



Nestlé

Creating Shared Value

Nutrition | Water | Rural Development

2011

REPORT

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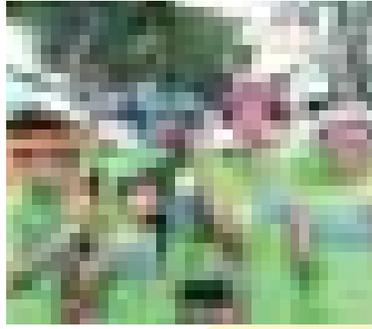
Nestlé has been delighting generations of Malaysian consumers through its products and services, since it began its operations here in 1912. As the leading food and beverage manufacturer in the country, Nestlé has continuously promoted Food, Nutrition, Health and Wellness and its business philosophy of Creating Shared Value to both the young and old. Nestlé will continue to do so for the next 100 years and beyond.



20 Our Respect
and Care for the
Community

40 Our Commitment
to the Environment

At Nestlé, we believe that in order to create long-term value for our shareholders, we have to create value for society, subscribing to the view that corporate success and social development go hand in hand.



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MESSAGE TO STAKEHOLDERS

Built on the foundation of a strong compliance culture and commitment to sustainability, the Nestlé Creating Shared Value concept aims to create continuous shared benefits for society and our shareholders.

Creating Shared Value (CSV) is a fundamental part of the Nestlé way of doing business and can be best reflected in the areas that are core to our business strategy and vital to the welfare of the people and society. These areas are Nutrition, Water and Rural Development and all three are supporting our ambition to be the recognised leading Food, Nutrition, Health and Wellness company.

During the year under review, we have committed to further strengthen CSV in all aspects of our business. For the purpose of this Report, we have reported our CSV initiatives in line with Bursa Malaysia's requirements, grouped into four areas, demonstrating how Nestlé is Creating Shared Value while carrying out our business:

The Chairman and Managing Director together with the Management Trainees packing Nestlé products which will help nourish one of the charity homes adopted by Nestlé.



1. OUR RESPECT AND CARE FOR THE COMMUNITY

Our main focus is on Rural Development. One of our most successful programmes has been our contract farming initiatives, which have given farmers the opportunity to be part of the Nestlé supply chain, thus ensuring a steady income stream for them. In addition to the ongoing chilli farming initiative in Kelantan, which we first initiated in 1995, we have also made strong efforts in Sarawak with the traditional red rice farmers. Furthermore, we are moving ahead with the practice of semi-aerobic water-controlled farming with the formation of the Nestlé Paddy Club (NPC) in Kedah where we help farmers to improve yields while ensuring a supply of stable-priced, reliable, safe and traceable rice for use in infant cereal manufacturing. The NPC is in its early stages, but already we have seen good progress especially in terms of environmental impact with less water usage and reduction in methane, a major greenhouse gas.

2. OUR COMMITMENT TO THE ENVIRONMENT

We have continued to reduce our environmental footprint along our value chain, meeting all our targets during the year, i.e.

- Reducing absolute amount of Direct Greenhouse Gases (Direct GHG) by 1%
- Reducing absolute amount of Solid Waste by 2.5%
- Reducing specific Water Usage at constant volume by 4%
- Reducing specific Energy Usage at constant volume by 2%

Details of our initiatives and reductions are reported in the section titled 'Our Commitment to the Environment' on page 42.

3. OUR PEOPLE AND THE WORKPLACE

Our people are our main assets and extensive training based on Everyday Coaching on the job has been our key focus. We also continue to improve workplace conditions and employee benefits, introducing a Flexible Benefits Plan, additional employee training programmes and strengthening our Safety & Health initiatives.

Apart from the various training programmes, we also embarked on roadshows throughout the country to refresh our employees on the Nestlé Corporate Business Principles and Values. The roadshows are reported as a Case Study under the 'Our People and the Workplace' section on page 80.

4. OUR CONSUMERS AND THE MARKETPLACE

Our consumers are at the heart of all that we do and we have continued to engage with them as part of our efforts to improve their quality of life not only through food and diet, but also through communicating how to lead healthier lifestyles.

While we have made strides to improve the nutritional quality of our products through product innovation and renovation, we have also introduced initiatives to stress on the importance of healthy diets and lifestyles daily, such as the Nestlé Walking Days. We addressed the issues of obesity and non-communicable diseases through talks on diabetes and a forum on obesity.

Additionally, we also engaged with our suppliers and external partners to provide them with clear guidelines to conform with the Nestlé Supplier Code and our expectations on their contributions to CSV.

MESSAGE TO STAKEHOLDERS

We are pleased to inform you that we have succeeded in our objective to achieve the highest-level rating for the 2011 CSV Report (A+ rating in accordance with the GRI 3.0 standards for the Food Processing Sector, audited by Bureau Veritas) and are committed to maintaining this level of assurance for future reports.

This CSV Report accompanies the Nestlé Corporate and Financial Reports, which together, make up the 2011 Annual Report for the Group. We know that creating a better and healthier society is a complex topic and we do not have all the answers. We therefore very much encourage and welcome your feedback and comments. You can find our contact details at the end of the Report.

Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail

Chairman of the Board of Directors

Peter Vogt

Managing Director

The information contained in our sixth stand-alone CSV Report demonstrates the operations of Nestlé (Malaysia) Berhad ('the Company' and all its subsidiaries ("the Group")) for the year ended 31 December 2011 unless otherwise stated. The report covers the CSV activities and initiatives as embedded in the operations of the Group and its subsidiaries. More specifically, the Report focusses on activities and initiatives of the Group's two main subsidiaries – Nestlé Products Sdn. Bhd. and Nestlé Manufacturing Sdn. Bhd.

In geographical terms, the Report covers all of our manufacturing facilities and sales offices in Peninsular and East Malaysia, as well as our National Distribution Centre and Head Office¹.

Our previous report (dated 31 December 2010) achieved a Level C+ rating in accordance with the Global Reporting Initiative (GRI) standards and was assured by PricewaterhouseCoopers (PwC) based on the internationally recognised standard ISAE3000 issued by the International Auditing and Assurance Standards Board ("IAASB").

As we continue to strengthen our CSV initiatives and strive to improve our reporting process, we engaged Bureau Veritas Certification to provide independent assurance for our CSV Report this year. Assurance performed by Bureau Veritas is in accordance with the GRI 3.0 standards for the Food Processing Sector and based on the internationally recognised AA1000 Assurance Standard, set by AccountAbility. AA1000 is a generally applicable standard for assessing, attesting to and strengthening the credibility and quality of an organisation's sustainability reporting and their underlying processes and competencies. It provides guidance on key elements of the assurance process.

¹ Manufacturing facilities in Shah Alam, Petaling Jaya, Batu Tiga, Chembong and Kuching; Sales Offices for the Central, Northern, Southern, East Coast regions, Sabah and Sarawak; National Distribution Centre in Bukit Raja, Selangor and Head Office in Mutiara Damansara, Selangor.

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 328,000 people worldwide
- 440 factories worldwide
- Around 1 billion products sold every day
- World's largest private nutrition research capability based in Switzerland
- 30 R&D Centres worldwide
- RM6 billion global investment in R&D annually

NESTLÉ MALAYSIA

- Established in Malaysia since 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 500 halal products
- RM4.7 billion in turnover in 2011
- Public listed on Bursa Malaysia since 1989
- Head Office in Mutiara Damansara, Selangor
- 7 factories
- 1 National Distribution Centre

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

GOOD FOOD, GOOD LIFE

THE MEANING OF GOOD FOOD, GOOD LIFE

Insufficient access to good food could result in nutritional deficiencies, malnutrition and other complex issues, which is why Nestlé believes that Good Food is the foundation of Good Life. In addition to being the recognised leading Food, Nutrition, Health and Wellness company, Nestlé also aims to be the reference for financial performance and trusted by all stakeholders.



Nestlé

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 & THE NESTLÉ LEGACY

THE NESTLÉ CREATING SHARED VALUE LEGACY

In an effort to save his neighbour's child who was unable to accept the mother's breastmilk, Swiss pharmacist and Nestlé founder – Henri Nestlé developed the world's first milk food for infants. Aimed at combating the problem of mortality due to malnutrition, the product was well received in Europe and this marked the beginning of the Nestlé Creating Shared Value legacy – which today, is embedded within our values and corporate business principles. More than 140 years on, Nestlé is the world's leading Food, Nutrition, Health and Wellness company; committed towards building a business based on sound human values and principles.



THE PRIDE OF NESTLÉ... THE "NEST"

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

ORGANISATION STRUCTURE



- Executive Committee
- Locally Managed Business
- Regionally/Globally Managed Business
- Shared Services
- Joint Venture

THE NESTLÉ CREATING SHARED VALUE STRATEGY



Nestlé

Creating Shared Value

Nutrition | Water | Rural Development



THE NESTLÉ CREATING SHARED VALUE MODEL

We will continue to focus on the areas of greatest potential for joint value creation with society, which are Nutrition, Water and Rural Development.

At Nestlé, we believe that in order to create long-term value for our shareholders, we have to create value for society, subscribing to the view that corporate success and social welfare are interdependent.

We will continue to focus on the areas of greatest potential for joint value creation with society as outlined in our last 2010 Creating Shared Value Report, which are Nutrition, Water and Rural Development.

WHY NUTRITION?

Food and nutrition are the basis of health and of our business – it is the reason why we exist. In line with our tagline of “GOOD FOOD, GOOD LIFE”, we aim to provide consumers with nutritious, tasty, high quality and convenient food and beverage choices, that can be enjoyed anywhere and anytime.



FROM TOP LEFT, CLOCKWISE:
The Nestlé Healthy Kids Global Programme aims to raise awareness of the benefits of a healthy lifestyle amongst school-aged children around the world.

Our contract farming schemes create job opportunities and allow for knowledge transfer and at the same time, helps Nestlé with traceability and quality control.

Project RiLeaf is a riverside reforestation and oil palm sustainability initiative that aims to create a landscape where people, nature and agriculture can co-exist harmoniously in their need for water.



WHY WATER?

Water is one of our most critical resources, the scarcity of which will have a drastic impact on the quality of life as well as on our business operations. We are particularly concerned on how shortage of water can endanger food security and are actively involved in the discussion on water management. Internally, we have adopted rigorous standards to reduce water consumption at our plants and facilities, while externally we actively support water resource awareness and education programmes and work closely with farmers to help them become better stewards of water.

WHY RURAL DEVELOPMENT?

In line with the United Nations Millennium Development Goals (MDG), Nestlé is committed to improving the quality of living for various communities. The overall well-being of our various stakeholders - farmers, rural communities, employees, small entrepreneurs, suppliers etc. - is key to our continued success and the nation's development. Through our initiatives such as creating job opportunities and sources of income, empowering the poor through education and encouraging sustainable production practices, we will have an impact on the local economy and the way people live.

There are many examples of how we create value for the Malaysian community, which are detailed in this Report, segmented into four areas, in line with Bursa Malaysia's requirements:

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

ENGAGING OUR STAKEHOLDERS

Nestlé Stakeholder Convening Sessions in 2011 took place on 14 June and 8 December.

The sessions were attended by Nestlé key stakeholders from various sectors which include Corporate Governance, Community, Environment, Sustainable Development, Nutrition & Health, Consumers & Women's Issues and Human Rights among others.

The aims of these sessions were to:

- Create a platform where Nestlé can have a two-way dialogue with its key stakeholders, especially to discuss issues relating to the three CSV pillars namely Nutrition, Water & Environment and Rural Development.
- Update the stakeholders on Nestlé activities, following the feedback and discussions from the previous sessions.

The convening sessions allow us to engage with our key stakeholders better and provide an avenue for us to obtain direct feedback from them.



The following is a summary of what was discussed at the two Stakeholder Convening Sessions held in June and December 2011.

Topic	Issues Highlighted	Stakeholder Recommendations	Action Plans by Nestlé
Nutrition & Health	Increasing occurrences of obesity among children and adults in Malaysia	<ul style="list-style-type: none"> To teach consumers how to read and understand food labels. To promote healthy eating habits among Malaysians. 	Continue to improve public education and communication on nutrition, e.g. through the 'How Am I?' Campaign, which helps Malaysians keep track of their health and choose correctly using food labels.
		To develop products that contain more fibre and less sugar, fat and salt.	Continuous product innovation and renovation to produce more nutritious products e.g. through the introduction of whole grain range and reducing fat, salt, sugar and sodium contents in food and drinks.
		To conduct more and support existing research that look into the issues relating to health and nutrition, to help understand the issues better and find more effective ways to combat them.	<ul style="list-style-type: none"> To continue and increase collaboration with universities and nutrition research e.g. UPM, UKM. To continue collaboration with the Nutrition Society of Malaysia for the Nestlé Healthy Kids Programme.
		To focus on more physical activities and encourage healthier lifestyle.	<ul style="list-style-type: none"> To continue with Nestlé Walking Days and World Walking Day initiatives. To continue the 'MILO PLAY MORE LEARN MORE' programme to encourage parents to get their children to play sports and inculcate good life values in their children.
		To work with nutrition experts/ NGOs/ women groups to promote healthy lifestyles through healthy cooking.	<ul style="list-style-type: none"> To promote healthy eating habits among Malaysian children through various partnerships. To promote simple and healthy ways to cook among NGOs, care homes and women's groups. To collaborate with the Ministry of Education to implement the 100 Healthy Boarding School Programme in 2012.

ENGAGING OUR STAKEHOLDERS

Topic	Issues Highlighted	Stakeholder Recommendations	Action Plans by Nestlé
	Lack of information and awareness on Non-Communicable Diseases (NCD)	<ul style="list-style-type: none"> To educate the public on the link between obesity and NCD. Targeting and segmenting consumers when running awareness programme. 	<ul style="list-style-type: none"> To promote the health benefits of Nestlé products more effectively. To share successful stories of initiatives like Nestlé Healthy Kids Programme, so that others can follow.
		To increase collaboration with NGOs, government bodies and professional organisations to encourage healthy living.	To work together with NGOs and experts to run awareness initiatives e.g. TV cooking shows, as it is an effective way to engage with people who cook at home.
		<ul style="list-style-type: none"> To start educating children at an early age about healthy eating. To promote healthy eating to parents as well, to ensure better and healthier food at home. To empower children to make healthy choices. To ensure that the environment is conducive for behavioural change. 	<ul style="list-style-type: none"> To collaborate with the ministry and women organisations to educate mothers who are the main decision makers on food cooked at home. To look at ways to improve physical education at school e.g. training teachers. To investigate ways to ensure food served at school canteens are healthy and able to support behavioural change.
	Lack of healthy choices	<ul style="list-style-type: none"> To make it easier for consumers to choose healthy food options. Encourage the visibility of products via marks of endorsement. 	<ul style="list-style-type: none"> To provide products that are convenient, accessible, healthy and affordable. To be an advocate on healthier food choices. To make it easier for consumers to understand nutritional information by making food packaging simpler and labelling clearer.
		<ul style="list-style-type: none"> Encourage consumers (children) to demand for healthier options. 	<ul style="list-style-type: none"> To communicate to children the benefits of healthy food. To position healthy food as being “good and cool” through communication that appeals to children, e.g. by using popular characters (such as cartoon characters) and jargon that they commonly use. To enhance products consumed by children with nutritional values.



Topic	Issues Highlighted	Stakeholder Recommendations	Action Plans by Nestlé
Water & Environment	Lack of communication and awareness on environmental awareness	<ul style="list-style-type: none"> To work together with councils/municipals to raise environmental awareness. 	To educate the members of the media on water and environmental conservation, to enable them to report on such issues more effectively.
		<ul style="list-style-type: none"> To run conservation and reforestation project. To increase communication on Nestlé environmental initiatives. 	To continue with Project RiLeaf, a reforestation programme in the Kinabatangan area. Nestlé plans to plant at least 100,000 trees along the Kinabatangan River in 2012.
	Carbon emission	To focus on reducing carbon emission in operations.	To run internal initiatives that can help reduce greenhouse gas for Nestlé operations.
		Continuous water and energy savings, as well as packaging source reduction.	To run internal initiatives to save water and energy and to increase the amount of recyclable materials.
Rural Development	Efforts to help support sustainable livelihoods for the community		<p>To continue with current efforts to build sustainable livelihoods:</p> <ul style="list-style-type: none"> Project RiLeaf – supporting KAPOK community. Nestlé Paddy Club – supporting rice farmers in Kedah. Chilli Farming Scheme in Kelantan and Sarawak Traditional Red Rice initiative – contract farming projects. Setiu Sustainable Development project. Partnership with Raleigh to build kindergartens in rural parts of Sabah.

CORPORATE GOVERNANCE

Our commitment to high standards of Corporate Governance is reflected in our approach towards corporate responsibility, where compliance is at the base of everything that the Company does. We are guided not only by the local legal and regulatory framework but also by our internal guidelines, principles and codes of conduct such as the “Nestlé Corporate Business Principles” and the “Nestlé Supplier Code”, to ensure that good governance is practised at every level of the Company’s operations including relationships with third parties.

Our best practice in corporate governance is based on the “Nestlé Corporate Governance Principles” of our holding company, Nestlé S.A. in Vevey, Switzerland, which covers the following areas:

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

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 Bursa Malaysia Securities Berhad¹.

In addition to the above, Nestlé is also compliant with all local regulations and international standards such as the ISO14001 (Environmental Management System) and OHSAS18001 (Occupational Health & Safety Management System) certification process and was recommended for International certification by SGS. The Company is also certified for the Local Malaysian Standards for Occupational Safety & Health, i.e. MS 1722 Part 1.

Compliance to all of the above fulfills the basic requirements of our Creating Shared Value model as shown in the diagram on page 8.



COMPLIANCE AND REGULATORY REQUIREMENTS

As part of the efforts to ensure accountability among employees and parties related to our business, the Company closely engages them through various in-house training so that they are kept abreast of the latest laws and regulations that affect the business. During the year under review, the Company conducted among others, training for all Business Units on the newly passed Competition Act 2010 and the regulations issued by the Malaysian Competition Commission.

For more information on the briefings, please refer to the “Our People and the Workplace” section on page 79.

¹ The full statement on Corporate Governance appears in the Nestlé 2011 Corporate Report

Our commitment to high standards of Corporate Governance is reflected in our approach towards corporate responsibility, where compliance is at the base of everything that the Company does.



FROM LEFT:
Mr. Peter Vogt accepting the ACCA MaSRA Awards from Michael Hastings, Lord Hastings of Scarisbrick CBE while Mr. Devanesan Evanson, President of ACCA Malaysia Advisory Committee looks on.

Mr. Marc Seiler receiving the FinanceAsia Best Managed Companies 2011 Award on behalf of the Company.

EMBEDDING CREATING SHARED VALUE

The goal is to create shared value in every aspect of our operations such that every activity will, directly or indirectly, have a value proposition for the Company and society in general.



Creating Shared Value (CSV) is an integral part of how we conduct our business and is embedded in our operations. It is our business strategy that we must not only create value for our shareholders but for society as well. The goal is to create shared value as a Company such that every activity will, directly or indirectly, have a value proposition for the Company and society in general.

CSV COUNCIL

To ensure that CSV is present across all categories and brand operations, we formed a CSV Council in 2011, consisting of representatives from all the Business Units and Support Divisions, headed by the Group Corporate Affairs Department. The nominated representatives – called CSV Champions – are responsible for ensuring that all activities carried out are in line with the Company's policies on sustainability and CSV. They are expected to take the lead in mapping out their Units' CSV initiatives and also responsible for monitoring the activities and the measurements required, as well as ensuring that the proper reporting procedures are followed.



The Council enables the Champions to share updates and issues that they may have relating to their respective units via Workshops and a team room specially dedicated to CSV.

EMBEDDING CSV WORKSHOP

An Embedding CSV Workshop was held in November 2011, conducted by Tengku Marina Badlishah, the Global CSV Lead, Nestlé S.A. and attended by the Heads of the respective Business Units and CSV Champions from Malaysia and Singapore. The workshop addressed issues on aligning CSV with the various brands and shared examples of initiatives carried out in other Nestlé markets. In the second half of the workshop, the participants broke up into five groups to brainstorm on ideas and initiatives for the various Business Units' CSV plans. Each group then presented their ideas and answered questions from the floor.

The outcome of the session was that the brands understood the need to integrate CSV into their long-term strategies. Some outstanding ideas were presented, which will be incorporated into the CSV strategies for 2012.

GLOBAL REPORTING INITIATIVE (GRI) WORKSHOPS

As part of the familiarisation process on reporting standards, two workshops were held for the CSV Champions, to align them with the GRI requirements for CSV reporting. Through the workshops, the participants were introduced to the GRI Table and briefed on the aspects that need to be reported and the supporting materials required.

To standardise and streamline the reporting process, the Corporate Affairs team introduced a "Request for Information" (RFI) form for the respective Champions to use to report on their activities. The RFI form provides a standard format for the objectives, summary and outcomes of the activities as well as a section to indicate the availability of supporting materials.

By familiarising themselves with the reporting aspects of the GRI table, the participants are also able to use it as a guide for planning and strategising future activities.

FROM LEFT:

CSV Champion for Milks Business Unit, Ms. Lau Phaih Yean presenting her group's discussion points.

Mr. Vogt giving a welcome presentation on 'The Sustainability Challenge' at the inaugural CSV Council Workshop for the CSV Champions.

SUMMARY OF KEY PERFORMANCE DATA

SUMMARY OF KEY PERFORMANCE DATA

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

	GRI Reference	2009	2010	2011
The Marketplace				
NUTRITION				
Products meeting or exceeding Nutritional Foundation profiling criteria (as % of sales)	N/A		74%	78%
Products meeting or exceeding consumer taste preference (as % of sales)			81%	78%
Products with nutritional plus over competitors (as % of sales)			54%	54%
Products with a nutritional claim on front of pack			64%	68%
Products covered with NESTLÉ NUTRITIONAL COMPASS (as % of sales)			100%	100%
Products with GDA labelling (as % of sales)			57%	69%
Our Environmental Footprint				
Total energy (GJ)		1,435,477	1,468,295	1,501,802
Total amount of energy per tonne (GJ/tonne)	EN5	4.68	4.39	4.13
Total energy greenhouse emission (tonnes CO ₂ e)	EN16	134,172	131,078	134,344
Total water withdrawal by source (m ³ /year)	EN8	1,595,691	1,693,229	1,802,451
Volume of water recycled per reused (m ³ /year)	EN10	N/A	N/A	17,461
Landfill waste (tonne)		3,418	2,472	2,386
Materials recycled (tonne)		15,043	21,315	7,091
Our People				
Workforce size	LA1		5,004	5,770
Lost Time Injury Frequency Rate	LA7		0.76	1.16
Leadership positions held by women	LA13		23%	29%
Employee turnover	LA2		8%	6%

	GRI Reference	2009	2010	2011
Our Community				
Potential number of children impacted from the Nestlé – Raleigh Kindergarten project	#		50	60
Number of PEWANIS members impacted from the Setiu Wetlands Project with WWF-Malaysia (active & non-active)			13	33
Number of camps launched under the 'MILO PLAY MORE LEARN MORE' campaign			6	12
Number of participants who took part in the World Walking Day event			10,000	18,477
Number of farmers impacted from the Nestlé Paddy Club Project, Kedah			N/A	105
NESTLÉ EMPLOYEE VOLUNTEER PROGRAMME (ROCKS)				
Total number of volunteers participating in 2010 activities (employees & non-employees)			72	247
Number of hours (total)			393.5	592.5
Economic				
OPERATIONAL FOOTPRINT				
Number of total factories	#		7	7
Number of product lines	#		224	212
VALUE GENERATION				
MY total sales	EC1		RM4,026,319,000	RM4,700,994,000
VALUE DISTRIBUTION				
Net proceeds of sales	EC1		RM4,026,319,000	RM4,700,994,000
Operating costs			RM856,801,000	RM962,689,000
Taxes			RM74,346,000	RM102,508,000
Net profit			RM391,398,000	RM456,301,000
Earnings per share (sen) ¹			166.91	194.58
Net dividends per share (sen)			165.00	180.00
Dividend yield			3.8%	3.2%

1. Earnings per share are based on profit after tax

Nestlé-specific indicators

A facilitator going through a module with the children involved in the Nestlé Healthy Kids intervention study. The educational materials provided to the intervention groups will be fine tuned as the basis for developing educational modules to teach nutrition and health in schools.





OUR RESPECT AND CARE FOR THE COMMUNITY

One of the three focus areas of our Creating Shared Value model is in Rural Development, because the overall well-being of the farmers that supply us and their communities are intrinsic to our ability to continue to do business in the future.

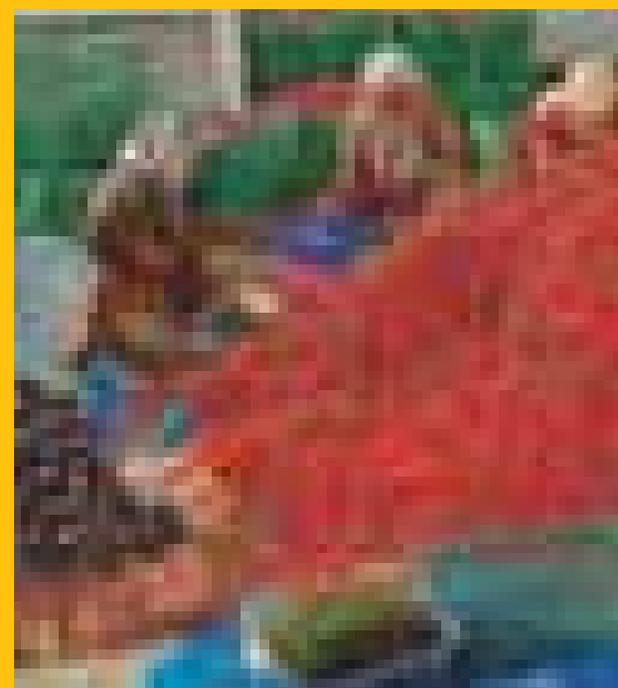
As the leading Food, Nutrition, Health and Wellness company in the country, our responsibility goes beyond that of our shareholders, employees and consumers. One of the three focus areas of our Creating Shared Value model is in Rural Development, because the overall well-being of the farmers that supply us and their communities, are intrinsic to our ability to continue to do business in the future.

Beyond that, we also look at other communities that have an impact on our business and these include the various groupings made up of our consumers, poverty-stricken communities and charitable homes, as well as those who have an impact on the nation's development.

We are also mindful of the United Nations Millennium Development Goals (MDG) and through our work with external parties,



The United Nations Millennium Development Goals



both government and non-governmental organisations in local communities, we have been able to contribute to some of the MDGs. More specifically, our community initiatives are focussed on poverty alleviation, gender equality and empowerment, education and environmental sustainability.

BUILDING SUSTAINABLE LIVELIHOODS

One of our key successful programmes to help in poverty eradication has been the contract farming initiative, which has given farmers the opportunity to be part of the Nestlé supply chain, thus ensuring a steady stream of income. The initiative 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”.

The Company’s contract farming projects include the ongoing Chilli Farming Scheme in Kelantan and the Sarawak Traditional Red Rice (TRR) initiative. While the Kelantan initiative has consistently shown good progress, in terms of number of participating farmers and yields¹, the red rice farmers in Sarawak faced different challenges.

Due to technicalities, TRR was under a consolidation phase for most of 2011, with only a modest 120has planted over two seasons. Of the total output of 160mt, Nestlé took in 100mt, with the balance retained by farmers for future seed source, their own consumption (actively encouraged by Nestlé as red rice is very nutritious) and also for their own small sales (which fetched good prices at local bazaars).

¹ Refer to Nestlé 2010 Creating Shared Value Report

Due to the farmers experiencing difficulty in maintaining grain quality during wet season harvests, Nestlé installed a pilot mechanical drier on-site in September. The drier uses rice husk as fuel, thus taking care of a paddy waste material and at the same time is also designed to produce very low smoke emission. After numerous technical industrial trials, the first commercial shipment of red rice arrived at the Shah Alam Factory in December 2011 and we are optimistic that deliveries will be much smoother in 2012.

During 2011, Nestlé introduced a variation to the contract farming scheme with the formation of the Nestlé Paddy Club (NPC). Essentially, the Paddy Club is a novel initiative by Nestlé to achieve a win-win-win situation for People, Planet and Profit. By use of environment-friendly microbial supplements that effectively deliver incremental yields, Nestlé hopes to minimise rice farming’s environmental footprint whilst achieving increase in participating farmers’ real income through yield improvement and cost reduction.



FROM LEFT:

The contract farming scheme for red rice allows the farmers in Serikin, Sarawak to be part of the Nestlé supply chain, thus improving their socio-economic standards.

Fresh chillies being de-stalked in Kelantan, which will be used for the production of MAGGI Chilli Sauce.

Nestlé Paddy Club aims to achieve a win-win-win situation for People, Planet and Profit.

OUR RESPECT AND CARE FOR THE COMMUNITY

For the farmers, it would mean improved yields while Nestlé will get a supply of stable-priced, reliable, safe and traceable rice for use in infant cereal manufacturing. On the environment front, the practice of semi-aerobic water-controlled farming which is the crux of NPC rice farming practice, will positively impact the environment, in terms of lesser water usage and reduction in methane, which is a major greenhouse gas.

NPC began in 2011 with a membership of 20 farmers covering 49has and as at September 2011, this has increased to 105 farmers covering 273has. Average yields have shown a slow steady growth from 5.6mt/ha in early season to 6.0mt/ha in late season, for a modest 7.1% increase, but still well above the Nestlé target yield of 5mt/ha for NPC.

The semi-aerobic rice intensification farming practice uses less water and reduces methane, a major greenhouse gas.



Next Steps:

TRR: To install several more driers in 2012 for the benefit of Nestlé TRR farmers upon evaluation of the effectiveness of the machines.

NPC: We target to reach full membership of 500-600 farmers covering 800has by September 2012 and to reduce the yield gap between high (7mt/ha) and low (3mt/ha), through new approaches and experimentations at our Rice Experiment and Demonstration Farm.

“On behalf of the Nestlé Paddy Club members, I would like to thank Nestlé for providing this initiative that will generate more income for the farmers, as well as sharing their expertise and knowledge on rice farming to provide higher quality raw materials which are safe to consume.”

En. Sabri Nayan

Pro Tem Chairman, Nestlé Paddy Club



Mr. Vogt visiting the rice farm with Nestlé Paddy Club's project partners.



EMPOWERING WOMEN

In 2011, Nestlé extended its collaboration with World Wildlife Foundation Malaysia (WWF-Malaysia) for another three years to continue building the capacity of the local women, who refer to themselves as the Women’s Society of Kg. Mangkok, Setiu (PEWANIS), with further skills and knowledge to participate in sustainable development activities².

The activities, which include low-impact, community-based nature tourism and cottage industries, will enhance their livelihoods while empowering them to spearhead conservation awareness activities in their role as environmental guardians of the Setiu Wetlands.

The PEWANIS ladies persuading a consumer at the local market to use their handmade cloth bags during the ‘Reduce the Usage of Plastic Bags’ campaign.

The partnership, which started in 2006, has seen the PEWANIS women take their role as environmental custodians as well as their entrepreneurial skills to another level by launching their own initiatives, one of which is the production of non-woven bags to replace the use of plastic bags. Sales of the environmental-friendly bags have further supplemented their incomes while supporting the nationwide campaign to reduce the use of plastic bags³.

² As reported in the Nestlé 2010 Creating Shared Value Report

³ The initiative was part of the WWF-Nestlé campaign launched in May 2011 at Setiu’s Penarik morning market, in conjunction with the ongoing nationwide ‘No Plastic Bag’ campaign and is aimed at raising public awareness on the over consumption of plastic bags.

Some of the PEWANIS marketing tools such as brochures and leaflets designed by the ladies themselves.

Next Steps:

To focus on strengthening the foundation established in the earlier phase in terms of mainstreaming of women into biodiversity conservation, eco-tourism and sustainable development, extending outreach, increasing participation of other communities in the area and supporting the diversification of options for additional income.



The partnership, which started in 2006 has seen the PEWANIS women take their role as environmental custodians as well as their entrepreneurial skills to another level by launching their own initiatives.

OUR RESPECT AND CARE FOR THE COMMUNITY

PROVIDING ACCESS TO EARLY EDUCATION

In continuation of our commitment to support Rural Development, we partnered with Raleigh International, an NGO, which focusses on youth and sustainable development, to build two more kindergartens in the remote and impoverished areas of Sabah, where the local communities mainly live on subsistence farming.

The pre-school facilities in Kg. Lingkabugan 2 and Kg. Sonsogon Magandai/Kg. Sonsogon Suyad are the seventh and eighth kindergartens funded by Nestlé since the start of its collaboration with Raleigh in 2005. The earlier six kindergartens established by Nestlé and Raleigh are located in Kg. Mapan-Mapan, Kg. Liu, Kg. Saguon, Kg. Paus, Kg. Keranaan and Kg. Maliau Layung.

The collaborative effort between Nestlé and Raleigh saw 35 Raleigh volunteers with the help of the local villagers successfully complete the construction of the Kg. Lingkabugan 2 kindergarten from scratch in just over nine weeks.

Next Steps:

In 2012, Nestlé aims to build more kindergartens for underprivileged communities in Sabah and other rural areas in the country. Aside from Raleigh, the Company is exploring partnerships with other NGOs to extend the programme to the rest of the country.

FROM LEFT:

Yang Berhormat Puan Anita Baranting, Adun N5 Tandek (far left) and Puan Zainun Nur Abdul Rauf, Nestlé Executive Director of Human Resource and Group Corporate Affairs with the children of Kg. Lingkabugan 2 at their new kindergarten.

The Raleigh volunteers at the groundbreaking of the kindergarten at Kg. Sonsogon Magandai.

These young children of Kg. Lingkabugan 2 will now have the opportunity to get a head start to pre-school education with the newly-built kindergarten.



"2011 has seen another fantastic partnership between Raleigh International and Nestlé and as a result, two much needed kindergartens have been built in the remote and poor villages of Sonsogon Magandai, Pitas and Lingkabugan 2, Kota Marudu.

Through this collaboration; funding provided by Nestlé, work provided by Raleigh International and the communities themselves together with community and logistical support from Asian Forestry Company (AFC), over 50 children between the ages of two to six can now receive pre-school education in a dedicated building. This will allow them the opportunity to reach the desired grade to enter the Malaysian school system and further the educational possibilities for generations.

I look forward to the continuation of this long-standing and successful partnership and the positive impact it may bring."

Ms. Sarah Hoare,
Country Programme Manager,
Raleigh Borneo

"Our village is very remote and isolated, but with this new kindergarten, the children of this community and surrounding areas are now able to get good pre-school education. Currently, we have 10 children from the ages of four to six years attending this kindergarten. There will be more children studying here next year (2012)."

Ms. Salomah, Principal and **Ms. Rinah Diyson,** Teacher,
Lingkabugan 2 Kindergarten

The pre-school facilities in Kg. Lingkabugan 2 and Kg. Sonsogon Magandai/Kg. Sonsogon Suyad are the seventh and eighth kindergartens funded by Nestlé since the start of its collaboration with Raleigh in 2005.



OUR RESPECT AND CARE FOR THE COMMUNITY

A knowledge, attitude and practice survey conducted at the beginning and at the end of the year showed significant increase in the children's nutrition knowledge, attitude and practices scores after the first year.

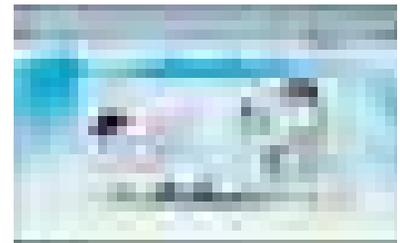
NESTLÉ HEALTHY KIDS PROGRAMME

The Nestlé Healthy Kids (NHK) programme, launched in August 2010, is aimed at improving nutrition knowledge and promoting a healthy lifestyle among school-going children in Malaysia. The programme, implemented in collaboration with the Nutrition Society of Malaysia, has a two-prong approach, namely the awareness component to reach out to masses and the research component – a longitudinal intervention study to develop, implement and evaluate effectiveness of an educational module.

In 2011, the awareness component focussed on building and improving the dedicated NHK website⁴. More interactive games for children were added to make learning for children more fun and engaging. Articles and recipes were also added to make the website relevant and interesting for the parents.

2011 was also the beginning of the implementation of the three-year research component. About 200 children from six schools in the Klang Valley were selected for the intervention group and a similar number from six other schools were

⁴ www.healthykids.org.my



FROM LEFT:

Standard Three students at SK Seri Selangor getting active during a 'Physical Activity' module conducted at one of the intervention sessions.

The Nestlé Healthy Kids champions sharing their resources at the regional Nestlé Healthy Kids Zone Workshop hosted by Nestlé Malaysia in July 2011.

Dr. Tee E Siong, the President of Nutrition Society of Malaysia, who is also the Chairman of the Nestlé Healthy Kids Malaysia Expert Panel, presenting an overview of the programme.

identified for the control group. After the baseline survey, the intervention group received six educational sessions spread out over several months. The educational modules were developed specifically for this project and focussed on basic healthy eating principles and getting the children to be more active daily. Besides in-class educational sessions, the pupils were given a set of worksheets and goal cards to bring back home to practise what they have learned. Leaflets for parents were also given to the students to pass on the messages to their parents.

Encouraging results were obtained at the end of the first year of intervention. A knowledge, attitude and practice survey conducted at the beginning and at the end of the year showed significant increase in the children's nutrition knowledge, attitude and practices scores after the first year. The immediate impact survey that was conducted before and after each educational session also showed an increase in the mean score for all topics, indicating that the children in the intervention group learned from each session. Additionally, the intervention group also showed improvements for some selected practices, for example, more pupils in this group opted for "healthier" food choices.



Next Steps:

To continue with the research component in 2012 and to fine-tune the educational materials provided to the intervention group as the basis for developing educational modules on nutrition and health for use in schools.



OUR RESPECT AND CARE FOR THE COMMUNITY

This year, Nestlé added a charitable element to the activity, whereby the Company pledged RM1 for every kilometre walked by each participant to purchase wheelchairs for the benefit of children born without mobility.

ENGAGING COMMUNITIES ON WELLNESS

Following the successful activation of World Walking Day last year, Nestlé took it one step further in 2011 by organising Nestlé Walking Days in various communities throughout the country. The aim is to reinforce the importance of exercising as a means to keep healthy and that walking is a regular affair that goes beyond the annual participation in the World Walking Day activity.

A total of 93 community walks were organised throughout the year, which culminated in the World Walking Day on November 20, where a total of 18,477 participants walked 3.7 km (5,000 steps) at six locations nationwide – Putrajaya, Kuantan, Johor Bahru, Putatan, Kuching and Penang.

This year, Nestlé added a charitable element to the activity, whereby the Company pledged RM1 for every kilometre walked by each participant to purchase wheelchairs for the benefit of children born without mobility. The money raised allowed the contribution of 100 wheelchairs and RM40,000 cash to eight homes around Malaysia.

Next Steps:

Nestlé will continue to promote walking as a healthy form of exercise in 2012 and aims to reach out to more people to conduct Walking Days in their respective communities.



SHARING OUR EXPERTISE IN FOOD SAFETY AND HYGIENE

To Create Shared Value for the community we operate in, we conducted two healthy cooking demonstrations, which were each attended by 15 cooks and administration staff from Persatuan Pusat Jagaan Wilayah Persekutuan Kuala Lumpur (PEPUJA).

The objectives of the sessions were to provide guidance to the food operators on how to plan and prepare nutritious meals for the children and the old folks who attend the schools and centres under the auspices of the Association, as well as to introduce a standard module on Food Hygiene and Safety for food preparation.

Held at the Nestlé Consumer Kitchen in Surian Tower, the half-day sessions took the participants through topics and procedures relating to hygienic food preparation, cooking and serving.

The participants were also shown how convenient it is to cook simple yet healthy dishes using the range of Nestlé products and had hands-on experience in preparing some dishes, which included Hainanese Chicken Rice, Black Pepper Squid, MAGGI CUKUP RASA Stuffed Tofu, Assam Laksa MAGGI, Chicken and Cucumber Kerabu, Beriyani Gam Rice, Mushroom Rice with Oyster Sauce and Chicken Curry MAGGI.

Next Steps:

We hope to extend the workshops, in order to share our knowledge with more communities and organisations.



FROM LEFT:

World Walking Day aims to raise awareness on the benefits of walking and the importance of exercising to keep healthy.

The World Walking Day event attracted the participation of more than 18,000 Malaysians across the nation.

Chef Muluk guiding the participants of the Food Hygiene and Safety Workshop on preparing nutritious and easy-to-cook dishes.

OUR RESPECT AND CARE FOR THE COMMUNITY

This year, we had the participation of a total of 1,600 district schools and 4,800 students in teams of three, participating at State level. At the Grand Finals, 16 schools represented their states in preparing four healthy recipes in 90 minutes.

PROMOTING NUTRITION AND CULTIVATING CULINARY INTEREST AMONG STUDENTS

There has been a surge in the popularity of cooking competitions with the recent spate of reality shows on television but not many know that Nestlé has been running its own cooking competition for the past 14 years.

The MAGGI Secondary School Cooking Competition was initiated in 1997 in collaboration with the Ministry of Education and involves Home Economics (ERT) teachers, State Technical and Vocational Units and State Education Department's Co-Curriculum Units. Targeted at lower secondary students, each state organises an annual competition in search of winners to represent them at the national level.

The objectives of the competition were to cultivate the interest of students to select ERT as an elective subject, specifically in the area of cooking in the Integrated Life Skills (KHB) curriculum, raise awareness of nutritious food and a balanced diet as well as promote cooking skills as an alternative career choice.

This year, we had the participation of a total of 1,600 district schools and 4,800 students in teams of three, participating at State level. At the Grand Finals, 16 schools represented their states in preparing four healthy recipes in 90 minutes.

The team from SMK Lembah Bidong, Setiu comprising Atraz Omar, Nur Hazwani Mohd Rashid and Nur Aisyah Nadzirah Ahmad Ramza emerged as champions in this latest edition of the competition and received RM3,000, a certificate, a trophy and MAGGI hampers.

FROM LEFT:

The MAGGI Secondary School Cooking Competition cultivates culinary interest and skills among students.

The KOKO KRUNCH Junior Taekwondo Championship promotes healthy eating habits and active lifestyles among the exponents.

Nutrition Month Malaysia is an annual affair that is a fun-filled event for the family.



PROMOTING HEALTHY ACTIVITIES TO SCHOOLCHILDREN

Continuing with our efforts to educate schoolchildren on healthy eating habits and active lifestyles, Nestlé through its popular KOKO KRUNCH Breakfast Cereal, organised the KOKO KRUNCH Junior Taekwondo Championship.

Held in three locations – Sungai Petani, Kuantan and Kuala Lumpur – between February and May 2011, the competition aimed to promote good nutrition and physical activity for the well-being of schoolchildren while creating strong brand association for KOKO KRUNCH.

The competition was an overwhelming success, with a total participation of 1,375 schoolchildren.

Nestlé also sponsored the Nutri-Fun School Roadshows in conjunction with Nutrition Month Malaysia (NMM), an annual event organised by Nutrition Society of Malaysia (NSM), Malaysian Association for the Study of Obesity (MASO) and Malaysian Dietitians' Association (MDA), where students were educated on healthy eating habits and active lifestyles through interactive and fun activities.

With the primary objective of helping to promote healthier lifestyles among Malaysian children, the NMM Roadshows reached out to 7,941 primary school students from 38 schools in Klang Valley, Perak, Terengganu and Johor.

Next Steps:

In 2012, Nestlé will continue collaborating with external stakeholders such as the NSM, MASO and MDA to bring nutrition promotion programmes to schools throughout Malaysia, such as sponsoring the NMM Roadshows as it is an effective way to enable children to benefit from learning about healthy eating habits and physical activity.

In addition, Nestlé will be launching the "Cara Hidup Sihat" programme in conjunction with our 100 Years Celebration as part of our efforts to continue promoting healthy eating habits and active lifestyles to students. The Programme in collaboration with the Ministry of Education, will reach adolescents from 100 day-boarding schools in Malaysia.



OUR RESPECT AND CARE FOR THE COMMUNITY

CASE STUDY

**MILO PLAY MORE
LEARN MORE CAMPAIGN**

MILO believes that play is a vital aspect of a child's development. It is a fundamental part of growing up and some believe that it is critical to ensure that the child can reach his or her full potential, later in life.

However, the reality of the situation is that most parents may not share this view and more often than not, choose academics over sports or playtime. Whilst academics are definitely important, there are many values that cannot be learnt through books such as teamwork, determination, courage, confidence, discipline and respect – all of which will help shape the person the child will become in the future.

Campaign Background

To promote the sport culture and encourage parents to allow their kids to learn sports, MILO introduced the MILO PLAY MORE LEARN MORE Campaign.

Initiated in 2010, the first stage of the Campaign was to create the awareness through various media to highlight the importance of 'play' as an important part of the child's development. This was communicated through interviews with sports icons, editorials, advertorials, press advertisements, outdoor billboards, television and radio commercials.

The second stage involved the activation of the Campaign through engagement with parents, opinion leaders and schoolchildren. The activities were carried out via the MILO PLAY MORE LEARN MORE camps, which were organised by local Rukun Tetangga committees consisting of parents from the neighbourhoods with full backing from MILO.

Open to children from age seven to twelve years old, six MILO PLAY MORE LEARN MORE camps were carried out in 2010 and to ensure the sustainability of the activities, MILO contributed sports items such as netballs, footballs and basketballs to the Rukun Tetangga committees involved.

**Stage 1**

Aware



Continue to increase awareness and remind the parents the benefit of play and giving their kids "play time" through a MILO PLAY MORE LEARN MORE thematic campaign

Stage 2Engage
Advocate

Engage parents, key opinion leaders and kids through activation and avenues of play (MILO PLAY MORE LEARN MORE CAMP)



**MILO PLAY MORE
LEARN MORE 2011**

Following the success in 2010, the campaign was extended to cover other areas. From June to November 2011, 12 MILO PLAY MORE LEARN MORE camps were held in 10 states around Malaysia, including Sarawak. The locations were chosen based on the request by active Rukun Tetangga committees and following suggestions from the Ministry of National Unity and Social Development.

The responses for the 2011 MILO PLAY MORE LEARN MORE camps were overwhelming. All the 4,000 participating children enjoyed the opportunity to learn better sports techniques. In addition, the local communities, leaders and parents also had the chance to join in the fun.

“...I get to learn the right techniques that gives me the confidence (to play) and enhance my performance,” said participant Lam Chin Fai.

“I only wish the organiser can hold this event more regularly,” said A. Kalaiagan (parent).

The success of the campaign did not go unnoticed by members of the public as it was publicised in the national papers such as New Straits Times, Harian Metro and Guang Ming Daily, which all highlighted the positive impact the initiative had brought about in the communities.

Going Forward

Following on from the encouraging results in 2011, we will now reach out to the rural areas through this initiative. It is currently working with FELDA and other new village communities.

We hope that all the local communities which had participated in the MILO PLAY MORE LEARN MORE campaign are now empowered and encouraged to run similar camps on their own, in order to continue encouraging their children to learn life’s positive values through sports.

MILO believes that play is a vital aspect of a child’s development. It is a fundamental part of growing up and some believe that it is critical to ensure that the child can reach his or her full potential, later in life.



OUR RESPECT AND CARE FOR THE COMMUNITY

OUR COMMUNITY - OUR PERFORMANCE

	GRI Reference	2010	2011
KEY COMMUNITY PROJECTS			
Nestlé - Raleigh International Kindergarten Project (Kg. Lingkabugan 2 and Kg. Sonsogon Magandai/Kg. Sonsogon Suyad)			
Number of volunteers	#	34	67
Potential maximum number of children impacted	#	50	60
Setiu Wetlands Project with WWF-Malaysia			
Mangrove replanting activity (number of seedlings planted)	#	3,766 ¹	751 ²
Outreach programme (beyond Kg. Mangkuk)		N/A	4
Number of PEWANIS members:			
i) Active members	#	10	33
ii) Non-active members	#	3	N/A
iii) Other members (Associate & Honorary members, advisors & auditors)	#	14	6
Nestlé Healthy Kids Programme			
Number of schools impacted		N/A	6
Total number of students involved in intervention programme		N/A	222
Total number of visits to the Healthy Kids website		N/A	5,105 ³
Total number of page views on the Healthy Kids website		N/A	26,681 ⁴
MILO PLAY MORE LEARN MORE Campaign			
Number of camps launched	#	6	12
Number of participants		N/A	4,000
World Walking Day			
Number of World Walking Day locations	#	6	6
Number of Walking Days		N/A	93
Total number of participants (for all 6 World Walking Day locations)	#	12,500	18,477
MAGGI Secondary School Cooking Competition			
Number of schools involved		1,600	1,600
Number of students participated		4,800	4,800
KOKO KRUNCH Junior Taekwondo Championship			
Number of participants		1,000	1,375
Nutri-Fun School Roadshows			
Number of schools involved		35	38
Number of students participated		5,250	7,941
Red Rice Project at Serian, Sarawak			
Number of farmers impacted / benefited from the project	#	100	100
Average yield		1.5mt/ha	2mt/ha
Nestlé Paddy Club, Kedah			
Number of farmers impacted / benefited from the project		N/A	105
Average yield ⁵		N/A	6.0mt/ha
Nestlé Employee Volunteer Programme (ROCKS)			
Number of activities	#	10	13
Number of volunteers:			
i) Employees	#	59	240
ii) Non-employees	#	13	7
Number of hours (total)	#	393.5	592.5

Nestlé-specific indicator

2. From March 2010 - November 2011

4. From January 2011 - December 2011

1. From June 2008 - October 2010

3. From January 2011 - December 2011

5. Average yield per harvest for 59 farmers (remaining 49 joined after September 2011)

TARGETS AND ACHIEVEMENTS

Our 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
To support equal education opportunities for communities in rural areas that lack basic facilities for pre-school education.	Through a partnership with Raleigh International since 2005, Nestlé has helped build eight kindergartens in some of the most desolate parts of Sabah. The most recent being Kg. Lingkabugan 2 and Kg. Sonsogon Magandai/Kg. Sonsogon Suyad, which were built in 2011.	Nestlé is exploring partnerships with other NGOs to extend the programme to the rest of the country.
To promote gender equality and empower women through training and education. This is in line with the U.N. Millennium Development Goals that seek opportunities to improve the lives of the rural population through education, skills training or income generating activities.	In 2011, Nestlé extended its collaboration with World Wildlife Foundation Malaysia (WWF-Malaysia) for another three years, to provide capacity building of the local women in Setiu, Terengganu, with further skills and knowledge to participate in sustainable development activities. The activities, which include low impact, community-based nature tourism and cottage industries, will enhance their livelihoods and empower them to spearhead conservation awareness activities in Setiu Wetlands.	Nestlé will continue to strengthen the foundation established in the earlier phase, in terms of mainstreaming of women into biodiversity conservation, eco-tourism and sustainable development. Nestlé will also extend outreach to other communities in the area and support the diversification of options for additional income.
NUTRITION AND HEALTH		
Address complex issues plaguing society globally – under-nutrition and obesity through improved awareness and activities.		
To improve the Nutrition, Health and Wellness of children through better eating habits, exercise and other key health measures such as hygiene.	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 eating habits and lifestyles. This is also to address the challenges of under-nutrition and obesity amongst the young. In 2011, the Nestlé Healthy Kids (NHK) programme focussed primarily on the research component. The dedicated NHK website ¹ was also improved with more content, interactive games and content in Bahasa Malaysia.	In 2012, Nestlé will continue with the research component and fine-tune the educational materials provided for the intervention group.

¹ www.healthykids.org.my



OUR RESPECT AND CARE FOR THE COMMUNITY

What we set out to achieve	What we have achieved to date	Our way forward
<p>Raise awareness among key stakeholders about the problems of obesity and educate them on the importance of exercise.</p>	<p>Following the success of World Walking Day in 2010, Nestlé organised a total of 93 community walks in 2011, which culminated in the World Walking Day on November 20, where a total of 18,477 participants walked 3.7 km (5,000 steps) at six locations nationwide – Putrajaya, Kuantan, Johor Bahru, Putatan, Kuching and Penang.</p> <p>A charitable element was also added to the activity, whereby Nestlé pledged RM1 for every kilometre walked by each participant. The funds raised were then used to purchase wheelchairs for the benefit of children born without mobility. A total of RM40,000 was raised, which allowed the contribution of 100 wheelchairs for eight homes nationwide.</p>	<p>Nestlé will continue to promote walking as a healthy form of exercise and aim to reach out to more people through Walking Days in 2012.</p>
<p>To engage with communities through Community Service Campaigns with our brands and to encourage physical activities among children.</p>	<p>In 2011, the MILO PLAY MORE LEARN MORE initiative was extended to cover 12 camps in 10 states around Malaysia, including Sarawak.</p> <p>This initiative uses well-known icons as role models to inspire and encourage physical activities such as football, basketball and netball, among children. The camps attracted 4,000 participants and was widely publicised in the media.</p>	<p>In 2012, this initiative will be carried out in rural areas.</p> <p>MILO hopes that all the local communities which had participated in the campaign are now empowered to run similar camps by themselves.</p>
<p>To share expertise in preparing nutritious meals that follow good food safety and hygiene standards.</p>	<p>In 2011, Nestlé conducted two healthy cooking demonstrations, which were each attended by 15 cooks and administration staff from Persatuan Pusat Jagaan Wilayah Persekutuan Kuala Lumpur (PEPUJA).</p> <p>Participants were taught procedures relating to hygienic food preparation, cooking and serving, as well as simple yet healthy dishes using the range of Nestlé products.</p>	<p>Nestlé will extend the workshops to other similar organisations and communities.</p>
<p>To raise awareness of nutritious food and a balanced diet, as well as promoting cooking skills as an alternative career choice.</p>	<p>The MAGGI Secondary School Cooking Competition was initiated in 1997 in collaboration with the Ministry of Education and involves Home Economics (ERT) teachers, State Technical and Vocational Units and State Education Department's Co-Curriculum Units.</p> <p>In 2011, we had the participation of a total of 1,600 district schools and 4,800 students in teams of three participating at State level.</p>	<p>Nestlé will continue in its efforts to promote healthy cooking and eating amongst schoolchildren through this initiative in 2012.</p>

What we set out to achieve	What we have achieved to date	Our way forward
AGRICULTURE		
<p>Boosting the local agriculture industry through improvements in processes and yields and to improve livelihoods of farmers.</p>	<p>Nestlé ongoing contract farming projects include the Chilli Farming Scheme in Kelantan and the Sarawak Traditional Red Rice (TRR) initiative.</p> <p>Chilli Farming Scheme, Kelantan This initiative has consistently shown good progress, in terms of number of participating farmers and yields².</p> <p>Sarawak Traditional Red Rice (TRR) Due to technicalities, TRR was under a consolidation phase for most of 2011, with only a modest 120has planted over two seasons.</p> <p>Farmers experienced difficulties in maintaining grain quality during wet season harvests and so Nestlé installed a pilot mechanical drier on-site in September.</p> <p>The first commercial shipment of red rice arrived at the Shah Alam factory in December 2011 and we are optimistic that deliveries will be much smoother in 2012.</p> <p>Nestlé Paddy Club During 2011, Nestlé introduced a variation to the contract farming scheme with the formation of the Nestlé Paddy Club (NPC). By use of environment-friendly microbial supplements that effectively deliver incremental yields, Nestlé hopes to minimise rice farming's environmental footprint whilst achieving increase in participating farmers' real income through yields improvement and costs reduction.</p> <p>NPC began in 2011 with a membership of 20 covering 49has, and as at September 2011, this has increased to 104 covering 273has. Average yields have shown a slow steady growth from 5.6mt/ha in early season to 6.0mt/ha in late season, for a modest 7.1% increase, but still well above the Nestlé target yield of 5mt/ha for NPC.</p>	<p>TRR To install several more driers in 2012 for the benefit of Nestlé TRR farmers upon evaluation on the effectiveness of the machines.</p> <p>NPC Nestlé targets to reach full membership of 500-600 covering 800has by September 2012 and to reduce the yield gap between high (7mt/ha) and low (3mt/ha), through new approaches and experimentations at our Rice Experiment and Demonstration Farm.</p>

² Refer to Nestlé 2010 Creating Shared Value Report



Our Agricultural Officer planting seedlings with a KAPOK (Komuniti Anak Pokok Kinabatangan) representative along the riverbanks of the lower Kinabatangan River as part of the Nestlé Project RiLeaf. The project is a three-year riverside reforestation initiative that aims to create a landscape where people, nature and agriculture (oil palm) can co-exist harmoniously in their need for water. Nestlé has committed to plant a minimum of 100,000 trees in 2012 along these riverbanks to mark its 100th year anniversary in Malaysia.



OUR COMMITMENT TO THE ENVIRONMENT

Our goal across the Nestlé Group is to produce tasty and nutritious food and beverages with the lowest environmental footprint and to achieve this, we continuously improve our operational efficiencies and environmental performance.

As part of our Policy on Environmental Sustainability, the Company adheres to local Malaysian regulations and our practices in all our factories and National Distribution Centre are accredited by SGS during the annual ISO 14001 audits.

Operationally, the environmental objectives for 2011 were as follows:

1. Reduce absolute emissions of Direct Greenhouse Gases (Direct GHG) by 1%.
2. Reduce absolute amount of Solid Waste by 2.5%.
3. Reduce specific Water Usage at constant volume by 4%.
4. Reduce specific Energy Usage at constant volume by 2%.



The Nestlé Project RiLeaf is a three-year riverside reforestation initiative to create a natural riverine buffer to minimise the impact of soil sedimentation and chemical fertilizer run-offs as well as giving the river a chance to restore itself over the course of time.



To achieve the above, we had implemented a number of reduction programmes for each of the objectives at all our operational sites, which were then tracked centrally and globally via a software-based reporting structure (I-Nexus).

One of the initiatives implemented was a general Environmental Aspect and Environmental Impact (EAEI) Assessment for all our operations and selected Life Cycle Assessment for our packaging materials, enabling us to assess the impact of our own operations and the wider value chain.

In addition to reducing the environmental footprint of our operations and supply chain, we had also carried out several activities and projects to raise awareness on environmental issues, specifically on the importance of water conservation. These included a media engagement exercise with the Malaysian Press Institute (MPI) and Project RiLeaf in Sabah.

OUR JOURNEY, OUR ENVIRONMENTAL FOOTPRINT

Water Management

Agriculture uses around 70% of freshwater withdrawals globally and combined with increasing affluence and lifestyle patterns, the world is heading towards a water crisis, which will have serious ramifications on the sustainability of food supply. The entire food chain – from agriculture to manufacturing and consumers – contributes to the use of this precious resource in terms of availability and quality.

As a founding signatory of the UN Global Compact CEO Water Mandate and a key member of the Water Environment Federation Water Task Force & 2030 Water Resources Group, Nestlé has made water management its top priority. We have continuously:

- Worked to reduce the amount of water withdrawn throughout our production processes.

Chairman of Nestlé S.A., Mr. Peter Brabeck-Letmathe is also the Chairman of the Water Resource Group, a strong advocate of better water management.



One of the test seedlings for the Nestlé Project RiLeaf.



OUR COMMITMENT TO THE ENVIRONMENT

We also ensure that 100% of the wastewater in factories are treated and comply with the local environmental regulations before being discharged.

- Assured that our water activities respect local water resources.
- Ensured that excess water discharged into the environment is clean.
- Engaged with vendors and suppliers to promote water conservation.
- Collaborated with others to create awareness within the various communities and educate them on the critical nature of water conservation.

In 2011, Nestlé achieved savings of 2.8% of specific water usage at constant volume, an achievement of 4.95 m³/tonne product in comparison to 5.07 m³/tonne in 2010. This reduction translates to a water savings rate of 50,964 m³/year and is enough to sustain 930 people annually.

These savings were achieved through the following water saving programmes throughout our factories:

- Creating awareness among the factory staff to eliminate waste and re-use of water where appropriate.
- Optimise cooling tower operations through the installation of automated fan speed and blow down operations, which eliminate unnecessary water wastage.
- Optimise water supply pressure in our selected unit operations and social blocks.
- Recycle water back to social blocks and selected operations while ensuring all hygiene standards are adhered to.
- Install automation in 'Clean in Place' operations and softener regeneration to optimise water consumption.



We also ensure that 100% of the wastewater in factories are treated and comply with the local environmental regulations before being discharged.

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 our rice suppliers on semi-aerobic rice farming where initial results have shown between 30% to 50% water savings compared to conventional wetland rice farming.

Further, we have also conducted awareness and education programmes with our contract farmers and the relevant agencies and shared our best practices as well as environmental performances with local authorities and stakeholders.

An example of this collaboration was shared with members of the Malaysian Press Institute, who were shown our success in water savings and wastewater operations at the Chembong Factory in Negeri Sembilan¹.

Next Steps:
Looking ahead, Nestlé is in the process of evaluating new technologies to further support water conservation efforts, which include Reverse Osmosis or Ultra Filtration processes for our factory operations.
We will also continue to share our experience and best practices as we believe that a strong awareness campaign at all levels from manufacturing, stakeholders to consumers would ensure the sustainability of this valuable resource.

¹ Refer to Case Study on pages 56 to 59.

Addressing Climate Change – Energy and Greenhouse Gases Management

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. Harvests can be jeopardised and lead to increase in food prices and economic hardship.

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

Energy Management

In 2011, we achieved a total reduction of 6.1% in energy consumption (GJ per tonne product - measured at constant volume in 2010). This surpassed the annual equivalent target of 2% reduction at constant volume and in annual energy reduction terms, this translates from 4.39 GJ per tonne in 2010 to 4.13 GJ per tonne in 2011.



FROM LEFT:
The condensate recovery system at our Chembong factory in Negeri Sembilan.
Our Wastewater Treatment Parks ensure that the wastewater discharged from our factories is clean and safe for the environment.
Our Nestlé Agricultural Officer working with a seedling planter from the local community and sharing environmental best practices.

OUR COMMITMENT TO THE ENVIRONMENT

These savings translate to an energy savings rate of 94,647 GJ/year, which is enough to sustain fuel for 2,275 cars annually.

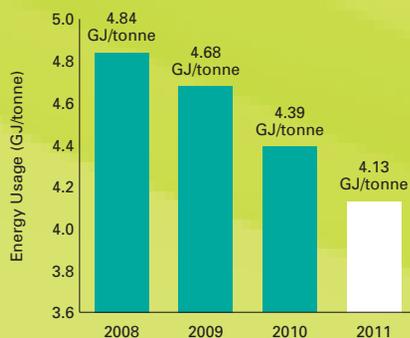
The reduction of energy consumption also directly contributes to the reduction in the emission of greenhouse gases (CO₂) and Air Acidification Potential gases (SO_x). We recorded a total reduction of 11% direct CO₂ emission per tonne product and 6.5% SO_x emission per tonne product.

In terms of total amount of equivalent CO₂ released, we achieved a reduction of 2.9% in 2011 against our performance in 2010, surpassing our annual target of 1% reduction.

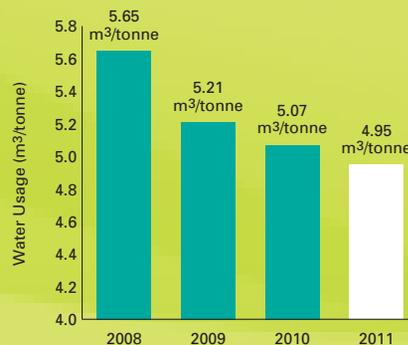
The savings were achieved through the following initiatives:

- Creating awareness among the factory staff to improve process efficiencies, thus maximising energy usage efficiency and productivity e.g. by switching off equipment when it is not in use and better time management.
- Strengthening our standard routines for steam traps and condensate recovery management. A good maintenance in this area ensures recovery of thermal energy.
- Minimising energy usage with automation for motors in large unit operations, boiler combustion and blow down management system to ensure a precise control of energy usage for the desired output.
- Installing energy recovery equipment in our boilers i.e. economisers which have the capability of increasing boiler efficiencies by 5%.
- Installing new equipment that achieves equivalent results using less energy, i.e. installing air diffusers for wastewater treatment plant instead of traditional aerators.
- Reducing the steam and compressed air pressure at selected unit operations to achieve significant savings i.e. steamers at the Noodle plants and MILO processes.
- Including energy efficient criteria in the selection of equipment in our projects i.e. boiler, chiller and air compressors.
- Changing the Company's cars used by top management to cars that use diesel instead of petrol.

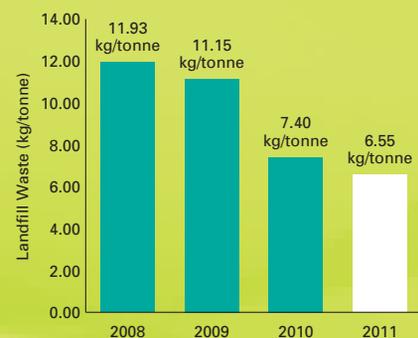
Nestlé Malaysia Energy Usage



Nestlé Malaysia Water Usage



Landfill Waste Kg Per Tonne Product



At the supply chain level, we developed and introduced the 'Carbon Tracking Tool' to reduce the carbon footprint in transportation. The tool was used at the National Distribution Centre to monitor key environment indicators for the finished goods movements in terms of distance travelled (kms), CO₂ emission (tonnes) and volume of products (tonnes). These indicators helped the Company identify areas that could be improved through greater visibility on CO₂ emissions per tonne product for every kilometre travelled (CO₂ per tonne/km).

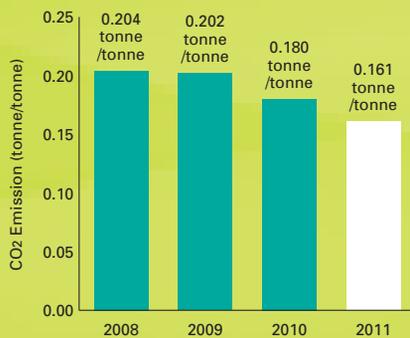
An example of the improvements made was to increase the volume of 40-foot truckloads from 32m³/load to 38m³/load, which helped eliminate the use of inefficient small truckloads. Following the successful implementation of the tool, Nestlé will look to extend the use of the tracking tool to other areas of the supply chain to maximise our truck fill load, the backhaul of empty pallets and market returns in order to reduce our total number of trips.

Further to that, we have also looked at reducing the carbon footprint resulting from business travels. Where possible, we made extensive use of Webinars and teleconferencing tools to communicate between the Corporate Office and units as well as with other markets to further reduce our carbon footprint.

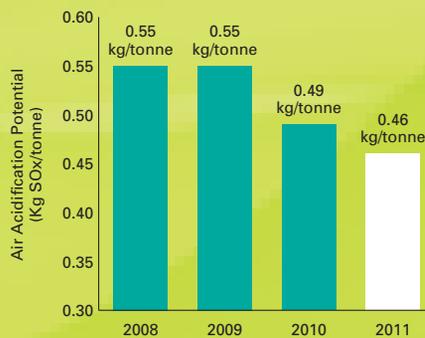
Next Steps:
Looking ahead, Nestlé will explore opportunities to optimise energy efficiencies with ESCOs (Energy Saving Companies) and Industry Specialists. We will explore renewable energy projects such as the solar project - photovoltaic roof tops and sky lights as well as using biomass boilers to take advantage of the renewable biomass fuel resources in the country.

At the supply chain level, we developed and introduced the 'Carbon Tracking Tool' to reduce the carbon footprint in transportation.

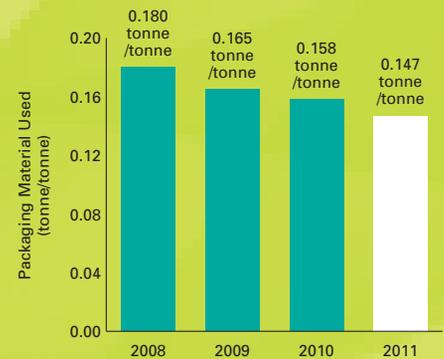
Air Emissions
Tonnes Direct CO₂ Per Tonne Product



Air Emissions
Kilogramme SO_x Per Tonne Product



Packaging Material Usage
Metric Tonne of Product



OUR COMMITMENT TO THE ENVIRONMENT

The effort covers conversion of waste return into animal feed, organic fertilizers and recycled scrap packaging. Through these efforts, we had successfully managed to reduce the volume sent to the landfill by 67.5% from January to December 2011.

Refrigerant Management

Nestlé has a very strict purchasing policy on refrigeration and management of Refrigerant Gases due to its impact on Ozone Depletion Potential (ODP) and Global Warming Potential (GWP).

Our first priority is to purchase natural refrigerants that have zero effect on the ozone layer and extremely low Global Warming Potential such as Ammonia, Carbon Dioxide and Hydrocarbon, for use in our operations where technically possible. In the absence of natural refrigerant equipment or technology, Hydrofluorocarbon (HFC) synthetic refrigerant is allowed as the next best option due to its zero ODP impact.

As a consequent of this management approach, a strict monitoring and monthly tracking of refrigerant gases consumption is in place at our manufacturing facilities and the replacement of all old equipment will adhere to the above policy.

Minimising Solid Waste

In 2011, we achieved a reduction of 3.5% of landfill waste compared to 2010, surpassing our target of 2.5% absolute reduction. In annual solid waste reduction terms, this translates to a reduction from 4,560 tonnes in 2010 to 4,400 tonnes in 2011.

The successful reduction is attributed to the implementation of the following initiatives:

- Extensive sorting of packaging waste at source at all our sites to ensure paper, plastic, glass and rejected products are segregated for recycling purposes and only damaged packaging and rejected products are disposed at our waste bins. At the same time, our waste management company carries out a second inspection to recover recyclable materials before sending it to the landfill.

FROM LEFT:

Our team is responsible to ensure continuous improvement in packaging safety and compliance. Through R&D, we have made significant advances in minimising the environmental impact of our packaging materials.

We also convert the wastewater treatment sludge into bio organic fertilizer as part of our efforts to minimise solid waste.

We are committed to protect the environment, thus we constantly find ways to reduce material usage in our packaging without compromising on the safety aspect.



- Conversion of wastewater treatment sludge to bio organic fertilizers. A pilot test was conducted at our Chembong factory with the collaboration of our existing solid waste management partner. The results were encouraging and have received strong support from the Agriculture Department and Department of Environment. As a next step, we are looking at expanding this initiative to other sites.
- Conversion of food waste to animal feed. One example is in our Shah Alam factory, where rejected cereals due to lumpy consistency are recovered and converted into animal feed. Approximately 530 tonnes of landfill waste were converted as animal feed in 2011.

- Increasing the reuse of coffee ground waste as a source of fuel through longer operating hours and higher operating efficiency of our coffee ground boilers.
- Recycling most of our market returns in our Central Return Warehouse to animal feed or organic fertilizers and the packaging sent for recycling.

Central Return Warehouse

Our efforts to maximise recovery of market returns of aging and damaged products have enabled 98% recovery. The effort covers conversion of waste return into animal feed, organic fertilizers and recycled scrap packaging. Through these efforts, we successfully managed to reduce the volume sent to the landfill by 67.5% from January to December 2011.

Next Steps:
Going forward, we will continue with our efforts in reducing landfill waste. In December 2011, we have started a collaboration with our waste management partner, who will now use our discarded 3-in-1 laminates as an energy source. Up until 2010, approximately 10 tonnes of these discarded 3-in-1 laminates have been transported monthly to landfill areas for disposal. This collaboration is estimated to reduce approximately 5% of the total waste at the Shah Alam Complex alone.

Next Steps:
Looking ahead, Nestlé is exploring opportunities to further reduce landfill waste by forming environmentally sustainable partnerships with companies that use incinerators to recover energy. This will further reduce solid waste from our production processes and contribute towards our goal of achieving zero waste to landfills.



OUR COMMITMENT TO THE ENVIRONMENT

Creating Sustainable Packaging

Packaging represents the first contact consumers have with our brands and it ensures food safety by insulating against foreign contamination and preserving nutritional quality. However, once a product is consumed, the packaging becomes a cumbersome problem and contributes to the nation's solid waste.

We are aligned to the Nestlé Global Strategy on sustainable packaging and are actively exploring packaging solutions that minimise impact on the environment. These solutions are part of our operations and include:

- The systematic use of Eco Design in packaging development to select optimal material solutions.

- Reducing weight and volume of packaging materials.
- Supporting initiatives to recycle or recover energy from used packaging.
- Using recycled materials.
- Using materials with inherently low impact such as from sustainably managed renewable resources.

Packaging reduction remains our key focus and the Packaging Eco Design tool (PIQET), which we rolled out in 2010, has enabled us to conduct life cycle analysis (LCA) for different packaging solutions, to help packaging specialists make sound environmental choices.

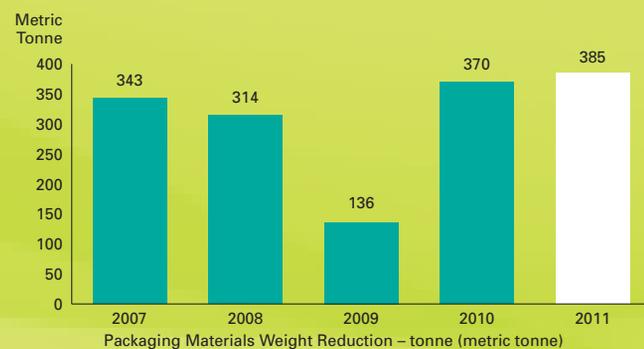
This year, we completed 20 projects which contributed to a reduction of 385 tonnes of material reduction annually. The more significant ones are:

- Bulk packaging design optimisation, replacing pallets with slip-sheets to improve fillings from 500kg to 650kg for our non-dairy creamer products. This initiative alone has contributed to a packaging reduction of 180 tonnes/year.
- Successfully converted from Aluminum to Metalised Polyester for MILO soft packs, based on the LCA results indicating that we will achieve an environmental impact reduction of 25% in seven environmental indicators.
- Reducing the thickness of the shrink films in MAGGI Hot Cup Noodles by 10 micron film, achieving a 17% reduction compared to 2009.

Percentage of Recycled Content in Packaging Materials



Packaging Source Reduction, 2007-2011



Recycled Materials

Quality and safety issues remained a challenge in the use of recycled materials for food contact application in 2011, with reports of mineral oil contamination in food through the use of recycled boards. As such, we have been diligent in our efforts to only select suitable recycled material whenever applicable.

In 2011, our status of recycled material usage is as follows:

We have converted all export pallets for Non-Dairy Creamer and MILO 500-600kg bulk packs to use 100% recycled polypropylene. We have also completed the conversion of corrugated boards used for MAGGI 2-Minute Noodles to 100% recycled boards without affecting the quality and performance. Additionally, with glass having a very high and optimum level of 35% recycled content, we have used recycled broken glass (call cullet) where possible and this has been reported to reduce energy usage by 25%.

(thermoplastic starch made from corns) for our injection moulding processes. We will continue further tests to fine tune the use of TPS for MAGGI disposable forks provided with our MAGGI Cup Noodle products.

We had also tested using PLA (Poly Lactic Acid derived from corn-based starch) for our bottling lines, but due to technical difficulties for the filling process resulting in high wastage, we have discontinued the project.



Renewable Materials

Although replacing the use of bioplastics is still not a commercially viable solution for many of our applications, we have completed testing for the use of TPS

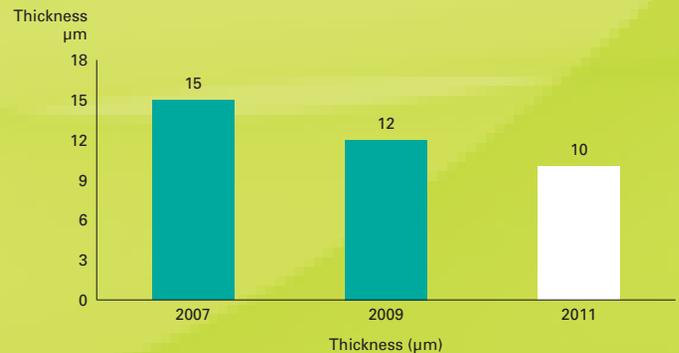
Next Steps:

In the year ahead, we will continue to further explore new packaging solutions through the optimisation of our processes and improve the use of recycled and renewable materials.

Packaging Materials Usage per Metric Tonne of Product



Shrink Film Cup Noodle Reduced Thickness from 12µm to 10µm



OUR COMMITMENT TO THE ENVIRONMENT

PROMOTING ENVIRONMENTAL AWARENESS AND RECYCLING AMONG CONSUMERS

Recycling with Jusco

The joint project between Nestlé Breakfast Cereals (NBC) and Jusco was carried out between 29 April to 26 May 2011 with the main objective of promoting environmental awareness and recycling amongst consumers. The secondary objective was to share with schoolchildren the importance of breakfast and the advantage of Whole Grain in Nestlé Breakfast Cereals.

The initiative was held at five Jusco outlets in Kajang, Taman Bukit Maluri, Klang, Setapak and Taman Maluri and in five primary schools close to the stores. Two dedicated collection bins were set up at designated locations at each store and school where students and members of the public were encouraged to deposit used breakfast cereal paper cartons.

Collection of the used cartons was carried out by Alam Flora, who also tracked the collection volume by store and class for the respective schools. The outcome far exceeded the target of 10kg per class, with an average of 64kg per class.

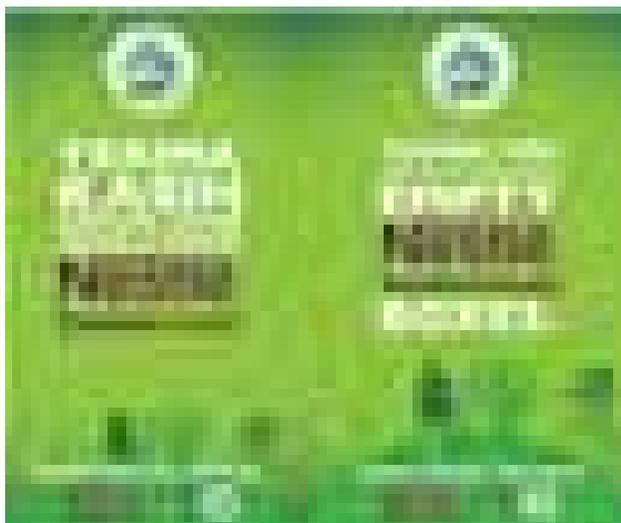
365 Days Recycling Campaign

School	Week 1 (KG)	Week 2 (KG)	Week 3 (KG)	Week 4 (KG)	Total Collection	Results-Best School	Results-Best Class
SK Puteri Pandan 1, KL	0	73	326	858	1,257	1 st	376.5kg, 1J
SK (1) Batu 3, Klang	0	228	0	567	795	2 nd	192kg, 1 Gigih
SK Wangsa Maju Seksyen 1, KL	56	19	21	13	109	3 rd	51kg, 3 Gemilang
SK Taman Bukit Maluri	0	12	34	33	79	4 th	34kg, 3 Bestari
SJK (T) Kajang	0	0	34	28	62	5 th	25kg, 2 UTM
Grand Total					2,302		
Average per Class					64		

FROM LEFT:
Nestlé Breakfast Cereals and Jusco joined hands to promote environmental awareness and recycling amongst young consumers.

The first of its kind in the country, Recycling Vending Machines were introduced to facilitate the collection of empty beverage cartons.

Nestlé, Tesco Stores and Tetra Pak continued their efforts to drive awareness on rainforest preservation and the importance of recycling.



Tri-Party Recycling Campaign

Nestlé, together with Tesco Stores (Malaysia) and Tetra Pak, conducted our annual recycling campaign in October and November 2011, involving 14 Tesco stores and five primary schools in the Klang Valley.

With the objective of driving awareness on the importance of recycling, members of the public and students from the participating schools were encouraged to recycle used beverage cartons. Recycling Vending Machines were introduced to facilitate the collection of the beverage cartons (of all shapes and sizes), the first of its kind in the country. For every kilogramme of empty

beverage cartons (of any brand) collected, Nestlé, Tesco and Tetra Pak (Malaysia) donated RM10 to the Malaysian Nature Society (MNS) to help fund conservation efforts and in getting the Belum-Temenggor rainforest gazetted by the Selangor state government as a protected area, while participants who recycled 10 Nestlé-branded beverage packets, were rewarded with a RM1 rebate voucher off a 1-Litre MILO UHT pack.

The campaign was a success with an encouraging media and PR pick up. A total of 324,565 packs (4,637 kg) of used beverage cartons were collected and RM46,370 donated to the MNS fund.

Recycling Vending Machines were introduced to facilitate the collection of the beverage cartons (of all shapes and sizes), the first of its kind in the country.



OUR COMMITMENT TO THE ENVIRONMENT



To mark our 100th year anniversary in Malaysia in 2012, Nestlé has committed to plant a minimum of 100,000 trees within the year along the lower Kinabatangan River.

SPECIAL FOCUS:
Nestlé Project RiLeaf

The Nestlé Project RiLeaf is a three-year riverside reforestation initiative that aims to create a landscape where people, nature and agriculture (oil palm) can co-exist harmoniously in their need for water.

The initiative, which will see the reforestation of 2,400has of land along the lower Kinabatangan River, aims to create a natural riverine buffer that will help minimise the impact of soil sedimentation and run-offs of chemical fertilizers, thereby giving the Kinabatangan River a chance to restore itself over the course of time. To mark our 100th year anniversary in Malaysia in 2012, Nestlé has committed to plant a minimum of 100,000 trees within the year along the lower Kinabatangan River.

The natural riverine buffer will form a corridor for wildlife to thrive. As an eco-region, the Kinabatangan is home to large mammals including the Borneo Pygmy elephants and the critically-endangered Sumatran rhinoceros.

Mr. Detlef Krost and Mr. Vogt together with Yang Berhormat Datuk Masidi Manjun, Sabah Minister of Tourism, Culture and Environment, planting a forest seedling during the launch of Project RiLeaf.



Through this project, Nestlé also supports capacity building of the local community, as it purchases forest seedlings from KAPOK (Komuniti Anak Pokok Kinabatangan), a local community-based seedling producer and acquires its services to manage the planting of these seedlings.

Project RiLeaf will leverage on the commercial agriculture experience and expertise of Nestlé to speed up riparian reforestation and increase the durability of indigenous forest seedlings to ensure greater survivability. The restored zone will also form a corridor for wildlife to thrive and move about in their migrations and food searches, thereby reducing human-wildlife conflict in the process.

Carried out with the full endorsement of the Sabah State Government, the project will also have an active role in palm oil sustainability. As a full member of the

Roundtable on Sustainable Palm Oil (RSPO), we are committed to the development and procurement of sustainable palm oil. It will enable us to actively engage with our palm oil supply chain to help reduce the environmental impact of oil palm plantings through the minimisation of chemical fertilizers and “back-to-basic” Good Agricultural Practices.

In addition to working with various non-government conservation and community organisations involved in the Lower Kinabatangan to transform the floodplain into a model for sustainable development, Nestlé is also engaging with agencies under the State Government including the Tourism, Culture and Environment Ministry, Sabah Wildlife Department (which manages the Kinabatangan Wildlife Sanctuary); Sabah Forestry Department and Lands and Surveys Department.

The Kinabatangan River is a very important regional waterway and is the second longest river in Malaysia. As a result of its rich biodiversity, it has become the focal point for conservation interests.



“This project reflects our global philosophy of Creating Shared Value, as in addition to saving the environment, it will stimulate the local economy by creating jobs and generating income for the local community who are directly as well as indirectly involved in the project. We are also looking at how we can engage with our palm oil stakeholders in the Nestlé supply chain here to have a meaningful and positive sharing of value for the benefit of all.”

Peter Vogt
Managing Director,
Nestlé (Malaysia) Berhad

“I’m delighted to say that the establishment of Project RiLeaf will form the foundation of environmental awareness and such projects should be made as a benchmark for other organisations so that they too can follow in the positive footsteps of Nestlé to ensure that the natural environment of our country is preserved.”

Yang Berhormat Datuk Masidi Manjun
Minister of Tourism,
Culture and Environment Sabah

Haji Amsain is a satisfied oil palm smallholder who has benefited from ‘back-to-basic’ Good Agricultural Practices.



OUR COMMITMENT TO THE ENVIRONMENT

CASE STUDY

NESTLÉ-MPI ENVIRONMENTAL PROJECT - ENGAGING THE MALAYSIAN MEDIA ON ENVIRONMENTAL ISSUES

Globally, the combination of population growth, increasing affluence and lifestyle patterns are outstripping the planet's ability to bear the effects of human activity. We believe that we are facing a serious water crisis in the coming years that will have severe consequences for food security. The food chain, from agriculture to manufacturing and consumption, contributes significantly to water quality and availability, climate change, energy use, biodiversity, soil and air quality. At the same time, it is heavily dependent upon all these environmental resources.

In Malaysia, we have implemented several initiatives such as creating awareness among our staff to eliminate waste and recycle where appropriate; optimising cooling tower operations to eliminate

unnecessary water wastage; optimising water supply pressure in our selected unit operations and social blocks and recycling water for selected use and operations.

These initiatives have collectively helped achieve our annual target of reducing specific Water Usage at constant volume by 2.8% in 2011¹.

While we have carried out initiatives to manage water resources internally, we believe that everyone has a role to play in conserving water resources and that we have an obligation to educate and create awareness among the general public on critical issues relating to water.

In June 2011, Malaysian media practitioners were exposed to the critical role of water and its role in the future survival of mankind when Nestlé Malaysia together with the Malaysian Press Institute (MPI) brought them straight to the source of life.

¹ Refer to section on 'Our Commitment to the Environment' pages 43 to 45 for more details on our water management efforts.

The joint Environmental Project with the MPI was held in two parts - a full day workshop that took place at the Nestlé Malaysia headquarters in Mutiara Damansara and a river and environment clean-up activity at the recreation area in Hutan Lipur Gunung Datuk, located 21km from Rembau town in Negeri Sembilan on the second day.

"With water being one of the main focus areas for our Creating Shared Value initiative, it is also important that we share our expertise with our stakeholders and the partnership with MPI allows us to reach out to a very important group of stakeholders – the media – as they are in a position to influence society and tell them about the need for greater environmental protection."

Peter Vogt
Managing Director,
Nestlé (Malaysia) Berhad



Day One – Workshop on Water and Environment Conservation

With MPI assisting with the invitations to journalists, the workshop session went smoothly with presentations by experts relevant to the project followed by an interactive Question and Answer session. A total of 13 journalists representing various local media organisations attended the programme.

YBhg. Datuk Zainul Arifin Mohammed Isa, Group Managing Editor of The New Straits Times Press (M) Berhad, provided tips on environmental reporting and stressed on the importance of understanding the issues relating to the environment in order to provide a comprehensive picture to members of the public.

The Government was represented by Puan Nor Hayati binti Yahaya, Head Assistant Director of the Environment Department and Cik Khairunisah Husain, Senior Assistant Director of the Irrigation and Drainage Department. Puan Nor Hayati highlighted the environmental dilemmas facing the country while Cik Khairunisah touched on freshwater resources and how they have been affected by water pollution.

The final presentation was by Ms. Immy Ooi Lay Imm, Corporate Responsibility Manager for Nestlé, who spoke on the environmental initiatives and sustainability programmes carried out by the Company.

The Question and Answer session that followed proved lively with the participants displaying a keen interest in the topics presented and a good understanding of the issues at hand.

In June 2011, Malaysian media practitioners were exposed to the critical role of water and its role in the future survival of mankind when Nestlé Malaysia together with the Malaysian Press Institute (MPI) brought them straight to the source of life.



OUR COMMITMENT TO THE ENVIRONMENT

CASE STUDY (continued from previous page)

Day Two – River Clean-Up Activity

The second day saw the journalists make their way to the recreation area at Hutan Lipur Gunung Datuk for an environment clean-up activity of the river and its surroundings.

To lend support to the initiative was Rembau MP, YB Tuan Khairy Jamaluddin who, together with MPI Chief Executive Officer, YBhg. Datuk Chamil Wariya and Nestlé Malaysia's Managing Director, Mr. Peter Vogt, officiated the event.

Together with the VIPs, over 200 locals from the Rembau district and over 90 volunteers of the Nestlé Reaching Out to Community & Kids (Nestlé ROCKS) employee volunteer programme from the Nestlé Malaysia headquarters and the nearby Nestlé Chembong factory, as well as journalists witnessed first-hand the impact people have on the environment.

Divided into four groups, the journalists and all the other volunteers cleaned up the river and its surrounding areas, planted seedlings at designated areas and beautified the recreation park by painting the toilets and chalets at the site.

In addition to the environment clean-up activity, Nestlé also presented three sets of recycle bins and 30 rubbish bins to YB Tuan Khairy, who received them on behalf of the Rembau community.

Visit to the Nestlé Chembong Factory

Following the morning's activities and a sumptuous lunch, the journalists were taken to the Wastewater Treatment Plant at the Nestlé Chembong Factory, to view the Company's water savings and wastewater operations.

At the factory, the journalists were briefed on how Nestlé conserves water and treats its wastewater from the factory's manufacturing operations, stressing on the importance of ensuring that all wastewater was treated before being discharged to the environment.

They were then taken on a tour of the facilities to witness how the various processes were put into practice.

Key Outcomes and Learnings

After each of the sessions, the journalists were asked to give their input through feedback forms and while they were satisfied with the overall programme, there were concerns particularly on the content of the workshop.

Although everyone had said that the information provided was valuable and insightful, some mentioned that the section on environmental reporting methods were too general. More specifically, it was said that it would have been better if external parties (Nestlé, NGOs, environmentalists, government etc.) had also provided input on what they expect journalists to report on rather than just the views of a fellow journalist.

Other comments given were that the programme was too short, and that Nestlé should also conduct similar programmes with members of the public especially teachers and schoolchildren.



Feedback on the physical activity at Hutan Lipur Gunung Datuk was positive and provided a “fun” element to the programme while the visit to the Chembong facility provided them with a first-hand view on the application of the Company’s commitment to the environment.

Although the overriding objective was to equip the participants with knowledge on environmental issues for future reporting, there was the added bonus of media coverage of the environment clean-up activity in Rembau on TV3, RTM and Malaysian Insider. This provided further exposure on the issues to the general public.

Looking Ahead

Overall, the programme achieved its objectives in engaging with the media as well as helping the Rembau community clean-up the recreation area at Hutan Lipur Gunung Datuk, which is a popular recreational destination for the locals in the state. In doing so, we have further demonstrated our business ethos of Creating Shared Value.

Nestlé believes that through such programmes, where the theoretical aspect of conservation is combined with a practical activity, the relevant stakeholders will gain better insights on the various environmental challenges facing the country.

However, taking the input from the participants, we will work closely with MPI or similar organisations on future engagements and how to improve the section on environmental reporting. One consideration would be to have a dedicated workshop on the topic with speakers comprising of renowned environmental writers from both the local and foreign media. Nestlé will seek input from MPI on the viability of this.

It is the intention of Nestlé to continue with similar programmes in 2012, where we will engage with the media and other stakeholders to highlight areas that we are able to create value. In conjunction with the Nestlé 100 Years Celebration, we will be organising trips for various stakeholders and members of the media to the Project RiLeaf in Kinabatangan, Sabah throughout the year.

“The course provides a lot of information about (the) environment but not too much focus on how to report on environmental issues.”

“To invite schoolchildren, teachers and parents for similar programmes, especially since it relates to issues affecting the nation and communities.”

“The site visits to the river and the water treatment plant was personally a valuable experience.”

“The talks were very informative and the speakers knowledgeable.”

Quotes from Participants



OUR COMMITMENT TO THE ENVIRONMENT

OUR ENVIRONMENTAL FOOTPRINT - OUR PERFORMANCE

	GRI Reference	2009	2010	2011
Production				
Production volume (tonne)		306,489	334,182	364,026
Materials Used				
Non-renewable materials (tonne)	EN1	N/A	N/A	25,636
Direct materials (tonne)	EN1	N/A	N/A	391,886
Total weight of material used (tonne) ¹	EN1	N/A	N/A	418,638
Recycled materials (tonne) ²	EN2	N/A	N/A	14,243
Percentage of recycled materials (%) ³	EN2	N/A	N/A	3.44%
Energy				
	EN3			
Total direct energy consumption by primary source (GJ)		1,070,842	1,087,125	1,100,904
Total direct energy per tonne of finished goods (GJ/tonne)		3.49	3.25	3.02
Total direct energy by renewable primary source	coffee ground	172,672	245,128	198,889
Total direct energy by non-renewable primary source ⁴	NG/LFO/ Diesel/LPG	898,170	841,997	902,015
Indirect energy consumption by primary source (GJ) ⁵	EN4	364,170	381,170	400,898
Indirect energy per tonne		1.19	1.14	1.10
Total energy (GJ)		1,435,477	1,468,295	1,501,802
Total amount of energy per tonne (GJ/tonne)		4.68	4.39	4.13
Energy saved due to improvements (GJ) ⁶	EN5	23,411	96,884	97,618
Water				
Total water withdrawal by source (m ³ /yr)	EN8	1,595,691	1,693,229	1,802,451
Total water withdrawal per tonne ⁷		5.21	5.07	4.95
Volume of water recycled per reused (m ³ /yr)	EN10	N/A	N/A	19,278
Percentage of water recycled and reused (%) ⁸		N/A	N/A	1%
Emissions, Effluents and Waste				
Total direct and indirect greenhouse gas emissions (tonne CO ₂)	EN16	134,172	131,078	134,344
Total greenhouse gas per tonne of finish goods (kg CO ₂ /tonne) ⁹		438	392	369
Other relevant indirect greenhouse gas emissions by weight (tonne) ¹⁰	EN17	N/A	N/A	9081
Greenhouse gas reductions (tonne CO ₂)		N/A	15,217	8,440
Percentage of specific greenhouse gas reductions (%) ¹¹		N/A	10.4%	5.9%
Emission of ozone-depleting substance (tonne) ¹²	EN19	6.8	9.9	10.49

	GRI Reference	2009	2010	2011
NO, SO and other significant air emissions (type & weight) ^{13, 14}	EN20			
SO _x (tonne) ¹⁵		167.1	165.2	166.9
NO _x (tonne)		149.6	163.8	165.3
PM (tonne)		N/A	N/A	27.6
Total water discharge by quality and destination (m ³ /yr) ^{16, 17}	EN21	808,784	849,915	1,018,163
Total weight of waste by type and disposal method ^{18,19, 20}	EN22			
Hazardous waste (tonne)		N/A	N/A	13
Landfill waste (tonne)		3,418	2,472	2,386
Recycling (tonne)		N/A	N/A	7,091
Total number and volume of significant spills	EN23	nil	nil	nil
Weight of transported waste deemed hazardous (tonne) ²¹	EN24			
Weight of hazardous waste transported ²²		N/A	N/A	30
Weight of imported hazardous waste		nil	nil	nil
Weight of exported hazardous waste		nil	nil	nil
Weight of treated hazardous waste ²³		N/A	N/A	17
Travel	EN29			
Total distance travelled for finish goods for land and sea ('000 km)		N/A	N/A	7,489
Total CO ₂ discharge for above travels (tonne)		N/A	N/A	9,081
Average of CO ₂ for every tonne of finished goods, over the total distance travelled (CO ₂ /tonne * km) ²⁴		N/A	N/A	52
Total environmental protection expenditures and investments (RM)	EN30			
Waste disposal, emission treatment & remediation cost (RM) ²⁵		N/A	N/A	3,819,626
Prevention and environmental management cost (RM investment cost)		N/A	N/A	2,688,087

1. Source : NEST + Factory KEI

2. Calculations based on Packaging Technologist's report i.e corrugated board = 50%; glass = 35% & MAGGI Hot Cup = 25%.

3. Source : Calculations from NEST/SAP report

4. Source : NEST (Fuel consumed in factories)

5. Source : NEST (Electricity consumed in factories)

6. Source : NEST (GJ/tonne savings x vol)

7. Source : NEST

8. Source : Calculate from SAC & CE initiatives

9. Source : NEST

10. Note : Results are extrapolated for 12 months based on "National Distribution Centre" tracking of finished goods movement within Malaysia - road and sea

11. Source : NEST. GHG/tonne savings x vol

12. Source : NEST CFC - 11

13. Note: Other gases ex POP (Persistent Organic Pollutants), VOC (Volatile Organic Compounds) and HAP (Hazardous Air Pollutants) are not relevant in our industry.

14. Source : Calculate from air emission monitoring

15. Source : NEST CFC - 11

16. All waste water discharged from factories are treated in biological waste water treatment plant and all the discharge parameters comply to the local environmental regulations.

17. Source : NEST

18. All recycling and landfill waste are managed by appointed and authorised waste management company. Hazardous waste is managed by DOE licensed contractors.

19. Source : NEST

20. Source : NEST

21. All hazardous waste are managed by DOE authorised contractors for further treatment and disposal.

22. Note : This is sum of disposed and treated hazardous waste.

23. Source: NEST & SAC report

24. Source : NDC carbon tracking

25. Source : Factories' report

OUR COMMITMENT TO THE ENVIRONMENT

TARGETS AND ACHIEVEMENTS

Our Commitment to the Environment		
LIFE CYCLE APPROACH TO SYSTEMATICALLY ASSESS ALL PRODUCT CATEGORIES		
What we set out to achieve	What we have achieved to date	Our way forward
<p>Water</p> <p>Reduce the amount of water usage throughout production processes, ensure excess water discharged into the environment is clean, ensure excess water discharged into the environment is clean and promote water conservation by creating awareness within the various communities as well as educate them on water conservation.</p> <p>Semi-aerobic Initiatives</p>	<p>In 2011, Nestlé achieved savings of 2.8% of specific water usage at constant volume, an achievement of 4.95 m³/tonne product in comparison to 5.07 m³/tonne in 2010. This reduction translates to a water savings rate of 50,964 m³/year and is enough to sustain 930 people annually.</p> <p>This was made successful through:</p> <ul style="list-style-type: none"> • Creating awareness among the factory staff to eliminate waste and re-use of water where appropriate. • Optimise cooling tower operations through the installation of automated fan speed and blow down operations, which eliminate unnecessary water wastage. • Optimise water supply pressure in our selected unit operations and social blocks. • Recycle water back to social blocks and selected operations while ensuring all hygiene standards are adhered to. • Install automation in 'Clean in Place' operations and softener regeneration to optimise water consumption. <ul style="list-style-type: none"> • Continuing R&D on semi-aerobic rice farming (between 30% to 50% water saved compared to conventional wetland rice farming). • Conduct awareness and education programmes with contract farmers and the relevant agencies. • Share best practices and environmental performances with local authorities and stakeholders. 	<p>Nestlé will continue to support water conservation initiatives by:</p> <ul style="list-style-type: none"> • Evaluating new technologies - Reverse Osmosis or Ultra Filtration process. • Awareness campaign from manufacturing, stakeholders to consumers.
<p>Energy and Greenhouse Gases Management</p> <p>Energy Management</p> <p>Reducing specific energy consumption and the emission of greenhouse gases from our operations.</p> <p>Refrigerant Management</p> <p>To continue with our strict purchasing policy on refrigeration and management of Refrigerant Gases.</p>	<ul style="list-style-type: none"> - In 2011, we achieved a total reduction of 6.1% in energy consumption (GJ per tonne product). - This directly contributes to the reduction in the emission of greenhouse gases (CO₂) and Air Acidification Potential gases (SO_x). A total reduction of 11% direct CO₂ emission per tonne product and 6.5% SO_x emission per tonne product was recorded in 2011. - In terms of total amount of equivalent CO₂ released, we achieved a reduction of 2.9% for 2011 against our performance in 2010, surpassing our annual target of 1% reduction. 	<p>Our planned initiatives for 2012 include:</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 Petaling Jaya. • Air diffusers at Wastewater Treatment Park - Chembong

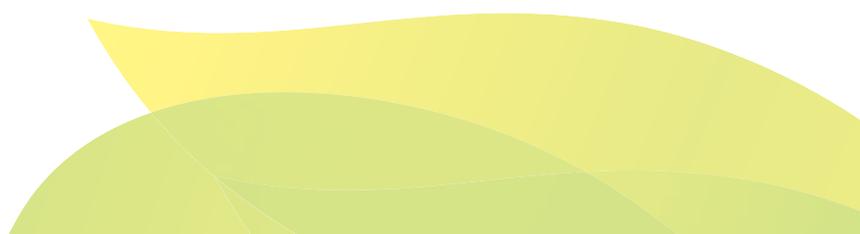
What we set out to achieve	What we have achieved to date	Our way forward
	<p>This was made successful through:</p> <ul style="list-style-type: none"> • Creating awareness to improve process efficiencies in factories. • Strengthening standard routines for steam traps and condensate recovery management. • Minimising energy usage with automation for motors. • Installing economisers to increase boiler efficiencies. • Installing new equipment that achieves equivalent results using less energy. • Reducing steam and compressed air pressure at selected unit operations. • Including energy efficient criteria in the selection of project equipments. • Using cars that use diesel as company cars. <p>Supply Chain Developed and introduced the 'Carbon Tracking Tool' to reduce the carbon footprint in transportation. This resulted in:</p> <p>An increase the volume of 40-foot truckloads from 32m³/load to 38m³/load, which helped eliminate the use of inefficient small truckloads.</p> <p>Business Travels Where possible we made extensive use of Webinars and teleconferencing tools to communicate to further reduce our carbon footprint.</p> <p>Refrigerant Management Purchase natural refrigerants that has zero effect on the ozone layer and has low Global Warming Potential. In the absence natural refrigerant equipment or technology, Hydrofluorocarbon (HFC) synthetic refrigerant is allowed as the next best option.</p> <p>As a result, a strict monitoring and monthly tracking of refrigerant gases consumption is in place at our manufacturing facilities and the replacement of all old equipment will adhere to the above policy.</p>	<p>Nestlé will look to extend the use of the tracking tool to other areas of the supply chain to reduce our total number of trips.</p> <p>We will look into optimising energy efficiencies with ESCO's (Energy Saving Companies) and Industry Specialists.</p> <p>We will explore renewable energy projects such as the solar project - photovoltaic roof tops and sky lights, as well as using bio mass boilers to take advantage of the renewable biomass fuel resources in the country.</p>



OUR COMMITMENT TO THE ENVIRONMENT

What we set out to achieve	What we have achieved to date	Our way forward
<p>Minimising Solid Waste To reduce the amount of solid waste.</p> <p>Central Return Warehouse To maximise recovery of market returns of aging and damaged products.</p>	<p>In 2011, we achieved a reduction of 3.5% of landfill waste. This was made successful through:</p> <ul style="list-style-type: none"> • Sorting of packaging waste at source at all our sites and a secondary inspection by our waste management company to recover recyclable materials before sending it to the landfill. • Converting wastewater treatment sludge to bio organic fertilizers. A pilot test was conducted at the Chembong factory. The results were encouraging and have received strong support from the Agriculture Department and Department of Environment. • Conversion of food waste to animal feed. • Increasing the reuse of coffee ground waste as a source of fuel. • Recycling most of our market returns in our Central Return Warehouse to animal feed/organic fertilizers, with the packaging sent for recycling. <p>In December 2011, we have started a collaboration with our waste management partner, who will now use our discarded 3-in-1 laminates as an energy source. This is estimated to reduce approximately 5% of the total waste at the Shah Alam Complex.</p> <p>Central Return Warehouse Our efforts to maximise recovery of market returns of aging and damaged products has enabled 98% recovery. Conversion of waste return into animal feed, organic fertilizers and recycled scrap packaging. Through these efforts, we had successfully managed to reduce the volume sent to the landfill by 67.5% from January to December 2011.</p>	<p>We will continue with our efforts in reducing landfill waste, through initiatives such as:</p> <ul style="list-style-type: none"> - Expanding conversion of wastewater treatment sludge to bio organic fertilizers to other sites. - Continuing collaboration with waste management partners to use discarded 3-in-1 laminates as an energy source. - Forming environmentally sustainable partnerships with companies that use incinerators to recover energy. This will further reduce solid waste from our production processes and contribute towards our goal of achieving zero waste to landfills.
<p>Packaging Exploring packaging solutions that minimise impact on the environment.</p>	<p>Packaging Reduction</p> <ul style="list-style-type: none"> - Packaging Eco Design tool (PIQET), rolled out in 2010, has enabled us to conduct life cycle analysis (LCA) for different packaging solutions. - In 2011, we completed 20 projects, which contributed to a reduction of 385 tonnes of material reduction annually. <p>Recycled Materials</p> <ul style="list-style-type: none"> - Converted all export pallets for Non-Dairy Creamer and MILO 500-600kg bulk packs to use 100% recycled polypropylene. - Completed the conversion of corrugated boards used for MAGGI 2-Minute Noodles to 100% recycled boards. - Used recycled broken glass (cullet) where possible, thus reducing energy usage by 25%. <p>Renewable Materials</p> <ul style="list-style-type: none"> - We will continue further tests to fine-tune the use of TPS for MAGGI disposable forks provided with our MAGGI Cup Noodle products. 	<p>Nestlé will further improve and support the use of recycle and renewable materials where possible</p> <p>We will also continue to further explore new packaging solutions through the processes optimisation.</p>

What we set out to achieve	What we have achieved to date	Our way forward
<p>Environmental Awareness</p> <p>Promoting environmental awareness and recycling among consumers.</p>	<p>Recycling with Jusco</p> <p>Organised an environmental awareness and recycling project with Jusco in 2011.</p> <p>Held at five Jusco outlets and in five primary schools close to the stores. Two dedicated collection bins were set up at designated locations at each store and school. Students and members of the public were encouraged to deposit used breakfast cereal paper cartons.</p> <p>The outcome far exceeded the target of 10kg per class, with an average of 64kg per class.</p> <p>Tri-Party Recycling Campaign</p> <p>Nestlé, Tesco Stores (Malaysia) and Tetra Pak conducted our annual recycling campaign in 2011, involving 14 Tesco stores and five primary schools in the Klang Valley.</p> <p>Members of the public and students from the participating schools were encouraged to recycle used beverage cartons.</p> <p>For every kilogramme of empty beverage cartons (any brand) collected, RM10 was donated to the Malaysian Nature Society (MNS). Participants who recycled 10 Nestlé branded beverage packets were rewarded with a RM1 rebate voucher off a 1-Litre MILO UHT pack.</p> <p>The campaign was a success with an encouraging media and PR pick up. A total of 324,565 packs (4,637 kg) of used beverage cartons were collected and RM46,370 donated to the MNS fund.</p>	<p>We will continue to raise awareness amongst consumers on the importance of recycling through joint promotions with external parties.</p>
<p>Sustainability</p>	<p>The Nestlé Project RiLeaf is a three-year reforestation initiative to create a natural riverine buffer to minimise the impact of soil sedimentation and chemical fertilizers run-offs, as well as giving the river a chance to restore itself over the course of time.</p> <p>Partners include agencies under the State Government including the Ministry of Tourism, Culture and Environment, Sabah Wildlife Department (which manages the Kinabatangan Wildlife Sanctuary); Sabah Forestry Department and Lands and Surveys Department.</p>	<p>Nestlé will organise follow up events in 2012 i.e trips for media and stakeholders to raise awareness on the issues of environmental sustainability, as well as get our Employee Volunteer Programme (ROCKers) involved in the project.</p>



Nestlé employees participating in an interactive session at one of the 'We Make Nestlé' roadshows. The roadshows, held at 13 different locations across Malaysia, was aimed at refreshing and reminding employees on the Nestlé Corporate Business Principles and Values through presentations, talks and interactive sessions.





OUR PEOPLE AND THE WORKPLACE

At Nestlé Malaysia, we believe that our people are our greatest assets and we will continue to ensure that we attract and retain the best talents who can positively contribute to the success of our current and future business.

NESTLÉ VALUES

Guided by our values that consist of Respect, Trust, Commitment, Involvement and Pride, we strive to work together to deliver the Nestlé promise of GOOD FOOD, GOOD LIFE to our consumers.

As a Nestlé employee, the qualities that are appreciated and rewarded are passion and pride in work, leadership, commitment, trust, personal responsibility, care for others and the environment, which all lead to satisfying and delighting our consumers.

Nestlé held a series of **'We Make Nestlé'** roadshows at 13 different locations across Malaysia in 2011, in order to explain and create better understanding of the Nestlé Corporate Business Principles and Values among the employees. Managers representing the various business functions were brought together to explain the

We make Nestlé



FROM LEFT:

Our employees having fun at one of the **'We Make Nestlé'** roadshows, which help employees better understand the Nestlé Corporate Business Principles.

At Nestlé, we believe that teamwork and cooperation is the key to success.

importance of the Principles and Values, as well as to strengthen the sense of camaraderie. (see Case Study on page 80)

LISTENING TO OUR PEOPLE

At Nestlé, because we respect our employees and appreciate the valuable feedback that we receive from them, we regularly run surveys as part of our staff engagement and to solicit their views and comments relating to the workplace environment.

Following the success of the **Nestlé & I Survey** the previous year, in 2011 we focussed on Manager Behaviour, as it is important to ensure that as team leaders and managers, all Nestlé leaders behave in a manner that promotes the spirit of the Nestlé Management and Leadership Principles. It also focussed on Cooperation as this is key in Nestlé to ensure that all

Nestlé employees collaborate with one another to provide the support that is required and expected from them. The final key areas of focus are Respect & Treatment, Reward & Recognition, as it is vital that all employees treat each other with respect, build trust and given due recognition and reward for good performance.

To date, we have made good progress on the action plans that were agreed for our market. In the first quarter, we conducted focus groups across the market to gather ideas from employees on our market action plans. Based on the feedback gathered, we have strengthened our market action plans by rolling-out a company-wide recognition programme.

The next Nestlé & I Survey will be conducted in mid-2012 to further track our progress.



OUR PEOPLE AND THE WORKPLACE

RECRUITING AND RETAINING THE BEST TALENTS

At Nestlé, we aim to attract the best talents in the market. As part of the Nestlé family, we then nurture and train them, so that they can continue to add value to the Company.

We ensure that we have a well diversified team to enable us to connect with a wide range of consumers. For example, the number of women in senior positions has increased from 23% in 2010 to 29% at the end of 2011.

During the year under review, we introduced a new, centralised end-to-end recruitment and sourcing process to ensure uniformity in managing recruitment exercises and to better utilise the input of recruitment specialists. The process also ensures that the integrity of the Nestlé values are incorporated into all recruitment exercises whilst improving our sourcing capabilities to attain quality talents.

Based on feedback from the hiring managers, the process has improved the time taken to fill vacancies while the recruited candidates appreciated the systematic approach and transparent nature in which the recruitment process was carried out.

In addition to the above process, we also introduced an **Employee Referral Programme** in July, to encourage our employees – people whose judgement we value and trust – to identify and attract potential talents into the Company. The programme has enabled us to develop a new sourcing channel and build an alternative talent database.

This programme gives us a better chance of hiring the right people, as they would already have had a sneak preview to our Company and its philosophy, being friends of our own employees. It makes it easier for us to walk the talk when we say, "Together, We Make Nestlé a Great Place to Work!"

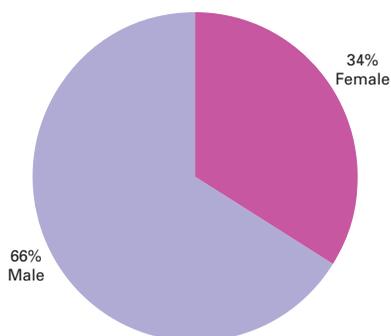
The Employee Referral Programme rewards Nestlé employees for recommending successful candidates from outside to join Nestlé and fulfills the aim of giving our employees a sense of pride, involvement and empowerment in contributing to the growth of the Company.

A total of 463 referrals were received from July to December 2011, out of which 14 were successfully placed in various functions in the organisation.

In Nestlé, as in life itself, learning is a process that never stops. We appreciate that true learning can only happen through involvement and a sense of ownership. Over time, this way of working has resulted in enduring transformations in professional behaviour, competency, skills and personal characteristics.

Total Gender Equality

As at December 2011



Each year, the Group Human Resource Department issues an up-to-date Learning & Development Booklet to assist our line managers and employees to plan, execute and monitor learning and development programmes.

We continue to invest in our employees' training and development in 2011 with the budget increased to RM11 million, covering both in-house and external programmes on technical, leadership and soft skills.

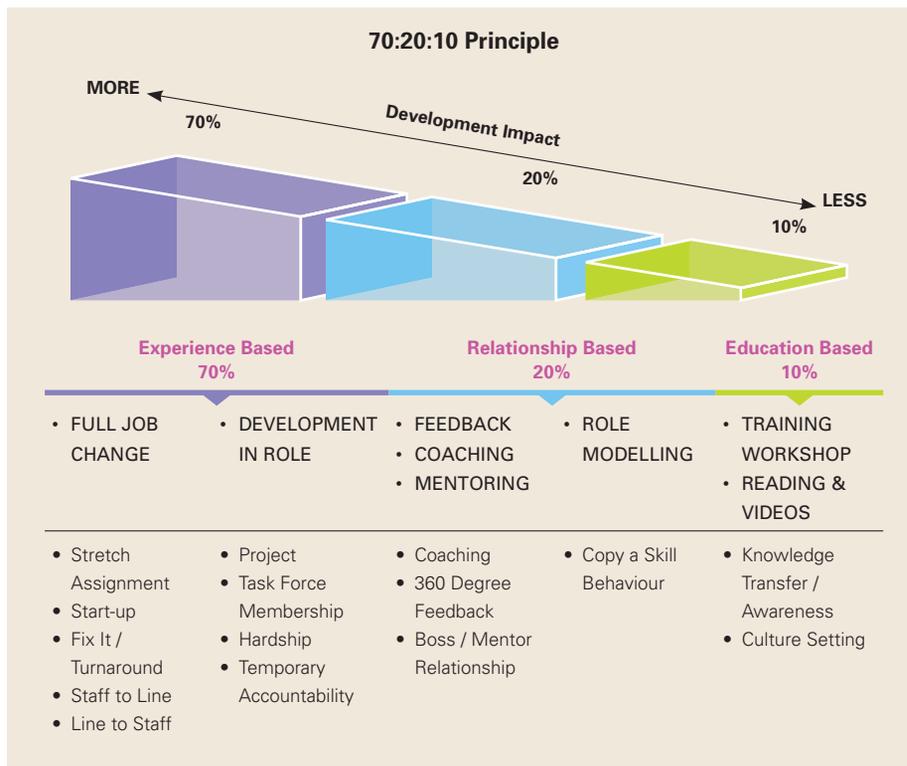
One of the major training initiatives introduced during the year was the **Everyday Coaching Programme (ECP)**, a solution-focussed programme that uses behavioural skills in changing mindsets to assist our employees to discover and develop their true potential.

The programme is an essential part of our people strategy and brings about a win-win

situation for the manager, the individual and the Company. For managers, it gives them opportunities to realise their potential as leaders and mentors, thus building their confidence and self-esteem. For the individual, it makes it easier for him or her to explore their own skills and to learn to solve problems their way, knowing that there's someone backing them, improve work-life balance and reduce unnecessary stress. For the Company, it means increased productivity and efficiency, happier employees and more satisfied customers.

Workshops were conducted for all management staff, supported by internal communications to raise awareness among all employees. To ensure continuity, managers and their team members were given coaching toolkits with key points to act as reminders for easy application in their daily work.

We continue to invest in our employees' training and development in 2011 with the budget increased to RM11 million, covering both in-house and external programmes on technical, leadership and soft skills for our employees.



This diagram shows the impact of varying development strategies covering Educational, Relationship Based and Experience Based development. All development actions do not have an equal impact. For example, external training events typically have the highest cost and according to research, have the lowest overall impact. Therefore, it is critical to define what would be the most impactful development action for an employee, based on the development need and individuals learning style.

OUR PEOPLE AND THE WORKPLACE

In 2011, we continued with our Talent and Performance Management Solution programme, which was introduced in the previous year to ensure employee engagement and career development.

In total, 69 ECP training sessions were carried out in 2011, involving 1,170 employees. A 'pulse check' survey was carried out in December to measure the outcomes. We have also prepared an extensive two-year programme to sustain and embed the coaching culture within the organisation.

While the ECP was designed specifically for managers, we have also conducted programmes to fast-track the development of high potential talents and build pipeline successors for key positions.

ECP complements the 70:20:10 principle used in Nestlé for development planning and execution. This principle moves away from previous methods of development which solely emphasises on training and introduces other areas focus namely; experience (70%), relationship (20%) and education (10%). We believe that not all development actions have equal impact and

therefore, it is critical to define what would be the most impactful development action for an employee, based on the development needs and individual's learning style.

The **Nestlé Management Trainee Programme (NMTP)** was made more structured, comprehensive and holistic in 2011.

The NMTP is a robust training programme over a two-year period and provides broader knowledge, skills and hands-on experience in core and cross functions. Trainees work closely with a dedicated trainee coach as well as functional coaches.

The first 12 months involves functional attachments where they were exposed to different functional areas and includes trainings on soft skills to enhance their management skills. This is then followed by another 12 months of practical on-the-job assignments where they are fully responsible for a specific job assignment.

FROM LEFT:

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

The Nestlé Management Trainee Programme is a fast track management plan to train top young talents to become future leaders of Nestlé.

The Flexible Benefits Plan offers employees flexibility in their choice of benefits provided by the Company.



During the year, 16 trainees were assigned to the programme, with all of them successfully completing their six-month probation period. They will be further evaluated over the next 12 months on individual performance evaluations based on Key Performance Indicators (the what) and Nestlé behaviours (the how).

In 2011, we continued with our **Talent and Performance Management Solution Programme**, which was introduced in the previous year to ensure employee engagement and career development.

For example, in order to support performance and development management, the Performance Evaluation and Performance Development Guide refresher training sessions were carried out by Group Human Resources Department. These training sessions were also carried out at respective factory sites by Factory Human Resources and Human Resources Business

Partners. Performance Calibration activities were carried out to enable managers to have higher quality discussion with their employees about their performance and development.

Talent Assessment and Succession Planning (TA & SP) process for market, functions and units, as well as awareness sessions on TA & SP for managers and employees were carried out to identify talents and carry out assessment and succession planning.

To further communicate some of these initiatives internally, we have launched the Career at Nestlé and Performance Evaluation / Performance Development Guide page on the Nestlé intranet.

In our continuing effort to make Nestlé a great place to work, the **Flexible Benefits Plan** was introduced in April 2011. The Plan is a new benefits programme that offers employees flexibility in their choice of

life insurance and health and wellness packages that extend to the employee's spouse and children. There is even a Flexible Spending Account (FSA), whereby employees are entitled to claim for reimbursements whenever they purchase wellness, technology and lifestyle items that contribute to their health and well-being.

The framework of the Flexible Benefits Plan is centred around enhancing the Company's market competitiveness, strengthening talent retention and acquisition strategy, and meeting the diverse needs of multi-generation employees.

All new employees will be enrolled into the Flexible Benefits Plan, while existing employees have the option to either convert to the new plan or maintain current legacy benefits. To date, 18% have opted to convert to the new plan.



OUR PEOPLE AND THE WORKPLACE

NESTLÉ CONTINUOUS EXCELLENCE (NCE) - IMPROVING WORKPLACE PERFORMANCE

Nestlé Continuous Excellence (NCE) is a global initiative launched in 2008, to enable employees to excel at the basics, in order to continue delighting our consumers with high quality products at competitive cost and freshness, while excelling in compliance throughout the value chain.

The NCE is our path towards a LEAN Enterprise where everyone is focussed on activities driving towards continuous excellence and elimination of waste. In 2009, the Ice Cream Business Unit was chosen as the pilot for the LEAN Value Stream in Malaysia/Singapore market and this has resulted in savings and cost avoidance of RM5.1 million in 2010 and RM1.55 million in 2011 across the Ice Cream Business Unit.

The savings come from inventory reduction, capacity optimisation, costs reduction from distribution expenses and improved asset management. In addition to these, the NCE-LEAN Process is also about training and capability building of our people within the LEAN Value Stream, where employees' training needs were assessed through the development of a skills matrix and assessment processes.

During the year, the Malaysia/Singapore LEAN Team organised the Global LEAN Summit where over 50 participants from both local and other Nestlé markets worldwide shared their individual learnings as part of the continuing process to improve LEAN implementation.

Following the success of the Ice Cream Business Unit, we will be rolling out LEAN Implementation to other Business Units in stages from 2012 onwards.

SAFETY AND HEALTH (S&H)

Throughout 2011, Nestlé conducted several activities to nurture and inspire overall wellness among our employees in their daily lives.

A series of campaigns were activated to promote healthy eating and active living and these included:

- Weekly exercise classes on Wednesdays
- Yoga classes on Thursdays
- Monthly Lunch n' Learn sessions covering basic topics on nutrition, health and wellness.
- Nestlé Walking Days
- Nutritional Quotient (NQ) Training for employees.
- Publication of easy-to-understand nutrition and health articles, on www.nestle.com.my/howami and on Facebook. The articles were focussed on healthy living and education on how to read food labels.



FROM LEFT:

We devote all the necessary energy and attention to protect employees, contractors and those involved with the Company along the value chain.

Our employees also take time off to let their hair down, as shown here at the Annual Hi-Tea event themed 'Arabian Nights'.

Family Days are organised annually to promote family togetherness and to advocate the importance of spending quality time with family members.

As a result of the activities, awareness on current nutritional and health status increased amongst 70% (532) of Nestlé employees at the Head Office in Surian Tower.

Employee wellness, however, is not just about healthy diets and exercise. Mental health plays an important part in our well-being as well, and to relieve work-related stress and pressures, the Company organised get-together events such as the Annual Hi-Tea/Dinners and Family Days for the employees in the various locations (e.g. Head Office, Factories and Sales regions).

Additionally, Nestlé also encourages its employees to spend quality time with their families and friends outside the workplace. To accommodate this, the Company revised its core working hours from 9.30am to 4.30pm as part of its flexi-hours initiative. The revised hours will provide employees with the flexibility to start work early and leave by 4.30pm, or should they wish, to report for work no later than 9.30am as long as they fulfill their required 7.75 hours (excluding the one-hour break for lunch) in a day.

The revised hours, though, only applies to management employees while non-management employees within the scope of the Collective Agreement shall continue to be guided by the normal hours as stipulated in the Agreement.

While we have high expectations of our employees in terms of performance, drive, enthusiasm, hardwork and delivering quality in everything they do, we also take our responsibility to ensure safety in the workplace very seriously.

Two workshop sessions on S&H Leadership Development were held in October and December 2011. With the ultimate goal of achieving zero accidents in the workplace, the workshops were aimed at developing leadership skills and providing management tools in S&H among employees and were attended by 100 participants.

In 2011, the Lost Time Injury Frequency Rate (LTIFr) and Total Recordable Injury Frequency Rate (TRIFr) were 1.16 and 1.57 respectively and we need to continue

The NCE is our path towards a LEAN Enterprise where everyone is focussed on activities driving towards continuous excellence and elimination of waste.



OUR PEOPLE AND THE WORKPLACE

ROCKS was set up for two reasons - to contribute meaningfully to society and to provide our employees with the opportunity to contribute to the Company's philosophy of Creating Shared Value.



to develop our people to improve the figures, as we believe that sustainable improvements can only be attained through continuous education and training, over and above the safety measures that are already in place.

The workshops were designed to provide the participants with the knowledge to face S&H challenges at the workplace through classroom training and practical sessions, as well as leadership development and team building exercises. Throughout the sessions, participants were constantly reminded on the critical importance of S&H and its impact on the well-being of employees and the business.

Feedback received from the participants were positive, with some suggesting that more time should be provided to go through the programmes and activities during the workshops. Overall, the participants expressed satisfaction on the knowledge shared and this will hopefully translate to a stronger commitment towards S&H at the workplace.

2011 S&H Performance Data (Market)

Total Exposed Man-hours	15,974,270
Lost Time Injuries	17
Lost Time Injury Frequency Rate	1.16
Total Recordable Injuries	23
Total Recordable Injury Frequency Rate	1.57

Supply Chain Safe Driving Campaign

Together with the Road Safety Department of the Ministry of Transport, Nestlé conducted a Safe Driving Campaign for its Supply Chain staff, third party transport business partners and government officials to increase awareness and better comply with road safety regulations.

The campaign saw 100 participants taking part in various activities at the National Distribution Centre, which included inspection of motorcycles, helmet safety inspection and exchange, and general road safety training. A Road Safety Information counter was also set up at the Centre for participants to ask questions and view a mini exhibition on road safety.

FROM LEFT:

Our employees continue to play a role in responding to social needs through the Nestlé ROCKS Employee Volunteer Programme.

Committed ROCKers having fun while sprucing up the recreation area in Hutan Lipur Gunung Datuk.

Active members of ROCKS hard at work raising funds for a good cause at the ROCKin' Bazaar.



Safety on the road is always a concern for Nestlé, especially for those who ride motorcycles and it is the objective of the Company to aim for zero traffic related accidents during the course of work.

ROCKS - INVOLVING EMPLOYEES TO CREATE SHARED VALUE

In meeting the challenges of sustainable development and a healthy balance between social, environmental and economic outcomes, we are committed to Malaysia's development through our CSV programmes. While the programmes are initiated at the corporate level, we have actively encouraged employees to contribute to the efforts through our employee volunteer programme, called Nestlé Reaching Out to Community and Kids (ROCKS).

ROCKS was set up for two reasons – to contribute meaningfully to society and to provide our employees with the opportunity to contribute to the Company's philosophy of Creating Shared Value. In 2011, 240 Nestlé employees participated in various community activities, which include:

ROCKin' Bazaar

The main objective of the Bazaar was to raise funds for three homes through the sale of items ranging from handmade crafts, Nestlé products, food, clothes and even potted plants. The initiative was also to recruit more volunteers, who are fondly known as ROCKers and encourage wider participation in ROCKS.

The Bazaar was held at the lobby in Surian Tower on 29 May 2011, between 11am and 4pm, and all departments were encouraged to take up a booth to sell items of their choosing to raise funds.

A total of RM18,000 was raised and these funds were divided accordingly and donated to the Selangor & Federal Territory Association for the Mentally Handicapped, Spastic Children's Association of Selangor & Federal Territory and the Handicapped and Disabled Children's Association of Klang Selangor.

ROCKS committee members also took the opportunity to enlist new members and opened the registration for 2011 ROCKS activities.



OUR PEOPLE AND THE WORKPLACE

Operation Goodwill

Operation Goodwill is an initiative to collect various daily items such as clothes, toys and books for the benefit of four homes - Grace Home Klang, Rumah KIDS Klang, Shelter Home for Children and Parents Without Partners.

The programme ran between October and December 2011 to allow ample time for staff to donate. Bins were placed on every floor at the Nestlé Head Office in Surian Tower, to provide convenience to the staff and each Friday, ROCKers collected these items, sorted and matched them to the homes' needs and requests. The items were then delivered to the respective homes with the help of our suppliers/vendors.

Over 5,000 items were collected, all of which have all been delivered to the selected Homes.

OUR COMMITMENT TO UNIONISED EMPLOYEES

In 2011, we successfully concluded the Collective Bargaining exercise which culminated in the signing of the 2011 - 2013 Collective Agreement with the Food Industry Employees Union (FIEU). The Agreement was signed in a true spirit of industrial harmony harnessing on the strength of a long and mutually beneficial working relations between Nestlé and its internal stakeholders.

The new Collective Agreement brings with it improved terms and conditions of employment for Nestlé Manufacturing employees who are represented by FIEU, which among others include salary adjustments and improvement to the terms and benefits provided by the Company.

The speedy and amicable conclusion of the Collective Agreement without any Government intervention is testimony to the trust that FIEU has in the Company and reflective of the mature working relationship between Nestlé and its internal stakeholders.

In addition to the FIEU Collective Agreement, the 2010 - 2012 Collective Agreement between Nestlé Products Sdn. Bhd. and the National Union of Commercial Workers (NUCW) was also concluded with a win-win situation for all parties.

EMPOWERING EMPLOYEES - THE WHISTLEBLOWING POLICY

An early warning system such as a whistleblowing procedure can help the Company detect wrongdoings and alert the Group to take corrective action before a problem becomes a crisis. It strengthens, supports good management and at the same time demonstrates accountability,



provides good risk management and sound corporate governance practices. This was further enhanced with the Whistleblower Protection Act 2010, where a whistleblower must be given proper protection against the employer while a complaint is being investigated.

The Company acknowledges that misconduct such as violation of laws, rules, regulations, production fault, fraud, health and safety violations or corruption are usually known first by the people who work in or with the Company and as such have set up the appropriate channels for employees to report such issues.

The Nestlé Whistleblowing Policy, introduced in August 2011, is a comprehensive framework, which outlines when, how and to whom a concern may be properly raised; distinguishes a concern from a personal grievance; and allows the whistleblower the opportunity to raise a concern outside their management line.

It allows employees who come across illegal or non-compliant conduct to address their concerns via the Integrity Reporting System, which allows them to report the incidences on a fully confidential basis. However, where possible, they are first encouraged to take it up directly with their line managers, with the Human Resource, Legal or Compliance Units, and even if they deem it appropriate, to lodge such reports to higher levels.

The introduction of the Policy also saw the establishment of a Business Ethic and Fraud Committee and a Non-compliance Hotline (free-phone line and web). Through various internal communications, employees are assured that all reports will be properly investigated and treated with confidentiality.

AWARENESS ON COMPETITION LAW

To ensure that employees are kept current on the latest acts and regulations relating to the business, Nestlé regularly conducts workshops and talks for relevant personnel within the Company.

In 2011, an educational exercise on the newly passed Competition Act 2010 was carried out targeting all Business Units. The objectives of the exercise were to create awareness on the Act, inform employees on how it will affect the Company's business operations, equip the employees with the relevant knowledge to manage the business in line with the new regulations, provide the procedures and responses required for dawn raids conducted at any of the Company's facilities and to establish a dawn raid Response Team.

The exercise covered a total of 1,725 employees from all the Business Units.



FROM LEFT:
A ROCKS Operation Goodwill poster encouraging employees to engage in charitable giving by donating food, books, clothing and toys.
The Whistleblowing Policy demonstrates accountability, good risk management and sound corporate governance of the Company.

OUR PEOPLE AND THE WORKPLACE

CASE STUDY

'WE MAKE NESTLÉ'

"If we treat each other with respect and dignity; if we are passionate about what we do and take pride in our work; and if we feel personally responsible for our daily jobs and take leadership when necessary, We Make Nestlé."

Peter Vogt

Managing Director,
Nestlé (Malaysia) Berhad

It is our people who make Nestlé the company that it is, a company that lives up to its business principles and values. They contribute to the Company's long-term success by working sustainably and Creating Shared Value.

The Nestlé Corporate Business Principles are the basis of our culture, which has developed over the past 140 years and they reinforce and protect the trust that our customers, consumers, suppliers and stakeholders have in us.

Along with the Corporate Business Principles are five core values that we strongly advocate – Respect, Trust, Commitment, Involvement and Pride. These values are the foundation that enables us to deliver on our promise of "GOOD FOOD, GOOD LIFE." As a Nestlé employee, the qualities that are appreciated and rewarded are passion and pride in their work, leadership, commitment, a sense of personal responsibility, care for people, the environment, delighting the consumer and trusting their colleagues.

THE NESTLÉ CORPORATE BUSINESS PRINCIPLES**Nutrition, Health and Wellness**

- Enhancing the quality of consumer's lives everyday, everywhere
- Offering tastier and healthier food and beverage choices
- Encouraging a healthy lifestyle
- GOOD FOOD, GOOD LIFE

Quality Assurance and Product Safety

- Nestlé - a promise to the consumer that the product is safe and of high standard
- Committed to never compromise on the safety of any product
- Maintaining high food safety standards in all countries in which we operate



Consumer Communication

- Committed to responsible, reliable consumer communication
- Empowering consumers to exercise their right of informed choice
- Respecting consumer privacy
- Fully support and compliance with WHO Code of Marketing for Breastmilk Substitutes everywhere in the world

Human Rights in Our Business Activities

- Fully support the United Nations Global Compact’s (UNGC) guiding principles on human rights and labour practices
- Uphold the freedom of association and effective recognition of the right to collective bargaining
- Adherence to eight fundamental conventions of the International Labour Organisation (ILO)

Leadership and Personal Responsibility

- Our success is based on our people, treating each other with respect and dignity
- We recruit competent and motivated people who respect our values
- We provide equal opportunities and do not tolerate any form of harassment or discrimination
- We expect everyone to promote a sense of personal responsibility

Safety and Health at Work

- Committed to preventing accidents, injuries and illness related to work
- Committed to protect employees, contractors and others involved along the value chain
- Safety is a non-negotiable priority of our culture

Supplier and Customer Relations

- Require our suppliers, agents, sub-contractors and their employees to demonstrate honesty, integrity and fairness
- They should adhere to our non-negotiable standards

- Establishing requirements on business integrity, sustainable operating and agricultural practices, labour standards, safety, health and environmental practices

Agriculture and Rural Development

- Contributing towards sustainable agricultural practices and systems
- Uplifting the social and economic status of farmers, rural communities
- Ensuring that our factories obtain raw materials competitively and at required quality and safety specifications

Environmental Sustainability

- Committed to environmentally sustainable business practices
- Strive to use natural resources efficiently at all stages of the product life cycle
- Determined to continue providing leadership within our sphere of influence as environmental performance is a shared responsibility

Water

- Committed to sustainable use of water and continuous improvement in water management
- Continuing our efforts to reduce the amount of water used in our operations
- Ensuring that the water we discharge into the environment is clean
- Reaching out to others on water conservation and access e.g. United Nations Global Compact CEO Water Mandate



OUR PEOPLE AND THE WORKPLACE

CASE STUDY (continued from previous page)

The roadshows focused on explaining the central concept of 'We Make Nestlé', ensuring that everyone understood the ten key Corporate Business Principles and the Nestlé Values.

'WE MAKE NESTLÉ' ROADSHOWS

In 2011, the Nestlé Corporate Business Principles and Values were relaunched and refreshed through a series of 'We Make Nestlé' roadshows at 13 different locations across Malaysia. The locations included six sales locations (Petaling Jaya, Johor Bahru, Penang, Kuala Terengganu, Kota Kinabalu and Kuching), five factories (Batu Tiga, Chembong, Petaling Jaya, Shah Alam and Kuching), the National Distribution Centre and the Head Office in Mutiara Damansara.

Attended by employees from corporate departments, business units, sales offices and factories, the roadshows focused on explaining the central concept of 'We Make Nestlé', ensuring that everyone understood the ten key Corporate Business Principles and the Nestlé Values.

Speakers representing the various business functions were brought together to explain the importance of the principles and values, and share their experiences of working with a Company that strongly and unwaveringly believes in Respect, Trust, Commitment, Involvement and Pride, thus strengthening the sense of community and camaraderie.

Through special presentations, Q&A sessions and interactive games to emphasise the values, employees were given a timely reminder on what it takes to 'Make Nestlé', i.e. delighting consumers, caring about people, developing responsible partnerships, respecting our environment and demonstrating our values.

Additionally, the roadshows also enabled employees to connect and network with the Nestlé family – renewing friendships, exchanging ideas and sharing experiences.



Results

The roadshows received overwhelming support from the employees with many giving positive feedback via informal sessions with the top management at the event as well as subsequently at their respective work locations.

While the main objective of the roadshows was to refresh employees on the importance of the Nestlé Corporate Business Principles and Values, they had also served another purpose in forging camaraderie and instilling a sense of ownership in the Company.

Moving Forward

‘We Make Nestlé’ is an internal communication campaign to educate and enlighten our employees about the principles and values of our Company that have shaped our behaviour as an organisation over the past 100 years of our existence in Malaysia. It is essential that we continue to communicate with our employees to ensure that the Nestlé Corporate Business Principles and Values are embedded within them, not just at the workplace but also in all that they do.

A key initiative in 2012 will be the launch of the ‘We Make Nestlé’ Recognition Programme.

“I think it is a good event because it makes us understand better about the whole working environment.”

Nur Jamalina Jamaluddin
Commercial Control, Head Office

“The staff makes the company. Now I feel very important because I am part of the “we” in ‘We Make Nestlé’.”

Samsudin Abd Majid
Nestlé Professional, Penang

“Proud to be a part of Nestlé and to see everybody feeling that ‘We Make Nestlé’.”

Brett Whitfield
Group Procurement, Head Office

“The event reminds us again of the Nestlé values.”

Ngu See Ho
Chilled Business Unit,
East Malaysia – Sarawak

“All the values are equally important and we cannot miss anyone of them. But what we have learned is that the most important is commitment.”

Koh Tuck Kong
Sales, East Coast – Kuantan



OUR PEOPLE AND THE WORKPLACE

OUR PEOPLE - OUR PERFORMANCE

	GRI Reference	2010	2011
Workforce - Full Time Equivalent Employees			
Total number of employees	LA1	5,004	5,424
Permanent employees (%)	LA1	93%	90%
Temporary & Contract employees (%)	LA1	6%	4%
Occupational Health and Safety			
Lost Time Injury Frequency Rate	LA7	0.78	1.16
Employee Turnover			
Employee turnover	LA2	8%	6%
Diversity			
Gender profile (total) - % male	LA13	66%	66%
Gender profile (total) - % female	LA13	34%	34%
Leadership positions held by women	LA13	23%	29%
Female / Male salary ration (women:men)	LA14		
Top Management		7:93	7:93
Senior Management		25:75	31:69
Middle Management 1		36:64	39:61
Middle Management 2		38:62	44:56
Executives		44:56	45:55
Confidential Administrator Support		88:12	89:11
Non-Management (unionised)		28:72	28:72
Human Rights and Labour Standards			
New employees trained on employee requirements, human rights and labour standards (number of employees)		160	84
Training and Development			
Training provided to employees per year (value of training - RM)		7,200,000	11,000,000
Number of attendance - local training		–	7,954
Number of attendance - overseas training		–	106
Number of employees enrolled in Flexible Benefits Plan		N/A	357

TARGETS AND ACHIEVEMENTS**Our People and the Workplace****WORKFORCE**

What we set out to achieve	What we have achieved to date	Our way forward
To deliver the Nestlé promise - 'GOOD FOOD, GOOD LIFE' to consumers guided by Respect, Trust, Commitment, Involvement and Pride values and to strengthen the sense of camaraderie.	'We Make Nestlé' roadshows were held at 13 different locations nationwide to relaunch and refresh the Nestlé Corporate Business Principles and Values. The event saw managers presenting the importance of the Principles and Values.	To continue to communicate with employees on Nestlé Principles and Values so as to enable us to deliver on our promise of 'GOOD FOOD, GOOD LIFE'.
To provide opportunities for employees to present their views and feedback.	Following the "Nestlé & I" survey conducted in 2010, feedback was gathered from employees on better ways to ensure that the suggestions from these surveys are acted upon.	The survey will be conducted again in mid-2012 to further track the progress.
To provide employees a sense of pride, involvement and empowerment in contributing to the growth of the Company.	A new centralised end-to-end recruitment and sourcing process were introduced to ensure uniformity in managing recruitment exercises and to better utilise the input of recruitment specialists as well as to ensure that the integrity of the Nestlé values are incorporated into all recruitment exercises, while reducing and improving our sourcing capabilities to attain quality talent. An Employee Referral Programme was also formed to encourage employees to identify and attract potential talents into the Company. The programme develops a new sourcing channel and builds an alternative talent database as well as rewards Nestlé employees for recommending successful candidates.	Nestlé will continue to monitor employees participation and evaluate the effectiveness of individual contributions.
To provide opportunity for employees to build up their confidence and self-esteem as well as explore own skills and improve their work-life balance.	A training initiative was introduced; Everyday Coaching Programme (ECP), as solution-focussed programme that uses behavioural skills in changing mindsets to assist employees discover and develop their true potential. Nestlé held a 'pulse check' survey to measure the outcomes end of 2011.	An extensive two-year programme is prepared to sustain and embed the coaching culture within the organisation.
To provide continuous support towards employee engagement and career development.	Talent & Performance Management Solution was introduced since 2010.	Ongoing.

OUR PEOPLE AND THE WORKPLACE

What we set out to achieve	What we have achieved to date	Our way forward
To offer employees and their families flexibility in their choice of life insurance, and health and wellness packages.	Flexible Benefits Plan was introduced in April 2011. The Framework of the plan is centred on enhancing the Company's market competitiveness, strengthening talent retention and acquisition strategy and meeting the diverse needs of multi-generation employees.	New intakes will be enrolled into the Plan.
To promote healthy lifestyles and healthy diets among employees and to ensure Nestlé employees are well-versed on nutrition through educational initiatives.	<p>A series of campaigns/activities were activated in various locations to promote healthy eating, active living and mental health. These included:</p> <ul style="list-style-type: none"> a) Weekly exercise classes on Wednesdays. b) Yoga classes on Thursdays. c) Monthly Lunch n' Learn sessions covering basic topics on Nutrition, Health and Wellness. d) Nestlé Walking Days. e) Nutritional Quotient (NQ) training for employees. f) Publication on healthy living and education on how to read food labels on Nestlé website and Facebook. g) Annual Hi-Tea / Dinners. h) Family Days. 	To continue with the training sessions. This is in line with Company's efforts to become the world's trusted Food, Nutrition, Health and Wellness company.
SAFETY AND HEALTH		
To improve safety at the workplace and develop leadership skills in Safety & Health among employees.	Two workshop sessions on Safety & Health Leadership Development were held in October and December 2011 with the main goal of achieving zero accidents at the workplace.	The Company will continue to develop Nestlé employees to improve the Lost Time Injury Frequency Rate (LTIFr) and Total Recordable Injury Frequency Rate (TRIFr) respectively.
To increase employee awareness and better compliance on road safety regulations.	<p>Nestlé conducted a Safe Driving Campaign for its Supply Chain staff together with the Road Safety Department of the Ministry of Transport.</p> <p>Various activities and initiatives were held at the National Distribution Centre that included:</p> <ul style="list-style-type: none"> a) Inspection of motorcycles b) Helmet safety inspection c) Road safety training d) Set up a road safety information counter e) Build a mini exhibition on road safety 	Fully aligned with the requirements of the regulations and target to achieve zero total recordable injury.

What we set out to achieve	What we have achieved to date	Our way forward
To improve safety practices	In line with the Whistleblowing Protection Act 2010, the Nestlé Whistleblowing Policy was introduced to outline the procedures in which concerns may be properly raised. The introduction of the Policy also saw the establishment of a Business Ethic and Fraud Committee and a Non-compliance Hotline.	Nestlé to assure all reports will be properly investigated and treated with confidentiality.
To ensure all employees are kept current on the latest acts and regulations relating to the business.	<p>Nestlé regularly conducts workshops and talks for relevant personnel within the Company such as an educational exercise on the newly-passed Competition Act 2010 targeting all Business Units.</p> <p>The exercise covered a total of 1,725 employees from all the Business Units.</p>	To continue with the workshops and talks to keep the employees updated.
To encourage volunteerism among employees through the Nestlé Reaching Out to Communities and Kids (ROCKS) employee volunteer programme.	<p>ROCKS was set up to contribute meaningfully to society and to provide Nestlé employees with the opportunity to contribute to the Company's business ethos of Creating Shared Value. In 2011, 243 Nestlé employees participated in various community activities, which include:</p> <ul style="list-style-type: none"> a) ROCKin' Bazaar - to raise funds for three homes through the sale of items ranging from handmade crafts, Nestlé products, food, clothes and even potted plants. b) Operation Goodwill - an initiative to collect various daily items such as clothes, toys and books for the benefit of four homes. 	<p>To increase and gain more employee participation and initiate many other meaningful and sustainable activities in 2012.</p> <p>Nestlé will continue to monitor employee participation, and to evaluate the effectiveness of individual contributions.</p>



A Nestlé representative guiding a consumer through the nutritional label on Nestlé BLISS Yogurt Drink, as part of the 'Choose Right Campaign'.

It is an extension of the 'How Am I?' initiative to encourage consumers to use food labels to help them make better choices for food and beverage.



OUR CONSUMERS AND THE MARKETPLACE

As the world's leading Food, Nutrition, Health and Wellness company, one of our key challenges is to determine how we can improve our consumers' quality of life not only through food and diet, but also through healthier lifestyles.



With the public and Government concern on the increasing incidences of Non-Communicable Diseases, it is all the more imperative for Nestlé to ensure that its products and services help alleviate and do not contribute further to these problems.

As an example, Nestlé has introduced a series of Walking Days in 2011, which culminated in the World Walking Day in November, as a way to encourage physical activities in order to maintain a healthier lifestyle. (please refer to page 30 for more information about Nestlé Walking Day).

In addition to that, significant resources have been channelled into Research and Development (R&D) to better understand the impact of food and nutrition on the overall well-being of consumers. Through the innovation and renovation of our products, we have made strides to improve their nutritional value without sacrificing on taste. Reducing the sugar and salt levels in our products has been a key focus.



FROM LEFT:

The World Walking Day event is a fun-filled activity for the entire family.

The 'How Am I?' campaign aims to promote healthy eating and active living.

In 2011, significant improvements were made particularly for the MAGGI range of products, where 45 items have been renovated and on average, over 24% of sodium has been reduced.

Other significant innovations and renovations include baby cereals with probiotics and wholegrain; the full range of NESCAFÉ Can Drinks are now low fat and meet Nutritional Foundation criteria for total energy per serve; improved recipe for NUTREN Optimum with Probiotics and Prebiotics; and more fat free variants for NESTLÉ Fat Free Yogurt and BLISS Yogurt Drinks.

With the world's largest private nutrition R&D network – comprising 30 research, technology and product development centres staffed by more than 5,200 employees globally – we are able to improve the nutritional profile of our products and strengthen the process of evaluating and maintaining their nutritional value¹.

Consumers today are more discerning with what they consume, with their needs continuously evolving. We believe that offering more nutritious products alone is insufficient and we also need to raise awareness of the importance of healthy diets and lifestyles. In reflection of our standing among consumers, we have embarked on various initiatives to address this including providing nutrition education and events which encourage more physical activities.

These include the 'How Am I?' initiative², aimed to help consumers improve their diets and lifestyles. Through a proprietary tool called the Nestlé Wellness Profiler, consumers are able to understand their current attitudes towards nutrition and health.

Additionally, Nestlé also developed the 'Choose Right Campaign' to encourage consumers to make informed choices by learning how to read food labels.

Awareness on the use of food labels were raised through radio and print, while bite-sized articles on understanding the information printed on food packaging were highlighted on www.nestle.com.my/howami and leaflets distributed at several nutrition and health events.

We have made significant strides in our commitment to promote health and wellness among the public with the most recent Corporate Equity Monitor indicating that 70% of consumers acknowledge that Nestlé is an expert and a leader in nutrition. This reflects an increase of 27% over 2010 and is a clear indication that we are moving in the right direction.

¹ Refer to our global website www.nestle.com/RandD

² Details of the 'How Am I?' campaign can be obtained online at www.nestle.com.my/Nutrition_Health_Wellness. The Nestlé Wellness Profiler can be accessed on the Nestlé Malaysia Facebook page at www.facebook.com/nestlegoodfoodgoodlife



OUR CONSUMERS AND THE MARKETPLACE

The following are some of the initiatives that we have undertaken in 2011 to reinforce the Company's Nutrition, Health and Wellness positioning among consumers:

COMMUNICATING WITH CONSUMERS

At Nestlé, we put our consumers at the heart of all we do, so we regularly communicate with them, to gather their thoughts and feedback about us and to strengthen our relationship with them.

The Dear Nestlé Programme does this by engaging with consumers through consumer relationship marketing (CRM) programmes, via e-mail and online. Every Malaysian aged between 18 to 65 years of age can sign up for free to receive useful information on Nutrition, Health & Wellness, great tasting recipes and special promotions. The website www.nestle.com.my/dearnestle provides a wealth of resources with healthy recipes, articles and features on health and wellness, as well as health tools such as a Body Mass Index (BMI) calculator and menu guides.

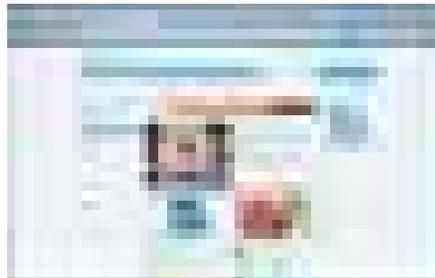
The programme is also a convenient avenue for members to provide feedback and comments, helping the Company further improve its products and services. As a result of the relationship, Dear Nestlé members tend to be more trusting of the Company and its products, as revealed in the Corporate Equity Monitor 2011. As at 31 December 2011, more than half a million households in Malaysia have signed up as Dear Nestlé members.

"I follow your health tips and recipes for my family. The delicious taste of Nestlé products cannot be compared to any other product."

Bhavani Sivagnanam,
Dear Nestlé member,
Negeri Sembilan.

The Consumer Services Team, on the other hand, is the interface between the Company and its consumers who can call the free-phone number listed on all our product packs. In addition to the free-phone number, consumers can also send their feedback or queries via the corporate website, mail or fax.

In 2011, the Team handled 21,663 cases, of which 89% were enquiries, 10.5% complaints and the remaining 0.4% compliments. While the total number of cases saw a slight increase from the previous year, it is heartening to note that the number of complaints dropped by more than 43%, from 3,984 in 2010 to 2,264. Interest in Nutrition, Health and Wellness issues continued to grow with 1,088 enquiries, reflecting a 64% increase from the enquiries received in 2010.



TRACKING OUR IMAGE

The Corporate Equity Monitor (CEM) is a tool that enables us to track the perception of our corporate image, as the Nestlé Corporate Brand evolves from being a 'Food & Beverage' to a 'Nutrition, Health and Wellness' company. Undertaken on an annual basis, it also provides a competitive assessment of the Corporate Brand health and assesses the role of corporate strategic brands in driving up corporate equity.

In the most recent study conducted in 2011 involving 1,030 members of the public, Nestlé as a company maintained its position as the leading food and beverage manufacturer, with total and top-of-mind awareness increasing by 26% and 13% respectively, compared to the previous year.

While other manufacturers have made stronger inroads within certain product categories, Nestlé has managed to maintain its leadership position across all key areas, most significantly scoring above 70% as a company consumers trust, with the company perceived to deliver the best quality as well as the best tasting products.

Nestlé also ranked highly in terms of product safety.

The Company's position as an expert and leader in nutrition, continued to rise in 2011 with a 27% increase, which is in line with consumer perception that sees Nestlé as the leading company that produces products that cater to a balanced diet with helpful on-pack information to help them choose healthier products.

The study also showed that there have been improvements within the industry as a whole in terms of the imagery of healthier products and this augurs well for all Malaysians in having healthier choices in the market. While the improvements may be attributed to increased marketing and branding activities, it is also likely to be due to the high standards that Nestlé has set for itself and the rest of the industry.

What this also means is that Nestlé has to continue to improve its offerings through product innovation and renovation to ensure that it remains as a leader within the industry.

At Nestlé, we put our consumers at the heart of all we do, so we regularly communicate with them, to gather their thoughts and feedback about us and to strengthen our relationship with them.



FROM LEFT:

Attractive and eye-catching Dear Nestlé mailers are packed with useful tips and information on Nutrition, Health and Wellness.

Dear Nestlé members enjoying themselves at one of our engagement activities with them.

OUR CONSUMERS AND THE MARKETPLACE

The Nestlé Nutrition Institute (NNI) is the medical and scientific communication arm of Nestlé Nutrition which aims to create shared value with healthcare professionals by providing them with access to the latest knowledge on nutritional sciences.

FITNESSE OFFICE CHALLENGE 2011

During the third quarter of 2011, the Nestlé Breakfast Cereals team rolled out the FITNESSE Office Challenge to 10 corporate organisations within the Klang Valley, with the objective of introducing an easy-to-manage weight loss programme.

Targeted at weight conscious consumers, the 14-day programme promoted a healthy lifestyle through the consumption of breakfast cereals as part of a partial meal replacement plan together with a prescribed exercise routine. Participants took part in teams of three, with each individual given the target of losing a minimum of 1kg and total team weight loss to not exceed 10kg.

The programme received overwhelming response and was also supported via in-store activation, detailing and brand association with The Biggest Loser Asia and Miss Universe Malaysia.

Throughout the promotion period, it was also stressed that the programme was designed to help achieve and maintain optimal body weights through a healthy diet and lifestyle.

ADDRESSING NON-COMMUNICABLE DISEASES

Non-communicable diseases, particularly diabetes, high blood pressure and high cholesterol have seen an increase in incidences as reported in the National Health and Morbidity Survey III in 2006. As the world's leading Food, Nutrition, Health and Wellness company, Nestlé has played an active role in supporting health initiatives, through nutritional improvements in its products, as well as promoting healthy diets and lifestyles as the foundations of good health.

Diabetes can be a complicated disease to manage without education and guidance. Thus, Nestlé HealthCare Nutrition has been supporting the Malaysian Diabetes

FROM LEFT:
The FITNESSE Office Challenge garnered much support and response among corporate organisations in the Klang Valley.

Nestlé HealthCare Nutrition strongly advocates better understanding and management of diabetes via organising public forums on diabetes.



Association in organising a series of public forums on diabetes to help the public better understand and manage the disease. In 2011, four forums were conducted in Petaling Jaya, Ipoh, Malacca and Klang. The forums reached out to a total of 300 participants and included presentations on medical and dietary perspectives of diabetes management by an endocrinologist and a dietician respectively.

In addition to the forums, HealthCare Nutrition also supported the monthly counselling programme organised by Malaysian Diabetes Association, where a dietician was appointed to provide free consultation for people living with diabetes, along with their families and friends.

Apart from diabetes, Nestlé also views the increasing prevalence of obesity seriously, particularly among schoolchildren. A forum was held in November to raise awareness on the increase in the occurrences of obesity as well as to discuss ways to tackle the issue.

The Obesity Forum featured presentations from Prof. Dr. Norimah A. Karim, Vice President of Malaysian Association for the Study of Obesity (MASO) and Dr. Chin Yit Siew, from the Department of Nutrition and Dietetics, Faculty of Medicine and Health Sciences, Universiti Putra Malaysia.

This was followed by a discussion among a panel of experts from NGOs and the Government such as the Nutrition Society of Malaysia, Department of Public Health of the Ministry of Health, Malaysian Dietitians' Association and representatives from Nestlé Malaysia. (see Case Study on pages 100 to 103).

SCIENCE FOR BETTER NUTRITION

The Nestlé Nutrition Institute (NNI) is the medical and scientific communication arm of Nestlé Nutrition which aims to create shared value with healthcare professionals by providing them with access to the latest knowledge on nutritional sciences. NNI engages healthcare professionals through

continuous educational programmes and workshops; nutritional science publications and resources (including the NNI website³); and visits to Nestlé Research Centres.

In 2011, several activities were organised, which include two scientific workshops for senior medical officers from the Paediatric and Obstetric & Gynaecology units of selected Government hospitals; a symposium on obesity, failure-to-thrive and feeding premature babies for professionals with special interest in these areas and educational sessions with medical students from several medical universities in the country.

Additionally, a working visit to the Nestlé R&D Centre in Singapore was arranged for healthcare professionals and we also took the opportunity to invite relevant specialists to attend various courses, workshops and seminars organised by NNI within the South-East Asia Pacific Rim region.

³ www.nestlenutrition-institute.org



OUR CONSUMERS AND THE MARKETPLACE

NESTLÉ IMMUNITY WEEK

Nestlé, through the Infant Nutrition Business Unit, conducted several activities in 2011 to create awareness and understanding of the child's immune system.

The activities kicked-off with the participation in the 7th Parenthood Expo at the Mid Valley Exhibition Centre in Kuala Lumpur, followed by public forums at six well-established medical institutions⁴ as part of the Nestlé Immunity Week. The forums were attended by participants made up of parents with children aged one year and above.

Further to that, a series of articles on childhood immunity written by paediatricians were published in major English, Bahasa Malaysia and Chinese dailies⁵ as well as several live TV interviews on NTV7 Breakfast Show⁶.

⁴ Pantai Hospital KL; Gleneagles KL; Sunway Medical Centre, PJ; Tropicana Medical Centre, PJ; Loh Guan Lye Specialists Centre, Penang and Columbia Asia, Johor Bahru.

⁵ Articles appeared in The Star, New Straits Times, Utusan Malaysia, Harian Metro, Kosmo!, Sinar Harian, Sin Chew Daily, China Press, Yahoo! News, PEREMPUAN and Pa&Ma magazine.

⁶ Appeared in the following live TV interviews on NTV7 Breakfast Shows:

20/7/2011 - Understanding Your Child's Immunity

- The How & Why, 26/7/2011 - Good Bugs for Immune Defence, 27/7/2011 - How to Spot a Child with Weak Immunity, 2/8/2011 Brain Food vs. Tummy Food for Children, 3/8/2011 Good Habits for Good Immunity, 23/8/2011 How to keep your children healthy during Ramadan

ENSURING PRODUCT QUALITY AND FRESHNESS

Delivering fresh products is one of the key elements in delighting our consumers, with the benefits of full enjoyment of our quality products, reduced aging stocks and less waste.

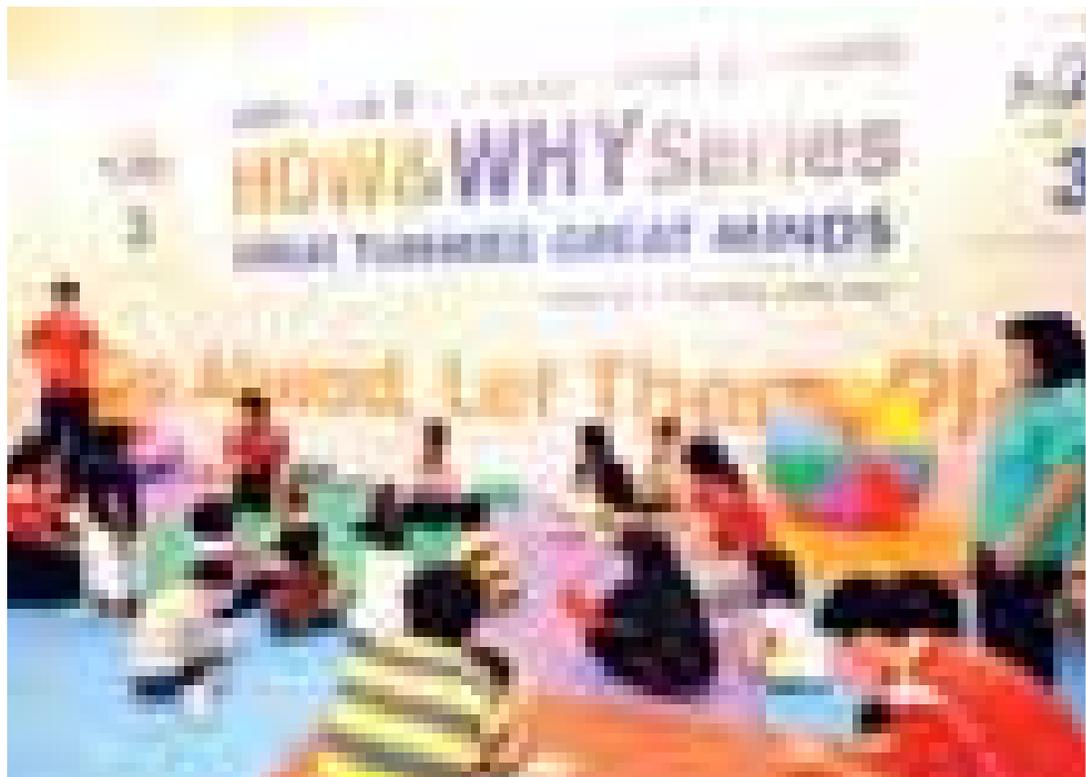
In 2011, we delivered a total of 3.5 million cases of products with 91.8% remaining shelf life. This marks an improvement over 2010 by 0.6%. The freshness of our Inventory has also seen an improvement, moving from 92.3% in 2010 to 93.9% in 2011.

We strongly focus on compliance for our processes through dedicated training and support, together with proactive management in dealing with the daily challenges and coming up with the right measures to fully understand the root causes and identifying opportunities in order to create sustainable solutions.

WORKING WITH OUR EXTERNAL PARTNERS

Nestlé further enhanced its reputation as the leader in Food, Nutrition, Health and Wellness with several activities targeted at vendors and the food industry.

The third Nestlé Ice Cream Mobile Vendor Convention was held towards the end of the year with 300 attendees from all over the country. The attendees are part of the Nestlé Ice Cream Creating Shared Value Programme whereby a mobile business model was introduced to interested parties. Besides reviving the traditional ice cream vendor that brings the product closer to consumers, the programme also creates new job opportunities. The business model also extends to special community partners with the aim of improving their welfare through self-sustaining entrepreneurship.



In 2011, Nestlé Ice Cream expanded the recruitment to 28 mobile vendors and 432 mobile representatives.

Earlier in the year, Nestlé Professional jointly organised a talk on Personal Hygiene and Food Safety with the Malaysia Selangor and Federal Territory Ku Shin Choong Hung Restaurant Association. 100 restaurant operators and chefs under the Association attended the event.

Meanwhile, Nestlé also continued with its Small and Medium Entrepreneurs (SME) Mentoring Programme. A joint effort between Nestlé, Halal Industry Development Corporation (HDC) and Small Medium Entrepreneurs Corporation (SME

Corp), the programme shares Nestlé best practices relating to the manufacturing and production of halal food products. The objective of the programme is to promote the development of business opportunities for SMEs involved in the halal food and beverages industry and is in line with the country's aspiration of becoming a global halal hub.

In addition to the training modules, participants also visited the Nestlé factory in Chembong to witness for themselves the production processes. A total of 70 participants from 50 different SMEs participated in the programme in 2011, which was held over four sessions.

Delivering fresh products is one of the key elements in delighting our consumers, with the benefits of full enjoyment of our quality products, reduced aging stocks and less waste.



FROM LEFT:

The Nestlé Immunity Week was organised with the objective to create awareness and understanding of a child's immune system.

Consumers benefit from the quality, safety and peace of mind of halal products from Nestlé.

OUR CONSUMERS AND THE MARKETPLACE

RESPONSIBLE SOURCING PROGRAMME

The Nestlé Supplier Day, 'Together We Make Nestlé', was held at The Saujana Resort Hotel on 29 September 2011 with more than 400 attendees. The event, conducted by Group Procurement, aimed to align suppliers with the Nestlé business ethos of Creating Shared Value (CSV).

It is part of the Responsible Sourcing Programme, which has been integrated as part of the supplier selection process and sets the fundamentals to drive Compliance, Sustainability and CSV in our entire upstream value chain. Responsible sourcing will promote security of supply, business continuity and innovation as well as mitigate financial and reputational risk.

Acknowledgement and compliance to the Nestlé Supplier Code set the non-negotiable minimum requirement to all our business partners, down the supply chain to their own suppliers and farmers. The Code encompasses six key areas: Business Integrity, Sustainability, Labour Standards, Safety and Health, The Environment and

Supplying Farmers, which reflect the basis of our commitment in executing the Nestlé Corporate Business Principles.

For full compliance, suppliers are required to register with SEDEX, an independent non-profit Supplier Ethical Data Exchange to share their social and environmental performance and report of ethical data.



Group Procurement Manager, Mr. Brett Whitfield launching the inaugural Nestlé Supplier Day together with Mr. Vogt and Mr. Seiler.



A Q&A session taking place, allowing our suppliers to bring forth any queries to the top management.



LEADING THE INDUSTRY

As a member of the Malaysian International Chamber of Commerce and Industry (MICCI), Nestlé has been active in helping to share information and generating awareness on the new Competition Act.

Led by the Legal and Secretarial Department, Nestlé hosted a Roundtable Discussion on Competition Law on the recently passed Competition Act 2010. Attended by 66 participants representing companies and organisations from various industries, the objective of the Roundtable Discussion was to create awareness on the Act and how it will affect businesses. The session also equipped the participants with the relevant knowledge to manage their business in line with the Act.

In alignment with the said objective and purposes, the Legal and Secretarial Department conducted Competition

Law Awareness Training Programmes, consisting of a three-part module for each Business Unit, as an effort to facilitate Nestlé employees with the appropriate guidelines to ensure that their business are managed in compliance with the Act.

In August, Nestlé organised an event to create awareness of the impact of ISO 26000 Guidance on Social Responsibility on the industry. Attended by members of MICCI and Nestlé employees from the Purchasing and Supply Chain units, the session featured Dr. Michael Chiam of the SIRIM Technical Committee, who shared case studies relating to supply chains to illustrate the importance of ISO 26000.

Following Dr. Chiam's presentation, Nestlé presented how it continues to Create Shared Value through its operations and how it is aligned to the United Nations Millennium Development Goals and ISO 26000.

As a member of the Malaysian International Chamber of Commerce and Industry (MICCI), Nestlé has been active in helping to share information and generating awareness on the new Competition Act.

Nestlé hosted the MICCI Roundtable Discussion on Competition Law, gathering the industry and sharing knowledge on the recently passed Competition Act 2010.



Dr. Michael Chiam addressing the attendees of the ISO26000 Guidance on Social Responsibility talk organised by Nestlé and MICCI.



OUR CONSUMERS AND THE MARKETPLACE

CASE STUDY

NESTLÉ OBESITY FORUM 2011

In 2007, Nestlé Malaysia commissioned Universiti Kebangsaan Malaysia (UKM) to conduct a follow-up study on the nutritional status and dietary habits of primary schoolchildren to determine the changes that have taken place following an earlier survey done in 2001. The results were startling, with more than 12% increase in the number of overweight and obese children in the country.

This was further corroborated in recent media reports, which highlighted concerns by the Deputy Prime Minister, YAB Tan Sri Muhyiddin Yassin on the current situation.

In line with the Company's motto of 'GOOD FOOD, GOOD LIFE', Nestlé organised a half-day forum to raise awareness on the

increase in occurrences of obesity as well as to discuss ways to tackle the issue as part of its efforts to assist the government in the challenging task. Attendees to the forum included experts in health and nutrition, members of the media and representatives from Nestlé.

It was envisaged that the media would do its part in reporting about the forum and carrying stories on obesity issues.

The forum was broken up into two sessions with the first session featuring presentations by Prof. Dr. Norimah A. Karim, Vice President of Malaysian Association for the Study of Obesity (MASO), Dr. Chin Yit Siew, from the Department of Nutrition and Dietetics, Faculty of Medicine and Health Sciences, Universiti Putra Malaysia and Ms. Cher Siew Wei, Nutrition Manager, Nestlé Malaysia.

Prof. Dr. Norimah presented the findings from the 2007 UKM study and a brief introduction on understanding obesity, while Dr. Chin presented on recognising early symptoms of obesity in kids and adolescents.

The second session had the moderator, En. Kamarul Baharin leading a lively discussion with a panel of experts comprising Dr. Tee E Siong, President, Nutrition Society of Malaysia (NSM); Puan Rokiah Don, Director, Department of Public Health, Ministry of Health; Ms. Indra Balaratnam, President, Malaysian Dietitians' Association (MDA) and Ms. Chia Wee Leng, Corporate Wellness Manager, Nestlé Malaysia.



The key take-outs from the Forum were as follows:

1. Incidences of obesity increasing with almost half of Malaysian adults overweight.
2. Incidences among children also increasing due to poor dietary habits and sedantary lifestyles.
3. Reasons for children skipping breakfasts – lack of time, parents do not have help and non-interesting meals (no variety).
4. The best approach is to educate children - instill good eating habits/balanced food intake as part of their daily routine and to promote healthier lifestyles.
5. Education alone is not enough - there needs to be a supportive environment, e.g. school canteens offering nutritional/healthier options and food companies and retailers offering healthier product options.
6. Adults tend to be more aware about good eating habits/balanced food intake but lack exercise, usually resulting from behavioural and lifestyle issues due to work and social commitments.
7. Fast food is usually a preferred option due to the convenience factor to accommodate busy lifestyles.
8. While the relevant Ministries can help legislate and enforce food safety and hygiene served in schools and restaurants, it will be difficult to do so with the many small operators and hawker stalls all over the country.
9. Influence on dietary and lifestyle habits differs with age, with peers and media generating more influence as children grow older.

In line with the Company's motto of 'GOOD FOOD, GOOD LIFE', Nestlé organised a half-day forum to raise awareness on the increase in occurrences of obesity as well as to discuss ways to tackle the issue as part of its efforts to assist the government in the challenging task.



OUR CONSUMERS AND THE MARKETPLACE

CASE STUDY (continued from previous page)

10. There is an opportunity to influence adolescents, as they become more aware/conscious about their bodies, they will be more interested in taking care of themselves to look good.
11. Branding activities from the private sector should highlight more on nutrition and health, develop positive messages for children and project healthy lifestyles.
12. Private sector should also invest in introducing and promoting new healthier options, as well as to absorb costs and promote usage (investing in marketing to create demand).
13. New policies relating to food and health need to be introduced – for example, in some countries fast food restaurants are not allowed to operate in residential areas.

14. Current policies and legislations need better enforcement.

15. The various ministries, government agencies, NGOs and the private sector need to work together, improve cooperation levels and communicate with each other better, as well as within their own organisations/departments.

RESULTS

As a result of the Forum, the participants went away with a better understanding of the issue as well as realising that a lot more need to be done to overcome the challenges.

The media did its part to convey the message to the general public through reports on the forum in their respective publications. To date, the following publications carried the story: The Sun, The Sunday Star, Red Tomato, Harian Metro (print and online) and The Sun Daily Online.

Next Steps:

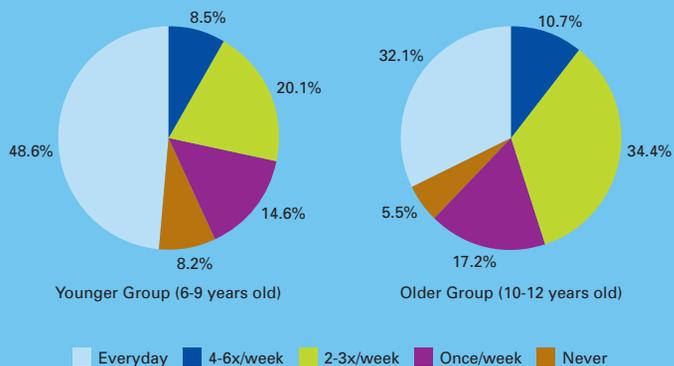
Nestlé will explore more avenues with the media and relevant organisations to raise awareness on obesity issues as well as to engage with the relevant authorities – e.g. local city councils, on how it can help to promote healthier food options among food operators.

Nestlé will include topics on healthy food options and obesity issues when conducting future talks and workshops with the various restaurant associations and food operators.

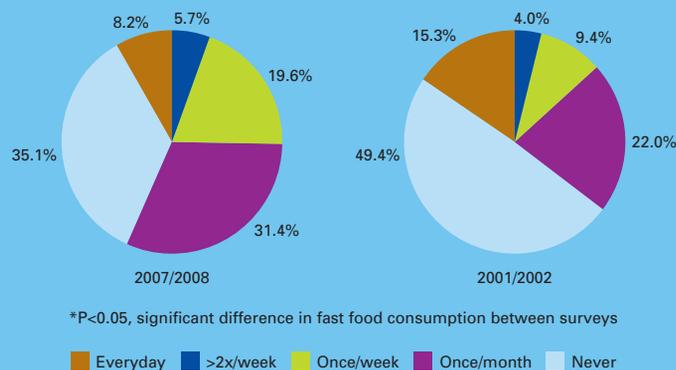
As suggested by the forum panellists, Nestlé will also look at how it can introduce healthier product options available in other Nestlé markets and sustain them in the Malaysian market.



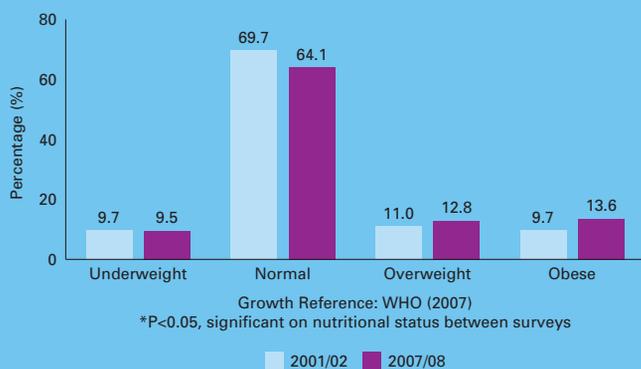
Pattern of Snacking by Age Group



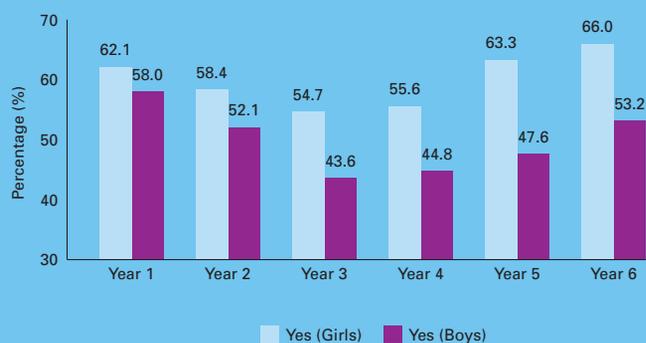
Fast Food Consumption*



Prevalence of Underweight, Normal, Overweight and Obesity Comparison of 07/08 and 01/02*



Sports Involvement after School by School Year



Extracted from:
Prof. Dr. Norimah A. Karim, Vice President of MASO's presentation at the Nestlé Obesity Forum, 3 November 2011, on Nestlé-UKM Survey Highlights: Nutritional Status and Dietary Habits of Primary Schoolchildren in Malaysia 2007/08

OUR CONSUMERS AND THE MARKETPLACE

THE MARKETPLACE - OUR PERFORMANCE

	GRI Reference	2010	2011
Nutrition			
Products meeting or exceeding Nutritional Foundation profiling criteria (as % of sales)	N/A	74%	78%
Products meeting or exceeding consumer taste preference (as % of sales)		81%	78%
Products with nutritional plus over competitors (as % of sales)		54%	54%
Products with a nutritional claim on front of pack		64%	68%
Products covered with Nestlé Nutritional Compass (as % of sales)		100%	100%
Products with GDA labelling (as % of sales)		57%	69%
Nutrition, Health & Wellness			
Total number of employees who received nutrition training ¹		1,209	262 ²
Consumer Services			
Number of cases handled		15,475	21,663
Number of enquiries		11,392	19,306
Number of complaints		3,984	2,264
Number of praises		99	93

1 Exclude Purina PetCare, Nestlé Nutrition & CPM

2 The NQ training programme was initiated in 2007, for all existing employees, the majority of whom had undergone the training in 2010. The number of employees trained in 2011 were only for new employees and the few who have not had any training before.

TARGETS AND ACHIEVEMENTS

Our Consumers and the Marketplace

NUTRITION, HEALTH AND WELLNESS

What we set out to achieve	What we have achieved to date	Our way forward
<p>To improve consumers' quality of life through good food and diet by providing quality food in terms of nutrition and freshness.</p>	<p>Research and Development</p> <p>Through the innovation and renovation of our products in 2011, significant improvements were made particularly for the MAGGI range of products, where 45 items have been renovated and on average, over 24% of sodium has been reduced.</p> <p>Other product development include: the full range of NESCAFÉ Can Drinks are now low fat and meet Nutritional Foundation criteria for total energy per serve; improved recipe for NUTREN Optimum with Probiotics and Prebiotics; and more fat free variants for NESTLÉ Fat Free Yogurt and BLISS Yogurt Drinks.</p> <p>Product Quality</p> <p>In 2011, we delivered a total of 3.5 million cases of products with 91.8% remaining shelf life. This marks an improvement over 2010 by 0.6%. The freshness of our Inventory has also seen an improvement, moving from 92.3% in 2010 to 93.9% in 2011.</p>	<p>Research and Development</p> <p>Nestlé will continue to innovate and renovate its products to improve its nutritional value without compromising on taste and quality.</p> <p>Product Quality</p> <p>We will continue with our stringent compliance processes, through training and proactive management, to ensure that we deliver fresh and quality products.</p>
<p>To raise awareness of the importance of healthy diets and lifestyles and providing nutrition education.</p>	<p>'How Am I?' Initiative</p> <p>The 'How Am I?' initiative³ aims to help consumers improve their approach to healthy diets and lifestyles. Through a proprietary tool called the Nestlé Wellness Profiler, consumers are able to determine their state of health and wellness, and be more informed about their attitude towards health.</p> <p>Choose Right Campaign</p> <p>This campaign empowers consumers to make informed choices by reading food labels correctly. Every product pack carries a Nutritional Informational Panel (NIP) - a table that lists the amount of energy and nutrients present in the product.</p> <p>The most recent Corporate Equity Monitor indicated that 70% of consumers acknowledge that Nestlé is an expert and a leader in nutrition. This reflects an increase of 27% over 2010, and is a clear indication that we are moving in the right direction.</p>	<p>Nestlé will strengthen efforts to educate consumers on how to read front of pack nutrition labels and use the Nestlé Nutritional Compass to choose healthier food.</p>

³ Details of the 'How Am I?' campaign can be obtained online at www.nestle.com.my/Nutrition_Health_Wellness. The Nestlé Wellness Profiler can be accessed on the Nestlé Malaysia Facebook page at www.facebook.com/nestlegoodfoodgoodlife

OUR CONSUMERS AND THE MARKETPLACE

What we set out to achieve	What we have achieved to date	Our way forward
<p>To engage with consumers to provide them with information on Nutrition, Health and Wellness as well as for them to provide feedback and comments directly to Nestlé.</p>	<p>Through the Dear Nestlé Programme, Nestlé engages with consumers through online communications. The website, www.nestle.com.my/dear nestle provides over 100 healthy recipes that have been checked by nutritionists, articles and features on health and wellness, as well as health tools such as a BMI calculator and menu guides.</p> <p>The Programme is also a convenient avenue for members to provide feedback and comments, helping the Company further improve its products and services.</p> <p>As at 31 December 2011, more than half a million households in Malaysia have signed up as Dear Nestlé members.</p>	<p>Nestlé will continue to increase consumer engagements through effective direct marketing channels.</p>
<p>To gauge consumers' sentiments and to obtain a competitive assessment of the Corporate Brand health.</p>	<p>The Corporate Equity Monitor (CEM) monitors the evolution of the Nestlé Corporate Brand from a 'Food & Beverage' to a 'Nutrition, Health and Wellness' company.</p> <p>In the study conducted in 2011 involving 1,030 members of the public, Nestlé maintained its position as the leading food and beverage manufacturer, with total and top-of-mind awareness increasing by 26% and 13% respectively, compared to the previous year.</p> <p>Nestlé also maintained its leadership position across all key areas, most significantly scoring above 70% as a company consumers trust, with the company perceived to deliver the best quality as well as the best tasting products. Nestlé also ranked highly in terms of product safety.</p> <p>The Company's position as an expert and leader in Food, Nutrition, Health & Wellness continued to rise in 2011 with a 27% increase.</p>	<p>Nestlé will continue to improve its offerings through product innovation and renovation to ensure that it remains as a leader within the industry.</p>
<p>To raise awareness of healthy living and introducing an easy-to-manage weight loss programme at workplaces.</p>	<p>Nestlé rolled out the FITNESSE Office Challenge to 10 corporate organisations within the Klang Valley in 2011.</p> <p>The 14-day programme promoted a healthy lifestyle through the consumption of breakfast cereals as part of a partial meal replacement plan together with a prescribed exercise routine.</p> <p>The programme received overwhelming response and was also supported via in-store activation, detailing and brand association with The Biggest Loser Asia and Miss Universe Malaysia.</p>	<p>Nestlé will roll-out the FITNESSE Challenge to other sectors and organisations.</p>

What we set out to achieve	What we have achieved to date	Our way forward
<p>To address the issues brought about by the increase in non-communicable diseases, through forums and talks with experts, to find ways to tackle the issue and to raise public awareness on the matter.</p>	<p>Nestlé HealthCare Nutrition</p> <p>Nestlé HealthCare Nutrition has been supporting the Malaysian Diabetes Association in organising a series of public forums on diabetes to help the public better understand and manage the disease. In 2011, four forums were conducted in Petaling Jaya, Ipoh, Malacca and Klang. The forums reached out to a total of 300 participants and included presentations on medical and dietary perspectives of diabetes management by an endocrinologist and a dietician respectively.</p> <p>HealthCare Nutrition also supported the monthly counselling programme organised by Malaysian Diabetes Association which included a free consultation by a dietician.</p> <p>Obesity Forum</p> <p>Nestlé organised a half-day forum to raise awareness on the increase in occurrences of obesity as well as to discuss ways to tackle the issue as part of its efforts to assist the government in the challenging task.</p> <p>Attendees to the forum included experts in Health and Nutrition, members of the media and representatives from Nestlé. The event included presentations and a panel discussion on the issue of obesity.</p> <p>Participants went away with a better understanding of the issue and realised that a lot more need to be done to overcome the challenges. The issues raised in the event were also publicised in the local media, thus increasing the public’s awareness on the issue.</p>	<p>Nestlé will explore more avenues with the media and relevant organisations to raise awareness on non-communicable diseases.</p> <p>Nestlé will include topics on healthy food options and obesity issues when conducting future talks and workshops with the various restaurant associations and food operators.</p>
<p>To create shared value with healthcare professionals by providing them with access to the latest knowledge on nutritional sciences.</p>	<p>In 2011, the Nestlé Nutritional Institute organised several activities, which include two scientific workshops for senior medical officers from the Paediatric and Obstetric & Gynaecology units of selected government hospitals, a symposium on obesity, failure-to-thrive and feeding premature babies for professionals with special interest in these areas and educational sessions with medical students from several medical universities in the country.</p>	<p>Nestlé will continue to provide healthcare professionals with access to the latest knowledge on nutritional sciences.</p>

OUR CONSUMERS AND THE MARKETPLACE

What we set out to achieve	What we have achieved to date	Our way forward
<p>To create awareness and understanding of the child's immune system, as a way to promote better care for young children.</p>	<p>The Nestlé Immunity Week included Nestlé participation in the 7th Parenthood Expo at the Mid Valley Exhibition Centre in Kuala Lumpur, followed by public forums at six well-established medical institutions⁴. The forums were attended by a total of 280 participants made up of parents with children aged one year and above.</p> <p>Further to that, a series of articles on childhood immunity written by paediatricians were published in major English, Bahasa Malaysia and Chinese dailies⁵ as well as several live TV interviews on NTV7 Breakfast Show⁶.</p>	<p>Nestlé will implement the Immunity Campaign, which is a 360 degrees campaign to promote better care for children. This campaign will utilise various communication channels such as public forums in hospitals, parenthood exhibitions, advertorials and PR.</p>
<p>To enhance the Company's reputation as the leader in Food, Nutrition, Health and Wellness, with vendors and suppliers in the food industry.</p>	<p>The Third Nestlé Ice Cream Mobile Vendor Convention</p> <p>The event was attended by over 300 attendees from all over the country, who are part of Nestlé mobile business model.</p> <p>Besides reviving the traditional ice cream vendor that brings the product closer to consumers, the programme also creates new job opportunities.</p> <p>The business model also extends to special community partners with the aim of improving their welfare through self-sustaining entrepreneurship. In 2011, Nestlé Ice Cream expanded the recruitment to 28 mobile vendors and 432 mobile representatives.</p> <p>Personal Hygiene and Food Safety Talk</p> <p>Nestlé Professional jointly organised a talk on Personal Hygiene and Food Safety with the Malaysia Selangor and Federal Territory Ku Shin Choong Hung Restaurant Association. 100 restaurant operators and chefs under the Association attended the event.</p> <p>Small and Medium Entrepreneurs (SME) Mentoring Programme</p> <p>Through the SME Mentoring Programme, a joint effort between Nestlé, Halal Industry Development Corporation (HDC) and Small Medium Entrepreneurs Corporation (SME Corp), Nestlé shared its best practices relating to the manufacturing and production of halal food products. The objective of the programme is to promote the development of business opportunities for SMEs involved in the halal food and beverages industry and is in line with the country's aspiration of becoming a global halal hub.</p>	<p>Nestlé will continue to further enhance its reputation amongst its vendors and suppliers through events such as these.</p> <p>Nestlé will also continue to provide them with information on nutrition, health and wellness that would add value to their operations through talks, seminars and workshops.</p>

⁴ Pantai Hospital KL; Gleneagles KL; Sunway Medical Centre, PJ; Tropicana Medical Centre, PJ; Loh Guan Lye Specialists Centre, Penang and Columbia Asia, Johor Bahru.

⁵ Articles appeared in The Star, New Straits Times, Utusan Malaysia, Harian Metro, Kosmo!, Sinar Harian, Sin Chew Daily, China Press, Yahoo! News, PEREMPUAN and Pa&Ma magazine.

⁶ Appeared in the following live TV interviews on NTV7 Breakfast Shows: 20/7/2011 - Understanding Your Child's Immunity - The How & Why, 26/7/2011 - Good Bugs for Immune Defence, 27/7/2011 - How to Spot a Child with Weak Immunity, 2/8/2011 Brain Food vs. Tummy Food for Children, 3/8/2011 Good Habits for Good Immunity, 23/8/2011 How to keep your children healthy during Ramadan

What we set out to achieve	What we have achieved to date	Our way forward
	<p>In addition to the training modules, participants also visited the Nestlé factory in Chembong. A total of 70 participants from 50 different SMEs participated in the programme in 2011, which was held over four sessions.</p>	
<p>To align suppliers with the Nestlé business strategy of CSV in order to promote security of supply, business continuity and innovation and mitigate financial and reputational risk.</p>	<p>The Nestlé Supplier Day was attended by more than 400 attendees and is part of the Responsible Sourcing Programme, which is part of the supplier selection process and sets the fundamental to drive Compliance, Sustainability and CSV in our entire upstream value chain.</p> <p>Acknowledgement and compliance to the Nestlé Supplier Code set the non-negotiable minimum requirement to all our business partners, down the supply chain to their own suppliers and farmers.</p> <p>For full compliance, suppliers were required to register with SEDEX, an independent non-profit Supplier Ethical Data Exchange to share their social and environmental performance and report of ethical data.</p>	<p>Nestlé will continue to align suppliers with the Company's business strategy i.e. CSV and drive compliance throughout the supply chain.</p>
<p>To lead the industry by sharing information and generating awareness on new Acts and regulatory functions.</p>	<p>90th Domestic Affairs Council Meeting & Roundtable Discussion</p> <p>This event was organised by Nestlé to discuss the recently passed Competition Act 2010. Attended by 64 participants representing companies and organisations from various industries, the objective of the Roundtable Discussion was to create awareness on the Act and how it will affect businesses. The session also equipped the participants with the relevant knowledge to manage their business in line with the new regulations under the Act.</p> <p>ISO 26000 Guidance on Social Responsibility</p> <p>Nestlé organised an event to create awareness of the impact of ISO 26000 Guidance on Social Responsibility for the industry. Attended by members of MICCI and Nestlé employees from the Purchasing and Supply Chain units, the session featured Dr. Michael Chiam of the SIRIM Technical Committee, who shared case studies relating to supply chains to illustrate the importance of ISO 26000.</p>	<p>Nestlé will continue to share information with the industry on any other relevant regulatory and legal updates.</p>



ACCA MALAYSIA SUSTAINABILITY REPORTING AWARDS 2011

Nestlé (Malaysia) Berhad won the Best Sustainability Report Award at the ACCA Malaysia Sustainability Reporting Awards 2011 (ACCA MaSRA) along with a Commendation for Stakeholders Engagement & Inclusion. We were selected from a total of 43 reports submitted and the judging criteria were based on completeness, credibility and communications. Nine awards were given out this year. Managing Director, Mr. Peter Vogt, accepted the Awards from Michael Hastings, Lord Hastings of Scarisbrick CBE, the Global Head of Citizenship and Diversity of KPMG International on behalf of the Company at the annual Award Ceremony held on 4 October. Currently in its ninth year, MaSRA aims to identify and reward innovative efforts to communicate corporate sustainability performance and to reward transparency.

FINANCEASIA BEST MANAGED COMPANIES 2011 AWARDS

Nestlé (Malaysia) Berhad ranked 7th and 8th for Best Investor Relations and Most Committed to a Strong Dividend Policy awards respectively at the FinanceAsia Best Managed Companies 2011 Awards Dinner. The annual event is co-hosted by J.P.Morgan. FinanceAsia was established in 1996 as a monthly magazine and is published 11 times a year. It organises annual awards for Asia's financial industry, the FinanceAsia Achievement Awards, which each year recognise the region's most significant transactions and the financial institutions that advised on them. FinanceAsia also organises local awards in most countries in Asia as well as product-specific awards. Other regular features include The Rich List, annual research identifying Asia's biggest dividend earners and Best Managed Companies Poll, an annual poll to find Asia's top companies.

AWARDS & ACHIEVEMENTS

KPMG SHAREHOLDER VALUE AWARD 2011

In the KPMG Shareholder Value Award 2011, Nestlé (Malaysia) Berhad received recognition for its 2010 performance and emerged as the top winner in the Consumer Markets segment as we climbed up two rankings from last year. We also took fourth placing overall in terms of Shareholder Value Creation compared to the top 100 companies. In line with improved performance, Nestlé (Malaysia) Berhad continues to create value for its shareholders. In its tenth year, the Award Programme aims to recognise public listed companies in Malaysia that have delivered exceptional value to shareholders through the creation of Economic Profit. The Award was officiated by the Managing Partner of KPMG, En. Mohamad Raslan Abdul Rahman on 13 October. Executive Director, Finance & Control, Mr. Marc Seiler accepted the Award on behalf of the Company.

MALAYSIAN CORPORATE GOVERNANCE INDEX 2011 AWARD

Nestlé (Malaysia) Berhad was given recognition at the Minority Shareholder Watchdog Group's Malaysian Corporate Governance Index 2011. Nestlé was assessed among 864 PLCs to receive two awards – Distinction Award and Best Corporate Responsibility Award. The Award Ceremony was held on 7 December where the Awards were presented by Guest-of-Honour, Deputy Minister of International Trade and Industry, YB Dato' Jacob Dungau Sagan. The Awards was held to recognise companies that achieved excellence in the area of corporate governance.

PUTRA BRAND AWARDS 2011

Themed "The People's Choice", the Putra Brand Awards 2011 was held on 11 March. The Putra Brand Awards recognises brand building as an integral business investment and brands are measured by consumer preference. Winners are measured through a robust consumer research methodology involving 6,000 consumers to determine Malaysia's favourite brands within 18 categories, with each category being awarded a Gold, Silver and/or Bronze for the most preferred brands. Hence, the judges of the Putra Brand Awards are the Malaysian consumers. This year, NESCAFÉ was awarded the Gold award within the Beverage (Non-Alcoholic) category, while MAGGI and NESTLÉ Breakfast Cereals won Silver and Bronze awards respectively in the Foodstuff Category, proving once again that our brands are the choice of the Malaysian consumers.



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STANDARD DISCLOSURES PART I: Profile Disclosures		
1. Strategy and Analysis		
Profile Disclosure	Description	Cross-reference/Direct answer
1.1	Statement from the most senior decision-maker of the organisation.	Message to Stakeholders p2
1.2	Description of key impacts, risks and opportunities.	The Nestlé Creating Shared Value Strategy p8
2. Organisational Profile		
2.1	Name of the organisation.	Page headers. Message to Stakeholders p4
2.2	Primary brands, products and/or services.	Fast Facts p5
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.	Organisation Structure p7 Financial Report 2011 - Notes 5 and 6 to Financial Statements p30-32
2.4	Location of organisation's headquarters.	Nestlé Contact Details p124
2.5	Number of countries where the organisation operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Message to Stakeholders p4 Fast Facts p5
2.6	Nature of ownership and legal form.	Fast Facts p5 Financial Report 2011 - Directors' Report p6 - Shareholding Statistics p62
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries).	Message to Stakeholders p4 Fast Facts p5 Corporate Report 2011 – Business Review p12
2.8	Scale of the reporting organisation.	Financial Report 2011 - Note 3 to the Financial Statements p28 - Note 5 to the Financial Statements p31
2.9	Significant changes during the reporting period regarding size, structure or ownership.	There were no significant changes during the reporting period regarding size, structure, or ownership.
2.10	Awards received in the reporting period.	Awards & Achievements p110
3. Report Parameters		
3.1	Reporting period (e.g. fiscal/calendar year) for information provided.	1 January 2011 – 31 December 2011 Message to Stakeholders p4
3.2	Date of most recent previous report (if any).	31 December 2010 Message to Stakeholders p4
3.3	Reporting cycle (annual, biennial, etc.).	Annual Message to Stakeholders p4
3.4	Contact point for questions regarding the report or its contents.	Nestlé Contact Details p124
3.5	Process for defining report content.	GRI Content Guidelines Bursa Malaysia Guidelines Message to Stakeholders p2 The Nestlé Global Creating Shared Value Strategy p8
3.6	Boundary of the report (e.g.: countries, divisions, subsidiaries, leased facilities, joint ventures and suppliers).	Message to Stakeholders p4

3.7	State any specific limitations on the scope or boundary of the report. (see completeness principle for explanation of scope)	Environment indicators are only reported for Nestlé Malaysia's manufacturing facilities – no specific processes in place for central collation of raw data for administrative and sales offices.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations.	Subsidiaries are reported as part of the Nestlé Malaysia Group. (see Message to Stakeholders p4)
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply or to substantially diverge from the GRI Indicator Protocols.	Data measurement techniques and bases for calculations are as indicated within the four main sectors: Our Respect and Care for the Community p22 Our Commitment to the Environment p42 Our People and the Workplace p68 Our Consumers and the Marketplace p90
3.10	Explanation of the effect of any restatements of information provided in earlier reports and the reasons for such restatement (e.g.: mergers/acquisitions, change of base years/periods, nature of business and measurement methods).	There were no restatements of information provided in the previous report.
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	There were no significant changes from the previous reporting period in the scope, boundary, or measurement methods applied in the report.
3.12	Table identifying the location of the Standard Disclosures in the report.	GRI Content Index – Food Processing Supplement p112
3.13	Policy and current practice with regards to seeking external assurance for the report.	Message to Stakeholders p4
4. Governance, Commitments and Engagement		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Corporate Governance p14 Corporate Report 2011 - Corporate Governance Statement p54
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	No. Chair of highest governance body is the Chairman of the Board, who is non-executive (Corporate Report 2011 - Board of Directors p40)
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.	Corporate Report 2011 – Profile of Directors p43
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Shareholders – Annual General Meeting Employees – refer to section on Our People and the Workplace p68
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance).	Key Performance Indicators relating to financial, operational and social performance. Financial performance of the Group. (Corporate Report 2011 - Corporate Governance Statement, Compensation Committee p63)
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Statement on Internal Control (Corporate Report 2011 p76) Corporate Report 2011 Corporate Governance Statement, Audit Committee p61

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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.	Corporate Report 2011 - Corporate Governance Statement, Nomination Committee p62
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.	The Nest & The Nestlé Legacy p6 The Nestlé Global Creating Shared Value Strategy p8
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 internationally agreed standards, codes of conduct and principles.	Articles 90.1 and 90.2 of the Company's Articles of Association. (as referenced in Corporate Report 2011, Corporate Governance Statement p54)
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	Nomination Committee/Audit Committee Corporate Report 2011 Corporate Governance Statement p61-62
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Corporate Report 2011 Corporate Governance Statement p60
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses.	The UN Millennium Goals The UN Global Compact CEO Water Mandate Roundtable for Sustainable Palm Oil (RSPO)
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Malaysian International Chamber of Commerce and Industry (MICCI) Roundtable for Sustainable Palm Oil (RSPO)
4.14	List of stakeholder groups engaged by the organisation.	Nutritional Society of Malaysia Ministry of Education Ministry of Health Malaysian Society of Obesity (Engaging Our Stakeholders p10)
4.15	Basis for identification and selection of stakeholders with whom to engage.	Engaging Our Stakeholders p10
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Engaging Our Stakeholders p10 Our Consumers and the Marketplace, Communicating with Consumers p92
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting.	Engaging Our Stakeholders p10 Case Study: Obesity Forum p100
STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)		
DMA SC	Disclosure on Management Approach SC	
Aspects	Protecting natural resources	Our Commitment to the Environment p42-51
	Minimising toxicity	Our Commitment to the Environment p42-51
	Fair trade	The Nestlé Global Creating Shared Value Strategy p8 Our People and the Workplace p79, p80-81 (Nestlé Corporate Business Principles) Our Consumers and the Workplace p99 Corporate Report 2011 - Corporate Governance Statement, "Competition Law Compliance" p71

	Fair compensation for labour	Our People and the Workplace p68-81 Compliance with local Labour Laws and adherence to Collective Agreements
	Traceability	Corporate Governance p14
	Genetically modified organisms (GMOs)	Not applicable.
	Animal welfare	Nestlé Malaysia does not engage in GMOs or handle animal livestock in its operations
	Biofuels	Our Commitment to the Environment p47 (Addressing Climate Change, Next Steps)
DMA EC	Disclosure on Management Approach EC	
Aspects	Economic performance	Summary of Key Performance Data p18 Financial Report 2011 – Statements of Financial Position p10
	Market presence	The Nestlé Creating Shared Value Strategy p8 Our Consumers and the Marketplace p90
	Indirect economic impacts	Our Commitment to the Environment p42-51
DMA EN	Disclosure on Management Approach EN	
Aspects	Materials	Our Commitment to the Environment p42-51
	Energy	Our Commitment to the Environment p42-51
	Water	Our Commitment to the Environment p42-51
	Biodiversity	Our Commitment to the Environment p42-51
	Emissions, Effluents and Waste	Our Commitment to the Environment p42-51
	Products and Services	Our Commitment to the Environment p42-51
	Compliance	Our Commitment to the Environment p42-51 Our People and the Workplace p78-79
	Transport	Our Commitment to the Environment p42-51
	Overall	The Nestlé Creating Shared Value Strategy p8
DMA LA	Disclosure on Management Approach LA	
Aspects	Employment	Our People and the Workplace p68
	Labour/management relations	Our People and the Workplace p68
	Occupational health and safety	Our People and the Workplace p68
	Training and education	Our People and the Workplace p68
	Diversity and equal opportunity	Our People and the Workplace p68
DMA HR	Disclosure on Management Approach HR	
Aspects	Investment and procurement practices	Our People and the Workplace p68
	Non-discrimination	Our People and the Workplace p68
	Freedom of association and collective bargaining	Our People and the Workplace p68
	Child labour	Our People and the Workplace p68
	Forced and compulsory labour	Our People and the Workplace p68
	Security practices	Our People and the Workplace p68
	Indigenous rights	Our People and the Workplace p68

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DMA SO Disclosure on Management Approach SO		
Aspects	Community	Our Respect and Care for the Community p22
	Healthy and affordable food	Our Consumers and the Marketplace p90-93
	Corruption	Corporate Report 2011 – Corporate Governance Statement p54-75
	Public policy	Corporate Report 2011 – Corporate Governance Statement p54-75
	Anti-competitive behaviour	Our People and the Workplace p68 Corporate Report 2011 – Corporate Governance Statement p54-75
	Compliance	Corporate Governance p14
DMA PR Disclosure on Management Approach PR		
Aspects	Customer health and safety	Our Consumers and the Marketplace p90-93 Our People and the Workplace - The Nestlé Corporate Business Principles p80
	Product and service labelling	Our Consumers and the Marketplace p90-93
	Marketing communications	Our Consumers and the Marketplace p90-93
	Customer privacy	Our People and the Workplace - The Nestlé Corporate Business Principles, "Supplier and Customer Relations" p81
	Compliance	Corporate Governance p14
DMA AW Disclosure on Management Approach AW		
Aspects	Breeding and genetics	Not applicable. Nestlé does not handle livestock in its operations
	Animal husbandry	Not applicable. Nestlé does not handle livestock in its operations
	Transportation, handling and slaughter	Not applicable. Nestlé does not breed animals or handle livestock in its operations
STANDARD DISCLOSURES PART III: Performance Indicators		
Sourcing		
Across all aspects of sourcing		
FP1	Percentage of purchased volume from suppliers compliant with Company's sourcing policy.	100% compliance to the Nestlé Supplier Code
FP2	Percentage of purchased volume, which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard.	Data not recorded – sourcing is based on compliance to Nestlé Supplier Code.
Economic		
Economic Performance		
EC1 _{COMM}	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.	Financial Report 2011- Statements of Financial Position p10-14 Summary of Key Performance Data – Economic p19
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	The Nestlé Creating Shared Value Strategy p8 Our Commitment to the Environment p42
EC3	Coverage of the organisation's defined benefit plan obligations.	100%
EC4 _{COMM}	Significant financial assistance received from government.	No financial assistance received from the Government directly. Tax breaks provided based on Halal incentives (applies to industry, not Company specific)

Market Presence		
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	No minimum wage legislation in Malaysia. Schedule of salaries and wages of non-management employees are specified in the collective agreements with the respective unions.
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation.	Where possible Nestlé sources for raw materials locally (in Malaysia) and have initiated programmes such as Contract Farming to ensure quality supply of materials. (Our Respect and Care for the Community p39)
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Where possible, Nestlé hires from the local community, depending on the required functions and expertise. 50% of the Nestlé Management Team are locals (5 out of 10) – see Corporate Report 2011 p50-52
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.	Our Respect and Care for the Community p22
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	The Nestlé Creating Shared Value Strategy p8
Environmental		
Materials		
EN1 _{COMM}	Materials used by weight or volume.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
EN2	Percentage of materials used that are recycled input materials.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
Energy		
EN3	Direct energy consumption by primary energy source.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
EN4	Indirect energy consumption by primary source.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
EN5	Energy saved due to conservation and efficiency improvements.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Refer to Our Commitment to the Environment - Creating Sustainable Packaging p50. The initiatives include packaging reduction, increase packaging recyclables & renewable materials for packaging. Nestlé is also currently testing 200 pilot units of energy efficient freezers in Ice Cream business retails using Hydrocarbon refrigerant. This is one of our efforts towards natural refrigerant use, which has less global warming effect.

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EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Refer to Our Commitment to the Environment - Addressing Climate Change p45-47. Purchased Electrical Energy Reduction Programs resulted in savings of 14,561 GJ in 2011 due to improvement in process efficiency & various energy saving investments (e.g.: variable speed drives, high efficient lights etc). Further Shuttle services are provided in Head Office & Factories for employee commute.
Water		
EN8	Total water withdrawal by source.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
EN9	Water sources significantly affected by withdrawal of water.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
EN10	Percentage and total volume of water recycled and reused.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
Biodiversity		
EN11 _{COMM}	Location and size of land or waters owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not applicable - all factories are located in Industrial Estates designated by the respective state governments.
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 applicable - all factories are located in Industrial Estates designated by the respective state governments.
EN13 _{COMM}	Habitats protected or restored.	Not applicable - all factories are located in Industrial Estates designated by the respective state governments. Nevertheless, Nestlé's commitment to the environment is reflected in its collaboration with NGO's to preserve the Setiu wetlands and Reforestation of the Kinabatangan area. Refer to Our Commitment to the Environment p54
EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	Not applicable - all factories are located in Industrial Estates designated by the respective state governments.
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 applicable – there are no reports of IUCN Red List species and national conservation list species in the areas of operations. All factories are located in Industrial Estates designated by the respective States.
Emissions, Effluents and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
EN17	Other relevant indirect greenhouse gas emissions by weight.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Our Commitment to the Environment (Addressing Climate Change – Energy management p45
EN19	Emissions of ozone-depleting substances by weight.	Our Commitment to the Environment (Our Environmental Footprint) p60-61

EN20	NOx, SOx and other significant air emissions by type and weight.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
EN21	Total water discharge by quality and destination.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
EN22	Total weight of waste by type and disposal method.	Our Commitment to the Environment (Our Environmental Footprint) p60-61 All recycling and landfill waste is managed by appointed & authorised Waste Management Company.
EN23	Total number and volume of significant spills.	Our Commitment to the Environment (Our Environmental Footprint) p60-61
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annexe I, II, III, and VIII, and percentage of transported waste shipped internationally.	Transportation and disposal of hazardous waste are managed by DOE licensed contractors.
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.	All wastewater discharged from factories are treated in biological wastewater treatment plant and all the discharge parameters comply with the local environmental regulations. (Our Commitment to the Environment p43)
Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Refer to Our Commitment to Environment – p52-53 – Recycling with Jusco and Tri-Party Recycling Campaign.
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Nestle products reaches consumers through various retail outlets. Due to its high variety of products, no estimate of packaging reclamation rates has been undertaken. Most of the packaging materials are recycled in various recycling centres throughout the country. However the company organises short term campaigns with various stake holders - refer to Our Commitment to Environment – p52-53. – Recycling with Jusco and Tri-Party Recycling Campaign.
Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	There have been no fines imposed on the Company in 2011
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.	Our Commitment to the Environment (Our Environmental Footprint) p60-61 Monitoring for finished goods movement within Malaysia started in March 2011 and values provided are extrapolated for 12 months. Monitoring in other areas of transportation would be expanded gradually.
Overall		
EN30	Total environmental protection expenditures and investments by type.	Our Commitment to the Environment (Our Environmental Footprint) p60-61

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Social: Labour Practices and Decent Work		
Employment		
LA1	Total workforce by employment type, employment contract and region.	Our People and the Workplace – Our people, Our performance p84
LA2	Total number and rate of employee turnover by age group, gender and region.	Our People and the Workplace – Our people, Our performance p84
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Our People and the Workplace – Flexible Benefits Plan p73
Labour/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements.	100% of permanent non-management staff
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	3 days as specified in Collective Agreements
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country.	None
Occupational Health and Safety		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	100%
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region.	Our People and the Workplace (Our People - Our Performance) p84
LA8	Education, training, counseling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases.	Our People and the Workplace – Safety and Health p74
LA9	Health and safety topics covered in formal agreements with trade unions.	Occupational Safety and Health (OSH), as covered in Collective Agreements
Training and Education		
LA10	Average hours of training per year per employee by employee category.	On-going training is carried out throughout the year for all employee categories; however, no data is tracked as per the GRI indicator requirement. Data provided is based on total investments in training and development, and total number of attendees for the various training sessions. Please refer to Our People and the Workplace - Our People, Our Performance p84.
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Our People and the Workplace p71-73
LA12	Percentage of employees receiving regular performance and career development reviews.	100%
Diversity and 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.	Our People and the Workplace – Our people, Our performance p84 Corporate Report 2011 - Corporate Governance p54 - Audit Committee p78 - Board of Directors p40 - Management Team p50
LA14	Ratio of basic salary of men to women by employee category.	Our People and the Workplace – Our people, Our performance p84

Social: Human Rights		
Investment and Procurement Practices		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	None.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	All suppliers and contractors have to comply with the Nestlé Supplier Code and local regulations but there is no specific screening on human rights.
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.	No training conducted on policies and procedures concerning aspects of human rights that are relevant to operations.
Non-discrimination		
HR4	Total number of incidents of discrimination and actions taken.	Two (2). Reported via unsigned poison-pen letter. An investigation was initiated at the site in full co-operation with local authorities namely the Ministry of Human Resources. Unable to disclose further details or information as the case is highly confidential and still pending.
Freedom of Association and 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.	None
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.	None
Forced and Compulsory Labour		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour.	None
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.	Security Services are outsourced; hence Nestlé has no control over their training procedures and policies. Nevertheless, the Security Companies, as with all vendors, have to comply with the Nestlé Supplier Code when tendering their services.
Indigenous Rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	None
Social: Society		
Community		
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	New facilities are subject to all local building codes, regulations and requirements including environmental impact studies. Operational impacts on communities are reported under Our Respect and Care for the Community p22

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Healthy and Affordable Food		
FP4	Nature, scope and effectiveness of any programmes and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote healthy lifestyles; the prevention of chronic diseases; access to healthy, nutritious and affordable food; and improved welfare for communities in need.	Our Respect and Care for the Community p22-39 Our Consumers and the Marketplace p90-96
Corruption		
SO2	Percentage and total number of business units analysed for risks related to corruption.	100%
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	100% All employees are trained on the Nestlé Business Principles and Nestlé Values (see Our People and the Workplace – Case Study: We Make Nestlé p80
SO4	Actions taken in response to incidents of corruption.	No incidences of corruption have been reported during the year under review.
Public Policy		
SO5 _{COMM}	Public policy positions and participation in public policy development and lobbying.	Nestlé does not participate in lobbying activities or activities to influence public policy development
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.	None
Anti-Competitive Behaviour		
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	None
Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	None
Social: Product Responsibility		
Customer Health and Safety		
PR1 _{COMM}	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.	Health and safety impacts are assessed on an ongoing basis for all Nestlé products and services.
PR2 _{COMM}	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.	None
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards.	There are currently no initiatives for third party certification on internationally recognized food safety management system standards.
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans-fats, sodium and sugars.	Our Consumers and the Marketplace p91
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fibre, vitamins, minerals, phytochemicals or functional food additives.	No data available for such products as percentage of sales volume. List of products that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives listed in Our Consumers and the Marketplace p91

Product and Service Labelling		
PR3 _{COMM}	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	Our Consumers and the Marketplace p91
FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements.	Our Consumers and the Marketplace p91
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	None
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Our Consumers and the Marketplace p92-93 (Dear Nestlé programme/Corporate equity Monitor)
Marketing Communications		
PR6 _{COMM}	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	Nestlé is a member of the Malaysian Advertisers Association, of which Mr. Khoo Kar Khoo, Communications Director, Nestle Products Sdn Bhd is the President of the Council (ref: malaysiaadvertisers.com.my) As a member, Nestlé complies with all regulations imposed by the various government agencies.
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.	None
Customer Privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	None
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	None
Animal Welfare		
Breeding and Genetics		
FP9	Percentage and total of animals raised and/or processed, by species and breed type.	Not Applicable - Nestlé does not breed animals or handle livestock in its operations
Animal Husbandry		
FP10	Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic.	Not Applicable - Nestlé does not breed animals or handle livestock in its operations
FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type.	Not Applicable - Nestlé does not breed animals or handle livestock in its operations
FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type.	Not Applicable - Nestlé does not breed animals or handle livestock in its operations
Transportation, Handling and Slaughter		
FP13	Total number of incidents of non-compliance with laws and regulations and adherence with voluntary standards related to transportation, handling and slaughter practices for live terrestrial and aquatic animals.	Not Applicable - Nestlé does not breed animals or handle livestock in its operations

INDEPENDENT ASSURANCE REPORT

A copy of the Independent Assurance Report dated 2 April 2012 issued by Bureau Veritas Certification [M] Sdn. Bhd. [620271-V] is available upon request.

Please also visit our website : <http://www.nestle.com.my>

BY ORDER OF THE BOARD

MOHD. SHAH BIN HASHIM

Company Secretary
[LS 0006824]

Petaling Jaya
2 April 2012

NESTLÉ CONTACT DETAILS

Visit our website at : <http://www.nestle.com.my>
Visit our Facebook page at : <http://www.facebook.com/NestleMalaysia>
Call us at Free Phone : **1-800-88-3433**
Fax to us at : **03-7965 6767**
Write to us at : **Nestlé Consumer Services,
22-1, 22nd Floor, Menara Surian,
No. 1, Jalan PJU 7/3,
Mutiara Damansara,
47810 Petaling Jaya,
Selangor Darul Ehsan.**



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22-1, 22nd Floor, Menara Surian

No. 1, Jalan PJU 7/3

Mutiara Damansara

47810 Petaling Jaya

Selangor Darul Ehsan

Malaysia.

Tel: (+603) 7965 6000

Fax: (+603) 7965 6767

Nestlé Consumer Services Free Phone: 1-800-88-3433

Facebook: <http://www.facebook.com/NestleMalaysia>

www.nestle.com.my