

Nestlé in the UK & Ireland Creating Shared Value 2010



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Introduction

Nestlé worldwide

Nestlé is the world's leading Nutrition, Health and Wellness company. We employ around 280,000 people and have 449 factories, almost half of them in developing countries.

As one of the world's top 50 companies, we believe that sustainable development is fundamental to our long-term success and that our actions must be environmentally sound. Guided by our Corporate Business Principles¹, we are committed to acting responsibly, complying with national regulations and international conventions relevant to our business.

We believe that to enhance and protect our business, we must go beyond compliance and sustainability and create new and greater value for our people, our shareholders and society as a whole. We call this Creating Shared Value, and place particular focus on three key areas that are core to our business strategy and operations:

- *Water*: because the ongoing quality and availability of it is critical to life, to the production of food and to our operations
- *Rural development*: because the overall wellbeing of farmers, rural communities, workers, small businesses and suppliers is intrinsic to our ability to continue to do business in the future
- *Nutrition*: because food and nutrition are the basis of health and of our business.

Further information and case studies on Creating Shared Value are available online at www.nestle.com/csv.

Nestlé in the UK and Ireland – leaders in sustainable manufacturing

Nestlé has around 7,000 employees across 20 sites in the UK and Ireland. We are also one of the UK food industry's major exporters, delivering in excess of £266 million worth of products each year to over 32 countries. We manufacture a wide range of brands in the UK, including many household favourites such as *Nescafé*, *Kit Kat*, *Carnation*, *Shredded Wheat*, *Buxton* and *Bakers Dog Food*. Our York site is one of the world's largest confectionery manufacturing plants and makes over a billion *Kit Kats* and 183 million *Aero* bars each year.

We recognise that manufacturing and other areas of our business have an impact on the environment and the people who source, produce and consume our products. This 2010 report is a short summary of what Creating Shared Value means for Nestlé in the UK and Ireland and focuses on the following areas:

Nutrition

- Nutrition, Health and Wellness

Water and environmental sustainability

- Energy and emissions, water, waste
- Transport and distribution
- Packaging

Rural development

- Sourcing

People and community

- Our people
- Community

¹ <http://www.nestle.com/AllAbout/Governance/BusinessPrinciples/BusinessPrinciples.htm>

Creating Shared Value is underpinned by our commitment to sustainable development and compliance and as part of our UK and Ireland sustainability strategy we have established short and long-term priorities for each of our brands, as well as for Nestlé operations in the UK and Ireland as a whole.

With the aim of continuous performance improvement, all manufacturing sites for Nestlé UK and Ireland, Purina PetCare and Nestlé Waters are certified to the internationally recognised ISO 14001 standard for environmental management and OHSAS 18001 standard for occupational health and safety management. We will have completed the certification process across all of our manufacturing sites by the end of 2010.

Governance

Our UK and Ireland actions are managed through our sustainability governance structure. We have established Operational Taskforce Groups across each key area to drive initiatives and performance improvements. Alongside this, our Issues Management Forum enables us to respond to important sustainability issues as they arise.

The Operational Taskforce Groups and Issues Management Forum report to the Sustainability Steering Group, chaired by Paul Grimwood, Chairman and Chief Executive of Nestlé UK and Ireland. This Group in turn reports to the Nestlé global headquarters.



At Nestlé, we believe that to enhance and protect our business, we must safeguard the wellbeing and future of the people who farm and supply our raw materials, work in our offices and factories and sell our products as well as our consumers. We need to do our best to ensure that the communities that support our people also thrive and that we protect the planet and its resources for future generations.

“I am extremely proud of the economic and social contribution that Nestlé makes to local communities in the UK and Ireland and to communities around the world who play a key role in our supply chain. Whether it’s reusing coffee grounds in our *Nescafé* factories as fuel to reduce carbon emissions, protecting the purity of the spring that supplies *Buxton* mineral water, or supporting cocoa farmers in Côte d’Ivoire who supply beans for Fairtrade four-finger *Kit Kat* – we take our responsibilities very seriously. I hope this report gives you some idea of our achievements to date and an understanding of our longer-term targets.”

Paul Grimwood,
Chairman and Chief Executive,
Nestlé UK and Ireland

Nestlé in the UK & Ireland

Environmental Key Performance Indicators

Manufacturing and our environmental footprint

Since its implementation in 1996, the Nestlé Environmental Management System (NEMS) has provided a framework through which we aim to continually improve the company’s environmental performance. NEMS was developed in line with the International Standard ISO 14001 for environmental management and we have committed to certify all our factories around the world to this standard by the end of 2010.

The Nestlé Group global system for monitoring Environmental Key Performance Indicators (EKPIs) has been included in the scope of Bureau Veritas’ independent assurance of the Nestlé 2010 Creating Shared Value Report (see www.nestle.com/csv). Monitoring and managing these EKPIs helps to ensure that preserving natural resources and minimising waste are an integral part of the day-to-day activity of all Nestlé operations.

This table outlines our Environmental KPIs across a number of areas and gives a summary of our progress in the UK and Ireland since 2008.

Production	→
Materials	→
Energy	→
Greenhouse gases	→
Water	→
Packaging	→
Governance	→

1 Nestlé UK.
 2 Due to on-site energy consumption and refrigerants.
 3 All UK factories ISO 14001 and OHSAS 18001 (24 certificates – including Purina PetCare and Nestlé Waters).

	2008	2009	Change 08/09 ¹
Tonnes of Product	800349	839772	4.9%
Raw materials and ingredients (except water, tonnes)	777789	770826	-0.9%
Packaging materials (tonnes)	118483	119520	0.9%
By-products			
• (for recovery/recycling) tonnes	56963	59625	4.7%
• (kg per tonne product)	71.2	71.0	-0.2%
Waste (for final disposal, tonnes)	12504	5437	-56.5%
Waste for final disposal (kg per tonne product)	15.6	6.5	-58.6%
Total on-site energy consumption (gigajoules)	4780891	4404951	-7.9%
Energy consumption (gigajoules per tonne product)	6.0	5.2	-12.2%
Total CO ₂ emissions (tonnes) ²	329368	310093	-5.9%
Total CO ₂ emissions (kg per tonne product)	411.5	369.3	-10.3%
Total water withdrawal (cubic metres)	6374295	5953814	-6.6%
Water withdrawal (cubic metres per tonne product)	8.0	7.1	-11.0%
Total water discharge (cubic metres)	5632462	4986163	-11.5%
Source reduction savings (tonnes) ¹	1029	512	
Packaging utilisation (kg per kilo of product)	0.276	0.260	-5.8%
ISO 14001/OHSAS 18001 (certificates)	4	24 ³	20

Nutrition, Health and Wellness

As the world's largest food company, we are committed to promoting Nutrition, Health and Wellness through the products we make and by providing consumers with information to help them make healthier choices.

At Nestlé, we use four simple words to describe what we offer: 'Good Food, Good Life'. We believe that having a healthy, balanced approach to the things you eat and drink helps you to enjoy life. Nutrition is just one aspect of 'Good Food, Good Life'. Great taste, consistent levels of quality and safety, value for money and convenience also enhance our enjoyment of food and ultimately life.

Nestlé: a global leader in nutrition research

For over a century, Nestlé's commitment to research into food and nutrition has benefited consumers by using science to develop safer, healthier and better-tasting products. Today, the Nestlé Research Center in Lausanne, Switzerland is the world's largest private nutrition research institution, specialising in food, nutrition, safety, quality and life sciences. We invest over £1.15 billion in Research and Development every year, more than any other food company.

Based on the principle that today's knowledge provides the foundations for tomorrow's innovations, we continue to invest in programmes that expand our understanding of the health benefits food and beverages can provide. Our global network of specialist Research and Development and Product Technology Centres – including our facility in York – translate this scientific knowledge into creating new and improved Nestlé products.

Tastier and healthier: improving our products

We understand that consumers are looking for healthier foods that do not compromise on taste. That's why we constantly review our product range to improve taste while enhancing nutritional value using a test called 60:40+. This measures whether at least 60% of consumers prefer our products over the leading competitor based on taste. We also identify the health benefits of a food or drink to measure how taste is combined with good nutrition in order to work towards the perfect balance.

In the UK and Ireland we offer a wide range of products which meet differing consumer taste preferences from *Shredded Wheat* which contains no added salt and only trace levels of sodium to great-tasting snacks like *Kit Kat*.

Measuring performance

Target 2010

Meet UK Food Standards Agency 2010 and revised 2010 Salt Reduction Targets¹ where technically possible

Performance 2009

 On track

Looking forward

Target 2011

Remove all artificial colours and flavours from confectionery

Remove hydrogenated vegetable oil (HVO) from all products

 On track  Achieved

¹ UK Food Standards Agency Revised Salt Reduction Targets. Published May 2009. (<http://www.food.gov.uk/healthiereating/saltreduction>)



"Balancing great taste and nutrition"

Sue Hawksworth



'Good Food, Good Life' is a great summary of Nestlé's mission to balance great taste and nutrition, and help consumers make healthier choices."

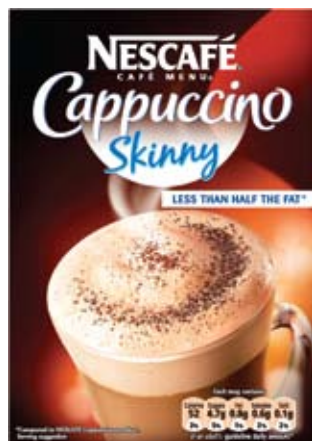
Sue Hawksworth,
Head of Wellness in Action,
Nestlé UK and Ireland

Nutrition, Health and Wellness continued

Recent examples of how we have improved some of our products to make them tastier and healthier include:

- Nestlé Confectionery UK has removed all artificial colours and flavours from the majority of confectionery products
- Development of a 99 kcal biscuit range (*BreakAway*, *Blue Riband*, *Toffee Crisp* and *Drifter*)
- Reducing sodium levels in *Shreddies* by 15% from 2004 to 2007, building on an earlier reduction of 33%
- Development of lower calorie, fat and saturated fat options on popular beverage brands including *Skinny Cow Hot Chocolate*, *Nescafé Café Menu Skinny Range*, *Dolce Gusto Skinny Range*
- Our range of catering products includes the *Maggi* and *Chef* brands, many of which are low in fat and saturated fat and have had up to 26% sodium reductions in some cases
- In 2008, *Ski* yoghurt was relaunched with only natural ingredients, combining real fruit with thick, creamy-tasting yoghurt and no artificial colours, flavours or preservatives
- We continue to offer a wide range of affordable products (such as breakfast cereals, yoghurts and *Nestlé Pure Life* spring water) to help families achieve a healthy, balanced diet.

Nestlé supports the UK Government's objective of reducing the incidence of obesity. We have global policies in place to help reduce the levels of salt, sugar, saturated fat and energy in relevant products. Many Nestlé UK products already meet the Food Standard Agency's 2010 Salt Reduction Targets, and, in the few cases where they do not, development is under way to reduce levels where technically possible.



Sharing the facts: communicating with consumers

Clear communication of nutritional information helps consumers make healthier choices for a balanced lifestyle. In 2006, we were one of the first companies in the UK and Ireland to introduce Guideline Daily Amounts (GDA) on the front of our packs, providing information on the amount of Calories, fat, saturated fat, sugars and salt in a portion of a product. Today, over 90% of our packs, including our catering-sized packs, carry GDA information. On the back of our packs, we also feature the *Nestlé Nutritional Compass*[®], which clearly communicates the nutritional benefits of our brands.

We also provide extensive product nutritional information online, including 'Free from' lists for our products at www.nestle.co.uk as well as individual brand websites. www.purina.co.uk and www.purina.ie offer information on healthy nutrition and care for pets. We also have a dedicated team of Purina PetCare experts that includes veterinary professionals who provide free pet care advice on a range of pet health issues.

How we market our products is important. We believe that communication such as advertising should help consumers make informed choices.

IT'S GOOD TO KNOW
SINCE 1866

Good to remember
All the taste of your favourite coffee

Good to know
Green coffee beans have a high level of naturally occurring antioxidants
1 cup a day (1.8g & 200ml water) provides 0.4g antioxidants (0.16g polyphenols) as part of a healthy balanced diet and lifestyle.
BEST BEFORE END

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NUTRITION INFORMATION TYPICAL VALUES		Per 100 g
Energy	250 kJ	59 kcal
Protein	8.7 g	
Carbohydrate of which: sugars	5.6 g	5.6 g
Fat of which: saturates	0.2 g	0.1 g
Fibre	30 g	
Sodium	0.1 g	
Salt Equivalent	0.3 g	
Antioxidants of which: polyphenols	22 g	8.7 g



Case study: Staying hydrated with *Nestlé Pure Life* spring water

Launched in 2008, *Nestlé Pure Life* is an affordable spring water available in different sizes to help all members of the family stay hydrated. In October 2009, *Nestlé Pure Life* partnered with the Government's Change4Life programme to support GMTV's 'Raising Kids', a one-minute daily slot that featured information for parents and kids on the importance of hydration for youngsters.

Nestlé Pure Life is also the official water of the Virgin London Marathon from 2010 to 2012. Helping the 36,000 runners to stay hydrated, 750,000 bottles of *Nestlé Pure Life* were distributed along the course in April 2010.



Nestlé UK and Ireland was a founding member of the EU pledge to change food advertising to children, which includes a commitment not to advertise or market to children under 6 years or to advertise products to children under 12 years (except those that fulfil specific nutrition criteria).

Nestlé Professional, our catering division, is also helping children to eat healthily through the creation of the *Maggi Menu Solutions* tool available online. By providing a series of menus for schools, we can help caterers meet the Government's Food and Nutrient Based Standards for School Lunches as developed by the School Food Trust.

We are also encouraging our employees to lead healthy and active lifestyles – see pages 23 and 24 for more details.

“Manufacturers have a critical role to play in reducing ‘nutrients of concern’ from food products. Equally, responsible portion sizes help promote responsible consumption. It is encouraging to see the industry making healthier choices more accessible.”



Prof. Judith Buttriss,
Director General,
British Nutrition Foundation

Energy and emissions

Nestlé is committed to being a leader in reducing greenhouse gas emissions from its own operations by improving energy efficiency, switching to cleaner fuels and investing in renewable sources.

Our ambition is to offer products with the lowest environmental impact compared to alternatives, including those prepared at home. As part of our whole lifecycle approach, we're working to help suppliers (through the Nestlé Sustainable Agriculture Initiative) and consumers (through innovative product solutions) to save energy and reduce emissions.

Measuring performance

Target 2009 ¹ (Baseline 2008)	
Reduce energy use by	7%
Target 2010 (Baseline 2006)	
Reduce carbon use by	10%
Performance 2009	
 Reduced energy usage by Target achieved	7%
 Reduced carbon usage by Target exceeded by 1%	11%

Looking forward (Baseline 2006)

Target 2015	
Reduce absolute CO ₂ emissions by	20%
Renewable energy use	10%
Reduce and offset to zero all carbon emissions at one factory	

 On track  Achieved

¹ Nestlé UK.

Thinking globally

Nestlé is one of 2,500 organisations across 60 countries that measure and disclose greenhouse gas emissions via the Carbon Disclosure Project (CDP) – visit www.cdproject.net for more details.

Emissions data from our operations in the UK contribute to Nestlé's global disclosure of emissions to the CDP, which publishes climate change information from major organisations to help investors, corporations and governments take unified action. Nestlé is also a member of The Prince of Wales's Corporate Leaders Group on Climate Change and supports its call for a global emissions cap and long-term national emissions-reduction plans.

Acting locally

Across our sites in the UK and Ireland, we are working to improve energy efficiency and reduce emissions. Helping us to comply with the UK Climate Change Levy Agreements and the EU Emissions Trading Scheme, we promote energy-efficient practices by setting annual targets for each of our sites and implementing action plans to achieve them.

Nestlé UK is also a member of The Prince's Mayday Network, convened by Business in the Community, a collaboration of businesses at all stages on the low carbon 'journey'. Named after the international 'Mayday Mayday' distress signal and founded by HRH The Prince of Wales in 2007, the network aims to inspire, engage, support and challenge as many businesses as possible as they work together towards a sustainable future.

We also work with trade associations, other food industry producers, customers and suppliers on energy-saving initiatives and awareness campaigns.

In 2009/10 in the UK, Nestlé chaired a group established by the Environment Agency to develop a toolkit of Environmental Management Systems for the food industry (see www.environment-agency.gov.uk), and we encourage our suppliers to make use of it.

We are also committed to phasing out HCFC refrigerants which contribute to ozone depletion. By the end of 2009, we had phased out 95% of HCFC refrigerants in our factories in the UK – well ahead of statutory requirements.

Site-specific emissions reductions

In 2009, our UK factories achieved significant energy reductions through investment in new technologies and by implementing energy-saving measures. Our York factory reduced its energy consumption by 13% as a result of reducing and improving processes and commissioning a new refrigeration plant. In our Tutbury and Hayes coffee factories, spent coffee grounds are used as fuel and supply nearly 20% of the sites' energy needs – reducing the need for fossil fuels.

Case study: Generating electricity, saving energy

Nestlé's cereal business (Cereal Partners UK) is investing £15.5 million in two energy-saving projects that will cut our CO₂ emissions by a total of 18,000 tonnes of CO₂ per year, the equivalent of taking 7,200 cars off the road annually. In 2010, combined heat and power plants are being installed at factories in Staverton and Bromborough, generating electricity from a natural-gas-powered turbine and using the waste heat to generate steam for factory use.

"Reducing energy consumption and CO₂ emissions"

Magdi Batato

“ We face a tough challenge: to produce more, with less environmental impact. We cannot be blind to our environmental challenges – the results would be disastrous, especially in a world where water scarcity and climate change pose great risks for food supply and many communities. That's why Nestlé is committed to reducing energy consumption and CO₂ emissions, particularly in our factories, while ensuring that we look at our overall environmental impact and focusing on the biggest improvement opportunities. In the UK and Ireland we have the ambitious vision of reducing the environmental impact of our energy use and achieving an absolute reduction of CO₂ emissions of 30% by 2020.”

Magdi Batato,

Group Technical and Production Director,
Nestlé UK and Ireland



Our vision is to reduce the environmental impact of our energy use and achieve an absolute reduction of CO₂ emissions of 30% by 2020.

Water

Population growth, consumption habits and the impacts of climate change are combining to present a serious threat to the security of one of the world's most precious resources – water.

Measuring performance (Baseline 2006)

Target 2010

Reduce total water consumption by **10%**

Performance 2009



Reduced total water consumption by **Target exceeded by 17%**

27%

Looking forward (Baseline 2006)

Target 2020

Reduce total water consumption by **30%**

→ On track ✓ Achieved



Nestlé's long-term success depends on the secure supply of fresh water which businesses, consumers and farmers in particular rely on – two-thirds of all human water usage is for agriculture. Consequently, effective water management is Nestlé's key environmental priority across our global operations and we aim to be the most efficient water user among food manufacturers.

Globally, Nestlé has reduced its water withdrawals by 33% since 2000, while production volume increased by 63%. Our goal is to improve water efficiency by a further 10 to 15% over the next five years. As a founding signatory of the CEO Water Mandate, an initiative led by the United Nations Global Compact, we are committed to regularly reporting on and improving our efforts in sustainable water management.

Working with partners

In line with our global strategy, Nestlé has been working to reduce water usage across our operations in the UK and Ireland. In 2009, water consumption in our factories fell by 27%.

We reduced the amount of water brought into our Fawdon factory by 25% by removing cooling towers in 2009, installing new washing systems and maintaining a programme of continuous improvement.

In 2008, Nestlé UK was a founder signatory to the Federation House Commitment, an initiative for the food and beverage industry aimed at reducing water usage without compromising food safety and hygiene. The goal is to reduce overall water usage across the food and beverage industry by 20% by the year 2020 and Nestlé UK and Ireland is on track to exceed this target.

We are also encouraging some of our key suppliers to become signatories to the CEO Water Mandate by 2015.

Measuring our footprint

We have carried out a number of water footprinting studies on some of our key brands. For example, in 2009, we began a water footprint study on *Shredded Wheat* working with a WWF consultant and a model from Delft University. The project quantified the water usage over the lifecycle of the product and initial results show that the total water footprint of a 750 gram carton of *Bitesize Shredded Wheat* equates to 274 litres per packet when served with semi-skimmed milk.

To put this into context, a typical *Bitesize Shredded Wheat* breakfast equates to 106 litres per serving (16 litres for biscuits and 90 litres for milk). This study will contribute towards future best practice water footprint modelling.

Supporting efforts to tackle the world water crisis

To mark World Environment Day 2010, the UK Foreign Policy Centre launched a report *Tackling the world water crisis: Reshaping the future of foreign policy*, exploring the impact of today's global water crisis and how this is reshaping the future of foreign policy. Sponsored by Nestlé UK and edited by WWF-UK, the publication contains short essays from leading academics, policy makers and environmental experts on water-related challenges for the 21st century. The report is available for download at www.fpc.org.uk.

Buxton and Nestlé Pure Life: meeting demand, minimising waste

Buxton and *Nestlé Pure Life* water sources are both in the Peak District – a designated 'Zone of Protection'. Nestlé works closely with local authorities to monitor the impact of our activities and ensure the integrity of these valuable sources.

We've also reduced the amount of water used to produce *Buxton* mineral water by 50% over the last four years. Today the production of *Buxton* is among the 'best in class' in the beverage industry for efficient water use.

Only 1.26 litres of water are now needed to produce 1 litre of *Buxton* mineral water. These savings have been made through increased efficiencies in the production line when a new water control system was installed in 2006. Visit www.buxtonwater.co.uk for further information.

Case study: Cappuccinos and wildlife

To produce clean waste water from the production of *Nescafé Cappuccino* at our Dalston factory, we invested £845,000 in an advanced treatment plant. The by-product from this process is used as fertiliser by local farmers. The installation allows land that was previously used to disperse excess water to be left to nature. We have planted 20 acres of willow coppice on this land and as the trees mature, they are attracting a variety of wildlife.



"Sharing good water management"

Inder Poonaji

Our vision is to achieve a reduction of total water consumption of 30% against a baseline of 2006 by 2020.

“ Even if you can reduce your carbon footprint, this may be to the detriment of water. Water is so much more complex than carbon, and it is essential to foster a common standard in evaluating the water impact of food products. Our ambition is to offer tasty and nutritious products that also have the lowest overall environmental footprint.”

Claus Conzelmann,

Vice President for Safety, Health and Environmental Sustainability,
Nestlé Group

“ Global drying and the world water crisis must be given the same attention as global warming. We take access to fresh water for granted in countries like the UK and Ireland, but we all need to value water more and, for Nestlé, this means sharing good water management techniques throughout our supply chain. We aim to achieve a reduction of total water consumption of 30% against a baseline of 2006 by 2020. I want to ensure that we are demonstrating best practice to others in this area.”

Inder Poonaji,

Head of Safety, Health and Environmental Sustainability, Nestlé UK and Ireland

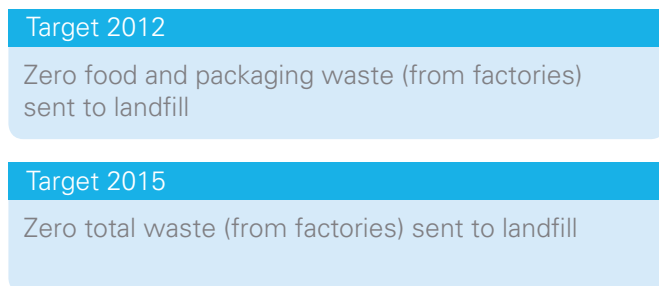
Waste

Eliminating waste and reducing our consumption of natural resources are important global priorities for Nestlé. Our UK goal is zero waste and full recovery of unavoidable by-products. In 2009, we set a target for all our Nestlé UK factories of zero total waste sent to landfill by 2015 and our efforts have achieved a reduction of 57% of waste going to landfill. We are constantly working on our waste stream to improve recycling and recovery.

Measuring performance (Baseline 2008)



Looking forward



➔ On track ✓ Achieved

¹ Nestlé UK.

No good food should be wasted

Nestlé continually seeks to improve its customer forecasting as the most important step in reducing food waste. For any surplus produced, Nestlé UK works with national charity FareShare (www.fareshare.org.uk), to redistribute this quality food to disadvantaged people, or to dispose of non-edible food in an environmentally responsible manner. Nestlé Ireland works in a similar way with charity, Crosscare.

In 2009, a senior Nestlé logistics expert was seconded to FareShare to help manage an increased flow of food surplus. Aiming to fulfil the charity's message that 'No good food should be wasted', Nestlé UK donated 536,000 meals' worth of food to FareShare in 2009 – and sent 225 fewer tonnes of waste to landfill in the process.

Making waste work

Our Tutbury factory began a waste segregation project in 2009, installing six balers to segregate cardboard, aluminium, plastic and bin bag waste. Subsequent savings from recycling, including rebates, amount to £150,000 per year. We also work to reduce waste from our offices through recycling programmes across all our sites in the UK.

Since 2008, we have donated more than 500 good-quality redundant PCs and laptops to the charity Digital Links (www.digital-links.org), which refurbishes computers for reuse in 20 countries in the developing world. Similarly, in 2008 our Purina PetCare business donated 81 computers to a variety of charitable causes including Canine Partners in the UK and The Dublin Society for the Prevention of Cruelty to Animals in Ireland.



Case study: Zero waste in Girvan

Nestlé's factory in Girvan, Scotland is set to be the first Nestlé UK factory to achieve our 2015 target of zero waste sent to landfill – nearly five years ahead of deadline. Inspired by household recycling, the factory provided skips into which different types of waste could be segregated including wood, plastics, metals and canteen waste. It also has a residual waste skip which is assessed by a waste disposal contractor; anything that can't be recycled is sent to an energy-from-waste recovery plant and the resulting energy is used as a heat source. Factory manager, Derek Harkess, says: "Involving everyone in this initiative has brought rapid results... winning is a habit we want to get used to."



"Reusing coffee grounds as fuel"

Peter Haggmann

“ In October 2009, in partnership with the Food & Drink Federation, FareShare launched a challenge to the food industry to send it an additional 10,000 pallets of surplus food. This would provide an additional 1.4 million meals to people in the community and at the same time reduce CO₂ emissions by 25,000 tonnes. There is universal agreement that good food should not go to waste and FareShare is accepted as part of the country's solution for dealing with surplus food stocks. Working with companies such as Nestlé has enabled us to move towards meeting our challenge.”

Jon Pelluet,
Head of Fundraising,
FareShare

“ When it comes to sustainability, our focus is to reduce waste, increase recycling, and use energy and water more efficiently. For example, at Tutbury, we use our spent coffee grounds as fuel to generate steam, we reduced our specific water usage by 28% in 2009 and we are now recycling over 90% of our waste. Our aim over the next couple of years is zero waste to landfill and we are working very hard towards this goal. We are proud of what we are doing for the environment, the local community and the business.”

Peter Haggmann,
Technical Manager,
South East European Region, Nestlé

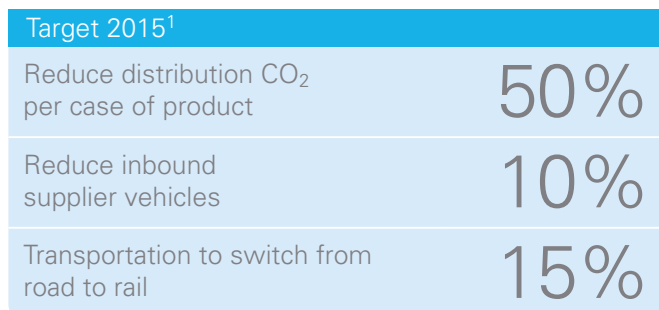
Transport and distribution

Globally, transport is responsible for approximately 20% of all CO₂ emissions. Seeking to cut our own CO₂ emissions and promote sustainable manufacturing, Nestlé is committed to reducing the environmental impact of its transport and distribution activities wherever possible.

Measuring performance (Baseline 2006)



Looking forward (Baseline 2006)



 On track  Achieved

1 Nestlé UK.

2 The environmental cost of transporting food by road takes into account the impact of carbon emissions, congestion, accidents, noise, air quality and road space (Report of the Food Industry Sustainability Strategy, Champions' Group on Food Transport, DEFRA 2007).

Our UK network

Getting raw materials to our factories and transporting finished products to distribution centres and customers across the UK and Ireland in the most efficient way are essential parts of our business. We work to reduce the distance our lorries travel and increase the amount they carry per journey, enabling us to reduce our annual travel by 1.4 million kilometres since 2004.

For example, we've maximised the number of pallets per load and the number of products per pallet through effective packaging design. This has increased lorry loads by one tonne to an average total of 23 tonnes, helping to reduce the number of vehicles on the road. Careful revision of our distribution centre network in the UK has helped us to reduce the distance travelled to deliver our products by 6% since the middle of 2009.

Fuel efficiency is another priority and the fuel consumption of individual vehicles is constantly monitored to ensure optimum performance. We've installed devices on our lorries to promote the complete burning of fuel, delivering efficiency improvements of between 3 and 5%. Our drivers receive regular training on safe and efficient driving and our most recently purchased MAN trucks deliver fuel efficiency performance information via Global Positioning System (GPS) to our York distribution centre.

The method of distribution with the least environmental impact is to deliver products direct from the source of production. We have increased deliveries of *Buxton* mineral water direct from the Buxton area (rather than via distribution centres) from 38% in 2006 to 58% in 2009, reducing food miles by 18%. A typical bottle of *Buxton* mineral water now travels only 125 miles to reach the customer's delivery point.

Working with industry partners

As part of a distribution initiative led by the Institute of Grocery Distribution (IGD), Nestlé is working with customers, suppliers and competitors to use vehicle fleets in the most efficient way.

Working with United Biscuits, we have reduced the running of empty vehicles by 270,000 kilometres per year since 2007, helping us to win the Motor Transport Partnership Award in 2009. Our collaboration with ASDA during Easter 2009 decreased our travel by 110,000 kilometres, while sharing trucks with Mars helped to eliminate 12,000 kilometres of duplicate journeys in the run-up to Christmas 2009.



“Reducing our transportation environmental footprint”

Richard Hastings

On the right track: rail transport

Today, Nestlé UK and Ireland is also using rail for domestic transport after a break of 19 years. We are working closely with the rail industry to utilise new technology and increase the opportunities to transfer more traffic from road to rail. This currently reduces lorry miles on deliveries between our distribution centre in York and customers in Scotland by 40,000 kilometres per year, and we expect this to increase significantly as new delivery processes and routes are developed. Nestlé Waters UK also uses rail to import *Aqua Panna* and *S. Pellegrino* water from Italy to the UK. In 2009, Purina PetCare delivered its range of pet food products via train to customer warehouses in Scotland, creating a saving of 73,000 kilometres and 80 tonnes of CO₂.

“ Using transport intelligently makes sense and is something that every one of us can do something about. I have been inspired by the partnerships we’ve established with other food manufacturers and retailers to help reduce the environmental footprint of our transportation. They are a great example of the industry working collaboratively in order to help benefit the environment and really show Nestlé at its best.”

Richard Hastings,
Head of Planning and Delivery,
Nestlé Logistics,
Nestlé UK and Ireland

Packaging

Nestlé carefully considers the environmental impact of packaging as an integral part of its product design. Since the early 1990s, we have been reducing the amount of packaging we use through our global source reduction programme – eliminating unnecessary packaging and reducing weight while ensuring product quality.

Measuring performance (Baseline 2006)

Target 2010 ¹	
Reduce packaging by	10%
Performance 2009	
 Reduced packaging by Target exceeded by 2.6%	12.6%
 Since 2006 the weight of packaging for small and medium-sized Easter eggs reduced by 30 to 50%	50%
 Plastic inserts removed from 90% of all Easter eggs	90%
 Since 2007, the weight of packaging for medium-sized and large Christmas selection boxes reduced by around 40%	40%

Looking forward

Target 2015 ¹	
Recyclability of packaging	95%
We aim to remove plastic inserts from all Easter eggs by 2012	

 On track  Achieved

¹ Nestlé UK.

Our performance

Almost 90% of Nestlé's packaging in the UK and Ireland is recyclable and we are always looking at ways to reduce the amount of packaging used and promote recyclability. In the UK and Ireland, we have reduced packaging by 19,500 tonnes since the start of Nestlé's global packaging reduction programme.

Working with partners

Together with industry partners, we are founder members of Valpak, the leading UK industry packaging and waste compliance scheme, under which we met our obligation to recover and recycle more than 25,000 tonnes of packaging in 2009. We also comply with the European Union Directive on Packaging and Packaging Waste which required the UK to achieve 60% recovery and 55% recycling of packaging waste by the end of 2008. Nestlé Ireland is a member of Repak, a not-for-profit Government-approved compliance scheme that is helping companies to meet their obligations under the EU Directive.

In addition, Nestlé works with the Waste & Resources Action Programme (WRAP), which encourages more efficient use and recycling of materials. Nestlé UK has signed WRAP's Courtauld Commitment Phase 2, which publicly commits us to work towards the sustainable use of resources over the entire lifecycle of products across the whole supply chain.

Saving glass and plastic

By optimising its design, we reduced the weight of our *Nescafé* 100 gram glass jar, cutting annual glass consumption by approximately 470 tonnes. The optimisation process for our 50 gram and 200 gram glass jar sizes will be completed in 2010, with the potential to deliver a further reduction in glass use of 500 tonnes per year.

Plastics used in the manufacture of bottles for bottled water account for 1% of all plastics used in the UK. Nestlé Waters is leading the way in further reducing the amount of plastic in bottles and we currently produce one of the lightest 50cl bottles available in the UK at just 14.8 grams (15% less than the average 50cl bottle in the UK).

Case study: Special occasions – less packaging, easier recycling

In 2009, Nestlé UK and Ireland became the first major confectionery company in the country to replace non-recyclable plastic with recyclable cardboard packaging in 20 million Easter eggs, 80% of the 25 million that we produced that year. We also reduced our packaging for small and medium-sized Easter eggs by 30% in 2009, helping to save over 700 tonnes of materials. The 30% reduction exceeded the WRAP industry agreement to reduce medium egg carton weight by 25%.

In 2010, we introduced cardboard trays to many of our large Easter eggs, replacing plastic inserts and reducing their use in a further 10% of our production. We are aiming to eliminate plastic inserts in all of our Easter eggs by the end of 2012, making recycling easier than ever for our consumers.

In 2009, we also built on previous packaging reductions to our Christmas selection boxes by becoming the first major confectionery manufacturer to replace the plastic insert with a card presentation tray, making 95% of the boxes recyclable. We also managed to reduce the weight of our medium-sized and large boxes by 17% and 20% respectively.

Our *Quality Street* range has also introduced packaging innovations. The tins now use less metal (helping us win first prize in the Sustainability category at the Best in Metal Awards 2008) and *Quality Street* was the first chocolate assortment brand to use compostable wrappers (helping us to win first prize in Best Marketing Initiative in the European Bioplastics Awards 2008).



"Helping consumers recycle more easily"

Ralf Fiala

“ For our seasonal ranges the challenge has been to reduce packaging while making sure the packs are still giftworthy. Our selection boxes are a great example where we’ve delivered a gift that feels special, yet uses less packaging and is easy to recycle.”

Andy McQuade,
Seasonal & Licensing Brand Manager,
Nestlé Confectionery

“ I want to make our packaging the best it can be for our consumers and the environment. Meeting consumer expectations is key for packaging development, and at Nestlé we have a long history of working to find the packaging with the least environmental impact as well. A good example is the effort we put into reducing Christmas and Easter packaging and helping consumers to recycle more easily by replacing plastic inserts with cardboard trays. We listened to our consumers and went back to basics, using traditional materials and modern technology to come up with sustainable solutions that have been appreciated by the public.”

Ralf Fiala,
Head of Packaging,
Nestlé UK and Ireland

Sourcing

Around two-thirds of Nestlé's worldwide expenditure is on raw materials and nearly 40% of that goes towards three main ingredients – milk, coffee and cocoa. Many of our commodities rely on complex supply chains, involving large numbers of small-scale farmers in developing countries. We are committed to helping the 540,000 farmers who supply Nestlé directly to increase their productivity, protect the environment and have sustainable livelihoods.

Our 950 agronomists and more than 15,000 extension workers and contractors offer support and training for farmers, governments and NGO partners throughout the world. In 2009, 165,553 farmers worldwide were trained through Nestlé programmes.

Measuring performance (Baseline 2006)

Target 2010

Source only fish ingredients rated 1 to 4 on independent certification and assessment schemes for our Purina pet food range

Performance 2009

✔ We sourced only fish ingredients rated 1 to 4 on independent certification and assessment schemes for our Purina pet food range

Target achieved

Looking forward

Target 2015

Palm oil used from sustainable sources

100%

➔ On track ✔ Achieved

Cocoa

Nestlé is a member of the World Cocoa Foundation (WCF), an organisation formed in 2000 to assist cocoa-growing communities in developing a sustainable cocoa economy. We are also a founding participant in the International Cocoa Initiative (ICI), set up specifically to address child labour issues. As part of the ICI, we work to ensure that children in cocoa-growing communities are not exploited and have access to education.

Nestlé also works with the Sustainable Tree Crops Program, which has increased the income of almost 80,000 West African families by over 20%. In addition we partner with and assist government organisations such as the CNRA (Centre National Ivoirien de Recherche Agronomique), the partly state-funded Ivorian Agricultural Research Centre that works on research to improve the sustainability of cocoa farming.

Nestlé continues to invest in programmes that promote responsible cocoa-sourcing, and in 2009 we launched our global Cocoa Plan which aims to address key issues facing cocoa farmers – see the case study on The Cocoa Plan for more information.



Case study: The Cocoa Plan

Launched in 2009, The Cocoa Plan is Nestlé's way of helping cocoa farmers, their families and their communities to secure a better future. We are investing £65 million over the next ten years in programmes to address the key economic, social and environmental issues facing cocoa farming communities.

Focusing predominantly on Côte d'Ivoire, the world's largest cocoa-producing country, the plan covers four broad areas: farmer education, plant expertise, supply chain and improving social conditions. By working closely with farming cooperatives, paying a premium for better-quality cocoa, investing in their future through farmer training and providing high-potential cocoa plantlets, we aim to help improve farmer productivity and income. The Plan includes providing 12 million stronger, more productive cocoa tree plantlets to farmers – the first 100,000 of which have already been dispatched to cooperatives. Our partners include the International Cocoa Initiative, Utz Certified, Fairtrade and The International Federation of the Red Cross/Red Crescent. One of the first Nestlé products to exemplify our Cocoa Plan principles was four-finger *Kit Kat*, which became Fairtrade-certified in the UK and Ireland in January 2010. Visit www.thecocoaplan.com for more details.



“Cocoa farmers in Côte d'Ivoire struggle under the relentless pressures of poverty, with shockingly high levels of illiteracy and poor access to healthcare. The significant volumes of cocoa that go into making Fairtrade four-finger *Kit Kat* will open whole new possibilities for these farmers in Côte d'Ivoire, giving them a more sustainable livelihood and the chance to plan for a better future.”

Harriet Lamb,
Executive Director,
Fairtrade Foundation

“We make some of the UK's best-loved confectionery products and our consumers are very interested in how we source ingredients for their personal favourites. Travelling to Côte d'Ivoire last year to meet the farming families who produce the cocoa for Fairtrade *Kit Kat* was a very special moment for me. I was really inspired by the passion of the farmers to build a better future for themselves, as well as Nestlé's commitment to providing practical support from when they plant a tree right through to giving them a market for their cocoa beans. It also made me aware of the effort that we need to really bring our global Cocoa Plan to life, but it's a challenge that I know our teams will rise to.”

David Rennie,
Managing Director, Nestlé Confectionery UK,
pictured with **Harriet Lamb.**

Sourcing

continued

Palm oil

Palm oil is an essential ingredient in a number of our products. We are working in partnership with suppliers, NGOs and governments to address the environmental threat to rainforests and peat fields caused by palm oil plantations. Although Nestlé worldwide only buys 0.7% of the world's palm oil production, we are conscious of our responsibility in contributing to effective and sustainable solutions.

As a result, we have conducted an in-depth analysis of our supply chain in order to create transparency and detailed action plans. We have pledged to source only sustainable palm oil by 2015 and we are making rapid progress towards this target. In 2010, 18% of our purchases come from sustainable sources and we expect to reach 50% by the end of 2011.

As an important step on that journey, a number of Nestlé markets, including Nestlé UK, have already purchased Green Palm certificates (the certificate trading programme designed to help suppliers tackle the environmental and social problems created by the production of palm oil). We now have Green Palm certificates to cover the total volume of palm oil we use for the UK and Ireland markets.

Working to respond to the threat of deforestation, in May 2010 we announced a partnership with The Forest Trust (TFT). Together with TFT, Nestlé has defined Responsible Sourcing Guidelines, a set of critical requirements to guide its procurement process and ensure compliance with the Nestlé Supplier Code. The partnership will focus on assessing suppliers' performance against these guidelines and providing technical support to those who currently do not meet them.



Coffee

For more than 30 years, we've been working with our coffee suppliers to encourage sustainable farming while improving the living standards of coffee-farming communities. We supply farmers with seedlings for around 1.5 million high-quality coffee plants each year.

In 2009, Nestlé worldwide purchased 780,000 tonnes of green coffee from 25 markets. More than 93,700 tonnes were procured directly from farmers and small-scale intermediaries, making us the world's largest direct purchaser.

Our direct buying systems help tens of thousands of farmers and intermediaries to deliver coffee directly to our buying stations, securing a higher price and access to free technical assistance to help them improve the quality of their crops. We currently purchase 10% of the coffee beans used in *Nescafé* through direct procurement, and aim to double this by 2015 (approximately 160,000 tonnes a year).

Nespresso, the leader in portioned premium coffee, has put in place a unique AAA Sustainable Quality™ Program to secure the long-term supply of the highest quality coffee for our consumers, while improving the lives of farmers and their communities. *Nespresso* has committed to source 80% of its coffee from the programme including Rainforest Alliance certification by 2013. In 2009, more than 50% of the total green coffee beans *Nespresso* purchased came from its AAA Sustainable Quality™ Program.

For more information on Nestlé and its support for sustainable coffee farming, visit www.nescafe.com/sustainability-uk and www.growmorethancoffee.co.uk.





Wheat

All the wheat for Nestlé UK's breakfast cereals comes from UK farms that are part of the Assured Combinable Crops Scheme. The scheme, which sets and measures standards in safety, animal welfare and the environment, ensures that food is produced in a sustainable manner. In 2007, Nestlé UK's cereal brands were the first to display the Assured Food Standard's Red Tractor mark, ensuring the quality of wheat sourced from certified UK farms.

Nestlé is also a member of Linking Environment and Farming (LEAF) in the UK. LEAF is an independent charitable organisation working with producers to promote a sustainable system of agriculture to meet the economic needs of farmers, address the concerns of consumers and minimise any impact on the environment.

Milk

Compared to UK retailers Nestlé is not a major purchaser of UK milk. However, we purchase approximately 150 million litres of liquid milk, much of it from two of the UK's most productive dairy regions near our Girvan and Dalston factories. For many of the farmers (and their 16,000 cows) the chocolate-eating habits of the UK and Speciality Coffee drinking habits in Europe are directly related to their livelihood. Nestlé works with one of the major UK dairy co-operatives (First Milk) to ensure that milk is delivered to our factories every day, and we are developing plans to work more closely with the farmers who are integral links in our supply chain.

Our people

Nestlé employs nearly 280,000 people worldwide and 7,000 people in the UK and Ireland. Across our operations, our overriding principle is that each employee should have the opportunities and support they need to fulfil their potential in a safe and fair workplace where they are listened to and valued, and where diversity and equality are respected.

Encouraging healthy lifestyles

We are committed to creating a working environment in which employees have the means to lead healthier lifestyles, and in the UK and Ireland we run an award-winning Employee Wellness programme. In 2009, Nestlé UK was awarded Gold in the Food and Drink Federation Community Partnership Awards for its Employee Wellness programme.

Nutrition and hydration are key elements of the programme and the caterers across our sites provide a choice of nutritious foods and beverages with supplementary nutritional information. We also run health-awareness weeks, offering health checks and raising awareness of healthy lifestyles.

Nestlé UK supports Change4Life and we are integrating Change4Life messaging and materials into our Employee Wellness programme. We aim to engage, empower and energise employees to take ownership of their own health.

We are particularly proud of our success in encouraging employees to be active on a regular basis. Since 2008, our employees have taken part in the Global Corporate Challenge (GCC), challenging teams of seven employees each to take part in a walk equivalent to walking around the world in 125 days. In the UK, over 1,800 Nestlé employees took part in the challenge – 36% of the workforce – and the company won the GCC 'Most Active Company in the World' award for the second year running, beating nearly 800 other worldwide businesses.

Training and development

At Nestlé, we offer a diverse range of career options and our belief is that performance and potential drive opportunity. We support employees to enable them to perform and achieve their potential through on-the-job experience, coaching and working in high-performing teams, and we provide a wide range of training and development programmes. Empowering and equipping our line managers to be great people managers is critical to the success of our people and the business, while building their overall leadership and management capability is central to our learning and development curriculum. A strong focus is also given to developing both core skills and functional expertise – ranging from manufacturing excellence to sales skills and financial competence.

We are committed to developing our people as ambassadors of Nestlé's commitment to nutrition. Since 2007, 850 Nestlé UK employees have completed our Nutritional Quotient (NQ) training programme, equipping them with key skills and knowledge on nutrition and how it relates to our brand and business – as well as how to make healthy lifestyle changes at home.

To support us on our continued drive to deliver world-class performance, Nestlé UK sponsors a team of leading athletes – Team Nestlé. The team, which includes Tom Daley, Shelly Wood, Pete Reed and Fran Halsall, is mentored by Sir Matthew Pinsent. By working with and learning from others who are best in class we can continue to strive to achieve even greater results for our brands, our organisation and most importantly our people.

Safety

Our mission of 'no harm to people and environment' has resulted in a significant decrease in lost time accidents. The process has been accelerated with the establishment of a combined Safety, Health & Environment department in 2009.

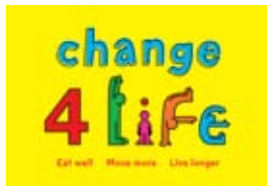
Working with partners

Nestlé works with Business Action on Health, a Business in the Community campaign which aims to highlight the business benefits of better health at work and to make reporting on workplace health issues commonplace in UK boardrooms.



“Our Employee Wellness programme has shown how important good nutrition, mental and physical fitness are and how wellness builds positive communities in the workforce.”

Sue Hawksworth,
 Head of Wellness in Action,
 Nestlé UK and Ireland



“ Nestlé UK and Ireland has done some pioneering work in developing a comprehensive Employee Wellness programme. It engages and empowers its employees to make sustained healthier choices. And it is not a one-off: Employee Wellness is embedded in the company’s business plan. At a time of economic hardship, it’s good to see companies continuing to invest in health.”

Christine Hancock,
 Director, C3 Collaborating for Health,
 Working with the Oxford Health Alliance

Community

In 2009, we continued our support for two initiatives that are helping young people across the UK to learn about the benefits of good nutrition and healthy lifestyles: Make Space for Health (see case study) and PhunkyFoods. Our employees also took part in fundraising activities for our 2009 Charity of the Year Marie Curie Cancer Care, raising a total of £430,000.



Support for the food industry

Our catering division, Nestlé Professional, is committed to working with the food service industry to improve the skills and expertise of catering professionals and to nurture the next generation of chefs.

The Nestlé Toque d'Or® competition has been running for 21 years and has acted as a springboard for chefs including James Martin and Jamie Oliver. It is the UK's biggest and most prestigious student catering competition and is recognised as providing one of the toughest challenges in the industry. The competition provides a unique opportunity for students from catering colleges across the UK to create their own restaurant – a challenge which calls for a formidable mixture of creative culinary skills and business acumen.

In 2010, Nestlé gained City and Guilds accreditation for the introduction of the new Nestlé Toque d'Or® qualification, which reinforces the importance of nutrition and how, by making relatively small changes to cooking methods and ingredients, chefs can help make a difference to their diners' diets. In addition, the competition is recognised by the National Skills Academy (Hospitality) and the Savoy Educational Trust.

Our *Chef* brand sponsors the prestigious European Bocuse d'Or competition demonstrating Nestlé Professional's passion and commitment to the industry. We also support the Springboard Charitable Trust's FutureChef, a nationwide competition for young people aged 12–16, which gives them a great insight into the world of professional cookery, and the British Hospitality Association's Young Waiter and Young Chef Awards, to recognise the hospitality industry's stars of the future. For further information see www.nestleprofessional-sustainability.co.uk.

“ I have enjoyed working with my colleagues to raise funds for Marie Curie Cancer Care that will be used to provide the nursing care needed by cancer sufferers and to support their families. I know from personal experience that those whose time is limited get great comfort from knowing that their loved ones are receiving support from experienced nurses, who make a huge difference. I am very proud to have been part of this wonderful drive to support what is an amazing charity, knowing that we as a company made a difference.”

Jennie Pearce,

Nestlé UK employee and 'charity champion'.

Case study: Make Space for Health

Nestlé UK is a founding partner of Make Space, a campaign run by children's charity 4Children, aimed at creating a network of contemporary, dynamic and safe out-of-school clubs for 11 to 19 year olds. Started in 2002, this £4 million campaign now has a network of around 1,300 clubs improving the lives of thousands of young people every day.

In 2008, Nestlé UK and 4Children launched Make Space for Health, an innovative programme aiming to increase nutrition, health and wellness awareness among youth workers and to promote healthy lifestyles to young people outside school. Make Space for Health is part of the Nestlé Healthy Kids Global Programme, through which we are implementing targeted nutrition education programmes for school-age children in all the countries in which Nestlé operates. www.makespace.org.uk



At Nestlé we believe that we need to benefit not just our shareholders but also the communities where we operate, and we focus our efforts on the areas where we have most expertise – Nutrition, Health and Wellness, and sustainability.

"In the UK, our employees have done everything from teaching kids in youth clubs about healthy eating to donating surplus food to homeless projects and even climbing mountains for our Charity of the Year.

"The really inspiring thing for me is that the organisations and initiatives we support are literally changing people's lives; and that's something we can be very proud of."

Sam Fulton,
Head of Public Affairs,
Nestlé UK



Good Food, Good Life

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