

Nutritional needs and quality diets



Good Food, Good Life

Creating Shared Value
Report 2008



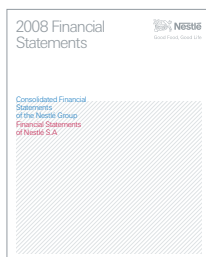
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Other Creating Shared Value information, including environmental management and health & safety at work, is summarised in our 2008 *Management Report* and at www.nestle.com/csv

Accompanying documents

This report is published alongside the following documents:
Management Report 2008
Corporate Governance Report 2008
2008 Financial Statements



In case of doubt or differences of interpretation, the English version shall prevail over the French, German and Spanish text

The brands in italics are registered trademarks of the Nestlé Group

Company profile

Vevey

Location of the Company's headquarters, in Switzerland

109.9 billion

Total Group sales, in CHF

10.4 billion

Nestlé Nutrition sales, in CHF

456

Number of factories

1866

Year the Company was founded

18.0 billion

Net profit, in CHF

283 000

Number of employees

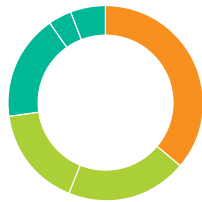
84

Number of countries in which the Company has operations

Nestlé factories by continent, 2008

- Europe 165
- Americas 168
(North America 92, Central and South America 76)
- Asia, Oceania and Africa 123
(Asia 79, Oceania 18, Africa 26)

Source: Nestlé



Nestlé employees by geographic area, 2008

- Europe 33.3%
- Americas 38.7%
- Asia, Oceania and Africa 28.0%

Source: Nestlé



Sales and organic growth by product category, 2008

Product category	Sales (CHF billion)	Organic growth
Powdered and liquid beverages	18.885	12.8%
Nestlé Waters	9.589	-1.6%
Milk products and Ice cream	20.561	9.2%
Nestlé Nutrition	10.375	7.7%

Source: Nestlé

Product category	Sales (CHF billion)	Organic growth
Prepared dishes and cooking aids	18.117	6.1%
Confectionery	12.370	8.0%
PetCare	12.467	12.1%
Pharmaceutical products	7.544	8.8%

2008 performance summary

Performance indicators

Nestlé has developed the following performance indicators to provide a focus for measuring and reporting Creating Shared Value in Nutrition, Health and Wellness.

	2007	2008
Total Group sales (CHF million)	107 552	109 908
Net Profit (CHF million)	10 649	18 039
Sales, Nestlé Nutrition business (CHF million)	8 434	10 375
Popularly Positioned Products ¹ : Europe (sales volume, CHF million) ²	212	782
Popularly Positioned Products ¹ : Americas (sales volume, CHF million) ²	3 517	1 910
Popularly Positioned Products ¹ : Asia, Oceania and Africa (sales volume, CHF million) ²	1 722	2 707
Renovated products for nutrition or health considerations (number of renovated products) ³	6 445	6 254
Increase in nutritious ingredients or essential nutrients (number of renovated products) ³	2 603	3 068
Reduction of sodium, sugars, TFAs, total fat or artificial colourings (number of products) ³	3 842	3 186
Cumulative reduction in trans fatty acid (tonnes): December 2003–February 2007	34 200	n/a ³
Cumulative reduction in sugar (tonnes): January 2003–December 2006; and to December 2007	204 000	290 000
Cumulative reduction in salt (tonnes): April 2005–December 2006; and to December 2007	5 000	6 800
Products meeting or exceeding the Nestlé Nutritional Foundation profile (% of sales) ⁴	n/a	67
Products featuring the <i>Nestlé Nutritional Compass</i> labelling (% of sales; GRI ⁵ reference PR3) ⁶	95	98
Products (% of sales) in the EU with GDA labelling on front of pack (79% worldwide; GRI ⁵ reference PR3) ⁷	45	88
Infant formula marketing (number of internal audits; GRI ⁵ reference PR7)	9	16
Infant formula marketing (number of external audits; GRI ⁵ reference PR7)	1	2

¹ Products for those on lower incomes

² Definitions for PPP sales were aligned across our three Zones in 2008. For a full explanation see www.nestle.com/csv/inaction/ppp

³ Based on reports of approximately 75% of worldwide product development teams;

Most TFA reductions achieved in 2007, more nutritional density improvements achieved in 2008

⁴ 2008 assessment scope: 50% total food and beverages sales volume;

See www.research.nestle.com/Science+in+Action/NestleNutritionalProfiling for all details on NF principles

⁵ Global Reporting Initiative

⁶ Excluded: plain coffee, tea or water, products for professionals, gifting chocolate or petcare

⁷ Based on reports for European Union only. Worldwide: 79% of sales;

Excluded in both cases: plain coffee, tea or water, products for professionals, gifting chocolate or petcare

Unless stated otherwise, Performance Indicators are for the year ending 31 December 2008

⊕ For a complete list of updated key performance indicators relating to other areas of our business, please see the accompanying Management Report or visit www.nestle.com/csv

Highlights 2008

Science-based solutions
to nutrition needs

1.98 billion

Global investment in Nestlé Research,
in CHF

5000

Nestlé Research employees
in Food & Beverages R&D
in 26 centres worldwide

21 million

Investment in R&D in China, in CHF

Obesity prevention
and weight management

36 million

Servings of vegetables added to the US
diet since 2007 through *Lean Cuisine's*
"Twice the Veggies" initiative

1.36 million

Weight lost by Jenny Craig
clients in 2008, in kilogrammes

2.5 million

People reached through EPODE
obesity prevention programmes

Improving nutrition awareness,
knowledge and understanding

9.1 million

People reached by Nestlé education
programmes and initiatives

79353

Employees trained in first 18 months
of NO nutrition training programme

Improving nutrition
in developing countries

5 million

Tonnes of locally sourced milk
generated through milk districts
in 29 countries in 2007

30 million

Value of micro-finance loans
to farmers facilitated by Nestlé, in CHF

11 million

Predicted number of low-income
consumers using fortified, affordable
Nestlé milk products by end of 2011

Improving the quality
of food and diets

5 billion

Sales value of products carrying
Branded Active Benefits, in CHF

19 billion

Iodine-enriched *Maggi* bouillon
cubes sold in Central and West Africa
every year

Meeting the nutrition
requirements of groups
with specific needs

10.4 billion

Nestlé Nutrition sales, in CHF

8%

Improvement in performance
for athletes from Branded Active
Benefit *C2Max*

Creating Shared Value: Chairman's message

Creating Shared Value is a basic principle of business strategy and fundamental to our overall success as a company. By Creating Shared Value, we mean that in order to create long-term business success, we have to create value for our shareholders and value for society at the same time. If we fail to create value for shareholders, we do not serve the hundreds of thousands of investors, primarily retirement savers and pension funds, who rely on Nestlé to provide a reliable return that is the basis of their economic and social welfare. If, on the other hand, we fail to create value for society, we do not serve consumer and public needs, and interest in buying our products suffers.

It is this motivation to serve society through our business, which I believe is partially responsible for the high level of loyalty and motivation, as well as the low turnover rate, of our 283 000 associates. It is thus highly important to our business success.

We aim to go beyond compliance and sustainability. A business must follow not only laws, but also the highest norms of corporate behaviour, as contained in codes of conduct, documents such as the United Nations Global Compact and other commitments we have made. This is fundamental and non-negotiable. A business must also operate in an environmentally sustainable manner, operating in a way that provides for current needs without compromising the earth's resources for use and enjoyment by future generations. But the unique role of business is value creation; that is, in order to develop a successful long-term business, we must go beyond compliance and sustainability, and actually create value for society.

Our number one priority is obviously to provide value to our consumers, and Nestlé has become the number one Nutrition, Health and Wellness Company in the world through providing nutritional value. We have done this since 1867, when Henri Nestlé invented the first milk and cereal product that could sustain the lives of infants, the elderly and the infirm.

But we go beyond consumer value, and aim to create value, where it makes long-term business sense, for farmers, for our employees, for small entrepreneurs and for the communities where we operate. We believe that this long-term view is what distinguishes us from many companies and has been a clear competitive advantage, particularly in the developing world.



A common goal

Chairman Peter Brabeck greets employees at the new Nestlé factory in Feira de Santana, in Brazil's north-eastern state of Bahia, in 2007.

But we are not satisfied with our current performance, and constantly seek to find new ways to serve, such as our Popularly Positioned Products, aimed at the base of the income pyramid.

I hope that you find this report useful in understanding what we try to do as a company in Creating Shared Value, and am happy to respond to any questions which you may have after reading this report.

Peter Brabeck-Letmathe
Chairman, Nestlé S.A.

Creating Shared Value and nutrition: CEO's message

One of the fundamental roles of a CEO is to ensure that his or her company is managed in a manner that is consistent with its basic business principles. I believe that one of my responsibilities is to ensure that the Company behaves in a manner consistent with its business principles. This assures that our 283 000 people are aligned behind one strategy, are pursuing the same goals and that they share the same principle-based culture of performance.

As a basis for business success, Nestlé believes it must manage its operations in a manner which complies with the highest standards of business practice and strict standards of environmental sustainability. These are contained in our Nestlé Corporate Business Principles and related policy documents.

However, Nestlé's aim is to go beyond sustainability, and to actually create value for both society and for its shareholders. This is what is meant by Creating Shared Value. Nestlé has three areas of focus in value creation – nutrition, water and rural development – which are fundamental both to business success and to meeting pressing societal needs. Of these three areas, nutrition is the primary area where Nestlé creates value for society, and is the primary basis for shareholder value creation.

Since its foundation in Switzerland more than 140 years ago, Nestlé has achieved long-term profitable growth by providing highly nutritious products that protect and improve the health of its consumers. As a result, Nestlé today is the world's largest Nutrition, Health and Wellness company, and larger than its next two food and beverages competitors combined. Every day, about one billion people purchase Nestlé products. Still, it should be remembered that, even though Nestlé is a globally recognised household name, Nestlé products only account for a little more than 2% of packaged food and beverages sold around the world.

As I complete my first year as CEO of Nestlé, I am very pleased to share with you our first Nestlé *Creating Shared Value Report* dealing specifically with nutrition. This report documents Nestlé's efforts and initiatives to help a wide range of people around the world meet their nutrition needs and to eat a quality diet. As you read this report, I hope that you will begin to appreciate that Nestlé is a company guided by both our business principles and the science of nutrition. Much of Nestlé's growth is due to the fact that we have within the company the world's largest private nutrition research and development organisation.

Local viewpoints

CEO Paul Bulcke during a visit to Ghana in 2008.



It should also be remembered that while our ambition is to help consumers to eat a healthier, more nutritious diet, and our foods are consumed by virtually all strata of persons in the cash economy, there are still significant portions of the world's population who live outside the cash economy and whom we don't reach with our products. Economic development, particularly in rural areas, is the key to improving the nutrition of these people at the very bottom of the pyramid. Nestlé has been contributing to economic development over many decades, primarily through our work with farmers, and through 456 factories, half of which are in the developing world, and most of which are in rural areas. Nestlé began its operations in the developing world during the 1920s, starting with small dairy farmers to improve their productivity and incomes, providing them with free technical assistance, micro-credit loans and building rural infrastructure. Today, Nestlé works directly with almost 600 000 farmers around the world, and millions of farmers have been assisted in climbing out of poverty in this way. Nestlé and farmers, particularly in milk, coffee and cocoa, prosper together.

I hope this report will stimulate and encourage you to let us know how we can better help people around the world to improve the quality of their diets, their health and state of wellness, and by doing so, improve our business and return to shareholders.

Paul Bulcke
Chief Executive Officer, Nestlé S.A.

The state of nutrition in the world

By Dr Kraisd Tontisirin and Dr Pattanee Winichagoon

The global context in which Nestlé operates influences our initiatives in Nutrition, Health and Wellness and we engage with a wide range of experts when developing strategies to address nutrition needs. Here, Dr Tontisirin and Dr Winichagoon discuss the major nutrition issues confronting the world today.

A complex global scenario

Proper nutrition or nutritional well-being – or “nutrition security” as this is also known – is when people are able to access and consume enough foods with adequate nutritional quality and safety, and utilise these in the body to meet all macro- and micronutrient requirements. Thus, nutrition security, as the continuum of food security, is concerned with food availability and distribution, food hygiene and environmental sanitation, clean drinking water, and basic health protection and promotion, such as maternal and child care and immunisation.

In recent decades nutritional science has clearly demonstrated the importance of nutrition for health and general well-being. Proper nutrition provides adequate immunity to prevent infection from viruses and bacteria; enhance cognitive development and learning ability; increase physical performance and improve work productivity. Over-nutrition leads to overweight people, obesity and diet-related chronic diseases (such as high blood lipids, high blood pressure, diabetes, cardiovascular diseases and cancers). The term “malnutrition” has been used deceptively for a long time, to imply nutritional deficiencies due to prevailing ailments related to undernourishment and poverty. The recent global epidemic of over-nutrition has widely affected populations in both developed and developing countries, and across socio-economic classes. Hence, the nutrition scenario of the 21st century is more complex than in the previous few decades. Many countries currently face the challenges of the “double burden of malnutrition (DBM)”, a coexistence of under-nutrition and over-nutrition in the same population group or even in the same community, household or individual.

Some progress has been made but the challenges are large

The UN Food and Agriculture Organisation (FAO) and the World Health Organization (WHO) jointly organised the International Conference of Nutrition (ICN) in 1992 to obtain

the commitment from member nations and the global community to goals and strategies for the prevention and control of malnutrition. This effort and other subsequent global movements resulted in a reduction of child under-nutrition and micronutrient deficiencies and, to some extent, maternal malnutrition during the past two decades. However, FAO recent estimates showed that more than 840 million people remain “food insecure” – a condition measured by food energy availability and access to meet the population requirements. About 20 million babies were born with low birth weight (LBW) (<2500g), indicative of maternal under-nutrition during pregnancy. LBW is an important risk factor for under-nutrition post-natally and consequently, for poor physical and cognitive performance. It is also an important risk factor for diet-related chronic diseases in later life. Stunting and underweight still prevails in developing countries, affecting 178 million and 140 million under-five children, respectively. Annually, about 5 million infants and children under five die from direct or indirect malnutrition-related causes. Food crises also aggravate the situation in countries where there is a persistent failure of development, such as in Africa, parts of Asia and Latin America.

Micronutrient deficiencies have affected 2 billion people worldwide, mainly in developing countries. Vitamin A, iron and iodine are among the most common deficiencies of public health significance, causing reduced functionality, morbidity and mortality. In recent years in some countries, deficiencies of zinc, folate and vitamin D have also emerged as public health concerns. These problems contribute significantly to the burden of disease and economic pressure. For example, vitamin A and zinc deficiencies have been estimated at 9% of global child disability-adjusted life-years (DALYs). While iron and iodine deficiencies contribute to only 0.2% of global child DALYs, the negative consequences on cognitive and learning ability have been well established. Iron deficiency as the major cause of anaemia contributes significantly to maternal mortality in less developed countries, especially in South Asia and Africa. Altogether, micronutrient deficiencies continue to take a high toll on health and human capacity in a large part of developing countries.

At the other extreme, globally 1.6 billion adults are overweight, of whom 400 million are obese. Over 70% of these overweight and obese people are middle to low socio-economic status. The alarming evidence is the rapid

“Concerns over nutrition and food security include people who cannot access food to meet their requirements, either by physical access or economic access, while the ‘double burden of malnutrition’ includes the co-existence of under- and over-nutrition in the same population groups, households or even individuals, such as people suffering from obesity and anaemia.”



Dr Kraissid Tontisirin, PhD,
Professor Emeritus,
Mahidol University, Thailand

📺 Watch the full interview at
www.nestle.com/csv/stories

increase in childhood obesity, currently affecting 20 million children under five. It is projected that by 2015, the number of overweight people will be as high as 2.3 billion, and obesity will affect 700 million. 60% of deaths will be associated with diabetes, hypertension, cardiovascular diseases and cancer of certain organs. 80% of these deaths will be in developing countries. Epidemiological evidence has also revealed that low birth weight is an important long-term risk factor of obesity and diet-related chronic diseases.

In summary, the current food and nutrition challenges are associated with the double burden of malnutrition, or DBM, a concurrence of under-nutrition and over-nutrition, which is a common phenomenon in developing countries with rapid economic development. Under-nutrition and over-nutrition cannot be taken as totally separate challenges since they partly share the same origin of malnutrition in utero. Moreover, nutrition is the link between food and health which operates within a community's socio-economic, cultural and political environment, which is further influenced by globalisation. Addressing malnutrition needs to be done horizontally across several sectors (agriculture, health, education, development, trade, finance); at community-level, at all levels of administrative infrastructure and at policy level.

Nutrition, demographic shifts and socio-economic challenges

The success of family planning and improvements in health care since the 1980s have brought about a major shift in the demographic profiles of several developing countries – a pattern shared with developed countries. The reduction in infant and young child mortality and longer life expectancy result in a rapidly increasing proportion of elderly citizens, especially in the newly industrialised countries. Nutritional and health care needs will change from focusing resources on programmes for mothers and young children to allocating a higher proportion for the care of the ageing population in order to promote healthy living and prevent premature disability or death.

Poverty has been a major underlying cause of food and nutrition insecurity, contributing to malnutrition and overall poor development. Nutrition illiteracy and lack of proper knowledge and caring practices by mothers for infants and young children persist in both traditional and economically improved population sectors. In addition, common infections and emerging infectious diseases, namely, diarrhoeal diseases, respiratory tract infections and parasitic infestations remain highly prevalent among countries with poor levels of development. The emerging infections, HIV/AIDS, re-emerging tuberculosis related to or independent of HIV, and malaria affect a large number of people in many countries in Africa and part of Asia. Civil strife further impedes human capacity development and worsens the food and nutrition situation in several poor developing countries.



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1

Malnutrition challenges

Poverty is a major underlying cause of food and nutrition insecurity, contributing to malnutrition in developing countries.

2

Living longer

Greater life expectancy, especially in newly industrialised countries, means that a higher proportion of nutritional and healthcare needs will need to be allocated to the care of elderly citizens.

3

Over-nutrition

The recent global epidemic of obesity and diet-related chronic diseases such as high blood pressure, diabetes and cardiovascular disease, has affected populations in both developed and developing countries, and across all socio-economic groups.

The nutrition scenario of the 21st century is more complex than in the previous few decades. Many countries currently face the challenges of the “double burden of malnutrition” (DBM), a coexistence of under-nutrition and over-nutrition in the same population group or even in the same community, household or individual.

Recent advances in technology, transport and communications make it possible to link different parts of the world in a very short time and so called “globalisation” has a visible impact on the food system, from food production to storage, processing and distribution. In addition, the proliferation of supermarkets increases the channels for food availability while quality and safety continue to require good quality-assurance and monitoring systems. Food marketing and advertising has a strong influence on availability and choice and eventually modifies the food cultures of many traditional societies. Higher consumption of more fatty and sugary foods is a global phenomenon. Urbanisation is happening rapidly in many developing countries, at a much faster pace than it occurred in Western countries over the past century. Moreover, people in urban areas have a more sedentary lifestyle, in their living and working environments and their leisure activities. The resulting changes in dietary habits and physical activities have become more and more evident, leading to over-nutrition and diet-related chronic diseases.

During the end of 2007 and the first half of 2008, the cost of food production increased due to a tripling of fertiliser prices and a doubling of transport costs associated with increased gasoline prices. Food-producing countries immediately reacted with short-term food trade policies, such as bans on rice exports, minimum export prices, increasing minimum purchase prices, increases in subsidies for agricultural inputs, reducing import tariffs for staple grains, selling rice stock at subsidised prices or releasing public stocks. These policy interventions might have distorted the market and food prices. Although it is still speculative, higher food prices may cause households to change their purchasing and dietary patterns. Buying less of animal food sources and fruits and vegetables, skipping meals, changing cooking methods and reducing

the quality of complementary foods for children are the likely adjustments or coping strategies of food-insecure households. The prospect is increases in child under-nutrition and micronutrient deficiencies among children, women, and other vulnerable groups.

The food crisis of early 2008, which saw reduced food production and supply of cereals, is associated with climate changes and an increased demand for biofuels (from corn, sugar, palm oils) in line with increasing petrol prices. The result is drastic and marked increases in food prices. The increased demand for cereals in countries with rapid economic development outpaced food production, resulting in lower food stocks and increased price volatility. World cereal production fell by 3.6% in 2005, and worsened in 2006 with a fall of 6.9% due to recent drought in countries which have been self-adequate in cereal production. Food prices escalated in 2007/2008, with over 60% of the increase taking place during the first half of 2008. The cereal stock reached its lowest level at this time. Rising price trends have been observed for both staple (cereals and legumes) and non-staple (oils, vegetables, meat and dairy, etc.) foods. It was estimated that a 25% increase in food prices resulted in about a 10% reduction of purchasing power, with the poor spending over half of their incomes on foods.

Progress in scientific/technological developments

Science and technological developments during the past few decades have brought about several changes in the field of food and nutritional sciences. Agricultural science has contributed to increasing food supply through more efficient food production, in both quantity and quality. While the green revolution has greatly increased the supply of staple grains, biofortification has been part of ongoing efforts to improve micronutrient content and availability. Recent developments include using traditional plant breeding techniques and genetic mapping; identifying breeds with high contents of micronutrients (such as, iron and zinc in rice) from gene banks; and use of genetic engineering for improved carotenoids contents of “golden rice”. Testing bioavailability of these biofortified products has been underway to ensure the bioavailability of these micronutrients. Though controversial in some countries, GMO has been used successfully in reducing the need for insecticides and pesticides, and improving the tolerance of plants to poor soil and water stress.

Various food processing and preservation techniques have been applied to improve the nutritional quality of foods. Food fortification, a less demanding behaviour-oriented strategy, has been introduced worldwide to increase micronutrients of public health importance. Other fortification including fatty acids and amino acids has also been popularised by the commercial sectors for value-added products. In addition, better animal husbandry, promotion of home gardening and improved plant protein quality (such as amino acids composition) and sensory aspects

(flavouring, texture) has increased protein food sources. Fat replacers and carbohydrates (unrefined staples, non-caloric carbohydrates, imitated fat and sugars) used in commercial food products have been developed and are being promoted for management of overweight, obesity and other diet-related chronic diseases. Continued development of prebiotics and probiotics claiming to improve gut health have now been shown to be effective for reducing diarrhoea and improved immunity.

Lastly, development and innovations in assessment tools and technology in food and nutrition have contributed to better analyses (nutrients and other functional ingredients) of food composition, the WHO has introduced a new growth standard for simpler nutritional assessment and monitoring tools, as well as making available several field test kits for food safety and developing a food quality assurance system. These tools are crucial for assessing the situation and trends, and potentially providing simpler tools for evaluating the impact of policies and programmes addressing malnutrition.

Global nutrition and public awareness

Under-nutrition is well recognised because of:

- the global movement on nutrition with high publicity during the past two to three decades;
- the documentation of successful large-scale programmes;
- recent media coverage on the food crisis.

Unfortunately, in parallel with the reduction of under-nutrition, several countries “in transition” have encountered the rapidly increasing problems of obesity and diet-related chronic diseases. The roles of diets and physical fitness and exercise for prevention and control of these problems have been recognised and established. However, challenges remain in translating research knowledge into greater policy awareness, and implementing prevention and control measures. Concrete campaigns and actionable public programmes (best practice models and their effect upon nutrition and physical activities) are urgently needed. While increasing publicity for these emerging problems is important, the remaining under-nutrition in some sectors of the population or the recurrent problems related to the recent food crisis need to be realised. Thus, prevention and control of DBM will need to be strategically planned to contain the problems of both ends of the spectrum of malnutrition.

Policy and programmes to address the double burden of malnutrition

Despite the importance of good nutrition for human capital and national development, advocating nutrition at policy making level has been a daunting task for many developing countries. Nutritional goals can only be achieved through multi-faceted efforts with people empowerment that require both food/nutrition and non-nutrition programmes. The lessons from successful countries

Nutritional goals can only be achieved through multi-faceted efforts with people empowerment that require both food/nutrition and non-nutrition programmes. The lessons from successful countries show that as part of initiating and sustaining programmes to improve nutritional well-being, challenges need to be managed in an holistic manner and a reasonable time period is required to appreciate the impacts.

show that as part of initiating and sustaining programmes to improve nutritional well-being, challenges need to be managed in an holistic manner and a reasonable time period is required to appreciate the impacts. Key interventions to achieve successful prevention and control of malnutrition include:

- improved efficiency of food production and ensuring a safe and nutritious food supply for consumers and traders;
- food fortification, distribution, marketing and access by the poor who are more likely to have malnutrition;
- food and dietary supplementation (focusing on energy, protein, vitamins and minerals) for high risk groups or people in emergency situations;
- food regulation and control to ensure food quality and safety;
- food and nutrition literacy and behaviour – communication and public education;
- support and protection for vulnerable groups (including a “safety-net” for disadvantaged groups);
- basic health services – maternal and child health services (ante-natal care, growth monitoring and promotion, immunisation) and basic medical care;
- improved water supply, sanitation and hygiene;
- physical activity programmes in various settings, such as schools, the work place and institutions.

Strategic implementation

Integrated, community-based programmes with people’s participation are essential for full coverage of all groups. Large-scale community-based programmes have been successfully implemented at local levels (districts and below) in Thailand, Indonesia, Vietnam and China, among others. An essential element is the national commitment – devising sound food and nutrition improvement strategies and setting nutrition as a developmental goal. Although

1

Sustainable agriculture

Improving agricultural productivity requires the conservation of natural resources, the expansion of rural infrastructure and a greater capacity for knowledge generation and dissemination.



2

Food or fuel?

An increased demand for biofuels from crops such as corn, sugar and palm oils contributed to reduced food production and a sharp rise in the cost of food in early 2008.



1, 2

3

Staple diet, unstable supply

The increased demand for cereals in countries with rapid economic development has outpaced production, resulting in reduced access and greater price volatility.

3



infrastructure may not be readily available in most developing countries, optimising and institutionalising the relevant resources to suit local contexts has been shown to be feasible and effective. At the community level, actions should include basic services, mass mobilisation, and mutual efforts/actions to reach all people in the prevention of DBM. Keys to success include availability of basic social services, community ownership and participation, adequate population coverage, targeted intervention and capacity development at all levels.

Improvement of agricultural productivity and reducing hunger require sustainable agriculture and rural development. Some key activities are: development and conservation of natural resources, expansion of rural infrastructure, strengthening the capacity for knowledge generation and dissemination. Access to food for the most needy through “safety nets” should be ensured. Interventions to improve food availability and access for the poor may include food production, income generating activities and safety net programmes to provide the most needy families direct access to and consumption of adequate food. Food and nutrition education should include promotion of good practices in agriculture, food supply and nutrition, and may be implemented through agriculture, health, education services and other development systems. A food chain approach may be used to ensure a safe and nutritious food supply for consumers and trade, and interventions should be done at different management levels and different points of the food chain.

Effective food control systems should be equipped with appropriate food laws and regulations, and food control management. Inspection and laboratory services need to be established for monitoring of foods in the markets and collecting epidemiological data on food poisoning outbreaks. Risk-based and right-to-food approaches may be applied to ensure that adequate quantity and quality is accessible by all people.

Food-based strategies/actions for prevention and control of DBM include ensuring food security, safe and nutritious food supply for consumers, and consumer education and communication in food, diet and nutrition. For alleviating micronutrient deficiencies, specific direct nutrition intervention, such as food supplementation, feeding programmes and food fortification may be needed.

Due to the close inter-relations between nutrition and infections, provision of primary health care and basic health and medical services are essential components for a successful nutrition programme. Nutrition indicators can be used for goal setting and monitoring of the impacts. Other essential public health measures include: health/nutrition education, immunisation, clean water supply, hand washing and basic sanitation, deworming as needed, insecticide-treated bed nets (in malaria areas), treatment of malaria and other common diseases. In addition, control of tobacco consumption, promotion of exercise and physical activity,

and community and household care will also be important components in the prevention and control of diet-related chronic diseases.

Alliances and partnerships: public and private sector

The goal for public and private partnerships should be food and nutrition security for all – that is, people should be physically or economically able to access, consume and utilise nutritious and safe foods, leading to nutrition wellbeing throughout the human life cycle.

Public and private partnerships may begin with dialogue, building trust and responsibility to produce and supply a variety of healthier foods and diets for consumers. Such partnerships will be an excellent context within which to carry out food and nutrition education and communication, giving consumers the factual and credible nutrition information they need to buy and consume healthy diets for an active and healthy life. One could envisage many more collaborative projects or activities that aim to improve nutrition within vulnerable population groups, who have been suffering from double-burden malnutrition. Those actions could include fortification with vitamin A, iron and other essential micronutrients, promoting school meals and physical activity programmes in schools, community-based projects in agriculture and food production, linked with engaging working people for income generation, environmental conservation. Capacity development at various levels of project and programme formulation and implementation could be strengthened by education and training; “learning by doing” could be a key component of such a partnership, which would in turn lead to sustainable development.

About this report

Our key focus areas

Nestlé is committed to reporting its performance and progress openly, and to developing that reporting to reflect topics of most relevance to Nestlé and its stakeholders. Since our first Creating Shared Value report, *The Nestlé concept of corporate responsibility as implemented in Latin America*, in 2005, we have developed our formal measurement and reporting, and increased our understanding of the many aspects involved. As a result, we have identified three long-term priorities, which we believe to be critical for growing both shareholder and societal value:

- **Nutrition:** creating more nutritious, better-tasting, affordable food and beverages for consumers at all income levels;
- **Water:** ensuring availability for our business, and safeguarding and improving people's access to fresh water, particularly in vulnerable regions;
- **Rural development:** investing in operations close to suppliers and consumers in emerging markets to build our market presence and improve the living standards of rural communities at large.

Our reporting

We intend to publish a comprehensive CSV report every two years. In alternate years, starting in 2008 with this document, we will report in more depth on one of the three focus areas listed above. This publication covers the first of them – nutrition – and describes Nestlé's approach to products of superior nutritional value to those of our competitors, which contribute positively both to consumers' wellbeing and Nestlé's financial performance. Other Creating Shared Value 2008 performance, including environmental management and health & safety at work, is summarised in our 2008 *Management Report* and at www.nestle.com/csv.

📺 **Watch a short film explaining how the concept of Creating Shared Value is practised in our business at www.nestle.com/csv/stories**

Report contents

We begin by examining the role that science plays in our approach.

We then examine how we improve quality diets through our products, supporting weight management and address the specific dietary needs of particular consumer groups. We also outline how we communicate with our consumers,

employees and the wider community to improve knowledge, awareness and understanding about nutrition and the benefits of Nestlé products. Finally, we show how we help to meet the most basic consumer needs of access to affordable, nutritious food and, through this core business activity, contribute towards rural development.

Report scope

Unless stated otherwise, the information included in this report covers the calendar year ending 31 December 2008 for Nestlé's food and beverages businesses. The contents have been verified by Bureau Veritas, whose assurance statement can be found on page 71. As part of continuously developing our approach to Creating Shared Value, we will explore the possibility of widening the scope of our reporting.

📄 **For a complete list of updated key performance indicators relating to other areas of our business, please see the accompanying *Management Report* or visit www.nestle.com/csv**

Key challenges

Throughout this report, and in response to feedback from external stakeholders, we highlight for readers topical issues, dilemmas and challenges in Creating Shared Value through nutrition.

UN Global Compact Principles and Millennium Development Goals

Nestlé Corporate Business Principles incorporate the ten UN Global Compact (UNGC) Principles on Human Rights, Labour, the

Environment and Corruption. We also contribute towards the UN Millennium Development Goals (MDGs), which aim for positive, sustainable change.

While this document does not specifically reference progress against the UN Global Compact Principles, there are examples of actions that relate to the Human Rights-related principles throughout; most notably in the section on WHO Code compliance (page 44); and the section entitled Improving nutrition in developing countries (from page 60). Improving nutrition knowledge in the workplace (page 54) has some relevance to the Labour Principles.

Of the UN MDGs, the most clear relevance is to goal 1 (Reducing extreme poverty). There are references to this throughout, most notably in Improving nutrition in developing countries (from page 60). However information relevant to the MDGs concerning maternal health and child mortality is contained in the section on Meeting the nutrition requirements of groups with specific needs, beginning on page 38.

A more comprehensive table showing our examples of progress against all the UNGC Principles and UN Millennium Development Goals can be found in the 2008 Nestlé *Management Report*.



Science-based solutions to nutrition needs

(pages 14–21)

Nestlé is a global leader in nutrition science, as it has the largest private nutrition research capacity in the world. In 2008, Nestlé invested approximately CHF 1.98 billion in its 26 Food & Beverages research, technology and development centres, and its extensive network of external alliances. In particular, we are expanding our presence in China by further investments in our existing R&D Centre in Shanghai and a new Nestlé R&D Centre in Beijing. When fully operational, this new centre, which opened in October 2008, will expand the number of Nestlé Research scientists and technicians in China to more than 100, enabling us to study traditional Chinese ingredients and their potential health benefits in Nestlé products in depth.

See pages 18 and 21 for further information on how we are strengthening our commitment to science-based innovation and product development in China.



Improving the quality of food and diets

(pages 22–29)

Through the nature of our products, Nestlé aims to make a major contribution to improving the quality of people's diets and health. As a part of this, we work to reduce the amount of sugar, salt and fat in our products, while maintaining taste, nutritional value and food safety. For instance, 290 000 tonnes of sugar were removed from our products between January 2003 and December 2007. We are also the world's largest fortifier of food, adding micronutrients, including iron, vitamins and minerals necessary for good health. To respond to widespread micronutrient malnutrition in developing countries, Nestlé is making its range of Nido milk products available in affordable formats, and fortifying them to address the most common micronutrient deficiencies in each market. After three years, an estimated 11 million consumers around the world will have been reached.

See page 28 to read more about our recipe innovation and renovation.



Obesity prevention and weight management

(pages 30–37)

One aspect of Nestlé's multi-faceted approach to obesity prevention and weight management is the development of leading brands such as *Stouffer's Lean Cuisine* in the United States. Based on portion control and calorie content limits, *Lean Cuisine* frozen meals and snacks have delivered extra servings of vegetables and servings of whole grain to Americans. Nestlé Waters aims to offer zero or low-calorie beverages to replace higher calorie drinks in a convenient and safe package. The Jenny Craig weight loss system in North America and Australia helps those who want to lose weight through counselling and calorie-controlled meals.

See pages 32–34 to read more about the significant impact *Lean Cuisine* is having on the American diet.



Meeting the nutrition requirements of groups with specific needs

(pages 38–47)

Nestlé leads in providing nutrition solutions for people with specific nutritional needs. With a presence in more than 100 countries, Nestlé Nutrition produces highly nutritious baby foods and cereals crucial for proper growth and development. Nestlé is committed to supporting breastfeeding as the best start for infants, but for mothers who do not breastfeed, produces the highest-quality infant formula products to replace commonly used substitutes, such as whole cow's milk or starch and water. Nestlé Nutrition also produces performance nutrition products for athletes, and products for people with certain medical conditions. Healthcare nutrition is also a key business, providing for the needs of hospital patients, as well as for residents of nursing homes, 50% of whom have been found to be malnourished.

See page 40 to see how Nestlé expertise is bringing essential nutrition solutions to elderly and sick people.



Improving nutrition awareness, knowledge and understanding

(pages 48–59)

Nestlé aims to enable its consumers to make intelligent diet and lifestyle choices. Through a wide range of community education and intervention programmes, Nestlé has helped an estimated 9.1 million consumers around the world to gain a greater understanding of the importance of nutrition, healthy eating and physical activity. Early nutrition intervention can play an important role in the development of healthy children, so much of our focus is on schools.

See page 52 for more details on the nutrition education programmes Nestlé runs, sponsors or participates in worldwide.



Improving nutrition in developing countries

(pages 60–69)

In addition to being the world's largest source of micronutrient fortification, Nestlé has developed a conscious business strategy to reach lower into the base of the income pyramid through Popularly Positioned Products. These offer superior nutritional value at lower prices, often delivered through new door-to-door distribution systems. Nestlé's extensive involvement in rural development also has a major impact on nutrition, both for the farmers, employees and suppliers in the Nestlé value chain, and for consumers for whom an increased supply of nutritious food is made available.

See page 62 to read more about the public health impact our fortified milk products are having on lower-income consumers in the developing world.



14 **Science-based solutions to nutrition needs**

22 Improving the quality of food and diets

30 Obesity prevention and weight management

38 Meeting the nutrition requirements of groups with specific needs

48 Improving nutrition awareness, knowledge and understanding

60 Improving nutrition in developing countries

A clear leader

The Nestlé Research Center in Lausanne is part of the largest private nutrition research network in the world. See page 16.

Science-based solutions to nutrition needs

Nutrition need →

High-quality food and beverages products with health benefits and nutritional value.

Nestlé's response →

Extensive research and development capability, focused on nutritional advances in food and beverages, the role nutrition can play in bringing health and wellness, and a dynamic launch programme of new and renovated products.

Creating Shared Value

Products of high nutritional value and quality, with proven health and wellness benefits, for consumers, improved market share for Nestlé and greater financial returns for our shareholders.





Leadership in research and development

1.98 billion

Global investment in Nestlé Research, in CHF

A foundation in science

Nestlé's 142-year history started with a science-based innovation – an infant cereal that saved the life of a child. Ever since, Nestlé has been developing foods and beverages with nutrition, health and wellness benefits for consumers – from infants to the elderly, and from people in peak physical condition to those who are frail or ill.

Nestlé's growth in providing new Nutrition, Health and Wellness solutions to meet consumer needs is based on the world's largest private nutrition R&D organisation, comprised of approximately 5000 employees*. We are also the largest publisher of nutrition information for scientists and have formed external partnerships to give us the broadest possible exposure to R&D and science.

In 2008, we invested CHF 1.98 billion in Nestlé Research. This figure, the highest in the industry, has more than doubled in the last decade.

Our global R&D network

Nestlé Research is a global network of 26 research, technology and development centres*. Its scope and reach are unique.

The Nestlé Research Center (NRC), one of the world's largest private facilities for food, nutrition, health, quality and safety research, engages in fundamental research, which is transformed into product innovations and processes through Product Technology Centres, which provide expertise for specific product categories, and R&D Centres, which work closely with NRC and PTCs to meet regional requirements, and provide input for local Application Groups.

*Food & Beverages R&D

This global network is enriched through "open innovation", which speeds up the research process at each stage of the research and development pipeline, from basic research to product application, through investments in a range of research institutions and supplier companies.

There are also 280 Application Groups in markets to ensure the results of Nestlé's research programme are tailored to meet specific local consumer needs and preferences.

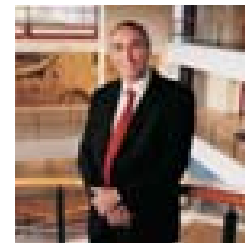
Read more at www.nestle.com/nestleresearch

Aligning our expertise

Our five global expert networks – which focus on quality and safety, nutrition, sensory preference, food science, and raw materials and ingredients – ensure that Nestlé Research results can be easily interpreted and compared across our businesses, and translated rapidly into product innovations.

Our Business Technology Centre in Switzerland also supports Nestlé Research by aligning business systems across our operations.

"One of the NRC's primary responsibilities is to anticipate the nutrition needs and foods of the future. Food will continue to evolve and become increasingly personalised. Nestlé Research works to answer consumer needs at all ages, now and for the future."

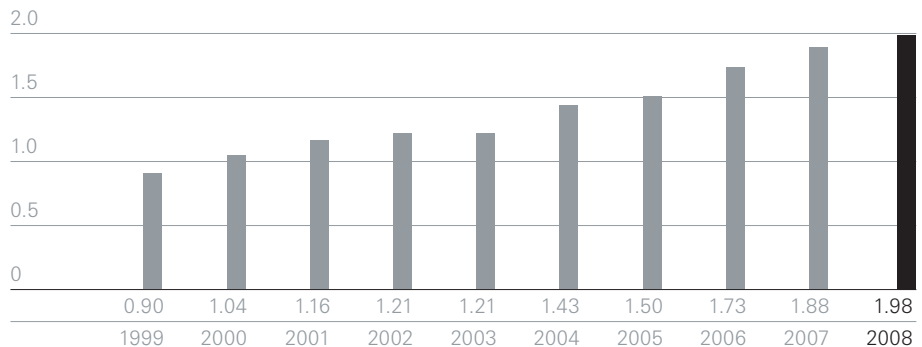


Professor Peter van Bladeren, Head of Nestlé Science and Research

Watch the full interview at www.nestle.com/csv/stories

Investment in Nestlé Research, 1999–2008

CHF billion



1

Research culture

Probiotics is a key area for Nestlé Research. With more than 25 years of experience in probiotics research, Nestlé scientists are pioneering new and innovative applications.

2

Driving knowledge forward

Nestlé Research bridges nutrition, metabolism and health through an integrated, comprehensive approach. Scientists use human clinical trials to help them understand issues in weight management, energy regulation and performance.

3

Focusing on the detail

Nestlé scientists use electron microscopy, equipped with a system that takes digital images, to examine the fine microstructures of food and enhance both its sensory and nutritional qualities.



1

2



3





Fostering future research expertise

742 millions

Committed through venture funds in new nutrition-related businesses, in CHF

Integrated business systems provide us with real-time benchmarking, clear responsibilities, effective decision making and the ability to replicate best practice throughout our businesses, adapting common definitions and tools for local markets where necessary.

Making nutrition the preferred choice

Focusing our activities on consumers is crucial to Creating Shared Value, as the more than 1 billion food and beverages products we sell every day need to evolve to meet consumers' changing preferences for personal health and better nutrition, to suit their hectic lifestyles or to satisfy the tastes they enjoy. Many factors influence today's consumer choices, from attitudes and habits to demographics and socio-economics, which is why Nestlé invests in a global consumer insight programme to deepen our understanding and translate the information into meaningful, consumer-focused solutions.

Nestlé recognises that healthy diets must be enjoyable to be sustained, but combining taste and nutrition in the same product is not always easy. Nonetheless, by investing in continuous innovation and renovation, we can improve both the taste and nutritional value of our products through our unique 60/40+ testing process. This programme has two objectives:

- the preference of at least 60% of consumers in a blind taste test against the most prominent competitor products;
- an additional nutritional "plus", based on criteria recommended by world-renowned health authorities,

the product's role in the diet and local public health priorities.

More information on how we determine the nutritional "plus" can be found in the section on Nutritional profiling on page 26.

Although the programme is applied across all our food and beverages categories, we maximise its impact by focusing on our new and best-selling products. In 2008 only – the fourth year of the programme – products amounting to net sales of CHF 13.6 billion were fully analysed and improved or confirmed, making it the largest nutrition renovation programme ever deployed in the food and beverages industry.

Local insight

With manufacturing operations located close to our markets, we have a strong local presence, which puts us in a better position to meet appropriate nutrition needs and adapt our product formulations to suit local taste preferences.

In China, more than 98% of the Nestlé products sold are made locally. We have strengthened our long-term commitment in the country by collaborating with many academic institutions, and investing RMB 100 million (CHF 21 million) in two R&D Centres: our existing site in Shanghai and another in Beijing, which opened in October 2008. Nestlé is the first Western food and beverages company to create a full-scale R&D Centre, focused on both basic research and product development, in China. This new site, which will eventually take the number of Nestlé Research employees in China to more than 100, will enable us to enhance our

knowledge of traditional Chinese ingredients, which could also be beneficial in Western products.

A culture of open innovation

Traditionally, Nestlé has made most of its successful innovations from within its own research network, and often through cross-fertilisation between Nestlé businesses. Our use of probiotics in infant nutrition has been adopted in our dairy products for growing children and adults, while research into nutrigenomics (the effects of molecular relationships between nutrition and genes on health) has led to a *Purina* veterinary product for dogs with osteoarthritis.

In recent years, we have evolved from being a technology-driven commodity-based business to the world's leading, science-driven Nutrition, Health and Wellness company. Given the increasing pace and depth of scientific development, it is impossible for one company to monitor every area of scientific interest or to develop a critical mass of internal scientific expertise, so we have turned to others to help us to deliver bigger, better and faster innovation and implementation.

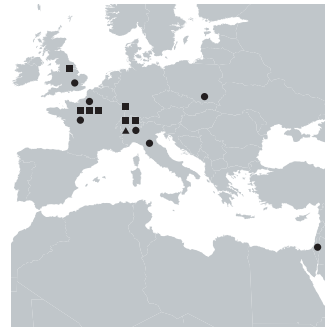
At the end of 2006, Nestlé adopted the "open innovation" model for accelerating the research process, recognising several important sources of innovation: universities and academia, independent research centres, small start-ups, biotech companies and other suppliers.

Venture funds

Through our Nestlé Growth Fund, we have committed CHF 742 millions to be invested in promising new businesses active in health, wellbeing and nutrition. By helping new or young businesses to grow, create wealth and, hopefully, develop breakthrough products or processes, we hope to reinforce our competitive position and complement our own internal research and development competencies in science-based nutrition.

Taste test

Consumers participate in the Nestlé 60/40+ programme at the Nestlé Research Center.

Nestlé Food & Beverages research locations**The Americas**

- **Product Technology Centres**
Marysville, Ohio, United States;
St. Joseph, Missouri, United States;
St. Louis, Missouri, United States
- **Research and Development Centres**
Fremont, Michigan, United States*;
Minneapolis, Minnesota, United States;
Queretaro, Mexico;
Solon, Ohio, United States

*As of January 2009 Fremont becomes a PTC

Europe and Middle East

- ▲ **Nestlé Research Center**
Lausanne, Switzerland
- **Product Technology Centres**
Beauvais, France;
Konolfingen, Switzerland;
Lisieux, France;
Orbe, Switzerland;
Singen, Germany;
Vittel, France;
York, United Kingdom
- **Research and Development Centres**
Amiens, France;
Orbe, Switzerland;
Rzeszow, Poland;
Sansepolcro, Italy;
Sderot, Israel;
Tours, France;
Welwyn, United Kingdom

Asia and Oceania

- **Research and Development Centres**
Beijing, China;
Rutherglen, Australia;
Shanghai, China;
Singapore, Singapore

📍 For a full listing of all Nestlé R&D facilities and their areas of specialisation, please visit www.nestle.com/nestleresearch





Translating science into practice

Innovation – translating an invention into a product or business – entails aligning Nestlé Research with a range of other functions, such as marketing, manufacturing, supply chain and sales. Importantly, Regulatory Affairs also needs to ensure that any new product or process complies with all health and safety specifications, and even cultural and religious imperatives, before development begins. In particular, Nestlé scientists are engaged in nutritional translation, a two-way process that involves translating both the emerging science in the lab and consumer preferences, needs and desires into research programmes that will deliver future consumer benefits.

One of the challenges within the field of nutrition, food and life sciences is identifying the active ingredients within complex food materials and determining how to use them for particular health benefits. There is no “one-size-fits-all” approach; each product has its own balance between the “push” of science and the “pull” of the market. Consumers’ sensory and subjective desires drive innovation in culinary products, and often differ by region, while in sectors like infant formula or healthcare nutrition, more generic physiological and metabolic needs are met by more science-based solutions.

External collaboration

Through approximately 300 collaborative agreements with universities and research centres, Nestlé shares the risks of developing and implementing

External collaboration

300

Collaborative agreements with universities and research centres

successful projects with other parties for longer. The NRC has established research partnerships with The Broad Institute of MIT and Harvard, Imperial College London and Paris Descartes University, among others, and sponsors a number of postdoctoral fellows, PhD students, trainees and apprentices every year.

Three Nestlé University Chairs in Nutrition are also active. Together, the two at the Ecole Polytechnique Fédérale de Lausanne form the world’s leading research programme into the link between nutrition and brain development, while the third, at Mexico’s National Institute of Genomic Medicine, explores nutrigenomics – how genes influence nutrition needs and pre-disposition to nutrition-related conditions such as obesity and diabetes.

Nestlé International Nutrition Symposium

Since 2004, an annual Nestlé International Nutrition Symposium (NINS) has been held at the NRC in Lausanne. More than 650 international experts, including Nobel Prize winners, gather to present and debate nutrition and health issues, and identify future research directions. At the fifth symposium in October 2008, delegates explored “Nutrition and Performance”, from early intervention through peak performance to healthy ageing. For the first time, an International Nutrition Symposium was also held in Beijing. This inaugural event, in October 2008, focused on the nutritional challenges of modern China.

📄 Read more at www.nestle.com/nestleresearch

Nestlé Nutrition Council: guiding our nutrition strategy

The Nestlé Nutrition Council (NNC), established in 1978, is composed of external, independent nutrition scientists of international renown who review current and emerging nutrition issues, advise senior management on their impact upon Nestlé’s policies and long-term nutrition strategy, and provide vital input into future innovations. Over the last decade alone, the NNC has examined issues such as diabetes and childhood obesity, and shaped Nestlé policies on the reduction of trans fatty acids, salt and sugar levels in food, and the fortification of iron and other nutrients.

“The work that will be done in Beijing will make a significant nutrition contribution to Nestlé’s global R&D programme in nutrition and food science. The opening today is therefore a very important milestone, not only for Nestlé R&D but also for our consumers in China and worldwide.”



Werner J. Bauer,
Executive Vice President,
Chief Technology Officer,
Head of Innovation, Technology,
Research & Development,
Nestlé, speaking at the opening
of Nestlé’s new R&D Centre
in Beijing in October 2008

📺 Watch the full speech at
www.nestle.com/csv/stories

1

Second site

Zhang Jinjing, Vice Director of Food Safety Coordination Division, State Food and Drug Administration (second from right), and Lin Fusheng, Head of Beijing Haidian District (third from left), join Paul Bulcke (fourth from left) and other dignitaries at the opening of the new R&D Centre in Beijing, Nestlé’s second research facility in China.

2

Building local expertise

The new R&D Centre, located in Beijing’s high-tech Environment Protection Park, will serve as Nestlé’s hub for product development and food safety and quality in the region.

3



3

A bright future

A scientist at the pilot plant of the Beijing R&D Centre. In 2009, more than 100 Nestlé Research employees based in China will help us to meet the country’s growing demand for high-quality food products.



1, 2



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Going for gold
Chefs at PTC Singen, Germany, create a broccoli soup, which will be the “Gold Standard” benchmark when developing a commercial *Maggi* equivalent.

Improving the quality of food and diets

Nutrition need →

Food that actively maintains good health, contributes to a balanced diet and complements a healthy lifestyle.

Nestlé’s response →

Improving the nutrition profile of all our product categories through product reformulation and nutrient fortification, and by promoting dietary diversity, balance and moderate consumption.

Creating Shared Value

Consumers benefit from products with lower levels of public-health-sensitive components, fortified with vitamins, minerals and other nutrients. Clinically demonstrated benefits developed by Nestlé Research and designed to improve health and wellbeing in turn bring higher sales and market expansion for Nestlé, and sustainable value for shareholders.





Overcoming micronutrient deficiencies

19 billion

Iodine-enriched Maggi bouillon cubes sold in Central and West Africa every year

Meeting micronutrient needs

The prevalence of micronutrient malnutrition

Surprisingly perhaps, micronutrient malnutrition is widespread in the industrialised as well as the developing world and can affect all age groups, and young children and women of reproductive age are most at risk. Worldwide, the three most common forms of micronutrient malnutrition concern deficiencies in iron (affecting 2 billion people), iodine (1.9 billion people) and vitamin A (250 million pre-school-aged children). Zinc, calcium and vitamin D deficiencies also make a substantial contribution to the global burden of disease, though the scale and impact of such deficiencies are harder to quantify.

Health consequences of common micronutrient deficiencies

Iron	Anaemia/Impaired cognitive and physical performance and endurance/Impaired resistance to infectious diseases/Increased risk of maternal and child mortality
Vitamin A	Severe visual impairment/Blindness in children/Increased risk of severe illness or mortality, especially from diarrhoea and measles
Iodine	Thyroid dysfunction, hypothyroidism and goitre/ Irreversible impairment to neurological development or function/Decreased fertility/ Increased perinatal and infant mortality
Zinc	Dermatitis/Impaired growth in children/Diarrhoea/Mental disturbances/Recurrent infections
Calcium	Decreased bone mineral content and density/Increased risk of osteoporosis
Vitamin D	Increased risk of rickets in children/ Increased risk of osteomalacia (softening of the bones) in adults

Micronutrient malnutrition has many adverse effects on human health, not all of which are clinically evident (see table), and it has been estimated that it accounts for over 7% of the global incidence of disease. According to the World Health Organization, around 800 000 deaths a year (1.5% of the annual total) can be attributed to iron deficiency, and a similar number to a lack of vitamin A. Even moderate levels of deficiency have profound implications for public health, productivity and economic development.

Three main approaches are used to combat micronutrient malnutrition:

- ensuring consumption of a balanced diet adequate in every nutrient: unfortunately, this is far from achievable everywhere, since it requires universal access to adequate food and appropriate dietary habits;
- pharmaceutical supplementation: short-term, urgent treatment through vitamin tablets, injections, etc.;
- fortification: a longer-term solution that can deliver nutrients to large segments of the population without requiring radical changes in food consumption patterns.

Addressing local deficiencies through fortification

To improve the nutrition foundation across our portfolio, we reduce the amount of those nutrients that have a negative effect on health when consumed in excess, and add food components and nutrients required to maintain good health. However, Nestlé will only use food that is regularly consumed by the target consumer,

and only where such fortification is relevant. This often requires working in partnership with local health authorities to determine the best carrier and what fortification is needed.

Extensive research into improving the body’s ability to absorb and utilise key micronutrients (bioavailability) allows Nestlé to optimise their positive nutritional effects for the target consumer, such as making safe, nutritionally fortified milks readily available and accessible in affordable formats to local populations in emerging markets. *Nido Essentia*, for example, was developed by the Nestlé Research Center and our Product Technology Centre in Konolfingen, Switzerland, based on deficiency data from local health authorities. Retailing at just CHF 0.30 per single serving, it aims to deliver 0.7mg of iron and 10.4mg of vitamin C per serving into diets across West Africa, beginning with Guinea. The strong brand recognition among consumers also provides income-creation opportunities for the many *Nido* vendors.

Read more about the micronutrient fortification of Nestlé’s milk products for lower-income consumers, on page 62.

Key challenge

Identifying nutritional imbalances

Consumers in different countries have different nutritional “gaps” but are often unaware that they may be deficient in some key vitamins or minerals. The first important step is therefore to gain insight into the real nutritional imbalances of specific consumers in lower-income markets, so that the right nutritional benefits reach the right people in the right way; this often entails working with local government health authorities. We have also designed a simple-to-use toolkit to help us to understand how consumers in emerging markets perceive their own nutrition needs.

1-3

The building blocks of fortification

To help combat iodine deficiencies, which cause serious impairment to physical and mental development in children in developing countries, Nestlé's *Maggi* bouillon cube is manufactured using iodine-fortified salt. In 2008, Nestlé sold over 100 000 tonnes of iodine-enriched bouillon, making it the world's largest food carrier of iodine. This includes 19 billion *Maggi* cubes and tablets sold across Central and West Africa, where iodine deficiencies are prominent.



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Science based nutrition

5 billion

Sales value of products carrying Branded Active Benefits, in CHF

Key challenge

Safe, effective fortification

Our utmost concern for food safety, an area covered by strict quality control procedures, is especially relevant for vitamins A and D, given the relatively small difference between daily dietary requirements and safe upper limits of consumption. Any elements added to our products must also be easily absorbed, and should not affect the taste, odour and look of the carrier food.

However, the science behind balancing taste and nutritional value is complicated. Iron is particularly difficult to add to many products without detriment to taste, since it acts as a catalyst for certain unwanted reactions in the food product. Therefore, any nutritional value gained by adding iron to a product needs to be carefully considered against flavour, and all without compromising food safety.

The NRC, together with university hospitals, carried out a series of studies to determine how best to add iron to infant cereals to reduce the risk of iron deficiency in young children. It was shown that ferrous fumarate, a form of iron with demonstrated safety and negligible effect on taste and colour, was very well absorbed. As a consequence, Nestlé infant cereals are now fortified with ferrous fumarate wherever possible. However, some products containing fruit, such as bananas, change colour when ferrous fumarate is added, and are therefore fortified with another source of iron.

Improving health

through Branded Active Benefits

Nestlé also offers consumers a variety of products with Branded Active Benefits (BABs). These physiologically active food components are incorporated into our main food and beverages categories to provide scientifically proven complementary health benefits that go beyond the taste and natural nutrient content of the products themselves.

So far, 15 individual BABs have been developed and are being used in hundreds of products to improve digestive health, increase immunity, aid weight management, boost physical and mental development, and support healthy ageing. Examples include *Calci-N* for stronger bones and teeth in *Nido*, and *Prebio-1* for digestive health in milks and HealthCare Nutrition products.

In addition to providing a competitive advantage, BABs also add value and enhance profit for Nestlé. In 2008, products containing BABs achieved sales of CHF 5 billion, a 21% increase over the previous year.

Meeting needs for nutritional balance

Dietary balance and moderate consumption

Every food and beverages can have a positive effect, depending on life stage, lifestyle and time of consumption, but Nestlé strongly believes that nutrition needs must be combined with dietary balance and moderate consumption, in line with many national food guidelines. These two essentials of a healthy balanced diet help to prevent deficiency and to avoid excess. We also promote adequate physical

activity through our brand values and community-based education and awareness initiatives (see page 52).

Nutritional profiling

Nestlé produces and sells a wide range of products around the world, and needs a rigorous system of analysing their various nutritional profiles. As yet, there is no universal nutritional profiling system, so Nestlé has developed its own.

Each food or beverage type is measured against its own set of criteria, which are regularly updated in line with public health recommendations issued by the WHO and the US Institute of Medicine. These are based on:

- the product category's role in a balanced, healthy diet;
- health-sensitive factors, such as calories, sodium and sugar, and positive nutritional aspects, such as added dietary fibre;
- maximum or minimum thresholds where consumption may be excessive (eg, fat content in biscuits) or where nutritional factors tend to be insufficient (eg, calcium);
- individual serving size, taking life stage, lifestyle, and method of preparation and consumption into account.

By meeting our nutritional profiling criteria, products are deemed to have met the Nestlé Nutritional Foundation and can be considered appropriate choices in the context of a balanced diet for the majority of people even when consumed regularly. Conversely, other products would require balancing with other choices if eaten frequently; for instance, frequent consumption of salty snacks would require moderation with other sources of salt.

The Nestlé Nutritional Profiling System criteria apply to all Nestlé product categories, apart from highly regulated categories such as infant formulas, specific areas such as healthcare and performance nutrition, and products developed by joint ventures, where other approaches and reference values apply.

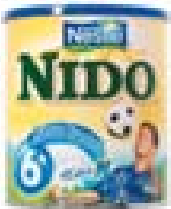
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Improving health, creating wealth

Vendors in Conakry, Guinea, get an income from selling *Nido Essentia*, a fortified milk developed to address local deficiencies in iron and vitamin C in West Africa.

Better by design

Nestlé's Branded Active Benefits (BABs), which provide clinically proven health benefits over and above those found naturally in food, include *Calci-N* for stronger bones and teeth, and *Prebio-1* for digestive health.



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Improving nutritional value

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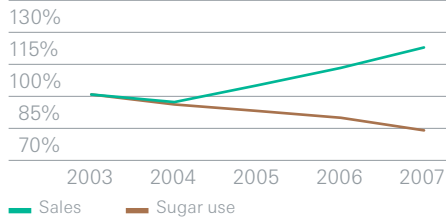
Products renovated for nutrition or health considerations in 2008

For more information on how we apply nutritional profiling to our product innovation and renovation process, please see the section on our 60/40+ tool, under Making nutrition the preferred choice, on page 18.

Recipe innovation and renovation

We continually review the nutritional content of our products and optimise their nutritional value where we can through recipe innovation and renovation, in line with our corporate nutrition reformulation policies (see below).

Change in sales and in sugar use (relative to 2003)



The policies for reducing the amount of public-health-sensitive components our products contain have been very effective. Between 2003 and 2007, we reduced our use of sugar by 17%, despite the fact that our sales increased by 22% during the same period.

Whole grains

Our approach to recipe innovation and renovation is based primarily on reducing public-health-sensitive components and adding beneficial micronutrients. However, it also includes adding food components considered positive for health. For example, a diet rich in whole grains has been shown to help in maintaining a healthy weight and lower the risk of heart disease, diabetes and cancer, so all whole grain Nestlé breakfast cereals contain whole grains. *Shredded Wheat* is made from just whole grain wheat, which is also a great source of vitamins, minerals and phytonutrients.

📺 Watch a slideshow to learn more about Cereal Partners, manufacturers of *Shredded Wheat* and Nestlé's other whole grain breakfast cereals, at www.nestle.com/csv/stories

Key challenge

How far can you go?

Although we have policies intended to reduce the salt, sugar and trans fatty acid content in our products, they do occur naturally in food raw material. This makes it technically impossible to remove them totally. While we make every effort to minimise their presence, it is also imperative that any changes do not affect the safety of the

product, nor the taste profile our customers prefer.

In some product areas, we have already reduced levels almost as far as possible, such as bouillons, where we have lowered the salt content significantly without reducing their "savouriness". Further reductions are unlikely to achieve any additional nutrition advantage and with a reduced savouriness quality, consumers are likely to revert to adding salt themselves. Similarly, the complete removal of fat from our products is undesirable, not simply for reasons of taste but also because some dietary fat is necessary for metabolic reasons and for the absorption of vitamins A, D, E and K.

Out-of-home consumption: restaurants, workplace and institutions

Our vision to be world leader in value-added Nutrition, Health and Wellness solutions extends to the out-of-home market – one valued at CHF 750 billion and with significant potential for profitable growth.

Nestlé Professional, our global out-of-home business, is the world's leading manufacturer for the restaurant industry through:

- products with an intrinsic nutritional value;
- BABs and product fortification to address specific target groups;
- applying the *Nestlé Nutritional Compass* to product packaging;
- providing an all-inclusive NutriServices concept through call centres and nutritional training for customers;
- a locally adapted quarterly magazine called *NutriPro* for markets and industry;
- Nestlé Professional Education Centres dedicated to chefs and restaurant operators.

We aim to double annual sales from CHF 6 billion within 10 years, by focusing on branded hot and cold non-carbonated beverages, and culinary food solutions.

Progress against Nestlé's nutrition-related policies (until end 2007)

	Policy objective	Progress
Trans fatty acids	Reduce to <1% total energy (~3% fat)	34 200 tonnes removed between December 2003 and February 2007
Salt	Reduce by 25% over five years (if above 100mg/100 kcal)	6800 tonnes removed between April 2005 and December 2007
Sugar	Reduce by 5% over five years	290 000 tonnes removed between January 2003 and December 2007
Saturated fat	Reduce total fat by 3%, or saturated fat by 1%, over three years (tbc)	New policy to be issued early 2009

1-3

Lower fat noodles

Chefs at Nestlé's Singapore R&D Centre have developed low-salt, low-fat instant noodles that meet two conflicting consumer demands: the desire to eat healthily without losing the savoury, fried taste they love. The process for making *Tastylite Maggi* noodles involves an air-drying production technique, uses a natural "fried flavour" concentrate and replaces some sodium with other ingredients.

Lower salt

Herta have now reduced the salt content in their pork frankfurters from 2g to 1.8g per 100g, in line with the UK Government Food Standards Agency (FSA) 2010 Salt Reduction Targets, published in 2006.



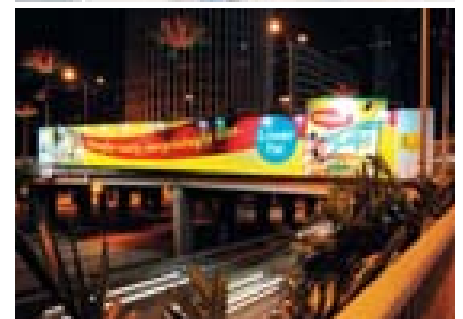
Whole grain gains

Since 2003, Cereal Partners Worldwide, our 50/50 joint venture with General Mills Inc., has added an extra 2.2 billion servings of whole grain to its product range worldwide.



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Bearing fruit
A dietitian and a pupil during a cookery workshop in Béziers, France, where Nestlé supports EPODE's successful approach to hands-on nutrition education. See page 36.

Obesity prevention and weight management

Nutrition need →

Food products and services that actively contribute to safe, healthy weight management and loss.

Nestlé's response →

Our own personalised weight management business, Jenny Craig, and support for obesity-prevention programmes, with a particular focus on school-based initiatives aimed at children.

Creating Shared Value

Consumers benefit from lower-calorie products, portion-controlled servings and a wide range of anti-obesity initiatives, which in turn create market expansion, brand loyalty and profitable growth for Nestlé and its shareholders.





Combatting obesity in the USA

36 million

Servings of vegetables added to the US diet since 2007 through *Lean Cuisine's* "Twice the Veggies" initiative

Weight management and loss Portion guidance

Nestlé strongly believes in the importance of properly advising consumers about serving sizes for better balancing dietary intakes. This is in line with Health Authority guidelines emphasizing moderation for some foods and ingredients, whilst ensuring variety and sufficient consumption of other foods and ingredients. Food guides from all parts of the world, as well as thorough consumer usage studies help Nestlé define appropriate serving sizes for product innovations, renovations and communications. Appropriate serving sizes and place of various types of food and beverages in the overall diet also represent key principles in the Nestlé Nutritional Profiling System.

The role of water in weight management

With carbonated soft drinks accounting for 6.5% of caloric intake in the US diet in 2002, the role of bottled water in providing a healthier but equally convenient alternative is attracting attention from health professionals and academics. Nestlé Waters continues to undertake and commission in-depth research into the potential link between water consumption and weight management, such as two studies by Professor Barry Popkin of the University of North Carolina's School of Public Health.

The first, which analysed the database of the US National Health and Nutrition Examination Survey III, showed that people with higher water consumption had healthier diets: they consumed less energy,

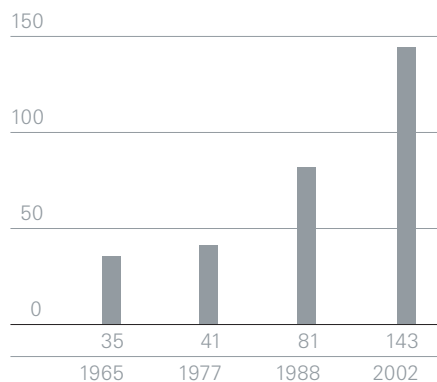
fewer soft drinks, and fewer sweet or salty snacks. A subsequent study evaluated 311 people who followed different weight loss diets over a year and again found that diets with relatively high drinking water consumption, as opposed to caloric beverages, were positively associated with weight loss.

The conclusion from these two investigations is that drinking more water may be an efficient alternative to lowering the intake of caloric beverages and may help to avoid calorie over-consumption, the main cause of obesity.

Other beverages choices

In the past 25 years, the world's diet has seen a marked increase in the consumption of caloric sweeteners, particularly in carbonated soft drinks. In the United States between 1965 and 2002, the average energy from beverages has increased by

Daily calorie intake from carbonated beverages, by adults in the USA, 1965-2002



Source: Duffey KJ and Popkin BM (2007). Shifts in patterns and consumption of beverages between 1965 and 2002. *Obesity* (Silver Spring) Nov;15(11):2739-47

222 calories per person daily, with almost half (108 calories) coming from calorically sweetened carbonated beverages. Similar changes are seen in many other countries throughout the globe.

As part of a balanced diet, water has been shown to be the best beverage choice for consumers seeking healthy hydration. However, in response to the need for variation in our food and beverages consumption, Nestlé Waters seeks to develop brands that satisfy consumers' taste preferences and functional and nutrition needs, while strictly limiting calories.

For those looking for more taste, low-calorie flavoured waters are considered an attractive, healthier alternative to sweetened high-calorie beverages. The sugar content in all products provided by Nestlé Waters is continually decreasing, reflecting a good compromise between taste and calorie content.

Lean Cuisine: a healthier alternative

Nestlé recognised many years ago a potential consumer demand for calorie-controlled meals with excellent taste.

In response, Nestlé introduced the *Lean Cuisine* brand in 1981 in the USA, bringing a healthier alternative to its *Stouffer's* range of frozen meals to consumers in the USA. Delivering both taste and nutrition through more than 100 carefully prepared frozen entrées, pizzas and dinners, *Lean Cuisine* has become one of Nestlé's largest US brands, and the second largest diet brand. It is also sold in Canada, Mexico and Australia.

The word "lean" in the *Lean Cuisine* brand name is considered by US regulatory agencies to be a nutrient content claim so all products in this range must contain less than 10g fat, 4.5g or less saturated fat and less than 95mg cholesterol, per 100g and per Recommended Amount Customarily Consumed (RACC). *Lean Cuisine* products also contain between 150 and 410 calories.

“Nestlé Waters constantly helps to underline and further its understanding of the importance of water and hydration to good health.”



Florence Constant,
Nutrition Development Director,
Nestlé Waters

A clear advantage

Contrex natural mineral water helps health-conscious women who are watching the calories to maintain a healthy level of calcium, which may be affected by consuming fewer dairy products.



1

Fresh ideas

In the Culinarium (experimental kitchen) of Nestlé’s R&D Centre in Solon, USA, chef Mark Morton (left) shows food technologist Mike Laur the importance of fresh ingredients in a new *Lean Cuisine* product.



2

The proof of the pudding

Nestlé employees at Solon test the latest products to come off the *Lean Cuisine* production line.



3

Cutting calories

A consumer helps to maintain a healthy diet by adding *Lean Cuisine* products to her weekly shop.

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Changing lives through weight management

1.36 million

Weight lost by Jenny Craig clients in 2008, in kilogrammes

Campaigns, initiatives and partnerships

America On the Move: *Lean Cuisine* sponsors the Healthcare Professional Toolkit developed by the America On the Move (AOM) Foundation, a national non-profit organisation dedicated to health and wellness across America. The toolkit provides healthcare professionals with the information and tools they need – such as factsheets and pedometers – to educate and motivate their patients to take 2000 extra steps a day and cut 100 calories from their daily diet. The partnership is promoted at events such as the annual American Dietetic Association (ADA) conference and through speaking engagements by Dr James Hill, the internationally renowned founder of AOM.

Produce for Better Health: *Lean Cuisine* responded to the consumer need to add more great-tasting vegetables into their diets with the launch of “Twice the Veggies” *Spa* varieties. Many of these deliver two full vegetable servings in each entrée. *Lean Cuisine* partners the Produce for Better Health (PBH) Foundation’s “Fruits & Veggies – More Matters” initiative, because we believe in promoting an increased intake of fruits and vegetables for better health. The campaign’s message, promoted through retailers, suppliers, educators and health professionals, is also being incorporated into the *Nestlé Nutritional Compass*. As a result of product reformulation, 36 million extra servings of vegetables have been added to the American diet through *Lean Cuisine* products since 2007.

The Best Life Diet: *Lean Cuisine* is pleased to join renowned exercise physiologist, personal trainer and *The Best Life Diet* author Bob Greene in his mission to help women to make lasting lifestyle changes to improve their health. The three-stage programme, rooted in the idea that eating is one of life’s greatest pleasures, and can be combined with achieving weight loss goals, involves physical activity without “working out”, eliminating emotional eating and practices to help estimate healthy portion sizes without counting calories. *Lean Cuisine* has 85 varieties that have been awarded the Best Life seal of approval, making it easier than ever for individuals to “Do Something Good for Yourself”.

Lean Cuisine and healthcare

Although *Lean Cuisine* is an everyday food choice, its contribution to nutritional balance and portion control is regarded favourably by many members of the healthcare community. The Cleveland Clinic is a recognised leader in clinical care, including nutrition. Last year, dietitians there ordered 248000 *Lean Cuisine* meals for their Cleveland Clinic patients. Nestlé’s industry leadership grows with the success of products like *Lean Cuisine*, which meets standards established for patient nutrition at organisations such as the Cleveland Clinic.

📺 Watch a film about *Lean Cuisine* at www.nestle.com/csv/stories

Personalised weight management: Jenny Craig

As weight control is a multi-faceted challenge, it requires a multi-faceted solution like Jenny Craig, the personalised weight management

business. Acquired by Nestlé Nutrition in 2006, Jenny Craig hopes to change lives by addressing three areas critical to effective weight loss:

- **Food:** promoting a healthy relationship with food, and calorie- and portion-controlled food products;
- **Body:** a personalised programme of physical activity;
- **Mind:** a balanced approach to living developed through personal advice and motivation provided by one of 3500 consultants at over 700 centres or via telephone in the Jenny Direct call centre, as well as through online information. The nutrition component reflects the recommendations of major health organisations, including the *Dietary Guidelines for Americans* published in 2005 and the *Dietary Reference Intakes* issued by the Institute of Medicine in 2002.

Research by the University of California, San Diego, shows that Jenny Craig successfully facilitates an 8% weight loss after six months; a reduction maintained after one year. This loss exceeds the 7% rate of weight loss, identified by external research to reduce, when combined with moderate exercise, the risk of Type 2 Diabetes by 58%.

📖 Read more at www.jennycraig.com

The role of physical activity

Health and wellness is inevitably linked to an active lifestyle, but as a food company, Nestlé only has a limited influence in this area. However, we are able to leverage certain brands to promote active lifestyles, from the Jenny Craig physical activity plan to our *Milo* chocolate malt drink, known as “the sports drink of future champions”. Fortified with *Actigen-E*, a combination of vitamins and minerals designed to optimise energy release from food, *Milo* features in many initiatives, from Ghana to Malaysia, that encourage students to take part in physical activity. *Milo* is also a major part of the sporting

“My two favourite tools are pedometers for physical activity and portion-controlled meals to avoid overeating, so I am excited about the relationship between America On The Move and *Lean Cuisine*. Research suggests that the more food on your plate, the more you eat, so with *Lean Cuisine*, you eat it all, you are done, end of story.”



Professor James O. Hill, PhD,
Professor of Paediatrics
and Director of the Centre
for Human Nutrition,
University of Colorado

Watch the full interview at
www.nestle.com/csv/stories

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Playing ball

Young participants get active at the “Milo In2Cricket” workshop in Sydney, Australia.

3

The perfect team

Adam Gilchrist (left), Test cricketer and “Milo In2Cricket” ambassador, believes *Milo* complements the programme perfectly. “It focuses on healthy eating and a balanced diet,” he says, “promotes a healthy lifestyle, and brings in social skills like teamwork, confidence and self-esteem.”

Watch the full interview with Adam Gilchrist at www.nestle.com/csv/stories



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landscape in Australia, where it partners national associations to encourage children to take up cricket and winter sports.

Ongoing research

The NRC conducts research into the physiology and psychology of hunger and satiety, and contributes its findings to the DiOGenes (Diet, Obesity and Genes) project. This five-year, pan-European study, involving 34 partners from industry and academia, aims to identify the interactions between diet and the genes associated with changes in body weight.

Supporting obesity-prevention programmes

The global prevalence of obesity, particularly among children, has dramatically increased during the last 20 years. Due to its multi-causal nature, a multi-stakeholder approach, involving large-scale community and school-based initiatives, is often required. Nestlé has developed or sponsored many such education and intervention programmes, many of them directed through schools.

📖 [Read about these programmes at www.nestle.com/csv/education](http://www.nestle.com/csv/education)

Nestlé France has supported a long-term nutrition education programme (“Fleurbaix Laventie Ville Santé”) in two villages in northern France since 1992. Results showed that children had better nutritional knowledge, and childhood obesity had not increased significantly, whereas it had doubled in “control” towns.

In 2004, the project developed into EPODE (“Ensemble, Prévenons l’Obésité Des Enfants”/Together,

Community-based initiatives

2.5 million

People reached through EPODE via 167 towns in France, 30 pilot cities in Spain (as “THAO Salud Infantil”) and 8 in Belgium (as “Viasano”)

Let’s Prevent Childhood Obesity), a community intervention programme aimed at the prevention of childhood obesity, which Nestlé France still supports. The programme promotes regular physical activity, walk-to-school groups and healthy diets through posters, factsheets, newsletters, workshops and menus. The EPODE programme has since been expanded to 167 towns in France, 30 cities in Spain (under the “THAO Salud Infantil” banner and supported by Nestlé Spain) and 8 in Belgium (as “Viasano”). It now covers a population of 2.5 million people across Europe. Discussions are also underway in other European countries such as Greece, and in Australia and Canada.

European EPODE Network

With the support of the European Commission, Nestlé has committed EUR 525 000 to the pan-European EPODE Network (EEN) project, from 2007 to 2010, which aims to facilitate the implementation of EPODE-like community intervention programmes across Europe. By developing guidelines for political involvement, scientific evaluation, public-private partnership, networking and social marketing, and sharing best practice, the EEN will contribute to the EU’s goals of promoting healthier lifestyles, diets and physical activity, and preventing obesity and other chronic diseases.

Key challenge

Multi-stakeholder projects

Nestlé collaborates with national and international public health bodies in efforts to reduce the global incidence of obesity.

The value of support from, or partnerships with, other institutions – governments, schools, NGOs or local authorities – in delivering community involvement solutions cannot be underestimated. We all have vital and sometimes different roles to play. To address challenges related to conflict of interests while Creating Shared Value for society as well as for Nestlé and its partner organisations, there needs to be full transparency, clear rules and good governance. Only then can different agents in a multi-stakeholder approach fully respect each other’s roles, responsibilities and areas of expertise.

“Partners are key to EPODE. Here in Béziers, we rely hugely on teachers for the programme’s success. Support from a variety of other players is essential too: doctors, school nurses and of course the children themselves. To date, we haven’t worked directly with national partners like Nestlé but would be delighted to do in any way that respects the programme’s terms of engagement, which for us are very important principles.”



Monique Valaize,
Deputy Mayor in charge of health,
Béziers, France

📺 Watch a full interview about EPODE in Béziers at www.nestle.com/csv/stories

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A healthy investment

Nestlé France contributes EUR 250 000 annually to EPODE’s Together, Let’s Prevent Childhood Obesity programme, which takes a practical, integrated approach to healthy eating in many towns across France. In addition, Nestlé Spain is investing EUR 126 000 in the equivalent THAO programme in 2008 and Nestlé S.A. has committed EUR 525 000 to the three-year pan-European EPODE Network project.



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Nutrition for all ages
Dietitian Zakia El-Yaagoubi offers nutritious *Davigel* products to residents at the Estamounets care home, Couiza, France. See page 41.

Meeting the nutrition requirements of groups with specific needs

Nutrition need →

Very specific nutrition requirements depending on stage of life and lifestyle, including infants, children, the elderly, people managing medical conditions and recovering from illness and athletes.

Nestlé's response →

Nestlé's business and R&D capability, the largest in the world, is focused on specific nutrition needs, leading to the development of precisely targeted, science-based products and services with functional benefits that help consumers to live healthier and longer lives.

Creating Shared Value

A wide range of consumer groups have their diverse nutrition needs met, giving Nestlé a stronger springboard for profitable growth in the arenas of infant nutrition, healthcare nutrition, weight management and performance nutrition.





Nestlé Nutrition

Nestlé Nutrition is a global, integrated business that focuses on applying science and technology to formulate effective, clinically proven products for people with specific nutritional needs. While taste is important, the key driver for these specialised products is to provide functional benefits that meet people's nutrition needs, address specific conditions and help them to live fuller, healthier and longer lives.

People in various life stages and situations – including babies and children, the elderly, people managing or recovering from certain medical conditions, endurance athletes, proactive health seekers and those looking to manage their weight – can have very specific nutritional requirements. Nestlé Nutrition enhances our consumers' quality of life by developing innovative, science-based products and services that meet these specific needs.

With a presence in more than 100 countries and with more than 20000 employees, Nestlé Nutrition comprises four business units:

- **Infant Nutrition:** helping infants and young children to grow and develop into healthy adults through baby food and infant formula (see page 42);
- **HealthCare Nutrition:** products for the elderly, and for people recovering from, or managing, certain medical conditions (see page 40);
- **Performance Nutrition:** promoting peak mental and physical performance in athletes and highly active people (see page 42);
- **Weight Management:** personalised weight management programmes to help consumers to lose weight and keep it off (see page 34).

Meeting specific nutrition needs

HealthCare Nutrition, the world's second largest healthcare nutrition business, aims to transform the role nutrition plays in healthcare, providing specialised nutrition solutions with proven health benefits that enhance the quality of life of patients and consumers affected by specific medical conditions.

Nutritional risks in the elderly

With the dramatic decline in infectious disease over the last half century, more people around the world are living longer, and by 2050, around 30% of people in industrialised countries will be over 65. However, a simultaneous rise in chronic disease is increasing the risk of malnutrition. Up to 50% of residents in nursing homes and up to 70% of elderly patients in hospital are malnourished. The healthcare costs of malnutrition now exceed those of obesity.

Malnutrition leads to decreased independence due to physical weakness and muscle wasting, which frequently leads to falls and fractures. Nearly half of all elderly patients with hip fractures are malnourished, while severely malnourished patients are more than three times more likely to suffer from infections.

Nestlé Nutrition has a tool to identify malnourished elderly people or those at risk of malnutrition through its clinically supported screening and assessment tool, the Mini-Nutritional Assessment (MNA). The MNA is easy to use, takes less than four minutes to complete, and is recommended by national and international organisations. Nestlé Nutrition also offers oral nutritional supplement

brands such as *Resource*, which provide a nutritional solution tailored to meet specific needs of the elderly.

Read more at
www.mna-elderly.com

Gastro-intestinal problems in children

Trauma, major surgery and disorders such as cystic fibrosis, Crohn's disease and pancreatitis can leave patients with gastro-intestinal (GI) impairments, such as inflammation, malabsorption, reflux or vomiting. These result in a higher risk of malnutrition and weight loss, and many GI-impaired patients need formulas that can be easily delivered through a tube.

In addition to adult versions, a variety of *Peptamen Junior* formulations have been designed for children aged 1 to 10. These are based on whey peptides, making them easy to absorb and less likely to trigger reflux and vomiting. Another Nestlé solution, *Modulen IBD*, is used to promote healing, decrease inflammation and support growth in Crohn's disease patients.

Boost Kid Essentials is a new, nutritionally complete drink that comes in child-friendly packaging and provides an innovative immunity-supporting probiotic straw with *Lactobacillus reuteri Protectis* to help to keep children healthy. This straw makes drinking fun and is clinically proven to significantly reduce the number of sick days and the severity of acute diarrhoea. *Boost Kid Essentials* is also a good source of essential vitamins and minerals, including vitamin C, E and selenium, high-quality protein and antioxidants.

Helping patients stay strong in their battle with cancer

Globally, there are more than 10 million new cancer cases every year, a figure that is expected to rise to 15 million by 2020. Cancer and its treatment make great demands on the body's nutritional stores, and the side effects from treatment – nausea, loss of appetite, diarrhoea, and altered smell

“We specialise in identifying early deficits in mobility, daily function and cognition of the older person. By finding these very early changes, we are able to predict a person’s fall risk and come up with tailored interventions that help to prevent complications. With food supplements, we can further enhance these interventions.”



Professor Reto Kressig,
Head of the Geriatric
University Clinic,
University Hospital Basel

📺 Watch the full interview at
www.nestle.com/csv/stories

1

Prevention first

A patient fills out the Mini-Nutritional Assessment (MNA) form, as part of a nutritional evaluation programme to identify those at risk of malnutrition at an early stage.

2

Food for thought

Chef Hervé Pintonello prepares protein- and calcium-enriched products from *Davigel* for residents at the Estamounets care home, Couiza, France.

3

The science of healthcare

Outstanding research, such as that conducted by scientists at the Nestlé PTC in Konolfingen, Switzerland, is needed to support the medical claims of our products and to build consumer trust in them.



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Science-based sports nutrition

8%

Improvement in performance for athletes from Branded Active Benefit C2Max

and taste – often lead to reduced food intake and poor digestion and absorption of nutrients. Up to 80% of cancer patients develop clinical malnutrition, which is a risk for diminished responsiveness to therapy, more side effects and poorer quality of life.

The nutritional solutions offered by Nestlé Nutrition to support cancer patients during their treatment include high-protein, high-energy oral supplements such as *Resource 2.0*, *Clinutren HPHC* and *Boost High Protein*. These are designed to maintain energy and muscle mass, support the immune system and minimise weight loss. Fruit-flavoured drinks such as *Clinutren Fruit* and *Boost Breeze* are also more appealing than milkshake-type supplements for certain patients.

Meeting specific nutrition needs: sport and physical activity

Performance Nutrition is a smaller specialised business, and meets the nutrition needs of those who participate seriously in competitive sports.

Among a product range including energy bars, sports drinks, gels and protein supplements, one of our leading product ranges, *PowerBar*, was re-launched in 2007 with the innovative, three-step *PowerBar* Performance System designed to give the right nutrition for the particular performance stage:

- Energise: with appropriate nutrients for pre-workout energy;
- Refuel: with carbohydrates and electrolytes for in-game fuel;
- Rebuild: with carbohydrates, proteins and fluids to aid post-activity muscle repair, glycogen restoration and rehydration.

“Refuel” products, designed to help top athletes achieve peak performance, are particularly geared to ultra-endurance events such as Ironman triathlons. The *PowerBar* performance bar includes a specific combination of glucose and fructose carbohydrates in the BAB C2Max which have been proven to boost performance by 8%.

Meeting needs for breast milk substitutes Protection of breastfeeding

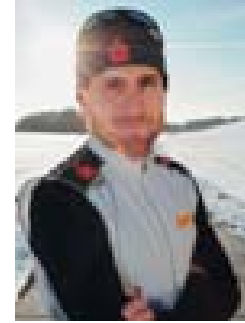
In Henri Nestlé’s *Memorial of the Nutrition of Infants*, published shortly after Nestlé was founded, he declared that breast milk is the normal choice for feeding an infant, and that every mother able to breastfeed should do so. Nestlé supports a policy of exclusive breastfeeding for as long as possible, followed by the addition of safe and appropriate complementary foods, together with continued breastfeeding.

We also inform consumers and healthcare professionals of the benefits and superiority of breast milk on the packaging and labelling of our infant formula, and we widely distribute educational material in support of breastfeeding.

The role of infant formula products

In the world today, millions of women continue to use breast milk substitutes which are dangerous for their children, particularly in the form of whole cow’s milk, starch and water, rice water, and sugar water. Nestlé aims to replace these with the only product recognised by the UN and the WHO as a safe, nutritious substitute for breast milk: infant formula.

“In your first triathlon, you get personal satisfaction, even if you don’t finish in the first 100. But if you want to get near the top, you have to see it as a science as much as a sport.”



Faris Al-Sultan, Five times Ironman winner and former Ironman world champion

1

Helping to live with diabetes

Sondalis Diabetes is a complete liquid diet for enteral tube feeding for those living with hyperglycaemia.

2

PowerBar Team Elite

PowerBar sponsors athletes who make a positive impact on their sport as well as 1000 sport events per year.

Energise, refuel, rebuild

The *PowerBar* performance bar includes the BAB *C2Max*, a specific combination of glucose and fructose carbohydrates proven to boost performance by 8%.



3

Protection of breastfeeding

Breast milk is the best food for infants, and every mother able to breastfeed should do so.



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Nestlé has extensive management systems in place to ensure our infant formula is sold and marketed responsibly, in accordance with the World Health Organization’s *International Code of Marketing of Breast-milk Substitutes*.

As a minimum, our Infant Formula Marketing Policy ensures we adhere to governmental standards in all countries. Beyond that, to protect infants in countries with poor sanitation and higher infant mortality, we are the first company to voluntarily implement the entire WHO Code in all developing countries, even where there is no national implementation.

Nestlé’s infant cereals and baby foods (see page 46) are not marketed or labelled, in any country, as breast milk substitutes. We are the only company to voluntarily and unilaterally apply the WHO Code in developing countries to both starter and follow-on formulas, and to market infant cereals and baby foods in developing countries only after six months of age.

Key challenge

Assuring compliance with the WHO Code

As an infant food manufacturer, Nestlé takes its responsibility to ensure our marketing practices comply with the Code very seriously. In addition to widely distributing the official Code document, we have developed a range of internal mechanisms to systematically assure compliance. These include:

- issuing detailed instructions on Code implementation;
- extensive employee training, education and testing;

- an internal ombudsman scheme allowing employees to raise concerns about compliance confidentially and anonymously;
- a programme of regular independent audits run by third parties;
- internal audits in up to 20 countries annually.

📄 See the results of the most recent audits at www.babymilk.nestle.com

We take accusations from campaign groups of violations of the WHO Code very seriously, since we go to great lengths to ensure our marketing practices respect the Code. When we learn of allegations which are sufficiently concrete to follow up, we investigate them fully. Results of these investigations show that real violations are rare, and generally have been corrected well before we learn of the allegation. Worldwide church leaders, ethical investment analysts, governments and opinion leaders have all examined our practices and provided positive feedback. The issue seems to be a difference in opinion concerning the scope and application of the Code – some campaign groups make a very wide interpretation whereas we believe the Code, as its name suggests, covers breast milk substitutes.

📄 Read a summary of the findings at www.babymilk.nestle.com

Boosting gut bacteria in infants

Breast milk is a source of probiotics and, in particular, bifidobacteria. These “good” bacteria are transferred to the infant during breastfeeding, “educating” the immune system and reducing the risk of infections and allergies. For those children not breastfed, enhancing infant formulas with probiotics encourages the development of healthy bacteria in the intestinal microflora. Nestlé was among the first to use probiotics in infant formulas to try to get closer to the benefits of breast milk.

Key challenge

Cow’s milk protein allergy

In addition to providing all the nutrients a baby needs, breast milk contains several bioactive compounds that naturally reduce the sensitisation to allergens and build up tolerance of foreign proteins. However, if breast milk is not available, formula made with cow’s milk is often the first “foreign” protein a non-breastfed baby encounters, and cow’s milk protein allergy (CMPA) is the most common food allergy in new-borns. Complete avoidance of cow’s milk is relatively easy in breastfed babies, but in infants who are not breastfed, appropriate substitutes are required to prevent or manage CMPA. There are two different hypoallergenic solutions:

- Allergy prevention: numerous studies by independent experts have demonstrated that feeding non-breastfed babies with partially hydrolysed formulas (PHFs) during the first months of life reduces the risk of developing allergies, because the protein they contain has been broken down into “peptides”, which are less likely to trigger an allergic reaction. Partially hydrolysed formulas like Nestlé’s *NAN H.A. 1* and *NAN H.A. 2* have been clinically proven to reduce the risk of developing allergies by up to 50% in high-risk babies, and reduce allergy-related skin problems by a similar amount in babies under the age of two;
- Allergy therapy: to manage CMPA or other protein intolerance in non-breastfed infants, special formulas that ensure complete avoidance of protein sensitisation are required. Extensively hydrolysed formulas (EHFs) are virtually allergen-free because the protein they contain is broken down into very small fragments that do not provoke an immune reaction. Such formulas have

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In the know

Employees of Nestlé Indonesia attend a briefing on the WHO Code at the head office in Jakarta.



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Code compliance

Auditors from Bureau Veritas speak to Nestlé's WHO Code ombudsman in Indonesia and check Nestlé infant formula products in-store.



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been available for decades, but were traditionally costly to produce, and had a bitter taste. Nestlé experts have overcome both challenges with cost-effective dietary solutions designed specifically for the management of food intolerance and hypersensitivity, such as *Alfaré* and *Althéra*, whose improved taste also supports long-term feeding and compliance.

Infant formulas for Caesarean-born babies

The number of Caesarean-born babies is increasing worldwide, with rates up to 30% in Western Europe and the United States, and 70–80% in some Latin American and Asian locations. Babies delivered by C-section, usually under sterile conditions, lack the microflora that would initially colonise the gut during a natural birth, making them more susceptible to allergies and intestinal infections.

Nestlé is the only company currently creating starter formulas designed specifically with babies born by Caesarean section in mind. Nestlé *NAN 1* and *NAN H.A. 1* contain the BAB *Protect Start Excel*, which establishes protective bifidobacteria in the gut through the probiotic culture *Bifidus BL*. This is beneficial for all infants, but especially for Caesarean-born babies with reduced gut microflora. The global roll-out of these products will be complete in 2009.

Meeting specific needs: complementary foods for infants

Around 6 months of age, breast milk may not be sufficient to cover a baby's

energy and nutrition requirements. He or she can also start to swallow non-liquid complementary foods at this stage, helping to support growth, brain development and the building of natural defences.

The Feeding Infants and Toddlers Study

Research shows that regular exposure to a variety of flavours and foods in the early stages of life – even in the pre-natal and breastfeeding stages – can positively affect a child's food preferences and eating habits later in life. In 2008, Nestlé Nutrition conducted a Feeding Infants and Toddlers Study (FITS), with children up to 4 years of age. This built on an earlier study conducted in 2002 by Gerber, which examined the eating habits and nutrient intake of over 3000 US infants and toddlers aged 4–24 months. In addition to low consumption of healthy fats or fibre, and excess salt intake, its findings included:

- nearly 25% of 19–24-month-old babies consumed no vegetables or fruit;
- French fries were the most common vegetable consumed by infants aged 15–18 months;
- 46% of 7–8-month-olds consumed desserts, sweets or sweetened beverages.

By sharing the results of the Feeding Infants and Toddlers Study with parents and paediatricians, Gerber continues to fulfill its role as the leader in infant and toddler feeding in the US, and to develop tailor-made nutrition solutions.

“Start Healthy, Stay Healthy”

We believe that each stage of a child's development has unique nutritional and calorie requirements, and have incorporated this knowledge into our integrated feeding plan. By ensuring our infant formulas and complementary foods contain the latest nutritional improvements, infants and children learn to appreciate different tastes as they grow up,

and these good eating habits can form a strong foundation for health and wellness later in life.

📺 Watch a short film about how Gerber baby foods work with parents and dietitians to develop new products, using quality, locally produced natural ingredients at www.nestle.com/csv/stories

1, 2

A growth market

Young consumers test the latest Gerber products. The research supports Gerber's "Start Healthy, Stay Healthy" initiative, which helps parents to establish healthy eating habits for their children.



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Smart pack

The environmentally friendly pot for the Nestlé *NaturNes* range is easy to hold, strong and microwave-friendly, and comes with a replaceable lid.



3



Learn more about how we redesigned the *NaturNes* packaging with both the consumer and the environment in mind at www.nestle.com/csv/stories

Child's play
 Two of the thousands of schoolchildren in Peru who are learning about healthy eating in an enjoyable way through Nestlé's "Creceer Bien" programme. See page 52.

Improving nutrition awareness, knowledge and understanding

Nutrition need →

Greater awareness and understanding about nutrition so that consumers can make well-informed choices, and Nestlé employees themselves can act as ambassadors for healthy lifestyles.

Nestlé's response →

Nestlé initiatives include clear, on-pack nutritional labelling, participation in education and intervention programmes, considerable amounts of nutrition information made publicly available online, workplace wellness schemes, and collaboration with public health bodies, governments and others working towards healthier diets and lifestyles.

Creating Shared Value

By providing them with nutrition information, consumers are empowered to make their own healthier choices and gain a greater understanding of the importance of nutrition, healthy eating and physical activity, while employees benefit from improved diets, more opportunities for physical activity and greater nutritional knowledge. These combine to improve productivity and morale, enhance our reputation with the scientific, health and public policy communities, and create opportunities for profitable growth.





Clear, practical nutritional information

98%

Proportion of Nestlé products covered by the Nestlé Nutritional Compass

Improving nutrition knowledge among consumers and society

We are very conscious of our role in communicating responsibly to consumers, particularly to children, and all Nestlé companies are required to abide by the Nestlé Consumer Communication Principles, over and above any applicable laws.

As part of our overall responsibilities, we are committed to using clear, user-friendly on-pack labelling (see below). We also participate in local, regional and national nutrition education programmes (page 52), and help our employees to live healthier lives as well as become health and wellness ambassadors for our company (page 54). Collaboration with public health bodies, governments and other organisations working towards healthier societies further boosts our reputation as the world's leading Nutrition, Health and Wellness company (see page 57). We also provide a wealth of nutrition information on our website.

Nestlé Nutritional Compass

Packaging is an ideal medium for providing consumers with clear, practical nutritional information, as it reaches the consumer at the point of purchase, preparation or consumption.

But while discussions continue about the best approach to food labelling, we have introduced the Nestlé Nutritional Compass, an on-pack information panel that provides consumers with relevant, easy-to-understand nutrition information, empowering them to make informed decisions about the food they eat.

The Nestlé Nutritional Compass has four elements:

- a standardised nutrient table giving amounts per 100g, per serving and as a percentage of Guideline Daily Amount (see below);
• a "Good to Know" panel explaining ingredients or nutrients relating to the product, such as fat, sugar, fibre or calcium content;
• a "Good to Remember" panel with tips for responsible product enjoyment and its place in a daily balanced diet;
• a "Good to Talk" panel with contact details and links to consumer services, websites and other materials.

By December 2008, the Nestlé Nutritional Compass appeared on product packaging representing 98% of our total sales volume around the world. We aim to continuously keep it at that level, even with the high rate of new product launches, and ideally increase it to 100%.

Key challenge

Measuring the success of the Nestlé Nutritional Compass

Measuring progress against our promise to provide consumers with clear, practical nutritional information on packaging is a considerable undertaking, not least because our worldwide portfolio of products is constantly evolving and expanding. Determining the success of global initiatives such as the Nestlé Nutritional Compass are time-consuming and resource-intensive. Studies are also costly, and could be seen as biased if conducted by Nestlé, yet cross-industry groups are unlikely to want to conduct

such surveys. However, in June 2007, Nestlé commissioned an independent consultancy to conduct research into consumer perceptions of the Nestlé Nutritional Compass in 11 countries, using both face-to-face and online questioning. Almost half (45%) of those interviewed were aware of the Nestlé Nutritional Compass, which was also rated above ordinary on-pack nutritional tables where sampled.

Guideline Daily Amounts

Nestlé nutritionists work with various stakeholders to develop the Nestlé Nutritional Compass to ensure its continued relevance. In Europe, for example, it is being adapted to feature a complete Guideline Daily Amounts (GDA) table for the "big 8" (see below). This is Nestlé policy and essential if a health or nutrition claim is made; only where no such claim is made and where space is limited can just the "big 4" be listed.

Key nutrients

Table with 2 columns: Nutrient category and list of nutrients. Rows include 'The "big 4"' (Energy, carbohydrates, proteins, fats) and 'The "big 8"' (Energy, carbohydrates, proteins, fats, sugars, saturated fats, sodium, fibres).

GDAs were developed by the CIAA (the European Confederation of the Food and Drink Industries) as part of its voluntary nutrition labelling scheme, informing consumers how much energy and other key nutrients are contained in a portion of food, set against the daily requirements an average person needs in a balanced diet. The GDA table, which appears on 88% of our products in Europe as of year-end 2008, is complemented by at-a-glance information on the front of packs about energy content per serving and its contribution to recommended daily calorie consumption, often with an arrow directing the consumer to the more complete and "action-oriented" Nestlé Nutritional Compass on the back.

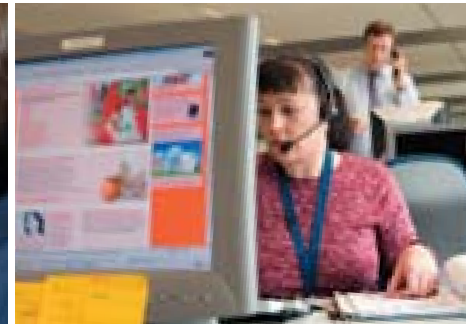
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Making a point

A Nestlé employee discusses the *Nestlé Nutritional Compass* with a delegate at the American Dietetic Association Convention in Chicago, USA, in October 2008.



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Good to talk

Nestlé's Ernährungsstudio provides online nutrition information and a telephone advice service to consumers in Germany.

3

Heading in the right direction

The *Nestlé Nutritional Compass* now appears on nearly all our product packaging around the world.

3





Worldwide nutrition intervention

9.1 million

People reached by Nestlé education programmes and initiatives

Support of education programmes

Nestlé runs, sponsors or participates in many community education programmes around the world that help consumers to gain a greater understanding of the importance of nutrition, healthy eating and physical activity. Early nutrition intervention can enhance children’s health and learning capabilities, so much of our focus is on schools. A selection of these programmes is outlined below.

Read more at www.nestle.com/csv/education

Europe: the Nestlé France Fondation d’Entreprise was launched in September 2008 to encourage families in France to adopt eating habits for long-term health and wellbeing. Led by a multi-disciplinary committee, the Fondation will offer grants to support research into the biological, social and human aspects of food, and present “Gold Nest” awards to initiatives in four categories (health; physical activity; pleasure and taste; and education).

Read more at www.fondation.nestle.fr

Asia: in association with *Bear Brand* powdered milk, the “Laki sa Gatas” (Grow up with Milk) campaign in the Philippines involves nutrition education for public school children, mothers and teachers. The campaign, backed by governmental and nutritional agencies, and endorsed by Vilma Santos, a well-known Governor and actress, has reached more than 1 million pupils aged 6–8 from about 2300 schools nationwide, encouraging other Nestlé businesses to replicate the programme with local brands.

Oceania: to help teachers to instill the benefits of a balanced lifestyle in their pupils and empower them to become champions on or off the sporting field, Nestlé has worked with the Australian Institute of Sport (AIS) and the New Zealand Millennium Institute of Sport & Health to develop “Get the AIS into the classroom”, a variety of free resources for children aged 10–13.

Latin America: initiated as an innovative educational tool in one of the poorest areas of Peru, “Crece Bien” (Growing Well) uses both theory and practical exercises to educate school children about nutrition and hygiene, and to foster good eating habits. The programme will contribute to reducing malnutrition among young children and contribute to physical growth and mental development in children aged 3–8. Participating teachers have expressed their enthusiasm for parental involvement, while the local involvement of nutritionists, teachers, psychologists and child development specialists have also been critical to the success of “Crece Bien”.

Latin America: in Brazil, up to 1 180 000 children aged 5–14 have benefited from our “Nutrir” programme, created and developed to prevent malnutrition and obesity in children and adolescents of lower-income families and directly reach their communities. Through 1400 Nestlé volunteers who dedicate 116 000 hours a year to nutritional education, the “Nutrir” programme is supported by three pillars – volunteer work, alliances with universities, and local government – and includes two major projects on job qualifications in gastronomy

“Our students have changed a lot since they tried the ‘Healthy Thai Kids Programme’. They enjoyed the programme, they changed their behaviour and their health is better. They make more nutritious food choices, they get more exercise and they are able to learn more.”



Siriwan Chantanasonon, Assistant Head Teacher, Assumption Convent School, Bangkok, Thailand

Watch the full interview at www.nestle.com/csv/stories

1-3

**Growing well,
going well**

To date, Nestlé's "Crecer Bien" (Growing Well) programme in Peru has enabled 5000 children to learn more about nutrition with their parents and teachers, using a range of puzzles, games and exercises, reaching a total of 25000 people.



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“Nutrir” programme in Brazil

116 000

Hours per year devoted by Nestlé volunteers

and counteracting obesity. The scheme has since been extended to Mexico and Colombia, where a virtual “Nutrir” programme has been established.

Responsible advertising and marketing

Principles concerning appropriate communication with consumers have been part of Nestlé’s Corporate Business Principles since they were first published in 1999. Reviewed and further strengthened three times since, these Principles are required reference points for all marketing staff and advertising agencies. Additionally, Nestlé has developed guidelines for ensuring compliance in all consumer communication, and participates in industry initiatives including a Europe-wide programme to assess compliance with industry-wide Codes of Conduct for Food and Beverages Marketing Communications.

Monitoring is an intrinsic part of the various industry pledges and initiatives. The European Advertising Standards Alliance carried out a monitoring exercise on advertisements for food and non-alcoholic drinks. This was based on the ICC Consolidated Code and framework, as well as national self-regulatory criteria. Nestlé was 100% compliant, as all 84 Nestlé advertisements complied with the relevant codes of conduct. Overall compliance for the food and beverages companies was 96%. In addition, since 2005, the European Advertising Standards Alliance has carried out monitoring of food company advertising.

Read more at www.nestle.com/csv/marketing

Advertising healthier products to children

Understandably, considerable political attention is focused on advertising aimed at children, and the food and beverages industry is making significant progress, by expanding and strengthening its self-regulatory processes around the world, and adopting the International Chamber of Commerce Framework for Responsible Food and Non-Alcoholic Beverage Advertising, most recently updated in October 2006 to cover all forms of marketing communications, including digital media.

Responsible advertising to, and communication with, children has always been part of Nestlé’s wider Consumer Communication Principles, which are aimed at encouraging moderation, healthy eating habits and physical activity without undermining the authority of parents or creating unrealistic expectations of popularity or success. Against a background of rising concern about child obesity, Nestlé strengthened these Principles in July 2007 with two important provisions, to be fully implemented in all countries by the end of 2008:

- no advertising or marketing activity is to be directed at children under 6 years old;
- advertising for children aged 6–12 must be restricted to products that help children to achieve a healthy balanced diet, including clear limits for sugar, salt and fat content.

Pledges and initiatives

Nestlé has, to date, joined five voluntary, independently monitored initiatives on responsible food and

beverages advertising at a national and regional level. As a signatory to the “EU Pledge” and the “Thai Pledge”, as well as Children’s Food and Beverages Advertising Initiatives in Canada, the United States and Australia we participate in industry-wide efforts to support and promote good nutrition and a healthy lifestyle. Nestlé USA joined the “US Pledge” in July 2008, and the pledges in Europe, Thailand and Australia went live in January 2009.

Read more at www.nestle.com/csv/pledges

Improving nutrition knowledge in the workplace

Involved in the World Economic Forum’s “Working Towards Wellness” initiative (part of the WHO’s Global Strategy for Diet, Physical Activity and Health), one of Nestlé’s key operating principles is to take care of our own people. Employee health is the key to a healthy bottom line, but the emerging epidemic of non-communicable diseases such as cardiovascular disease, diabetes and obesity, largely a consequence of poor diet, declining physical activity and tobacco use, impairs productivity and creates associated costs. The workplace can be an effective location for prevention strategies because of the number of people and the amount of time involved. There are no quick fixes and people must take responsibility for their own behaviour, but with the right tools and incentives, employers can have a positive influence.

Workplace wellness programmes

Nestlé has incorporated wellness into the workplace for several decades, enabling our 283 000 employees to become more effective ambassadors for our Company. We make nutritious food and beverages available in our staff restaurants, work to improve employee nutrition knowledge through training, conferences and cooking demonstrations, and encourage them to be physically active.

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Top of the class

Working with the Australian Institute of Sport, Nestlé has developed classroom resources to encourage children to fulfill their potential, both academically and in sport.

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A picture of health

By training nutritionists, cooks and teachers in schools, and providing educational materials for the classroom, Nestlé Brazil's "Nutrir" food education programme helps to prevent both malnutrition and obesity in children.



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Nutrition training for employees

79353

Employees trained in first 18 months of NQ nutrition training programme

More than 40 locations run workplace wellness programmes, including the “Wellness4Me” programme at our Vevey HQ in Switzerland. This supports:

- **Active lifestyles:** a growing number of free and subsidised sports and leisure clubs are available, and a new WellNes Centre, providing a focal point for Company nutrition and wellness, has been completed;
- **Healthy eating:** all options in the staff restaurant are calorie counted, and low-calorie and nutrient-balanced options are provided. One-third of staff who use the restaurant eat from the “Plaisir de l’équilibre” healthy options menu (fewer than 500 kcal), and 450 000 pieces of fruit and 1.4 million bottles of water are provided free each year;
- **Preventive medicine:** employees benefit from flu vaccinations, travel health advice, weight management programmes and a smoking cessation scheme. The “Corps à Cœur” (Body to Heart) initiative, running since 1993, has seen 1000 staff tested every three years for cholesterol, glycaemia and body mass index (BMI), and show the health of Nestlé employees improving over time.

Employee nutrition training

Nutrition is everyone’s business in Nestlé, and building a continuous learning culture is a key part of being a Nutrition, Health and Wellness company. To support this objective, we introduced a nutrition training programme for employees in 2007, and rolled it out globally in 2008.

The global “Nutritional Quotient” (NQ) programme is designed to widen employee knowledge and give them the confidence to apply it in both their professional and personal lives. The NQ toolkit comprises manuals and presentations for trainers, and learning materials for trainees; these include practical exercises, interactive modules on CD-ROM and video, and an online quiz to measure pre- and post-session knowledge. The toolkit also comprises awareness-raising materials that are adapted to local languages, cultures and health priorities.

NQ training (July 2007–December 2008)

Europe and Russia	28%
North and South America	43%
Asia, Africa and Oceania	24%
Headquarters and Nestlé Research facilities	5%

Figures represent percentage of total NQ trainees by geographical location

Despite the constraints of time and inevitable variations in individual interest, almost 80 000 employees undertook NQ training in its first 18 months. Although improvements in nutrition knowledge are calculated from score gains between pre- and post-training quizzes, the tangible application of this improved knowledge in the lives of employees has yet to be measured. However, anecdotal feedback suggests the content and format of NQ are practical and applicable.

Read more at www.nestle.com/csv/NQ

Key challenge

Measuring programme effectiveness

Although the number of employees vaccinated against flu, and sickness

absence and staff turnover rates give some indication, formal evaluation of company-wide programmes is largely difficult to obtain, and in some countries, data is often not obtained because of cost restraints or patient privacy. The importance of confidentiality and discretion makes evaluation complex, and different territories have varying attitudes towards privacy, although we have a general understanding that individual results are not tracked or isolated. As a consequence, effectively gauging the effectiveness of our workplace wellness programmes – those targeting specific diseases and broader behavioural approaches focused on lifestyle choices – is a challenge that requires more research to resolve.

Watch a film showing the NQ programme in Nestlé Japan at www.nestle.com/csv/stories

Engagement with the scientific and healthcare communities

For more than 60 years, Nestlé Nutrition has contributed to the continuing nutrition education of the scientific and medical professions, with 3600 medical delegates providing doctors, nurses and dietitians with relevant material, products and services to help their patients.

The focus for this information sharing, education and training activity is the Nestlé Nutrition Institute (NNI), a multidisciplinary communication network that fosters “Science for Better Nutrition”. The NNI provides healthcare professionals with the latest nutritional information and tools, and supports research in the fields of paediatric, clinical and performance nutrition.

The NNI is also the world’s largest publisher of nutritional information; its 3000 publications include *Annales Nestlé* and *The Nest* for paediatric healthcare professionals, and *Clinical Nutrition Highlights*, a scientific journal for clinical nutritionists. A range of other material is available in print, on

CD or on DVD, while the NNI website provides access to an online medical and scientific library, educational tools, workshops and information on forthcoming events. The site has over 40 000 registered members, who can access increasingly customised information through blogs, chatrooms, members' newsletters and VIP areas.

 **Read more at**
www.nestlenutrition-institute.org

Over the last 25 years, the NNI has held more than 100 global workshops and symposia, bringing together the world's leading scientists and clinicians, and granted more than 500 postgraduate scholarships to young paediatricians, paramedics and scientists training for careers in infant and maternal health and nutrition, or a clinical specialisation, at carefully selected partner institutions.

Since 2005, the NNI has grown into a global network of more than 20 regional hubs with its own medical and scientific advisers. In addition, the NNI has built a rich network of more than 500 key opinion leaders who serve on the Institute's diverse advisory boards.

Engagement with the public health and policy community

Concerns about rising levels of non-communicable disease are impelling governments and other authorities to consider preventive and remedial action plans to reduce obesity, improve diet and encourage physical activity. These include recommendations to the private sector from the World Health Organization and the European Commission (see below), and various national government platforms (page 58).

International organisations

Nestlé, as a member of the CIAA – the European Food Industry Federation – was an early supporter of the World Health Organization's Global Strategy on Diet, Physical Activity and Health. Nestlé Chairman

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Feeding the mind

NQ training gives all employees the opportunity to learn about nutrition in an engaging way, from e-learning modules to face-to-face sessions, like those held in Nestlé's Rorschach factory in Switzerland.

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Food focus

The WellNes Centre in Vevey, Switzerland, which opened in January 2009, provides a new focal point for Company Nutrition, Health and Wellness.



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Over 500

Postgraduate scholarships granted in last 25 years

Peter Brabeck-Letmathe participated in the first WHO CEO round table on the subject, and Nestlé has been an active participant in the WHO-Industry Working Group and in furthering progress. In May 2008, CEO Paul Bulcke and senior executives from seven other international food and beverages companies made a global commitment to the WHO's Director General, outlining action in five key areas: product composition and availability; nutrition information to consumers; marketing and advertising to children; promotion of physical activity and healthy lifestyles; and partnerships. This is a basis for further progress in implementing the WHO's Global Strategy.

Over half the adult population in most EU Member States is overweight, as are an estimated 22 million children. The economic cost of obesity-related illness is also severe – estimated by the WHO to account for between 2% and 8% of the EU's healthcare costs, depending on the country.

Because there is no one cause, there are no simple solutions, which is why the European Commission Platform for Diet, Physical Activity and Health was established in May 2005. The EU Platform brings together the agricultural sector, food manufacturers, retailers, caterers, advertisers, NGOs, healthcare professionals and public authorities, to coordinate the fight against obesity and its associated health challenges at a European level. The considerable range of activities associated with the Platform include food labelling, advertising and marketing, reformulating products, modifying portion sizes and promoting healthy lifestyles.

Nestlé is a member of one of the EU Platform's founding participants, the CIAA (European Confederation of the Food and Drinks Industry), and a corporate member of AIM, the "Association des Industries des Marques" (European Brands Association), which represents 1800 branded consumer goods manufacturers in 22 countries. Through AIM, we hope to improve the health of European citizens by providing balanced food choices and encouraging healthier lifestyles.

Read more at <http://ec.europa.eu>

Following months of proactive contributions to the growing momentum within the industry, in April 2008, Nestlé became one of 54 founding signatories of the AIM Charter on Brands for Health and Wellbeing. Leveraging consumer trust in our brands to promote health and wellness, initiatives cover innovations and product development, consumer advice, education and training.

Read more at www.ciaa.be and www.aim.be

National nutrition platforms

The importance of diet and nutrition in combating non-communicable diseases and the prevalence of obesity has seen an increased political response at a national level. Nestlé supports a number of comprehensive nutrition platforms and plans, examples of which are outlined below.

Malaysia: the National Plan of Action for Nutrition of Malaysia II (NPANM II) is a 10-year framework, running until 2015, for integrating nutrition-related

activities across the country. Its objective is enhancing the nutritional wellbeing of Malaysians and addressing the rising incidence of diet-related, non-communicable diseases such as obesity and diabetes. Nestlé has supported NPANM II initiatives by fortifying relevant products with commonly deficient nutrients, reducing health-sensitive nutrients, providing educational materials to improve consumer awareness, and training employees and students.

Read more at www.nestle.com/csv/malaysia

Singapore: as part of its efforts to improve public health in South-East Asia, Nestlé Singapore's strategic partnership with the Singapore Heart Foundation involves supporting the "Love Your Heart" campaign, while the *Omega Plus* range is endorsed as the preferred milk for heart and bone health with the Foundation's logo. Nestlé also works with the Health Promotion Board (HPB) to promote "Healthy Eating, Healthy Living" through products qualifying for its Healthier Choice Symbol, a partnership to promote healthy eating in NTUC FairPrice grocery stores and a range of talks, cooking demonstrations and product promotions.

Read more at www.nestle.com/csv/singapore

Brazil: the Brazilian Government has run the "Programma Nacional de Alimentação Escolar" (National Feeding Programme at Public Schools) for over 50 years, with 34.5 million children benefiting from school meals in 2008. Nestlé Brazil's "Nutrir" food education programme, designed to prevent both malnutrition and obesity among children of low-income families, supports the scheme by training nutritionists, teachers and cooks in schools, and providing educational materials for the classroom.

Read more at www.nestle.com/csv/nutrir

“In 2008, we wanted to reach out to a larger segment of the community; we wanted to do more activities that would be beneficial to the people. We reached out to the corporate sector for support and were pleased that Nestlé Malaysia came to support us in a big way, helping to make Nutrition Month Malaysia 2008 a great success.”



Dr Tee E. Siong,
President, Nutrition Society
of Malaysia

📺 Watch the full interview at
www.nestle.com/csv/stories

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Common goals

According to Mr Lam of the Health Promotion Board in Singapore, “Our collaboration with Nestlé is a long-term partnership, and its support in offering healthier choices to consumers is very much in line with our mission to promote healthy eating in Singapore.”

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Young and active

Milo, one of a number of Nestlé products to carry the Healthier Choice symbol, is “the sports drink of future champions” in Singapore and many other countries.



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- 14 Science-based solutions to nutrition needs
- 22 Improving the quality of food and diets
- 30 Obesity prevention and weight management
- 38 Meeting the nutrition requirements of groups with specific needs
- 48 Improving nutrition awareness, knowledge and understanding
- 60 **Improving nutrition in developing countries**

Affordable and accessible

A consumer in Kuala Lumpur, Malaysia, buys *Nespray Cergas*, a Popularly Positioned Product fortified with iron, calcium and vitamins. See page 62.

Improving nutrition in developing countries

Nutrition need →

Access to affordable, nutritious food, especially in the world's emerging economies.

Nestlé's response →

Initiatives to make nutritious food affordable and available to lower-income consumers around the world, support for sustainable agriculture and rural development programmes through the provision of technical assistance, training and micro-finance loans, and the funding of research into improving the nutrition of the world's poorest populations through the Nestlé Foundation.

Creating Shared Value

Lower-income consumers can afford nutritious food and beverages products. Trained and motivated farmers are empowered to increase their yields, which affect their income, and their communities are strengthened by employment opportunities and economic development. Nestlé benefits by securing access to high-quality raw materials, nurturing closer community relationships, attracting new consumers to its brands and enhancing its growth and profitability, generating appropriate financial returns for all shareholders.





Making good nutrition affordable

300

PPP initiatives worldwide

Meeting the nutrition needs of lower-income groups

Popularly Positioned Products

To bring increasingly more nutritious products to within the reach of lower-income groups, our Popularly Positioned Products (PPPs) initiative has been greatly expanded. The key to achieving this is the application of new food and nutrition technology, as well as new distribution models, to deliver safe products that provide nutritional value at reduced cost.

To get our products to where consumers live, our Direct Store Delivery initiative in various countries in Asia and Latin America distributes PPPs directly to small retailers, with local agents using vans and motorbikes to reach rural locations. In other countries, we increase market penetration and product availability through local distributors, who sell to small, local “mom and pop” stores or directly to consumers in street markets and community centres, and at other “social” events. Sometimes supported by micro-loans, these local channels include 1700 mobile *Nescafé* “bars” in Thailand, 3000 vending coffee carts in West Africa and 6000 door-to-door distributors in Brazil.

In 2008, the number of countries participating in the tracking of their PPP performance increased from 37 to 70, executing over 300 different initiatives and generating an organic growth of 27%.

Worldwide PPP sales, 2008

	CHF million
Europe	782
Americas	1910
Asia, Oceania and Africa	2707

Definitions for PPP sales were aligned across our three zones in 2008. For a full explanation see www.nestle.com/csv/inaction/ppp

Creating Shared Value in society

The value created by our PPPs extends beyond access to affordable nutritious products to other aspects of society. By using local manufacturing and distribution networks, we can create direct and indirect employment opportunities for factory workers, agents, brokers, suppliers and distributors, which boosts local economic development and skills through training. Local sourcing also provides suppliers with regular income from a reliable market and free technical advice via networks such as Nestlé milk districts (see page 64).

Improving nutrition through PPPs

With a large proportion of the world’s emerging consumers suffering the consequences of deficiencies in key micronutrients such as iron, zinc, iodine and vitamin A (see page 24), adding low-cost micronutrients to our PPP products can help to address the most prevalent deficiencies at affordable prices.

In particular, those on lower incomes can not afford to augment dietary staples such as cereals with more micronutrient-rich meat, fish, poultry and eggs, but milk – naturally rich in calcium and a good carrier of micronutrient fortification – is a viable, long-term way to deliver nutrients to large segments of the population. Nestlé has therefore invested CHF 30 million a year on research into shelf-stable, milk-based products, focused through the Nestlé Research Center and our Product Technology Centre in Konolfingen, Switzerland.

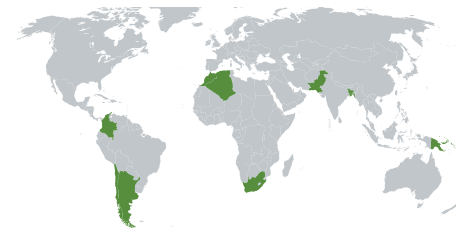
Nido: PPP fortification in action

One particular range, the milk products variously branded as *Nido*, *Ninho*, *Nespray*, *Klim*, *Bear Brand* and *Ideal*, has been developed to contain the necessary energy, protein and micronutrients for growing children, making them aspirational products for many consumers. But to bring them within reach of lower-income groups without compromising their nutritional quality, Nestlé is making these milks available in affordable formats to local populations in emerging markets. These products are also fortified with iron, zinc, vitamin A and other micronutrients, as appropriate for the target population and according to deficiencies most prevalent in each location.

At the end of 2006, the affordable milk range was present in 10 markets; the latest estimates suggest that within three years, these fortified products will reach 11 million people in 50 countries around the world, and new markets have already been identified.

In Mexico, a third of children suffer from anaemia, and many children under 5 do not get enough zinc in their diet. Just through the lower-income sector of the market, *Nido* has the potential to reach over 6 million of the country’s 14.3 million children aged between 1 and 6. We estimate that by 2010, more than 700 000 consumers will have bought *Nido Rindes Diario*, fortified with iron, zinc and vitamin A.

Nestlé affordable fortified milks launches in 2009



<i>Nido</i>	Argentina, Bangladesh, Chile, Morocco, Pakistan, South Africa
<i>Nespray</i>	Singapore
<i>Klim</i>	Colombia
<i>Gloria</i>	Algeria
<i>Sunshine</i>	Pacific Islands

1

Boosting economic development

PPPs often provide job opportunities for local people as factory workers, agents and distributors. Here, quality checkers at a factory in Malaysia test *Nespray Cergas*, a fortified milk product.



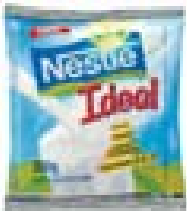
2

An ideal solution

Thousands of "Até Você" distributors in Brazil deliver *Ideal* fortified milk door to door, increasing market penetration and generating income.



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More in store

A shop owner in Malaysia proudly shows the *Maggi* PPP products she sells.





Capacity building

30 million

Value of microfinance loans to farmers facilitated by Nestlé, in CHF

Similarly, iron-deficiency anaemia is present in many areas of Brazil, and is also a major public health problem in Indonesia, affecting 8 million children (40%) under 5. In both countries, iron-enriched *Ideal* has been available since 2005, since when it has reached 1.8 million consumers in Brazil and a further 400 000 in Indonesia.

Other fortified milk products include *Nespray* (Malaysia and Sri Lanka), *Klim* (the Caribbean), *Nido Esencial* (Central America) and *Nido Essentia* (Central and West Africa). In addition, *Bear Brand* in the Philippines has been fortified to address iron, calcium and vitamin A deficiencies in children since 1978. The Maghreb region of North Africa, spanning Morocco, Algeria, Tunisia and Mauritania, where iron, vitamin A and iodine deficiencies occur in varying degrees, will also soon benefit from affordable, fortified milk products.

📄 **Learn how Nestlé is responding to micronutrient malnutrition in developing countries by making its *Nido* fortified milk products available in affordable formats at www.nestle.com/csv/stories**

Rural development

Nestlé's involvement with farmers and rural factories has an important impact on the incomes, and therefore nutritional status, of large numbers of people in rural areas.

The company's commitment to working directly with farmers in rural development is central to its business strategy, to ensure a stable, high-quality and safe supply of agricultural raw materials. This is particularly true for our two major ingredients of milk and coffee, but also in other important crops. Our 771 agronomists and 7784 extension workers draw on eight decades of experience to provide

594 223 farmers around the world with free technical assistance and advice, and CHF 30 million of microfinance loans. By adapting our systematic approach to suit developing countries around the world, it contributes to poverty reduction and improved nutrition on a large scale, and creates significant, long-term business success.

Our agricultural supply chain

Approximately two-thirds of the raw materials we buy each year, comes from farmers and processors in emerging markets. In 2008 the total raw material expenditure amounted to CHF 22.5 billion, and represented an increase of CHF 1.6 billion over 2007.

With short supply chains based on local sourcing, manufacture and consumption, we are able to secure high-quality raw materials, reduce distribution costs and produce reasonably priced products that contribute to improved nutrition. Nearly all Nestlé production facilities are located close to agricultural suppliers in rural areas, about half of them in the developing world. These factories are catalysts for rural development, with about 2.4 million people earning their livelihoods from our supply chain.

To reinforce our own high social and environmental standards, we have launched a new Supplier Code. This applies to all suppliers, and 120 000 of Nestlé's 165 000 suppliers have received the Code to date and acknowledged it by fulfilling purchase orders or contracts that refer to the Supplier Code. Compliance is managed through supplier self-assessment and third-party audits.

📄 **Read our Supplier Code at www.nestle.com/suppliers**

The Nestlé Milk District model

Ever since its foundation in 1866 as a small company producing powdered milk and cereal products for infants, milk has been at the core of Nestlé's business and, as shown above, it remains by far the most important agricultural commodity for our business. Today, milk makes up 11% of Nestlé's food and beverage business.

To ensure a stable, high-quality supply, as well as helping to combat poverty and improve nutrition, Nestlé has adapted the Swiss Milk District System, developed in the 19th century, to dairy farming in developing countries around the world.

The milk district model involves:

- establishing district-level milk collection centres with payment systems, quality and safety control methods, electronic weighing equipment and cooling tanks;
- giving farmers free technical and animal husbandry advice and training to improve the quality and quantity of their milk;
- improvements to food quality and safety standards;
- offering veterinary services, from medical treatment to artificial insemination;
- creating transportation and infrastructure networks;
- paying farmers promptly in cash;
- providing approximately CHF 30 million of microfinance loans, where needed, to farmers each year.

The result has been a radical improvement in the income of small dairy farmers, who generated 5 million tonnes of locally sourced milk through milk districts in 2007.

Milk districts around the world

Nestlé's experience in setting up collection points, training farmers and introducing better technology has been replicated in 29 countries to date (Zone Europe: France, Germany, Switzerland, Spain, United Kingdom; Zone Americas: Brazil, Canada, Chile, Colombia, Ecuador,

1, 2

Supplier partnerships

By supporting coffee farmers in Costa Rica, Vietnam and other growing regions, we can help to ensure a secure supply for our premium-quality *Nespresso* AAA and other coffee brands.

3

Assistance and advice

Agronomist Mélanie Bayo teaches sustainable cocoa production techniques and other agricultural best practices at a demonstration farm in Côte d'Ivoire.



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Supporting sustainable agriculture

32

Markets covered by Sustainable Agriculture Initiative Nestlé programmes

Jamaica, Mexico, Nicaragua, Panama, Peru, Trinidad, United States of America, Venezuela; Zone Asia, Oceania and Africa: Australia, China, Egypt, India, Indonesia, Morocco, Pakistan, South Africa, Sri Lanka, Uzbekistan, Zimbabwe), most recently in Erguna, Inner Mongolia, China. In each case, as Nestlé has prospered, so has the community.

Milk districts in action

India: Nestlé's milk-processing factory in Moga, northern India, opened in 1959, since when the supplier base has grown from 4600 farmers providing 2000 tonnes of milk, to 100 000 farmers in 2600 villages producing over 300 000 tonnes. Field camps run by Nestlé Agricultural Services encourage interaction among farmers, and to share the latest technical information, an annual milk yield competition forms part of the Nestlé-organised Farmers' Open Day and the Village Women Development Programme has give training to 30 000 women dairy farmers. The Moga factory has also initiated other community-based projects such as constructing drinking water facilities in 85 village schools, benefiting over 33 000 students, tree-planting schemes and funding for a tuberculosis clinic.

Today, Moga has a significantly higher standard of living than other regions in the vicinity, and the increased purchasing power of local farmers has also greatly expanded the market for Nestlé's products, further supporting our economic success.

Indonesia: Nestlé's first factory, in Waru, East Java, took its first delivery from milk cooperatives in May 1975. Today, Nestlé Indonesia sources 480 tonnes of fresh milk every day (141 million tonnes a year) from 27 cooperatives.

Pakistan: Nestlé invests more than USD 180 million a year in milk procurement in Pakistan, and USD 3 million on milk-sourcing operations, agricultural and technical support, and training for farmers. Through milk delivery points in 2000 villages, more than 135 000 dairy farmers supply close to half a million tonnes of milk a year to Nestlé's two factories, including Nestlé's biggest milk intake plant in Kabirwala. A partnership with the United Nations Development Programme has also trained 4000 female livestock workers.

China: nearly 24 000 farmers in Heilongjiang, north-east China, deliver their fresh milk to 78 milk collection centres, and Nestlé injects nearly USD 200 million a year into the local economy through milk payments, taxes, services and salaries.

Colombia: Nestlé is the third largest buyer of milk in Colombia, where two milk districts produce 226 000 tonnes a year. We pay around USD 5 million a month to 4000 local dairy farmers, and a further 10 000 people in the region work in the milk supply chain as milkers, rural workers, transporters and traders.

Read about specific projects at www.nestle.com/csv/stories

Multi-stakeholder programmes

Although we have direct contact with almost 600 000 farmers, we recognise that we do not have all the answers. Therefore, we try to increase our impact by working with other major players in rural development, as illustrated below.

Nestlé, along with Danone and Unilever, co-founded the Sustainable Agriculture Initiative (SAI) Platform in 2002. Its 26 members aim to encourage good agricultural practices and implement sustainability principles into mainstream agriculture in more than 30 countries through six working groups (cereals, coffee, dairy, fruit, potatoes and vegetables, and water and agriculture).

Read more at www.saiplatform.org

We also contribute to public-private partnerships such as the joint programme between the United Nations Development Programme (UNDP) and Nestlé Pakistan, which is training 4000 women agricultural advisers. They provide technical assistance and advice about animal health, breeding and fodder production to female dairy farmers in rural Pakistan, helping them to raise the quality and value of the milk they supply, which in turn boosts the local economy.

Such close cooperation with farmers brings opportunities for differentiation at a product level too, such as the premium-quality ingredients needed for *Nespresso* AAA coffee and speciality ingredients like the Ecuadorian cocoa and ginger in *Mövenpick Classic* ice-cream. They can also add weight to cause-related marketing campaigns, like *Häagen-Dazs'* support for research into the decline of the honey bee. For more information, please see the accompanying *Management Report*.

Nestlé is also a founder member of the Common Code for the Coffee Community (4C) Association, which works for more sustainability in the coffee sector.

Toxin reduction in grains and legumes

Given their importance to our business, we have launched a three-year project to reduce mycotoxin contamination levels in cereal grains and legumes (beans, peas, etc.) in Côte d'Ivoire, Ghana and Nigeria, where about 59% of cereals are contaminated. A 60% improvement is hoped for, to be achieved by accurate data gathering; toxin-reduction strategies, developed in co-operation with national extension partners; greater dialogue among stakeholders through electronic media and a newsletter; and management and capacity-building training.

The main beneficiaries will be 3000 rural farmers, who will receive training as well as a higher price for contaminant-free materials. Food companies, retailers and wholesalers will also become more aware of the health implications of mycotoxin-contaminated produce, while the estimated 150 million people in the three countries currently exposed to aflatoxin (a naturally occurring mycotoxin) will have access to a healthier diet. The scheme will also be rolled out to Zimbabwe, Kenya and other countries with known mycotoxin problems. Nestlé will gain access to better quality grains and legumes, particularly important for its fast-growing breakfast cereals business in the region, where affordable brands like *Golden Morn* (Nigeria), *Cerelac* (Côte d'Ivoire) and *Cerevita* (Ghana) are in strong demand.

📖 Read more at www.nestle.com/csv/agriculture

📺 Watch a short film about the Nestlé-sponsored project helping to improve milk production in rural Pakistan at www.nestle.com/csv/stories

📺 See how our milk district model has supported the development of farmers at the Erguna factory in Inner Mongolia, China at www.nestle.com/csv/stories

1

A grassroots operation

The native "brachiaria" grass in Colombia ensures cows in our Caquetá milk district continue to provide a reliable supply of high-quality milk.

2, 3

A direct relationship

Local dairy farmers bring their milk to district collection centres in Moga, India, and Erguna, Inner Mongolia, China, where it is tested, weighed and stored.



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Creation of knowledge in nutrition research and health promotion

The Nestlé Foundation for the Study of Problems of Nutrition in the World

The Nestlé Foundation for the Study of Problems of Nutrition in the World was established in 1966 to mark Nestlé's centenary. The Foundation, which is based in Lausanne, Switzerland, is financially and operationally independent of the Nestlé Company, but has in its own way been Creating Shared Value in nutrition research for more than 40 years.

Focused and targeted capacity building in the area of nutrition and medicine leads to changes in lifestyle and behaviour, and, in turn, to better health and wellbeing, even without a change in income. The Foundation's main aim is to initiate and support research in human nutrition with high public health relevance in low-income countries.

Presently, the Foundation focuses on four major fields of research:

- maternal and child nutrition, including breastfeeding and complementary feeding;
- macro- and micronutrient deficiencies and imbalances;
- the interaction between infection and nutrition;
- nutrition education and health promotion.

Other areas of human research are also considered, as long as they address problems of malnutrition in the developing world.

Activities of the Foundation take place in more than 30 low-income countries in Asia, Africa and also Latin America. At present, research projects are underway all over the

world, from A to Z. Sometimes, this is in a quite literal sense, for example in relation to micronutrients. In this context, only a food-based approach in combination with hygienic and medical improvements can solve the problems of malnutrition in a sustainable manner.

The Foundation prefers a food-based approach to solving the problems of malnutrition using locally produced food: a project in Uganda is addressing the usefulness of amaranth on the nutritional status of school children, while another in Indonesia is searching for the ideal local food to achieve a maximal intake of vitamin C to improve iron bioavailability. A further study in China is attempting to clarify the requirements of iodine during pregnancy, a so far neglected topic.

The power of knowledge: the enLINK initiative

Creating Shared Value starts with knowledge sharing, and capacity building without access to information is inconceivable. Accordingly, the Foundation supports postgraduate nutrition courses in Senegal and Benin.

In 2003, the Foundation launched the enLINK initiative for boosting knowledge transfer to low income countries. The internet-based enLINK digital library (www.enlink.org) offers free full text access to the newest scientific journals and textbooks of nutrition and medicine for individuals at universities in low-income countries. Providing a "three-dimensional" complement to the digital library, the orange enLINK mobile library trunk is the only one of its kind in the world. The enLINK trunk contains more than 30 000 pages of key nutrition information in the form of the latest edition of nutrition and medical textbooks, brochures and guidelines. The trunk is available in large and small versions – both containing ready-to-use knowledge. In many of the places where they are used, the enLINK digital library and trunk are often the only source of reliable up-to-date nutrition information

available. By the end of 2008, the trunk was already in use in more than 10 low-income countries. Creating Shared Value indeed starts with knowledge sharing.

Read more about The Nestlé Foundation for the Study of Problems of Nutrition in the World at www.nestlefoundation.org and www.enlink.org

"I farm maize, groundnut and soya beans, and I know the good practices I have been taught will help me to get more yield. If I can sort the good maize from the bad, I will be able to consume it with my family; it will give me a healthy life and also a good price at the market."



Morou Mohammed,
Farmer near Tamale,
northern Ghana

📺 Watch the full interview at
www.nestle.com/csv/stories

1-3

Cream of the crop

Maize harvested in Tamale, northern Ghana, is used in locally produced breakfast cereals as well as consumed by the farmers' own families. Farmers learn how to improve the quality of their crop from agronomists such as Klutse Kudomor, who works for Nestlé Central & West Africa (picture 3, second from left).



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Future direction and challenges

Nestlé's basic strategy

Nestlé's strategy of Nutrition, Health and Wellness is now well established, and the progressive expansion in implementing this strategy is based on our assessment that nutritional awareness and the desire for improved health and wellness will increasingly drive consumer choice. Our overall framework continues to be our Nestlé Corporate Business Principles, which continue to evolve and adapt to a changing world, and our Code of Business Conduct.

Continued expansion in science-based solutions

With the world's largest private nutrition and food research capability, expansions in countries such as China, and a strong link between research and product solutions, Nestlé will continue to create new nutritional value and health benefits across its product range. This is aided by our open research structure and relationship with approximately 300 scientific institutions around the world. The 60/40+ methodology described earlier in this report is an important tool in accomplishing this, and its application will continue to expand.

Promoting consumer interest – Nutrition, Health and Wellness

We can expect Nestlé to also expand its service offerings to consumers, to offer information and advice in innovative ways that help consumers have more nutritious diets which lead to higher levels of health and wellness. We aspire not only to follow increased consumer demand for quality diets, but also, where possible, to help drive consumer interest in the direction of Nutrition, Health and Wellness.

Base of the pyramid strategy

Nestlé has also embarked on its "base of the income pyramid" strategy, through Popularly Positioned Products, which we will continue to expand, to offer an increasing array of products with higher nutritional value at lower prices than similar products on the market. This strategy has only begun to tap this very large market, and creating value for shareholders through creating nutritional value for lower-income populations still has much unrealised potential.

Concern for the future: water and food security

Over the last 140 years, Nestlé has not only survived regional and world armed conflicts, severe economic depressions

and environmental catastrophes, but adapted successfully to the changing external environment. In doing so, it has become the world's foremost Nutrition, Health and Wellness company. In the same way, Nestlé must meet the coming global challenges that affect food and nutrition.

There have been dramatic improvements in reduction of malnutrition over the last 40 years, largely due to the green revolution and economic development, reducing poverty and increasing food purchasing power.

However, Nestlé as a company is concerned that we have recently witnessed a period of increased food prices. We are also seriously concerned about the potential for this "food crisis" to become a longer-term global crisis in water and food in the coming years and decades. If this is allowed to happen, it would have serious consequences both for society, especially in the developing world, and for our business.

We face a serious challenge in water scarcity, which is already evident in various parts of the world, and which, if not successfully dealt with, will result in chronic food shortages, and dramatic nutritional insecurity. This is the result of climactic change, poor management of water and increased demand for food resulting from population increase and economic development.

The issues of food and nutrition security are key topics for Nestlé, and will require the collaboration of all stakeholders.

While Nestlé is optimistic about the future, we also intend to work with other major stakeholders towards changes in policy and action that will prevent such crises from occurring. We stand ready to work with others who share our concerns.

Independent assurance: Preliminary findings statement

Introduction

Bureau Veritas UK has been engaged to provide external assurance to the stakeholders of Nestlé S.A. (Nestlé), over its *Creating Shared Value Report 2008: Nutritional Needs and Quality Diets* (the Nutrition Report). The preparation of the Nutrition Report is the sole responsibility of Nestlé. Our overall aim is to provide reasonable assurance to stakeholders over the accuracy and reliability of the information included in the Nutrition Report.

Scope and methodology

The scope of the assurance included:

1. a review of related activities undertaken by Nestlé over the reporting period January 2008 to December 2008;
2. a limited review of information from external partners relating to materiality assessment and stakeholder convenings;
3. a review of information relating to Nestlé's issues, responses, performance data, case studies and underlying systems to manage such information and data; and
4. a pilot assessment of the implementation of Creating Shared Value (CSV) related policies and processes at the market level.

As part of the scope outlined above, Bureau Veritas undertook the following:

- interviews with key management at Nestlé's head office;
- review of processes for identification and collation of relevant information, report content and performance data from group operations globally;
- verification of performance data and factual information within the Nutrition Report;
- a visit to Nestlé South Africa to review the understanding and implementation of market level programmes and related processes.

Preliminary findings

Based on our review, it is our opinion that the Nutrition Report:

- includes information that is reliable, understandable and clearly presented;
- provides a reasonable account of relevant activities and performance over the reporting period;
- demonstrates material reporting in that the issues reported upon are perceived to be of the most urgent relating to diet;
- demonstrates an improvement on previous reporting by the inclusion in the text of the issues and challenges that Nestlé faces. Additional information is provided that allows readers to better understand responses by Nestlé to such issues;
- is inclusive towards the scientific/public health community as the Nutrition Report's audience of main interest, and to whom Nestlé's response is clear and comprehensive.

Pilot assessment of policy implementation in Nestlé markets

A pilot assessment of policy implementation in Nestlé markets indicates that the positioning of Nestlé as a Nutrition, Health and Wellness company is well understood and that key programmes and policies reported upon in this report such as 60/40+, Nutrition Foundation (NF) and Popularly Positioned Products (PPPs) are being implemented within the market in line with guidance provided from the head office.

Assurance findings are reported in the full assurance statement on www.nestle.com/csv.

Key areas for improvement are reported in the full assurance statement on www.nestle.com/csv.

Considerations and limitations

Excluded from the scope of our work is information relating to:

- activities outside the defined reporting period;
- statements of commitment to, or intention to, undertake action in the future;
- statements of opinion, belief and/or aspiration.

Our assurance does not extend to the information hyperlinked from the Nutrition Report.

Our review was carried out to provide reasonable, rather than absolute assurance and we believe the scope above provides a reasonable basis for our conclusions.

This independent statement of preliminary findings should not be relied upon to detect all errors, omissions or misstatements.

Detailed considerations and limitations are included in the full statement on www.nestle.com/csv.

Our statement of independence, impartiality and competence can be found in the full assurance statement on www.nestle.com/csv.

*Bureau Veritas UK Ltd.,
London, February 2009*



Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in quality, health, safety, social and environmental management advice and compliance with almost 180 years history in providing independent assurance services and an annual turnover in 2007 of EUR 2.1 billion.

Bureau Veritas has implemented a code of ethics across its business which is intended to ensure that all our staff maintains high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest. We believe our assurance assignment does not raise any conflicts of interest.

Competence: our assurance team completing the work for Nestlé S.A. has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information, systems and processes, and with over 20 years combined experience in this field an excellent understanding of good practice in corporate responsibility reporting and assurance.

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