



Nestlé

Creating Shared Value



2010 REPORT

Businesses can only be successful
in the long term by creating value
for Shareholders *and* Society.

CSV is embedded in all that we do.
It goes *beyond* Sustainability.

Paul Bulcke, CEO, Nestlé S.A.

Cover:

The Nestlé Healthy Kids Programme
is designed to educate young children
to better understand the value
of nutrition and physical activity.

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Corporate Social Responsibility can be interpreted in many forms. At Nestlé – it means Creating Shared Value (CSV). This extends beyond compliance and sustainability, as we believe that any business that thinks long-term and follows sound business principles creates value for its shareholders and for society through its activities.

At Nestlé, we have analysed our value chain and determined that the areas of greatest potential for our joint value optimisation with society are Nutrition, Water and Rural Development. These areas are core to our business strategy and vital to the welfare of the people of every community we operate in, be it Malaysia or beyond, as Nutrition is an important element of good health; Water is essential for the production of food and sustains life; and Rural Development helps improve the social and economic livelihoods of the communities.

By embedding CSV firmly in our business, we are able to embark on results-oriented initiatives that have a long-term impact

on society. We aim to create a thriving and sustainable society by addressing health-related issues such as malnutrition and obesity, sedentary lifestyles, aging populations and increasing health costs, as well as agriculture practices, rural poverty and environmental concerns.

As we approach our 100 years in Malaysia, we can clearly identify the progress we have made in creating value for society and our shareholders. We have invested substantial resources both in terms of people and resources, in areas that need assistance and that yield high prospects for joint value creation. We have actively collaborated and engaged with the right partners to ensure strong and sustainable results.

Our fifth stand-alone Creating Shared Value Report aims to demonstrate how we embed CSV in our daily business and how we deal with some of the growing environmental and societal concerns the country faces.

As we set new benchmarks for our CSV initiatives, we also strive to improve our reporting process. This year's report is better aligned with the Global Reporting Initiative (GRI) standards and we have engaged PricewaterhouseCoopers (PwC) to provide independent assurance on selected data and information in our 2010 CSV Report. The assurance is performed in accordance with the internationally recognised standard ISAE3000 issued by the International Auditing and Assurance Standards Board ("IAASB"). ISAE3000 is widely adopted by independent assurance providers to provide guidance for the performance of assurance on sustainability reporting which sets out the purpose and elements of all assurance engagements. PwC has checked our reporting and has confirmed it to be GRI Application Level C+. We seek to further improve the level of assurance in future reports and welcome your feedback on our report.

Tan Sri Dato' Seri Syed Zainol

Anwar Jamalullail

Chairman of the Board
Nestlé (Malaysia) Berhad

Peter Vogt

Managing Director
Nestlé (Malaysia) Berhad

Message to Stakeholders



The Chairman and Managing Director putting the Nestlé healthy lifestyle into practice.

By embedding CSV firmly in our business, we are able to embark on results-oriented initiatives that have a long-term impact on society.

Fast Facts

The Nestlé Group

- Founded in 1866 by Henri Nestlé
- World's largest food manufacturer, with headquarters in Vevey, Switzerland
- Present in almost every country in the world
- Employs over 280,000 people worldwide
- 449 factories in 83 countries
- Over 10,000 different products
- Around 1 billion products sold every day
- World's largest private nutrition research capability based in Switzerland
- 29 R&D Centres worldwide
- RM6 billion global investment in R&D annually

Established in
Malaysia in 1912

Biggest Halal
producer in the
Nestlé world and
the Halal Centre of
Excellence for the
Nestlé Group

Employs more than
5,000 people

Produces over
300 Halal products

RM4.0 billion
in turnover in 2010

Public-listed on
Bursa Malaysia
since 1989

Head Office
in Mutiara
Damansara,
Selangor

7 factories

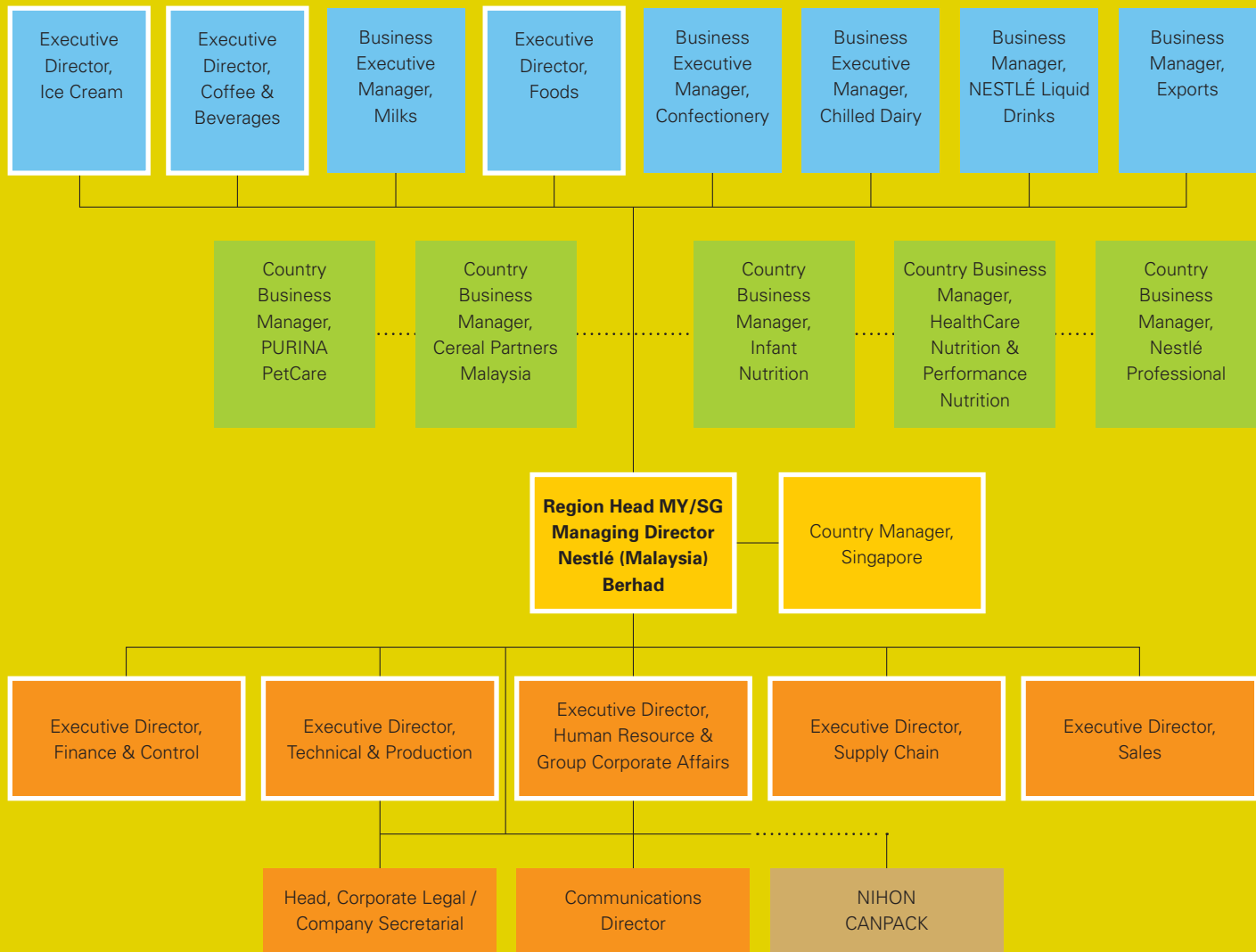
1 National
Distribution Centre

Nestlé Malaysia

Categories of Products in Malaysia

- Coffee and Beverages • Culinary Aids / Prepared Foods • Milks
- Liquid Drinks • Junior Foods • Breakfast Cereals • Chilled Dairy
- Ice Cream • Chocolate and Confectionery • HealthCare Nutrition
- Performance Nutrition • Nestlé Professional

Organisation Structure



Executive Committee

Locally Managed Business

Regionally/Globally Managed Business

Shared Services

Joint Venture

FOUNDED ON THE PREMISE OF SHARED VALUE

Nestlé was founded by Henri Nestlé – a Swiss pharmacist who developed a milk food to save his neighbour's child who was unable to accept his mother's breast milk. Back in 1867 - his goal was to combat the problem of infant mortality due to malnutrition. News of this product spread throughout Europe and demand surged. Thus began a legacy of creating value that is embedded within our values and corporate business principles that still stands firm more than 140 years on. Today, Nestlé, as the world's leading Nutrition, Health and Wellness company is as committed as ever towards building a business based on sound human values and principles.

THE "NEST" - THE PRIDE OF NESTLÉ

Henri Nestlé adopted his coat-of-arms as a trademark in 1867, and the word 'Nestlé' which means "little nest" in his native tongue is today universally understood to represent warmth, security, nourishment, family togetherness, nurturing and caring values.



GOOD FOOD, GOOD LIFE. WHAT IT MEANS TO US

Nestlé believes that Good Food is the foundation of Good Life, as insufficient access in terms of quality and quantity could result in nutritional deficiencies, malnutrition and other complex health issues, while unbalanced and excessive consumption can lead to obesity. Nestlé wants to be the leading Nutrition, Health and Wellness company and also a reference for financial performance. We want to ensure that we are trusted by all stakeholders.



Good Food, Good Life

...captures the very essence of Nestlé and the promise we commit ourselves to everyday, everywhere as the leading Nutrition, Health and Wellness company.

The Nest & GOOD FOOD, GOOD LIFE



Creating Shared Value is part of the Nestlé business ethos; stating that in order to create long-term value for shareholders, we have to create value for society. In addition to operating in an environmentally sustainable manner and creating shared value for shareholders and society, we must also comply with our Corporate Business Principles.

OUR FOCUS AREAS

Nestlé is committed to reporting its performance openly; reflecting those areas with a significant current or potential impact on the Company. These include areas that are of significant concern to stakeholders over which we have a reasonable degree of control.

At Nestlé, we have analysed our value chain and determined that the areas of greatest potential for joint value optimisation with

society are Nutrition, Water and Rural Development. These areas are core to our business strategy and operations, and we have joint programmes with over 100 organisations around the world in these three areas:

- **Nutrition:** because food and nutrition are the basis of health and of our business – it is the reason why we exist.
- **Water:** because the ongoing quality and availability of it is critical to life, the production of food and to our operations.
- **Rural development:** because the overall well-being of the farmers and their rural communities are intrinsic to our ability to continue to do business in the future.

These three areas are fundamental to our overall business goal, which is “To become the recognised leader in Nutrition, Health and Wellness, trusted by all stakeholders”.



Nestlé

Creating Shared Value

Nutrition | Water | Rural Development

The Nestlé Global Creating Shared Value Strategy

Nutrition, Water and Rural Development

CHALLENGES

Our challenges are varied in nature, spanning social, environmental and economic issues, and range from local to global in scale. These include:

Meeting the nutrition needs of low-income consumers: To provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night in line with our mission of GOOD FOOD, GOOD LIFE.

The global water crisis: In recent years, water has been increasingly recognised as equal to climate change as a pressing environmental issue. With approximately two-thirds of water being withdrawn by agriculture, the future of agriculture and food security is at stake if we are not able to solve the world's water crisis. We have adopted rigorous standards to reduce water consumption at our plants and facilities, help farmers to become better stewards of water and support water resource awareness and education programmes.

Packaging: Nestlé has significantly reduced the volume of packaging material used per tonne product. In addition to weight reduction, improvements in environmental performance are also relevant, and our packaging eco-design tool can assist in the selection of the most appropriate packaging for many products.

Sustainable palm oil: We share the concern about the serious environmental threat to rainforests and peat fields caused by oil palm plantations, and participate in multi-stakeholder solutions to this complex problem. We only buy processed palm oil and processed oil mixes, we do not use crude palm oil and we have no direct link with plantations. We have also undertaken an in-depth review of our supply chain and committed to using only Certified Sustainable Palm Oil (CSPO) by 2015.

Creating Shared Value is part of the Nestlé business ethos; stating that in order to create long-term value for shareholders, we have to create value for society.



The Nestlé Creating Shared Value Model

Nestlé Malaysia and CSV

We are conscious that strategic partnerships are key to the success of our initiatives.

Our Creating Shared Value (CSV) work in Malaysia has evolved over the years and we are now in a better position to evaluate the effectiveness of the initiatives we embark on. We are more streamlined in our approach and better equipped to measure the outcomes.

While the global direction of CSV is focused on Nutrition, Water and Rural Development, each market is at liberty to determine the scope, nature and investments of its initiatives. It is thus important that each market assesses and evaluates every initiative to ensure that it is sustainable and yields the desired results.

In line with the Brundtland Commission's definition of sustainable development - "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" - we strive to ensure sustainability in all our efforts across the value chain.

A good example of partnership is the project in Setiu which Nestlé embarked on in 2007 with WWF-Malaysia, which was aimed at empowering the local community, in particular, the women, with skills and knowledge to participate in sustainable development activities that will enhance their livelihood. The women were also encouraged to spearhead conservation awareness activities and eventually become the environmental guardians of the area to conserve the Setiu Wetlands.

Setiu was chosen as it is home to the world's largest remaining population of critically endangered painted terrapins and nesting ground for the endangered green turtle. It also boasts a rich repository of fauna and flora, and an important breeding ground for freshwater and marine fish.

Today, the Setiu Wetlands has been rejuvenated through activities such as mangrove replanting where more than 3,000* seedlings have been planted since the project started while turtle and environmental conservation awareness is at an all time high amongst the local community.

Motivated with a new sense of confidence, the women of the Setiu wetlands have now progressed using their basic entrepreneurial knowledge, environmental awareness as well as communication skills which allow them to be involved in small economic activities and play a bigger role in developing the local eco-tourism industry.

Similarly, ensuring the well-being of the communities where we source the raw materials for our products is key to our continued success and the nation's development. By creating new job opportunities and sources of income, or by empowering the poor through education, and by encouraging sustainable production practices and purchasing directly from small scale suppliers, we will have a bearing on the local economy and the way people live.

We are conscious that strategic partnerships are key to the success of our initiatives. We do not intend to reinvent the wheel. Rather, we seek to create shared value by working with the best partners, be it NGOs, the Government or any other organisation that can help ensure that we deliver long-term results.

* Refer to PWC's assurance report on pages 90 to 91

Managing Director Mr. Peter Vogt, WWF-Malaysia's CEO Dato' Dionysius Sharma and the PEWANIS ladies replanting the mangroves.

Nestlé Malaysia's red rice project helps to create shared value among farmers in Sarawak.

Consumers trying out our new beverage innovation at the NESTLÉ NOURISHING MALAYSIA Showcase.



We have many examples of how we create value for society in Malaysia and this report aims to demonstrate how Nestlé is Creating Shared Value. To meet Bursa Malaysia's requirements, we have segmented the initiatives in four areas:

1. Our Respect and Care for the Community
2. Our Commitment to the Environment
3. Our People and the Workplace
4. Our Consumers and the Marketplace

BOUNDARY AND SCOPE OF THE REPORT

The information contained in this annual CSV Report (the previous report was dated 31 December 2009) covers the operations of Nestlé Malaysia for the year ended 31 December 2010 unless otherwise stated. Data is provided for the Company's business units, excluding joint ventures and suppliers, unless specifically stated. The environmental data refers to Nestlé Malaysia's seven factories only, while health and safety figures cover all 5,004 Nestlé Malaysia employees.

We continue to prioritise those material issues, which have a significant current or potential impact on the Company, are of significant concern to stakeholders and over which Nestlé has a degree of control.



Engaging Our Stakeholders

Two convening sessions were held in June and December 2010, which were attended by experts relevant to our three CSV focus areas – Nutrition, Water and Rural Development.

STAKEHOLDER ENGAGEMENT

Following its first stakeholder convening in October 2007, Nestlé Malaysia has since held similar sessions on an annual basis. Two convening sessions were held in June and December 2010, which were attended by experts relevant to our three CSV focus areas – Nutrition, Water and Rural Development. These experts represent various sectors including Corporate Governance, Community, Environment, Sustainable Development, Nutrition & Health, Consumers & Women's Issues, and Human Rights among others.

The objectives of the convenings were to:

- Update stakeholders on the progress made
- Discuss our Creating Shared Value approach
- Obtain feedback on:
 - Creating Shared Value Initiatives
 - Priority Issues
 - Actions and Measures
 - Communication and Reporting

Stakeholders sharing their feedback and suggestions at the two convening sessions held in 2010.



The following is a summary of what was discussed during the two Stakeholder Convening sessions held in June and December 2010:

Topic	Issues Highlighted	Stakeholder Recommendation	Action Plans by Nestlé
Nutrition & Health	Lack of communication / awareness on reformulation of products	To extend communication on product innovations to nutritionists	<ul style="list-style-type: none"> • Continue to improve public education and communication on nutrition. • Introduction of Guideline Daily Amounts (GDA), to insert information on nutritional values, calories etc.
	Promoting healthy lifestyles and healthy foods	N / A	<ul style="list-style-type: none"> • Promote healthy eating habits among Malaysian children through the Nestlé Healthy Kids Programme, a partnership with the Nutrition Society of Malaysia. • World Walking Day initiative to promote exercise and healthy living. • Launch of the “How Am I” campaign to help Malaysians keep track of their health status. • Internally – encouraging wellness amongst employees everyday of the week i.e. Staircase Mondays; distribution of fruits on Tuesday and Thursdays; Exercise Wednesdays; Lunch N’ Learn Thursdays.
	Concerns on high levels of sugar and MSG in products	Communicate clearly on products with reduced sugar, fat or salt content	<ul style="list-style-type: none"> • Use of alternatives to replace ingredients such as sugar. • Continuous product innovation and renovation i.e. accelerate where possible the reduction of fats, sugar and salt in products. • Introduction of MAGGI TASTYLITE Atta Noodles; MILO Kurang Manis; KIT KAT Singles; use of different types of grains in CHEERIOS cereal; use of natural colouring for SMARTIES confectionery, MAT KOOL ice confection and NESTLÉ Chilled Dairy range.

Engaging Our Stakeholders

Topic	Issues Highlighted	Stakeholder Recommendation	Action Plans by Nestlé
	Could Nestlé offer more NHW activities for other groups?	<ul style="list-style-type: none"> • Kindergarten children • Diabetics • Coffee Shop Association 	<ul style="list-style-type: none"> • To consider simpler activities or use of simpler materials to educate children below the age of seven. • To look into the possibility of addressing specific target groups i.e. heart, hypertension, diabetes patients etc. • To continue with the annual NHW Showcase, extending it to other regions for a wider reach. • Campaigns to encourage drinking MILO beverage without sugar in the out-of-home channel / with milk, use of non-dairy creamer / fresh milk and evaporated milk in cooking and as beverage creamers.
Water and Environment	<p>Lack of awareness on the Company's initiatives relating to environment and water issues</p> <p>Disconnect between the Company's business and environmental issues</p>	Improve communication on the Company's initiatives on water conservation and commitment to the environment	<ul style="list-style-type: none"> • Increasing awareness on water conservation through collaboration with the media. • Internally - reduce water pressure and optimisation of water usage in manufacturing process. • Irrigation of rainwater and treated water recycling at contract farms. • Embarked on another three-year contract with WWF-Malaysia the Setiu Wetlands sustainability project.
Rural Development	Efforts in helping develop rural community/areas	N / A	<p>Continue with current efforts to build sustainable livelihoods:</p> <ul style="list-style-type: none"> • Contract farming schemes i.e. chilli and red rice farming. • Setiu Sustainable Development project. • Partnership with Raleigh to build kindergartens in rural parts of Sabah.

Topic	Issues Highlighted	Stakeholder Recommendation	Action Plans by Nestlé
	In what ways has Nestlé contributed to the reduction in the use of packaging materials and recycling?	Raise awareness on importance of packaging innovations and recycling. Educate consumers on benefits of innovations to reduce use of packaging materials.	<p>Continue with packaging source reduction.</p> <ul style="list-style-type: none"> • Reduced thickness of MILO and NESCAFÉ RTD aluminium cans. • Use of a thin-wall plastic cup for MAGGI Hot Cup. • YOCO yogurt drink cups 60% thinner. • Reduced height of packs e.g. NESPRAY milk powder <p>Recycling activity with Tetra Pak and Tesco Stores – preservation of the Belum-Temengor rainforest.</p>
Others	Increase in prices of consumer products due to increase in cost of raw material, packaging materials, transportation/ distribution etc.	Maintain or minimise increases in product prices	<p>Maintain existing prices or minimise increases through:</p> <ul style="list-style-type: none"> • Improved production processes and operational efficiencies • Reduction in packaging materials • Improved farming practices • Higher efficiencies at supply source to improve distribution

Corporate Governance

Nestlé is committed to high standards of corporate governance. The Board of Directors and each individual are directly accountable to the shareholders and stakeholders for ensuring that good governance is committed and practised at every level of the Company's operations including relationships with third parties. Our guiding documents include, inter alia, the "Nestlé Corporate Business Principles" and the "Nestlé Supplier Code". The Company has adopted the "Nestlé Corporate Governance Principles" of its holding company, Nestlé S.A. in Vevey, Switzerland, as its best practice in corporate governance. The principles of corporate governance covers the following four areas:

- The rights and responsibilities of shareholders;
- The equitable treatment of shareholders;
- The duties and responsibilities of directors; and
- Disclosure and transparency.

Mr. Peter Vogt accepting the ACCA MaSRA from Datuk Mohd. Nasir Ahmad, President of ACCA Malaysia Advisory Committee.



Mr. Marc Seiler accepting the Best CSR Award at the Malaysian Corporate Governance Index 2010 Awards, organised by the Minority Shareholder Watchdog Group.



Our Directors being briefed on identifying good corporate governance practices along with their personal roles, responsibilities and liabilities at the Non-Executive Directors Development Series.



These principles are in line with the Malaysian Code on Corporate Governance [Revised 2007] and paragraphs 15.26 and 15.27 of the Main Market Listing requirements of the Bursa Malaysia Securities Berhad.

Note: The full statement on Corporate Governance appears in the Nestlé Corporate Report 2010.

TRAINING FOR NON-EXECUTIVE DIRECTORS

The Non-Executive Directors Development Series (NEDDS) – a one-day training programme conducted by the Securities Industry Development Corporation (SIDC) and PricewaterhouseCoopers Advisory Services Sdn. Bhd. (PwC) in November 2010, provided an overview of the key principles of Corporate Governance.

At the end of the programme, the participants were able to:

- Analyse the fundamentals of Corporate Governance and best practices;

- Judge how the legal and statutory framework will affect effective Corporate Governance;
- Evaluate the importance of corporate board and its composition, the fiduciary duties of the board, managing directors and non-executive directors;
- Assess the risk management of non-compliance of corporate governance by organisations.

The participants were: Tan Sri Dato' Seri Syed Anwar Jamalullail (Chairman of the Board of Directors, Tengku Tan Sri Dato' Dr Mahaleel Tengku Ariff (Independent, Non-Executive Director), Datuk Rafik bin Shah Mohamad (Independent, Non-Executive Director) and Datuk Rafiah Salim (Independent, Non-Executive Director). From Nestlé: Peter Vogt (Managing Director), Marc Seiler (Executive Director, Finance & Control), Chew Soi Ping (Executive Director, Ice Cream), Zainun Nur Abdul Rauf (HR & Corporate Affairs Director) and Abdul Wahab Abu Bakar (former Human Resource Director).

CREATING SHARED VALUE

Creating Shared Value is part of the Nestlé business ethos and embedded into the business operations of the Company.

We comply to the ISO standards and local regulations as well as to the Nestlé Internal Standards & Guidelines, and our practices are validated by third party SGS auditors during the annual ISO 14001 audits.

The Company's CSV activities are monitored internally by the Corporate Affairs Department, where the targets and achievements are compiled and reported in accordance with the Global Reporting Initiative (GRI) guidelines.

In 2011, a CSV Council consisting of representatives from the Business Units and Corporate Affairs will be established with the objectives of expanding CSV activities across all categories and key brands, and ensuring that they are in line with the Company's policies on sustainability.

Nestlé in Malaysia pursues a strategy of best practice of corporate governance. We believe that complying with laws and internal regulations protects the Company's reputation and provides the basis for the creation of sustainable shared value.

Performance Data

CREATING SHARED VALUE - PERFORMANCE SUMMARY

In line with the Global Reporting Initiative, we have included a set of economic indicators in this year's CSV Report:

	GRI Reference	2008	2009	2010
Economic				
MY total sales	EC1			RM4,026,319,000
Net profit	EC1			RM391,398,000
The Marketplace				
NUTRITION				
Products meeting or exceeding Nutritional Foundation profiling criteria (as % of sales)	N/A			74%
Products meeting or exceeding consumer taste preference (as % of sales)				81%
Products with nutritional plus over competitors (as % of sales)				54%
Products with a nutritional claim on front of pack				64%
Products covered with Nestlé NUTRITIONAL COMPASS (as % of sales)				100%
Products with GDA labelling (as % of sales)				57%
NUTRITION, HEALTH & WELLNESS				
Total number of visitors received at both NESTLÉ NOURISHING MALAYSIA Showcase events				24,696
Our Environmental Footprint				
Total energy consumption (GJ)	EN3 / EN4	1,469,618	1,435,477	1,468,294
Total energy consumption (GJ per tonne of manufactured product)	N/A	4.84	4.68	4.39
Total energy greenhouse emissions (tonnes CO ₂ e)	EN16			147,048
Water Usage (m ³)	EN8	1,716,318	1,595,692	1,693,838
Water Usage (m ³ per tonne of manufactured product)	N/A	5.65	5.21	5.07
Non-hazardous waste disposed of to landfill (t)	EN22	3,622	3,418	2,473
Materials recycled (t)	EN22	17,974	15,043	21,315
Our People				
Workforce size	LA1			5,004
Lost Time Injury Frequency Rate	LA7			0.78
Leadership positions held by women	LA13			23%
Employee turnover	LA2			8%
"Nestlé & I" Employee Opinion Survey Participation	#			98%
Employee Engagement score	#			77%

	GRI Reference	2008	2009	2010
Our Community				
Number of children impacted from the Kg. Maliau Layung Kindergarten Project with Raleigh International				40-50
Total Number of PEWANIS members impacted from the Setiu Wetlands Project with WWF-Malaysia (active & non-active)				13
Number of students impacted through the Nestlé Healthy Kids Programme				2,600
Number of camps launched under the MILO PLAY MORE LEARN MORE campaign				6
Number of participants who took part in the World Walking Day event				10,000
Number of farmers impacted from the Red Rice Project in Serian, Sarawak				300
Nestlé Employee Volunteer Programme (ROCKS)				
Total number of volunteers participating in 2010 activities (employees & non-employees)	#			72
Number of hours (total)	#			393.5

Nestlé-specific indicator

ECONOMIC

	GRI Reference	2010
Operational Footprint		
Number of factories	#	7
Number of product lines	#	224
Value Generation		
MY total sales	EC1	RM4,026,319,000
Value Distribution		
Net proceeds of sales	EC1	RM4,026,319,000
Operating costs		RM856,801,000
Taxes		RM74,346,000
Net profit		RM391,398,000

Nestlé-specific indicator



Sharing our knowledge on nutrition, good agricultural practices and R&D are ways of Creating Shared Value for the communities we engage with.

The recently launched Nestlé Healthy Kids Programme can be accessed online at www.healthykids.org.my



Our Respect and Care for the Community



The United Nations Millennium Development Goals



Participants having fun during the cooking activity at the Nestlé Healthy Kids Programme Parent-Child Workshop.

While being part of the local community and seeing positive and sustainable growth has been one of the Company's key objectives since the launch of the United Nations Millennium Development Goals (MDG), the concept of Creating Shared Value further reinforces this need.

Adopted by world leaders in 2000 with a target date of achieving the goals by 2015, the Millennium Development Goals (MDG) set benchmarks and provide a framework for the global community to join hands towards a common cause – development for everyone.

Through our work with non-governmental organisations (NGOs) in local communities we are able to contribute to some of the eight MDGs:

- Goal 1: Eradicate extreme poverty and hunger
- Goal 2: Achieve universal primary education
- Goal 3: Promote gender equality and empower women
- Goal 4: Reduce child mortality
- Goal 5: Improve maternal health
- Goal 6: Combat HIV/AIDS, malaria and other diseases
- Goal 7: Ensure environmental sustainability
- Goal 8: Develop a Global Partnership for Development

We choose our community initiatives carefully and we leverage on our expertise in nutrition, good agricultural practices and R&D to maximise our impact.

HEALTHY KIDS LEAD TO HEALTHY ADULTS (PLEASE REFER TO CASE STUDY)

A global programme designed to address one of the world's complex challenges – undernutrition and obesity, particularly amongst the young – was launched by Nestlé Malaysia in 2010. The objective of the programme is to find the right way to influence children to move towards healthy products, teaching them what they need to eat, teaching their parents what to eat and to make sure that only healthy products are available at the schools.

We leverage on our expertise in nutrition, good agricultural practices and R&D to maximise our impact.



Under the MILO PLAY MORE LEARN MORE campaign, children learn through participating actively in coaching clinics.

A partnership with the Nutrition Society of Malaysia, the *Nestlé Healthy Kids Programme*, is part of the Group's global initiative using education as a tool to help educate and empower children to lead healthier lifestyles. The global programme aims to improve the nutrition, health and wellness of children through better eating, exercise and other key health measures such as hygiene.

Aimed at school children aged between 7-12 years old, parents and teachers as well as canteen operators, the programme includes an awareness campaign on nutrition and physical activity; and a longitudinal intervention programme with

monitoring to improve knowledge, attitude and practices on nutrition and physical activity.

The programme also offers educational collaterals for children including comic books, bookmarks and posters and guidebooks for the parents.

NEXT STEPS:

The intervention study will take place in early 2011 in six schools, reaching 250 students, and this will be carried over the next three years.

MILO PLAY MORE LEARN MORE CAMPAIGN

This initiative, which is aimed at using well known sporting icons as role models to spread the message about the importance of a sports culture gained momentum in 2010 where 6 camps were launched during the November and December school holiday period. A unique feature is that all 6 camps were organised by the Rukun Tetangga Committees consisting of parents from the local neighbourhoods with the full backing of MILO. Activities included coaching clinics followed by a mini tournament. To ensure these activities are sustainable, MILO contributed sports items such as netballs, footballs and basketballs to the Rukun Tetangga communities involved. Apart from being involved in the activities, what brought smiles to the faces of all involved was the presence of the ubiquitous green MILO van. Consumers can visit the dedicated website for more information: www.milo.com.my/playmore



FROM LEFT:

Nestlé hosting World Walking Day for employees and members of the public to raise awareness on wellness and the benefits of walking.

Local women from Kelantan carefully selecting quality chillies for MAGGI Chilli Sauce.

WALKING THE WAY TO GOOD HEALTH

One of the key findings of a major longitudinal survey of 47 urban and 41 rural primary schools involving 12,000 students conducted by Nestlé Malaysia and Universiti Kebangsaan Malaysia (UKM) in 2009 was that the prevalence of overweight and obese children had jumped to 26.5% from 20% in a span of six years.

Alarm bells prompted a team at Nestlé to devise an initiative that would encourage Malaysians to start exercising slowly but surely. This gave birth to the World Walking Day, which was launched in six different locations simultaneously:

- Kuala Lumpur: Taman Tasik Titiwangsa
- Penang: Polo Ground, Jalan Sepoy Line
- Kuantan: Padang MPK 1
- Johor: Taman Sri Stulang, Johor Bahru
- Sabah: Penampang Sports Complex Stadium
- Sarawak: Waterfront, Kuching

Taman Tasik Titiwangsa attracted the largest crowd (3,000) and the total number of people gathered in the six locations was 10,000. Every participant in the event would have walked 3,000 steps that morning – which is 30% of the 10,000 steps recommended for individuals daily.

Nestlé hopes that the World Walking Day will gain considerable momentum across the nation, inspiring communities everywhere to walk together daily for wellness.

Moving forward, Nestlé hopes to encourage local communities to take up Walking Days with their neighbours and friends throughout next year.

NEXT STEPS:

Nestlé Malaysia will be sharing the 'walking story' with other Nestlé markets across the globe with the hope of getting the whole world walking for wellness.



**CONTRACT FARMING
IMPROVES THE LIVES OF
LOWER INCOME COMMUNITIES**

Nestlé, through its Agricultural Services Department began working with the local Farmers' Association Board by engaging local farmers in Kelantan to produce chillies for MAGGI Chilli Sauce and help create new and sustainable income opportunities for the poor farmers with an average income of less than RM650 a month*. The farmers are screened, interviewed and selected by the project management committee to ensure that they meet the criteria of the scheme. All the chillies produced are sold to the board, thus eliminating the need for middle-men and also ensuring that there is a ready and assured buyer for all the chillies produced, at a pre-determined price. This is in line with the Nestlé Policy on Environmental Sustainability, which stipulates that, "When selecting agricultural raw materials, Nestlé prefers to use agricultural materials which are produced based on sustainable practices and are locally available".

* Refer to PWC's assurance report on pages 90 to 91

When selecting agricultural raw materials, Nestlé prefers to use agricultural materials which are produced based on sustainable practices and are locally available.

The number of farmers involved in the project has grown substantially over the years, from a mere four* farmers in 1995 to more than 150 farmers to date*. The farmers involved have benefited from the scheme, having been able to generate additional income during the off-season from their other agricultural activities.

The project has won the Prime Minister's Award for Socio-Economic Development; and the farmers have been accorded the respected and acknowledged SALM (Skim Amalan Ladang Baik Malaysia) accreditation for excellence in Malaysian farming practices. SALM recognises and certifies farms that adopt good agricultural practices (GAP) and is benchmarked

against approved international agriculture standards such as Europe's EUREP GAP. The accreditation is a significant testament to the quality of the produce as well as a reflection of the agricultural practices in place and embodies the principles of Total Quality Management from farm to fork.

With the success of the chilli contract farming in Kelantan, this scheme has been replicated for red rice farming in Sarawak.



FROM LEFT:

Our traditional red rice contract farming scheme helps improve the socio-economic standards of rural farmers in Sarawak.

Local kindergarten children in Sabah in their new classroom built by Nestlé and Raleigh International.

RED RICE PROJECT IN SERIAN, SARAWAK

Nestlé (Malaysia) Berhad is the regional manufacturer for infant cereal, the key ingredient of which is red rice that is prevalent in Sarawak. Teaming up with the Malaysian Agricultural Research & Development Institute (MARDI), the Agricultural Research Centre (ARC) Sarawak and the Sarawak Department of Agriculture on a contract-farming scheme, Nestlé hopes to boost the local agricultural sector.

Under the contract farming scheme in Serian, more than 500 farmers covering some 350ha of rural farmland were tasked to plant and produce traditional red rice; guided by optimum utilisation of agricultural resources and the introduction to new farming innovations to lower costs and improve yields.

Five years after commencement, the project achieved enough maturity to benefit from full scale commercialisation,

backed by the Company's commitment to continue with the R&D and increasing field productivity while maintaining the natural farming systems of traditional red rice farmers in Sarawak. New red rice varieties are also being explored.

Aimed at creating new income opportunities for the farmers in the area, while staying true to the Nestlé philosophy of shared value creation and meeting the U.N. Millennium Development Goals, the project exposes the farmers to Good Agricultural Practices (GAP) and helps them be self-reliant.

The project is also the beneficiary of a tripartite agreement between Nestlé, MARDI and the Ministry of Science, Technology and Innovation (MOSTI) for a formal R&D collaboration for agriculture, and for the management and implementation of the MOSTI Techno fund which saw RM500,000 channeled to Nestlé for commercialisation purposes. This was used to procure agricultural machinery suitable for small traditional farmers, reducing their burden of harvest.



One of the key objectives of fully contracting the supply of red rice is to ensure the implementation of GAP, which will in turn assure that safe and sustainable farming is carried out. Additionally, raw material upstream traceability will also be enhanced; which is a key requirement for total quality management.

While Nestlé purchases almost all their harvest, the farmers are allowed to keep some as seed stock for future plantings, small quantities for local retail and also for their own family consumption.

NEXT STEPS:

Consolidate Sarawak Red Rice Programme to encourage farmer loyalty and compliance, as well as intensify R&D. To embark on a nutrition programme to educate the local community.

Nestlé has built six kindergartens in some of the most desolate parts of Sabah, which are among the poorest districts in Malaysia.

**PRE-SCHOOL EDUCATION
- RURAL SABAH**

Access to education, particularly pre-school education, is a challenge in rural Sabah, which is cut off from urban facilities and transportation networks. Having established a partnership with Raleigh International – a UK-based educational development charity that strives to help people from diversified backgrounds and cultures discover their full potential – Nestlé has built six kindergartens in some of the most desolate parts of Sabah, which are among the poorest districts in Malaysia. Pre-school education was selected, as a good foundation would help empower the recipient, breaking the poverty cycle, developing sustainable incomes and enabling societies to thrive.

By identifying a candidate to be trained by the local education department as a teacher from the local community, Nestlé is also able to ensure the sustainability of the venture.

Besides funding the kindergarten, Nestlé also sponsors local youths to be involved in Raleigh projects to help build a pool of volunteers who can go on to encourage other youths to help in remote villages and communities. Each kindergarten which can accommodate between 40 - 50 children from the identified village as well as the surrounding areas is equipped with furniture, books and stationery.

Our Respect and Care for the Community



In 2010, a kindergarten was built in Kg. Maliau Layung in Pitas. The Maliau Kindergarten was built over a period of 10 weeks involving a team of 34 volunteers. The kindergarten will facilitate the pre-school education of an estimated 40 - 50 young children between the ages of 4 - 6 years.

NEXT STEPS:

Nestlé will continue to work with Raleigh in 2011 to ensure that more underprivileged children in rural Sabah will have access to early education. Raleigh has identified Kg. Songsogon Magandai, a remote village about 60km from Kota Marudu. A kindergarten facility, which will also serve the nearby community of Songsogon Suyad, will be built to accommodate up to thirty children.

EMPOWERING WOMEN TO TAKE THE LEAD

In 2007, Nestlé and WWF-Malaysia embarked on a project to empower the local community in Kampung Mangkok, in particular the women, with skills and knowledge to participate in sustainable development activities that will enhance their livelihood while empowering them to spearhead conservation awareness activities and eventually become the environmental guardians of the area to conserve the Setiu Wetlands.

The wetlands in Setiu is home to the world's largest remaining population of critically endangered painted terrapins and nesting ground for the endangered green turtle. It also boasts a rich repository of fauna and flora, and an important breeding ground for freshwater and marine fish.

Today, the Setiu Wetlands has been rejuvenated through activities such as mangrove replanting where more than 3,000* seedlings have been planted since the project started while turtle and environmental conservation awareness is at an all time high amongst the local community.

The project, which involves one of Malaysia's richest and unique habitats and has achieved better awareness of coastal forest conservation as well as capacity building of the local community, is now coming to the end of its 3-year cycle.

Since the project began, employees from Nestlé have on six occasions visited Kampung Mangkok to meet and share with the women - who call themselves PEWANIS (Women Entrepreneurs of Setiu) - some of the Company's know-how on good manufacturing practices, product packaging and marketing. In addition to the workshop and dialogue sessions, Nestlé also recently presented the Group with a computer and printer to help them with their marketing and bookkeeping.

"Since 2007 Nestlé and WWF-Malaysia have provided training to enable the women of Setiu to participate in conserving the wetlands while enhancing their livelihoods. We hope that our long and fruitful partnership will continue into a bright future, so that we can leave our children a living planet," said Dato' Dr. Dionysius Sharma, Executive Director/CEO of WWF-Malaysia.

* Refer to PWC's assurance report on pages 90 to 91



FROM LEFT:

The children of Kg. Maliau Layung and Raleigh volunteers celebrating after building the sixth kindergarten.

PEWANIS (Women Entrepreneurs of Setiu) replanting mangroves in the Setiu Wetlands.

2010 saw the conclusion of the first phase of the partnership with WWF Malaysia, where the establishment of PEWANIS has seen the members improve their entrepreneurial skills and develop their role as leaders in ensuring the sustainability of their community. In February, PEWANIS was officially registered under the Societies Act 1966 and Societies Regulations 1984 (Akta Pertubuhan 1966 dan Peraturan-Peraturan Pertubuhan 1984).

In addition to their traditional banana chip venture as a means to gain supplementary incomes, PEWANIS has also organised free English classes for the local children, conducted conservation awareness activities for the local community and are active in mangrove replanting efforts.

As testimony to their on-going development, they are now exploring other entrepreneurship opportunities such as eco-tourism in consultation with tour operators and government agencies to develop a home-stay programme for local and international visitors.

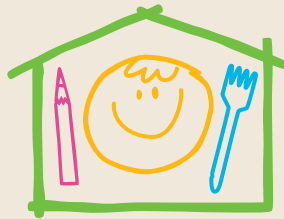
The “Setiu Sustainable Development Program” Project is in line with the U.N. Millennium Development Goals that seek opportunities to improve the lives of the rural impoverished population through education, skills training or income generating activities.

NEXT STEPS:

Nestlé will proceed with the second stage of the Setiu Wetlands Sustainability Project with WWF, focusing on Diversification Strengthening, in order for the project to be expanded and replicated in other communities, and to be fully sustainable in the long run.

Today, the Setiu Wetlands has been rejuvenated through activities such as mangrove replanting where more than 3,000* seedlings have been planted since the project started.

Our Respect and Care for the Community



Nestlé
Healthy Kids
Global Programme



CASE STUDY Nestlé Healthy Kids Programme

Having developed nutrition expertise over the decades, Nestlé believes that it can contribute to the knowledge of nutrition, using education as a tool to help young children understand the value of nutrition and physical activity.

The Global Nestlé Healthy Kids Programme was born out of the need to address complex issues plaguing society globally – under-nutrition and obesity, and aims to improve the nutrition, health and wellness of children between 4-16 years through improved diets, physical activity and hygiene.

The initiative has been designed in collaboration with national health authorities, child nutrition experts, and educational foundations and will be extended to every Nestlé market by the end of 2011, with each market adapting the programme based on its own needs. In more developed markets like the United

States of America for instance, obesity is a key challenge while for developing and under-developed countries, under-nutrition is a great concern. The solution for both problems is a good nutritional diet and adequate physical activity.

In Malaysia, Nestlé partnered with the Nutrition Society of Malaysia (NSM) to roll-out its Healthy Kids chapter. Launched in August 2010, the Programme reached out to some 2,600 students in five schools across the Klang Valley within a three-month period.

The Healthy Kids Programme in Malaysia entails the implementation of a two-prong programme, which runs concurrently. Aimed at school children aged between 7-12 years old, parents and teachers, the programme includes an awareness campaign on nutrition and physical activity that is done in an interactive manner; and a longitudinal intervention programme with

monitoring to improve knowledge, attitude and practices on nutrition and physical activity.

To measure the impact of the awareness session on the target audience, 30 students from each school visited are selected randomly for a pre- and post-survey on basic nutrition knowledge to gauge whether there is an increase in knowledge after the session. A Body Mass Index (BMI) check was also conducted to assess their nutritional status.

“The Healthy Kids programme will undoubtedly contribute positively towards raising awareness levels on the importance of nutrition, health and physical activities among children, parents and teachers. We look forward to actively roll-out the activities under this programme,” said Dr. Tee E Siong, President of the Nutrition Society of Malaysia at the launch of the event.



“More notably, the programme includes a research component aimed at developing and determining the effectiveness of appropriate educational materials to facilitate teaching of nutrition to primary school children. We hope that by the end of this, we will have the right approaches and materials for teaching nutrition in primary schools which we can share with the Ministry of Education,” said Dr. Tee.

Activities for the Nestlé Healthy Kids Programme in Malaysia include:

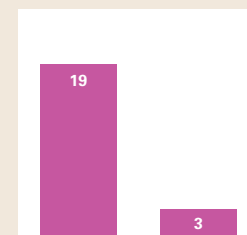
- A Parent-Child Workshop for parents and children to discuss and learn about child nutrition and healthy lifestyle with experts.
- The Nestlé Healthy Kids Programme website (www.healthykids.org.my) that contains educational tools and interactive games to educate both parents and children about healthy eating and active lifestyle.
- School roadshows to impart simple healthy eating messages to school children in a fun way.

- A longitudinal intervention study - “Evaluation of Nutrition Education Package for Primary School Children” - to improve knowledge, attitude and practices on nutrition and physical activity among children, parents and teachers which will begin in early 2011.

The Programme will also offer educational collaterals for children that include comic books, bookmarks and posters; guidebook for parents; and many more.

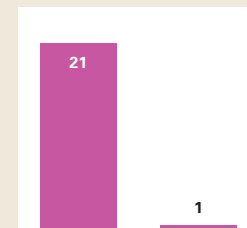
The Healthy Kids initiative has been running for several years in countries such as Australia, France, Brazil, Russia, Italy and Hungary, and has reached approximately four million children worldwide. All programmes are designed in collaboration with the health and nutrition professional bodies, national health authorities, child nutrition experts and educational foundations of the respective countries. In Southeast Asia, countries such as Singapore, Thailand and the Philippines have also implemented this programme.

86% of parents learnt a lot from the workshop



Note: 1 parent mentioned that it should be more interactive

95% of parents interested to attend future workshop



Nestlé believes that it can contribute to the knowledge of nutrition, using education as a tool to help young children understand the value of nutrition and physical activity.

Our Respect and Care for the Community

OUR COMMUNITY - OUR PERFORMANCE

	GRI Reference	2010
KEY COMMUNITY PROJECTS		
Kg. Maliau Layung Kindergarten Project with Raleigh International		
Number of volunteers	#	34
Number of children impacted	#	40-50
Setiu Wetlands Project with WWF-Malaysia		
Mangrove Replanting activity (number of seedlings planted from June 2008 - October 2010)	#	3,766
Number of PEWANIS members:		
i) Active members	#	10
ii) Non-active members	#	3
iii) Other members (Associate & Honorary members, advisors & auditors)	#	14
Healthy Kids Programme		
Number of schools impacted		5
Total number of students impacted		2,600
NASAM: Malaysia's Biggest Breakfast		
Number of volunteers	#	30
Contribution towards printing / postage of MBB collaterals & other ancillary costs (RM)	#	30,000
MILO PLAY MORE LEARN MORE Campaign		
Number of camps launched	#	6
World Walking Day Event		
Number of locations	#	6
Total number of participants (for all 6 locations)	#	10,000
Red Rice Project at Serian, Sarawak		
Number of farmers impacted / benefited from the project	#	300
Nestlé Employee Volunteer Programme (ROCKS)		
Number of activities	#	10
Number of volunteers:		
i) Employees	#	59
ii) Non-employees	#	13
Number of hours (total)	#	393.5

Nestlé-specific indicator

TARGETS AND ACHIEVEMENTS

RESPECT AND CARE FOR THE COMMUNITY		
Rural Development, Education and Nutrition Awareness		
What we set out to achieve	What we have achieved to date	Our way forward
Nestlé supports equal education opportunities for communities in rural areas that lack basic facilities for pre-school education, for a head-start in life compared to their peers in more privileged areas.	<p>Through a partnership with Raleigh International, Nestlé has helped build six kindergartens in some of the most desolate parts of Sabah, the most recent being a kindergarten in Kg. Maliau Layung in the Pitas district.</p> <p>To ensure the sustainability of the venture, Nestlé, together with the local education department, has also identified candidates from the respective communities to be trained as teachers for the kindergartens. 😊</p>	<p>Nestlé will continue to work with Raleigh to ensure continuity and reach out to more rural communities in Sabah.</p> <p>In addition to the kindergartens, allocations will also be made to build quarters for teachers assigned to the communities.</p> <p>Nestlé aims to introduce a nutrition component to this initiative to improve the nutrition, health and wellness of the children through improved diets, physical activity and hygiene.</p>
Provide physically and mentally-challenged children with learning opportunities.	<p>Nestlé visited its Learning Corners in Sekolah Khas Cheras and Sekolah Khas Klang – the two special schools under the Selangor and Federal Territory Association for the Mentally Handicapped to monitor the progress and evaluate their needs. The schools requested for new computers, printers and learning materials. Unfortunately, no new Learning Corners were established in 2010. 😞</p> <p>Nestlé Malaysia sponsored several activities organised by The Jumping Jelly Beans (JJB) – a company responsible for bringing back theatre to children through different acting techniques and interaction. The activities include Theatre Trainings at the Special Needs Learning Centre (SNLC) and the Malaysian Association of Guardians for the Intellectually Challenged (MAGIC), a storytelling performance and sponsorship of students at the “Magic of the Musicals” event. 😊</p>	<p>Nestlé to provide new computers, printers and learning materials for the two schools. Nestlé plans to set up another Learning Corner in 2011.</p> <p>To consider sponsoring future JJB activities or collaborate with other organisations involved in initiatives for mentally-challenged children.</p>
Promote gender equality and empower women through training and education in line with the U.N. Millennium Development Goals that seeks opportunities to improve the lives of the rural population through education, skills training or income generating activities.	<p>In 2007, Nestlé and WWF-Malaysia embarked on a project to empower the womenfolk of Setiu in Terengganu, with skills and knowledge to participate in sustainable development activities that will enhance their livelihood while empowering them to spearhead conservation awareness activities.</p> <p>Today, the Setiu Wetlands has been rejuvenated through activities such as mangrove replanting where more than 3,000* seedlings have been planted since the project started while turtle and environmental conservation awareness is at an all time high amongst the local community.</p>	<p>Nestlé will proceed with the second stage of the Setiu Wetlands Sustainability Project with WWF, focusing on Diversification, while continuing to provide education and knowledge on wetlands conservation.</p>

* Refer to PWC’s assurance report on pages 90 to 91

Our Respect and Care for the Community

What we set out to achieve	What we have achieved to date	Our way forward
	The “Setiu Sustainable Development” Project has since encouraged the local women to explore other entrepreneurship opportunities such as eco-tourism and they are currently developing a home-stay programme for local and international visitors. 😊	Nestlé is studying avenues to provide support for the women to seek new income opportunities.
To provide new income opportunities for self-starters.	<p>Nestlé Ice Cream introduced a mobile business opportunity for individuals interested in a self-sustaining entrepreneurship model by providing upfront investment with subsidised interest rate repayment; free uniforms, road tax, Personal Accident and Insurance coverage.</p> <p>Training was provided on the products, sales and supply chain. The 29 participants were also given various incentive schemes to reward their achievement.</p> <p>The end result - individuals are able ensure a long-term sustainable income to supplement their welfare. 😊</p>	<p>To provide ongoing training for the individuals as mobile vendors and provide them with incentives to recruit and manage other individuals to join the programme.</p> <p>They will also be encouraged to recruit physically challenged individuals.</p>
Nutrition and Health Address complex issues plaguing society globally – under-nutrition and obesity through improved awareness and activities.		
Improve the nutrition, health and wellness of children through better eating, exercise and other key health measures such as hygiene.	<p>In 2010, Nestlé Malaysia launched the Nestlé Healthy Kids Programme in collaboration with the Nutrition Society of Malaysia – a pilot project aimed to educate and influence children to move towards healthy diets and lifestyles and designed to address the challenges of under-nutrition and obesity amongst the young.</p> <p>The awareness programme reached some 2,600 students across five schools.</p> <p>A website (www.healthykids.org.my) was also developed to make learning about nutrition easier, more fun and effective for parents and children. The website features interactive tools and practical tips on nutrition and healthy lifestyles. 😊</p>	In 2011, Nestlé Malaysia will implement the intervention programme - a pilot project across six schools, reaching 250 students.
Raise awareness among key stakeholders about the problems of obesity, and educate them on the importance of exercise.	<p>In 2010, with the high prevalence of overweight children and adults and obesity among Malaysia, Nestlé initiated World Walking Day to encourage more Malaysians to walk for their health.</p> <p>The initiative was launched in six locations around Malaysia simultaneously attracting more than 10,000 participants. 😊</p>	<p>In 2011, we will encourage the public to have Walking Days with neighbours and friends throughout the year. Nestlé will support the walking group by giving free t-shirts or product sampling.</p> <p>Nestlé Malaysia will be sharing the ‘walking story’ with other Nestlé markets across the globe with the goal of getting a large global population walking for wellness.</p>

Our Respect and Care for the Community

What we set out to achieve	What we have achieved to date	Our way forward
Disaster Relief		
<p>Provide assistance during natural disasters to relieve the burden of the victims and ensure they remain nourished despite being displaced.</p>	<p>Nestlé provided nourishment in the form of MAGGI noodles, NESTLÉ Breakfast Cereals, MILO and NESCAFÉ drinks to the people affected by floods that hit the Northern States in November 2010. Food was also donated through the Malaysian Red Crescent Society.</p> <p>In addition to the local disasters, Nestlé Malaysia also joined its counterparts from Nestlé markets globally to raise funds for victims of the Haiti earthquake and Pakistan floods. 😊</p>	<p>To continue these efforts and provide aid efficiently and swiftly to affected communities.</p> <p>To explore the possibility of incorporating a hygiene and nutrition element in future activities.</p>
Agriculture		
<p>Win-Win Situation for all through Contract Farming.</p> <p>One of the focuses of the Company's Creating Shared Value initiative is Rural Development and among the activities undertaken by the company includes Contract Farming initiatives.</p> <p>This is in line with the Nestlé Policy on Environmental Sustainability, which stipulates that, "When selecting agricultural raw materials, Nestlé prefers to use agricultural materials which are produced based on sustainable practices and are locally available".</p>	<p>The Nestlé Chilli contract farming scheme was established in Kelantan in 1995.</p> <p>The number of contract farmers today is over 150* and income levels of the participating farmers have increased.</p> <p>A chilli puree factory has been set-up by the Farmers' Association Board, with technical assistance from Nestlé, to process fresh chillies when there is over-production, and thereafter to potentially supply to Nestlé. 😊</p>	<p>The contract farming for red chilli is a sustainable on-going effort, and Nestlé will continue to work closely with the Farmers Association and the farmers to further improve yields and quality of crops to meet global standards.</p>
<p>Boosting the local agriculture industry through improvements in processes and yields, and to improve the livelihoods of farmers.</p>	<p>In March 2010, a full-scale commercialisation programme was launched in Tebedu, Serian, Sarawak. Under the contract-farming scheme, more than 500 farmers were given the task to plant and produce traditional red rice for the manufacture of Nestlé range of infant cereals. 😊</p>	<p>To continue working closely with the Farmers Association and the farmers.</p> <p>To consolidate the Sarawak Red Rice Programme to induce farmer loyalty and compliance, as well as to intensify the R&D efforts.</p>

* Refer to PWC's assurance report on pages 90 to 91



Good Progress



Satisfactory



Requires Improvement

Nestlé continuously finds ways to reduce energy in our processes and to recycle materials wherever possible.

The coffee plant in Shah Alam Complex joins the list of more than 20 NESCAFÉ factories around the world currently using spent coffee grounds as renewable fuel.





Our Commitment to the Environment

‘Improving agricultural productivity is absolutely fundamental in helping to address water shortages and increasing the “crop per drop”, particularly in the developing world.’

Peter Brabeck-Letmathe, Chairman, Nestlé S.A.



SHARING OUR VISION... OUR ENVIRONMENTAL FOOTPRINT

Our goal across the Nestlé group is to produce tasty and nutritious food and beverages with the lowest environmental footprint. To achieve this, we have to continuously improve our operational efficiency and environmental performance. Every Nestlé market is required to publish five performance indicators - production, water withdrawal, discharge, energy and greenhouse gases – which keeps track of our progress.

This naturally means radical changes across the Group and ensuring that every single person associated with the Company understands the importance of our efforts. One of the things we do is apply a life cycle approach to assess the impact of our own

operations and those associated with the wider value chain, in an effort to create a better future and Creating Shared Value – for both Nestlé and society.

The year under review has seen a strong drive towards further reduction in the consumption of energy and water. Investments to achieve these reductions were realised in all factories. We successfully reduced electricity and steam consumption and further reduced water utilisation in our processes.

In terms of energy consumption, our goal is simple - optimise the equipment to ensure that we use the right energy for the right job. We have optimised the equipment used at the main factories in Shah Alam, Petaling Jaya and Chembong, and have installed equipment adjustments

like variable speed drives to ensure that the energy used is according to the actual process demand. This includes process optimisation. An example is steam pressure reduction that ensures optimum pressure is supplied, allowing for further energy cuts without affecting the quality of the product. Nestlé Malaysia has also installed high efficient chillers, which requires less energy. This is made possible by having close links with equipment manufacturers to understand the latest technological developments that can help us reduce our energy consumption.

Progress has been made, as reflected in our data, between 2009 and 2010, Nestlé achieved a 9% reduction in energy at constant volumes of 2009, which is significant considering the breadth of our operations.



Nestlé creates shared value by working with farmers to source its raw materials locally.



Approximately 165,553 farmers and suppliers are trained through capacity building programmes worldwide.

At the beginning of 2010, a dedicated Senior Engineer was appointed to drive the various environmental-related projects and speed up the “cross fertilisation” of best practices in our facilities.

ADDRESSING CLIMATE CHANGE

Climate change presents many challenges to our business, with global warming affecting our agriculture supply chain and further exacerbating the issue of water scarcity and supply.

At Nestlé, we are doing our part to address the problem by reducing our total annual energy consumption and the emission of greenhouse gases from our operations.

Throughout 2010, several initiatives were introduced to optimise our energy usage, i.e. to maximise reduction in energy consumption at all our facilities without compromising production volume and quality. A stable delivery of products as per our production plan has strongly contributed to a sharp reduction of energy usage per tonne of product in all our factories.

In 2010, we achieved a total reduction at constant volume, of 9.0% in energy consumption per tonne product. This surpassed the annual equivalent target of 2% reduction at constant volume. In yearly energy reduction terms, this translates from 4.68 GJ per tonne in 2009 to 4.39 GJ per tonne in 2010.

The reduction in consumption can directly be attributed to operational efficiencies at our new Non-Dairy Creamer Plant and Soluble Coffee plant in our Shah Alam factory; reduction of the steam pressure from boilers to the noodle manufacturing plant in Kuching; installation of economisers in the Petaling Jaya, Chembong and Shah Alam factories to recover waste energy from boilers; installation of chillers at the Chembong factory to improve operational efficiencies; and deploying Variable Speed Drives to automate equipment that use high energy which eliminates electricity wastage during low demand periods.

FROM LEFT:

Water is a joint responsibility and Nestlé continuously promotes water conservation.

Guided by The Nestlé Policy on the Environment, we continue to research and explore ways to protect the planet through conservation and recycling initiatives.

Packaging innovation reduces waste as well as energy and water consumption.



WATER MANAGEMENT - OUR TOP PRIORITY

Agriculture uses around 70% of freshwater withdrawals globally and combined with increasing affluence and lifestyle patterns, Nestlé believes that the world is headed for a water crisis that will have serious ramifications on food security. The entire food chain – from agriculture to manufacturing and consumption contributes to water availability and quality.

As a founding signatory of the UN Global Compact CEO Water mandate which was launched in July 2007, we have made water management our top priority, where we continuously:

- Work to reduce the amount of water withdrawn throughout our production processes.
- Assure that our water activities respect local water resources.
- Ensure that excess water discharged into the environment is clean.
- Engage with vendors and suppliers to promote water conservation.
- Collaborate with others to create awareness within the various communities and educate them on the critical nature of water conservation.

At the same time, we formed partnerships with external specialists in the field of energy management to audit our operations and explore opportunities to eliminate waste energy.

The reduction of energy consumption also had a positive effect on the emission of greenhouse gases (CO₂) and Air Acidification Potential gases (SO_x), with a total reduction of 10% direct CO₂ emission per tonne product and 11% SO_x emission per tonne product.

In 2011, we expect to record further improvements through our partnerships with external experts; reduction of steam pressure at the noodle plant in Batu Tiga, installation of Air Diffusers in Chembong, and the further optimisation of existing equipment and processes.

* NB: In addition to being a signatory to the UN Global Compact CEO Mandate, Nestlé S.A. is also a key member of the WEF Water Task Force and 2030 Water Resources Group.

Nestlé Malaysia has set itself an annual target of 4% reduction at constant volume of 200 in the utilisation of water resources, which will be measured on the usage per tonne product produced. To achieve this, we have put in place a Water Savings Programme which includes the following initiatives:

- Creating awareness among the factory staff to eliminate waste and re-use the water resources in daily operations.
- Optimising our main cooling tower operations through the installation of automatic fan speed controllers and automatic blow down controllers, which eliminates unnecessary water wastage.
- Reducing and optimising the water supply pressure in our factories resulting in additional water savings.



Our Commitment to the Environment



- Exploring the use of rainwater for various applications - a small scale pilot project was implemented in our National Distribution Centre to collect rainwater that was used for various cleaning applications.

In 2010, we achieved a total reduction at constant volume of 4.85% in water consumption per tonne product. This surpassed the annual equivalent target of 4% reduction at constant volume. In yearly water reduction terms, this translates from 5.21m³/tonne in 2009 to 5.07m³/tonne in 2010.

The savings in water utilisation rate of 46,785 m³/year in 2010 is enough to sustain 855 people annually.

In addition to the direct usage of water in our operations, we are also looking at ways to reduce water consumption throughout the supply chain. This includes ongoing R&D with Malaysian Agriculture Research & Development Institute (MARDI), Ninamaju and BERNAS, on semi-aerobic rice farming

where initial results have shown between 30% to 50% water savings compared to conventional wetland rice farming.

Further to that, we also conducted awareness and education programmes with our contract farmers and the relevant agencies and shared our best practices with local Authorities, Business Partners and Colleges. For example, our success in water savings and wastewater operations in the Chembong factory was shared with the Federation of Malaysia Manufacturers (FMM), International Islamic University Malaysia, Negeri Sembilan State Government and our regular suppliers.

Looking ahead, we will explore opportunities to optimise water usage through new initiatives such as the recycling of rainwater, treated water recycling and further optimisation of processes. Simultaneously, we are also working with our water treatment consultants to seek other avenues to reduce water consumption in our operations.

SAVINGS THROUGH INNOVATIVE PACKAGING

Packaging materials indirectly impact the environment through water and energy consumption during production and solid waste that end up in landfills.

At Nestlé, we continuously seek ways to reduce this impact and have adopted the following criteria in the renovation and innovation of our product packaging:

- Reduce weight and volume of our packaging materials.
- Lead in the development of renewable resources.
- Strongly support recycling of used packaging materials where appropriate.

PIQET

We successfully rolled-out the **Packaging Impact Quick Evaluation Tool (PIQET)** in 2010 with six packaging specialists selected to receive the first training at the Nestlé R&D Centre in Singapore. PIQET is an eco-design tool that helps compare one form of packaging to another in terms of environmental impact, developed by the Sustainable Packaging Alliance in close collaboration with RMIT University in Australia.



Nestlé factories ensuring continuous improvement in packaging safety and compliance.

The tool will be used by trained packaging specialists to determine packaging solutions with minimal impact on the environment, while meeting quality and safety standards.

The year under review saw an increase in packaging issues related to food contact safety and compliance. Despite this, through packaging innovation and renovation, we made progress in packaging reduction, contributing to 370 tonnes material reduction in 2010. As a result, the overall packaging material usage per metric tonne of product was reduced by 4% as compared to 2009.

Among the major initiatives completed in 2010 include:

- Conversion of the 25kg carton box to the 500kg big bag for instant coffee for the export market.
- Down-gauging exercise for MILO and NESCAFÉ ready-to-drink aluminium can thickness to 0.26mm for the export market, contributing to 60 tonnes of packaging reduction.



Nestlé, Tesco Stores and Tetra Pak joined forces to raise awareness on rainforest preservation through a beverage recycling campaign.

- Conversion of all MILO retail soft packs from aluminium based material to metalised film, enabling the reduction of aluminium usage from 7 micron to only 2.5 micron, and contributing to 38 tonnes of packaging material reduction per year.
- A systematic packaging review to reduce packaging material usage was also conducted by the packaging specialists. One of the key outcomes was the successful reduction in height of the MILO 2kg soft packs that translated to 46.8 metric tonnes.

Recycling

Where appropriate, we strongly advocate recycling of used packaging materials. In 2010, we teamed up with Tesco Stores and Tetra Pak to raise public awareness on the importance of preserving our natural rainforest through a beverage packet recycling campaign.

Throughout October 2010, consumers were encouraged to bring their used beverage packets (regardless of brand, shape and size) for recycling at any of the 14 participating Tesco Hypermarkets in Klang Valley, in support of the Malaysian Nature Society's (MNS) efforts to protect the Belum-Temengor Rainforest.

For every kilogramme of beverage packet collected, Tesco Stores, Nestlé Malaysia and Tetra Pak collectively donated RM10.00 to MNS. A total of 240,005 packets weighing a total of 3,429 kilogrammes was collected. This worked out to RM34,290 being raised during the campaign. Additionally, Nestlé also gave away free packets of MILO UHT 250ml to consumers who brought in 10 empty Nestlé product packets.

NEXT STEPS:

In the coming year, packaging source reduction remains a strong focus and we expect further reduction especially with the implementation of PIQET in the reviewing and evaluation procedures.



Our Nestlé Policy on Environmental Sustainability adheres to the local Malaysian regulations and our practices are validated by third party SGS auditors during the annual ISO 14001 audits.

SUPPLY CHAIN

The **Nestlé Supplier Code** specifies and supports the implementation of non-negotiable minimum standards for suppliers, their employees, agents and subcontractors.

Beyond legal compliance, the Supplier Code provides orientation and support, encompassing six key areas: Business Integrity, Safety and Health, Sustainability, Labour Standards, Environment, and Supplying Farmers.

To ensure full compliance with the Code, Nestlé has put in place Responsible Sourcing standards, which requires vendors and suppliers to do the following:

1. Register with SEDEX – to provide a secure platform to share information on the suppliers' social and environmental performance, avoiding multiple assessments.

2. Self-assessment
3. Third Party Audit
4. Gap Closing and Full Compliance

In 2010, Responsible Sourcing was applied to 60 suppliers of direct materials.

Currently, major gaps have been identified in the areas of labour standards (overtime charges), safety and environmental compliance.

Sustainable logistics and environmental initiatives

In 2010, Supply Chain continued the drive towards sustainable logistics. One of the key initiatives was to convert expired products into animal feed, and liquid waste into organic fertiliser. The project has progressed well, with the total conversion rate improving from 45% in 2009, to 95% by October 2010.

Another initiative was to minimise lorry empty return trips by delivering finished goods to our distributors and collecting empty pallets for the return journey. This resulted in a reduction in the number of trips, further reducing our carbon footprint.

COMPLIANCE

Our Nestlé Policy on Environmental Sustainability adheres to local Malaysian regulations and our practices are validated by third party SGS auditors during the annual ISO 14001 audits.

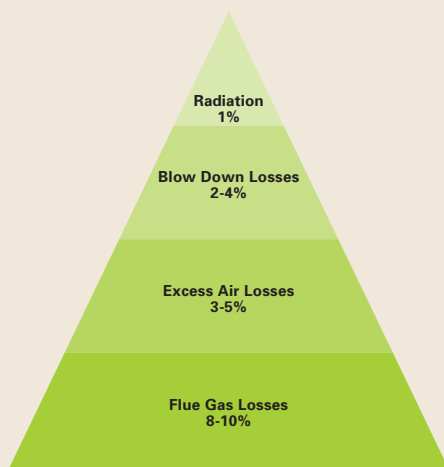
Nestlé Malaysia has been complying with the ISO standards and local regulations as well as to the Company's internal standards and guidelines.

Our goal to be an energy efficient company has seen us investing in new technologies to reduce wastage and increase efficiencies.



CASE STUDY

Implementing Energy Efficient Technologies in Nestlé Malaysia



The Company's commitment to help reduce greenhouse gas emissions and to meet the challenges of depleting energy resources has seen the implementation of several initiatives to reduce energy usage. Our goal to be an energy efficient company has seen us investing in new technologies to reduce wastage and increase efficiencies.

In a typical food industry, the boiler house is one of the main energy users with plain boilers having an energy efficiency of 70% – 80% depending on its usage. The diagram provides a breakdown of the various losses that occur in a boiler.

From the diagram on the left, it is clear that significant savings can be achieved with reduced losses from Flue Gas discharge, optimising the use of excess air and automating the blow-down operations.

Our partnerships with external specialists in the field of energy management have led to new opportunities to eliminate waste. These include implementing new technologies to address losses in the three mentioned areas of the boiler operations.

We have installed the appropriate technologies at the Chembong Factory to recover losses in these three key areas.

View of the Economiser installed in the Chembong factory.



The Burner Management System Display Unit.



A. ENERGY RECOVERY FROM FLUE GAS

The exhaust air emitted from the boilers contains a significant amount of energy due to its high temperature that ranges between 250°C – 300°C.

To recover this potential energy, the factory installed a heat exchanger, also known in the industry as an Economiser. Feed water flows within the tubes in the Economiser, allowing heat to transfer from the hot flue gas as it passes through the unit. This results in raising the temperature of the feed water to about 30°C – 50°C which is then recycled for the boiler's heating process.

Following installation of the economiser, an average fuel saving of 0.0011m³* per tonne of production volume was achieved.

B. RECOVERING LOSSES FROM THE EXCESS AIR IN FLUE GAS

In the burning process of Light Fuel Oil within the boiler, using too much excess air leads to energy loss. However, too little excess air would lead to high Carbon Monoxide (CO) and Black Smoke emissions into the environment.

To ensure compliance of emission levels and to achieve higher energy efficiency, the factory installed a "Burner Management System", which continuously monitors and controls the system for the burning process.

The unit tracks the pollutants (CO) and excess air, and adjusts the burner accordingly to minimise losses and ensure environmental compliance.

The final result was an average fuel saving of 0.01m³* per tonne of production volume.

C. EFFICIENT BLOWDOWN OF BOILER WATER

To prevent the build-up of scale in the boiler drum, it is necessary to discharge water from the boiler from time to time. However excessive and uncontrolled manual blowdowns would result in energy wastage.

To optimise the blowdown operation and minimise energy loss, an automatic blow down system was installed which monitors the chemical contents in the boiler drum and triggers a discharge of the right amount of water when needed.

RESULTS:

The average fuel savings recorded from the installation of the burner management system, automatic blowdown system and economiser in the boiler operations contributed to significant savings at the Chembong factory in 2010.

Economisers have been installed in our Petaling Jaya and Shah Alam factories, and we will be equipping all remaining boiler operations at the other facilities with a similar unit.

* Refer to PWC's assurance report on pages 90 to 91

Our Commitment to the Environment

Nestlé forum on palm oil sustainability with key stakeholders.



SPECIAL FOCUS

Committed towards Sustainable Palm Oil and Diversity

Nestlé sees its environmental performance as an increasingly important strategic element for competitive differentiation, in addition to taste and nutritional value. The Company believes that the environmental and social impacts of products all along their value chains will become an increasingly important purchasing criterion for many consumers, both in industrialised countries and emerging regions.

At Nestlé, caring for the environment is not only an absolute necessity to ensure the future availability of agricultural raw materials but it is also the very basis for future business success as well as food security. Across the Company's operations globally, Nestlé works towards developing products and value chains that deliver not only great taste and sound nutrition, but also help consumers to lower their individual environmental footprint of eating.

This also means addressing issues that have an impact on our business, such as palm oil. Nestlé shares the concern about the serious environmental threat to rainforests and peatfields in Southeast Asia caused by palm oil plantations. Palm

oil is one of the most versatile vegetable fats used. This widely used in a variety of products. Nestlé as a group uses about 0.7% of the global supply (320,000MT).

While palm oil is not a major raw material for Nestlé, as the Company only uses processed palm oil and has no direct link to the plantations, the Company recognises the need for effective multi-stakeholder solution to this complex problem. At Nestlé, the way we make our products is just as important as the quality of the products themselves.

Nestlé views the destruction of tropical rainforests and peatlands as one of the most serious environmental issues facing mankind. It is estimated that rainforest destruction contributes to around 20% of carbon dioxide emissions – more than the entire transport sector.

Due to increasing concerns pertaining to the issue of palm oil and sustainability, Nestlé organised a special forum entitled 'Committed towards Sustainable Palm Oil and Diversity' with key stakeholders and the media to create better awareness

on the issues plaguing the industry and understand the action taken by the key protagonists involved.

Participants included the Roundtable for Sustainable Palm Oil (RSPO), Malaysian Palm Oil Council (MPOC), WWF-Malaysia and United Plantations Berhad. Nestlé S.A. was represented by Mr. José Lopez, Executive Vice President for Operations.

Participants at the forum addressed issues plaguing the industry including accusations of various human rights violations such as low pay, poor working conditions and theft of land. Palm oil production has been documented as a cause of substantial and often irreversible damage to the natural environment, with deforestation, habitat loss of critically endangered species, and a significant increase in greenhouse gas emissions listed as some of its impacts. The fact that palm oil is now used as an ingredient in bio-diesel adds even more pressure: this is a new market for palm oil which has the potential to dramatically increase global demand for this commodity.



Mr. José Lopez urged Malaysia, as one of the biggest producers of palm oil in the world to take the lead in this matter.

At Nestlé, caring for the environment is not only an absolute necessity to ensure the future availability of agricultural raw materials but it is also the very basis for future business success as well as food security.

What is clear is that palm oil is an important agricultural product that has an impact on the lives of thousands of farmers in Malaysia alone. As Mr. José Lopez pointed out, there is also good news to be reported from the sector.

“There have been instances where some social initiatives use profits from palm oil to finance poverty alleviation strategies. It has brought about improved livelihoods to smallholders in Malaysia; and research has shown it to be a healthy choice of edible fat.”

Another project in Malaysia, done jointly with WWF, entails a smallholder oil palm sustainability project in the ecologically sensitive Kinabatangan river basin. If the efforts are successful, it will greatly reduce the level of agricultural contaminants from oil palm plantings, into this important waterway. Additionally, Nestlé will also share agricultural experiences with WWF in the area of riparian reforestation, with the hope that these efforts can lead to an increase in both the survival and growth rate of jungle sampling plantings along the riverbank.

The current challenge, Mr. José Lopez pointed out, is to balance the strong appetite and dependence on palm oil and how we can continue consuming and producing palm oil in a sustainable manner.

“The world population is growing and this combined with our growing affluence have resulted in us demanding more from this planet. The challenge for everyone today is how to feed the needs of this growing population, yet making the lowest impact possible on the environment.”

The Nestlé Policy on Environmental Sustainability, commits to giving preference to suppliers who continuously strive towards improving the efficiency and sustainability of their operations and use of resources as part of this policy. The Company has undertaken a detailed review of its supply chain to establish the source of its palm oil supplies. Nestlé has publicly announced that it is committed to using only “Certified Sustainable Palm Oil” by 2015, when sufficient quantities should be available.

Nestlé has also been closely associated with the Roundtable on Sustainable Palm Oil (RSPO) through the Sustainable Agriculture Initiative Platform since its inception and the Company has joint RSPO as full corporate membership.

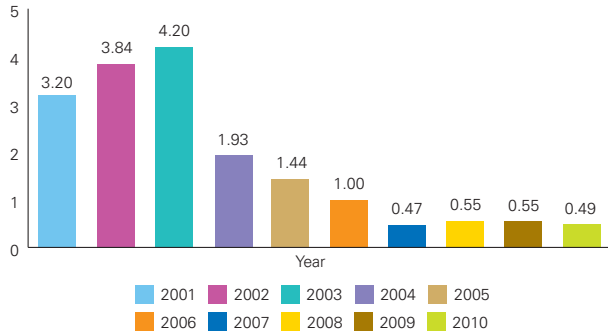
To build a global movement to support the development, implementation and disclosure of sustainable forestry practices, Nestlé is intensifying its cooperation with international organisations. Nestlé is also in discussions with a number of NGOs with expertise in this area and actively contributes to seek practical solutions to this complex problem.

With one of the largest private R&D facilities in the world, Nestlé has also committed resources and intensified its work on the ground, particularly in tree science and in agronomy where the Company gives direct assistance and share best practices with local farmers by leveraging its extensive expertise in R&D.

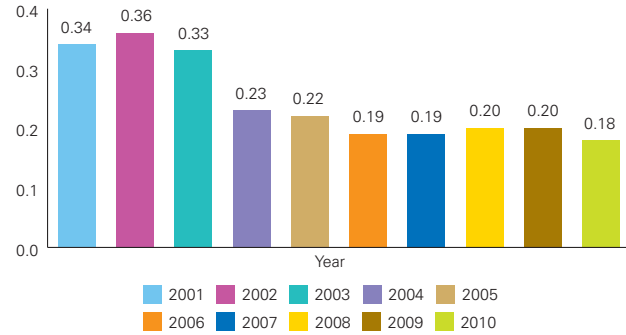
Nestlé as a group has communicated its commitment to achieve sustainable palm oil by 2015 and is making progress on certified palm oil and palm oil certificates even more rapidly. For 2010, 18% of all purchases were covered and the Company expects to reach 50% by the end of 2011.

Our Commitment to the Environment

AIR EMISSIONS - KILOGRAMME SO_x PER TONNE PRODUCT

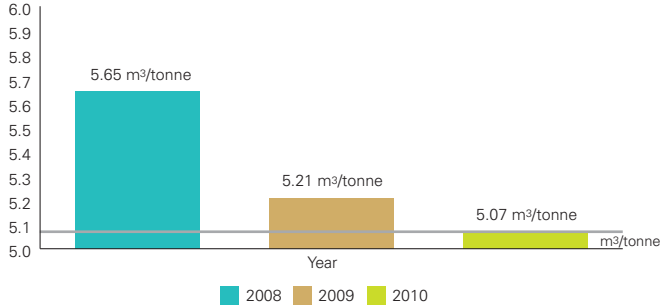


AIR EMISSIONS - TONNES CO₂ PER TONNE PRODUCT



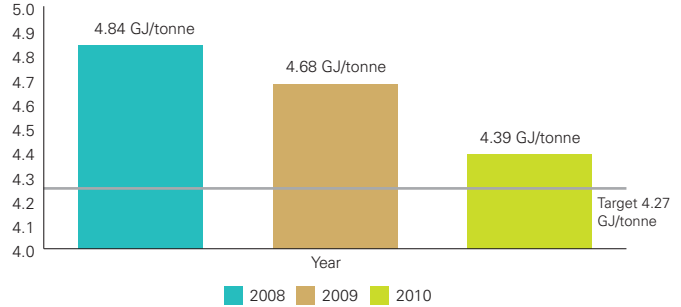
NESTLÉ MALAYSIA WATER USAGE

Target to reduce 4% Water Usage at constant volume of 2009

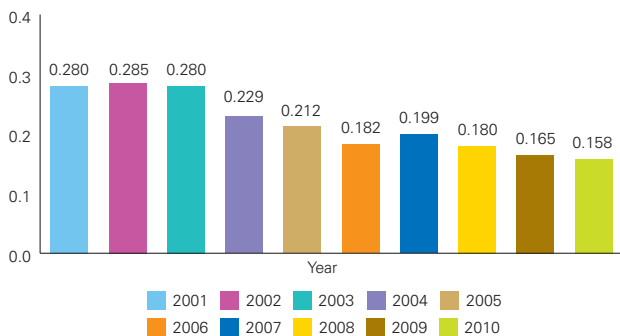


NESTLÉ MALAYSIA ENERGY USAGE

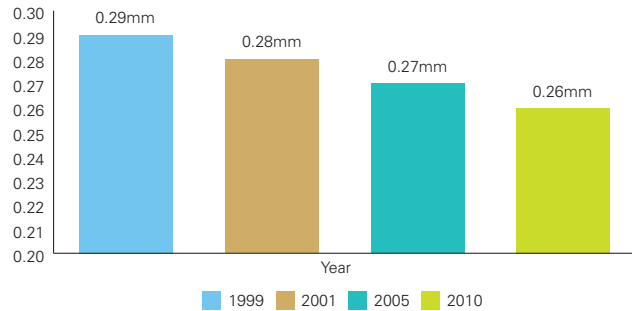
Target to reduce 2% Energy Usage at constant volume of 2009



PACKAGING MATERIAL USAGE PER METRIC TONNE OF PRODUCT



READY-TO-DRINK CAN THICKNESS



OUR ENVIRONMENTAL FOOTPRINT - OUR PERFORMANCE

	GRI Reference	2008	2009	2010
Production				
Production volume (tonnes)		303,576	306,489	334,182
Direct energy consumption - scope1 (GJ)				
	EN3			
Total energy consumption (GJ)	△	1,469,618	1,435,477	1,468,294
Total energy consumption (GJ per tonne of manufactured product)	△	4.84	4.68	4.39
Greenhouse Gas Emissions				
	EN16			
Scope 1 - Direct energy emissions (tonnes CO ₂ e)		61,822	61,984	60,105
Scope 2 - Energy indirect emissions (tonnes CO ₂ e)				86,943
Total energy greenhouse emissions (tonnes CO ₂ e)				147,048
Scope 1 - Energy greenhouse emissions (tonnes CO ₂ e per tonne of manufactured product)	△			0.44
Water				
Water usage (m ³)	EN8	1,716,318	1,595,692	1,693,838
Water usage (m ³ per tonne of manufactured product)	△	5.65	5.21	5.07
Total water discharge (m ³)	EN21	890,709	808,784	849,471
Total water discharge (m ³ per tonne of manufactured product)	△	2.93	2.64	2.54
Waste				
Non-hazardous waste disposed of to landfill (t)	EN22	3,622	3,418	2,473
Materials recycled (t)	EN22	17,974	15,043	21,315
Non-hazardous waste disposed of to landfill (kgs per tonne of manufactured product)	△			7
Packaging				
Net tonnes of packaging used	EN27			52,662
Packaging to product ratio	EN27			0.16
Ozone Depletion Potential				
Ozone depletion substance (kgs)	EN19			410
Air Audification Potential				
Air audification potential (SO _x emission by kg)	EN20			165,203

△ Nestlé-specific indicator

Our Commitment to the Environment

TARGETS AND ACHIEVEMENTS

COMMITMENT TO THE ENVIRONMENT		
Environment - Life cycle approach to systematically assess all product categories from farm to fork and beyond		
What we set out to achieve	What we have achieved to date	Our way forward
<p><u>Water</u> Reduce water consumption in the manufacturing process, from the production of raw materials, factory production, distribution and general usage by 4% at constant 2009 production volume.</p> <p>Semi-Aerobic Rice Initiative</p>	<p>Total reduction of 4.9% was achieved by end 2010, at constant 2009 production volume, through various initiatives:</p> <ul style="list-style-type: none"> • Water recycling at Shah Alam Complex (SAC) & Petaling Jaya manufacturing facilities. • Reduce water pressure at SAC, Kuching, Chembong & Batu Tiga manufacturing facilities. • Optimisation of water usage in process – SAC, Kuching & NESTLÉ Ice Cream facilities. 😊 <p>Trial project on a 20-hectare plot that has yielded positive results with a 40%-50% reduction in water usage compared to conventional methods. 😊</p>	<p>Improve water usage efficiencies</p> <p>Optimise processes</p> <p>Explore new ideas:</p> <ul style="list-style-type: none"> • Rainwater recycling • Treated water recycling • Semi-aerobic rice initiative <p>To roll out the initiative to other areas and extend implementation</p>
<p><u>Sustainability</u></p>	<p>Organised a Media Forum 'Committed towards Sustainable Palm Oil and Diversity' with key stakeholders and the media to create better awareness on the issues plaguing the industry. 😊</p> <p>Participants included the Roundtable for Sustainable Palm Oil (RSPO), Malaysian Palm Oil Council (MPOC), WWF-Malaysia and United Plantations Berhad. Nestlé was represented by Mr. José Lopez, Executive Vice President for Operations, Nestlé S.A.</p>	<p>To organise similar events in 2011</p>
<p><u>Energy</u> To reduce energy consumption by 2% based on constant 2009 production volume.</p> <p><u>Emissions</u> To significantly reduce green house gases (CO₂) and Air Acidification Potential gases (SO_x)</p>	<p>Total reduction of 9.0% reduction achieved by end 2010, at constant 2009 production volume, through</p> <ul style="list-style-type: none"> • Economisers to recover flue gas energy – Chembong & SAC. • Process Optimisation in SAC (NDC & NESCAFÉ) • Reduce steam pressure at noodle factory – Kuching • Equipment optimisation via Variable Speed Drives – SAC, PJ & Chembong. • High efficient chillers in Chembong <p>The reduction in energy consumption has also resulted in a total reduction of 11% Direct CO₂ emission per tonne product (0.18 tonnes CO₂ per tonne) and 9% reduction in SO_x emission per tonne product (0.49 tonnes SO_x per tonne) 😊</p>	<p>Planned initiatives for 2011:</p> <ul style="list-style-type: none"> • Partnership with external experts to seek new opportunities. • Reduce steam pressure at noodle plant – Batu Tiga. • Equipment & Process optimisation. • High efficient chillers in PJ. • Air diffusers at Waste Water Treatment Park - Chembong

What we set out to achieve	What we have achieved to date	Our way forward
<p><u>Packaging</u> Packaging source reduction remains a strong focus and Nestlé constantly redesigns and adopts new packaging solutions that minimises packaging usage.</p> <ul style="list-style-type: none"> • Reduce weight and volume of our packaging materials. • Lead in the development of renewable resources. • Strongly support recycling of used packaging materials where appropriate. 	<p>In 2010, the usage of packaging materials was reduced by 4% as compared to 2009.</p> <ul style="list-style-type: none"> • Use of bulk 500kg big bags in non-dairy creamer and down-gauging exercise for MILO and NESCAFÉ packed drinks for the export markets • Converted all MILO retail soft packs from aluminium base material to metalised film, enabling reduction of aluminium usage from 7 micron to only 2.5 micron. • Systematic packaging review to reduce packaging material usage on top factory SKUs to reduce the packaging material usage (e.g. MILO 2kg soft pack which was successfully reduced by 5% in height) • Rollout of PIQET (Packaging Impact Quick Evaluation Tool) in Q4 with six packaging specialists selected to receive the first training at the Nestlé R&D Centre in Singapore. PIQET is a quick form of an eco-design tool that helps compare one form of packaging to another in terms of environmental impacts. • Joint campaign with Tesco Stores and Tetra Pak to promote and raise awareness on recycling. 😊 	<ul style="list-style-type: none"> • Utilise PIQET to evaluate environmental impact of packaging used • Conduct reviews to further reduce packaging material usage • Explore and identify the development and usage of renewable resources • Continue with the strong support for the use of recyclable materials where possible
<p><u>Supply Chain</u> Strict adherence to the Nestlé Supplier Code to maintain standards in Business Integrity, Safety and Health, Sustainability, Labour Standards, Environment, and Supplying Farmers.</p> <p>Reduce gaps in labour standards (overtime procedures), safety and environment.</p>	<p>In 2010, Supply Chain continued the drive towards sustainable logistics</p> <ul style="list-style-type: none"> • Converted expired products into animal feed and liquid waste into organic fertilizer with the total conversion rate improving from 45% in 2009 to 95% by October 2010. • Collection of rainwater to use as a secondary water source for floor cleaning at the National Distribution Centre. • Minimise lorry empty return trips by delivering finished goods to distributors and collecting empty pallets on return journeys, further reducing the carbon footprint. 😊 	<ul style="list-style-type: none"> • Ongoing audits for suppliers to ensure compliance with the code • Further optimise the distribution process to reduce transportation charges, overtime and general wastage • Regular maintenance of vehicles to reduce emissions

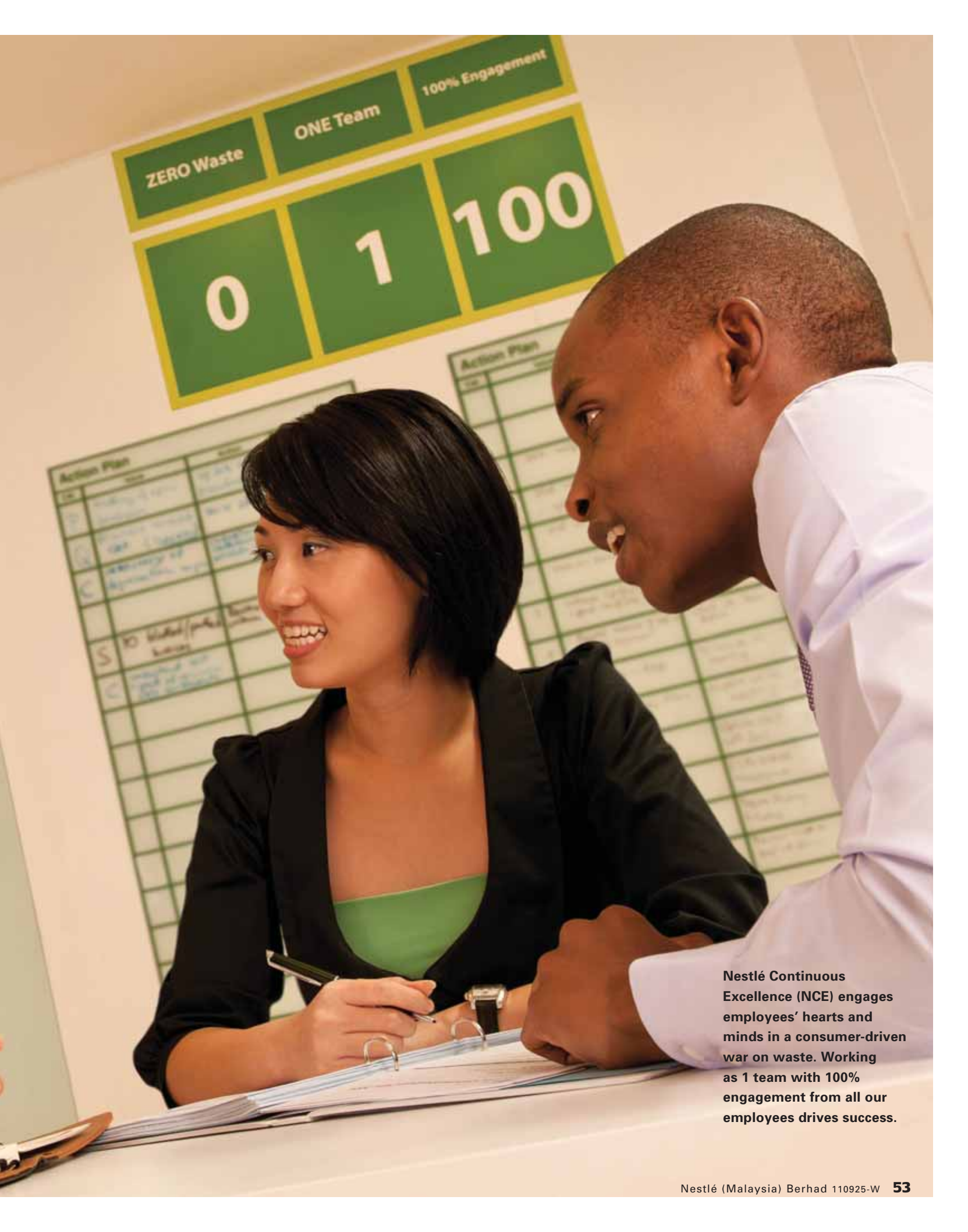
😊 Good Progress

😐 Satisfactory

😞 Requires Improvement

We achieve our goals through a diversified and engaging working environment.





Nestlé Continuous Excellence (NCE) engages employees' hearts and minds in a consumer-driven war on waste. Working as 1 team with 100% engagement from all our employees drives success.

Our People and the Workplace

“People are our greatest asset, and we place as much importance in their professional development as in the research and development of our products.”

Paul Bulcke, CEO, Nestlé S.A.



Our people are our most important asset and we believe in people rather than systems. We are on a permanent quest to attract and retain the right people for our existing and future business need. Our values consisting of 'Trust', 'Respect', 'Involvement' and 'Pride' help us run our business more effectively and ensure that we are able to deliver our promise to our staff in our quest to be the Employer of Choice. We aim to be a learning organization attractive to those who are passionate about their careers and geared to grow. We strive to set new benchmarks in the industry.

Guided by the Nestlé Management and Leadership Principles, apart from professional skills, practical experiences and focus on results, we also value individuals who have the following attributes:-

- Adding Value
- Opening Up
- Dealing with Others
- Inspiring People

In 2010 – we had a total of 5,004 employees working with Nestlé Malaysia. Employee turnover was 8%. Our ratio of men to women stood at 1.97 : 1. RM7.2 million was spent on employee training, and we gave out RM0.21 million in scholarships to children of our employees.

LISTENING TO OUR PEOPLE

Regular surveys are carried out as part of our employee engagement process; the most recent being the 'Nestlé & I' survey that was conducted by the HAY Group in 2010. The survey was hugely successful as there was a strong participation rate of 98%.

KEY FINDINGS :

Our Strengths :

- Strong commitment to the quality of our products and meeting our customer needs.
- Employees are clear as to what is expected of them.
- Strong pride and commitment by our employees to stay with and work for Nestlé .

Areas for Improvement:

- Increase collaboration and support amongst the various teams and units.
- Strengthen respect in the workplace and give due recognition for good performance.
- Strengthen leadership and coaching skills.



FROM LEFT:

Our employees having fun at the annual Nestlé gathering, a fun-filled activity which allows our employees to showcase their talents.

Sharing information on the Company's performance, priorities and challenges provides our people with a clearer direction.

The survey results identified three key areas for improvement:

- a) Manager Behaviour – ensuring that as team leaders and managers we behave in a manner that promotes the spirit of the Nestlé Management and Leadership Principles.
- b) Cooperation – ensuring that we fully collaborate with each other in providing the support required and expected from us.
- c) Respect and Treatment, Reward and Recognition – ensuring that we treat each other with respect, build trust as well as give due recognition and reward for good performance.

NEXT STEPS:

Detailed results of respective functions / business units will be shared across all locations. Each unit and site to establish detailed action plans on how to improve upon the three key focus areas.

EVOLVING BUSINESS LANDSCAPE

In 2010, Nestlé Malaysia completed an exercise to streamline its generating demand operations, in an effort to improve its competitiveness and strengthen its service to consumers and customers in the Malaysian market.

Under this plan, Nestlé Malaysia closed all its sales branches in West Malaysia and reorganised its sales force for greater efficiency. This includes the centralisation of administrative, supply chain and customer-service tasks from the respective branches to head office.

The new structure however resulted in some redundancies, and as a company committed to the well being of all our employees, every redundant employee was given job search assistance to help them find new employment. In addition, the affected employees received a generous redundancy package well above the legal minimum requirement. Those above 50 years of age were offered early retirement redundancy packages.



EMPLOYEE INSIGHT TASK FORCE

This initiative is aimed at obtaining different employee perspectives and entails temporarily assigning a group of people from different functions to work together to achieve a very specific and clearly defined objective.

The task force enables us to listen to our employees perspective on different agenda points, learn about concern areas by gathering suggestions from employees who belong to different age groups, gender, race, job grades and departments, as well as involve employees in the decision making process.

HEALTHY LIFESTYLES FOR ALL

In line with the Company's journey towards becoming the world's leading Nutrition, Health and Wellness company, conscious decisions were made to streamline and develop new activities that would help employees integrate nutrition and physical activity in their daily habits. 'Wellness4Me' is an in-house workplace programme for Nestlé employees, and each market

creatively embarks on initiatives aimed at triggering employees' interest in nutrition; make healthy choices; promote well-being; fight sedentary lifestyles, prevent cardiovascular diseases and improve quality of life. Initiatives include the distribution of fruits every Tuesday and Thursday, 'Staircase Mondays', 'Exercise Wednesdays', and 'Lunch 'n Learn Thursdays'.

As a company focused on nutrition, it is vital that everyone understands nutrition and makes it a priority. A training programme called Nutritional Quotient (NQ) was rolled out globally in 2007. The sessions, which are delivered by nutritionists, aims to equip employees with regular nutrition education sessions. In 2010, 49 training sessions were conducted at Nestlé factories across Malaysia while 4 sessions were held at the Head Office. In total 1209 employees were trained. On a global level, the NQ programme is the biggest ever workplace nutrition education initiative in the industry.

HEALTH AND SAFETY

2010 S&H Performance Data (Market)

Total Exposed Man-hours	15,433,026.00
Lost Time Injuries	12.00
Lost Time Injury Frequency Rate	0.78
Total Recordable Injuries	26.00
Total Recordable Injury Frequency Rate	1.68

SAFETY AT THE WORKPLACE

Lost Time Injury Frequency Rate (LTIFr) – a widely accepted international standard based on the US-OSHA accident measurement standards – measures absence from work of at least one day due to work-related injury or illness. A total of 26 cases were reported in Malaysia in 2010. Total lost work days stood at 135, while the event related lost time stood at 12. This is higher than the previous year, which stood at 9.

Our People and the Workplace



FROM LEFT:

The annual Sales Conventions bring our employees together besides providing them the year's direction.

Healthy activities such as hiking help employees appreciate the importance of personal well-being.

Reaching out to the community includes efforts by our employees to volunteer for causes such as the NASAM Biggest Breakfast.

All factories and distribution centre sites completed the ISO14001 (Environmental Management System) and OHSAS18001 (Occupational Health & Safety Management System) certification process and were recommended for international certification by SGS – an external audit team. The sites were also certified for the Local Malaysian Standards for Occupational Safety & Health, i.e. MS 1722 Part 1. After its successful implementation in the Shah Alam Complex, the 5 Safety Initiatives comprising of BBS (BO), HIRADC, Incident Management Safety Talk and Safety Meeting were rolled out to the operation sites.

CREATING SHARED VALUE ACROSS NESTLÉ

As a company that has embedded the need to create shared value for society in its business principles, it is also important that each and every employee understands what we do for society and is able to be part of it.

In our efforts to internalise what we do, the Nestlé Reaching Out to Community & Kids employee volunteer programme (Nestlé ROCKS) was initiated in 2005. ROCKS aims to encourage employee involvement in the communities where the Company operates. The programme allows our 5,000 employees 16 working hours a year to assist in any of the 30 charitable institutions “adopted” by the Company.

Nestlé currently supports the disabled, underprivileged, orphans, single mothers, youth and senior citizens via extensive range of community development projects encompassing areas such as education, youth programmes, healthy lifestyle activities, sports development, caring for the environment, rural development and poverty reduction efforts.

In 2010, some 59 Nestlé employees participated in various initiatives undertaken by the company, clocking a total of 334.5 hours. The projects included the EGGXTRA Nourishment activity with Rumah Nur Salam, volunteering at the

As a company that has embedded the need to create shared value for society in its business principles, it is also important that each and every employee understands what we do for society and is able to be part of it.

Our People and the Workplace

FROM LEFT:
Our employees saying “I Do” and actively participating in a Wellness Walk organised by NESTLÉ OMEGA PLUS.

Our Nestlé ROCKers helping out at the Nestlé-NASAM Biggest Breakfast event.

Nestlé ensures that our employees’ careers and development are successfully managed.



At Nestlé, great emphasis is placed on People, as the company believes that they are the most important competitive advantage for the Organisation.

NESTLÉ NOURISHING MALAYSIA Showcase, OMEGA Walk, fundraising events such as NASAM Fun on the Roof, Kiwanis Food & Funfair, SSMH Carnival, PERTIWI Soup Kitchen, Nestlé-NASAM Charity Breakfast, as well as giving Tasputra-Perkim a face lift. Our employees also helped to coordinate items donated in aid of the victims of the East Coast floods. In recognition of the exemplary work of nine Nestlé ROCKers, the inaugural ROCKS Certificate of Appreciation was given out for their active support and involvement in the Nestlé Employee Volunteer Programme. The Company’s top volunteers were selected based on the following criteria – number of volunteer hours and number of activities.

CARE

In 2005, Nestlé initiated a worldwide program called CARE to verify through independent auditors, that Nestlé operations comply with local legislation and the Nestlé Corporate Business Principles in the areas of Health & Safety at work, Human Resources, Business Integrity and Environment.

CARE, which stands for Compliance Assessment of Human Resources, Occupational Safety, Health Environment and Business Integrity was rolled out in Malaysia in 2006.

Since then, CARE has progressed well, and audits were carried out throughout all Nestlé factories in Malaysia. Minor gaps that were identified were addressed for improvement where applicable, and re-audits are being tracked and monitored to ensure compliance.



In 2010, the CARE audit extended beyond our factories, into the Company's Regional Offices. The Nestlé Corporate Head Office was audited for the first time in March 2010, and registered strong results with zero gaps recorded.

TALENT AND PERFORMANCE MANAGEMENT SOLUTION (TPMS)

The Talent & Performance Management Solution (TPMS) was successfully introduced in 2010, aimed at managing individual staff performance, talent assessment, succession planning, along with individual career and development plans across the various Businesses and Functions. This initiative provides excellent support in terms of talent identification, evaluation and succession planning. In 2010, the management was trained to use TPMS for Performance Management (Performance Evaluation Form) and also to support their career discussions through Progress and Development Guides.

Employees also benefit from TPMS as they are able to share career aspirations and important information related to their career progression.

CAREER DEVELOPMENT AND PERFORMANCE MANAGEMENT CONVERSATIONS

Our business strategy is to continue to deliver the Nestlé model, which makes it imperative that we have the Right People, in the Right Place, with the Right Skills at the Right Time. Faced with the existing external and internal demographic challenges, we need to ensure that we are successful in managing our employees' career and development in the right way. As career development is about how employees perform, their skills, interests, needs, motivations, and potential, a series of training sessions was organised in 2010 to educate and equip employees for their respective careers. A total of six sessions was held in 2010.

TRAINING & LEARNING

At Nestlé, great emphasis is placed on People, as the company believes that they are the most important competitive advantage for the Organisation.

Finding new and better ways to achieve this requires continuous efforts to train and develop our personnel through on the job learning as well as formal training.

In 2010, a total of RM7.2 million was spent on initiatives aimed at developing our people. This encompassed in-house training programmes on soft skills as well as external training – conducted both locally and overseas.

As an organisation that aims to be the world's leading Nutrition, Health and Wellness company, it is critical that each and every employee understands nutrition and wellness.



CASE STUDY Wellness4Me

As an organisation that aims to be the world's leading Nutrition, Health and Wellness Company, it is critical that each and every employee understands nutrition and wellness. It is imperative that we create a culture that empowers our employees to take ownership of their own health. We firmly believe in the adage "healthy minds in healthy bodies" and have an integrated approach to ensure the health and well-being of our employees irrespective of their age, gender or location.

We achieve this by providing our employees with practical tools and tips on how they can build wellness into their professional and personal lives. We also strive to ensure that they are constantly provided with the

latest nutrition information and understand the changes that take place within the company on the nutrition front, be it the reduction of sugar, sodium or trans-fatty acids in our products or new product innovations.

Among the initiatives we have put in place to ensure the wellness of our employees include:

'Wellness4Me' is an in-house workplace programme for Nestlé employees and entails creative initiatives aimed at triggering our employees interest in nutrition; make healthy choices; promote well-being; fight sedentary lifestyles, prevent cardiovascular diseases and improve their quality of life.

Our People and the Workplace



Initiatives at Nestlé Malaysia include:

- a) the distribution of fruits every Tuesday and Thursday where employees are given fresh fruits in an effort to encourage them to include fruit in their diet.
- b) 'Staircase Mondays' where employees are encouraged to walk up the stairs instead of using the lift. Creative messages and posters along the stairwells help make the journey more fun.
- c) 'Exercise Wednesdays' – which initially started with a half hour stretching session. Due to repeated requests, the sessions became longer and more intensive. This has since progressed to include cardio and strength circuit workouts.
- d) 'Lunch 'n Learn Thursdays' – held monthly – is aimed at helping employees set simple health goals for the year.

We also believe that as a company focused on nutrition, it is vital that everyone understands nutrition and makes it a priority. A training programme called Nutritional Quotient (NQ) was rolled out globally in 2007, consisting of interactive modules, pre and post evaluations, as well as an auto-evaluation of eating habits.

These sessions are delivered by nutritionists, who help employees better understand key nutritional concepts and develop healthy habits, based on practical case-studies. More advanced training is provided to employees working in marketing, product development and communications. Additionally, an online version of NQ was launched in 2010. Conclusions of the NQ training showed a clear interest of the employees towards a practical and individual nutritional coaching.

In 2010, 49 training sessions were conducted at Nestlé factories across Malaysia while 4 sessions were held at the Head Office. In total, 1,209 employees were trained.

On a global level, the NQ programme is the biggest ever workplace nutrition education initiative in the industry. More than 121,360 employees around the world have undergone NQ training to date.

Our People and the Workplace

OUR PEOPLE - OUR PERFORMANCE

	GRI Reference	2010
Workforce - Full Time Equivalent employees		
Total number of employees	LA1	5,004
Permanent employees (%)	LA1	93%
Temporary & Contract employees (%)	LA1	6%
Employee engagement		
"Nestlé & I" Employee Opinion Survey Participation	#	98%
Employee Engagement score	#	77%
Occupational Health and Safety		
Lost Time Injury Frequency Rate	LA7	0.78
Employee turnover		
Employee turnover	LA2	8%
Diversity		
Gender profile (total) - % male	LA13	66%
Gender profile (total) - % female	LA13	34%
Leadership positions held by women	LA13	23%
Female / Male salary ratio (women:men)	LA14	
Top Management		7:93
Senior Management		25:75
Middle Management 1		33:67
Middle Management 2		38:62
Executives		44:56
Confidential Administrator Support		88:12
Non-Management (unionised)		28:72
Human rights and labour standards		
New employees trained on employee requirements, human rights and labour standards (number of employees)		160
Number of factories / sites audited by CARE Programme (Compliance Assessment of Human Resources, Occupational Safety, Health, Environment and Business Integrity)		2 factories, 5 sites
Training and development		
Training provided to employees per year (value of training - RM)		7,200,000

Nestlé specific indicator

TARGETS AND ACHIEVEMENTS

PEOPLE AND THE WORKPLACE		
Workforce		
What we set out to achieve	What we have achieved to date	Our way forward
To provide opportunities for employees to present their views and feedback.	The "Nestlé & I" survey was conducted to gather the views of fellow employees to help management instill a high performance culture that drives business results. 😊	To share the learnings of the survey across all locations and to establish detailed action plans for further improvements.
To promote healthy lifestyles and healthy diets among employees.	In 2010, Nestlé expanded the Wellness programme for employees at the Surian Tower office to encourage employees to eat healthily and lead a more active lifestyle everyday of the week. Activities include: <ul style="list-style-type: none"> • Staircase Mondays • Distribution of fruits every Tuesdays and Thursdays • Exercise Wednesdays • Lunch N Learn Thursdays 😊 	Plans are underway to implement customised Wellness initiatives at the other Nestlé facilities.
To ensure Nestlé employees are well versed on nutrition through educational initiatives.	Since 2007, Nestlé has been conducting the Nutrition Quotient Training for its employees to equip them with basic nutrition knowledge. In 2010, 49 sessions were conducted at factories across Malaysia and four at Nestlé Head Office. 😊	To continue with the training sessions for newcomers, and to organise NQ Booster as refresher sessions to equip employees with latest nutrition updates. This is in line with Company's efforts to become the world's trusted Nutrition, Health and Wellness company.
To provide a safe workplace.	Implemented a programme for regular identification, correction and prevention of workplace hazards and risks. 😊	Fully implement the change management procedures to better manage potential risks.
To fully comply with the legal requirements.	Complied with legal and other requirements. 😊	To go beyond compliance.
To improve Safety & Health management.	Developed Safety & Health (S&H) procedures and practices. Achieved certification on S&H Management system based on internationally-recognised OHSAS18001 Standards. Measured S&H performance using key performance indicators like Lost Time Injury Frequency Rate (LTIFr) & Total Recordable Injury Frequency Rate (TRIFr). Adopted a target of zero lost-time injury. 😊	Fully aligned with the requirements of the standard, maintain the system and target to achieve zero total recordable injury (TRI)
To improve safety practices.	Implemented behaviour-based Safety Management Programmes where employees will observe co-employees' behaviours that are safe and/or at-risk. 😊	Develop and adopt Safety & Health in the Nestlé Culture (SHINC)
To encourage volunteerism among employees through the Nestlé Reaching Out to Community and Kids (ROCKS) Employee Volunteer Programme.	The programme allows Nestlé employees to take up to 16 hours off from work annually to assist at any of the 30 homes Nestlé supports. In 2010, 72 Nestlé employees participated in various initiatives, clocking 393.5 hours in total. The initiatives include company planned programmes as well as individual initiatives. 😊	To increase employee participation and initiate more meaningful and sustainable activities in 2011. Nestlé will continue to monitor employee participation, and evaluate the effectiveness of individual contributions.

😊 Good Progress 😊 Satisfactory 😊 Requires Improvement

We launched DMSOne, an integrated and centralised system which improves the efficiency of our sales operations in ensuring consistent supply of our products to valued customers.



We aim to offer consumers a wide variety of high quality and safe products, available everywhere.



Our Consumers and the Marketplace

Each time a new product is launched, it has to be better nutritionally than its predecessor by containing less sugar, salt or fat, or containing more micronutrients.

Paul Bulcke, CEO, Nestlé S.A.



Nestlé meets the changing needs of consumers through product innovation and renovation.

As the world's leading Nutrition, Health and Wellness company, significant resources have been channeled into Research and Development (R&D), to better understand nutritional awareness, health challenges facing society, and how we can improve the quality of life through food and diet.

The Company's growth in providing continuous Nutrition, Health and Wellness solutions to meet evolving consumer needs is made possible by the fact the Company has the world's largest private nutrition R&D network, comprising 29 research, technology and product development centres staffed by more than 5,200 employees globally.



Innovating and renovating our products through extensive R&D.



Nestlé strives to provide nutrition solutions to all segments of society.

Understanding the needs of the consumer is key to our success and we believe that healthy diets must be enjoyable to be sustained. Healthy diets can range from vitamin or mineral deficiencies to obesity and we strive to provide nutrition solutions to all segments of society, particularly those from the lower income group.

Therein lies our challenge, as combining superior taste and superior nutrition in one product is not the easiest of tasks. By leveraging on the Company's R&D network, we are able to improve the nutritional profile of our products and strengthen the process of evaluating and maintaining their nutritional value.

As consumers become more aware of what they want and need, their choices evolve. Our role in society is also to increase the awareness of the importance of healthy diets and lifestyles, and we embark on many initiatives including providing nutrition education to achieve this goal.

The 'How Am I Campaign' for instance, is aimed to drive consumers to think about their state of health and wellness. A proprietary tool called the Nestlé Wellness Profiles was developed to help individuals understand their approach to nutrition and health. In response, we provide useful nutrition and health tips, articles and ideas leading to a healthier lifestyle. (Results of this study will be available in 2011)

We have also collaborated with the Nutrition Society of Malaysia (NSM) in promoting the Malaysia Directory Guidelines 2010. In this collaboration, we have developed a series of press articles and educational leaflets containing useful tips on how to eat a balanced diet and lead an active lifestyle. We have distributed these educational leaflets to the consumers through public events such as the NSM Annual Scientific Conference and Nutrition Month Malaysia Carnival.

While the journey ahead is long, we have significant strides in our commitment to improving the health and well-being of our consumers. The recent Corporate Equity Monitor indicated that 72% of consumers agree that Nestlé makes healthier products, 76% say that Nestlé products are part of their everyday life and 82% trust us. Such studies help us understand what we are doing right and where we have to improve.

Our Consumers and the Marketplace



A Nestlé employee providing useful information to a consumer.



Over 74% of the Company's total portfolio of products have attained the Nutritional Foundation status.

The Nutrition, Health and Wellness message is consistently reviewed to ensure that we give our consumers the latest and most relevant nutrition information.

The following are some of our efforts aimed at reinforcing the trust our consumers have in our brands and products:

NUTRITIONAL TRAINING

Nutrition Quotient (NQ) Training is a global Nestlé initiative aimed at ensuring all our employees are equipped with basic nutrition knowledge and their knowledge in respective functions and in their personal life. In 2010, we conducted 49 sessions at all our factories across Malaysia, while four sessions were conducted at the Head Office. In total, some 1,209 personnel attended NQ training in 2010.

NUTRITION FOUNDATION (NF)

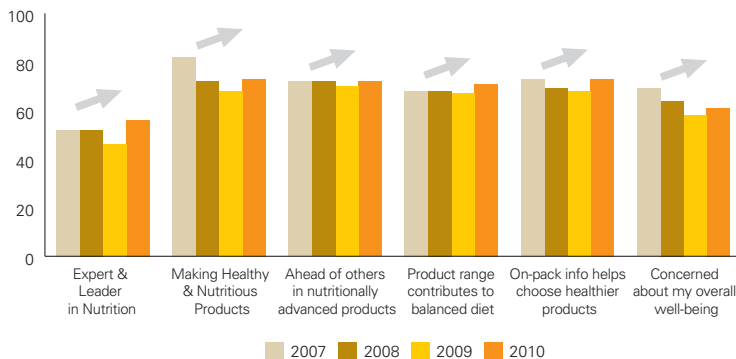
The Nestlé Nutritional Profiling System was developed to evaluate the nutritional value of food and beverage products to constantly optimise the nutritional composition of products through product development. Since 2005, Nestlé Malaysia had assessed its total portfolio of products and a product will only attain a good Nutrition Foundation (NF) when all of its nutritional factors meet the criteria for its category. Products with good NF represent an appropriate choice when the consumer, either adult or child consumes in the context of a balanced diet. Products with good NF represent 74% of next proceeds of sales as of end 2010.



Nestlé continues to be the most mentioned food and beverage manufacturer and strengthened its position as a leader in Nutrition, Health and Wellness.

The Nestlé proprietary labelling scheme helps consumers make informed choices.

Strong, positive perception of Nestlé in the area of nutrition and health



COMMUNICATING WITH CONSUMERS

To help us be more agile and respond better to our consumers, we ensure that we have a strong service set-up. The Consumer Services Team is the interface with the public and communicates direct with consumers who call the free-phone number available at the back of our products. In addition to the free-phone, consumers can also send their feedback or queries via the corporate website, mail and fax.

In 2010, the Nestlé Consumer Services Team handled 21,043 cases, of which 77.4% were enquiries, 22% were complaints, and the remaining 0.6% were compliments.

What is interesting to note is that there was a 132% increase in inquiries pertaining to Nutrition, Health and Wellness issues vis-à-vis 2009.

The call centre also provides recipes and nutritional advice.

NUTRITIONAL COMPASS – THE COMPANY’S PROPRIETARY LABELLING SCHEME

The easy-to-read information panel at the back of every Nestlé product helps consumers make informed decisions on their purchase and consumption. The Nutrition Information Panel as well as the Good to Know and Good to Remember messages help consumers better understand the ingredients and nutritional benefits of each product hence helping them in making informed choices about their diet. The nutritional tips and messages are consistently reviewed to ensure that we give our consumers the latest and most relevant nutrition information.

CORPORATE EQUITY MONITOR

Some 1,023 members of the public were involved in the survey which gauged the Company’s standing vis-à-vis its competitors. Nestlé continued to be ranked highly and is the most mentioned food and beverage manufacturer. Malaysians associated Nestlé as the producer of daily products such as health food drinks, milk products, ice cream and instant noodles. The company also ranked highly in other key product areas such as chocolate, breakfast cereals, yogurt drinks and sauces. Compared to the previous year, Nestlé received significantly higher mentions as a manufacturer across all key products. What is key is that Nestlé strengthened its image as an ‘expert and leader in nutrition’ and has improved its association as a ‘company that makes healthy and nutritious products’.

Our Consumers and the Marketplace



The NESTLÉ NOURISHING MALAYSIA Showcase demonstrates our journey to becoming the world's leading and trusted Nutrition, Health and Wellness company and the value of engagement with our stakeholders.



Thousands of visitors thronged the Showcases and enjoyed fun-filled activities.

CUSTOMER SERVICE LEVELS

Nestlé delivered over 28 million cases of products to 87 distributors through 11 warehouses operated by Nestlé and other parties. Customer Service Level (CSL) was a top priority, where we achieved 98% "in full on-time" on a monthly basis for our International Accounts, despite various operational challenges affecting supply availability such as uneven demand, raw materials shortages and other factors.

These improvements came from effective cooperation within our operations team comprising of Supply Chain, Production and Purchasing, to result in consistent supply, with our focus on the Customer, our Distributors and International Accounts.

CSL to our Distributors, however, was slightly lower at 96% due to the fact the latter maintains higher buffer stock.

Another key priority was the delivery of fresh products to our customers, with our ability to deliver products with 90% "remaining shelf life" from our Distribution Centre. This was largely achieved in 2010.

In 2010, Supply Chain continued the drive towards sustainable logistics. Significant improvements were made in the conversion of expired products into animal feed and liquid waste into organic fertilizer. The project started in March 2010 and has progressed well. The total conversion rate has improved tremendously from 45% in 2009, to 95% by the fourth quarter of 2010.

THE DEAR NESTLÉ PROGRAMME

The Dear Nestlé programme aims to be the nutrition and health partner that empowers Malaysians to achieve a well-balanced and healthy lifestyle. All Malaysians aged 18-65 can sign up for free to receive useful information, great tasting recipes and special promotions. The website www.nestle.com.my/dearnestle contains more than 100 recipes that have been checked by nutritionists and also features health tools such as a BMI calculator and menu guides.



Cooking demonstrations and product sampling were among the highlights of the NESTLÉ NOURISHING MALAYSIA Showcase.

NESTLÉ NOURISHING MALAYSIA SHOWCASE

Nestlé held the NESTLÉ NOURISHING MALAYSIA Showcase for the fourth consecutive year in an effort to educate the public in support of the Government's efforts to encourage healthier diets and active lifestyles amongst Malaysians. The event, which was held in Kuala Lumpur and Johor showcased Nestlé products, activities and services with regard to the company's commitment to Nutrition, Health and Wellness, while demonstrating how the company has evolved. More than 20,000 Malaysians visited the two events. Highlights included:

- The Company's latest product innovations and updated information on its initiatives to Nourish Malaysia
- The Company's efforts to complement the Ministry of Health's 10 Year Nutrition Action Plan by helping consumers achieve a healthier and balanced diet through healthier products – the development of products with less sugar, less salt, less fat, etc.
- Free health screenings (BMI, Blood-Sugar and Cholesterol checks)
- Dietary advice by the Nutrition Society of Malaysia
- Guided tours by Wellness Ambassadors
- Cooking demonstrations and product sampling
- Halal and R&D Network Exhibition
- The Company's Creating Shared Value initiatives

Nestlé held the NESTLÉ NOURISHING MALAYSIA Showcase for the fourth consecutive year in an effort to educate the public in support of the Government's efforts to encourage healthier diets and active lifestyles amongst Malaysians.

Our Consumers and the Marketplace



NUTRITION MONTH MALAYSIA

Nestlé Malaysia was the main sponsor and supporter of Nutrition Month Malaysia, the nation's largest nutrition education initiative co-organised by the Nutrition Society of Malaysia, Malaysian Dietitians' Association and the Malaysian Association for the Study of Obesity. Held in May 2010, more than 6,000 people visited the two-day event held at the Mid Valley Exhibition Centre in conjunction with Nutrition Month Malaysia. There were fun-filled activities, health screenings, nutrition counseling, product detailing and sampling.

Nestlé also partnered with the Nutrition Society of Malaysia to educate Malaysians on healthy eating and living based on the Ministry of Health Malaysia's 2010 Malaysian Dietary Guidelines.

POPULARLY POSITIONED PRODUCTS

In 2008, Nestlé introduced the Popularly Positioned Products (PPP) range, which is the result of deep consumer insights and science to provide high quality products with good nutrition yet affordable for consumers. The Company's objective is to enable consumers with less than RM1,500 monthly household income to buy products with good value despite their limited resources.

In 2010, Nestlé launched three new products - MAGGI Sajjan Keluarga instant noodles that is fortified with iron, along with MILO 90g powder and NESCAFÉ 25g coffee which are smaller than the typical packs and more affordable so that more consumers can enjoy their favourite brands.

PUBLIC FORUM ON DIABETES MANAGEMENT

Diabetes is one of the biggest health concerns plaguing society with an estimated 200 million diabetics globally. This is expected to reach 370 million by 2030 (World Health Organisation), putting a huge strain on public health systems globally. Nestlé Health Care Nutrition (HCN) has been actively engaged in activities aimed at creating greater awareness on diabetes management. One such initiative was the public forum organised jointly with the Diabetes Association of Malaysia in Johor in April. Topics presented included – "Understanding Type 2 Diabetes – A Silent Killer" and "Diabetes Nutrition Can be Sweet". HCN also used the forum as a platform to introduce its NUTREN UNTUK DIABETIK website which helps consumers understand the disease, manage their diet better and learn more about the latest innovations. The interactive platform also offers a Q&A section helmed by a panel of experts in the field.



FROM LEFT:

Educating consumers on healthy eating and taking stock of their health through various communication materials and information on the benefits of products.

Nestlé provides good food at affordable prices to meet the needs of consumers everywhere, everyday.

NESTLÉ NUTRITION INSTITUTE

The Nestlé Nutrition Institute (NNI) is the medical and scientific communication arm of Nestlé Nutrition. With its motto of “Science for Better Nutrition”, the NNI aims to contribute to proper nutrition information and education of healthcare professionals as well as partner them by providing access to the latest knowledge in nutritional sciences. The NNI organised a visit to the Nestlé Research Centre (NRC) in Switzerland for key healthcare professionals to introduce them to the science behind the products Nestlé manufactures.

During the visit, the participants were given insights into the work done by the NRC, which is the foundation of the Company’s research knowledge. Presentations included current topics like

gut *microbiota*, *probiotics* and its impact on immunity and health; microbiological safety; the development of hypoallergenic (HA) protein; food intake control and appetite research and *metabonomics* (the study of the profiles of small-molecule metabolites).

NNI Malaysia also organised its first CME workshop for senior medical officers (MOs) from the Paediatric and Obstetric & Gynaecology units of public hospitals in Kuala Lumpur in July 2010. A total of 30 medical personnel attended the workshop on maternal and paediatric nutrition. Among the topics presented were ‘Maternal Nutrition – Does it Affect Pregnancy Outcome’, ‘Optimising Nutrition in Pre-term Infants’, ‘Assessing Nutritional Status of Children’ and ‘Management of Childhood Obesity and Allergy’.

The Company’s objective is to provide consumers with nutritious products everywhere and at various price points.

Our Consumers and the Marketplace

In addition to offering consumer products that are relevant, safe, nutritious, tasty, convenient and of the highest quality, Nestlé is also committed in increasing the awareness level of healthy diets and lifestyles amongst consumers.



CASE STUDY 'How Am I' Campaign

As the world's leading Nutrition, Health and Wellness company, Nestlé has invested substantial resources to better understand the level of nutritional awareness, the health challenges facing society, and how we can improve the quality of life of our consumers through food and diet.

Nestlé recognises that food and beverages play an important role in people's lives and how it affects the way they live. In addition to offering consumer products that are relevant, safe, nutritious, tasty, convenient and of the highest quality, Nestlé is also committed in increasing the awareness level of healthy diets and lifestyles amongst consumers.

Aimed at encouraging consumers to think about their state of health and wellness, Nestlé launched the 'How Am I' campaign,

which drives consumers to answer a set of questions on a dedicated Facebook page to help them self-assess and better understand their own lifestyle and nutrition intake.

The 15 questions posted are aimed at evaluating a consumer's current weight status, purchasing habits and also exercise routines. Upon completing the answers, consumers will then be directed to the Nestlé website where they will see the type of profile that they belong to.

The four profile types are:

The Advocate – A model of health, whose diet and lifestyle choices are motivated by philosophical, religious or ethical ideas. He or she is willing to give up taste for long-term health benefits.



The Investor – The almost perfect eater who makes healthy eating choices but is not willing to compromise taste just for the sake of being healthy. He or she also takes into consideration eating habits that might impact them or their loved ones.

The Manager – One who is aware of the importance of healthy eating habits but often ends up consuming food that is convenient but not necessarily healthy, due to not having enough time for proper meals. In short, one that tries to balance diet with work and life demands.

The Hopeful – The carefree individual who indulges whenever possible, and searches for quick fixes to lose weight whenever necessary, but hopes to live a healthier lifestyle in the near future.

In addition to the profile descriptions, Nestlé also features tips on how and what participants can do to achieve wellness and healthier lifestyles. This is presented in two languages – English and Bahasa Malaysia. Nestlé also regularly updates the site with up-to-date health-related news and articles, as well as providing information on activities such as World Walking Day.

As of 31st December 2010, there were a total of 12,733 users of the ‘How Am I?’ Facebook application. Out of this, more than 8,000 consumers completed the test and profiled themselves within three months of the campaign being launched.

Listed below is a summary of the profiles generated:

The Advocate	-	3,171
The Investor	-	401
The Manager	-	2,903
The Hopeful	-	2,374

In addition to the questionnaire, Nestlé in partnership with the Nutrition Society of Malaysia, also developed a series of articles in English, Bahasa Malaysia and Chinese on healthy diets and lifestyles. These articles appeared in the health sections of major newspapers in Malaysia.

MOVING FORWARD

Nestlé recognises that providing consumers with information on their profiles and advising them on the right diets and lifestyles are only part of the equation. It is also important that they are assisted with the means to do so. Activities such as the World Walking Day will be prominently featured in the “How Am I?” section of the Nestlé website, together with healthy recipes and easy-to-follow tips on healthy food preparation.

Nestlé will be updating the site with follow-up questionnaires to help participants monitor their progress and maintain a healthy lifestyle.

Our Consumers and the Marketplace

THE MARKETPLACE - OUR PERFORMANCE

	GRI Reference	2010
Nutrition		
Products meeting or exceeding Nutritional Foundation profiling criteria (as % of sales)	n/a	74%
Products meeting or exceeding consumer taste preference (as % of sales)		81%
Products with nutritional plus over competitors (as % of sales)		54%
Products with a nutritional claim on front of pack		64%
Products covered with Nestlé Nutritional Compass** (as % of sales)		100%
Products with GDA labelling (as % of sales)		57%
Nutrition, Health & Wellness		
Total number of employees who received nutrition training*		1,209
Nourishing Malaysia Showcase		
Number of visitors received at the KL event	#	10,085
Number of visitors received at the Johor event	#	14,611

* Exclude Purina Petcare, Nestlé Nutrition & CPW

Nestlé specific indicator

** Exclude Purina Petcare & CPW

TARGETS AND ACHIEVEMENTS

CONSUMERS AND THE MARKETPLACE		
Nutrition, Health and Wellness		
What we set out to achieve	What we have achieved to date	Our way forward
Encourage healthier diets and active lifestyles as well as increase awareness on the Company's efforts in "Nourishing Malaysia".	<p>In 2010, Nestlé held its 4th NESTLÉ NOURISHING MALAYSIA Showcase at two venues - 1 Utama Shopping Centre in Bandar Utama and AEON Bukit Indah in Johor Bahru - to create greater awareness on healthier lifestyles, diets amongst Malaysians.</p> <p>Each of the venues attracted over 10,000 visitors who were given an overview of the strides made by Nestlé in its pursuit of being the leading Nutrition, Health and Wellness company in the world. 😊</p>	To continue educating the public at large on health and nutrition, through a variety of mediums from events to print and radio. This enables Nestlé to reach out to more people.
To engage with external parties to further promote the Company's position as the leading Nutrition and Wellness company.	<p>Nestlé Malaysia has been the main sponsor and supporter of Nutrition Month Malaysia, the nation's largest nutrition education initiative co-organised by the Nutrition Society of Malaysia (NSM), Malaysian Dietitians' Association (MDA) and the Malaysian Association for the Study of Obesity (MASO).</p> <p>In May 2010, more than 6,000 people visited the two-day event held at the Mid Valley Exhibition Centre in conjunction with Nutrition Month Malaysia. There were fun-filled activities, health screenings, nutrition counseling, product detailing and sampling. 😊</p>	<p>To continue supporting relevant nutrition and health events to educate Malaysians on health eating and living.</p> <p>To work with the relevant bodies to ensure the growing problem of under-nutrition and obesity is addressed.</p>
To ensure that the public, in particular the lower income groups, have access to high quality products with good nutrition.	<p>In 2008, Nestlé introduced the Popularly Positioned Products (PPP) range, which is the result of deep consumer insights and science to provide high quality products with good nutrition that is within consumers' daily affordability.</p> <p>In 2010, Nestlé launched three new products - MAGGI Sajian Keluarga instant noodles (fortified with iron), MILO 90g powder and NESCAFÉ 25g coffee. 😊</p>	Plans are underway to introduce more PPP products in 2011.

Our Consumers and the Marketplace

What we set out to achieve	What we have achieved to date	Our way forward
<p>To engage with communities through Community Service Campaigns with our brands.</p>	<p>MILO launched six MILO PLAY MORE LEARN MORE camps during the November/December 2010 school holiday period. All six camps were organised by Rukun Tetangga Committees and fully supported by MILO. Activities included coaching clinics followed by mini tournaments. Active participation from the Rukun Tetangga Committees, consisting of parents in the neighbourhood, led to the successful organisation and high participation of kids in these camps. 😊</p>	<p>Similar activities are in the pipeline for 2011.</p> <p>To look at the involvement of other Nestlé brands in similar community activities.</p>
<p>To extend the Company's expertise in food manufacturing processes and Halal issues to SMEs.</p> <p>Provide SMEs with knowledge on Halal standards and regulatory requirements.</p>	<p>Nestlé, together with HDC and SME Corp, successfully conducted a mentoring programme for SMEs in June 2010.</p> <p>Nestlé shared its best practices in Halal, regulatory, production control and sales and marketing. The HDC team presented on Halal standards and certification, while SME Corp focused on capacity building / financial schemes for SMEs together with the SME bank. 😊</p>	<p>Nestlé plans to conduct four sessions of the mentoring programmes in 2011; one every quarter.</p>
<p>Helping the underprivileged through charitable campaigns.</p>	<p>Nestlé Malaysia tied up with GCH Retail (M) Sdn. Bhd. to help the less fortunate ahead of the 2010 Hari Raya celebrations. Under this initiative, Nestlé and Giant jointly contributed an average of RM0.30 from the proceeds of certain Nestlé products sold at all Giant stores in West Malaysia.</p> <p>The "Belanja dan Beramal" campaign benefited PERTIWI, Spastic Children's Association of Selangor and Federal Territory and Pusat Perubatan Islam Malaysia Rumah Solehah, with each of the homes receiving RM50,000. 😊</p>	<p>To continue with similar tie-ups in 2011, and to channel the money collected to other beneficiaries.</p> <p>Nestlé will identify other potential partners and deserving charities</p>

What we set out to achieve	What we have achieved to date	Our way forward
<p><u>Nestlé Professional:</u> Sharing customer survey findings with key decision makers in strategic customer channels.</p> <p>Uplifting standard of culinary art skills.</p> <p>Creating awareness about food and personal hygiene amongst food and beverage handlers.</p>	<p>Nestlé Professional (NP) published its first issue of NUTRIPRO Newsletter in April 2009, featuring news on latest innovations, nutrition highlights and industry trends.</p> <p>Following positive feedback from Nestlé customers, NP extended its services by conducting the NUTRIPRO evening seminars, which included international speakers who spoke on trends, nutritious menu planning, as well as communication ideas.</p> <p>In 2010, NP organised the following activities to uplift the standard of culinary arts for students and industry professionals:</p> <ul style="list-style-type: none"> • 4th Nestlé Culinary Arts Award Best of the Best Cooking Competition • 4th Penang Chefs Challenge • World Golden Chef Competition • Sabah Hospitality Fiesta <p>Together with Malaysia Singapore Coffee Shop Proprietors General Association, NP organised Coffee Shop Hygiene talks in Kuala Lumpur and Penang, which attracted about 80 coffee shops operators at each venue. 😊</p>	<p>To continue publishing the NUTRIPRO newsletters and conducting more NUTRIPRO Evening seminars.</p> <p>NP to continue organising similar competitions and talks for other regions / states in 2011.</p>
<p>To educate the younger generation on the science of food.</p>	<p>In conjunction with the 2010 World Food Day celebration, Nestlé Malaysia and Petrosains teamed up to nourish the minds of visitors to the Discovery Centre via interactive fun-learning programmes and activities. Using innovative and interactive communication methods, Nestlé was able to get across messages on the importance of food as an energy source, the food pyramid and other important facts on nutrition. 😊</p>	<p>To continue sharing the Company's expertise and experience on food with the general public, via its successful partnership with Petrosains.</p> <p>To explore similar partnership opportunities with other organisations</p>
<p>To improve eating habits and nutritional status of Malaysians.</p>	<p>In 2010, Nestlé hosted the National Stroke Association of Malaysia (NASAM) Malaysia's Biggest Breakfast event.</p> <p>In addition to helping promote the importance of having a healthy breakfast, the event also helped raise funds for stroke patients. 😊</p>	<p>To continue supporting NASAM, through similar activities.</p> <p>To also identify other relevant NGOs in an effort to reach out to more Malaysians.</p>

😊 Good Progress

😐 Satisfactory

😞 Requires Improvement

Awards & Achievements

"KALUNG PERPADUAN" AWARD

At the launch of the National Level Unity Week Celebration 2010, Nestlé (Malaysia) Berhad was awarded the "Kalung Perpaduan" Award under the Corporate category. The other categories awarded were Sports, Arts, Media and Community. Organised by the National Unity and Integration Department, the event was held on 21 May at the Malacca International Trade Centre in Ayer Keroh where Deputy Prime Minister Tan Sri Muhyiddin Yassin launched the event.

THE EDGE BILLION RINGGIT CLUB

Malaysia's biggest and best listed companies with a market capitalisation or turnover of at least RM1 billion were recognised in terms of profitability and shareholder wealth creation with the establishment of The Edge Billion Ringgit Club. The best of over 20 companies in the club from seven sectors, received the Company of the Year award. Nestlé (Malaysia) Berhad came in second in terms of highest return on equity over three years. The Billion Ringgit Club and accompanying awards were established by The Edge, Malaysia's leading business and investment weekly. The awards were presented by the Prime Minister Dato' Seri Mohd Najib Tun Hj Abdul Razak.

ASIA RESPONSIBLE ENTREPRENEURSHIP AWARDS 2010 (AREA)

Nestlé (Malaysia) Berhad was the winner of the Asia Responsible Entrepreneurship Awards 2010 (AREA) Malaysia under the category of Community Engagement, held to recognise organisations that have shown enormous effort, perseverance and courage in corporate social responsibility initiatives. We submitted our Creating Shared Value initiative on our engagement with the Setiu community, a sustainable development project with WWF-Malaysia. Executive Director, Finance and Control Mr. Marc Seiler accepted the Award on behalf of the Company at the Awards Ceremony held at The Royale Chulan Hotel on 29 July.

KPMG SHAREHOLDER VALUE AWARD 2009

Nestlé (Malaysia) Berhad received recognition for its 2009 performance and emerged as one of the top three winners in the Consumer Markets segment of the KPMG Shareholder Value Award 2009. We also climbed up two rankings from last year and took third placing overall in terms of Shareholder Value Creation compared to 100 companies listed on Bursa Malaysia. In its ninth year, the Award Programme

aimed to recognise public-listed companies in Malaysia that have delivered exceptional value to shareholders through the creation of economic profit, within the financial year being reviewed. The Award was officiated by Chief Executive Officer of Bursa Malaysia Berhad, Dato' Yusli Mohamed Yusoff on 6 October.

ACCA MALAYSIA SUSTAINABILITY REPORTING AWARDS 2010 (ACCA MaSRA)

Nestlé (Malaysia) Berhad was the winner of the Commendation – Reporting on Stakeholders Engagement & Inclusion category in the Association of Chartered Certified Accountants Malaysia Sustainability Reporting Awards 2010 (ACCA MaSRA). Of the 53 reports received this year, 20 were shortlisted for the Awards, which was held on 8 November at the Shangri-La Hotel. Managing Director, Mr. Peter Vogt accepted the Award on behalf of the Company from President of ACCA, Mr. Mark Gold. In its eighth year, the Awards was held to encourage companies to identify and communicate their environmental and social performance.



THE WALL STREET JOURNAL ASIA 200 SURVEY

Nestlé (Malaysia) Berhad is listed as the Top 10 in Malaysia among all companies in The Wall Street Journal Asia 200 Survey. We maintained our spot at Number 2, coming in a close second to Public Bank that was ranked as Malaysia's overall most-admired company in the Asia 200 survey of subscribers of The Wall Street Journal Asia and other business people. Nestlé Malaysia maintained its top spot under the category of 'Quality'. The annual Asia 200 survey is a performance review of Asia's leading companies where its 2,742 readers, comprising executives and professionals throughout 12 Asian-Pacific markets, determine the winners. Hundreds of business decision makers rate approximately 40 companies in each market according to key leadership criteria – Innovation, Long-term Vision, Quality, Corporate Reputation and Financial Reputation. This survey has been conducted since 1993 by the Far Eastern Economic Review until it changed format five years ago. This is the fourth time the survey is being published by The Wall Street Journal Asia.

MALAYSIAN CORPORATE GOVERNANCE INDEX 2010 AWARDS

Nestlé (Malaysia) Berhad was given recognition at the Malaysian Corporate Governance Index 2010 Awards organised by the Minority Shareholder Watchdog Group (MSWG). Out of 898 companies, Nestlé was the recipient of the Distinction Award and the Best CSR Award. Executive Director, Finance & Control, Mr. Marc Seiler accepted the Awards on behalf of the Company from Deputy Finance Minister Senator Datuk Dr. Awang Adek Hussein, who also delivered the keynote address and presented the awards to the winners at the Award Ceremony. MSWG also announced the top 100 companies that met the set criteria in areas such as conformance, performance and practices (including quality of disclosures). The Awards was held to recognise companies that achieved excellence in the area of corporate governance and was held at the Renaissance Hotel Kuala Lumpur on 14 December.

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2010

Nestlé (Malaysia) Berhad won a Platinum Award for the Best Designed Annual Report in the National Annual Corporate Report Awards (NACRA) 2010 held on 27 January 2011. The Awards were presented by Domestic Trade, Co-operatives and Consumerism Minister Datuk Seri Ismail Sabri Yaakob. Jointly organised by Bursa Malaysia Berhad, Malaysian Institute of Accountants (MIA) and The Malaysian Institute of Certified Public Accountants (MICPA), the annual award presentation was held to recognise excellence in the quality of financial and corporate reporting.

GRI Table

INTERNATIONAL REPORTING STANDARDS – GLOBAL REPORTING INITIATIVE (GRI) PRINCIPLES

We prepared this report following closely the GRI Reporting Guidelines with the objective of measuring, disclosing and being accountable for internal and external stakeholders for our Company's performance towards the goal of sustainable development. This section of our Creating Shared Value Report presents, in a simple format, our initiatives to address the various Performance Indicators of the GRI in our reporting.

For more information on GRI, please visit www.globalreporting.org

CR : Corporate Report
FR : Financial Report
CSV : Creating Shared Value Report

GRI Ref.	Description	Where it appears in the Report
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Profile

Strategy & Analysis

1.1	Statement from the CEO about the relevance of sustainability to the organisation and its strategy.	CSV: Page 2 – Message to Stakeholders
1.2	Description of key impacts, risks and opportunities.	Partially reported in CSV: Page 8 – The Nestlé Global Creating Shared Value Strategy

Organisational Profile

2.1	Name of organisation.	CSV: Front cover & Page: 4-5 – Fast Facts
2.2	Primary brands, products, and/or services.	CSV: Page 5 – Fast Facts; CR: Page 20-27 – MD's Business Review
2.3	Operational structure of the organisation.	CSV: Page 6 – Organisation Structure
2.4	Location of organisation's headquarters.	CSV: Page 5 – Fast Facts
2.5	Number of countries where the organisation operates.	CSV: Page 4-5 – Fast Facts
2.6	Nature of ownership & legal form.	FR: Page 60-61 – Shareholding Statistics
2.7	Markets served.	CSV: Page 5 – Fast Facts
2.8	Scale of reporting organisation (including employees, assets, sales and products).	CSV: Page 52-57 – Our People & the Workplace; FR: Page 25 (Significant Accounting Policies)
2.9	Significant changes during the reporting period regarding size, structure or ownership.	FR: Page 32 – Investments in Subsidiaries
2.10	Awards received in reporting period.	CSV: Page 80-81 – Awards & Achievements

Report Parameters

Report Profile

3.1	Reporting period.	CSV: Front Cover, Page 10-11 – Nestlé Malaysia & CSV
3.2	Date of most previous report (if any).	CSV: Page 10-11 – Nestlé Malaysia & CSV
3.3	Reporting cycle.	CSV: Page 10-11 – Nestlé Malaysia & CSV
3.4	Contact point for questions regarding the report or its contents.	CSV: Page 92 – Nestlé Contact Details

Reporting Scope & Boundary

3.5	Process for defining report content.	CSV: Page 10-11 – Nestlé Malaysia & CSV; Page 12-15 – Engaging Our Stakeholders
3.6	Boundary of the report.	CSV: Page 10-11 – Nestlé Malaysia & CSV
3.7	State any specific limitations on the scope of boundary of the report.	CSV: Page 10-11 – Nestlé Malaysia & CSV
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability.	CSV: Page 10-11 – Nestlé Malaysia & CSV
3.9	Data measurement techniques and the bases of calculations.	Not reported
3.10	Explanation of the effect of any re-statements of information provided in earlier reports and reasons for them.	No re-statements of information provided in earlier reports
3.11	Significant changes from previous reporting periods in the scope of boundary, or measurement methods applied in the report.	No significant changes from previous reporting periods in the scope of boundary, or measurement methods applied in the report

GRI Content Index

3.12	Table identifying the location of the Standard Disclosures in the report.	CSV: Page 82-89 – GRI Table
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Assurance

3.13	Policy and current practice with regard to seeking external assurance for the report.	CSV: Page 90-91 – Independent Assurance Report
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Governance, Commitments and Engagement

Governance

4.1	Governance structure of the organisation.	CSV: Page 16-17 – Corporate Governance; CR: Page 60-81 – Corporate Governance Statement
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	CSV: Page 16-17 – Corporate Governance; CR: Page 60-81 – Corporate Governance Statement
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	CSV: Page 16-17 – Corporate Governance; CR: Page 60-81 – Corporate Governance Statement
4.4	Mechanism for shareholders and employees to provide recommendations or direction to the highest governance body.	CSV: Page 52-57 – Our People & the Workplace; Page 62 – People Performance; CR: Page 75 – Corporate Governance Statement (Annual General Meeting)
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organisation's performance.	CR: Page 60-81 – Corporate Governance Statement
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	CR: Page 60-81 – Corporate Governance Statement
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics.	CR: Page 60-81 – Corporate Governance Statement
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation.	CR: Page 60-81 – Corporate Governance Statement

GRI Table

4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with international standards, codes of conduct and principles.	CR: Page 60-81 – Corporate Governance Statement
4.10	Processes for evaluating the highest governance body's own performance.	CR: Page 60-81 – Corporate Governance Statement

Commitment to External Initiatives

4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	CSV: Page 66-73 – Our Consumers & the Marketplace; CR: Page 82 – Statement of Internal Control (Risk Management)
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses.	CSV: Page 40 –Our Commitment to the Environment (Water Management – Our Top Priority)
4.13	Membership in associations.	CSV: Page 40 –Our Commitment to the Environment (Water Management – Our Top Priority)

Stakeholder Engagement

4.14	List of stakeholders.	CSV: Page 12-15 – Engaging Our Stakeholders
4.15	Basis for identification and selection of stakeholders with whom to engage.	CSV: Page 12-15 – Engaging Our Stakeholders
4.16	Approaches to stakeholder engagement.	CSV: Page 12-15 – Engaging Our Stakeholders
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded.	CSV: Page 12-15 – Engaging Our Stakeholders

Economic Performance Indicators

Aspect: Economic Performance

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	CSV: Page 19 – Economic Performance; FR: Page 3 – Group Financial Highlights
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Partially reported in CSV: Page 39 – Our Commitment to the Environment (Addressing Climate Change)
EC3	Coverage of the organisation's defined benefit plan obligations.	Not reported
EC4	Significant financial assistance received from government.	CR: Page 25-26 – Finance and Control

Aspect: Market Presence

EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Not reported
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	Partially reported on www.nestle.com : The Nestlé Policy on Environmental Sustainability (Pg. 2 – Our Priority Areas)
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Not reported

Aspect: Indirect Economic Impacts

EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement.	CSV: Page 27-28 – Our Respect & Care for the Community (Pre-school Education – Rural Sabah)
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Partially reported in CSV: Page 26-27 – Our Respect & Care for the Community (Red Rice Project in Serian, Sarawak)

Environmental Performance Indicators

Aspect: Materials

EN1	Materials used by weight or volume.	Not reported
EN2	Percentage of materials used that are recycled input materials.	Not reported

Aspect: Energy

EN3	Direct energy consumption by primary energy source.	CSV: Page 38-39 – Our Commitment to the Environment; Page 49 – Environmental Performance
EN4	Indirect energy consumption by primary source.	Not reported
EN5	Energy saved due to conservation and efficiency improvements.	Not reported
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	Partially reported in CSV: Page 44-45 – Our Commitment to the Environment (Case Study on Energy)
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not reported

Aspect: Water

EN8	Total water withdrawal by source.	CSV: Page 40-41 – Our Commitment to the Environment (Water Management – Our Top Priority); Page 49 – Environmental Performance
EN9	Water sources significantly affected by withdrawal of water.	Not reported
EN10	Percentage and total volume of water recycled and reused.	Not reported

Aspect: Biodiversity

EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not reported
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not reported
EN13	Habitats protected or restored.	Partially reported in CSV: Page 28-29 – Our Respect & Care for the Community (Empowering Women to Take the Lead); Page 32 – Community Performance; Page 33-34 – Targets & Achievements
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not reported
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not reported

GRI Table

Aspect: Emissions, Effluents, and Waste

EN16	Total direct and indirect greenhouse gas emissions by weight.	Partially reported in CSV: Page 49 – Environmental Performance
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not reported
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	CSV: Page 50 – Targets & Achievements
EN19	Emissions of ozone-depleting substances by weight.	Partially reported in CSV: Page 49 – Environmental Performance
EN20	NO, SO, and other significant air emissions by type and weight.	Partially reported in CSV: Page 49 – Environmental Performance
EN21	Total water discharge by quality and destination.	Not reported
EN22	Total weight of waste by type and disposal method.	Partially reported in CSV: Page 49 – Environmental Performance
EN23	Total number and volume of significant spills.	Not reported
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not reported
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	Not reported

Aspect: Products and Services

EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.	CSV: Page 41-42 – Our Commitment to the Environment (Savings Through Innovative Packaging)
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported

Aspect: Compliance

EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Not reported
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Aspect: Transport

EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce.	Partially reported in CSV: Page 43 – Our Commitment to the Environment (Supply Chain); Page 51 – Targets & Achievements
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Aspect: Overall

EN30	Total environmental protection expenditures and investments by type.	Not reported
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Social – Labour Practices & Decent Work Performance Indicators

Aspect: Employment

LA1	Total workforce by employment type, employment contract and region.	CSV: Page 54 – Our People & the Workplace; Page 62 – People Performance
LA2	Total number and rate of employee turnover by age group, gender and region.	Not reported
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Not reported

Aspect: Labour/Management Relations

LA4	Percentage of employees covered by collective bargaining agreements.	Not reported
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Not reported

Aspect: Occupational Health & Safety

LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programmes.	Not reported
LA7	Rates of injury, occupational diseases, lost days, and absenteeism and number of work-related fatalities by region.	Partially reported in CSV: Page 56-57 – Our People & the Workplace (Safety at the Workplace); Page 62 – People Performance
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	Not reported
LA9	Health and safety topics covered in formal agreements with trade unions.	Not reported

Aspect: Training & Education

LA10	Average hours of training per year per employee by employee category.	Not reported
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Partially reported in CSV: Page 56 – Our People & the Workplace (Healthy Lifestyles for All); CR: Page 25 – MD's Business Review (Human Resource)
LA12	Percentage of employees receiving regular performance and career development reviews.	Not reported

Aspect: Diversity & Equal Opportunity

LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	Partially reported in CSV: Page 62 – People Performance; CR: Page 48 – Corporate Data
LA14	Ratio of basic salary of men to women by employee category.	CSV: Page 62 – People Performance

Social – Human Rights Performance Indicators

Aspect: Investment & Procurement Practices

HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Not reported
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Not reported
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not reported

Aspect: Non Discrimination

HR4	Total number of incidents of discrimination and actions taken.	No incidents of discrimination were reported or occurred during the year under review.
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GRI Table

Aspect: Freedom of Association & Collective Bargaining

HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Not reported
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Aspect: Child Labour

HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour.	Not reported
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Aspect: Force & Compulsory Labour

HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour.	Not reported
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Aspect: Security Practices

HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	Not reported
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Aspect: Indigenous Rights

HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	No incidents of violations involving rights of indigenous people have been reported or have occurred during the year under review.
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Society Performance Indicators

Aspect: Community

S01	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	Partially reported in CSV: Page 22-29 – Our Respective & Care for the Community
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Aspect: Corruption

S02	Percentage and total number of business units analysed for risks related to corruption.	Not reported
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures.	Not reported
S04	Actions taken in response to incidents of corruption.	Not reported

Aspect: Public Policy

S05	Public policy positions and participation in public policy development and lobbying.	Not reported
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.	Not reported

Aspect: Anti-Competitive Behaviour

S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	No actions were taken or reported against Nestlé Malaysia for anti-competitive behaviour, anti-trust, and monopoly practices during the period under review.
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Aspect: Compliance

S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	No fines or sanctions were imposed on Nestlé Malaysia for non-compliance with laws and regulations during the period under review.
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Product Responsibility Performance Indicators

Aspect: Customer Health & Safety

PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not reported
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not reported

Aspect: Product & Service Labelling

PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	Partially reported in CSV: Page 69 – Our Consumers & the Marketplace (NUTRITIONAL COMPASS – The Company's Proprietary Labelling Scheme)
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	Not reported
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Partially reported in CSV: Page 70 – Our Consumers & the Marketplace (Customer Service Levels)

Aspect: Marketing Communications

PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	Not reported
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes.	Not reported

Aspect: Customer Privacy

PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not reported
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Aspect: Compliance

PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	No fines were imposed on Nestlé Malaysia for non-compliance with laws and regulations concerning the provision and use of products and services during the period under review.
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Independent Assurance Report



Independent Assurance Report

Independent Assurance Report to the Directors of Nestlé (Malaysia) Berhad on selected Corporate Sustainability information disclosed in the 'Creating Shared Value Report 2010'.

We have been engaged by Nestlé (Malaysia) Berhad ("Nestlé") to perform an independent limited assurance engagement on selected Corporate Sustainability information ("Selected Information") as reported by Nestlé in the Creating Shared Value report for the year-ended 31 December 2010 ("CSV Report 2010").

Subject Matter

The Selected Information for the year ended 31 December 2010 on which we provide limited assurance consists of:

- The management and reporting processes with respect to the preparation of the Selected Information marked with an asterisk (*) on pages 10, 25, 28, 29, 33, 35 and 45 of the CSV Report 2010; and
- Nestlé declaration on the Global Reporting Initiative ("GRI") Application Level 'C+' of the GRI G3 Sustainability Reporting Guidelines on page 2 of the CSV Report 2010.

Criteria

- Nestlé internal sustainability reporting guidelines and procedures by which the Selected Information is gathered, collated and aggregated internally; and
- The "Sustainability Reporting Guidelines G3" published in October 2006 by the GRI.

Responsibility and Methodology

The accuracy and completeness of the sustainability indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with Nestlé internal guidelines, definitions and procedures on the reporting of its sustainability performance.

Nestlé Corporate Responsibility Committee is responsible for both the subject matter and the application of the evaluation criteria.

Our responsibility is to provide a conclusion on the subject matter based on our evidence-gathering procedures in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to express our conclusion with limited assurance.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgment, including the assessment of the risks of material incompliance of the subject matter with the criteria.

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Main Assurance Procedures

Our assurance procedures included the following work:

- **Evaluation of the application of sustainability reporting guidelines.** Reviewing the application of the GRI "Sustainability Reporting Guidelines G3" and Nestlé internal sustainability reporting guidelines.
- **Site visits.** Visiting selected sites in Setiu (Terengganu), Bukit Awang (Kelantan) and Chembong (Negeri Sembilan). The selection was based on qualitative and quantitative criteria: interviewing participants of local community programmes and personnel responsible for internal reporting, and data collection at the sites we visited and at the corporate level.
- **Assessment of the Selected Information.** Performing tests on a sample basis of evidence supporting the Selected Information for completeness and accuracy.
- **Assessment of processes and data consolidation.** Reviewing the appropriateness of the management and reporting processes for environmental reporting and assessing the consolidation process of data at the corporate level.
- **Assessment of GRI Application Level.** Assessing the GRI Application Level of the GRI G3 Sustainability Reporting Guidelines that have been applied to the CSV Report 2010 at level 'C+'.

Conclusions

Based on our work described and the criteria detailed in this report, in all material respects, nothing has come to our attention that causes us to believe that, for the year ended 31 December 2010:

- The Selected Information has not been fairly stated in accordance with Nestlé internal sustainability reporting guidelines; and
- Nestlé declaration on the GRI Application Level is not applied properly in accordance with the Sustainability Reporting Guidelines G3 at level 'C+'.

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
18 March 2011

Nestlé Contact Details

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