise healthy children.

From leading research and product formulation to education, innovative nutrition and services, our ambition is to help 50 million children lead healthier lives by 2030. In 2017, our initiative reached 14.4 million children.

We are helping parents raise healthier children in three ways:

- Understanding children's nutritional gaps –** All *Nestlé for Healthier Kids* activities are supported by scientific evidence. On [pages 41–42](#), you can read about our Feeding Infants and Toddlers Study (FITS) and our Kids Nutrition and Health Study (KNHS), which uncover insights about the eating patterns and nutritional intake of infants and toddlers from birth to age four, and children aged 4–12 respectively.
- Offering tastier and healthier choices to families –** Every year, we sell over 360 billion servings of foods and beverages in 150 countries around the world. To ensure our brands support a healthier journey, we have made forward-looking commitments to reduce sodium, sugars and saturated fats, and add healthy ingredients like fibre-rich grains, vegetables and micronutrients to our foods and beverages. We increasingly use recognisable ingredients through our 'Kitchen Cupboard' approach to recipe development, accelerating the removal of artificial additives, flavours and colours that parents are seeking to avoid in children's diets. Read more from [page 20](#).
- Inspiring families to raise healthier kids –** Adopting strong nutrition and hydration habits from an early age is essential to becoming a healthy adult. From [page 29](#), you can read about how we aim to foster healthier behaviours from the start of life to adolescence, by supporting parents, teachers and caregivers with nutrition education programmes.

We also leverage our brand efforts to inspire parents to raise healthier kids by promoting healthy cooking and hydration, balanced breakfasts, guidance on portions and sport. For example, *Maggi's* 'Simply Good' initiative helps millions of families cook tasty and balanced everyday meals, with the fresh ingredients they love.

These brand-specific activities positively contribute towards our ambition to help 50 million children lead healthier lives.

Milo encourages children to exercise

Milo has been inspiring kids around the world to get active for over 50 years. Through coaching and grassroots sports events, over 22 million children benefit from *Milo's* programmes each year. Our new partnership with FC Barcelona takes this to a new level, inspiring millions more to practise sport.

Made with simple ingredients such as milk, malt barley, sugar and cocoa, our *Milo* range delivers the nutritious energy that children need to be active. Our commitment is to gradually decrease the added sugars and deliver at least 12 billion fortified cups of *Milo* by 2020.



* UNICEF, WHO and the World Bank Group

Food for life

The kitchen is the heart of family life, and we are proud that Nestlé foods can be found in so many kitchens around the globe. Whether it is busy parents making lunches for their school-aged children or elderly couples enjoying a leisurely prepared meal, throughout life, Nestlé can be found at the heart of these everyday, but precious, moments.

Parents want only the best for their little ones. From the first time a mother breastfeeds her newborn to a baby's first taste of solid food, feeding time creates an incredible bond of love.

As our children grow, mealtimes become more than just nourishment. They are valuable opportunities to connect, share experiences and bring families together. Creating memorable mealtime experiences is an ambition we all want to achieve.

Nurturing and nourishing

We understand the emotional as well as physical power of food, and that nurturing and nourishing go hand in hand.

For newborn babies, we actively support exclusive breastfeeding until six months of age, and introducing nutritious solids along with continued breastfeeding up to two years and beyond. For mothers who are not able or

choose not to breastfeed, we offer our high-quality range of infant formulas.

To help parents feed their growing children well, we are increasing the amount of vegetables in our offerings, and our 'Whole Grain Tick' helps parents easily identify Nestlé cereals containing at least 8 g of whole grain per serving.

We are also passionate about helping people age well and continue to develop nutritional supplements like *Boost*, made specifically for the health needs of ageing adults, with proven, benefit-driven ingredients and nutrients.

On the other hand, our *Purina* colleagues are all about another family's favourites: pets. They were the first to create a high protein/low carbohydrate therapeutic diet for the nutritional management of cats with diabetes. And the first dry dog food brand to use real meat as the #1 ingredient.

With you for life

Whether it is our range of aromatic coffees, healthy and convenient meals, or even an occasional indulgent treat, we want to help you make consistently good food choices to assist you and your family on the journey to good health.

Our foods and beverages are there for you, for life.

Read more about our commitments for individuals and families from [page 20](#) onwards



Our foods and beverages are for those everyday moments, for life.

Applying science for better health

Every day, our scientists come to work determined to uncover more about our bodies and our health, to make Nestlé's foods, beverages and nutritional solutions even better.

More and more people understand the link between what they eat and their health and well-being. We know that people want products they can feel good about and trust, and for decades we have been responding, guided by our Nutrition, Health and Wellness (NHW) strategy.

Today, we use the power of science in three exciting ways: to fulfil people's desire to reconnect with nature; to deliver better nutrition in an even tastier way; and to find breakthrough solutions that help improve health.

Helping you reconnect with nature

When we select our recipes and prepare our dishes, we work to press nature's 'pause button' on ingredients when they are at their peak of perfection. We use science to lock in taste and nutrition, responding to consumer demand by helping people reconnect with nature in a safe, tasty and meaningful way.

We maximise our extensive research and development network to bring back what we call the 'clean label'. This includes using more familiar ingredients like whole grains and vegetables, and finding alternatives to high intensity sweeteners, emulsifiers and additives.

As more people learn about the health and social benefits of a plant-based diet, many individuals are looking for vegetarian or vegan alternatives. We have 52 scientists worldwide who are dedicated to exploring plant-based protein sources such as soya, pulses, rice, oats and potato. As a result, we are developing new offerings such as soya nuggets, and all-natural almond and coconut milk creamers.

continued →



Better nutrition for you and your family

We are developing breakthrough solutions to make our foods and beverages even healthier and tastier, increasing their nutritional value and using less sodium, saturated fat and sugar.

Our scientists are even finding ways to do this with some of our favourite confectionery. For example, by increasing the milk content of our *Milky Bar* range from 26% to 37.5% we will take out almost 350 tonnes of sugar and 130 million calories from UK public consumption.

By complementing new science with the expertise of our in-house chefs, we stay at the cutting edge of culinary nutrition.

Our scientists have now gone one step further and made a ground-breaking discovery related to sugar structure, which will help us reduce sugar content in even more of our foods and beverages.

Nutritional solutions for health challenges


Through our fortified foods and beverages, as well as consumer healthcare, we are helping people take control of their health at a time when healthcare costs are increasing around the world. For example, disease-specific medical nutrition means we can support ageing people with diabetes management or other specific needs.

Our unique study with the EpiGen Global Research Consortium (EpiGen) is leading research linking the mother's nutrition and health influence to the future health of her baby. It has shown that maternal obesity and/or high glucose levels in pregnancy increase the risk of health problems in babies later in life. By following women even before conception until the child is two years of age, this study will provide new knowledge on the impact of pre-conception nutrition. This cutting-edge research will help us improve our nutritional supplements to help mothers-to-be improve their health and that of their children.

Positively impacting lives

Our scale means we have a unique opportunity to deliver beyond our financial targets, and deliver social value as well. We know that the work we do in this area can have a big impact on people's health and well-being.

This is at the heart of our purpose: Enhancing quality of life and contributing to a healthier future.

-  Read more about our commitments for individuals and families from [page 20](#) onwards

Using the power of science, we are unlocking nature's secrets to make our foods and beverages healthier.



Offering tastier and healthier choices



Across the world, millions of people lack access to the right nutrition, and millions more over-consume calories and nutrients of concern. Tackling public health challenges on such a vast scale requires governments, public health authorities, industry and civil society to work together. We use our R&D network, our nutrition expertise and our brands to encourage healthy diets and address malnutrition in all its forms.

Why offering tastier and healthier choices matters

Around 793 million people worldwide lack access to adequate foods (Food and Agriculture Organization), and about one-third of the global population suffer from deficiencies in essential vitamins and minerals (WHO).

Our [studies](#) indicate that children around the world are not consuming enough fibre-rich plant foods such as whole grains or vegetables, and a large proportion have insufficient calcium and vitamin D in their diets. We know that the elderly or people living with a severe intolerance, like coeliac disease, are also susceptible to insufficient nutrition.

While under-nutrition is a serious challenge, millions more people over-consume foods and beverages that are high in nutrients of concern, such as sugar and fat. In 2014, over 1.9 billion adults were overweight, and 600 million of these were obese ([WHO](#)). Around 41 million children under five are considered overweight or obese ([WHO](#)).

Our contribution to providing tastier and healthier choices

Our consumer-focused efforts support Sustainable Development Goal (SDG) 2, to end hunger and achieve food security for all, and SDG 3, to reduce the prevalence of non-communicable diseases. We work with partners to support these goals, help address all forms of malnutrition and encourage healthy diets. In 2017, at a high-level meeting organised by the EU Presidency, Nestlé UK's CEO openly advocated for both voluntary initiatives and regulation to help in the fight against childhood obesity.

At times, it might seem as if we are not moving fast enough, but we want to get this process right. Good nutrition should always taste good, or consumers will simply buy less-healthy alternatives.

[Read more about how we are offering tastier and healthier choices](#)

Continuously raising the bar in progress monitoring

Based on learnings of over 10 years, Nestlé is further automating its progress monitoring. Datasets for some 2017 KPIs evolved with new IT systems and stronger ambitions. Footnotes indicate where there are such adjustments.

Our work on offering tastier and healthier choices contributes to the following SDGs:



Launching more nutritious foods and beverages

Making our portfolio healthier and tastier

Nestlé is providing access to tastier, healthier, convenient, premium and affordable foods and beverages. Our research documents the formulation of new and better tailored food and beverage solutions. The Nestlé Nutritional Profiling System helps us to continually improve our existing recipes, making it easier for people to adopt a healthy diet.

We particularly focus on popular, affordable foods and beverages.

Our commitment:

Launch more foods and beverages that are nutritious, especially for mothers-to-be, new mothers and infants and children.

Progress against our objectives

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.

● In progress

Our results:

1041 new products were launched in 2017 addressing specific nutritional needs and gaps of babies, children, expecting women or new mothers.

Tailoring our products to meet daily nutritional needs

Ever since our company's beginnings, with Henri Nestlé's special formula for infants who could not be breastfed, we have been keen to bring tasty, convenient solutions to parents looking to feed their children a nutritious diet. Our dietary intake and eating pattern studies of babies and children up to age 12 are now further helping our nutritionists and product developers address nutritional gaps in specific populations of children. To ensure that children get sustained benefits from the best nutrition, we have extended our ambition to improve the nutrition of mothers-to-be and new mothers.

Starting in 2017, we adopted ambitious nutritional targets for our new food and beverage projects, addressing the nutritional needs and documented gaps of these more vulnerable consumer segments. In these new products, the proportion of food ingredients (vegetables, whole grains, lean protein foods, milk, etc.) and essential vitamins and minerals recommended for daily consumption by authorities must deliver a meaningful contribution, within age-appropriate portions, and be easy to recognise on the label.

New product launches in 2017 included dairy beverages, many of which are fortified with vitamins and minerals missing in children's diets (*Nido*, *La Lechera*, *Ideal*, *Dancow* and *Milkpak*); vegetable soups and pasta sauces (*Maggi* and *Winiary*); noodles with oat fibre and iron (*Maggi*); fortified flavoured milks and cocoa-malt drinks (*Nesquik*, *Milo* and *Vascolet*); fruit and vegetable purées (*Gerber*, *Bona* and *2nd Foods*); meals with vegetables and lean meat or fish (Nestlé and *Gerber*); and fortified cereal porridges (*Cerelac*).

Year on year, we will increase the speed and number of launches of such nutritious food and beverage solutions, consistently turning the results of our research into meaningful support for parents.

Achieving Nestlé Nutritional Foundation status with a preferred taste

We assess the nutritional contribution of our portfolio through our Nestlé Nutritional Profiling System (NNPS). This approach, based on nutrition science and public health recommendations, allows for a thorough evaluation of the nutritional value of our foods and beverages.

Our NNPS helps us determine how our foods and beverages fit into a child's or adult's daily dietary intake. We consider sensitive nutrients such as added sugars, saturated fats, *trans* fats, salt and energy content. Very importantly, we also look at nutritional contributions like calcium, protein, fibre, whole grains and more.

Every food or beverage product that achieves the specific criteria of NNPS attains the Nestlé Nutritional Foundation (NF) status. Accordingly, it represents an appropriate choice when the consumer decides to have it in the context of a balanced diet. All newly launched foods and beverages for children must meet NF status.

82.1% of our foods and beverages achieved NF status (% of total sales)¹. For products consumed by children, it is 92.5%².

While our NNPS guides our foods and beverages to make a positive nutritional contribution, they must then pass our consumer tasting programme. This test ensures that at least 60% of consumers prefer the taste of our recipes. If we achieve our goal of best taste and best nutrition compared with the competitor, everyone wins.

8438

products per year³ renovated for nutrition or health considerations

¹ Enlarged scope with stronger ambition.

² Due to ongoing automation, a few product categories are not yet reflected here.

³ 2012–2016 average.

Making nutrition affordable and accessible

We want to ensure that the most vulnerable in society – around 3 billion lower-income consumers worldwide – can also access tastier and healthier choices. Therefore, we have developed a specific business model called Popularly Positioned Products (PPPs).

PPPs are high-quality foods and beverages, which are affordably priced and take local nutritional needs into

consideration. They are often sold in smaller formats and are made easily accessible to consumers wherever they may live.

We sell PPP versions of several leading brands, including *Bear Brand*, *Milo*, *Nescafé* and *Maggi*. And we apply the same vigorous quality and safety standards on our PPPs as on any other products. Food safety and quality are non-negotiable for Nestlé.



Reducing sugar, sodium and fats

Science-based renovation and innovation

Public health evidence shows that diets with lower sugar, sodium, saturated fat and *trans* fats can improve health outcomes and decrease non-communicable diseases (NCDs). We have made great progress in reducing the levels of these public health-sensitive nutrients in our foods and beverages over the past 10 years.

Our commitment:

Further decrease sugars, sodium and saturated fat.

Progress against our objectives

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

● In progress

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

● In progress

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.

● In progress

Our results:

We started reducing sugar in 2000. In 2016, we announced our new, ambitious 2020 commitment for sugar, sodium and fats, and in 2017 released implementation guidelines to help our markets achieve this.

Standardised reporting systems will capture these additional reduction efforts, and measurement is in progress for all three of our objectives. We will report sugar, sodium and fat reduction, both as a percentage and tonnage, at a local and global level from 2018 onwards.

We take a holistic approach, and will not reduce sugar, sodium or fat if it means having to increase another nutrient of concern. We focus on foods and beverages that contribute most to people’s intake of these nutrients to ensure the most meaningful impact.

Reducing sugar

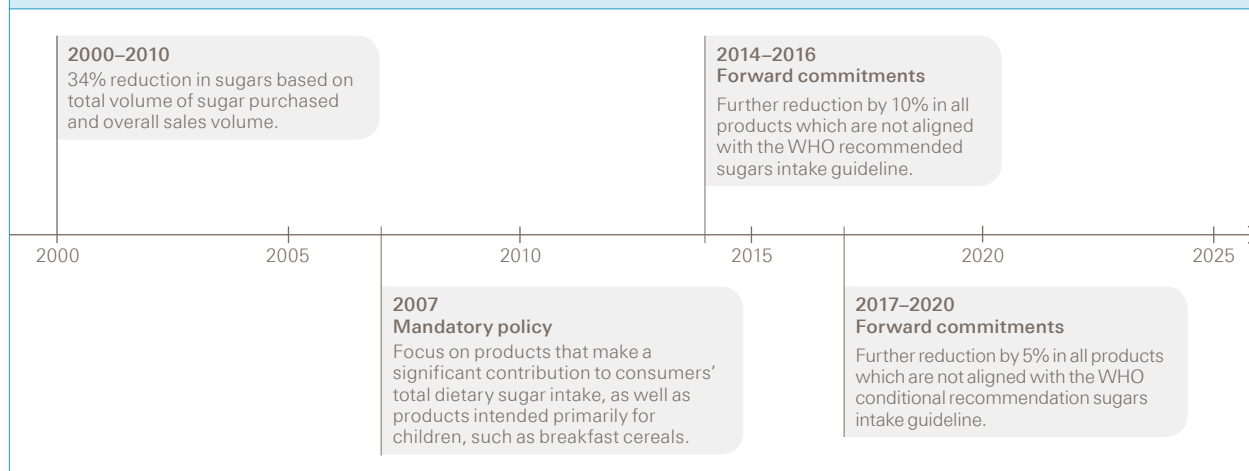
We started our journey reducing sugars back in 2000, and by 2010 had achieved a 34% reduction. In 2014, we committed to reduce sugars by 10% by the end of 2016 in all products where energy from sugars contributes more than 10% in the daily diet. This was aligned with the World Health Organization’s (WHO) guideline recommending people keep free sugars below 10% of total energy intake.

By that time, only 7% of our foods and beverages were in scope of this commitment because the other products already met the 10%; however, these products were the most challenging. As communicated in our 2016 report, we achieved an 8% reduction in total sugars.

From a public health perspective, what really matters is that consumers choose diets that are nutrient-rich and low in sugars. The WHO suggests it could be beneficial if less than 5% of energy comes from free sugars in the daily diet (a conditional recommendation). We welcome ongoing scientific research on the health benefits of this recommendation, are firmly committed to progressive public health efforts and have leveraged the WHO’s 5% conditional recommendation to determine which products are in scope of our 2017–2020 sugar commitments.

We are pleased that over half of our foods and beverages currently provide less than 5% energy from free sugars. We will now reduce sugars by 5% in the remaining roughly 45%. This is an ambitious task considering consumer demand for more natural and tastier products.

Sugars reduction started in 2000



We are developing new technologies to enable both sugar reduction and sensory satisfaction. It has been gratifying to see that our new *Milo* in Chile, with 32% less sugar as reported in our 2016 CSV report, has become a successful innovation in the market, highlighting consumers' trust and preference with our products. To help consumers choose lower-sugar foods and beverages, we also advocate for voluntary sugar reductions and a level playing field across the industry. We hope other competitors will take similar action to proactively reduce added sugar for the benefit of consumers and public health.

Ground-breaking lower-sugar discovery

In 2016, we made a ground-breaking discovery on sugar structure.

Inspired by the structure of cotton candy/candy floss, we discovered a way to change the structure of sugar in a bar of milk chocolate so that it dissolves more quickly on the tongue. As it melts in the mouth, it delivers a sweet taste faster than normal sugar, allowing us to use less sugar while providing an almost identical sweetness. We expect this innovation to help us reduce sugar by up to 40%.

We scaled up our technology in 2017, and plan to launch the first products using this technology in mid-2018.

Reducing sugar in *KitKat*

In 2017, we continued our sugar reduction journey in *KitKat* – our number one confectionery brand – and have achieved a reduction of around 7% through an improved recipe. Including the work made on portion control, this is equivalent to a removal of 1500 tonnes of sugars, while maintaining taste preference. We achieved this without using sweeteners or other artificial ingredients. The new and improved recipe contains more of the two main ingredients of milk chocolate: milk and cocoa.

By the end of our global roll-out in 2018, the potential impact will be the removal of around 2100 tonnes of sugar from individuals' diets. And we will reduce sugar even further in the coming years using natural ingredients.

Reducing sodium

We have been reducing sodium in our foods and beverages for over a decade. We began with a worldwide commitment in 2005, followed by a further commitment in 2012 to lower sodium by 10% in all foods and beverages not aligned with our targets based on a maximum daily intake of 2400 mg (6 g of salt).

While this sodium threshold of 2400 mg was our interim target, since 2013, we have been working towards the WHO's recommended intake levels of no more than 2000 mg of sodium (equivalent to 5 g of salt) per person per day, by 2025. In 2017, we issued a new policy to further reduce sodium by an average of at least 10% by the end of 2020, in all our products not yet aligned with our sodium targets, based on the WHO recommendation of a maximum sodium daily intake of 2000 mg. This means a targeted salt reduction of more than 15000 tonnes.

We will achieve this through innovation, reformulation using ingredients such as herbs and spices, and building on our chefs' expertise to create delicious foods with lower salt. Extensive work is also ongoing to report progress transparently, and focus on products with the highest consumer reach and impact.

In 2017, public announcements to go further than the 10% reduction have already been made by some Nestlé markets.

Reducing sodium in Senegalese *Maggi* bouillons

Senegal was the first market in Central and West Africa to introduce a new norm limiting the sodium content in bouillons. This resonates with our iconic *Maggi* brand's mission to support home cooks with healthier and tastier choices.

In response, our team successfully reformulated *Maggi* bouillons, resulting in a sodium reduction of 11% while maintaining taste. Mr Alioune Sarr, Trade Minister, recognised Nestlé Senegal's leadership in salt reduction, as we were the first company to launch foods and beverages aligned with the new standard.

Reducing saturated fats

Fats and oils provide energy, help us absorb vitamins and contribute to many essential bodily functions. Through our Nestlé Policy on *Trans* Fat, since January 2017 over 99.8% of the fats and oils we use do not contain *trans* fats originated from partially hydrogenated oils.

The WHO recommends that only 10% of calories in our diet should come from saturated fats and Nestlé's NF criteria for saturated fats follows this same recommendation. In 2014, we committed to reduce saturated fats by 10% in all foods and beverages that did not meet the WHO's recommendation by the end of 2016. We remain fully committed to closing the 3.5% shortfall reported at the end of last year.

Achieving saturated fat reduction in Asian noodles is one essential step to closing this gap. Development work showed that the expected gains of using the previously proposed emerging oil could not be reached, and the project was economically not viable. Instead, we have identified an already commercially available and locally produced oil, which is nutritionally superior to our current oil. A sourcing study showed that the proposed oil can fully replace our current oil, and we have begun evaluating its commercial viability.

Improving nutrition through fibre-rich grains and vegetables

Helping families achieve balanced diets

Vegetables, grains, pulses, nuts and seeds are a vital part of a balanced diet, as they are excellent sources of fibre, vitamins, minerals and other essential nutrients. However, recent research indicates that children and adults are not eating enough of these nutrient-dense food ingredients.

We are currently establishing specific objectives for each relevant product category. We also help families increase their intake by providing relevant nutritional advice on-pack or online, and promoting healthy home cooking.

Our commitment:

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

Progress against our objectives

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.

● In progress

Our results:

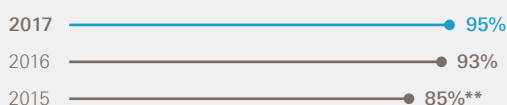
Set the implementation guideline and calculated the baseline, based on 2016 data: 7.4 billion portions of vegetables, 5.7 billion portions of fibre-rich grains, approximately 11 000 tonnes of pulses and 17 000 tonnes of nuts and seeds were already added to our foods and beverages.

By 2020: In addition to whole grain already being the main ingredient in our ready-to-eat breakfast cereals for children and teenagers, all our Nestlé-branded cereals* will be at least a source of fibre, and have more whole grain than any other ingredient.

● In progress

Our results:

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



* Wherever technically feasible.

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

More whole grain and fibre in our breakfast cereals

One of the ways we can have a big impact is through Cereal Partners Worldwide (CPW), 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. They also display a green banner to make them easier for individuals and families to identify.

In particular, we want to ensure that our cereals popular with children and teenagers contain more whole grain than any other ingredient, and we are committed to making all our cereals a source of fibre. For example, *Uncle Toby's* – Australia's leading brand of oats – has launched *Nature's Mix*, a no-added-sugar range that is naturally sweetened with dried fruit and nuts. And in Brazil, we succeeded in making whole grains the central ingredient in *Snow Flakes* without compromising texture.

We have updated the wording of our 2020 objective, to make it more consistent with our other CPW commitments and to enable us to ensure efficient tracking. Making whole grain our main ingredient in all our recipes is part of our overall ambition at CPW. From a health perspective we are interested in increasing fibre from all sources, not just whole grain.

This challenging target has strict criteria defining which nutrient-dense ingredients count towards it; we exclude ingredients that are mixed with other sub-components (e.g. vegetable juices mixed with starches), refined cereals with less than 6 g of fibre per 100 g (e.g. standard wheat flour, white rice) and cereals that undergo further processing.

It is important that any product reformulation does not adversely affect consumer preference through changes to texture, taste or shelf life. And wherever possible, while incorporating more whole grain and fibre into our breakfast cereals, we also further reduce sugar and sodium.

Increasing our use of vegetables

We have also been working towards increasing vegetables in our recipes, especially in our prepared meals and sauces, but also in our dressings and condiments. For example, we have raised the vegetable content in our *Lean Cuisine* and *Stouffer's Fit Kitchen* ranges.

Getting children to eat vegetables can be particularly challenging, so we aim to help parents and caregivers. In the United States, for example, where vegetable consumption is below recommended levels, we add vegetables to our *Lil' Pastas* whole grain pasta dough filling and sauces to achieve a significant quantity with delicious and subtle taste. The navy (haricot) beans in *Lil' Beanies* make the snack interesting for young children not consuming enough vegetables, fibre and vitamin E. And we advocate eating and cooking with more vegetables and other fresh ingredients through our *Maggi* 'Simply Good' [home cooking programme](#).

In the UK, Nestlé has pledged to include more vegetables in on-pack and online meal recommendations for its *Maggi* range, as part of the Peas Please campaign. Peas Please is a ground-breaking initiative from the Food Foundation, a think tank focused on increasing vegetable consumption. It aims to bring together farmers, retailers, fast food and restaurant chains, caterers, processors and government departments with a common goal of making it easier for everyone to eat more vegetables.

Simplifying ingredient lists

Focusing on authentic ingredients

Consumers increasingly want to know what is in the foods and beverages they buy and to be able to clearly identify with each ingredient listed on the food label. New trends have reinforced the demand for simplicity, transparency, authenticity and higher-quality ingredients.

Our commitment:

Simplify our ingredient lists and remove artificial colours.

Progress against our objectives

By 2020: Remove all artificial colours from our products.

● In progress

Our results:

5.6% decrease in purchased artificial colours based on tonnage in 2017.

By 2020: Continue removing unfamiliar ingredients.

● In progress

Our results:

Consumers identified lists of ingredients that they want less of in our products.

We are complementing our work to simplify ingredient lists by accelerating the removal of certain ingredients such as artificial colours and some additives like emulsifiers. We have been removing artificial colours from our entire confectionery portfolio since 2013, and today 97% is free from artificial colours. Our culinary portfolio, including the brand *Maggi*, is 98% artificial colour free.

Between 2018 and 2020, all our business units must implement their plan to reduce targeted specific ingredients and eliminate artificial colours. In the meantime, we continue to provide consumers with transparent, easy-to-understand information about the contents of our products.

A good example of one of our foods and beverages that uses only recognisable ingredients is almond milk coffee enhancer. This is becoming increasingly popular and, in the USA, our *Coffee-mate Natural Bliss* almond milk is made from almonds, cane sugar and vanilla flavour that includes extracts from Madagascan vanilla beans.

Simplifying our ingredients list

For a number of years, the culinary food portfolio has been following a 'Kitchen Cupboard' approach, focusing on using well-known ingredients you would find in your own kitchen cupboard. We have been renovating our popular *Maggi* range globally, removing ingredients that consumers do not easily recognise, and enabling the goodness of home-made food. For example, in 2017 *Maggi Gemüse Brühe Bouillon* was launched in Germany with familiar ingredients. Our 'Simply Good' commitment means we are increasingly opting for ingredients that consumers themselves would seek and buy.



Under-nutrition and micronutrient fortification

Helping families achieve good nutrition

Many people suffer from deficiencies in essential vitamins and minerals, leading to health impairment and, according to the Food and Agriculture Organization (FAO), costs society up to USD 2.1 trillion every year. The WHO, as well as the UN SDGs, set targets to tackle malnutrition.

We fortify popular foods and beverages where relevant nutrients are unavailable or difficult for families and children to access, especially in vulnerable populations. We are also exploring biofortification as a future solution.

Our commitment:

Address under-nutrition through micronutrient fortification.

Progress against our objectives

By 2020: Reach millions of children and families with fortified foods and beverages.

● In progress

Our results:

83% of our PPPs for lower-income consumers were fortified with at least one of the 'Big 4'*.

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

*The 'Big 4' are vitamins A and D, iron, zinc.

By 2020: Initiate collective action to reduce micronutrient deficiencies in 10 countries.

● In progress

Our results:

We remain committed to buying more biofortified crops from our suppliers, but are dependent on harvests. In 2017, for example, we faced challenges in a project in Nigeria, where the production needs for maize that corresponded to our criteria could not be fully met.

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

● In progress

Our results:

In 2017, we initiated **four** collaborative actions, involving government officials and stakeholder groups.

Fortifying our foods and beverages

To ensure our fortification efforts are accessible to people on lower incomes, we fortify affordable foods and beverages, like our *Maggi* condiments and noodles, our cereals and children's milks. As per our policy, we fortify our foods and beverages with at least 15% of the Recommended Daily Allowance of the respective micronutrients. This helps individuals and families meet their daily requirements and contributes to reducing the risk of deficiencies at scale.

Building on our existing offerings, we continue to renovate and innovate fortified products. For example, in 2017 we launched our *Bear Brand Yogu*, a delicious beverage containing milk, yogurt and fruits, and fortified with micronutrients relevant for the target country. We also introduced *Nido GoldenStart*, a ready-to-drink beverage with milk, cereals, fruit and added micronutrients for a healthy breakfast on the go.

Beyond our commitment to provide fortified foods and beverages, we also want to ensure we reach those who are most vulnerable. We will measure our reach in households with children in a number of countries with considerable levels of micronutrient deficiencies, or inadequate intakes, and where Nestlé has a strong market presence.

Our commitments and achievements are summarised in a case study within *Healthier Lives*, a report by the Consumer Goods Forum (please see pages 26–27 of the report).

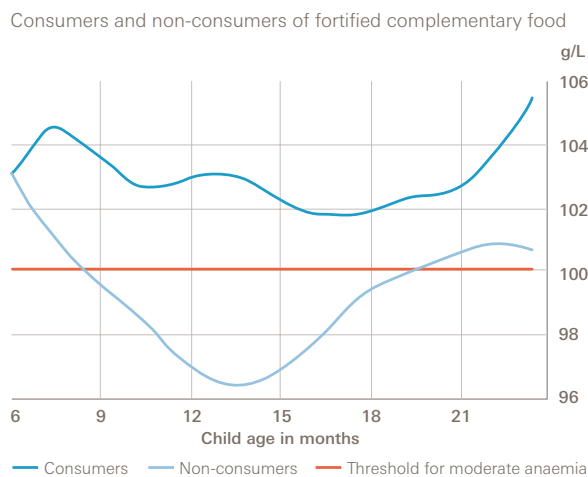
"Two billion people suffer from micronutrient deficiencies worldwide. We are committed to improving the nutrition of people at risk by offering fortified foods and beverages."

Mark Schneider, Chief Executive Officer, Nestlé

Fortified cereals for infants in India

A recent study showed that young children in India who consume fortified cereals have a reduced risk of iron deficiency anaemia. Among 6 to 23-month-olds, there is a significant association of reduced risk of anaemia with those who consume fortified complementary food compared to those who consumed a home-made porridge. This association was particularly strong in children aged 12 to 17 months.

Average haemoglobin levels (g/L) according to age and consumption of fortified complementary food, for infants in the highest wealth tertile.



Fortifying Maggi in East Africa

Iron deficiency remains a significant issue in East Africa. In Rwanda, for example, 38% of children under five, and almost 20% of pregnant women, suffer from iron deficiencies (Demographic and Health Surveys 2005 and 2010). In the Congo, iron deficiencies impact 67% of pre-schoolers and 56% of women. In many parts of the country, maintaining a balanced diet is hard due to food access challenges and a lack of knowledge.

Given our market presence in East Africa, where we already fortify Maggi bouillons with iodine, we decided to also fortify them with iron, aligned with local food policies. Around 35 000 women were educated on the importance of cooking and good nutrition, including the benefits of iron. And by revising the route to market, we will create new jobs and make our fortified bouillon cubes more available.

Supporting collective action

We are also looking into opportunities to participate in multi-stakeholder platforms, education and social marketing campaigns to further contribute to the reduction of micronutrient deficiencies.

In 2017, we participated in a number of country initiatives, involving stakeholders such as government officials, nutrition societies and academia. For example:

- In the Philippines, we conducted a Micronutrient Deficiency Forum with the government's Food and Nutrition Research Institute;
- In Cameroon, we held a Nutrition Forum with the Ministry of Public Health; and
- In Vietnam, we collaborated with the National Institute of Nutrition, leading us to fortify 7.5 billion servings of seasoning and dairy in one year.

Developing biofortified crops

Biofortification improves the nutritional quality of food crops during plant growth. However, it can take as long as 10–20 years to establish in local markets. We support biofortification as a future solution to improving the nutrition of millions of people in a sustainable way, particularly in developing countries.

Through contacts with the Harvest Plus Project and some institutions in the CGIAR network, we are trying to stimulate the supply and value chains for biofortified crops. For example, in Nigeria we are purchasing as much biofortified maize as we can, although current availability remains low and far from our total production needs for maize. In 2018, we will continue helping to develop this supply chain.

In 2017, we also conducted research, including:

- Trials on agronomic biofortification of wheat, rice and maize with iodine, in Turkey and India; and
- A study on the potential absorption (or use bioavailability) of beta-carotene from biofortified sweet potato in commercial foods, with French agricultural research and international organisation CIRAD.

Our next step is to further collaborate with various stakeholders to develop a supply system for biofortified seeds in Africa and other regions. A robust supply chain for biofortified crops will help address micronutrient deficiencies in rural farming communities, well beyond Nestlé's reach.





Inspiring people to lead healthier lives



Every day, we use our reach to encourage consumers to lead healthier lives. We do this by raising awareness of the role nutrition can play in reducing non-communicable diseases, working with partners to promote balanced diets, healthy cooking, hydration and regular physical activity. We also help by providing nutritional information and guidance on age-appropriate portions, and through responsible marketing.

Why inspiring people to lead healthier lives matters

Every year, around 38 million people of all ages die from obesity-related diseases like cancer and diabetes (WHO). Conversely, only half of children aged 6–23 months receive the minimum recommended number of meals a day for their age. And more than two-thirds of the world's infants and young children are not fed balanced meals containing at least four food groups (UNICEF). There is an established connection between what we consume and non-communicable and chronic diseases, as well as malnutrition and under-nutrition.

However, with today's hectic lifestyles, finding the time to eat a balanced diet can be challenging. People often look for food they can consume on the go or prepare and eat quickly. In many countries, we need to adopt more active lifestyles. Even those motivated to follow a healthy lifestyle can easily be confused by conflicting health advice, and different labelling on foods and beverages is not always easy to understand.

How we are inspiring healthier lives

In line with the UN's SDG 3 on good health and well-being, we are committed to helping improve the health of individuals and families throughout people's lives, from conception to old age. We work with partners to promote balanced diets, healthy hydration and home cooking. We help people eat more healthily by providing clear nutritional information and easily understandable guidance for healthier portion habits. And through our brands, we promote activities and sports programmes that help people – especially children – understand the importance of healthy eating and exercise.

Read more about how we are inspiring people to lead [healthier lives](#)

Continuously raising the bar in progress monitoring

Based on learnings of over 10 years, Nestlé is further automating its progress monitoring. Datasets for some 2017 KPIs evolved with new IT systems. Footnotes indicate where there are such adjustments.

Our work on inspiring people to lead healthier lives contributes to the following SDGs:



Providing nutritional information

Transparency helps consumers make healthy choices

Nestlé wants to help individuals and families eat and drink healthily by providing transparent nutritional information about our foods and beverages on-pack. We take seriously our responsibility to promote our products truthfully and reliably, enabling people to make informed decisions about their nutrition. We provide details about the ingredients in, and the nutritional benefits of, our foods and beverages.

We also provide more detailed information on issues such as health information, portion sizes, and even a brand or product's social or environmental impacts online. This means that we are not limited by the space on our packaging.

Our commitment:

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

Progress against our objectives

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.

● In progress

Our results:

89.4% of relevant foods and beverages have GDA-based labels on front of pack in countries where labelling regulations allow it*.

44.4% GDA-based labelling on all foods and beverages designed for children**.

97.3% of our foods and beverages display our *Nestlé Nutritional Compass*®.

* Due to ongoing automation, a few product categories are not yet reflected here.

** Enlarged scope with stronger ambition.

We work alongside governments, regional and local industry associations and continuously evaluate opportunities to further help consumers understand front-of-pack nutrition information. For example, we joined the nutrition information labelling for front-of-pack schemes in the UK and Australia in support of local public health agendas. And in Europe, as part of an industry group, we declared our intention to introduce a colour coded, front-of-pack nutrition labelling scheme based on portion.

Going beyond the label

Consumer demand for information is increasing, but space on-pack is inherently limited. Over the years, we expanded the use of Quick Response (QR) codes displayed within our *Nutritional Compass*®. These give people with smartphones easy access to online information, enabling them to go 'beyond the label'.

However, with consumer behaviour evolving rapidly, and search engines becoming the number one entry point for product information requests, we are working on new ways to facilitate access to this content. We remain committed to making this information available online, and will continue to develop our network beyond the current 5000 microsites, providing online product information in 45 countries, for 100 brands.

Accurate labelling

We strive to ensure that our labelling is fully accurate and scientifically substantiated. In line with regulatory guidance, we follow the principles outlined by the FAO's [Codex Alimentarius](#). Our labelling declares the absence, removal or presence of a nutrient or ingredient that a person might wish to avoid, such as sugar or saturated fats.

People can learn more about what's in our foods and beverages with our *Nestlé Nutritional Compass*®. This back-of-pack resource provides nutritional information in a standardised format, as well as information related to the consumption of the product or how it fits into a balanced diet. It also includes tips, advice and information related to the product wherever possible.

We display GDAs wherever permitted by country labelling regulations. These 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.

Offering guidance on portions

Helping people eat a balanced diet

Around the world, expanding portion sizes are contributing to imbalanced eating habits, and leading to adverse health outcomes. Conversely, undersized portions of vegetables, whole grains and milk are not delivering the required levels of daily nutrition. As the largest global food manufacturer, we have a unique opportunity to help guide individuals and families to pursue a healthy diet through informed choices and Nestlé *Portion Guidance*.

Our commitment:

Offer guidance on portions for our products.

Progress against our objectives

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.

● In progress

Our results:

64.3% of our children's and family portfolio provides Nestlé *Portion Guidance**.

79.3% of our foods and beverages with a significant impact on children's overall diets, such as recurring and more indulgent choices, that display Nestlé *Portion Guidance**.

* Due to ongoing automation, some products are not fully reflected here.

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

● In progress

Our results:

CHF 40.1 billion sales of products across all categories of the Company providing Nestlé *Portion Guidance**.

82 of our consumer websites provide guidance on age-appropriate portions.

* Due to ongoing automation, a few product categories are not yet reflected here. More visibility on teenager and adult products will be possible at end 2018.

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.

● In progress

Our results:

17.5% of our children's and family portfolio provide Nestlé *Portion Guidance* through product form and **16.0%** do so through pack design*.

* Due to ongoing automation, some products are not fully reflected here.

In 2017, we expanded our initial commitment, which covered our children and family portfolio, to also include foods and beverages aimed at teenagers and adults. We make a special effort to provide such guidance in physical ways, which tend to be more intuitive for consumers. To complement this guidance at a product level, we are rolling out guidance on age-appropriate portions in our consumer websites, especially recipe websites.

Helping our consumers understand portion size

We encourage age-appropriate portion sizes through our voluntary Nestlé *Portion Guidance* initiative. This helps people understand the nutritional value of our foods and beverages, and improve their portion habits, particularly for energy-dense foods and beverages.

Innovations in providing guidance on portions

Helping at the point of sale and time of consumption



Around the world, our teams continue to roll out visually engaging Nestlé *Portion Guidance* across our product categories. Redesigned packaging in 2017 includes pizza (e.g. *Buitoni* in France, *Wagner* in Germany)

and confectionery (e.g. *Jojo* and *Orion* in the Czech Republic).



Even seasonal promotional editions are carefully crafted to convey guidance in a fun way. For the festive holidays, families in the Czech Republic could enjoy an assortment of *Orion* chocolate tree decorations in a range of age-appropriate sizes.

Helping digitally connected families

Through our recipe websites, we are extending our guidance to cooks, food lovers, and individuals and families proactively seeking more detailed information. For example, our CPW joint venture launched an online [Cereal Serving Size Guide](#), which provides clear information on our range of ready-to-eat breakfast cereals in an entertaining way.



Building on the success of our integrated Nestlé *Portion Guidance* approach in countries including the USA, Australia and France, Nestlé

Spain launched a colourful *NutriPlato* plate. This was complemented by a guidebook for parents and a [website](#), promoting a Mediterranean diet to help improve the eating habits of children aged 4 to 12. The initiative was developed in collaboration with the Hospital Sant Joan de Déu in Barcelona, a leader in paediatrics.

Our guidance is based on national food guides and recommendations from internationally recognised bodies such as the World Health Organization (WHO), the US National Academy of Medicine and other independent bodies. It is also tailored to suit specific cultural habits.

We inform people about portion size in a variety of ways, such as through product form (tailored pack sizes) or pack design (compartmentalised or graduated packaging). We also use illustrations and, when possible, a serving device (like a special scoop or dispensing machine). We continue to make our recipe sites more accessible, searchable and user-friendly, and integrate age-appropriate portion information across these formats.

Fuelling the discussion, inspiring action

We engage with leading scientists, policy-makers, health practitioners and consumer advocates, as well as public health researchers, packaging experts and parents, to continually improve our recommendations. We are also committed to advocacy efforts to promote action on healthier portion habits and norms.

Recognising the key importance of *Portion Guidance*, the Nestlé USA team organised a successful workshop for dietitians in October 2017. The event, entitled *Mindful Portions Start with You: Help Create a Movement!* formed part of Nestlé's participation at the Academy of Nutrition and Dietetics' Food and Nutrition Education Conference and Expo. Drawing around 500 dietitian participants, the session addressed the current science around portion habits and gave attendees the skills to build a stronger portion guidance movement within their communities. Expert speakers included Dr Lisa Young of New York University, Jackie Haven of the USDA Center for Nutrition Policy and Promotion, and Bill Novelli from Georgetown University's McDonough School of Business.

During the year, Nestlé also developed a science-based evidence dossier to support our dialogue about healthier portions with local health and regulatory authorities, in the context of evolving labelling regulations.



Marketing healthy choices

Encouraging home cooking

As a responsible food and beverage manufacturer, we put our expertise and global marketing reach to good use. We promote healthy living choices to those we touch.

Every day, our brand communications reach billions of individuals and families. This presents an opportunity for us to help make a positive impact on people's lives by inspiring them to adopt healthier ways of living.

Our commitment:

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

Progress against our objectives

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

● In progress

Our results:

The validation of the baseline is in progress. Marketing efforts towards promoting healthier cooking, eating and lifestyles are being integrated as we prepare the official 2018 launch of our children's flagship initiative, *Nestlé for Healthier Kids*.

Maggi helps millions of families to cook

Studies have shown that when children learn to cook, they are more likely to eat nutritious food otherwise often rejected, like vegetables or salads. At *Maggi*, we understand the power of home-made cooking. That is why we are committed to inspiring families to cook tasty and balanced home-made meals every day, with the fresh ingredients they love, and as a family-together moment whenever possible.

In 2017, with the launch of the *Maggi* 'Simply Good' initiative, we further reinforced our global ambition to help individuals and families cook for healthier lives. Not only are we transforming *Maggi* products with simpler and healthier ingredients, we are also deploying an ambitious cooking education programme for adults, children and teenagers. This includes recipes, menu ideas, simple cooking tips and online courses.

Both our *Sustansya Caravan* and *Maggi pop-up kitchens* provide young people with basic nutrition information and teach them the skills they need to cook tasty and nutritious meals.

Helping families enjoy a balanced breakfast

Many children skip or don't eat a nutritious breakfast. We believe that a balanced breakfast is more than a good start to the day – it's the foundation for a better future. We continually improve our breakfast cereals by making whole grain the number one ingredient, fortifying them with vitamins and minerals, and further reducing sugar.

We also dedicate our marketing efforts to helping parents create nutritious breakfasts. In 2017, we launched our [website](#), providing guidance on portion sizes and inspiring food combinations so that children can enjoy a nutritious and tasty start to the day.

Nestlé Pure Life® inspires kids to choose water

People recognise that water is the best choice for their health. However, unhealthy alternatives are often the first choice, especially for kids. For a future full of possibilities, *Nestlé Pure Life*® inspires children to choose pure water as their preferred drink for hydration, through innovative and fun activities.

Milo inspires millions of kids to grow with sports

Engaging in sports regularly is essential to a healthy lifestyle, but too often children and teenagers prefer to stay home playing with electronic devices. At *Milo*, we believe that sport is essential for healthier lives. That is why we are committed to enabling more kids to play sports regularly. We do this through coaching, grassroots sports events and engaging technology, such as the *Milo* Champ Squad app. *Milo*'s new partnership with FC Barcelona is inspiring millions more children to get active.

Made with simple ingredients such as milk, malt barley, sugar and cocoa, and fortified with essential nutrients missing in the daily diet, *Milo* products are continuously improved to deliver the nutritious energy that children need to grow with sports.

Fostering healthy behaviours in children

Nestlé for Healthier Kids, building on decades of partnerships and experience

Adopting good nutrition practices from an early age is essential to becoming a healthy adult. To make this happen, parents, caregivers and schoolteachers need to be equipped with the knowledge, tools and practical advice to help children live a healthy life from birth to adulthood.

Our commitment:

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

Progress against our objectives

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.

● In progress

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

● In progress

Our results:

14.4 million children reached by our *Nestlé for Healthier Kids* programmes across the world.

81 countries participating in *Nestlé for Healthier Kids Global Programme*.

45 countries participating in *Nestlé Start Healthy Stay Healthy*.

Our group-wide initiative *Nestlé for Healthier Kids* brings together all our efforts on children's nutrition. The findings of our research and public health data inform our educational activities, and we work closely with governments, non-governmental organisations (NGOs), teachers and others in our industry to give children a better chance to become healthy adults.

The first 1000 days of life

The *Nestlé Start Healthy Stay Healthy* programme helps nurture a healthier generation by providing science-based nutrition services to parents and caregivers in the critical first 1000 days when nutrition has the greatest impact on lifelong health. Our services come to life mainly online, on dedicated website platforms featuring nutrition solutions, nutrition education and relevant parenting information.

Our global education programme promotes healthy nutrition and feeding practices – from conception to baby's second birthday. Our engaging e-learning course was created by senior nutritionists and is based on the latest scientific findings that have been translated into simple, practical advice. Parents are taken through what to feed and how to feed their baby throughout the first 1000 days.

At the end of 2017, 7 million parents had registered with *Nestlé Start Healthy Stay Healthy*, and our 'It takes all of us' breastfeeding campaign reached 117 million people.

Helping teachers and parents of young children

In 2017, we merged our *United for Healthier Kids* and *Nestlé Healthy Kids Global Programme* to create one single and impactful programme for children aged 3 to 12. *Nestlé for Healthier Kids* will be officially launched during 2018.

With its school-dedicated module, the programme empowers educators to teach about the importance of good nutrition, healthy hydration and active lifestyles. This programme is active in 81 countries, in close collaboration with ministries of education and health, and schools can tailor it to the needs of their communities. Developed by a team of experts, the programme is implemented by more than 300 partners around the world.

Leveraging the strength of *United for Healthier Kids*, which was designed to provide parents with tools and advice to inspire and enable behaviour change at home, the merged programme offers a holistic approach anchored in strong nutritional and behavioural science, to drive good health at a local level.

We know that parents are doing their best to make healthy eating, drinking and lifestyle habits part of everyday life, but many face challenges. So we provide portion guidance, practical cooking, and eating and lifestyle tips to inspire parents to raise healthier kids. We also leverage the marketing efforts of our brands. For example, *Milo's* new partnership with FC Barcelona is inspiring millions of children to get active.

Leveraging healthier habits for impact

Nestlé for Healthier Kids is supported by a global evaluation framework validated by scientific experts and based on six healthier habits: feed your baby like a baby; eat nutritious and varied options; choose water; manage portions; play and be active; and enjoy meals together.

To improve our programmes, we assess their reach, scale and impact. On a local level, the evaluations are carried out by external, independent bodies.

Going forward, we will use these evaluations to accelerate our awareness-raising and knowledge-building programmes to foster healthier habits. For example, *Nestlé Russia's Good Nutrition* programme helps children and teenagers adopt correct nutrition habits as part of a healthy lifestyle. Based on the results of 18 successful years of the programme, and in cooperation with the Russian Ministry of Education and Sciences, in 2017 the programme expanded to 60 regions with over 1.2 million children taking part.

 Read more about [Nestlé for Healthier Kids](#)

Responsible marketing to children

Promoting good nutrition

We are committed to making a positive impact on consumers' lives. As a vulnerable group, children deserve particular attention, and we firmly support responsible marketing practices.

We work with governments and industry initiatives across the world to develop best practices, policies and guidelines.

Our commitment:

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

Progress against 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.

● Achieved

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

● Achieved

Our results:

Established a new and stricter Nestlé Marketing Communication to Children Policy.

100% compliance of Nestlé websites with the EU Pledge.

51 countries covered by national or regional pledges on marketing foods to children.

Supporting the EU Pledge

One of the industry advertising commitments we have signed up to is the European Union Pledge to support parents in making the right diet and lifestyle choices for their children. A third-party monitoring system ensures that all communications from member companies aimed at children are compliant.

- In total, 99 511 Nestlé television spots were analysed by Accenture in 2017 as part of this third-party auditing process, and our overall compliance rate was 94.7%.
- 50 Nestlé websites were reviewed by the European Advertising Standards Alliance (EASA), and 100% were compliant with the EU Pledge commitment.

The monitoring results are available to download on the [EU Pledge website](#).

Compliance with industry commitments

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

Nestlé is also a signatory to voluntary industry advertising pledges around the world to improve – and, in some cases, remove – advertising to children. These pledges have two main commitments:

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

Our revised policy sets stricter standards on marketing to children

Back in 2008, we issued our [Nestlé Marketing Communication to Children Policy](#). From January 2018, this policy has been strengthened, setting stricter standards to ensure we protect children, promote a healthy lifestyle and support parents and caregivers in their role to nurture healthy children.

We do not market foods or beverages to children under the age of six. For children under 12, our current policy restricts marketing to products meeting the EU Pledge Nutrition Criteria. In addition, our updated policy sets stricter standards for direct marketing to children at point of sale and the use of licensed characters on pack. It therefore covers all communication channels.

Supporting breastfeeding

The ideal nutrition for infants

We support 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.

Our commitment:

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

Progress against our objectives

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

● In progress

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*.

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

● In progress

Our results:

4613 breastfeeding rooms in India, Bangladesh and China for public use.

339 breastfeeding rooms on Nestlé sites globally.

26 countries undertook internal and external WHO Code compliance audits.

3827 staff involved in marketing BMS underwent training on the WHO Code.

Breastfeeding at Nestlé and beyond

During World Breastfeeding Week 2017, we ran our 'It takes all of us' campaign, highlighting the special connection babies create and the support that is needed for breastfeeding. The campaign is both a tribute to and an invitation to a mother's support system, including partners, grandparents, friends, colleagues and employers. Through partnerships with hospitals, conferences, workshops and expert roundtables, we engaged thousands of healthcare professionals. We ran the campaign in over 50 countries, reaching 117 million people.

We support breastfeeding-friendly workplaces through the UN-backed Every Woman Every Child movement. Our own Maternity Protection Policy includes the right to extend maternity leave up to six months and work flexibly, and we introduced breastfeeding rooms in all premises with more than 50 female employees. We also install breastfeeding rooms for public use to make it easier for women to breastfeed (4613 rooms in India, Bangladesh and China), and through our Nestlé *Start Healthy Stay Healthy* programme we educate women about the benefits of breastfeeding.

In line with [WHO Guiding principles](#), we do not donate free infant formula samples; we only respond to official requests to donate infant formula during emergencies such as natural disasters.

Supporting the WHO Code

We remain committed to implementing our industry-leading policy to market BMS responsibly. At a minimum, globally, this means complying with the WHO International Code of Marketing of Breast Milk Substitutes (WHO Code), and all relevant subsequent World Health Assembly (WHA) resolutions, as implemented by governments across the world.

In 2017, we released our new [Nestlé Policy and Procedures for the Implementation of the WHO International Code of Marketing of Breast Milk Substitutes](#).

Our compliance is verified through routine internal monitoring and audits. Our Corporate WHO Code Compliance Committee, which includes three Executive Board members, oversees compliance. In addition, we have country-level WHO Code Compliance Committees in higher-risk countries, which meet regularly.

As well as internal monitoring, in 2017, external verifications were undertaken by Bureau Veritas in Ethiopia, Turkey and Cambodia, and Thailand by PricewaterhouseCoopers (assurance statements are available [online](#)).

We believe breast-milk is the best nutritional choice for an infant. Breastfeeding plays a critical role in a baby's growth and development during the first 1000 days. It is the ideal source of nutrition, helps to build a strong immune system and fosters a strong bond between a mother and her baby.

When mothers determine, in consultation with healthcare professionals, that optimal breastfeeding is not possible, it is vital their babies are fed with the highest quality, scientifically proven breast-milk substitutes to help them thrive. Infant formula is the only suitable breast-milk substitute (BMS) recognised as appropriate by the WHO.

We manufacture our infant formulas according to rigorous international standards. In addition, we apply stringent quality and safety standards to meet the specific nutritional needs of babies.

* As implemented by national governments.

Processes for inclusion in industry rankings and indices are also subject to verification procedures. 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 since 2011. We were the first-ranked manufacturer in the BMS sub-index of the 2016 [Access to Nutrition Index™ \(ATNI\)](#), which assessed marketing policies and practices of the world's six leading manufacturers. We have now completed the assessment for the next index, which will be published during 2018.

Finally, to build trust among consumers and the public health community, we make [compliance reports](#), position statements, Q&As and responses to formal correspondence on breastfeeding and the WHO Code publicly available.

 [Read more on BMS compliance](#)



Promoting healthy hydration

Helping consumers live a healthy lifestyle

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 – still or sparkling, tap or bottled – as a top choice for daily hydration. Our role is to inform consumers and help them adopt healthy drinking habits.

We conduct surveys on beverage habits, participate in collective initiatives across the world and educate children on the importance of healthy hydration.

Our commitment:

Inspire people to choose water to lead healthier lives.

Progress against our objectives

By 2018: Release with partners an open access platform offering global statistics on people's drinking habits*.

● In progress

Our results:

In 2017, we shared our most recent data on people's fluid intakes across the world with an academic organisation. Findings of that independent research are expected to be submitted for publication in a peer-reviewed journal by the first quarter of 2018.

* This commitment has been extended to 2018.

By 2020: Launch national campaigns promoting healthy hydration with public and private partners in 10 countries.

● In progress

Our results:

Ongoing discussions with potential partners and public health stakeholders in multiple countries. We anticipate the launch of several new national initiatives promoting the importance of healthy hydration in 2018.

Sharing knowledge on beverage consumption

Although facts on the physiological effects of dehydration and over-consumption of sugar-sweetened beverages are available, there is a lack of consistent public data on people's fluid intake. We want to share knowledge on beverage habits to inform the public health sector, and raise awareness on the importance of healthy drinking habits as part of a healthy lifestyle.

In 2017, Nestlé Waters shared data with an academic institution, which will provide a global baseline for people's fluid intake, free for anyone to access in 2018.

Nestlé Waters released poll surveys

In February and October 2017, Nestlé Waters conducted online surveys* to research drinking habits in six countries around the world. We published our findings, which show that drinking water is a daily habit, with on average 92% of respondents drinking water daily. However, around 27% of respondents reported drinking at least one litre of sugar-sweetened beverages every day.

* Online surveys conducted by Kantar TNS in six countries (France, Italy, Mexico, the UK, USA and Turkey) and carried on to about 500 people per country. Each sample is representative of a population aged 18 to 64.

Inspiring people through collective initiatives

To raise awareness of healthy hydration further, we join forces with partners to actively engage in collective campaigns across the world. In Poland, for example, Nestlé Waters continues to support the 'I Choose Water' programme, developed by the Polish Dietetics Association.

In Mexico, we are the only company to have partnered with the Ministry of Health to promote healthy hydration. In 2017, our partnership continued to encourage people to improve their health through drinking more water.

Based on current discussions in multiple countries, we are on track to reach our target for collective initiatives on healthy hydration by 2020.

Nestlé Waters Italy engages parents and paediatricians

In November 2016, Nestlé Waters Italy organised the Drink Well To Grow Up Healthier conference, along with the World Federation of Hydrotherapy and Climatotherapy (FEMTEC) and Italian Society of Preventative and Social Paediatrics (SIPPS). The event highlighted the need for proper hydration in childhood.

In addition, in 2017 a handbook on children's hydration developed by SIPPS was delivered to 10 000 paediatricians and 18 000 teachers through the Hydration@school educational programme. Led by Nestlé, with the support of SIPPS and other scientific partners, this programme has reached 39 000 teachers and 128 500 students and their families since 2014.

Inspiring kids to choose water

We believe that adopting good hydration habits starts early. That is why educating children to drink water on a daily basis is one of our key priorities. We promote the choice of water to kids through our brands and corporate initiatives such as *Nestlé for Healthier Kids*, to encourage them to adopt healthy hydration habits at the earliest appropriate stage of life.

Health-promoting food environments

Leveraging the store environment and out-of-home services to promote healthier eating habits

Stores, online shops and out-of-home facilities, such as restaurants, offer great platforms for spreading messages and knowledge on the importance of good nutrition to a broad community of people of all ages.

This involves collaborating with our partners to enable a business framework for food and beverage manufacturers, retailers and food service providers to join forces and help people lead healthier lives, across geographies, by making healthier choices the easy choices.

Our commitment:

Partner for promoting healthy food environments.

Progress against our objectives

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

● In progress

Our results:

Partnered with **27** leading retailers, manufacturers and stakeholders in the US, Latin America and Japan to launch the first-ever industry initiatives on 'in-store collaboration for healthier lives' through the Consumer Goods Forum.

Doing more by working together with strategic partners

Our commitment is an integral part of our NHW strategy. We use our global reach to help individuals and families make healthier choices, both as an individual food and beverage manufacturer and as a leading player in our sector. We participate in multiple local and global industry organisations and share our non-competitive knowledge to support collaboration on health and wellness, enabling a positive impactful outcome for consumers, employees and communities.

The collaborative programmes include a range of measures such as providing consistent information to consumers on-pack and online, no marketing to children aged under 12 of foods and beverages that do not meet established nutrition criteria, product formulation to reduce their sugar, salt and fat contents, and a number of employee programmes.

In 2017, we worked on our strategy to ensure partnerships have the biggest impact possible, and are developing a methodology that can be scaled up to engage further partnerships and actions in the future.

Details and examples of industry collaboration can be found on the [Consumer Goods Forum](#) website.

Supporting food service professionals

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.

Nestlé Professional creates foods and beverages in nine dedicated manufacturing facilities, leveraging research conducted at our culinary centres in the United States, Germany, China and Singapore. We continue to [renovate our foods and beverages](#) to lower their salt, sugar and saturated fat content, and introduce more essential nutrients.

We also provide educational materials and services to support food service professionals in improving the nutritional content of their food. For example, we write articles in industry magazines like *Worldchefs*, produce online videos and publish our own dedicated magazine, *Nutripro*.

International Chefs' Day 2017

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 2017, we more than doubled our reach, with 4728 chefs joining and more than 37800 children in workshops across 55 countries.



Building, sharing and applying nutrition knowledge



Through our leading international research and development (R&D) network, we constantly extend our knowledge about how the body works, and how the right nutrition – coupled with a healthy lifestyle – can make it work better. We share our findings with others to help address some of today's key public health and nutrition challenges.

Why building, sharing and applying nutrition knowledge matters

Health challenges like obesity, type 2 diabetes and Alzheimer's are increasing at an alarming rate. Some of these have common physiological factors that can be affected by, and addressed through, nutrition. At the same time, food-related allergies and intolerances are increasing, and being diagnosed earlier in life.

The food industry can help. We have the scientific knowledge, expertise and insight to find ways to use nutrition to ease some of the challenges of people with food-related illnesses. However, much more needs to be understood about these challenges for solutions to be identified.

Our contribution to nutrition knowledge

As our understanding of food and nutrition grows, our R&D network is looking ahead to discover how we can enhance quality of life and contribute to a healthier future for everyone. At our 37 research centres around the world, including the Nestlé Research Centre and Nestlé Institute of Health Sciences, we are working to discover, develop and deploy new products and services that we aim to scale up rapidly.

In 2017, we invested CHF 1.7 billion into this research, over 60% of which was used to develop [healthier products](#). To access the latest innovations, we also collaborate with globally leading universities, research organisations and start-ups. Likewise, we undertake a number of innovation partnerships with ingredient suppliers and equipment manufacturing companies to accelerate product and technology development. In 2017, we shared our innovative research through 313 publications and 232 conference presentations.

The Nestlé Nutrition Institute is a non-profit organisation based in Switzerland that does not conduct research, but shares leading science-based information and education with health professionals, scientists, nutrition communities and stakeholders in an interactive way.

[Discover more about the Nestlé Nutrition Institute](#)

[Read more about our R&D network](#)

Our work on building, sharing and applying nutrition knowledge contributes to the following SDGs:



Nutrition knowledge for every life stage

Sharing knowledge from birth to old age

Healthy eating and drinking early in childhood sets a foundation for lifelong good habits and health. As we get older, our nutritional requirements change. We build and share understanding of good nutrition for every stage of life.

We research the link between nutrition, lifestyle habits and health in expectant mothers, newborns, and young and older children, and study the nutritional needs for healthy ageing.

Our commitment:

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

Progress against our objectives

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

● In progress

Our results:

Achieved our EpiGen targets for recruitment of women intending to get pregnant and for number of pregnancies; we have also reached **437 births (79%** of our target).

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

● In progress

Our results:

10 countries where we have our major research initiatives, FITS and KNHS.

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

● In progress

Our results:

Finalised, validated and published novel methods to measure the nutrient status, thereby continuing to research a comprehensive nutrient profiling approach for defining personal health.

Sharing our findings on gestational diabetes

One of our studies¹ is about gestational diabetes mellitus (GDM), a condition that may lead to serious adverse health outcomes during pregnancy, delivery and the initial postnatal period for millions of mothers and their babies. In some countries, GDM incurs additional medical expenses during pregnancy and delivery, and we are analysing the difference in cost between a normal pregnancy and one complicated by GDM.

Conducted in China, Italy and Mexico, and in cooperation with local universities and research institutes, our first study² in China found that the average cost of a pregnancy with GDM is 95% higher than a regular pregnancy.

With a GDM prevalence of 17.5% in China, we estimate that 2.9 million pregnancies are affected by GDM each year, at a cost of RMB 19.36 billion (CHF 2.8 billion) and 260 000 Quality Adjusted Life Years (QALY). We shared our findings in two publications in 2017.

Researching children's nutrition

We have been conducting studies on young children's nutrition for 15 years and five years ago, we broadened our studies to include older children:

- **Feeding Infants and Toddlers Study (FITS):** This deepens our understanding of the eating patterns and nutritional intake of infants and toddlers from birth to age four; and
- **Kids Nutrition and Health Study (KNHS):** This focuses on eating and lifestyle habits of children aged 4–12, an age when many behaviours that influence health later in life are established.

Where no data is available about eating patterns, we collect information through questionnaires and interviews. Our studies evaluate findings at a national and international level. In several countries, for example, they show that fruit, vegetable and fibre consumption is well below recommended levels. Sugar, sodium and saturated fat levels are already a problem in childhood, and still a large proportion of children do not consume enough calcium and/or vitamin D for optimal growth.

1 *BMC Pregnancy and Childbirth*, "Healthcare interventions for the prevention and control of gestational diabetes mellitus in China: a scoping review".

2 *BMJ Open*, "The Short-Term Health and Economic Burden of Gestational Diabetes Mellitus in China: A Modelling Study".

The benefits of nutrients and probiotics

In one of the largest public–private partnerships of its kind, we are studying the impact of nutrition and lifestyle on maternal and infant health with EpiGen Global Research Consortium (EpiGen). Through EpiGen's NiPPeR 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 November 2017, we had achieved both our targets, for recruitment of women intending to get pregnant as well as for pregnancies, and reached 437 births (79% of our target).

We share our findings through articles in scientific publications, and at events such as the [10th World Congress of Developmental Origins of Health and Disease](#) in October 2017. Topics presented from EpiGen 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
- The scientific rationale and clinical trial design of the NiPPeR study.

Using our findings

We use our findings to innovate and renovate our foods and beverages to address nutritional gaps. In 2017, as a result of our research, we launched *Gerber® Grabbers™* Strong Veggies Squeezable Puree, a nutritious snack providing one serving of vegetables (the first ingredient) and three-quarters of a serving of fruit. To better understand the dynamics behind documented intake deficiencies of children aged 4 to 12, we have in 2017 conducted deep qualitative research with mothers in seven countries around the world. This allows us to better characterise the actual 'problems to solve' and come up with better tailored product solutions in the future.

Our findings also inform communications to parents and the educational content of our *Nestlé for Healthier Kids* initiative. In Brazil, for example, insights from our pilot study suggest that over half of overweight children are not active enough. In response, we developed a Superheroes game that sends kids on 'healthy missions', earning points for exercising and playing outside. New programmes have been prepared in 2017 – in Colombia, for example – which will be publicly launched in early 2018.

We also share our findings with healthcare professionals and health authorities. Our most recently published papers on studies around the world are summarised [online](#). The new US FITS learnings have been integrated into the *Start Healthy Stay Healthy (SHSH)* nutrition programme to help guide parents in their child's feeding journey. Key KNHS results in the USA have been summarised in an [online infographic](#).

We also support learning for healthcare professionals

The postgraduate programme in Paediatric Nutrition (PGPN), developed by MedInscribe and Boston University School of Medicine, is ongoing in 68 countries, involving more than 5800 healthcare professionals.

We also launched the e-learning programme *Early Nutrition Specialist* with the LMU University, Munich, and the Early Nutrition eAcademy, as well as the International Programme for Preterm Nutrition launched in partnership with the University of Western Australia.

Using FITS in the USA

FITS researchers in the United States found that 30% of older infants and toddlers do not consume even one portion of vegetables a day. Furthermore, 25% of children's daily calorie intake comes from snacks, many of which are not healthy options.

As a response, we developed new foods to tackle these challenges. For example, our *Lil' Entrees* and *Lil' Pastas* contain half to one serving of vegetables. We promote healthier whole grain, vegetable, fruit or dairy-based snacks, such as *Lil' Beans* and *Gerber® Organic Veggie Crisps*, both of which have navy (haricot) beans as the first ingredient, as well as a wide variety of vegetable, fruit and dairy-based pouches.

Healthy ageing

We are passionate about helping people age well, and develop high-quality nutritional supplements specifically for the health needs of ageing adults. These are based on research, and made with proven, benefit-driven ingredients. Our leading brands include *Boost* (North America), *Meritene* (Europe), *Nutren Senior* (Brazil) and *Sustagen* (Australia). In 2017, based on consumer needs, we launched *Boost* in China, Japan, the Philippines and Mexico.

Our scientists conduct extensive research to understand better the ageing process. For example, sarcopenia is the degenerative loss of skeletal muscle mass, quality and strength, and becomes increasingly prevalent with age. The Nestlé Institute of Health Sciences (NIHS) is working to understand how genes, diet and lifestyle interact with skeletal muscle during ageing. The research aims to identify novel mechanisms, biomarkers and nutritional deficiencies of sarcopenia that can then be translated into nutritional solutions.

From 2015–17, NIHS and the EpiGen Consortium worked on project MEMOSA (Multi-Ethnic Molecular Determinants of Human Sarcopenia). This identified specific micronutrient deficiencies that may contribute to the progression of sarcopenia. Results were presented at the [10th International Conference on Cachexia, Sarcopenia & Muscle Wasting in Italy](#) in December 2017 and will be published in 2018.

NIHS' new study with the Swiss Centre Hospitalier Universitaire Vaudois discovered that several amino acids beyond the known homocysteine are associated with cognitive decline and dementia. [Published in *Alzheimer's Research & Therapy*](#), this work could lead to nutritional interventions in the hope of addressing age-related dementia, including Alzheimer's disease.

NIHS scientists will continue to work together with Nestlé Research Centre colleagues on physical function and mobility, and Nestlé Health Science (NHSc), which is developing Nestlé's pipeline of medical nutrition targeting frail elderly patients.

Vitamin B12 deficiency and muscle frailty in the ageing process

Additional work from NIHS in 2017, with the Nestlé Research Center Singapore and the National University of Singapore, set out to better understand how ageing and frailty are associated with changes in vitamin B12 homeostasis and its underlying molecular mechanisms.

The results of the study, [published in the *Journal of Cachexia, Sarcopenia and Muscle*](#), have conclusively demonstrated that ageing and physical frailty are associated with increased prevalence of vitamin B12 deficiency. This suggests that maintaining adequate levels of vitamin B12 is key to preventing physical decline during the ageing process, and highlights the heterogeneity of micronutrient deficiency in the elderly and the need for more targeted interventions.

Building biomedical science

Researching nutrition's role in preventing and treating disease

The number of people over the age of 60 is expected to double between 2015 and 2050. People are living longer, and often with less support from healthcare systems. Through biomedical science, we aim to understand, treat and ultimately help prevent disease throughout our lives.

We are advancing the therapeutic role of nutrition, and also exploring the role of genetics, environment and lifestyle.

Our commitment:

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

Progress against our objectives

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.

● In progress

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.

● In progress

Our results:

Continuing to develop the technology powering a range of digital applications to assess and optimise nutritional balance with personalised nutritional recommendations.

Continuing to research a nutrient profiling approach to measure nutritional status for defining personal health.

Finalised, validated and published novel methods to measure the nutrient status, thereby continuing to research a comprehensive nutrient profiling approach for defining personal health.

Supporting PhD students and collaborating with universities

Academic partnerships are important to the NIHS, which conducts fundamental research on areas where nutrition can have a beneficial impact on health outcomes. These include ageing (skeletal muscle and brain health) and metabolic health (obesity and diabetes).

As part of this work, we run the PhD student programme, currently supporting 12 young people in their transition towards professional life, alongside our recent *Global Youth Initiative*. The PhD programme allows us to build a pipeline of emerging talents, contribute to scientific understanding, and strengthen collaborations with universities, including École Polytechnique Fédérale de Lausanne (EPFL) and Technische Universität München (TUM). For example, in 2017, following our support of PhD students and a joint scientific symposium in 2015, we signed a Memorandum of Understanding with the University of Geneva's School of Pharmaceutical Sciences.

PhD research into weight maintenance and bioactives

"Obesity is the major risk factor for the development of type 2 diabetes and it affects millions of people globally," explains Margherita Springer, PhD student in the Nutrition and Metabolic Health group at NIHS and TUM. "One of the huge obstacles in its treatment is the tendency for people to regain the weight they lose."

"My research aims to understand which factors differentiate those who can maintain a normal body weight from those who cannot. It also looks at how natural molecules from plants and food can be used to help. For example, one of the things we are testing is the impact of polyphenols from fruit and vegetables on weight management. Being part of the Nestlé PhD programme is a unique opportunity to conduct research that can have a direct impact on human nutrition."

In 2017, a work from this group was published in the *American Journal of Clinical Nutrition*. It focused on understanding why the risk of developing diabetes varies from one individual to the next.

The future of personalised nutrition

We know the same diet can have different effects on people, as we each have a unique microbiome and nutritional needs. Instead of a 'one-size-fits-all' approach, we need to develop personalised products for individuals.

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 levels of essential nutrients in a person's body, so finding methods and analytical tools is a crucial first step. Once these tools or methods are identified, we then aim to develop a system to deliver those missing nutrients, moving towards customised food in the future for specific populations.

NIHS is continuing to research a nutrient profiling approach for measuring the levels of essential nutrients and micronutrients in a person's body. In 2017, we finalised, validated and published two of the novel methods to measure nutrient status. We are currently applying these methods to Nestlé clinical programmes.

Developing nutrition-based therapies

The role of nutrition is expanding from addressing nutritional gaps to potentially changing the management of our health. NHSc applies its research findings to empower people to improve their health. Consumer Care addresses specific health conditions through nutritional products and services accessed through a pharmacy, retail outlet or online; Medical Nutrition supplies food and nutrition products to medical facilities to help treat certain conditions; and Novel Therapeutic Nutrition produces new, clinically proven nutritional therapies for specific diseases and conditions, focusing on areas such as gastrointestinal and brain health.

Our solutions include:

Healthy ageing – We develop nutritional supplements for the health needs of [ageing adults](#), made with benefit-driven ingredients. Our leading brands include *Boost* (North America), *Meritene* (Europe), *Nutren Senior* (Brazil) and *Sustagen* (Australia).

Gastrointestinal health – Together with Enterome, we created Microbiome Diagnostics Partners to develop innovative microbiome-based diagnostics. This joint venture will transform therapeutic approaches to health conditions, including inflammatory bowel and liver diseases. In 2017, Prometheus, a subsidiary of NHSc, launched four diagnostic tests to help healthcare professionals monitor patients with persistent diarrhoea, Crohn's disease, liver fibrosis and inflammatory bowel disease. Through Project Crown, we are developing an amino-acid-based medical food to help patients with Crohn's disease.

Seizure control – To help people manage seizure control, we are exploring ketogenic diets. In 2017, we launched *Keyo*, a unique, ready-to-eat, semi-solid food for the ketogenic diet to better manage epilepsy. The product is suitable for children from age three.

Food allergies and intolerances – Our approach combines nutritional solutions (*Althéra*, *Alfaré*, *Alfamino*), and Cow's Milk-related Symptom Score (CoMiSS) diagnostics, enabling healthcare professionals to diagnose and manage infants and young children with Cow's Milk Protein Allergy (CMPA). In 2017, our partnership continued with DBV Technologies to develop their patch-test for CMPA in infants. To develop oral immunotherapies for food allergies, we continued working with Aimmune Therapeutics, which recently [published its study](#) into peanut allergy.

Acute care – In 2017, we announced our partnerships with the Chinese and Australian Stroke Associations, to improve the screening, diagnosis and management of dysphagia (swallowing difficulty). We launched *Thicken Up*, a thickening agent enabling tailored texture modification of food and liquids to help patients overcome swallowing difficulty. In Europe, we launched *Peptamen Intense*, a high protein, low carbohydrate enteral nutrition solution, facilitating blood glucose management in critically ill patients.

Inborn errors of metabolism – In 2017, NHSc announced a partnership with Codexis to accelerate enzyme innovation for multiple health conditions like PKU, an inborn and lifelong metabolic disorder impacting protein processing.

Skin health – Through Nestlé Skin Health, we market Galderma (medical solutions) and consumer skin health solutions. In 2017, we produced a new strategy and are collaborating with partners to explore links between the human microbiome and healthy skin, and to innovate to help people improve their skin health, particularly for ageing skin. To share knowledge, we provide training for dermatologists and healthcare professionals, and to support patients, we run a summer camp for children in the USA who suffer from skin diseases.

 Visit our website for more information about our [medical nutrition R&D](#)





For our communities

We work with partners, suppliers and millions of farmers and workers around the world. Our aim is to help build resilient, thriving communities as part of a secure, long-term supply chain. Our programmes and commitments are designed to support rural development, promote and respect human rights, and ensure fair employment and diversity.

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



Rural development and enhancing livelihoods

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

2017 highlights

63% of the volume of raw materials were fully traceable and **57%** were Responsibly Sourced

118 426 coffee farmers were provided with technical assistance

Completed our objective of carrying out **18 rural development baseline assessments**

685 000 farmers supplying directly to Nestlé

We announced our aim to source only **eggs from cage-free hens** for all our food products globally by 2025

From [page 50](#)



Respecting and promoting human rights

because it is our corporate responsibility to respect human rights throughout our business activities.

2017 highlights

A further **26** cocoa co-operatives were covered by our Child Labour Monitoring and Remediation System (CLMRS) in 2017, bringing the total to **95**. CLMRS is the most comprehensive programme yet to help children working in cocoa production, according to the organisation STOP THE TRAFFIK

12 796 employees trained during the year in human rights policies and procedures

Published our first **Nestlé Cocoa Plan Child Labour report**

We carried out a collaborative upstream Labour Rights Impact Assessment in our palm oil supply chain

In partnership with the Thai government and a supplier, we developed a demonstration vessel to International Labour Organization (ILO) standards for use in training to address safe working and living conditions on vessels in the seafood industry

From [page 59](#)



Promoting decent employment and diversity

because diversity strengthens and enriches our company, provides opportunities and makes Nestlé an employer of choice.

2017 highlights

30 157 job opportunities provided to young people under 30

11 710 traineeships or apprenticeships provided to young people under 30

Announced, at the UN General Assembly, the ambition of our global youth initiative **Nestlé needs YOUTH** to help 10 million young people around the world access economic opportunities by 2030

37.5% of leadership positions are held by women

From [page 63](#)

Investor benefits

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

Supporting the Sustainable Development Goals



Read more about how we are helping [communities](#)

Global youth initiative: *Nestlé needs YOUth*

According to ILO estimates, some 71 million young people globally are unemployed, and 500 million are under-employed or in uncertain jobs. In rural areas, the lack of job opportunities pushes young people to leave their communities in search of work. It's estimated that more than 60% of children entering primary school today will have jobs that do not currently exist. They need the right skills and experience to help them in a rapidly changing economic landscape.

Governments need to create the right conditions, but corporations also need to stand up and make their contribution. At Nestlé, we believe that communities cannot thrive if they cannot offer a future for younger generations. As a global company, we are determined to help young people develop their skills and gain experience so they can find jobs or create their own businesses.

We want to help equip the next generation for employment and help them become inspiring leaders in our company, successful agripreneurs, entrepreneurs and game-changers, regardless of their field or level of expertise. It will help build thriving, resilient communities and it supports the UN Sustainable Development Goals (SDGs).

Developing our youth helps boost our business too, because young people drive internal change in our company, keeping it dynamic and competitive. They are the employees who will power the company. They are the farmers who will grow the raw materials that we need to make our products. They are the entrepreneurs who will help us reach out to new markets and consumers. They are the innovators who will find the solutions to the business challenges of the future.

This is why we launched our global youth initiative, *Nestlé needs YOUth*, at the Private Sector Forum of the UN General Assembly in New York. It supports our 2030 ambition to help develop economic opportunities for 10 million young people around the world in communities in which we operate.

Here is our recipe for empowering youth:

- 1. Creating employment opportunities for youth at Nestlé** – through hiring young people, providing apprenticeships and training opportunities, and helping equip today's youth with the skills they will need in tomorrow's workplace.
- 2. Agripreneurship** – our programme for preparing the next generation of farmers by developing young people's agricultural and business skills and making farming an attractive and viable career option.
- 3. Entrepreneurship** – supporting young people to be innovative and creative through initiatives such as Nestlé Professional's 'My own business' scheme.
- 4. Innovation** – especially through our interactions with young people and our Facebook page, and by stimulating innovative thinking and leveraging resources.

To really make a difference for young people, we are partnering with governments, national and international foundations, youth organisations, academia and hundreds of private-sector companies through the Alliance for Youth.



Empowering the next generation of farmers

Rising population levels – combined with changing consumption patterns, poor access to resources and technology, weather fluctuations and rural poverty – represent huge challenges for ensuring food security worldwide. At the same time, raising consumer concerns for food safety and quality increases expectations from farmers. Through the agripreneurship programme, we aim to equip young farmers with the agricultural knowledge, environmental consciousness and technological know-how they need to succeed.

The farming population is ageing fast. Jobs in agriculture are attracting fewer young people, and this shortage of talent entering the agri-food industry has become a growing concern. Who will produce food for the world's growing population?

To help tackle these challenges, we started the Nestlé agripreneurship programme in 2012, which aims to accelerate the development of capable and willing young farmers to grow their farming skills, competences and business management. Agripreneurship is part of our *Farmer*


Connect programme, from which we source agricultural raw materials directly from around 685 000 farmers.

Who are agripreneurs?

Candidates for agripreneurship are ambitious, dynamic, reflective farmers who are constantly searching for ways to improve their production systems. They are the visionaries and risk-takers who push the boundaries and drive progress. We want them to have the business mind-set and soft skills to make their businesses productive and sustainable economically, socially and environmentally. Ultimately, it is the programme's ambition that they will enjoy the lifestyle benefits that come with the profitable, competitive and rewarding profession of farming.

What makes an agripreneur?

One does not become an agripreneur overnight. It takes years of continuous improvement and learning to fully imbibe the spirit and grow to become a true agripreneur. We believe agripreneurship produces social and economic benefits for farmers, empowers and enables them to embrace sustainable farming methods, and most importantly, allows them to farm by choice. It intends to create viable career opportunities for young, talented professionals who want to work in agriculture.

 Read more about our commitments for our communities from [page 50](#) onwards

Equipping farmers with the business skills to drive the future of farming.

How we're addressing and eliminating the root causes of human rights abuses.

Understanding our human rights impacts

We know that human rights abuses can occur in our supply chain, but identifying such abuses may be difficult. Supply chains are often complex, and lacking transparency, resulting in an obscure picture.

To address this, our human rights impact assessments dig deep, engaging directly with stakeholders such as workers and community members. Identifying such abuses is the first step towards enabling us to apply the appropriate remedial activities to eliminate them and improve working conditions.


Building on our experience of conducting human rights impact assessments across our global operations, in August 2017 we undertook our first upstream supply chain assessment focused on labour rights in our palm oil supply chain. Working with one of our suppliers, [Golden Agri-Resources \(GAR\)](#), and partners the [Danish Institute for Human Rights](#) and [TFT](#), two teams spent three weeks in Sumatra, Indonesia's largest palm oil producing region.

Indonesia's palm oil supply chain is complex. Lack of effective regulation, coupled with informal production systems, creates significant challenges in maintaining

visibility. This makes effective supply chain management difficult for companies like Nestlé that buy from suppliers. The assessment was aimed at understanding the challenges the industry faces, and developing recommendations for Nestlé as a global palm oil buyer.

Our assessment focused on one of GAR's refineries in Sumatra. We identified four independent production mills and their respective supply chains in which to conduct the main assessment. One mill had an integrated plantation from which it received its raw palm oil supplies, while the others were supplied by independent local smallholders and traders.

We interviewed more than 200 people, from mill and estate managers and workers to traders, smallholders and community members, as well as stakeholders from government, civil society and academia. The assessment highlighted the complex nature of the supply chain, including a number of systemic labour rights issues. Detailed findings and recommendations from the assessment will be presented in an upcoming public report, alongside the publication of Nestlé's Global Action Plan on Palm Oil.

 Read more about our commitments for our communities from [page 50](#) onwards

Supporting collective action in our Thai seafood supply chain

In 2015, Nestlé launched an action plan detailing our commitment to eliminating labour and human rights abuses in the Thai seafood supply chain.

As part of this plan, we work with suppliers to map and assess our supply chains – through global business support company [UL](#), we audited more than 10% of the vessels in our Thai seafood supply chain this year. We aim to understand working conditions and provide workers with access to grievance mechanisms. We also work with industry through the [Seafood Task Force](#) to align industry behind a common code of conduct and deploy best practice tools.


As an example of our work in 2017, we collaborated with [Thai Union](#) and [Verité](#) to renovate a standard Thai fishing boat. The vessel was refurbished to meet the standards set by the [ILO's](#) convention for human rights at sea. It also complies with Thailand's updated fisheries regulations for the health, safety and welfare of ships' crews.

To meet these standards and regulations, boat owners must provide proper safety

equipment, as well as adequate food and drinking water. Appropriate rest and eating areas onboard the vessel are mandatory, along with a first-aid kit and proper toilet and sanitation facilities.

Renovation was completed in 2017, and the boat now forms the basis of a training programme for vessel owners, captains and crew, demonstrating healthy and safe living and working conditions aboard a fishing vessel. The training also educates attendees on their rights as workers, covering recruitment, hiring, employment and separation. This initiative is supported by the Royal Thai Government Ministry of Foreign Affairs, Southeast Asian Fisheries Development Center and the Royal Thai Government Department of Fisheries.

In 2018, we will continue to progress on our Thai Seafood Action Plan, reaching more sites. We will continue to identify additional ways to drive positive change in labour conditions in our supply chain and the sector more broadly.

 Read more about our commitments for our communities from [page 50](#) onwards

Setting standards to improve conditions for workers at sea.



Rural development and enhancing livelihoods



By having a comprehensive understanding of where and how our ingredients are produced, and the challenges farmers and their communities face, we can support rural development. Working closely with farmers enables us to promote better agricultural practices and help improve their livelihoods, thereby working towards responsible sourcing and securing a long-term supply of raw materials.

Why rural development matters

The growing global population means demand for food is rising. Consumers also increasingly have concerns over food quality and safety. These represent huge challenges for farmers and the agricultural sector. Lack of knowledge, poor farming practices, ageing or diseased plants, a lack of empowered women and low levels of nutrition, sanitation and health can all have a detrimental effect on farmers and their communities. These can be exacerbated by climate change and the increasing pressure on arable land from other crops.

As a result, many farmers live on low incomes and farming is not always seen as a desirable or profitable career option by the next generation, who are essential for the successful future of farming.

Our role

By supporting rural development, and helping farmers and communities to boost their incomes and access economic opportunities, we can help build secure, long-term supply chains. Through specialised sourcing programmes, such as our *Nescafé Plan* and *Nespresso AAA Program* for coffee, our *Cocoa Plan*, and our TFT Rurality programme in palm oil and pulp and paper,

we work directly with farmers and growers. Also, by providing training in better agricultural practices and diversification, and supplying stronger, higher-yielding plants, we support farmers to improve their productivity and incomes, and become more resilient.

“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 Emeritus, Nestlé

[Read more about caring for rural development](#)

[Read more about our governance and policy arrangements](#)

Our work on rural development and enhancing livelihoods contributes to the following SDGs:



Responsible sourcing and *Farmer Connect*

Tracing our ingredients transparently

We source our raw materials both directly from farmers, through our *Farmer Connect* programme, and from suppliers through our procurement channels. With consumers and stakeholders increasingly

wanting to know what is in their food, where it comes from and how it is made, responsible sourcing is an essential part of ensuring the integrity and sustainability of our business.

Our approach consists of sourcing our most important 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 challenges that can affect supply, livelihoods and sustainability in our sourcing activities.

Our [Nestlé Commitment on Farm Animal Welfare](#) sets out further ways to improve the health, care and welfare of the farm animals in our supply chain. Read more about our commitment to animal welfare and the internationally accepted Five Freedoms [here](#).

Our priority categories

Our work towards achieving traceable and Responsibly Sourced ingredients focuses on 12 priority categories, which represent the materials we source in the largest quantities or which are most important for us: cocoa; coffee; dairy; cereals and grains; fish and seafood; hazelnuts; meat, poultry and eggs; palm oil; pulp and paper; soya; sugar; and vanilla.

Farmer Connect

Within our responsible sourcing activities, *Farmer Connect* is our unique sourcing programme working directly with farmers. *Farmer Connect* helps ensure the supply of

high-quality agricultural raw materials, and provides physical traceability back to farm level. Through the programme, we engage with farmers directly to develop supply chains that meet our social, environmental and ethical requirements. *Farmer Connect* goes beyond responsible sourcing compliance and places an emphasis on outcomes such as increasing crop yields in a sustainable way through its SAIN programme (*Sustainable Agriculture Initiative at Nestlé*).

SAIN is a toolkit we use to promote good agricultural practices, improve standards and provide farmers with technical assistance and support, adapted to local contexts. Training activities help farmers improve their yields, meaning they can sell more produce and increase their income. This helps them to support their families and grow their businesses, while also meeting our highest sourcing standards. We also help farmers – especially women – to develop alternative income streams, further boosting their income. We give particular support to young farmers. To nurture the development of the next generation of farmers, SAIN builds on agripreneurship – a fast-track programme that accelerates the development of capable and willing farmers to grow their farming skills, competences and business management.



Rural development assessments

Identifying the support farmers need

To support farmers in addressing the challenges they face and make farming more attractive, we need to understand their needs. Only then can we identify the activities that will help farmers grow and develop. Using diagnostic tools, we have assessed the sustainability of farmers' livelihoods. The insights gained helped shape the focus of our support programmes.

Our commitment:

Roll-out of rural development assessments to understand the needs of farmers.

Progress against our objectives

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.

● Achieved

Our results:

18 baseline assessments completed.

Understanding our farmers' needs

In 2017, we continued our rural development baseline assessments using two key tools:

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

The RDF was designed in collaboration with key partners the Danish Institute for Human Rights, the Fair Labor Association (FLA), the Rainforest Alliance and Solidaridad. It has a broad focus and includes relevant development drivers at farm and community levels. 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 for assessing food availability.

RISE is more targeted at 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 indicators such as economic viability, quality of life and natural resources, and identifies strengths and weaknesses. RISE also evaluates the embeddedness of the farms in the local context, and is a means of achieving continuous improvement.

We completed new assessments in 2017 in our cocoa supply chains in Brazil, Ghana and India. Through TFT, we also completed baselines in Malaysia, Indonesia, Ghana and Côte d'Ivoire.

These baselines continue to inform our work. In some cases, we have now been able to put in place more permanent monitoring systems to track our progress. In others, we will carry out a new baseline in a few years' time to assess the new status and review the progress made.

Taking a holistic approach

Once we understand farmers' needs, Theory of Change methodology allows us to measure our activities' impact, addressing things where they matter. Theory of change identifies desired long-term goals, then works back to determine the conditions that must be in place for the goals to occur. This approach has, initially, been implemented in our *Farmer Connect* coffee supply chain. Backed by a key performance indicator framework, Theory of Change provides a global approach with a local focus, and will take our work forward as we look to scale up and deliver lasting impact.

Developing smallholders' capabilities

Throughout *Farmer Connect*, and more recently under the umbrella of responsible sourcing in multi-tier upstream supply chains, we are partnering with TFT on initiatives to support smallholders. TFT's Rurality programme aims to build smallholder inclusion in our supply chains in Côte d'Ivoire, Ghana, Indonesia, Malaysia and Peru, while building smallholder resiliency and responsible production capability.

"Nestlé's Rural Development Framework is an example of how a large brand can lead with conscience. The RDF gives us a wider view of rural families' lives and how shared responsibility of companies, governments and rural leaders can alleviate poverty, support women leaders, and improve incomes and nutrition. Among peer companies, Nestlé's work is challenging other corporate leaders to think and act more ambitiously towards sustainable livelihoods."

Stephanie Daniels, Sustainable Food Lab

Improving farm economics

Building long-term farming futures

If farms do not generate enough income, they will not attract and retain young farmers. Already, the farming population is ageing, and fewer than 5% of farmers in rural areas are under 35. Improving farm economics and ensuring viable futures for farmers are essential if we are to achieve long-term supplies of safe, quality raw materials.

Our commitment:

Improve the farm economics among farmers who supply us.

Progress against our objectives

By 2018: 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.

● In progress

Our results:

We have developed proposed interventions and implementation will begin in 2018.

431 000 farmers trained in good agricultural practices.

Supporting farmers globally

Providing farmers with access to markets, coupled with training on farm management and good agricultural practices to help them increase their yields, is critical to improving farmer incomes and boosting rural development. Our [Theory of Change approach](#) – shifting our focus towards outcomes and impacts, and assessing the improvements facilitated by our actions – will allow us to evaluate and demonstrate the results of our activities on farmers' livelihoods and rural communities.

Our focus is on training farmers in good agricultural practices in diverse ways, helping them grow safe, high-quality raw materials, and develop resilient, sustainable farms.

Making an impact for good

In Thailand, through our *Sustainable Agriculture Initiative at Nestlé* (SAIN) programme, we have established coffee farmer groups and implemented the *Nescafé* Ambassador programme. The groups identify the root causes of low productivity, such as lack of knowledge of good agricultural practices and low-yielding plant varieties. Through training and the provision of higher-yielding plants, we address these challenges, while the Ambassadors – chosen for their interpersonal skills and motivational qualities – encourage farmers to adopt the new practices. Results have been very positive; one farmer group, the Lom Choy group, increased its coffee production from 0.7 tonnes/ha in 2015 to 1.2 tonnes/ha in 2017, boosting incomes as a result.

In Vietnam, we have been monitoring coffee farmers' adoption of the *Nescafé* Better Farming Practices and assessing the impact on their income and livelihoods. Through adopting these tools, coffee farmers have increased their incomes by up to 24% over five years.

Other SAIN programmes among the 22 active in 2017 include:

- The *Escuela Nescafé* (*Nescafé* School) in Mexico, a one-week training programme for farmers to develop business and planning skills, and the *Aula Virtual Nescafé*, an online e-learning platform;
- Improving Ecuadorian cocoa farmers' productivity and income while strengthening responsible sourcing through applying the UTZ certification scheme; and
- Encouraging intercropping – growing different crops simultaneously – in Vietnam to improve ecosystems and generate new income streams – in some cases doubling their income.

431 000

farmers trained in good agricultural practices

Improve food availability and dietary diversity

Tackling nutrition insecurity in our farming communities

Our analysis shows that as many as 70% of farming families in some countries can be short of food for up to three months. Our Rural Development Framework (RDF) baselines found many have diets lacking diversity, and are especially poor in protein and nutrient-dense foods such as vegetables, dairy and fruit. By addressing these challenges, we can help farmers and their families live healthy lives and achieve their potential.

Our commitment:

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

Progress against our objectives

By 2018: Improve food availability and dietary diversity in five priority sourcing locations based upon the results of the Rural Development Framework (RDF) baselines.

● In progress

Our results:

Pilot schemes are under way in **three** countries to prove methodologies.

Inspiring long-term change

We are working with local partners to implement targeted interventions that inspire long-term behavioural change while respecting local customs and traditions:

- **Training farmers on nutrition**, especially women, who are often responsible for feeding their families;
- **Promoting intercropping, kitchen gardens and livestock**, providing better nutrition security;
- **Providing improved vegetable planting materials** that withstand drought and disease, increasing yields; and
- **Extending the *Nestlé Healthy Kids Global Programme* into rural areas**, helping children understand how good nutrition sets them up for life.

In Kenya, we are a member of FOSEK (Food security in Ethiopia and Kenya), a public–private partnership led by the civil society organisation [Solidaridad](#), which aims to improve food security for 120 000 coffee farmers and their families by 2020. With Coffee Management Services, we are offering training on better agricultural practices, and providing awareness and training on nutrition as well as encouraging the development of kitchen gardens. We're also strengthening farmers' co-operatives and women's empowerment programmes.

"We aim to increase farmer income and improve the availability and accessibility of nutritious food in diversified (cash/food) crop production systems. Nestlé is a valuable partner in this project, because together we reach out to their coffee suppliers. Besides acting as coffee buyer, Nestlé contributes its vast expertise on healthy diets and nutrition. Combining their knowledge on nutrition with the agronomic and supply chain expertise of Solidaridad and its partners makes this an all-round food security project."

Annelot Van Leeuwen, Corporate Partnerships Manager, Solidaridad

Helping farmers on the ground

Our [Nescafé Plan](#) is working with coffee farmers in central and eastern Kenya as part of its *Beyond the Cup* initiative. In 2017, Rural Outreach Africa (ROA) published the results of a survey showing that, overall, 70.9% of the farmers surveyed had an inadequate dietary diversity score (DDS), and only 25.4% of households with children under 5 had an adequate DDS. This was exacerbated by a prolonged drought and resulting food scarcity. ROA's assessment found our initiative had a positive effect on the farmers' DDS, largely due to the adoption of kitchen gardens, as well as providing new routes to market, disease-resistant plants and technical assistance.

Implement responsible sourcing and promote animal welfare

Building supply chain resilience

Consumers and stakeholders increasingly want to know what is in their food, where it comes from and how it is made, and companies need to respond to those demands. Transparency in our supply chains and responsible sourcing are therefore essential to ensuring a sustainable future for our business.

Our commitment:

Implement responsible sourcing in our supply chain and promote animal welfare.

Progress against our objectives

By 2018: For Tier 1 suppliers, cover 80% of the total spend and volume sourced from audited and compliant suppliers*.

● In progress

Our results:

63% of our 12 priority categories of raw materials are traceable.

By 2020: For upstream, 80% of the spend and volume of our priority categories to be traceable and 70% to be Responsibly Sourced*.

● In progress

Our results:

57% of our 12 priority categories of raw materials are Responsibly Sourced.

Expanding our responsible sourcing

In 2017, we continued to work towards our responsible sourcing goal and achieved our overall objectives for the year. We exceeded some targets, although progress varied across categories due to individual circumstances in each supply chain.

Extending our animal welfare commitment

We announced our aim to source only eggs from cage-free hens for all our foods products globally by 2025.

Our 2017 progress in sourcing our 12 priority ingredients responsibly

Commodity (with key uses and supply chain challenges)	Traceable			Responsibly Sourced	
	Target %	Actual %	Level of traceability	Target %	Actual %
<u>Cereal</u>	45	41.4	Back to farm	35	37.3
<u>Cocoa</u>	N/A	42.9	Back to plantation	N/A	42.9
<u>Coffee</u>	54	54	Back to group of farms/ plantations	54	54
<u>Dairy</u>	80	81.1	Back to farm	75	81.1
<u>Fish and seafood</u>	99	57	Whole fish only, back to fishery/ farm	40	25
<u>Hazelnuts</u>	85	88	Back to farm	55	77
<u>Meat, poultry and eggs</u>	31	26.8	Back to farm	16	20.2
<u>Palm oil**</u>	70	48	Back to plantation	65	58
<u>Pulp and paper</u>	80	91	Back to country of origin (applies to virgin fibre only). Responsibly Sourced figures include recycled fibre.	60	58
<u>Soya</u>	70	78	At least back to mill	50	75
<u>Sugar</u>	80	68.5	At least back to mill	60	52.2
<u>Vanilla</u>	95	98.5	Back to plantation	70	92
All categories	60	63	All categories	50	57

* The 2020 objectives were changed last year to reflect the fact that spend, as well as volume, is a criteria we use to measure compliance.

** In 2017, the proportion of palm oil we purchased that was responsibly sourced was greater than the amount that was traceable. This is because some of the volume purchased was RSPO certified or came under 'Action Plan palm oil', but could not be traced back to specific coordinates on a plantation.

Continuously improving our green coffee supply chain

Addressing the challenges in coffee growing

We need to secure supplies of high-quality coffee, but coffee growers face serious challenges, such as low incomes and food insecurity. Plus, ageing or diseased trees, declining yields, climate change and, in some cases, conflict all threaten smallholders' livelihoods and the sustainability of the sector. Our response is through programmes that address these threats at individual, community and landscape levels.

Our commitment:

Continuously improve our green coffee supply chain.

Progress against our objectives

By 2020: 70% of the total *Nescafé* coffee supply to be Responsibly Sourced.

● In progress

Our results:

2017: 54% of total *Nescafé* coffee supply is Responsibly Sourced.

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

● In progress

Our results:

2017: 30.9 million coffee plantlets distributed.

By 2020: *Nescafé* to improve coffee farm economics in at least four coffee-sourcing countries.

⊕ New

Our results:

Reporting to start in 2018.

By 2020: *Nescafé* to monitor and improve labour rights in at least two coffee-sourcing countries.

⊕ New

Our results:

Reporting to start in 2018.

By 2020: Source towards 100% of the coffee for *Nespresso's* permanent range through its *AAA Sustainable Quality™ Program* on coffee sourcing.

● In progress

Our results:

2017: 90% of *Nespresso* coffee sourced through the *AAA Sustainable Quality™ Program*.

In 2017, the *Plan's* strategic framework was redesigned to focus on measuring positive impact. *Nescafé* and *Nespresso* began implementing our Farmer Advanced Management System (FARMS) in our *Farmer Connect* value chains. This encompassed individual identification of farms and farmers, and our interactions with them, enabling us to create system-based assessments of a transparent value chain. We also increased our focus on labour rights, partnering with NGO *Verité* in Mexico to assess labour rights violations. This assessment is a first step towards building a system to identify and remediate issues in our value chain.

The *Nespresso AAA Sustainable Quality™ Program*

Reaching more than 75 000 farmers in 12 countries, the programme aims to secure supplies of the highest-quality coffee, protect the environment in which it is cultivated and build long-term stability in coffee communities. The AAA operations are currently on hold in South Sudan, one of the 12 countries, due to unstable conditions following a return to armed conflict.

In 2017, around CHF 36 million was invested in coffee operations, technical assistance and farmers' premiums. As part of the programme, agroforestry and reforestation practices continued to be deployed as a climate adaptation solution for farmers, and more than 2.5 million shade-providing trees have now been planted in and around coffee farms since 2014.

The *Positive Cup*

Nespresso launched its first GRI-compliant sustainability report in 2017. Entitled *The Positive Cup*, it details the progress made through *Nespresso's* approach to Creating Shared Value. In particular, it focuses on supporting coffee farmers and production, recycling and addressing climate change.

Building a resilient coffee supply chain

Demand for coffee is growing, but so is pressure on arable land as other crops compete for space. Improving farmers' productivity is critical to ensuring sustainable long-term coffee supplies. We address this through two key programmes:

The *Nescafé Plan*

The world's largest coffee sustainability programme, active in 17 countries, makes Nestlé the largest buyer, by volume, of Responsibly Sourced coffee.

Supporting cocoa farmers and their communities

Better farming, better lives, better cocoa

Cocoa farmers face numerous challenges, such as ageing or diseased trees, depleted soil, poor agricultural practices, child labour and deforestation. The *Nestlé Cocoa Plan* addresses these challenges and aims to improve the lives of farmers and their communities through three pillars: better farming, better lives and better cocoa.

Our commitment:

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

Progress against our objectives

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

● Achieved

Our results:

186 358 tonnes of cocoa sourced through the *Nestlé Cocoa Plan* in 2017.

By 2018: Source 175 000 tonnes of cocoa through the *Nestlé Cocoa Plan*.

● In progress

By 2020: Source 230 000 tonnes of cocoa through the *Nestlé Cocoa Plan*.

● In progress

The *Nestlé Cocoa Plan*

To improve farmers' productivity and product quality – and, consequently, their incomes – we provide training in better agricultural practices, distribute higher-yielding cocoa trees, promote gender equality, address child labour and develop long-term relationships with farmer groups. As the programme becomes established, we are evolving training methods to include coaching, business training and a differentiated approach for the best farmers. We also work with partners such as the [World Cocoa Foundation's CocoaAction](#), an industry-wide strategy for cocoa sustainability.

Stopping deforestation

There was a significant, industry-wide focus in 2017 on tackling deforestation. Nestlé is already committed to eliminating deforestation from our supply chains by 2020. In November, we signed the [Cocoa & Forests Initiative Framework of Action](#). This aims to end deforestation in Côte d'Ivoire and Ghana, promote reforestation and secure sustainable livelihoods for affected people.

Addressing child labour

We work closely with the [International Cocoa Initiative \(ICI\)](#) to identify the challenges of, and solutions for, child labour. Our Child Labour Monitoring and Remediation System (CLMRS) grew further in Côte d'Ivoire and Ghana in 2017, and now includes 65 486 farmers in 95 co-operatives. The scheme's effectiveness was highlighted in an evaluation survey showing more than half the children engaged in child labour in 2013–15 were no longer involved. In 2017, the remediation was extended in partnership with the [Jacobs Foundation TRECC](#) programme to include literacy education, bridge schools and schooling in villages with no education infrastructure.

Tackling child labour

2017 saw the publication of our first [Tackling Child Labour](#) report. It details the work we are doing with the ICI to identify the causes of child labour and implement solutions, and marks a major step forward in our efforts to deal with the challenge.

What we have achieved

Community members educated on child labour issues	289 657
Community awareness-raising sessions conducted since 2012	5 557
Number of communities in which CLMRS is operating	2 201
Number of farmers covered by CLMRS	65 486
5–17 year olds currently being monitored by the <i>Nestlé Cocoa Plan</i> CLMRS with scale-up continuing	67 245
Children being helped to date in the upstream supply chain by the <i>Nestlé Cocoa Plan</i> CLMRS	63 46
Percentage reduction of child labour in our supply chain over the last three years	51%

Dairy

Sourcing our largest ingredient

Our dairy purchases are sourced from more than 30 countries around the globe, creating value for the local rural communities. We have established dedicated milk sourcing teams to directly purchase

from farmers, and provided tailored technical assistance while creating short, efficient supply chains.

Our dairy purchasing

Dairy is part of our *Farmer Connect* programme. In 2016¹, we bought approximately 13.2 million tonnes of fresh milk and fresh milk equivalents, either directly from our milk districts or sourced from Tier 1 suppliers. Our [milk district model](#) is an integral part of our *Farmer Connect* programme. It helps us develop shorter, more sustainable supply chains and drive positive change through direct relationships with around 306 000 farmers and farming communities in 31 countries around the world.

The dairy industry globally is coming together through the [Dairy Sustainability Framework \(DSF\)](#), which provides a holistic approach to drive and measure improvements in sustainable dairy. We strongly welcome and support this, and will play an active role within the DSF.

Dairy 4 You

Dairy 4 You continues to act as an umbrella for a range of activities as part of our brand purpose. It has two main objectives:

- To help continuously improve our milk 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).

Consumers want to understand what is behind the brand, such as where the milk they buy comes from. By incorporating Dairy 4 You into brand messaging – such as with *Nido* in Chile and Ecuador in 2017 – we can be more open and transparent to consumers about the animal welfare standards, environmental practices and farmer training in our supply chain.



¹ Nestlé's milk report for 2017 will be published in April 2018, which falls out of scope of the 2017 CSV reporting cycle. The 2016 figure is, therefore, the most recent year for which we have complete data.



Respecting and promoting human rights in our business activities



Seventy years ago, in 1948, the Universal Declaration of Human Rights was adopted by the United Nations General Assembly, affirming our inalienable human rights.

In order to continue to promote and uphold respect for these universal rights, real action by all actors is required.

Why respecting and promoting human rights matters

Every individual should have access to the basic rights and freedoms necessary for them to live with dignity. These are our human rights, yet millions of people around the world are negatively affected by abuses of these rights.

Since we last reported on our human rights programme, a lot has changed externally and within Nestlé: from an evolving and more stringent regulatory landscape to a deeper global understanding that protecting human rights is at the core of achieving the UN Sustainable Development Agenda.

In the 10 years since we started out on our human rights journey, we have continued to evolve and refine our approach to managing and mitigating human rights issues across our business operations and value chain.

In 2017, we built upon our operational human rights activities, and extended these further into our supply chain, most notably in conducting our first human rights impact assessment in our upstream agricultural supply chain. Our experience has taught us that we cannot achieve scaleable, sustainable change in our supply chains on our own, but through working effectively with others. This collaborative approach underpinned the human rights impact assessment, which was carried out with our supplier Golden Agri-Resources (GAR) and key partners the Danish Institute for Human Rights and TFT. Collaboration like this brings together sector capability with human rights expertise,

facilitating a cross-fertilisation of ideas and approaches. By taking this kind of holistic, pragmatic approach, Nestlé aims to be better able to identify and develop meaningful actions to address any issues identified.

As we look ahead, we will continue to strengthen our human rights activities in our upstream supply chains, working with partners such as TFT, Proforest and Verité to embed them into our established responsible sourcing programmes. We look forward to reporting on our progress in the coming months.

“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, Chairman, Nestlé

Supporting the Sustainable Development Goals

All our salient issues are directly reflected in the 17 SDGs, as demonstrated throughout this report. The efforts we take to respect human rights contribute to sustainable development for millions of people. Our work on human rights contributes the most to the following SDGs:



Addressing human rights impacts

Tackling our salient issues

In order to ensure that we uphold our corporate responsibility to respect human rights in line with the UN Guiding Principles on Business and Human Rights, we must focus on where we have the greatest potential impact. We have identified [11 salient human rights issues](#) and developed action plans for each*. We define salient issues as those human rights at risk of the most severe negative impact on rights holders through the company's activities and business relationships.

Our commitment:

Assess and address human rights impacts across our business activities.

Progress against our objectives

By 2017: Strengthen human rights mainstreaming into existing standards, audit protocols and due diligence procedures, in particular for: our own facilities, including greenfield and brownfield projects; local communities; our business partners, including local distributors, co-manufacturers and joint ventures; and mergers and acquisitions.

● In progress

Our results:

In 2017, we continued to embed human rights across our business activities. However, given the scale and complexity of the work at hand, we were not able to fully complete all elements of our 2017 commitment. We will continue to work on embedding human rights, with particular focus on our supply chains, in 2018 and beyond.

Our CARE audit programme has been updated, and a new version piloted. 'Promoting and respecting human rights', as part of our re-articulated corporate purpose, was communicated to all employees.

By 2018: Carry out six human rights impact assessments in our upstream supply chain.

● In progress

Our results:

By end 2017, we carried out our first HRIA in our upstream palm oil supply chain in Indonesia focused on labour rights. Taking this work into our supply chains has increased its scale and complexity, so we are likely to carry out a limited number of HRIsAs in our upstream supply chain by 2018. We also achieved our outstanding 2015 objective to ensure that all 13 FTSE4Good Countries of Concern where we operate are covered by a human rights impact assessment (with the exception of Saudi Arabia and joint ventures in China).

By 2019: Have a functioning governance structure in place in all markets that looks after human rights risks and opportunities.

● In progress

Our results:

By end 2017, we had conducted training for in-house legal counsel across the head office, three Zones and markets.

By 2020: Train all Nestlé employees on human rights.

● In progress

Our results:

An update to our human rights e-learning module for all employees is currently being developed and rolled out. We are also developing tailored training for business functions with specific exposure to human rights risk or responsibility for managing our performance.

Strengthening our human rights due diligence

In 2017, we continued to roll out our *Human Rights Due Diligence Programme* at all levels, and reviewed and incorporated additional elements on human rights into our revised CARE Audit Protocol. Our human rights due diligence helps us to stay ahead of regulatory changes, which we expect to become more stringent at the international and national level.

Addressing our salient issues


We extended our operational human rights activities into our upstream agricultural supply chain in 2017, including our first human rights impact assessment in our palm oil supply chain. This marked a significant shift from our previous business-focused approach, and is why we have refined our 2018 objective.

We also continued to make progress in the development and evolution of the action plans we have put in place for each of our [11 salient human rights issues](#).

Employee training

As part of our commitment objective to train all Nestlé employees on human rights by 2020, we are currently revising and rolling out an updated human rights training module for all employees. We first launched our employee human rights training in 2011, and have so far trained 96599 employees, so felt that now was the right time to update the content to ensure it remains relevant and accessible to our employees.

In addition to general awareness raising, we are developing and rolling out tailored training programmes for functions across the business with specific exposure to human rights risk or responsibility for managing our performance. We started this roll-out with the launch of a Legal Module at the end of 2017, and plan to launch a tailored Procurement Module in 2018.

 You can read more about the specific issues and action plans on our website and in our [UNGP Reporting Framework Index](#)

 Read more about our 11 salient human rights issues [here](#)

*With the exception of Land Acquisition, to which we are taking a different approach due to the issue involved. See our [UNGP Reporting Framework](#) for further details.

Protecting labour rights and children in our supply chain

Improving workers' livelihoods

Nestlé is against all forms of human rights violations, including labour rights violations. This is outlined in our policy: [Nestlé Commitment on Labour Rights in Agricultural Supply Chains](#).

As we look at human rights impacts beyond our operations, 7 of our 11 salient issues relate to labour rights, and are associated with our agricultural supply chains.

Our commitment:

Improve workers' livelihoods and protect children in our agricultural supply chain.

Progress against our objectives

By 2017: Release the roadmap with clear priorities for each salient labour rights issue.

● Achieved

Our results:

Roadmap published in May 2017.

By 2018: Start reporting on the number of workers in agricultural supply chains having benefited from our interventions on selected salient labour rights issues.

● In progress

Our results:

Reporting to start in 2018.

By 2020: Start reporting on the number of workers in agricultural supply chains having benefited from our interventions on all salient labour rights issues.

● In progress

Our results:

Reporting to start in 2020.

Setting clear priorities

In May 2017, we published *Labour Rights in Agricultural Supply Chains: A Roadmap*, building on our work to identify our salient human rights issues, and setting clear priorities for each. This has enabled us to identify and prioritise 11 countries that present higher levels of labour risks and from which we source our 12 priority commodities. As a result, we are better able to direct our labour rights remediation activities.

Where labour rights challenges are already identified, we begin immediate remediation where possible. Where we need more time to understand the challenges and design solutions, remediation will commence between now and 2020.

Defending rights, improving livelihoods

In Thailand, we made significant progress in implementing our action plan to tackle human rights abuses in the seafood supply chain, with the development of a [new training vessel for boat owners, workers and others](#). In Turkey, where migrant labour forms a large part of the workforce in our hazelnut supply chain, we have been working with the [Fair Labor Association \(FLA\)](#) since 2011 to improve transparency in the hazelnut supply chain. After six years of continuous work, we are 100% traceable in

Turkey and are implementing a monitoring and remediation system for tackling child labour and other human rights issues. From 2011 to 2015, FLA assessments showed progress in reducing the incidence of child labour. However in 2017, ongoing political turmoil in the region has directly affected the incidence of child labour in agriculture.

We participate in the [Consumer Goods Forum's Business Actions Against Forced Labour](#), which advocates responsible actions to end forced labour. We also joined the [Responsible Labor Initiative](#), which promotes the rights of workers vulnerable to forced labour.

Tackling the causes of child labour

We need to detect child labour and tackle its causes, wherever they appear in our supply chain. We work with stakeholders to identify the causes, and develop and implement effective solutions. With our partners, Nestlé provides comprehensive monitoring, effective remediation and targeted support.

In 2017, we published *Tackling Child Labour*, our first report on child labour in our [cocoa supply chain](#). The report details our efforts to spearhead the food and beverage industry's approach to a highly complex issue, and our work to prevent and eliminate child labour in our supply chain.

Taking action with our partners

Addressing human rights abuses is a shared responsibility and we welcome dialogue, engagement and collective action with all those committed to making sustained progress in addressing them. We continue to work with our global and local partners and have intensified our investment and activities with the ILO, the Turkish Ministry of Labour, local suppliers Olam and Balsu, trade association [CAOBISCO](#), and international and local NGOs. Since 2015, for 28 months, the financial support of the US Department of Labor has allowed us to further engage with various stakeholders to find better ways to address labour issues, including child labour. We will continue to implement and scale up many of the effective initiatives we have put in place along our suppliers, NGOs and the local authorities to improve the working and living conditions of seasonal migrant workers.

 [Read more about our work here](#)

Our culture of integrity

Upholding and promoting the highest standards across our business

Our values are reflected in the way we do business – always acting legally and honestly, with respect for our own people and for those with whom we do business, as well as for diversity and for the future. It is the responsibility of every one of us to bring our purpose and values to life.

Our commitment:

Enhance a culture of integrity across the organisation.

Progress against our objectives

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.

● Achieved

Our results:

98.7% of employees with computers have completed compliance e-learning.

100% of markets have confirmed key corporate compliance practices are in place.

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.

● In progress

Our results:

Compliance communication best practices reinforcing tone at the top and speaking up have been shared with all the markets in 2017. New CARE audit programme enhanced on human rights has been developed and piloted in 2017.

By 2019: Markets reinforcing compliance as a leadership responsibility based on corporate toolkit for training managers on business integrity.

● In progress

Our results:

In 2018, markets will receive a toolkit to be implemented in 2019.

By 2020: A proactive review is conducted for our compliance activities and policies in light of our evolving product portfolio.

● In progress

Our results:

The review process is currently in development.

We continue to increase our efforts towards this commitment. We employ a variety of methods from e-learning modules to presentations, and have embraced new ways to reach employees, such as using mobile phones, team meetings and shift-change meetings. Since 2015, 194 634 employees with computers have completed compliance e-learning, 98.7% of the total.

Living our culture

We aim to ensure a culture of integrity and respect, not just in our company but throughout our supply chain, so that all our employees and those with whom we work live our culture and values.

In 2017, we focused on ensuring key corporate compliance practices were in place and reinforced our business integrity and compliance culture. These were achieved through leadership by example from senior management, and by a redesign of our compliance audit programme, CARE.

Our Communication Best Practices Toolkit was shared with all our markets in 2017, enabling them to develop market compliance communications. This was supported by our 'We make Nestlé' campaign, together with briefings, staff discussions and internal publications.

“Respect has a special and powerful meaning at Nestlé. It profoundly influences the way we work and run our business. Our values are visible in our behaviours, in our actions and decisions.”

Mark Schneider, Chief Executive Officer, Nestlé

Driving integrity: the CARE audit programme

Our CARE programme uses independent assessments to measure compliance with key principles. In 2017, we made the questionnaire more user-friendly. Content was enhanced around the themes of human rights, harassment and protection of parenthood, and we added a local communities theme. We confirmed the CARE audit cycle as three years worldwide, and enhanced the role of the Market Compliances Committee, which becomes the key driver for CARE and responsible for its governance. These changes strengthen and further embed CARE in Nestlé's culture.

In 2017, we carried out 146 CARE audits, which identified 135 gaps requiring action. Of these, 15 have been remedied; the remainder are being addressed.

CARE gaps

Type of gap	Minor	Major	Critical	Closed	Degree
Health and safety	13	0	0	2	2 minor
Human rights and labour practices	41	21	0	8	7 minor 1 major
Business integrity	8	0	0	2	2 minor
Environment	27	0	0	2	2 minor
Security	9	1	0	1	1 minor
Total	98	22	0	15	



Promoting decent employment and diversity



Our values are rooted in respect. Ensuring decent employment, diversity and inclusion are therefore key aspects 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 are expanding our efforts to strengthen this inclusive culture, helping us leverage the unique skills, knowledge and experiences of our diverse workforce.

Why promoting decent employment and diversity matters

The ILO states that decent employment means having:

- Opportunities for work that is productive and delivers a fair income;
- Security in the workplace and social protection for families;
- Better prospects for personal development and social integration;
- Freedom for people to express their concerns, organise and participate in the decisions that affect their lives; and
- Equality of opportunity and treatment for all women and men.

Decent employment, diversity and inclusion strengthen and enrich our company and make Nestlé an employer of choice. Research shows that these factors motivate and engage employees, which leads to high performance and innovation.

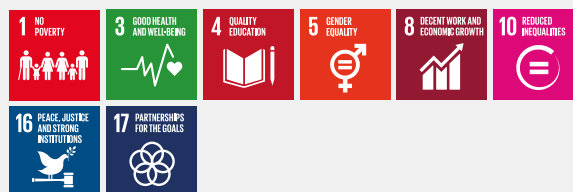
Nestlé is a highly diverse company, and we want to reflect the diversity of the society in which we operate. Our main focus areas are gender balance, reflected in our commitment to the UN Women's Empowerment Principles, increasing our cultural diversity and ensuring all employees in Nestlé are paid a living wage. Throughout the organisation, we also include local initiatives depending on local needs and legislation for better inclusion of people with disabilities, different generations and sexual orientation (LGBT). We also continue to act on Nestlé & I engagement results, and leverage our internal communication platforms to make Nestlé a safe place to share ideas, concerns and suggestions.

It is also essential that we provide a safe workplace for all our employees, protecting and promoting their well-being. 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.

"Success is directly related to the quality of our people. We invest in them and they stay with us."

Paul Bulcke, Chairman, Nestlé

Our work promoting decent employment and diversity contributes to the following SDGs:



Promoting youth employment and employability

Providing opportunities for young people globally

Youth unemployment is a serious global issue, affecting millions of young people and contributing to global poverty. As a major employer, we recognise that we can make a positive difference by providing employment opportunities and skills development.

We offer apprenticeships, training schemes and initiatives to equip young people with the skills required for the workplace. Through these schemes we want to play a significant role in tackling youth unemployment.

Our commitment:

Roll out our *Nestlé needs YOUth* initiative across all our operations.

Progress against our objectives

By 2020: *Nestlé needs YOUth* Initiative commits to deliver:

- 45 000 to 50 000 apprenticeship and traineeship opportunities;
- Continued readiness-for-work events globally, with an 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.

● In progress

Our results:

30 157 job opportunities and **11 710** apprenticeships and traineeships offered to people under the age of 30.

3815 readiness-for-work events organised to help prepare young people for work, with **10 764** employees volunteering for such events.

The Alliance for YOUth continued to grow, reaching **331** partners.

On 29 November, we supported the launch of the [ILO's Decent Jobs for Youth engagement platform](#). Initiatives like this one show how business can help young people be better prepared to enter the world of work. It is only by working together with other businesses, government and civil society that we can find solutions to these global challenges.

📖 Read more about our [Nestlé needs YOUth initiative](#)

Creating opportunities for the world's youth

In 2017, we announced the ambition for our expanded global youth initiative (GYI), *Nestlé needs YOUth*, at the Private Sector Forum of the United Nations General Assembly in New York. The GYI's broader scope is guiding our work towards reaching our ambition to help create economic opportunities across our entire supply chain for 10 million young around the world by 2030.

Employability and employment constitute a critical action area, which is why we set commitments going to 2020 about the opportunities we offer to youth as part of our operations. We believe the skills acquired by our apprentices, trainees, young employees and youth making use of the training tools available to them online and delivered at readiness-for-work events will help them in a rapidly changing economic landscape. In 2017, we offered job opportunities for 30 157 people under 30 all around the world, along with 11 710 apprenticeships and traineeships.

Africa Youth Day



On 1st November 2017, Africa Youth Day, Nestlé joined the continent-wide celebrations and discussions to promote the important role young people play as key agents for economic growth and sustainable development. For this occasion, many Nestlé markets showcased their most impactful activities, such as MYOWBU (My Own Business), the work in the Technical Training Centre in Nigeria and the International Institute of Tropical Agriculture (IITA)-supported farmer training. They are all examples of the long-term commitment that the company has made to identify, nourish and build talent in Africa. Nestlé CWAR (Central West African Region) also had the opportunity to take part in the Africa Youth SDG Summit in Accra, Ghana, and discuss with young people how the *Global Youth Initiative* can help them develop the skills they need to join the world of work.

Providing training to our people

Equipping our workforce with essential skills

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 have access to training that enables them to gain the skills and learning they need to thrive and maximise their potential.

Our commitment:

Provide training on *Corporate Business Principles*, nutrition and environmental sustainability.

Progress against our objectives

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.

● Achieved

Our results:

Our objective for embedding Nestlé's *Corporate Business Principles* has been met, and e-learning is now available to all employees.

By 2020: Run environmental sustainability training in all countries and continue to strengthen environmental awareness among employees.

● Achieved

Our results:

101 countries running environmental sustainability training since 2014.

Embedding our *Corporate Business Principles*

The 10 Nestlé *Corporate Business Principles* guide how 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 are committed to making sure our entire company is managed according to the Nestlé *Corporate Business Principles* and require adherence to them from all our employees. Reinforcing this, the Principles are fully embedded into all international training centre courses.

31.9

Average hours of training per year per employee

Empowering employees to be environmental stewards

Since 2014, environmental awareness training was conducted in 101 countries. Our e-learning course enables employees to enhance their knowledge and learn how to apply environmentally sustainable business practices.

Investing in our people

In 2017, we hosted training for 2554 employees at our international training and conference centre (Rive-Reine) in Switzerland. The percentage of female trainees rose to 48%.

2017 management level courses	Number of sessions	Approximate number of attendees
Leadership Through Safety®	117	1323
Environmental Sustainability Leadership	6	55



Working towards gender balance

Challenging discrimination and promoting women's rights

Women continue to face challenges in the global workplace. From limited access to training, tools and finance in agricultural communities to a lack of senior women managers in business, women are all too often under-represented and lacking a voice. We recognise that gender equality, women's rights, education for women and women's empowerment are critical to Creating Shared Value for our business. This is clearly articulated in our values, which enshrine a respect for diversity.

Our commitment:

Enhance gender balance in our workforce and empower women across the entire value chain.

Progress against our objectives

By 2017: Ensure that farmer training support programmes are: developing agripreneurs; equally accessible to men, women and young people; and available to farm workers.

● In progress

Our results:

Our training is equally open to women and men of all ages. To ensure these groups are well represented, we have started to develop a baseline to assess the participation in basic support training and agripreneurship programmes.

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).

● In progress

Our results:

30% senior leadership positions held by women.

37.5% leadership positions held by women.

By 2020: The livelihoods of women have been improved in five priority sourcing locations.

● In progress

Enhancing gender diversity

We track and monitor gender balance, achieving progress through a rigorous succession planning process, clear development plans and awareness-raising sessions, as well as initiatives including:

- The Diversity and Inclusion Framework, which involves training on unconscious bias;
- 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 with international careers;
- Gender balance e-learning;
- Leading Together conferences, accelerating Nestlé's diversity and inclusion journey;

- Participation in the Women's International Networking (WIN) Conference;
- Women's empowerment activities through our cocoa, *Nescafé* and dairy plans; and
- Regular communication to all Nestlé markets to: encourage the identification of potential gender pay gaps; define action plans to close them; and ensure compliance with current and prospective local legislation.

📖 Further details can be found in our [GRI Index](#)

Cascading unconscious bias

Unconscious bias training is embedded in a range of training programmes. In 2017, 3819 employees received such training, bringing the total to 10 656 since 2015.

Nestlé India developed a customised module in Hindi to train factory employees; 135 union members across four factories were trained, and they cascaded the programme to employees, supported by the factories' HR teams. The programme will be extended to other factories in 2018.

Nestlé Middle East organised a two-day diversity and inclusion event for senior managers' committee (Mancom) members, facilitated by the Global Head of Diversity and Inclusion. The Awareness Workshop in English was recorded and made available to all employees, with subtitles in Arabic and Farsi. Each senior Mancom member has an objective to cascade the training material by January 2018 within the market.

Embedding gender balance in Brazil

The opening of a new *Nescafé Dolce Gusto* factory at Montes Claros, Brazil, presented an opportunity to embed diversity, inclusion and gender balance. Other Brazilian factories had found changing to more inclusive cultures challenging. Our site became an innovative project to create something different, building a diverse, inclusive, gender-balanced culture from the start.

When the factory opened, 43% of the workforce were women, compared with an average of 6% at other factories. It became a benchmark for other units, with the lowest incident rates and exemplary quality control.

Building an inclusive workplace

Promoting a culture of diversity and inclusion

As a global, multicultural company, we aim to reflect the diversity of the society in which we operate. Our ambition is to create a business culture, environment and leadership that provide equal opportunities for everyone to contribute, grow and feel valued.

We are continuing to expand our diversity journey in line with our Diversity and Inclusion Framework. The framework sets out the business case for our strategy to make an impact across:

- **Innovation** – the way we think;
- **Society** – the way we act; and
- **Culture** – the way we work together.

Gender balance remains the prime focus, and is complemented by diversity issues such as inclusion of people with disabilities, cross-generational working and multiculturalism. Each market defines its own actions based on local needs and legislation.

For Nestlé, being 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.

Cultural agility

To support this, in 2017 we created a one-day cultural diversity training programme for Nestlé leaders and employees to:

- Understand the impact of cultural differences on how people do business;
- Understand how to give feedback according to different cultures;
- Learn how communication and behaviour differs across cultures;
- Learn how to adapt email techniques according to culture;
- Adapt behaviour according to culture to reach objectives more efficiently; and
- Carry out self-assessments.

Nestlé Israel implemented several tools and initiatives to improve the employment level of Arabs in the company and has been recognised in 2017 as Israel's leading company for employment diversity.

Empowering people with different abilities

We aim to promote a culture that builds on strengths and focuses on abilities. We developed a global self-assessment procedure for all our markets to benchmark themselves against 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 training and awareness, return-to-work practice, accessibility of sites and workplace arrangements.

Around the world, our businesses carried out a range of activities and programmes in 2017 to boost inclusivity in the workplace. At our *Chocolates Garoto* business in Brazil, a programme has been set up to encourage the employment of people with disabilities. The initiative is supported by the use of adaptive technology and communications, translators and the celebration of events such as National Day of the Deaf.

Empowering different generations at the workplace

At Nestlé, diversity and inclusion measures include ensuring integration and equality for people across all generations. In 2017, Nestlé France organised a Millennials Day, which involved reverse mentoring workshops and intergenerational exchanges and debates. The day also featured a Millennials Challenge, requiring teams of millennials to develop and present proposals on how to build the 'Nestlé of tomorrow'. The teams selected as finalists were invited to present their proposals to senior management. In the coming months they will implement the various initiatives – and in the process, a community of millennials will be created.

Workplace safety, health and wellness

Taking a holistic approach

Enhancing quality of life and contributing to a healthier future begins with safeguarding the safety and health of our people. To live up to our purpose internally, we 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. We need our employees to be passionate about nutrition, health and wellness.

Our commitment:

Advocate for healthy workplaces and healthier employees.

Progress against our objectives

By 2020: Offer our employees education, early screening and programmes that support healthier lifestyle choices.

● In progress

By 2020: Continue leading through industry forums.

● In progress

Our results:

97% of markets already offer health and wellness programmes to employees. To make our programmes more targeted, we are assessing the overall health profile of our employees through our Know Your Numbers Programme (KYNP). We have also articulated the minimum mandatory requirements in this area in the Employee Health Management Standard.

Know your numbers

The Know Your Numbers Programme (KYNP) is designed to allow employees to understand their health risks. It was launched in 2017 as a company-wide health programme. It will give us a better understanding of our employees' overall health profile, and the impact of health on productivity. The programme includes an initial health screening (biometrics and health risk assessment). This is followed by guidance from a health professional to facilitate people's understanding of their individual health profile, leading to targeted health support.

KYNP allows efficient, data-based channelling of investments in health for our employees, based on data, and enables better tracking and monitoring of progress. With the programme active in 16 countries and 4931 employees having already participated, we have begun to observe some emerging trends on health risks. This information, as it builds up through wider adoption of the programme, will provide a significant basis for employee health strategy and guide us in developing future plans.

Nestlé Framework for Employee Health

The framework was introduced to help structure and focus efforts, promote proven practices and guide future developments to support the health of our employees. In 2017, 85% of our markets implemented at least three focus areas plus foundations, compared with 73% in the previous year.

Nestlé Framework for Employee Health

Our passion for nutrition, health and wellness



Safety and Health Roadmap

Aligned with the framework, our [Safety and Health Roadmap](#) sets out our strategic vision for safety and health performance until 2018. It focuses on four strategic priorities:

- Our passion for nutrition, health and wellness;
- Key risks managed;
- Everyone engaged; and
- Management processes.

Our passion for nutrition, health and wellness

Focus areas for our strategic priorities in health include ergonomics, healthy diets, stress and resilience, and fatigue and working time. We are on track for targets set out for all of them.

Healthy diets

Our goal is to make an impact on the diets of our employees and their families by offering locally relevant education on nutrition and hydration, and by providing healthy food and drink options at work. In 2017, 93% of our canteens provided a healthy meal option to our employees.

Stress and resilience

Our work-related illnesses show mental ill health as one of the top three reported work-related illnesses globally. Emerging trends as per KYNP also identify stress as a key risk among employees. Following the launch of the Nestlé Guidance on Stress and Resilience in 2015, we are progressively developing our stress and resilience programme, including customised training and tools for different target groups. The programme includes all employees, human resource business partners (HRBPs), leaders and senior leaders. Training on stress and resilience has been provided to 36% of our HRBPs.

With this, we aim to enable employees to better manage work-related pressures and enhance their personal resilience.

Fatigue and working time

A good work-life balance is necessary for the well-being of employees and their families. Supporting this, we monitor our employees' working time, taking account of local law and addressing challenges as they arise. We have set a working time limit of 60 hours a week across our operations. So far, 98% of our markets have implemented and are tracking this limit.

Ergonomics and musculoskeletal diseases

Ergonomics is especially relevant to our work-related illnesses. Musculoskeletal diseases continue to be the highest reported work-related illness in our database, accounting for 67% of recordable illnesses in 2017. Improving the ergonomics of our production lines will help us manage this better.

ErgoPro is how we assess the ergonomic design of both work tasks performed and of equipment used in our factories. Ergonomic risks are identified and assessed, and ergonomics integrated into operating standards. In 2017, we completed assessments for 81% of our routine production tasks with ErgoPro, exceeding both our 2017 target (60%) and our 2018 target (75%). Going forward, the focus will be on communicating solutions, expanding assessments for ergonomics in different workplace settings, and better management of the most serious identified risks.

Other employee health initiatives include:

- The Corporate Medical Network, created to better leverage in-house expertise and perspectives on employee health;
- #Healthy lives – following a successful implementation of the NQ foundation training, we are now redesigning the training, touching upon multiple dimensions of health beyond nutrition (including physical activity, sleep and mental health). A pilot for refining the approach has begun;
- The Global Sharing Platform, to share best practices, strengthen markets' connections with the Nestlé Framework for Employee Health and establish a 'friends helping friends' solution;
- A corporate Chatter group, enabling health and wellness experts to discuss and share topics; and
- Expert-led webinars covering topics such as health strategy, KYNP, ergonomics, and stress and resilience; 10 webinars involving 349 participants were held in 2017.

Our key safety risks

A key part of our Safety and Health Roadmap is ensuring key risks are managed to provide a safe and healthy work environment for all our employees.

Vehicles and driving

Driving incidents remain the leading cause of work-related fatalities at Nestlé. Sadly, in 2017 we had two fatalities among our employees. In January, one of our medical delegates lost her life in a motorcycle accident in India, and in August a sales channel specialist was killed in a car accident in China. We are very conscious of the impact of these losses and all our thoughts are with their families. With both accidents related to driving, this topic remains a focus area for us.

We aim to reduce the number of vehicle-related injuries by implementing safe driving standards across our markets, including the standard for management of third-party logistics service providers. In 2017, we launched a company-wide communication campaign on safe driving that focuses on a range of behaviours.

Machinery safety

Machinery safety is a 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. In 2017, we developed standard training modules to ensure a uniform level of knowledge on these safe methods of intervention.

Slips, trips and falls

These are the most common cause of recordable injury in Nestlé, accounting for 24% of all injuries. By using the Slips, Trips and Falls guideline and toolkit, we aim to ensure the management of this risk is integrated into other safety and health programmes. A slips, trips and falls hazard communication mobile application was developed in 2017.

Process safety

We recognise the safety hazards that are related to our manufacturing processes. These hazards are managed by safe design, safe operations and safe maintenance. We are regularly reviewing and improving our processes in order to eliminate or reduce these process safety hazards and risks.

Recordable injury rate (per million hours worked)



Sadly, in 2017 we had two fatalities among our employees. Both cases were driving incidents (see [page 69](#)).

Further details can be found in our [GRI Index](#)

Everyone engaged

We want to ensure that everyone in Nestlé, from the Management Board to individual employees, is engaged with safety and health. Our ambition is to establish safety and health as a shared personal value for everyone by winning hearts and minds.

Communication and training

Effective communication and training is essential for engaging employees and creating a learning organisation. In 2017, 94% of our sites organised at least one safety and health awareness event.

Safety and health in field sales and offices

To support the safety and health of all our employees, we are implementing the Nestlé Safety and Health Management System beyond manufacturing sites into all field sales activities and all offices. We aim for the system to cover 100% of our employees by 2018. In 2017, 91% of eligible staff were covered.

Values-based behaviours

Excellence in safety and health requires everyone to be involved. We're achieving this by focusing on behaviour and improving the quality of management and peer-to-peer feedback. In 2017, we pursued our journey to achieve a basic level of compliance with our internal 'caring through feedback' standard, and reached 88% compliance.

Management processes

Our Safety and Health Roadmap recognises the importance of continuously improving the way we manage and engage our employees on identified safety risks. To do this, we constantly enhance our standards and procedures to ensure that our processes are managed in a safe way.

Contractor management

While construction activities are important for our growth, they also present an increased risk of fatality and serious injury, and 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 to reduce the risk of incidents. 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.

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, hazardous line breaking and equipment) with structured steps.

In 2017, we maintained a strong compliance assurance process, which resulted in an overall compliance score of 82%. This process will continue to drive the improvement of the programme and compliance levels.

Assessing risks

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 2017, we provided a revised version of the guidelines on safety and health risk management, as well as a new toolkit with several assessment tools. These documents provide a method to ensure that harm is prevented using the most effective and efficient risk controls available.

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.

Facilities certified against OHSAS 18001:2007

Type of facility	Number certified
Factories	431
Distribution centres	147
R&D centres	30
Head and regional offices	229
Field sales forces	246
Other	28
Total	1111

Engaging with and developing our people

Ensuring a fulfilled workforce

Our people are at the heart of our business – everything we do, and our success, is dependent on them. Ensuring our employees are engaged, fairly

remunerated, and have the skills and knowledge not just to perform in their roles but to grow, develop and feel fulfilled is essential for us to prosper as a company.

Offering an inspiring work environment

Our purpose is enhancing quality of life and contributing to a healthier future. We are committed to improving people's lives, everywhere, every day. Our inclusive environment leverages the diverse skills, cultures, ways of thinking, knowledge and experience of our people, fuelling our innovation.

Four key attributes define our employment experience:

- Enhancing lives;
- A fulfilling work environment;
- People inspired; and
- Personal and professional growth.

Nestlé and I engagement survey

Three key areas for improvement were identified in our biennial employee survey in 2016, and actioned in 2017:

- Senior management agreed to provide more business updates to employees, with more clarity on strategy;
- We implemented a revised People Development Performance Process to encourage more active development discussions between line managers and employees; and
- We began reviewing and re-engineering back-office processes to reduce organisational complexity and increase our speed and agility.

Action plans have been developed at market and function levels in response to identified priority areas. Our consumer feedback tool, PULSE, has been made available to markets to track the impact of the action plans on key items and to measure employees' opinions more regularly. An online Nestlé & I Academy has also been created to support managers in analysing and following up on their teams' results.

Living Wage

We want all our employees on the lowest levels of salaries and benefits to receive a living wage, covering their needs according to local standards of living. Between 2014 and 2016, we therefore worked with [Business for Social Responsibility \(BSR\)](#) to assess pay rates globally. While relatively few gaps were identified, by April 2017 these were addressed, with the only exceptions being certain joint ventures and those countries where reliable measurement was not possible due to local civil conflicts or extreme economic conditions (such as hyperinflation). This is a major achievement that few other companies have managed. Follow up checks will continue to ensure Nestlé remains a Living Wage employer globally.

 Read more about our work on the [living wage](#)

“This is a major achievement that few other companies have managed. Through strong collaboration we have converted this commitment into reality. Consumers want to know that companies they buy from are fair employers and we are pleased to be able to confirm that we are a Living Wage employer globally.”

Peter Vogt, Chief Human Resources Officer, Nestlé

Engaging with labour stakeholders

We believe in the importance of positive relations with trade unions, and respect our employees' right to engage in union activities. Disputes sometimes arise but, through our policies, principles and values, we aim to ensure they are settled openly and transparently.

In 2017, 64 labour disputes took place globally, compared with 42 in 2016. The average percentage of working time lost due to labour disputes, strikes and/or lock-outs decreased slightly to 0.0219%.

 Further details can be found in our [GRI Index](#)

As we seek ways to improve our labour practices, we continue to engage internationally with the [International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations \(IUF\)](#), business organisations and UN-led bodies, regionally with the Nestlé European Council for Information and Consultation and locally with unions and federations, external experts and other companies.

Performance and development

At Nestlé we have a strong performance culture grounded in a deep belief that supporting and developing our people is what helps us create the leaders of the future.

Performance and development can be supported through 360-degree feedback on how individuals and the people with whom they work perceive their skills and behaviours. In 2017, we implemented a new, integrated 360-degree feedback solution accessible to all employees. We also introduced a new People Development Performance tool, combining performance and development. This approach ensures an ongoing performance management process, creates alignment, and provides clarity and focus on business objectives. It facilitates honest, transparent coaching, feedback and recognition, and supports employees' development, motivation and engagement.

Building our capabilities

Our learning and development strategy

We ensure learning goes hand in hand with career development through a 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 2017, we further developed our strategy to address the evolving learning landscape. These changes were geared towards:

- Equipping our people to face bigger, more complex leadership challenges linked to their career development;
- Accelerating the development and onboarding of our senior executive leaders;
- Maintaining and enhancing our Category know-how as a key competitive advantage;
- Connecting our leaders more closely with the external world to enhance our innovation culture and entrepreneurial spirit; and
- Meeting the social learning needs of the new generation of learners and maximising knowledge sharing.

Supporting our line managers

Developing our business leaders' capabilities is essential to our success. We support our line managers by providing a number of tools and training programmes. In 2017, our Leading the Nestlé Way Programme was attended by 201 participants, while 281 employees took part in the Nestlé Leadership Programme.

Coaching and mentoring

We continue to develop our Common Framework and Toolkit for coaching, which provides self-development opportunities for individuals. A coaching network, currently active in 21 markets, enables each of our participating markets to have a representative to coordinate activities. Many of our markets also continued operating local mentoring schemes in 2017, pairing employees with leaders and senior leaders for up to 18 months.

Responding to international dual-career relationships

As a global employer, we offer many opportunities for people to work abroad. Along with other multinationals, we are members of an independent, non-profit association, the International Dual Career Network, that helps dual-career spouses with their local job search and professional integration in a new country. Currently, we lead 4 out of 15 networks, which means our local operating companies manage the network in their respective countries.



Reporting compliance violations

Providing effective grievance mechanisms throughout our operations

Violations of our *Code of Business Conduct* and of our corporate policies cannot be tolerated. It is essential that any such breaches are reported, wherever they occur across our entire value chain, so that non-compliant activity can be eradicated or prevented. Employees and other stakeholders must also have access to remediation in relation to any abuses of labour and human rights.

Our commitment:

Provide effective grievance mechanisms to employees and stakeholders.

Progress against our objectives

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.

● Achieved

Our results:

100% of Nestlé market corporate websites on which 'Tell us' communicated.

By 2018: Markets conducting root-cause analyses for selected compliance cases using tools provided by headquarters.

● In progress

Our results:

Root-cause analyses will be developed and shared with the markets in 2018.

By 2019: Review grievance systems' effectiveness with internal and external stakeholders to define improvement opportunities.

● In progress

Our results:

Review process in development.

By 2020: Grievance systems improvements implemented in pilot markets.

● In progress

Our results:

Improvements will be implemented when review process is complete.

In 2017, we received 1725 messages through the system, covering issues such as leadership style, labour practices, discrimination and harassment as well as over 570 seeking compliance advice questions. Of all the cases presented, 1506 (87%) were closed and 482 (32%) were substantiated, resulting in 151 employees leaving the company. There were 105 written warnings, 21 service providers were terminated and other measures were taken, including internal process improvement and reinforcement.

'Tell us'

'Tell us' is our communication channel for external stakeholders to report possible compliance and non-compliance issues against our *Corporate Business Principles*, applicable laws and all issues relating to our business operations, such as community and environmental impacts. 'Tell us' was made available to an additional 2900 suppliers in 2017, and we included an explanation of 'Tell us' in the WHO Code of Compliance training provided annually to Nestlé Nutrition distributors in higher-risk countries.

In 2017, we completed the process of deploying 'Tell us' across our markets, with the final 24 markets making the system available on their corporate websites. We also developed guidelines, dos and don'ts, and a flowchart and guidance for conducting compliance investigations. These have been shared globally within the Legal function and with other key internal stakeholders.

During the year, we received 613 messages via 'Tell us', these being mainly compliance-related complaints and non-compliance-related issues, such as consumer-related matters or general complaints.

All comments received have been, or are being, addressed, and are detailed as follows. In total, 32 issues were confirmed: 6 labour practices, 5 fraud cases, 5 leadership issues, 2 conflicts of interest, 1 environmental suggestion, 1 harassment case, 1 private-to-private bribery, 1 safety and quality issue, 1 supplier concern and 9 other general concerns. As a result, 14 warning letters were issued, there was 1 dismissal, a total of 15 people left the company and 2 suppliers services were terminated, while various internal control measures were reinforced.

"It is our commitment as employees to take responsibility for ensuring that we all act with integrity, avoiding any conduct that could damage or risk Nestlé or its reputation."

Enrique Rueda, Group Head of Compliance and Security, Nestlé

Protecting stakeholders against violations

We continue to extend grievance mechanisms to the whole of our supply chain. We have two systems in place to ensure our stakeholders have access to report breaches of our codes of conduct.

Nestlé Integrity Reporting System

The Nestlé Integrity Reporting System (IRS) offers anonymous phone and online channels for employees to report anonymously any non-compliant or illegal behaviour. The system also provides compliance advice and information on our practices. Some 53 markets reinforced IRS communication to employees in 2017, and corporate best practices for managing, reviewing and investigating compliance complaints were reinforced with our markets. Our next step is to strengthen our compliance communication to employees, focusing on how and what to report, and to improve investigation quality.

Read more about the types of issues raised through '[Tell us](#)'



For the planet

We have set clear commitments and objectives to use sustainably managed and renewable resources, operate more efficiently, generate less waste for disposal, improve water management and help preserve our forests, oceans and biodiversity.

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



Caring for water

because water is essential throughout our value chain.

2017 highlights

Reduced water withdrawal by 38.1% per tonne of product since 2007.

Saved 5.4 million m³ of water through water-saving projects.

Completed Water Resource Reviews at 12 sites.

722 379 people around the world benefited from our WASH programmes to date.

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

From page 79



Acting on climate change

because it is exacerbating the environmental challenges we face, such as water scarcity, natural resource constraint and declining biodiversity.

2017 highlights

Reduced our GHG emissions (Scope 1 and 2) by 33.2% per tonne of product since 2007.

25.7% of our electricity now comes from renewable sources.

Support Feed the Future's Climate Smart Cocoa project, helping growers in Ghana and Côte d'Ivoire adopt agricultural practices that combat climate change.

Achieved zero environmental impact on water, waste for disposal and net GHG emissions at our *Nescafé Dolce Gusto* factory in Montes Claros, Brazil.

From page 87



Safeguarding the environment

because we can use resources more efficiently, reduce food waste and loss, and help consumers play their part.

2017 highlights

253 factories achieved zero waste for disposal.

22 558 tonnes of packaging avoided.

By the end of 2017 we assessed and addressed the sustainability hotspots for **22** product categories.

Nestlé Waters joined the **NaturALL Bottle Alliance** in striving to create a fully recyclable plastic bottle made from 100% bio-based material.

From page 91

Investor benefits

We generate additional revenue by providing consumers with more sustainable foods and beverages, and bring savings through improved operational efficiency, better resource management and less waste. Investing in climate change adaptation and mitigation, as well as responsible water stewardship, helps secure a more sustainable supply of resources for our business – thereby strengthening our business resilience – while improving our resource efficiency reduces costs.

Supporting the Sustainable Development Goals



Read more about how we are helping [the planet](#)

Improving our environmental performance: our focus on water

At Nestlé, we act on climate change by further reducing greenhouse gas (GHG) emissions along our value chain, in line with science-based targets. Reducing waste is a priority: we reuse and recycle wherever possible. We strengthen our supply chain by helping the farmers we work with to adopt sustainable practices. Water, identified as a CSV focus area, is also at the heart of our actions and we continue to reduce withdrawals of water per tonne of product and help increase access to safe water and sanitation.

Indeed, water is one of the areas, next to nutrition and rural development, with greatest intersection between Nestlé's business and society.

At Nestlé, we care for water and focus our efforts and resources in four key areas where it matters: in our **factories**, continuously improving water use efficiency; in **watersheds**, working with partners to protect shared water resources; across our **agricultural supply chain**, where water challenges are putting the sourcing of our raw materials at risk; and in the **communities** where we are present, to widen access to clean water and sanitation.

We continue to invest in our factories to comply with local regulation and where it is imperative to decrease our water dependency. But to achieve sustainable water resources management, we also seek collaborative efforts outside our factory gates. This method has demonstrated a greater return on investment, for the resilience of our business and for the benefit of local stakeholders living in the catchments where we operate.

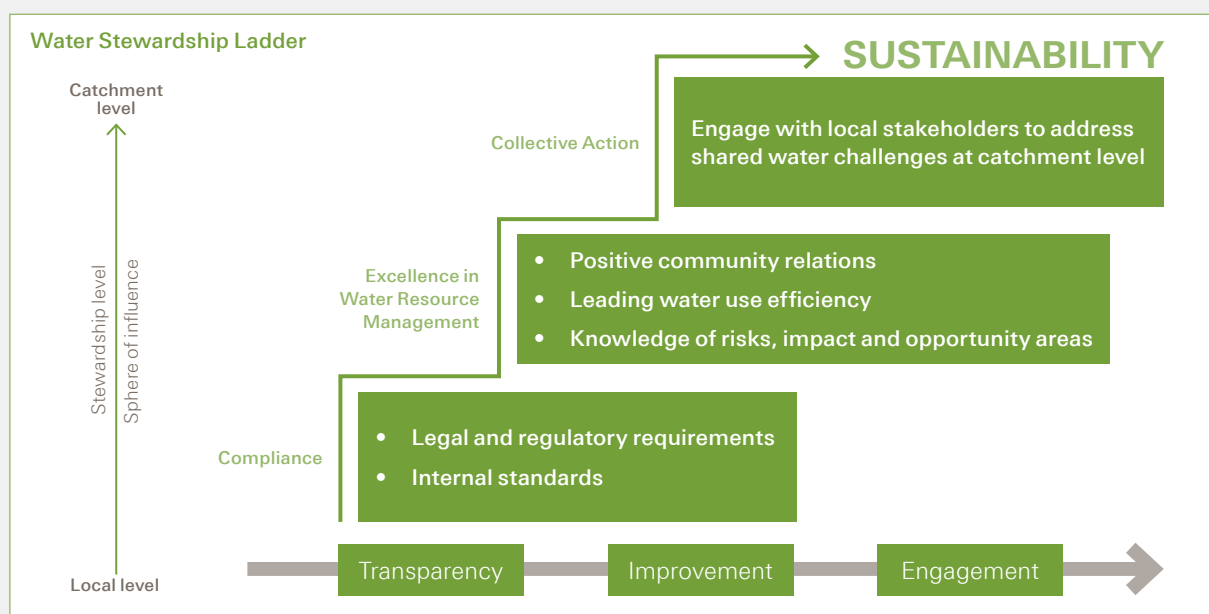
Our approach involves a three-step ladder (see below): compliance, excellence in water resources management and collective action. It is based on the Alliance for Water Stewardship (AWS), a multi-stakeholder platform of which we are a founding member and contributor. The AWS Standard, the leading global standard for good water stewardship performance certification, ensures water use is socially equitable, environmentally sustainable and economically beneficial. It promotes best practice in water stewardship, guides us in assessing risks and needs, and helps us focus our efforts where it matters most.

We have already achieved a great deal but we are ready to do even more across all our operations. Nestlé Waters has committed to certifying 20 factories to the AWS Standard by 2020, with four factories already certified: one in Pakistan and three in California. In the Americas, water stewardship assessments have begun in all of our factories. And in Europe, Africa and Asia, our best practice water stewardship projects are reference points for further action in markets faced by water challenges.

Our commitment to the AWS and our teamwork are important catalysts to securing more sustainable access to water, replicating water efficiency innovations and engaging other water users in collective action to sustainably manage our shared water resources.

If we are to continue to grow sustainably, we must ensure we use the planet's resources wisely. We want our products to not only be tastier and healthier but also better for the environment. Our 2030 ambition is to strive for zero environmental impact in our operations.

📖 Read more about our efforts in [caring for water](#)



We are exploring new ways to help individuals and families reduce food loss and waste.

Engaging on food loss and waste

Through a number of partnerships and alliances, we work to educate individuals and families about food loss and waste, offering on-pack guidance and developing creative solutions for using up leftovers.

Back in 2016, our then CEO Paul Bulcke underlined Nestlé's commitment to reducing food loss and waste by joining **Champions 12.3**, a coalition of business executives working towards achieving Sustainable Development Goal (SDG) target 12.3. Since then, we have participated in a business case work group, which launched *The Business Case for Reducing Food Loss and Waste*, and we have contributed to the 2017 progress report *Road Map to Achieving SDG Target 12.3*.

Through the **Consumer Goods Forum (CGF)**, we will join other retailers and food producers in simplifying and standardising food date labels by 2020. We will be required to display one label at a time: either an expiry date for perishable items or a food quality indicator for shelf-stable products.

The exact wording will be tailored to the regional context but it will require clear

definitions. Most importantly, it must be understood that 'best before' describes the period when the food or beverage is at its best in terms of quality, while 'use by' describes when it is safe to consume. We will also provide further information through in-store displays, online materials and public service announcements.

In September 2017, during the **UN Global Compact** leaders summit in New York, a Nestlé team presented *bagzielicious*. This app supports efforts to tackle SDG 12.3 by helping consumers manage their food stock and leftovers at home, as well as proposing meal planning and e-shopping services. This was the conclusion of a year-long training and ideation programme, The Breakthrough Innovation Challenge, managed by the UN Global Compact.

SDG target 12.3

calls for halving per capita global food waste at the retail and consumer level, and reducing food losses in production and supply chains (including post-harvest losses) by 2030.

Read more about our commitments for the planet from [page 79](#) onwards

Towards 100% renewable electricity

The world's leading companies are turning to renewable electricity and Nestlé is one of them. This helps deliver our goal to reduce greenhouse gas (GHG) emissions.

We recognise the risks that climate change poses to our business, and see renewable energy as part of the solution. Procuring 100% of our electricity from renewable sources, within the shortest practical timescale, will help us achieve our science-based objective of reducing our GHG emissions.

Currently, around 25.7% of our electricity comes from solar, wind and hydropower, and 141 Nestlé factories use renewable electricity. More than 689 447 tonnes of CO₂eq, the equivalent of taking 147 633 cars off the road annually, has been saved through purchasing renewable electricity in 2017.

We are an active member of RE100, a global collaboration of influential businesses committed to using 100% renewable electricity. Launched in 2014 by The Climate Group and CDP, its members promote the business case for renewables, showcase best practice and work to address barriers to uptake.

We joined other business leaders and policy-makers at an RE100 conference in Brussels in February 2017. Exploring how to help leading companies deliver on their renewable power ambitions, we focused on the leadership role of business, stating that RE100 "sends a strong signal to the political world that the private sector is ready to buy".

- In **Brazil**, we will avoid the emission of around 50 000 tonnes of CO₂eq a year by using 100% renewable electricity;
- Nestlé **UK & Ireland** purchases all its grid-supplied electricity from renewable sources;
- *Nespresso's* three factories in **Switzerland** purchased all their grid-supplied electricity from renewable sources in 2017; and
- We have also reached 100% renewable electricity in **Germany, Hungary, Czech Republic, Poland, Austria** and **Italy**.

Read more about our commitments for the planet from [page 79](#) onwards

Our actions on climate change involve driving the move towards renewable electricity.

Moving forward in our own operations

We have set ourselves the challenging ambition of striving for zero environmental impact in our operations by 2030. 'Striving for zero' has its challenges, from the availability of renewable energy to the cost of new technology. But we are determined to work towards it, when and where we can make the most difference, such as in areas of water scarcity.

We remain on track to meet our 2020 commitments to cut GHG emissions and water withdrawals per tonne of product in our operations. We are achieving this by switching to renewable energy, replicating water-saving projects across the company, and recycling and recovering materials. We are also committed to achieve zero waste for disposal in our sites and zero deforestation in our supply chain.

Zero waste for disposal is not new to us: 253 Nestlé factories have achieved it to date and 141 Nestlé factories used renewable energy in 2017.

The idea of having a zero negative impact on water is more challenging. Nonetheless, we look to identify ways to compensate for negative impacts that may derive from our water use, through initiatives designed to make a positive contribution to the sustainability of locally shared water resources. For example, we have developed zero water withdrawal technology that extracts water from milk processing operations instead of drawing on fresh supplies.

Other examples of maximising the positive environmental and social benefits of our activities include: better water quality from wastewater treatment; improved health due to greater access to clean water and sanitation; lower food loss and waste; and the protection of species and habitats thanks to our efforts to eliminate deforestation.

Zoégas coffee factory, Helsingborg, Sweden

- Fuelled by biogas made from energy crops and wood chips
- All electricity from wind, solar and hydropower
- Zero waste for disposal
- Coffee residues used locally as fuel for heating

Nescafé Dolce Gusto factory, Montes Claros, Brazil

- Zero water withdrawals, zero waste to disposal and zero net GHG emissions
- Reusing water saves 66 000 m³ per year
- All materials recycled, reused or composted
- 97% of energy from renewables
- Remaining GHG emissions offset through projects financed through buying carbon credits

Read more about our commitments for the planet from [page 79](#) onwards



cero agua



Our 2030 ambition is to strive towards zero environmental impact in our operations.



Caring for water



Water is the source of life on earth and a basic human right. It is also critical to our business. At Nestlé, we care for water and together with other stakeholders, we steward resources for future generations.

Why caring for water matters

A shared resource

As individuals, we need water to live. Communities need access to water to survive and thrive. Water is also essential for our business: the ingredients we source need water to grow, and we need it to run our factories and manufacture our products. As well as this, our consumers need safe, clean water to prepare many of our products.

But today, the world faces a water management crisis. The UN estimates that global demand for water exceeds supply by 20% and, by 2030, this figure will rise to 40%. Water resources are unevenly distributed across the planet. Yet the world's growing population requires more food, and more than 70% of the world's available freshwater supplies are used for food production ([Food and Agriculture Organization](#)). It is estimated that our agricultural supply chain uses around 64 billion m³ of water per year to grow the raw materials we purchase – more than 400 times the amount used in our factories.

While water is a key resource for our business and our suppliers, it is also one we share with others. That is why we continue to work alongside other stakeholders to protect the sources we all rely on. Exemplifying this, Nestlé Waters is going beyond just being an efficient water user, by putting collaboration and partnerships at the heart of water resource preservation. We acknowledge discussions about our water bottling operations and, as part of our water stewardship and community relations programmes, work to share relevant data and information with local stakeholders. This fosters [collective action](#) that contributes to the long-term sustainability of shared water resources.

Health, hygiene and sanitation

Everyone has the right to clean drinking water, sanitation and hygiene (WASH), yet access to WASH services remains a significant challenge in many countries. Around one person in every three (2.4 billion) lacks access to improved sanitation, and more than 800 children die from preventable water- and hygiene-related diseases every day ([UNICEF](#)).

Our ongoing efforts to improve water treatment and WASH services, through community and school projects as well as education and awareness-raising programmes, help improve the health and well-being of people living near our operations.

 Read more about our [water actions](#)

External recognition

- Received the maximum score of 100/100 in the Water section of the 2017 Dow Jones Sustainability Index.
- Topped the packaged food category of Ceres' 2017 Feeding Ourselves Thirsty analysis, which compares the water risk management performance of 42 global companies.

Our work on caring for water contributes to the following SDGs:



Improving water efficiency

Reducing withdrawal per tonne of product and reusing more water in our operations

Water is key to our business. We use it to process our foods and beverages, and for cooling and cleaning equipment. The ingredients we source need water to grow. And individuals and families need it to consume many of our products. We must therefore use water as efficiently as possible.

Around a third of our factories are located in water-stressed areas. While we have made real progress in recent years, we are willing to drive further improvements.

Our commitment:

Work to achieve water efficiency and sustainability across our operations.

Progress against our objectives

By 2020: Reduce direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 35% since 2010.

● In progress

Our results:

Reduced water withdrawals by **28.7%** per tonne of product since 2010.

By 2020: Carry out 40 new Water Resource Reviews (WRRs) in selected manufacturing facilities and all greenfield sites.

● In progress

Our results:

WRRs completed at **164** sites to date.

By 2020: Implement 10 new water stewardship initiatives in selected locations, with specific focus on high-priority manufacturing facilities.

● In progress

Our results:

Implemented water stewardship initiatives in **10** locations.

Reducing water withdrawals

In 2017, we directly withdrew 131 million m³ of water. This total includes purchases from municipal suppliers (45.1 million m³) as well as surface (12.0 million m³), ground (74.3 million m³) and rainwater (0.051 million m³).

Our Water Resource Reviews (WRRs) raise awareness about sustainable water use at an operational level, identify risks and opportunities, and devise improvement plans. With 12 new WRRs conducted in 2017 and with our Water Target Setting methodology helping identify further opportunities, we have continued to reduce water withdrawal per tonne of product across our product categories (see right-hand column).

In 2017, we implemented 578 water-saving projects in our factories. These are expected to save around 5.4 million m³ of water a year through operational efficiency and technology for reusing water.

Water withdrawn at our factories by product category

Total direct water use (million m ³)	2016	2017
Water withdrawal	138	131
Water discharge	78	74
Water recycled or reused	6.9	8.1

Water withdrawals at our factories by product category

Water withdrawn (m ³ per tonne)	2010	2017	Reduction (%)
Powdered and liquid beverages	13.9	6.6	53
Water	1.7	1.5	9
Milk products and ice cream	5.5	3.7	32
Nutrition and healthcare	13.6	9.4	30
Prepared dishes and cooking aids	5.5	3.8	31
Confectionery	7.2	3.3	55
PetCare	1.2	1.0	13
Overall withdrawal rate	3.31	2.36	28.7

Zero water facilities

Our award-winning zero water withdrawal technology enables us to use water extracted from milk processing rather than withdraw fresh sources for our operations. It was first introduced in our powdered milk plant in Jalisco, Mexico, in 2014.

Since then, zero water technology has been implemented in five other factories, including our Modesto plant in California, where it will save a potential 286 million litres a year from 2018. Twelve factories have partial implementation of zero water technology. Facilities in South Africa, India, Pakistan and China are also incorporating this technology.

 [Read more about how we're striving for zero](#)

Focusing on high-priority locations

We have identified 18 high-priority manufacturing facilities (HPMFs) that are either located in areas of water stress or that represent a significant percentage of our operational withdrawals. During 2017, we implemented water-saving projects at 13 HPMFs, saving nearly 1.1 million m³ of water.

Advocate for effective water policies and stewardship

Working with others for positive impact

We believe that proactive, long-term engagement and partnerships with a wide range of stakeholders can help to define, implement and evaluate solutions to the complex environmental challenges that we face.

Droughts in water-stressed areas and the long-term sustainability of water resources are just two of the many complex challenges our planet faces.

Our commitment:

Advocate for effective water policies and stewardship.

Progress against our objectives

By 2017: Support the World Resources Institute (WRI) in the development of an open-source valuation methodology to determine the 'sustainable cost of water'.

● Achieved

Our results:

Methodology to determine the 'sustainable cost of water' presented at Stockholm World Water Week in 2016 and piloted in 2017.

By 2020: Continue to build the 2030 Water Resources Group public-private partnership by adding one more country per year.

● In progress

Our results:

11 countries added to the 2030 Water Resources Group since 2009.

By 2020: Actively support the development of CEO Water Mandate local networks in at least three Nestlé markets.

● Achieved

Our results:

Supported CEO Water Mandate networks in **three** markets.

By 2020: Continue supporting the AWS Standard by implementing it in five new locations.

● In progress

Our results:

Four factories certified against the AWS Standard.

By 2020: Apply the new Farm and Catchment-Level Assessment tool prepared by the Sustainable Agriculture Initiative Platform (SAI Platform) in at least five agricultural supply sourcing locations.

● In progress

Our results:

New SAI Platform assessment tool used in **three** locations.

Our key water partnerships and initiatives are outlined below.

- We worked with the **World Resources Institute (WRI)** to develop a methodology that helps companies quantify the sustainable cost of water in any watershed. This methodology is currently under a peer-review process managed by WRI. We have also initiated another workstream with WRI during 2017 aimed at developing a water stewardship benefit accounting methodology. The preliminary report was presented at the Alliance for Water Stewardship International Forum in Edinburgh in October 2017.
- We co-chair the **2030 Water Resources Group (2030 WRG)**, a collaboration between public, private and civil groups seeking to reform water resources in water-stressed economies.
- We are a founding signatory of the **UN Global Compact (UNGC) CEO Water Mandate**, endorsed by more than 140 companies looking to develop, implement and disclose their water sustainability policies and practices. We publish an annual Communication on Progress, sit on the Mandate's steering committee and attended its 2017 conference in Stockholm, Sweden.
- The **Alliance for Water Stewardship (AWS)** International Water Stewardship Standard provides a framework for companies to evaluate their water stewardship practices against a range of environmental, social and economic criteria. Having applied the principles at a number of high-priority locations, four of our factories – one in Pakistan and three in California – have now been certified by the AWS Standard. Three further sites have been audited this year and in October 2017, Nestlé Waters announced that 20 factories will be certified against the AWS Standard by 2020.
- The **Joint Water Risk Assessment and Mitigation project**, run by the **Sustainable Agriculture Initiative Platform (SAI Platform)** and the **Sustainable Food Lab (SFL)**, enables companies to share strategies for assessing and mitigating food risks. We support the project by mapping sourcing information from member companies and additional experts.

Partnering to protect water resources

As our business matures, making incremental reductions in operational water withdrawal is increasingly difficult and costly to achieve. We are therefore doing more at a catchment level, helping neighbours to use water more efficiently. This helps save more water and brings a greater return on investment.

Collective action with Nestlé Waters

- In California, Nestlé Waters North America (NWN) co-founded the California Water Action Collaborative (CWAC), enabling stakeholders to join forces to improve water security across the state. We are involved in two projects to determine how large-scale restoration can improve water supplies, and exploring how the private sector can support the measurement, management and stewardship required for the projects' success.
- In southern Maine, where we produce Poland Spring, NWN is working with the University of New England to protect a 1500-square-mile watershed. As part of the Saco River Watershed Collaborative, we are coordinating local stakeholders to better monitor and protect the river and its watershed.
- In Lebanon, Nestlé Waters collaborated with the Shouf Biosphere Reserve on a two-year monitoring study in the Shouf Mountains, where our operations are located. The research highlighted the good health of the watershed but recommended all stakeholders engage in joint action to ensure the sustainable supply of water during dry seasons.



Treating water effectively

Applying efficient technologies and good practice

Any water discharged into rivers and waterways must be treated effectively to ensure the water returned to the environment is of a high quality. We apply the most efficient technologies to treat the water we use, prior to reuse or release into the environment.

Our commitment:

Treat the water we discharge effectively.

Progress against our objectives

By 2017: Monitor the implementation of the new and strengthened Nestlé Environmental Requirements (NER) for water quality and effluent discharge in all factories, to help protect the environment.

● Achieved

Our results:

Deployed the new digital NER compliance assessment and monitoring tool globally.

Having strengthened our Nestlé Environmental Requirements (NER) for water quality last year, we have now rolled out a new digital NER compliance assessment and monitoring tool to ensure all our plants meet these exacting standards. We have also improved training on water effluents through our Environmental Sustainability workshops.

Water treatment in action

Our *Bear Brand* and *Coffee-mate* factory at Tanauan in the Philippines invested in a new anaerobic digestion technology that requires far less chemicals and energy to run and produces a fraction of the sludge it was generating before. Furthermore, this new technology converts the solids and fats into biogas. This biogas is then recovered and used in the factory boiler house to produce steam. This innovative solution, which also saves CHF 40 000 a year, avoids 500 tonnes of direct CO₂ emissions.

Ensuring water quality

Effluent water generated from our operating sites and factories is managed in on-site treatment plants or diverted to a local municipal facility.

In 2017, we continued to invest in maintenance and improved treatment facilities. Through such actions, the average water quality we discharged in 2017 was 83.8 mg COD (Chemical Oxygen Demand) per litre. We have also reduced the amount of water discharged per tonne of product by 13.3% since last year.



Engaging with our suppliers

Improving water management in our agricultural supply chains

Our greatest challenge in responsible water stewardship, as well as our biggest opportunity, lies in addressing impacts within our supply chains. Significant improvements in water efficiency can be made through better agricultural techniques at a farm level. These help our suppliers be more productive and resilient, and ensure a reliable supply of raw ingredients for our products.

We train farmers in water-scarce locations on water use, water quality and soil moisture, while our research and development teams develop drought-resistant cocoa and coffee trees.

Our commitment:

Engage with suppliers, especially those in agriculture.

Progress against our objectives

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.

● In progress

Our results:

We have over **40 projects** in water-stressed areas (in **28 countries**).

Its achievements in 2017 included:

- 2000 farms with water-saving solutions, 1500 with wastewater solutions and 1050 with reforestation initiatives in place;
- 25 bioengineering projects to restore landslide movements; and
- Improving water quality in 80% of *Manos al Agua* catchments.

Implementing water management action plans

Through the *Sustainable Agriculture Initiative at Nestlé (SAIN)*, we address water issues and promote remediation measures. Our regional workshops train farmers on key water management challenges, including drought and flooding resilience, wastewater and organic waste treatment, and sustainable agricultural intensification methods.

We are currently implementing water management action plans for coffee, sugar, dairy, rice and cereals in water-stressed areas. The farms, plantations and mills in these supply chains need to comply with the terms of our *Responsible Sourcing Guideline (RSG)*, and take action to mitigate their impact on local water sources.

Through one collaboration, *Manos al Agua*, we are empowering Colombian coffee farmers to manage water and address the risks to coffee production associated with climate change. Focused on the social, environmental and economic benefits of intelligent water management, the five-year project includes stakeholders like the Colombian government, the national coffee growers' federation (FNC) and the Netherlands Enterprise Agency, along with *Nespresso* and *Nescafé*. In partnership with experts from the national coffee research centre (Cenicafé) and the University of Wageningen in the Netherlands, the programme directly benefits 11 000 Colombian coffee-growing families and around 500 000 people who rely on local watersheds.

Purina and the Wabash River

The Nature Conservancy has worked for decades to protect water quality in Indiana's Wabash River, a critical tributary of the Mississippi River Basin and a resource for drinking water, agriculture, industry and wildlife. Supported by Nestlé *Purina* PetCare, the Conservancy is expanding its work to achieve a healthy source of clean water in an area where local farmers supply us with corn, soya, wheat and rice.

Purina's funding is helping landowners restore 150 acres of critical floodplain to wetlands and woodlands. This will slow the river and reduce the run-off of nitrogen and phosphorus, thereby improving water quality. We also promote the Fieldprint® Calculator, an online tool that helps farmers analyse their environmental and operational impacts.

▶ Watch a short video about the [Wabash River project](#)

Access to water, sanitation and hygiene

Raising awareness and improving WASH services

As well as being a basic human right, safe water, access to sanitation and hygiene (WASH) reduces mortality and morbidity, strengthens community resilience and preserves personal dignity.

Businesses, working with expert partners, have a role to play in helping more people gain access to WASH services.

Our commitment:

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

Progress against our objectives

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.

● Achieved

Our results:

Over **90%** of employees have confirmed access to WASH and we estimate reaching almost **100%**. We are committed to achieving and maintaining WASH for all our employees and remain in the process of continuing self-assessments across our facilities, identifying and correcting gaps through action plans.

By 2020: Implement detailed guidelines on human rights to water and sanitation due diligence in all Nestlé markets and key agricultural supply chains.

● In progress

Our results:

Started to implement the Nestlé Guidelines on Respecting the Human Rights to Water and Sanitation in high-risk markets.

By 2020: Ensure 600 000 beneficiaries in local communities have access to water, sanitation or hygiene projects around our manufacturing facilities and key agricultural supply chains.

● Achieved

Our results:

722 379 people around the world benefiting from our WASH programmes to date.

- In the cocoa-growing region of Côte d'Ivoire, we have helped repair and establish water points, renovate and build sanitation facilities, and run hygiene awareness programmes in villages and schools. Ten years on, we published a retrospective study to assess how much of the facilities and engagement material is still in place.
- More recently, the Ghana Sustainable Water, Sanitation and Hygiene Project (Gha-WASH) has sought to provide cocoa-farming communities in the Eastern and Ashanti regions of Ghana with access to WASH services. This includes the installation of community water points and latrines at schools, as well as raising awareness about hygiene-related diseases.

Helping schools stop the leaks in South Africa

With many schools in South Africa losing water due to leaking taps and broken pipes, Nestlé launched a school water leaks project in November 2017. Our partnership with Dan Tloome Primary School in Ikageng, near Potchefstroom, North-West Province, has seen new taps, toilet facilities and drinking stations installed, and the network of pipes repaired. As well as reducing water loss, this will improve the hygiene and sanitation facilities for approximately 1500 students. The project will also be incorporated into lessons about the importance of water conservation.

“Through this project, we intend to enhance the quality of lives and contribute to the healthier future of the pupils, teachers and the broader community. In the next 12 months, we will monitor water consumption and quantify the savings. We hope that we will at least halve the school’s municipal water use.”

Monako Dibetle, Public Affairs Manager,
Nestlé South Africa

Supporting the human right to water and sanitation

With support from Nestlé, the CEO Water Mandate published its guidance for companies on respecting the human rights to water and sanitation in 2015. We developed our own Nestlé Guidelines on Respecting the Human Rights to Water and Sanitation by the end of the same year, helping our markets and factories to respect and support these fundamental rights.

We have started to implement the guidelines in four high-risk markets, and will roll them out to the remaining high- and medium-risk markets within the next two years.

Our partnership with the IFRC

We have partnered with the International Federation of Red Cross and Red Crescent Societies (IFRC) in western Africa since 2002. Supporting its Global Water and Sanitation Initiative to improve access to safe water and sanitation for 30 million people by 2030, we have helped 316 274 members of rural cocoa-growing communities in Côte d'Ivoire and Ghana gain greater access to clean water and sanitation through our partnership with the IFRC.

These actions help develop resilient farming communities and create a more favourable business environment at the same time. Increased productivity, women’s empowerment and healthier communities are some of the outcomes of improved access to safe water and sanitation.

The WASH Pledge

The World Business Council for Sustainable Development (WBCSD) believes all employees should have access to safe water, sanitation and hygiene (WASH) in the workplace. We are now one of 44 signatories to have adopted its WASH Pledge, to help 2.7 million employees secure access to water and sanitation.

In 2017, an estimated 91% of our employees, including those in high- and medium-risk markets, had access to WASH services at work.

During World Water Week in August 2017, Nestlé joined representatives from WBCSD and other organisations to discuss leadership on, and support for, the WASH Pledge.

▶ Watch a short [video](#) on World Water Week

WASH in the hazelnut supply chain, Turkey

In the Black Sea region of Turkey, we sponsored and facilitated several improvements to WASH services for seasonal migrant workers in our hazelnut supply chain. Working with our suppliers BALSU and Olam-Progida, we improved the water infrastructure in the village of Esmahanım, and built wells in Balatlı, Beyören and Demiraçma, and in other locations close to camps, shelters and hazelnut farms. We also provided mobile toilets and showers, soap, shampoo and sanitary products.





Acting on climate change



Climate change is a critical global challenge, with shifting weather patterns threatening food security and changes in consumption putting pressure on natural resources. Our size and scale mean we can take positive actions on climate change and find ways to further reduce GHG emissions and use more renewable energy.

Why acting on climate change matters

GHG emissions have increased dramatically over the last century, leading to unprecedented atmospheric concentrations of CO₂, methane and nitrous oxide (N₂O). This is almost certainly the dominant cause of global warming.

In the wake of recent climate conferences – COP21 in Paris (2015), COP22 in Marrakech (2016) and COP23 in Bonn (2017) – we believe there is now a global imperative to reduce GHG emissions. This demands a united approach between governments, industry and civil society, and will require several fundamental changes, including a significant shift towards renewable energy to replace fossil fuels.

The impact on food security

Climate change is already impacting the food and beverage sector. Our industry relies on a sustainable supply of raw materials, and shifting weather patterns change how and where our ingredients can be farmed. Exacerbated by a rising global population and the associated growth in consumption, climate change also puts pressure on water resources. Compounding the issue, about a third of global food production is wasted or lost every year, generating unnecessary GHG emissions.

The need for mitigation and adaptation

Humanity must adapt to our changing climate to manage its impact on finite resources. Estimates suggest that the world may need to spend USD 280–500 billion

(CHF 275.6–492.1 billion) per year by 2050 on adaptation, depending on emissions scenarios (UNEP, 2016). We continue to seek solutions to the environmental challenges fuelled by climate change through:

- **Adaptation:** In partnership with several NGOs, we are helping our suppliers adapt to a changing climate by, for example, providing farmers with drought-resistant, high-yield coffee and cocoa plantlets;
- **Mitigation:** Reducing our GHG emissions in line with the scientific requirements to limit global warming to less than 2°C; and
- **Reporting:** Communicating openly and honestly about our work with governments, trade bodies and NGOs.

Read more about our [approach to climate change](#)

External recognition

- Received the maximum score of 100/100 in the Climate strategy section of the 2017 Dow Jones Sustainability Index.
- Earned a place in CDP's 2017 Climate A list.

Our work on climate change contributes to the following SDGs:



Climate change leadership

Reaffirming our commitment to the Paris Agreement

We believe Nestlé is well placed to help address the climate change challenge. Our aim is to ensure the continuity of our own business and those in our supply chain while protecting the wider environment.

We are committed to further reducing GHG emissions along our value chain, in line with science-based targets. We also continue to strengthen our supply chain and help the farmers we work with become more resilient to climate change.

Our commitment:

Provide climate change leadership.

Progress against our objectives

Ongoing: As a member of RE100, aim to procure 100% of our electricity from renewable sources within the shortest practical timescale.

● In progress

Our results:

25.7% of the electricity we use comes from renewable sources.

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.

● In progress

Our results:

Reduced GHG emissions (Scope 1 and 2) in our manufacturing operations by 26.5% per tonne of product since 2010.

By 2020: Reduce GHG emissions by 10% in our distribution operations versus 2014.

● In progress

Our results:

Reduced GHG emissions in our distribution operations by 4.3% since 2014.

By 2020: Reduce GHG emissions by 10% in the 100 major warehouses we use versus 2014.

● Achieved

Our results:

Reduced GHG emissions in our major warehouses by 28.3% since 2014.

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.

● In progress

Our results:

58 new refrigeration systems using natural refrigerants installed in 2017.

By 2020: All new proprietary cold beverage dispensers of Nestlé Professional will use natural refrigerants.

● In progress

Our results:

R&D project is ongoing for the Nestlé Professional proprietary dispensing equipment, CoolPro, to determine technical requirements to switch to natural refrigerants.

Reducing GHG emissions

Underpinned by [The Nestlé Policy on Environmental Sustainability](#), our main focus is to reduce our GHG emissions. By investing in renewable resources, improving energy efficiency and switching to cleaner fuels, we are pursuing our science-based 2020 objective of reducing GHG emissions per tonne of product by 35% in our manufacturing operations since 2010.

Such objectives form part of our holistic approach to tackling climate change, and contribute to efforts to limit climate warming to less than 2°C. Over the last 10 years, we have made real progress, reducing direct GHG emissions per tonne of product by 33.2% while increasing production by 35.3%.

Direct GHG emissions:

3.5 million tonnes of CO₂eq (2.2% reduction)

Direct GHG emissions:

64 kg of CO₂eq per tonne of product (1.9% reduction)

Indirect GHG emissions:

3.0 million tonnes of CO₂eq (12.9% reduction)

Indirect GHG emissions:

54 kg of CO₂eq per tonne of product (12.6% reduction)

We remain on track to achieve our objective, as we have achieved an overall reduction of 26.5% in our manufacturing operations versus 2010, and reduced GHG emissions (Scope 1 and 2) per tonne of product in every product category (see below).

GHG emissions (Scope 1 and 2) by product category (kg CO₂eq per tonne)

	2010	2017	Reduction (%)
Powdered and liquid beverages	798	440	45
Water	28	19	28
Milk products and ice cream	348	253	27
Nutrition and healthcare	580	506	6
Prepared dishes and cooking aids	286	233	18
Confectionery	429	320	25
PetCare	150	131	13
Overall GHG emissions rate	162	118	26.5

As more than 90% of our GHG emissions occur along our value chain, we are also working to reduce Scope 3 GHG emissions. Our detailed reporting of Scope 3 emissions can be found [here](#) and on pages 129–147 of our [CDP Climate Change submission](#).

Environmental Target Setting (ETS) programme


Our ETS programme is designed to help our factory teams improve water and energy efficiency, and reduce GHG emissions. For example, in March 2017, the Yinlu Hubei factory – our biggest water user and third-highest consumer of energy in the Greater China Region – sought to explore energy- and water-saving opportunities. We identified possible annual energy savings of 168 000 GJ, 745 000 m³ of water withdrawal reductions and a fall of 19 000 tonnes of CO₂ emissions through the recovery and reuse of water and heat. The 45 projects built into the action plan are expected to save the factory CHF 2.3 million.

To further improve our environmental performance, we have developed a web-based tool, Do It Yourself. This enables each of our sites to identify and adopt energy- and water-saving opportunities that have already been successful elsewhere in the Group or are best-in-class solutions proposed by in-house experts. In 2017, 102 sites used the tool.

Increasing our use of renewable energy

We are increasing our use of renewable fuels, with 22 factories using spent coffee grounds as a renewable fuel, and 27 factories using wood chips. What has mostly helped to increase by 96% the share of renewable energy is the increase in renewable electricity, described in the next paragraph.

We aim to procure 100%¹ of our electricity from renewable sources within the shortest practical timescale. All our operations have received guidance to help them optimise electricity consumption, better understand their local power market and identify opportunities for purchasing renewable energy from the local grid. Since 2016, when the guidance was published, we have doubled the share of renewable electricity we purchase to 25.7% (6.8 petajoules). This has helped us increase the share of renewable energy in our total on-site energy consumption by 96%.

 [Read about our commitment to 100% renewable electricity](#)

Chile switches to cleaner fuels

Aligned with our ambition of striving for zero environmental impact from our operations by 2030, our San Fernando factory in Chile has successfully modernised its facilities, enabling it to switch from coal to natural gas – a cleaner fuel. This reduced direct GHG emissions by 25% within the first year, and helped avoid 170 tonnes of waste for disposal that resulted from the combustion of coal.

Efficient transport and warehouses²

We transport more than 148 540 tonnes from 1667 warehouses daily – covering a distance equivalent to driving 242 times around the world each day. Our transport and distribution operations generated 3.18 million tonnes of GHGs in 2016.

¹ Includes joint ventures; excludes co-manufacturing arrangements.

² 2016 data are the latest available for transportation. Warehouse data reflects 2017.

Transport

Our partnerships with third-party logistics providers enable us to track our environmental performance and improve efficiency by reducing distances, fuel consumption, GHG emissions, noise and congestion. Our reporting covers 72% of our total product volume.

We are making good progress towards our objective, with emissions per tonne of product down by 4.3% in 2016, compared with our 2014 baseline. We have achieved this by:

- Streamlining our distribution networks, route planning and vehicle space usage;
- Identifying and defining new transportation methods and alternative fuels; and
- Training our drivers to improve safety and environmental efficiency.

We strive to ensure that ‘no vehicle leaves empty’, avoid unnecessary journeys where we can and redesign distribution networks to improve efficiency. We also switch our transportation from road to rail or sea wherever possible (road transport is now down to 70% of total transport), and use natural gas in our trucks.

More sustainable transport at Nestlé Waters

Continuing to explore transport options that lower emissions, Nestlé Waters converted 8% of its fleet in Italy from diesel- to gas-powered vehicles at the start of 2017. Nestlé Waters North America is also introducing alternative fuels to reduce its carbon footprint and switching 589 *ReadyRefresh* delivery vehicles to propane gas by the end of 2017.

[Watch a short video](#) about how Nestlé Waters is improving the environmental performance of its transport network by reducing distances travelled, optimising payloads, using alternative modes of transport, exploring new technologies and working closely with key partners.

Warehouses

We also search for ways to reduce the energy consumption in our warehouses, by improving illumination, heating, cooling and insulation. We are particularly focused on switching to renewable energy. We are currently on track to meet our 2020 objective, having reduced emissions in our top 100 warehouses to 6.5 kg CO₂eq per tonne of product, a fall of 28.3% against our 2014 baseline.

Using natural refrigerants

In our industrial refrigeration systems, we are phasing out synthetic refrigerants with high global-warming and ozone-depleting potential, such as hydrofluorocarbons (HFCs). We are replacing them with CO₂, ammonia, water, air and hydrocarbons, and have invested CHF 303 million in these natural alternatives since 1992. We expanded the use of natural refrigerants by installing 58 new refrigeration systems in 2017.

Since 2015, every new horizontal chest freezer we have bought to store ice cream has used natural refrigerants. Since 2016, almost all of our new ice cream chest, upright and island freezers use natural refrigerants. These commercial refrigeration units use half the energy of the previous units.

Proactive engagement on climate change

Collaborating on policy development and direct action

With the right policies and initiatives in place, we are better able to meet our science-based commitments to reduce GHG emissions and support the global transition to a low-carbon, climate-resilient economy, in line with the 2015 Paris Agreement. We also lead, and actively participate in, several initiatives to further reduce emissions, and engage on long-term climate policy wherever possible.

Our commitment:

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

Progress against our objectives

By 2020: Implement the *Guide for Responsible Corporate Engagement in Climate Policy* developed by CDP, the UNGC, Ceres, The Climate Group, the WWF and the World Resources Institute (WRI).

● In progress

Our results:

We have continued to disclose our actions on climate change through our public reporting and stakeholder engagement.

- Our partnership with [Feed the Future](#), in support of its Climate Smart Cocoa project, aims to help smallholder cocoa producers in Ghana and Côte d'Ivoire adopt agricultural practices to offset the challenges of climate change. Feed the Future is a US Government initiative that supports national approaches to addressing the causes of hunger and poverty.
- In 2017, we shared best practice examples of renewable energy use with other members of [RE100](#), through webinars and our active participation in a conference in Brussels.

Supporting climate change initiatives

We endorse a number of multi-stakeholder collaborations and programmes that we believe align with our climate change commitments, and our respect for society and the environment.

- By supporting [Caring for Climate](#), the world's largest global coalition on climate issues, we commit to renewing our efforts to improve energy efficiency, reducing our GHG emissions, setting voluntary targets and publicly reporting on progress. Our efforts help demonstrate leadership on critical climate issues and help shape the policy agenda.
- We provide funding for the [World Alliance for Efficient Solutions](#), an initiative launched by Solar Impulse Foundation at COP22, under the [United Nations Framework Convention on Climate Change \(UNFCCC\)](#). We also support several other major initiatives by leading international organisations, including [The Trillion Tonne Communiqué](#) by the Prince of Wales's Corporate Leaders Group and the [New York Declaration on Forests](#).

We already provide climate change information in our Annual Report package and this year, we met our objective to implement the [Guide for Responsible Corporate Engagement in Climate Policy](#).

Our efforts also align with [CDP's](#) climate action initiatives, which focus on: adopting science-based GHG reduction targets; procuring 100% renewable electricity; combating deforestation in our supply chain; reporting on climate change; engagement on climate change policy making; and carbon pricing.



Safeguarding the environment



Our basic ingredients come from plants and animals, forests, farms and oceans, so protecting those natural environments is essential. We aim to secure a more sustainable supply of natural resources and raw ingredients for our products, to grow our business while improving our environmental performance.

Why safeguarding the environment matters

Declining natural capital

Natural habitats continue to shrink, due to a combination of climate change, the growing population and greater demand for raw materials. Research indicates that we consume 1.6 times what our planet naturally provides, and it will take two Earths to sustain us by 2030 ([Global Footprint Network](#)). Global species populations also declined by 58% from 1970–2012 ([Living Planet Index](#)), with human activities including agriculture and fishing a significant contributing factor.

Protecting our natural capital is in everybody's interest, as biodiversity is the cornerstone of a balanced ecosystem and of human well-being. We encourage diversity in the crops, plants and animals to keep our ecosystems strong and healthy. We work with all stakeholders to raise awareness, identify risks and agree responses – from investment and participation in hands-on activities to regulatory intervention.

Waste and resource use

With the current rates of population growth and urbanisation, global waste generation is expected to rise to 2.2 billion tonnes by 2025 ([World Bank](#)). Without transformational changes in how we use and reuse materials, that level of waste carries serious consequences, both physical and fiscal.


In our sites, we reduce, reuse and recycle, with the ultimate goal of achieving zero waste for disposal.

And while we support the concept of the circular economy, we do see limitations in its application. Therefore, in line with [The Nestlé Policy on Environmental Sustainability](#), we follow its principles only where there is a clear environmental benefit and where it is appropriate. We do this by designing and developing our products to make them better for the environment, and using renewable resources wherever possible.

Reducing food loss and waste

About one-third of global food production is either wasted or lost every year ([Food and Agriculture Organization](#)), generating unnecessary GHG emissions and wasting water. It also affects farmer income, and the availability and cost of food, contributing to inequality and undermining rural development.

We have updated the toolkit we use to combat food loss and waste along our value chain, and in Germany, we launched our 'Together Against Food Waste' campaign to reduce food loss and waste in our canteens. We joined Champions 12.3 to support the UN's efforts in this area, and through the Consumer Goods Forum (CGF), we led the development of the Food Loss & Waste Protocol. We also support the introduction of simplified, standardised food date labels by 2020.

 [Read more about our approach to safeguarding the environment](#)

Our work on safeguarding the environment contributes to the following SDGs:



Identifying sustainability 'hotspots'

Improving the environmental impact of our foods and beverages

We assess and optimise the environmental performance of our new and renovated products across the entire value chain, from farmer to consumer and beyond. This gives us a clear understanding of their life-cycle impacts.

Our commitment:

Assess and optimise the environmental performance of our products.

Progress against our objectives

By 2020: Identify, update and address the sustainability 'hotspots' for 20 product categories.

● Achieved

Our results:

By the end of 2017, we evaluated and addressed the sustainability hotspots for **22** product categories since the introduction of eco-design software a decade ago.

Evaluated **7005** projects and **20608** scenarios using eco-design tools.

Life-cycle assessments (LCAs) analyse GHG emissions, freshwater consumption scarcity, non-biological ('abiotic') resource depletion, land use impact on biodiversity, and the impact on ecosystem and ecosystems quality throughout a product's entire life-cycle.

Using eco-design tools

Comprehensive LCAs are lengthy, expensive exercises, making them impractical when assessing thousands of products every year. To overcome this, we co-developed a simplified eco-design tool, EcodEX (Eco-design for Sustainable Product Development and Introduction). Initially piloted in 2012, EcodEX enables us to assess a product's environmental performance quickly, cost-effectively and earlier in the product development process.

Integrated into our existing IT network, EcodEX is a web-based tool that uses data from our recipe management system. It only allows the user to enter a restricted range of data, appropriate for the typical life-cycle of a food product (ingredients, packaging, processing, distribution, consumer use and end of life). This information is supplemented with inventory data acquired from publicly available and internationally recognised external sources. We are also supporting the development of the [World Food LCA Database, Phase 2](#), helping researchers, consultants, industry organisations and authorities benefit from more accurate, consistent and comparable datasets. EcodEX has been made commercially available to others in our sector.

EcodEX has now been deployed across our entire R&D organisation, making us the first in our sector to use such an eco-design tool at scale. EcodEX studies can be used as preliminary studies for a full LCA. As of 2018, EcodEX will comprise a feature to evaluate groups of products and capture food loss and waste throughout the value chain.

 Read more about our [eco-design tools](#)

Sustainability Category Profiles

We summarise our products' environmental impact assessments through Nestlé Sustainability Category Profiles. Highlighting areas of significant environmental impact along the value chain (known as 'hotspots'), they are developed for internal distribution, promoting understanding of what we are doing to continuously improve the environmental performance of our products.

By the end of 2017 we assessed and addressed 22 product categories for sustainability hotspots, including bottled water, instant coffee and chilled dairy.

Improve packaging performance

Using less material and recycling more

Packaging is crucial for protecting foods and beverages, preventing food waste, and providing important information for individuals and families. We work to optimise our packaging to minimise resource use; use more materials from sustainably managed renewable resources; support initiatives to recycle or recover energy from used packaging; and use recycled materials wherever there is a clear environmental benefit and it is appropriate.

Our commitment:

Improve the environmental performance of our packaging.

Progress against our objectives

By 2017/By 2020: 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 and at least 140 000 tonnes from 2015 to 2020.

● 2017: Achieved ● 2020: In progress

Our results:

103 652 tonnes of packaging avoided in 2015–2017, saving **CHF 168.0 million**

By 2020: Drive alliances with relevant stakeholders to address packaging waste management and marine littering in 10 relevant markets.

● In progress

Our results:

Four markets covered by ongoing projects and collaborations.

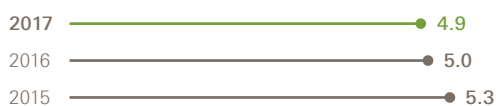
Optimising packaging

Since 1991, we have avoided 816 913 tonnes of packaging material and saved more than CHF 1.4 billion. In turn, this means we have avoided more than 395 950 tonnes of CO₂eq – equivalent to 84 245 cars being taken off the road for a year. Having reached our 2017 target, we extended our commitment to optimise packaging weight and volume, which we hope to achieve by 2020.

“Although our 2020 objective is within 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.”

Jochen Hertlein, Packaging Performance and Sustainability Lead, Nestlé

Packaging materials used (million tonnes)



Using renewable materials

Currently, 39.3% of the packaging materials we use are made from renewable sources; these are primarily paper and board, but also include bioplastics.

Through the NaturALL Bottle Alliance, Nestlé Waters is working with Danone and Origin Materials, a US start-up, to develop a PET plastic bottle made from 100% renewable materials. The project uses post-consumer cardboard or sawdust, so does not divert resources or land from food production. With the technology's success at a pilot level, commercial-scale production of 60% bio-based PET plastic bottles will begin by 2020, reaching 95% by 2022 and eventually 100%.

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 foods and beverages. However, the challenges we currently face in collecting and recycling packaging materials cannot be tackled alone, so multi-stakeholder action at scale is vital.

- In Europe, we joined CEFLEX (A Circular Economy for Flexible Packaging), a collaboration set up by a consortium of companies ranging from raw material suppliers to retailers. CEFLEX members are developing design guidelines for flexible packaging, as well as the infrastructure needed to collect, sort and recycle it across the continent.
- Nestlé *Purina* PetCare and Nestlé USA participate in Materials Recovery for the Future (MRFF), an industry research collaboration committed to finding recovery solutions for flexible plastic packaging in the United States.
- Nestlé Waters increased the amount of recycled plastic used in its *Arrowhead® Mountain Spring Water* bottles, with 90% of its bottles made in California incorporating 50% post-consumer recycled plastic content. As a result of its efforts, approximately 1.8 billion bottles have been kept out of landfill, and the 39 million kg of recycled plastic has saved over 69 000 tonnes of CO₂ since 2012 (the equivalent of taking 13 349 cars off the road for a year).

- Alongside Coca-Cola, Tetra Pak, Unilever, Danone and Indofood, Nestlé Indonesia works through the [Packaging and Recycling Alliance for Indonesia's Sustainable Environment \(PRAISE\)](#) to improve packaging waste management in the country. Supporting the government's national waste management roadmap, PRAISE members have reduced packaging weight, participated in waste management campaigns and joined coastal clean-ups.

Supporting recovery and recycling

In many markets, there is a gap between what can be and what is recycled. For example, the US Environmental Protection Agency estimates that 75% of waste in the US is recyclable, but only 30% actually gets recycled.

We seek to recover packaging, to prevent it from contaminating natural habitats. Our initiatives involve engaging partners along the value chain – from raw material suppliers to consumers – to improve collection, sorting and recycling infrastructure.

Our engagement in 2017 included the following examples:

- Guided by the Central Pollution Control Board, Nestlé India joined the Confederation of Indian Industry and the Indian Pollution Control Association to educate informal waste pickers, as well as consumers, about the collection, segregation and disposal of plastic waste.
- Alongside leading businesses, government and community partners, Nestlé Waters North America invested USD 6 million (approximately CHF 5.9 million) in May 2017 towards recycling infrastructure and programmes across the United States. To date, the USD 100 million investment in the Closed Loop Fund has diverted more than 100 000 tonnes of recyclable material from landfill, and the 11 live projects are expected to divert 4 million tonnes by 2025.

The difference in approaches to waste recovery infrastructure between markets makes it harder to standardise our methods, but we have intensified our efforts to prevent our packaging from ending life as litter. Our new objective will ensure we work with internal Nestlé departments as well as external industry and NGO groups to make an impact in key areas.

Nespresso's recycling programme

Since 1991, Nespresso has invested in dedicated collection and recycling schemes to help individuals and families recycle its used capsules. There are more than 100 000 collection options globally, with people in Germany, Sweden and Finland able to dispose of capsules through household recycling schemes. Once collected, the aluminium capsules are transformed into drinks cans, bicycles, computers – even new capsules – while used coffee grounds are turned into biogas or biofuel compost.

By the end of 2016, our global collection capacity had reached 86%, with a target of 100% for 2020. Find out more in the [Nespresso Creating Shared Value report](#).

Collective action on plastic waste and marine littering

An estimated 8 million tonnes of plastic waste end up in the oceans every year, up to 80% of which comes from land-based waste. This includes plastic packaging and microbeads from skincare products.

We recognise that our plastic packaging, if not recycled, reused or responsibly disposed of, can end up in rivers and oceans, and harm marine life. No company can solve this problem alone, so we are working with governments, NGOs, companies and multi-stakeholder alliances to improve recycling and recovery rates, and to encourage consumers to dispose of waste plastic properly.

To intensify our efforts, we are now part of an important global platform, the New Plastics Economy (NPE). This ambitious, three-year initiative, launched in May 2016 by the Ellen MacArthur Foundation, brings together key stakeholders from across the value chain to redesign the future of plastics and packaging. The NPE's [Catalysing Action](#) report details the latest research and outlines a clear strategy for the global plastics industry to design better packaging, increase recycling rates and introduce new models for making better use of packaging.

Using this platform, we initiated an industry-wide collaboration (Project SEA) to build a common understanding of local waste management systems, piloting this in priority countries in Asia, including the Philippines and Indonesia. This understanding will inform the development of an efficient packaging waste recovery strategy. So far, about 20 organisations, including companies, NGOs and government authorities, are actively participating in the project.

Our other partnerships include:

- Joining global alliances such as the [Trash Free Seas Alliance](#)® through the Consumer Goods Forum (CGF), and participating in the CGF's Solid Waste Working Group;
- Pledging our support to WWF's [Cascading Materials Vision](#), which foresees a global system of reusing materials;
- Supporting the [Microplastics and Plastic Marine Littering](#) project, led by the Fraunhofer Institute for Environmental, Safety and Energy Technology (UMSICHT), to improve our understanding of microplastics in marine littering and define potential actions; and
- Collaborating with the [International Reference Centre for the Life Cycle of Products, Processes and Services \(CIRAIG\)](#) on a life-cycle impact category indicator for the biodiversity effects of marine littering.

Reducing food loss and waste

Accelerating progress towards greater resource efficiency

Around 30% of the food produced for human consumption is wasted along the value chain, resulting in social, environmental and economic costs. These range from unnecessary water use, GHG emissions and risks to food security to an avoidable financial burden borne by individuals and families, farmers and businesses.

Our commitment:

Reduce food loss and waste.

Progress against our objectives

Ongoing: As a member of Champions 12.3, accelerate progress towards halving food waste by 2030.

● In progress

Our results:

We have continued to reduce waste for disposal in our factories (see below).

By 2020: Achieve zero waste for disposal in our sites.

● In progress

Our results:

253 of our factories achieved zero waste for disposal in 2017.

217 office, R&D and distribution centres also reached zero waste for disposal, which makes a total of 470 sites globally.

Reduced waste for disposal per tonne of product by 88% since 2007.

By 2020: Make date labels understandable to our consumers to reduce food waste at consumption stage.

● In progress

Measuring food loss and waste

Our Zero Food Wastage Taskforce, responsible for bringing our commitment to life, leads food waste reduction initiatives across our value chain and monitors progress against our objectives. In 2017, it updated the Food Waste Toolkit, designed to promote activities that reduce food loss and waste along our value chain, and updated the Zero Waste for Disposal Guideline.

To address the challenge of measuring food loss and waste accurately, we led the development of the [Food Loss & Waste Protocol \(FLW Protocol\)](#) on behalf of the CGF. Since it was launched in June 2016, we have also piloted the Food Loss and Waste Accounting and Reporting Standard (FLW Standard) in our dairy supply chain in Pakistan.

As detailed in a [case study](#) published in March 2017 by the World Resources Institute, the total milk lost or wasted across all stages of this complex supply chain was an estimated 1.4% of the milk produced, about 40% of which occurred at farm level. This low level of loss confirms that we are having a positive effect, through technical assistance and training to avoid pre-harvest losses, and by providing adequate cooling and storage facilities to reduce post-collection waste.

📖 Read more about our collaborations and partnerships on [food waste](#)

Together against food waste

In Germany, we have developed a range of resources to reduce food loss and waste in our canteens. Our Together against Food Waste campaign included online information with hints, tips, quizzes and recipes for using up leftovers, a Facebook page, a brochure for NGOs and coverage in the national press. Our efforts were promoted as best practice examples by the Federal Ministry of Food and Agriculture.

Achieving zero waste for disposal

We define waste for disposal, in general terms, 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. Our goal is to achieve zero waste for disposal in all of our sites worldwide by 2020. By the end of 2017, 253 of our factories, 97 distribution centres, 19 R&D centres and 101 offices achieved zero waste for disposal.

96%

of our total waste is being recovered and

58%

of our factories have achieved zero waste for disposal.

From the waste that is currently not recovered, 98% goes to landfill.

Only 0.6% of the waste we generate is classified as hazardous, and this is managed and disposed of in accordance with local and global standards and relevant regulations.

📖 Read more about how we're [striving for zero](#)

Recovering by-products

By-products are materials that leave our sites and are reused or recovered, including recycling, composting and incineration with energy recovery. In 2017, we recovered 96% of the materials used in manufacturing. We analyse the waste and by-products we generate through manufacturing to identify best practices that can be shared across markets.

Promoting sustainable consumption

Providing information to engage individuals and families

Our global presence gives us direct access to millions of individuals and families. This means we are well placed to share product information that helps everyone make more sustainable choices.

We can encourage people to recycle more, lower their energy consumption and reduce their use of resources.

Our commitment:

Provide meaningful and accurate environmental information and dialogue.

Progress against our objectives

By 2020: Improve the availability and consistency of fact-based environmental information for consumers on our digital and other channels.

● In progress

Our results:

Through our corporate websites alone, we provide environmental information in **127** countries. Packaging and brand websites provide additional information.


Sharing information

We believe that people are more likely to behave sustainably when they have access to clear, science-based information. Our [life-cycle assessments \(LCAs\)](#) enable us to provide the relevant information, shared via packaging and [online](#).

In 2017, Nestlé Waters North America (NWNA) joined [How2Recycle](#)[®], a US consumer education programme with over 60 members. The labelling scheme communicates standardised information on a wide range of product packaging, explaining what materials can be recycled and how to prepare them (such as rinsing bottles and replacing caps). NWNA will use the [How2Recycle](#)[®] label on products across North America.

We outline the environmental sustainability aspects of our foods and beverages, such as stating ingredient sourcing, production methods and adherence to standards, through on-pack messaging. But while consumer demand for such information is increasing, space is limited. Therefore, we've been using quick response (QR) codes to link people to mobile websites containing tips on sustainable consumption and use, avoiding food waste and recycling packaging.

Internally, brand-led 'Doing More' workshops help us decide how to communicate a brand's nutritional, environmental and societal contributions.

 [Read more about going 'beyond the label' for nutritional information](#)

Piloting environmental footprints in Europe

The European Commission's Product Environmental Footprint project seeks to develop a common methodology for different product categories. We have supported the Commission since 2014 in developing category rules for packed water and pet food. These cover performance benchmarks for different compliance and verification systems, and communication channels.

We conducted a pilot study to determine how to engage individuals and families about sustainable purchasing decisions. We began by assessing the environmental impacts of our premium pet food, *Purina ONE*, with a focus on climate change, water resources and land use. A second phase focused on communicating results, which we tested using *Purina ONE* and Nestlé Waters *Vittel* bottled water.

Protecting natural capital

Preserving habitats and enhancing biodiversity

As the source of many of our raw materials, our long-term success depends on maintaining the health of natural capital, particularly land, soil, trees and water.

We seek to act as a responsible steward of natural resources, particularly in terms of water preservation, working to eradicate deforestation from our supply chain, and improving soil management and biodiversity conservation.

Our commitment:

Preserve natural capital, including forests.

Progress against our objectives

By 2020: 70% 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.

● In progress

Our results:

57% of the volume of our 12 priority categories of raw materials are Responsibly Sourced.

We proactively tackle deforestation through the responsible sourcing of our palm oil, soya, and pulp and paper. We can improve the sustainability of our raw materials by tracing them back to their origin, understanding the challenges farmers face and supporting them where needed. We apply our *Responsible Sourcing Guideline* (RSG) to these three key commodities, as well as meat, dairy, cocoa and coffee, to eliminate deforestation at the earliest opportunity.

The RSG incorporates performance requirements covering water and soil management, maintaining and enhancing biodiversity (particularly in areas of high conservation value) and the elimination of deforestation.

Valuing and protecting biodiversity

We are committed to stewarding biodiversity, together with other stakeholders. As well as reporting on our risks and responses, we work to raise awareness of local and regional biodiversity issues, so that individuals and families can make more informed choices.

By placing a value on the impact of biodiversity loss on our business, we can define the best way to reduce these impacts, through targeted investment or by collaborating on regulatory and governmental interventions. In recent years, we have drawn up a list of priority issues and dependencies, to help us decide where to focus our activities.

Combating deforestation

As well as providing a home for 70% of the world's species, trees absorb carbon dioxide and release oxygen into the atmosphere. It is in everyone's interest that forests are managed and maintained to combat global warming, soil erosion, water pollution and biodiversity loss. Yet every minute, an area of forest the size of 36 football pitches is lost. Deforestation is mainly caused by urbanisation and farmers clearing forests for growing crops or grazing livestock. Trees are also logged for wood and paper products.

As we buy ingredients like soya and palm oil from regions at risk of deforestation, and depend on paper materials for our packaging, we need to ensure our products are not produced at the expense of our forests. As well as supporting the Consumer Goods Forum's ambition for zero net deforestation by 2020, we made our own 'no deforestation' commitment in 2010, stating that none of our products will be associated with deforestation by 2020. Covering all the raw materials we use in our foods and beverages, as well as our packaging, this commitment was the first of its kind by a food company.

Nestlé Waters reforestation programme in Mexico

Taking into account the local deforestation challenge, Nestlé Waters Mexico and CONAFOR (Mexico's National Forestry Commission) agreed, in June 2017, to invest USD 1 million (CHF 984 160) in a protected natural reserve in Izta-Popo National Park over the next five years. The agreement conserves forest areas around the Iztaccíhuatl volcano, where *Santa María* pure spring water originates, to prevent topsoil run-off, decrease soil erosion and develop biodiversity.

This agreement represents the continuation of past reforestation initiatives by the *Santa María* factory, and is achieved in collaboration with local communities.

Verifying our progress via satellite

To measure our progress towards our 'zero deforestation' ambition, we are piloting the use of satellite technology developed by Airbus. Made available through a unique partnership with The Forest Trust and radar specialists SarVision, the Starling service provides high-resolution satellite and radar images. These show what is happening in parts of our palm oil supply chain, helping us identify where deforestation is occurring and understand if it is linked to our activities. Having been one of the early adopters to trial the system, we will look to extend the pilot to cover parts of our pulp and paper supply chain in 2018.

Collaborative action

Managing agrobiodiversity proactively and successively can bring real benefits, at both a regional and global level. For several categories of raw material, we take a hands-on approach, assessing impacts and influencing behaviours on the ground.

Particularly in locations of high conservational value, we help farmers review their practices and develop action plans to:

- Manage crop diversity through rotation and agroforestry;
- Adopt sustainable soil management and conservation practices;
- Promote mixed farming systems, such as crops and livestock;
- Enhance diversity by providing habitats for sensitive animal, plant and tree species;
- Manage landscape diversity by conserving ecological corridors; and
- Restore areas of grassland through our silvopastoral programmes.

For example, for dairy farmers, we use [Response-Inducing Sustainability Evaluation \(RISE\)](#) studies to assess their sustainability. The RISE tool uses a number of indicators to identify strengths and weaknesses, including economic viability, quality of life and natural resources such as water, soil and biodiversity. We also help our suppliers to improve biodiversity through the planting of different species of tree, hedge and shrub.

To widen our impact and reach, we participate on several environmental protection, management and restoration initiatives that help businesses assess, measure and place a value on their dependencies, understand their impacts and identify appropriate action. These include our efforts as a member of the Cambridge Natural Capital Leaders Program.

Nestlé and Nespresso also helped the Natural Capital Coalition test its Natural Capital Protocol, a global multi-stakeholder programme that helps organisations to understand and value their impacts and dependencies on nature.





Reporting and governance

Our governance systems and approach to business ethics are fundamental to our business. We also have comprehensive reporting processes from materiality to assurance. These are outlined below and made publicly available through the following links.


Business ethics and transparency

Upholding ethical principles is fundamental to our business, providing the consumer trust that forms our licence to operate. This includes our zero tolerance of fraud, bribery and corruption, our efforts to ensure data privacy and our approach to public policy and tax.

-  [Read more about business ethics and transparency](#)
-  [Read more about taxation](#)


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.

-  [Learn more about our governance structures and policy making](#)


Product safety and quality

People expect our foods and beverages to be safe and of the highest quality. Safety and quality are at the foundation of our company and are embedded in our corporate purpose and values.

-  [See how we are embedding quality throughout our business](#)


The materiality process

To ensure we focus on the issues that have the most impact on the economy, society and environment, and that most influence the decision-making of our stakeholders, we conduct a formal materiality analysis every two years.

-  [Read more about our material issues](#)




Responding to stakeholders

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.

-  [See how we are working with stakeholders to tackle important issues together](#)


Key performance indicators

Our key performance indicators (KPIs) help us measure and report Creating Shared Value, sustainability and compliance, and provide transparency for our stakeholders.

-  [See our 2017 performance in more detail](#)
-  [See our GRI Index for further detail on our 2017 CSV performance data](#)
-  [Read more about materiality and the SDGs](#)


External recognition

We are proud when our sustainability efforts and achievements are acknowledged by world-leading ratings and rankings agencies, and we are open to working with their suggestions to support continuous improvement.

-  [See how we have performed in leading assessments](#)


About this report

We summarise the scope, boundaries and assumptions of this report, as well as the data methodologies and reporting frameworks we adhere to.

-  [Learn more about our reporting](#)

Assurance statement

An independent, third-party organisation, Bureau Veritas, provides independent assurance to Nestlé's stakeholders over the relevance, accuracy, reliability and objectivity of the information contained in this report.

-  [Read the summary assurance statement and the full assurance statement](#)

Business ethics and transparency

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 public policies.

Compliance

To ensure that the structure and processes of our corporate compliance programme are robust and are being implemented effectively, they are overseen by our Group-level Compliance Committee, as well as local committees in each market. We request all our suppliers respect and comply with our ethical standards and codes, and to report any instances of non-compliance through our internal and external grievance mechanism: the Nestlé Integrity Reporting System and 'Tell us' system.

Anti-corruption

Bribery and corruption negatively impact on both company performance and external perceptions. Nestlé does not tolerate deception, bribery, breach of confidence or abuse of power of any kind, and we have made a [public commitment](#) to ensure a culture of integrity is maintained across the organisation.

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, apply to all employees and suppliers, and are widely communicated and understood.

We set out our position on these issues in our [Code of Business Conduct](#). In 2017, all markets reached a mature level in key compliance practices and categories defined, including the reinforcement of combating bribery and corruption. More than 125 000 employees to date have now received *Code of Business Conduct* training.

Privacy

Nestlé operates in an increasingly data-driven economy, where more personal information is processed to engage with consumers and deliver ever-more personalised experiences. Our stakeholders also have greater expectations about how we handle personal data.

However, this is taking place against the backdrop of a changing regulatory landscape. Our European markets have been making progress towards compliance with the General Data Protection Regulation (GDPR) compliance which will come into force next year. We are also seeing more countries adopting stricter data protection laws, including Russia, China, Malaysia and Morocco.

We have also updated our Privacy Programme, ensuring that we have a standardised approach to data handling across the Nestlé Group that reflects these changing regulations and external expectations. Key elements of the programme include:

- Our revised Privacy Policy, updated to reflect the new digital reality;
- A new Privacy Standard, which covers the life-cycle of personal data processing and reinforces our data protection principles globally; and
- A more robust data protection champion network.

To keep abreast of data protection developments and issues, we also participate in a number of multi-stakeholder groups. This helps us attempt to promote better data privacy and security, which is invaluable for our business.

Public policy and advocacy

Companies play an increasingly active role in society, and are often consulted when policies and regulations are being developed. Providing our expertise to inform decision-making, in collaboration with governments, authorities and other relevant bodies, is an important responsibility, so we have procedures to ensure engagement is conducted professionally and transparently.

With [our purpose](#) to enhance quality of life and contribute to a healthier future, we have an opportunity to step up engagement and take a leadership role – through advocacy – on topics that are both material to Nestlé and key to society. In 2017, we updated the [Nestlé Policy on Transparent Interactions with Public Authorities](#) accordingly.

Our policies, documents and reports are publicly available online, as are our positions on key issues (see [Ask Nestlé](#)).

 Read more about [business ethics and transparency](#)

Taxation

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 Organisation, both at Group and market levels.

Effective Tax Rate and Tax Payments

In 2017, the Nestlé Group incurred CHF 2.779 billion in corporate taxes worldwide on our group consolidated profit. This corresponds to a 29.3% effective tax rate on our worldwide profits. By comparison in 2016, Nestlé had a 35.2% effective tax rate worldwide, while incurring an amount of CHF 4.413 billion in corporate taxes. The decrease of the effective tax rate is mainly driven by the US tax reform and the revaluation of deferred tax liabilities. This is a non-cash item. Excluding exceptional items, the underlying effective tax rate in 2017 is in line with our tax rate in 2016 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).

In 2016, Nestlé incurred and collected around CHF 15.1 billion of taxes to the governments in its largest 60 markets. Those markets represent nearly the totality of the Group Net Sales. This amount includes CHF 6.8 billion that were incurred and borne as costs by Nestlé. In addition, Nestlé collected taxes for CHF 8.3 billion.

If we analyse taxes borne by type, 51% of the CHF 6.8 billion was taxes on profit, 29% on employment, 15% on transactions, 3% on properties and 2% taxes on environment.

If we look at the taxes borne by geography, 40% of the CHF 6.8 billion was incurred in EMENA, 34% in Americas and 26% in AOA. 72% of the CHF 6.8 billion were borne in the top 10 countries.

CHF 8.3 billion of taxes were taxes collected by Nestlé through our operations and paid to governments.

When we look at taxes collected, 35% were taxes on employment, 35% on profit, 28% on transaction (VAT or similar) and 2% on environment.

In terms of geography, 50% of taxes collected were incurred in EMENA, 28% in Americas and 22% in AOA. 79% of the CHF 8.3 billion were collected in the top 10 countries.

Finally, we had a Group 'VAT Throughput' of CHF 20500 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.

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 (CSV) strategy. Available in dozens of languages, all employees must comply with them through the ongoing implementation of relevant business codes, policies, processes and tools.

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.

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 internal governance structure

The Board of Directors, the Chairman, the CEO and our Executive Board are responsible for the supervision and management of our role in society, and for ensuring we achieve our purpose and our ambitions. They are supported by a number of internal management bodies such as the Nestlé in Society Board, as detailed below.

During 2017, we put in place new leadership committees to drive our ambitions and commitments and ensure alignment.

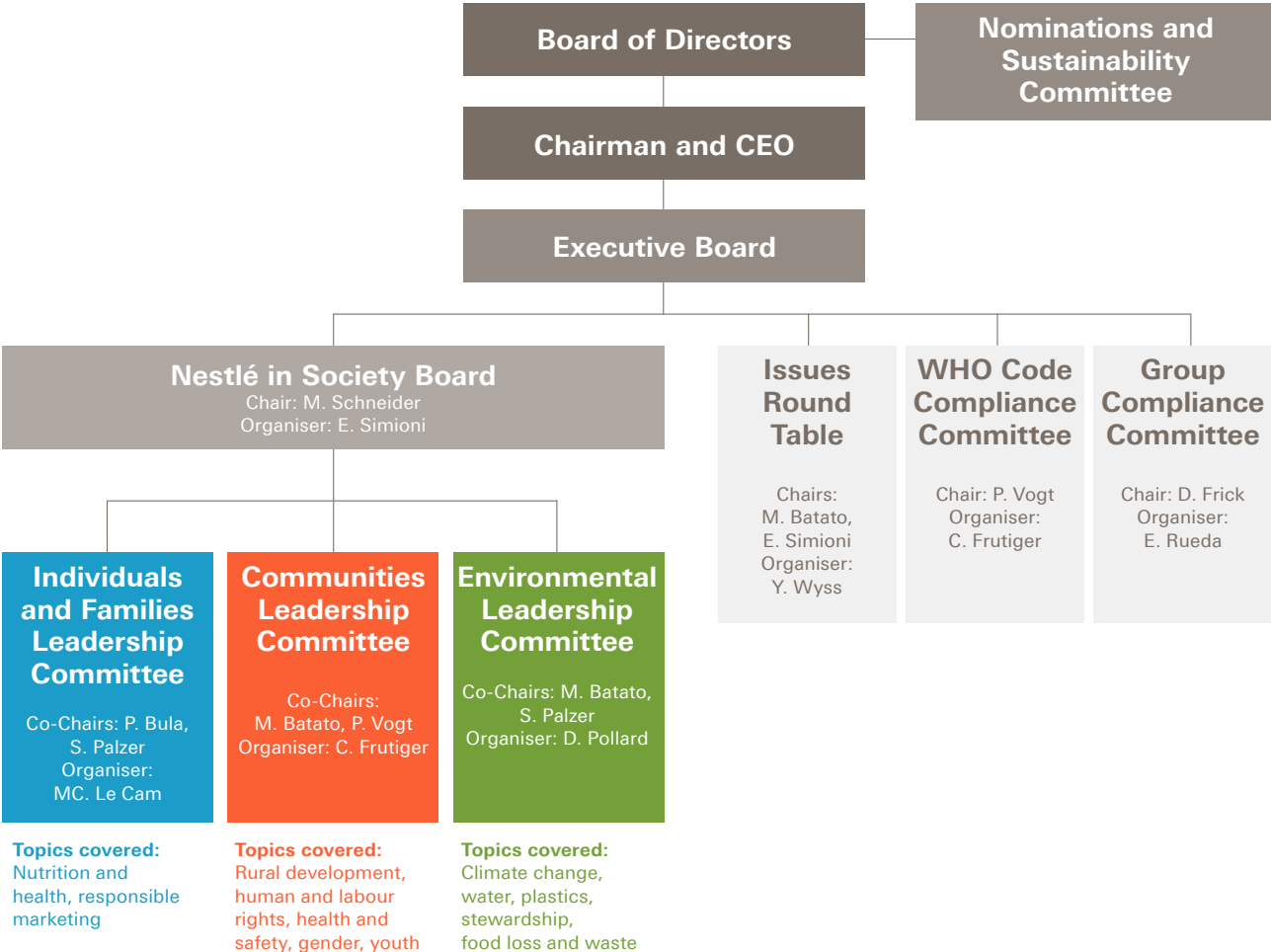
[Read more about our governance arrangements](#)

External advisory groups

Beyond our internal governance structure, we also take a wide, more inclusive approach, with advice from two formal external advisory councils: the Nestlé Nutrition Council and the CSV Council.

[Read more about the Nestlé Nutrition Council and the CSV Council](#)

Our governance structure



Product safety and quality

People rightly expect our foods and beverages to be safe and of the highest quality. Safety and quality are at the foundation of our company and are embedded in our *Corporate Business Principles*.

In 2017, we updated our Nestlé Quality Policy to align with the new Nestlé purpose and values. We created the Nestlé Management System (NMS) for Quality & SHE to support implementation of our Policy. And to embed quality throughout our business, we increase engagement with suppliers, employees and consumers.

Our results

96%

of Headquarters, R&D, Manufacturing, and NQAC sites are certified against our Nestlé Quality Management System and/or ISO 9001

180 million

samples tested every year, to ensure product quality

97%

of our manufacturing and R&D sites are certified against FSSC 22000/ISO 22000 food management standards

Managing supply chain quality

In an increasingly challenging international food supply chain, contaminants from raw materials, packaging and processing require action at every stage of our supply chain. By conducting research and collaborating with suppliers, we are reducing food safety risks. In 2017, we rolled out our global Nestlé Food Fraud Prevention Programme, built on the pillars of awareness, our prevention system and prevention plans.

Consumers increasingly want to know where their foods and beverages come from. We established the Nestlé Programme on Value Chain Transparency and Product Traceability. In 2017, we completed a pilot with retail partner (Metro), software providers (fTRACE) and the Consumer Goods Forum Task Force on Traceability, and in 2018 we will continue to explore new technologies to reduce barriers to information sharing.

We continued to expand our supplier development activities. For example, we developed an easy-to-understand hygiene training and tools for farmers in five languages, and disseminated them through external partners. We also developed an open platform to build competence, and increased Nestlé Supplier Days in all markets to raise risk awareness.

Engaging employees and consumers

Engagement with our employees is essential. By the end of 2016, we had rolled out our Quality Competency Development tools to all markets. Our Food Safety Network, Issues Round Table meetings and global communications enable us to act fast, and we are investing in training, so all employees understand our quality mindset. We also incorporated our Culture of Quality Survey into our company-wide Nestlé and I engagement survey to drive quality throughout our business.



Nestlé Waters enhances quality mindset

In 2017, Nestlé Waters has been connecting with employees around the world to increase employee ownership, reaching 16 000 or 43% of employees with its quality message. We want employees to connect their day-to-day job with what

consumers value. Using a global toolkit, local teams hold awareness sessions that inspire participants to make personal commitments and understand the role they play in delivering quality.

We want consumers to contact us immediately if they have a question or concern, so our brands carry an invitation to 'Talk to Nestlé' with contact details displayed. We are introducing traditional and social media channels to enable consumers to contact us at any time, and our worldwide consumer services ensures we can immediately respond.

In 2017, consumer feedback indicated that over 50% of food-related complaints were regarding appearance, taste and texture. A 7.7% reduction in these complaints over the past year indicates that feedback response initiatives are working, but more work is needed.

Meeting the highest quality standards

To continue meeting the highest standards, we invested CHF 30 million in our Nestlé Quality Assurance Center (NQAC) in Dublin, Ohio, United States. This has doubled the size of the centre, making it our most sophisticated testing facility in the world. As a result, in 2017 we were able to additionally perform 4.1 million tests using new advanced standards and techniques to ensure product quality.

Fewer incidents

Despite our efforts, mistakes can happen, and our quality and safety assurance ensures that product recalls are managed rapidly and effectively.

2017 saw a reduction in quality-related incidents versus previous years, including those related to foreign bodies, which comprise roughly 10% of consumer complaints. Incidents related to mislabelling are a key focus of attention. We have recalled foods and beverages due to labelling errors, for example, in the US with regards to egg allergens. In all cases, we analyse the cause and take action to prevent reoccurrence.

We continue to work closely with the Global Food Safety Initiative (GFSI) to learn from and share best practice across the food industry, and our Vice President for Quality Management, Anthony Huggett, sits on its board.

The materiality process

To ensure we prioritise the issues that have the most impact on the economy, society and environment, and that most influence the decision-making of our stakeholders, we conduct a formal materiality analysis every two years. We have shared the methodology and findings of our latest assessment below.

What are material issues?

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.

Nestlé is evolving its reporting from the Global Reporting Initiative (GRI) G4 Guidelines to the GRI Standards. However, we did not undertake a new materiality exercise in 2017. We will therefore align our definition of materiality with the GRI Standards in next year's report.

The materiality process

In 2016, SustainAbility refreshed the materiality analysis through four phases of work:

- Issue identification;
- Assess business impact;
- Assess stakeholder interest; and
- Review and validation.

The issues identified are then placed on a matrix (see below), displaying 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.

🖨 See the definitions of our [material issues](#) and how they map across our [value chain](#)

Our materiality matrix



Note: In 2018, we will be aligning our materiality process with the GRI Standards.

Materiality and the Sustainable Development Goals

We welcome the opportunity to continue contributing to the global agenda, first through the UN Millennium Development Goals (MDGs) and now the SDGs.

With SustainAbility, we undertook a mapping exercise in 2016 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	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Individuals and families																	
Food & Nutrition Security	●	●	●		●					●				●	●	●	●
Over- & Under-Nutrition		●	●		●					●		●					●
Responsible Marketing and Influence			●	●								●	●				●
Food & Product safety			●														●
Communities																	
Animal Welfare			●														●
Rural Development & Poverty Alleviation	●	●		●	●	●		●	●	●						●	●
Responsible Sourcing and Traceability												●		●	●		●
Women's Empowerment	●	●	●		●			●		●							●
Business Ethics								●								●	●
Human Rights	●				●			●		●						●	●
Fair Employment and Youth Employability	●			●	●			●		●						●	●
Employee Safety, Health & Wellness			●			●		●									●
Planet																	
Water Stewardship						●						●		●			●
Water, Sanitation & Hygiene	●	●	●			●								●			●
Natural Resource Stewardship		●				●						●	●	●	●		●
Climate Change		●				●	●		●			●	●		●		●
Resource Efficiency, (Food) Waste & the Circular Economy		●					●		●		●	●	●	●	●		●

● 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.

Responding to stakeholders

We engage, listen and respond to a wide range of stakeholders on a regular basis. Through meaningful engagement, our stakeholders have helped us improve and set the priorities for our Creating Shared Value strategy.

Our annual programme of Nestlé stakeholder convenings is 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 we can create shared value.

On 30–31 March 2017, 66 representatives from non-governmental organisations, foundations, government agencies, think tanks, academia and the ESG investment community participated in our stakeholder convening in London. Twelve Nestlé staff attended the full-day session, including our Chief Executive Officer, Mark Schneider.

The convening provided us with an opportunity to share progress on our CSV programmes and to introduce our newly articulated purpose and ambitions.

Participants made a number of recommendations; the key issues raised are outlined below, along with our responses. This feedback is also considered when assessing the material issues of our business, helping us evolve our approach.

We also hosted a stakeholder dialogue to explore Nestlé’s role in contributing to optimal nutrition in the first 1000 days of life and industry-leading approaches to promoting breastfeeding and responsibly marketing breast-milk substitutes. The dialogue was attended by 20 expert stakeholders.

We furthermore organised stakeholder discussions and events on kids nutrition at the IUNS 21st International Congress of Nutrition (ICN) in Buenos Aires in October 2017 and engaged on Water Stewardship at the World Water Week in Stockholm in August 2017.

Recommendations	Our responses
<p>Maintain a long-term focus: Participants noted the importance of Nestlé meeting its commitments, for the long-term benefit of the business, even in challenging political or commercial environments. Participants acknowledged the challenge that Nestlé faces to make the business case for sustainability in the context of financial markets that are largely driven by short-term returns.</p>	<p>We have published our 2030 ambitions for each of our impact areas and will report on progress.</p>
<p>Advocate for joined-up policy: Participants highlighted the benefits of regulation to ensure a level playing field and asked Nestlé to collaborate with industry peers and advocate for a joined-up sustainable food policy. Examples suggested included a sugar policy.</p>	<p>Thought leadership: Our CEO of Europe, Middle East and Northern Africa engaged with the European Commission and European stakeholders in calling for an EU nutrition policy. In February 2017, we shared our sugars reduction journey with national government representatives at a high-level meeting organised by the EU Presidency. And the CEO of Nestlé UK openly called for both voluntary and regulatory instruments to be used in the fight against childhood obesity.</p> <p>Advocacy: With the European Heart Network, the European Public Health Alliance, the European Consumer Organisation (BEUC), and leading food and beverage companies, we called for the EU to create nutrient profiles for nutrition and health claims. We are also calling for a legislative limit for the amount of industrially produced <i>trans</i> fatty acids (TFAs) in foods. In developing countries, we advocate for the inclusion of micronutrient fortification in national nutrition plans and participate in a number of multi-stakeholder initiatives.</p> <p>Collaboration: With 25 other companies, we co-launched <u>Food Reform for Sustainability and Health (FReSH)</u>. The programme, led by the World Business Council for Sustainable Development (WBCSD) and the EAT Foundation, works with the business community to accelerate transformational change in global food systems.</p>
<p>Sharpen the commitments: There was support for Nestlé’s commitments. Participants made some recommendations to further strengthen these, including that Nestlé should clarify how progress towards its ambitions will be measured and the steps it will take to deliver. The urgency of making progress towards the Sustainable Development Goals (SDGs) was highlighted.</p>	<p>We recognise the urgent need to meet the SDGs and will aim to explain our progress, including methods of measurement, through our future reporting.</p> <p>We also support the <u>Global Reporting Initiative (GRI)</u> and <u>United Nations Global Compact (UNGC)</u> in developing ways to track business contributions to the SDGs.</p>

Recommendations	Our responses
<p>Describe an integrated vision: Nestlé was asked to provide a more joined-up vision for sustainable food that integrates nutrition, water, environment and livelihoods. Participants highlighted the need to work towards a food system that improves natural capital, going beyond the current focus on reducing negative impacts (for example, reducing water use).</p>	<p>We recognise the links between these areas and are supporting FReSH – see previous page.</p> <p>We have established workstreams under each impact area to address these topics.</p>
<p>Support consumers to change behaviours: Participants highlighted the importance of Nestlé’s research, work with major customers, consumer communications and support for progressive regulation in changing consumer demand – a necessity for improved health and environmental outcomes. Participants identified Nestlé marketing capabilities as a key lever of change.</p>	<p>We recognise the importance of engaging individuals and families. For example, Nestlé Waters North America has joined How2Recycle, a US consumer education programme.</p> <p>Some of our brands reinforce consumer behaviour, such as the <i>Maggi</i> Cooking Lesson Programme in Africa, the <i>Milo</i> sports programme and <i>Nespresso</i>’s support for coffee capsule recycling.</p>

📖 Read more about our [stakeholder engagement activities](#)



Our key performance indicators

Nestlé's key performance indicators (KPIs) provide a focus for measuring and reporting Creating Shared Value (CSV), sustainability and compliance. The performance summary below forms part of our Communication on Progress for the United Nations Global Compact. Unless otherwise stated, performance indicators are for the calendar year ending 31 December 2017.

To provide transparency for our stakeholders, we have indicated the correlation between our KPIs, our commitments and [Global Reporting Initiative \(GRI\)](#) indicators in the table below.

The references in the GRI column relate to the applicable indicator from the 2016 GRI Standards. We report against these Standards in line with our [material issues](#), which are identified through our [stakeholder engagement process](#) and shape our [public commitments](#).

Nestlé in society and Creating Shared Value key performance indicators	GRI Standards	2017	Page
Economic			
Total Group sales (CHF million) ^(a)		89 791	AR p3
Net profit (CHF million) ^(b)	201-1, FP4	7 183	AR p39
For individuals and families			
Products meeting or exceeding Nestlé Nutritional Foundation profiling criteria (as % of total sales) ^(c)	201-1	82.1	21
Percentage of total sales volume of consumer products which have been changed for nutrition and health considerations	FP6, FP7	8	
Products analysed and improved or confirmed via 60/40+ programme (sales, CHF million) ^(d)	416-1	35 086	
Products containing Branded Active Benefits (sales, CHF million)		6 110	
Products featuring <i>Nestlé Nutritional Compass</i> ® labelling (% of sales worldwide) ^(e)	417-1	97.3	30
Products with Guideline Daily Amounts (GDA) labelling on front of pack (% of sales) ^(f)	417-1	89.4	15, 30
Products with specific <i>Portion Guidance</i> (sales, CHF million)	417-1	40 100	15, 31
Popularly Positioned Product SKUs		4 746	
Popularly Positioned Products (sales, CHF million)		12 200	
Nestlé television advertising to children under 12 in compliance with policies on responsible marketing (%)	417-3	97.4	35
Contraventions to the <i>Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes</i> ^(g)	417-3	19	
Infant formula marketing staff in higher-risk countries trained on the WHO Code (% of staff) ^(h)	103-2	100	


Nestlé in society and Creating Shared Value key performance indicators	GRI Standards	2017	Page
For our communities			
Farmers trained through capacity-building programmes	203-1	431 000	53
Markets covered by <i>Sustainable Agriculture Initiative at Nestlé</i> (SAIN) programmes	203-1	54	
Direct procurement markets covered by SAIN programmes (%)		95	
Percentage of purchased volume fully compliant with the <i>Nestlé Supplier Code</i> ⁽ⁱ⁾	FP1	57	
Total number of significant product recalls or incidents of non-compliance	416-2	12	
Number of human rights impact assessments completed	103-2	1	
Number of employees trained on human rights	412-1	12 796	45, 60
Total workforce (number of employees) ^(a)	102-8	322 887	112
Total rate of new employee hires (%) ⁽ⁱ⁾	401-1	10.7	
Total rate of employee turnover (%) ⁽ⁱ⁾	401-1	13.0	
CARE gaps identified related to Business Integrity and HR ^(k)	102-17	10	
Of which: Minor	102-17	10 (2 closed)	
Major	102-17	0	
Critical	102-17	0	
Lost-time injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) ^(l)	403-2	1.66	
Total recordable injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) ^(l)	403-2	2.87	
Total number of fatalities (employees, on-site contractors and on-site members of public) ^(l)	403-2	2	
Average hours of training per year per employee per category ^(m)	404-1	31.93	65
Leadership positions held by women (%) ⁽ⁱ⁾	405-1	37.5	45, 66
Local Management Committee members native to country in developing countries (%) ⁽ⁱ⁾	202-2	78.0	
For the planet			
Total water withdrawal (million m ³)	306-1	74.2	80
Total water withdrawal (m ³ per tonne of product)	303-1	2.36	74
Production volume			
Total production volume (million tonnes)	102-7	55.6	
Materials			
Raw materials used (million tonnes)	301-1	24.4	
Materials for packaging purposes (million tonnes)	301-1	4.9	93
Packaging source optimisation (tonnes saved)	301-1	22 558	74, 93
Energy			
Total on-site energy consumption (petajoules)	302-1	90.7	
Total on-site energy consumption (gigajoules per tonne of product)	302-1	1.63	
Total on-site energy consumption from renewable sources (% total)	302-1	19.2	
Total direct energy consumption (petajoules)	302-1	62.0	
Total direct energy consumption from renewable sources (% total direct)	302-1	11.9	
Total indirect energy consumption (petajoules)	302-1	73.3	

Nestlé in society and Creating Shared Value key performance indicators	GRI Standards	2017	Page
Biodiversity			
Total size of manufacturing sites located in protected areas (hectares)	304-1	18.8	
Emissions, effluents and waste			
Direct GHG emissions (million tonnes CO ₂ eq)	305-1, 305-2	3.5	88
Direct GHG emissions (kg CO ₂ eq per tonne of product)	305-1, 305-2	64	88
Indirect GHG emissions (million tonnes CO ₂ eq)	305-1, 305-2	3.0	88
Indirect GHG emissions (kg CO ₂ eq per tonne of product)	305-1, 305-2	54	88
Total water discharge (million m ³)	306-1	74.2	80
Total water discharge (m ³ per tonne of product)	306-1	1.34	
Average quality of water discharged (mg COD/l)	306-1	83.8	83
By-products (kg per tonne of product)	306-2	29.9	
Waste for disposal (kg per tonne of product)	306-2	1.1	
Environmental sustainability governance			
Manufacturing sites certified against ISO 14001 (% of total manufacturing sites)	103-2	97	


- 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*, CPW and businesses not in GLOBE reporting) excluding non-edible products (78.4% in 2016 with comparable baseline).
- d) In the 60/40+ programme, Nestlé products tested with consumers must be preferred over the competitor's. Assessment results are valid for a maximum of three years if all parameters remain equal.
- e) PetCare, Gerber Life, Nestlé HealthCare Nutrition, Wyeth Nutrition, other Nestlé Health Science businesses and non-Nestlé branded products in Nestlé Waters are out of scope.
- f) Includes all F&B and Nestlé Waters except plain water. It excludes joint ventures, Nestlé Nutrition, Wyeth Nutrition, Nestlé Health Science and specific category/country exemptions. Slight decrease vs. 2016 due to change from manual to automated reporting, with few categories not able to update the data accordingly.
- g) 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.
- h) 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'.
- i) In 2016, scope extended to include service and indirect materials with target of 50%.
- j) Covers all Nestlé employees registered in HR system (approximately 82.9% of all employees).
- k) CARE, our global external audit programme, is conducted by three audit companies and verifies that all employees and sites we own or operate comply with local legislation, our *Corporate Business Principles* and *Code of Business Conduct*. The audits take place every three years.
- l) Includes joint ventures.
- 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. Training hours per employee covers 100% employees in the system.

External recognition


Although we are not driven by awards and recognition, we are nonetheless proud to have our sustainability efforts and achievements acknowledged in 2017 by world-leading ratings and rankings agencies. We are also open to working with their suggestions to support continuous improvement.

-
- 


1st


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


2nd

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

100

We received the maximum score of 100/100 in both the Water and Climate strategy sections of the 2017 Dow Jones Sustainability Index (DJSI), and with a total score of 89, Nestlé is industry leader in the food products industry. The DJSI is a globally recognised independent benchmark that measures the performance of the largest 2500 companies.
 - 

We retained our place in CDP's annual Climate A list in recognition of our actions during the last year to cut emissions, mitigate climate risks and develop the low-carbon economy.
 - 

Nestlé was ranked among Corporate Knights' 2018 Global 100 Most Sustainable Corporations in the World.
 - 

Ranked top scorer within the packaged food industry in Ceres' Feeding Ourselves Thirsty, an analysis comparing the water risk management performance of 42 global companies.

About this report

Our 2017 *Nestlé in society: Creating Shared Value* report aims to promote communication with, and provide transparent reporting to, our shareholders and stakeholders. It shares detailed information about our material issues, and our societal and environmental impacts.

Reporting period, scope and boundaries

This report covers Nestlé's global operations for the year ending 31 December 2017. It contains data for wholly owned companies and subsidiaries, excluding joint ventures and suppliers, unless specifically stated.

'Markets' refer to our business and/or activities at country level, while 'Zone' refers to management responsibilities in a geographic group of markets. These consist of Zone Europe, Middle East and North Africa; Zone Americas; and Zone Asia, Oceania and sub-Saharan Africa.

This report is focused on the 17 most material issues identified by our 2016 [materiality process](#), which reviews where financial, operational and reputational impacts are felt in our value chain. It also assesses the issues that most influence the decision-making of our stakeholders. The results have informed the focus, scope and boundaries of this report in line with the GRI 2016 Standards materiality principle. We will undertake another materiality analysis in 2018.

Data scope and methodologies

Our safety and health data covers approximately 322 887 employees or 91% of employees in our HR system, while our environmental data refers to factories and warehouses (excluding some recent acquisitions).

Nestlé's climate change disclosures conform with the Climate Disclosure Standards Board (CDSB) framework requirements. We also 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 operations. We also refer to our [response to the CDP Investor Information Request](#), which contains comprehensive details of our climate change disclosures and performance.

Reporting frameworks

Global Reporting Initiative

This report has been prepared in accordance with the GRI Standards: Comprehensive option of the 2016 [Global Reporting Initiative's \(GRI\) Standards](#), 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.

 See the full [GRI Content Index](#)

UN Global Compact LEAD

We are reporting our progress to support and uphold the UN Global Compact principles by submitting each year an official Communication on Progress (COP).

UN Guiding Principles Reporting Framework

The UN Guiding Principles Reporting Framework is the first comprehensive guidance for companies to report on salient human rights issues in line with their responsibility to respect human rights. This responsibility is set out in the [UN Guiding Principles on Business and Human Rights](#), the authoritative global standard in this field.

This is the third time we have reported against the Framework and is the first time that our human rights reporting has been assured against the UN Guiding Principles Assurance Framework, launched this year. Our Index of Answers, identifying where our responses to the framework lie within the report, is available [online](#).

Audience

We have identified and hold regular dialogue with a wide range of stakeholders who have an interest in this report. They include investors, non-governmental organisations (NGOs), think tanks, foundations, organisations, ESG services, consumers and suppliers.

Currency conversion

All amounts cited in this report were converted to Swiss francs (CHF) using the exchange rates reported in the [consolidated financial statements](#) of the Nestlé Group 2017.

Contact us


We hope you find this report engaging and informative, and we continue to welcome your input and views: creatingsharedvalue@nestle.com

Assurance statement

A third-party organisation, Bureau Veritas, was engaged by Nestlé to provide independent assurance for the 2017 *Nestlé in society: Creating Shared Value* report. This process aims 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.

Summary Assurance Statement from Bureau Veritas UK Ltd

Bureau Veritas UK Ltd. (Bureau Veritas) has provided independent assurance to Nestlé SA (Nestlé) over the Nestlé in society: Full report 2017 ('the CSV Report') published on the Nestlé website (<https://www.nestle.com/csv>). The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard (2008) Type 2 at moderate level of assurance. The scope of Bureau Veritas' work was limited to Nestlé's head-office-based activities where Nestlé consolidates and reconciles data provided by local markets/countries. The assurance was provided over all data and text included in the CSV Report and included a review of the CSV report's alignment to GRI standards. It also included a review of Nestlé's UNGP (United Nations Guiding Principles) Index on human rights against the 'Tier 1' Assurance Indicators of the UNGP Reporting Framework. Bureau Veritas' full assurance statement includes certain exclusions, observations of good practices, recommendations for improvement, as well as detailed assurance methodology and scope of work.

 The full assurance statement with Bureau Veritas' independent opinion can be found [here](#)

London, March 2018

