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Nestlé (Malaysia) Berhad (1192536)

Creating Shared Value Report

Fulfilling our Social, Economic and Environmental Commitments



Nestlé (Malaysia) Berhad
Creating Shared Value Report

Our Respect and Care for the Community

Caring for the less privileged members in society has been a significant trait of the Company and over the years, this has developed into the spirit of providing equal opportunities. Nestlé favours education as a means to improve the quality of life as well as to ensure sustainable livelihoods which will help reduce poverty.

Nestlé regards the UN Millennium Development Goals as highly important objectives as they prioritise what is needed to address the most pressing needs of the society by focusing on poverty reduction, education and health issues. They address environmental sustainability and highlight the importance of relevant partnerships in order to achieve results.

Caring for the less privileged members in society has been a significant trait of the Company and over the years, this has developed into the spirit of providing equal opportunities. Nestlé favours education as a means to improve the quality of life as well as to ensure sustainable livelihoods which will help reduce poverty.

To this end, our commitment to helping rural farmers improve their income through our contract farming programmes have yielded positive results in creating shared value.

The focus on education, in particular for children who are physically and intellectually challenged or from less privileged backgrounds, is complementary to Nestlé's values of promoting nurturing and caring qualities. Nestlé believes in equal education opportunities which will help them be independent and self-sufficient despite their own physical shortcomings or backgrounds.

Providing pre-school education to the less privileged children in rural Sabah, through a collaboration with Raleigh International and Pacos Trust, has achieved positive results from the regular reports sent by the pre-school teachers at these kindergartens. The Nestlé Learning Corners set up in schools for the physically and intellectually challenged children have brought great learning opportunities to these special children as they are exposed to educational and fun programmes through the computers, television, films, music, books and toys.

As a leading food company, we also nourish the community through our products which help to provide basic nutrition to those in need, particularly orphans, the aged and the underprivileged. Through the monthly food aid programme, Nestlé currently assists some 30 charitable organisations to bring wholesome nourishment to those under their care.

Caring for the community is not limited to just giving financial or product assistance. Putting into practice our corporate value of Involvement, we encourage our employees to get involved in community work through our Employee Volunteer Programme ~ NESTLÉ ROCKS (an acronym for REACHING OUT to COMMUNITY & KIDS). Employees are given 16 hours of "time off" each year to volunteer their time at any of the 30 charitable organisations under Nestlé's care. We believe that this is a big step forward in internalising corporate social responsibility to our employees while making a difference in a small way.



CLOCKWISE, FROM TOP LEFT:

Our Nestlé ROCKers taking on a caring role as guardians to the children from Praise Emmanuel Children's Home during an outing to the National Zoo.

Reading together during the launch of the Nestlé kindergarten at Kampung Paus, Sabah.

Our sampling vans were deployed to reach out and nourish the communities who were affected by the floods in Johor.

Over the past 8 years, Nestlé and e-Homemakers have celebrated Mother's Day by honouring special mothers who have been exemplary in providing love and care to their families and others.

Happy faces of the children at Rumah Nur Salam during the celebration of the second anniversary of the Nestlé ROCKS programme.

Our Commitment to the Environment

Preserving natural resources and minimising waste has become a part of our daily business operations and it is integral to our strategy to achieve global competitiveness.

The Nestlé Policy on the Environment was published in 1991 to define our worldwide strategy on environmental issues and to state our long-standing commitment to environmentally sound business practices. It is communicated widely both internally within the Nestlé Group and externally to all interested parties and institutions.

Preserving natural resources and minimising waste has become a part of our daily business operations and it is integral to our strategy to achieve global competitiveness. This enables us to contribute to sustainable development – meeting the needs of the present, without compromising the ability of future generations to meet their own needs.

The Company continues its integration of sustainable development practices into its day-to-day operations, with emphasis on Safety, Health and Environment while giving priority to conservation and source reduction over “end-

of-pipe” environmental solutions. An important contributor to sustainable development is our commitment to use local agricultural raw materials where feasible. Associated with this is our Agricultural Services’ extensive support and guidance for farmers in crop management and sustainable practices.

This is an extension of the Sustainable Agriculture Initiative (SAI), founded by several major food companies to ensure sustainable practices, and aims to address the quality and safety of the food supply chain, the growing global demand for food and the possible adverse effects of agriculture on natural resources and the environment. For further information, please visit www.nestle.com/csv/SAI or www.saiplatform.org.

We have invested significant resources in the Nestlé Environmental Management System (NEMS) which helps ensure compliance with legislation and with the Nestlé Policy on the

Environment. This will ultimately help the Company achieve continuous performance improvement and contribute towards sustainable development.

NEMS is completely aligned with the requirements of the international standard ISO14001:2004. It is based on the continuous improvement management cycle and is depicted in the NEMS spiral on page 16. Numbering in the spiral refers to the relevant elements of ISO 14001:2004 and also to the corresponding subsections of this instruction.

To be aligned to internationally-recognised environmental management system standards, we are seeking external certification of ISO 14001 for all our factories. This will provide a common language and enables compliance to be demonstrated more easily to our stakeholders.



CLOCKWISE, FROM TOP LEFT:

The MILO UHT packaging is made of environmental-friendly materials that are recyclable.

Mr Brabeck-Letmathe, Chairman and CEO of Nestlé S.A. "greening" the factory with the Veitchia Palm tree assisted by Mr O'Carroll and Dr. Batato.

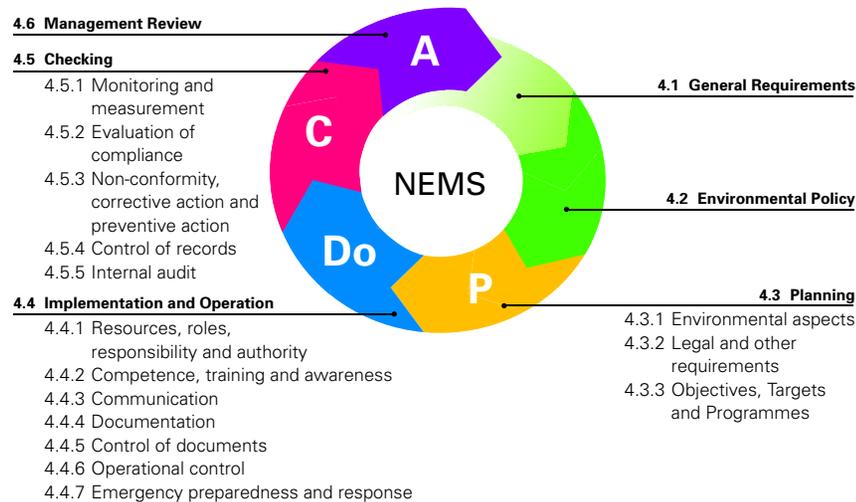
Our employees Jordan and Anis utilising the recycling area provided at the workplace.

Nestlé encourages good agricultural practices and provides the technical know-how to local farmers to ensure optimum utilisation of agricultural resources and practice sustainable farming methods.

Taking a proactive step towards creating greater awareness on safety at the workplace, Nestlé launched the NIOSH-Nestlé Safety Passport system aimed at educating workers and contractors of the hazards and risks at the workplace.

Our Commitment to the Environment

The Nestlé Environmental Management System - NEMS (GI-14.001)



In addition to NEMS, we enforce a range of internal technical performance standards, which meet or exceed Government regulations. Most notable among these are the Environmental Minimum Technical Requirements, which set standards in areas such as energy and water use efficiency, waste management, waste water treatment and air emissions to name a few.

We ensure compliance with these requirements with a comprehensive audit programme, covering management,

technical performance and plant safety. Additionally, performance to reduce our environmental impact is tracked with a range of indicators on a monthly basis, with overall annual figures reported to our corporate headquarters in Switzerland.

Despite an almost 55% increase in our domestic and export production tonnage since 2000, all of our key indicators show an overall continuing reduction in environmental impact, as can be seen from the examples that follow.

The Integrated Management System (IMS) is a consolidated management system with a unified single process aimed at addressing the needs of management to ease overlapping duplication and thus, inefficiencies, that arise from separate implementation of each area of Safety, Health and Environment (SHE), and food safety in Nestlé. ISO 14001 is one of the key components that are to be incorporated into the IMS certification.

The factory in Petaling Jaya was the pilot factory which underwent IMS Certification, with the certification audit carried out in December 2007.

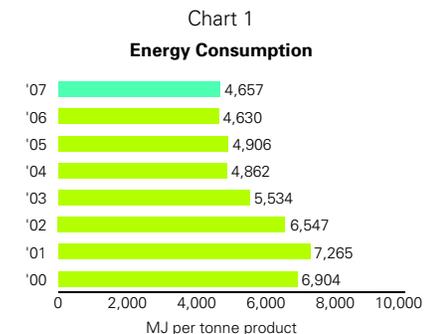
Based on an internal road-map, by the end of 2008 all factories in Malaysia will be IMS certified. The IMS certification includes 3 systems as below:

- Food Safety Management System
- Environmental Management System
- Occupational, Health and Safety Management System

Environmental sustainability has risen to the top of the agenda in many countries during 2007. Nestlé Malaysia is well positioned to benefit from this trend, as we have a long track record of continuous

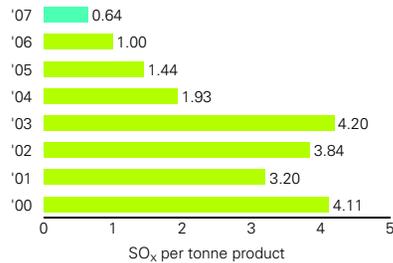
improvement in this area. The challenge is now to expand our focus beyond our direct operations, to take a total life cycle view of our products, and to help our colleagues in marketing, sales and communication to leverage environmental benefits to position Nestlé as a brand that stands for sustainability. Our Key Performance Indicators (KPI) include energy consumption, water consumption, air emissions and packaging material usage.

Based on the 2007 KPI on energy consumption, there was a slight increase of 0.59% compared to the previous year. This is due to the start up of a new production line in 2007, whereby the commissioning requires energy without production. (refer to Chart 1)



Our Commitment to the Environment

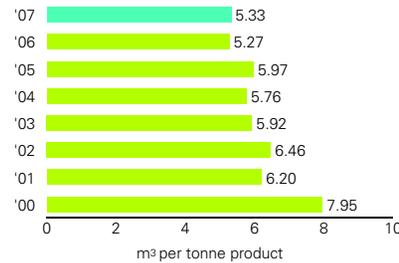
Chart 2
Air Emissions



The Company also continued to achieve performance improvements in air emissions. There was a reduction of about 53% in sulphur dioxide (SO_x) per tonne of product. (refer to Chart 2)

The year under review has seen a slight increase in water consumption in m³ per tonne of product of 1.14% compared to the previous year. The main contributor to the increase of water consumption was due to the start-up and commissioning of new production lines. Process and product validation as well as extensive cleaning cycles required the use of water without generating sellable products. The overall trend however for the past 6 years has shown a steady reduction of water consumption of more than 3.5% annually. (refer to Chart 3)

Chart 3
Water Consumption



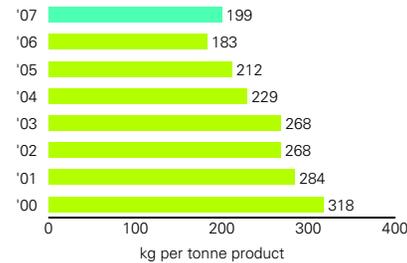
Integrated Waste Management is targeted at ensuring that one service provider handles all the following 3 key areas :

- Destruction, disposal & waste management on site
- Animal feed sales
- Scrap material sales

Nestlé Malaysia is currently implementing the Integrated Waste Management for all the factories together with the Central Return Warehouse (CRW). Apart from the factories, the CRW will also need to report their figures on solid waste disposal once the Integrated Waste Management is in place.

As for optimisation in packaging, there was an increase of 8.74% in the usage of packaging materials. The year under

Chart 4
Packaging Material Usage



review shows a slight increase in the usage of packaging materials per tonne of product. This was due to the increased usage of glass bottles, driven by higher demand of export volume in cold sauces. Through continuous improvement, the overall packaging materials specification is at optimised level and overall on the lower trend as compared to the year 2000. (refer to Chart 4)

Climate Change Initiative - Reduction of CO₂ Emission

- **Pre-2007:** Dedicated trucks deployed to collect empty CHEP pallets all over Peninsular Malaysia - (2 trips or more)

```

graph LR
    A[Empty truck] --> B[Distributors]
    B --> C[Pallets collection]
    C --> D[CHEP Depot]
            
```
- **POST-Jan 2007:** Trucks delivering finished goods to our Distributors will collect empty CHEP pallets (1 trip only)

```

graph LR
    A[Finished goods delivery] --> B[Distributors]
    B --> C[Empty truck]
    C --> D[Nestlé DC]
            
```
- **POST-Jan 2007:** Trucks delivering finished goods to our Distributors will collect empty CHEP pallets (1 trip only)

```

graph LR
    A[Finished goods delivery] --> B[Distributors]
    B --> C[Pallets collection]
    C --> D[CHEP Depot]
            
```

Result: Estimated 25kg/month CO₂ emission were reduced by trips optimisation

Our People and the Workplace

Instilled in our people is “A Heart for Excellence” which encourages care in our pursuit to achieve success. Our corporate values of Trust, Respect, Involvement and Pride are observed and practised consistently at all levels throughout the organisation.

At Nestlé, we believe that each employee should have the opportunity to develop his or her potential in a safe and fair workplace where they are listened to, respected and valued.

Instilled in our people is “A Heart for Excellence” which encourages care in our pursuit to achieve success. Our corporate values of Trust, Respect, Involvement and Pride are observed and practised consistently at all levels throughout the organisation. Employees at each worksite who show exemplary qualities in living the values are recognised as “Values Ambassadors” in an annual awards presentation.

Involvement at all levels starts with open communication, whether on specific aspects of the business or about the activities of the Company in general. We encourage suggestions for changes and proposals for improvements of Nestlé’s practices.

Nestlé is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and the responsible attitude of its management and employees. Therefore recruitment of the right people and on-going training and development are crucial. The Nestlé Management and Leadership Principles emphasises the Nestlé values and is aligned with the Corporate Business Principles, which provides the foundation for our business practices. (Both documents are available at www.nestle.com)

The Company encourages continuous improvement through training, and the improvement of professional skills at all levels in the organisation, and career opportunities are based upon merit. ‘Nestlé on the Move’ is one prime example of this, as it helps our employees keep abreast with the most up-to-date and relevant competencies in view of their changing role in the organisation.

To achieve this, customised internal and external training programmes that focus on leadership competencies, functional competencies and personal effectiveness are continuously conducted.

Our employees benefited from over 6,000 training programmes in 2007, which is an increase of some 50% in participation compared to 2006. Total training man days also increased from 10,642 in 2006 to 15,418 training man days in 2007, achieved through more in-house training programmes.

In 2007, the Company collaborated with the National University of Singapore to conduct the Value Based Leadership and Personal Effective Programmes, targeted at managers to reposition themselves for leadership and personal effectiveness in managing teams in a network organisation.



CLOCKWISE. FROM TOP LEFT:

Living the values of Involvement and Pride, our employees volunteered their time during the Merdeka celebrations.

The Milks Business team which inspires Trust to deliver top quality products to consumers.

Chef Muluk showing how to prepare a nutritious dish during a cooking demonstration for employees.

Employee involvement in wellness activities.

A Mission Directed Work Team at Shah Alam Complex working their way to being world class, taking a breather with Mr Brabeck-Letmathe, Dato' van Dijk and Factory Manager, Mr Adnan Pawanteh.





a heart for
excellence



'A Heart for Excellence' logo shows of a very special bond where talent and skill converge, "arms" outstretched to each other in a picture of unity.

T

rust

We earn trust from each other, consumers and business partners with our competence, honesty and integrity.

R

espect

We respect and care for our people and their diverse cultures, religions and traditions.

I

nvovement

We are enthusiastically involved in proactive change to create sustainable and profitable growth.

P

ride

We feel proud in passionately building successful brands through our people and the quality of all our activities and products.

YOURVoice 2007 - Organisational Climate Survey

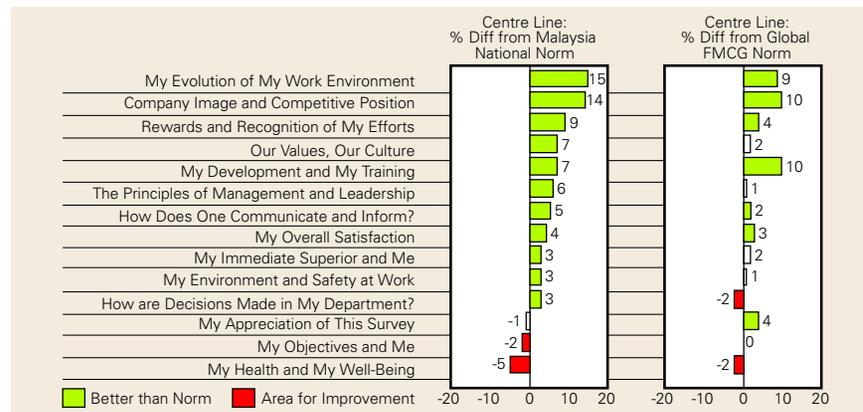
THE SURVEY PROCESS

The Organisational Climate Survey was conducted from 22 October to 9 November 2007 in Nestlé Malaysia. The management staff participated in an online survey while other employees filled in the printed questionnaires which were jointly designed by the Nestlé HR team and consultancy firm, Towers Perrin International Survey Research.

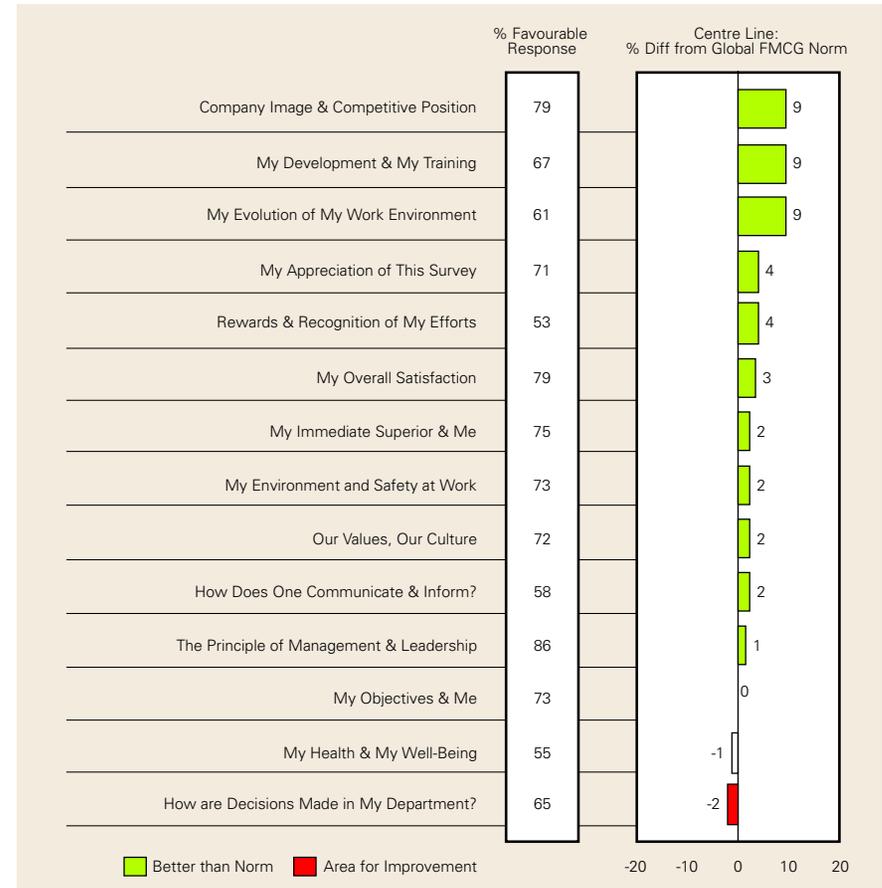
THE RESULTS AT A GLANCE

- Nestlé’s 2007 survey results remain significantly more favourable in most categories when compared to employees in other companies within the region and other Global FMCG organisations.
- Compared to Global FMCG organisations, employees’ feedback indicate we have a strong competitive image in the market, that we offer quality training and we provide a working environment that is underpinned by our key values.

Nestlé Malaysia performs significantly above regional & industry peers in most categories



Results for Nestlé are significantly above Global FMCG Organisations

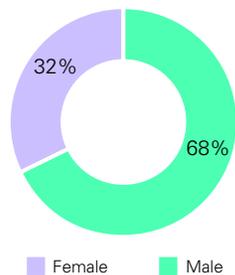


Nestlé Malaysia 2007 vs 2005

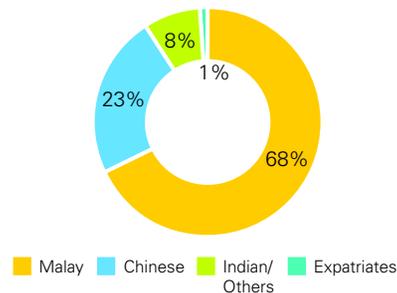
Nestlé Malaysia 2007 findings identify that we have not performed as strongly in some areas compared to 2005 including My Objectives & Me and My Evolution of My Work Environment. While we celebrate and build on our strengths, the Company needs to take up the challenge to work on areas that need improvement as indicated by the survey.

Our People and the Workplace

Total Gender Equality
as at December 2007



Total Ethnic Diversity
as at December 2007



In line with the continuous learning effort, the introduction of e-Learning has added a new dimension to the existing levels of training in Nestlé where training content is delivered via all electronic media. More than 800 e-Learning courses have been completed in 2007 with an average of 57 active users per month.

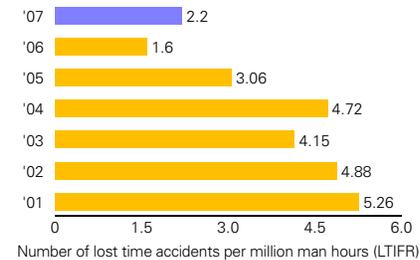
As an indication of the interest to work in Nestlé, the recent Management Trainee recruitment exercise (August 2007) saw more than 2,000 applications, although ultimately only 8 people were recruited.

Nestlé Products Sdn Bhd also signed a new Collective Agreement with its employees for the period between 2007 – 2009 with the National Union of Commercial Workers; incorporating performance elements.

TOTAL GENDER EQUALITY

Nestlé Malaysia has a total of 4,085 permanent employees as at end of December 2007 with 68% males and 32% females. In 2007, we recruited slightly more females than males for management positions while for non-management positions more males were recruited, mainly due to the nature of work - e.g. Plant Operators (majority) and sales representatives. Looking at 2007 total placements, only 15% were management level while the balance were non-management. Adding the 2007 total placements to the existing population resulted in Nestlé having more male than female employees.

Safety



TOTAL ETHNIC DIVERSITY

In terms of ethnic diversity of total Nestlé Malaysia employees as at end of December 2007, the distribution is 68% Malays, 23% Chinese, 8% Indian/Others and 1% Expatriates, which is in line with the distribution of ethnic mix in Malaysia.

SAFETY AT THE WORKPLACE

As stated in the Nestlé Policy on Health and Safety at Work, we regard our people as our most valuable asset and place the highest priority on protecting them. Preventing work-related injuries and illnesses and integrating health and safety of our employees into all aspects of our business is an essential part of our strategy to become a trusted health and wellness company.

Critical to our safety management strategy is the launch in 2005 of our Behavioural Based Safety Programme in all factories as well as at our National Distribution Centre. Unlike traditional top-down safety programmes, this is fully integrated into our day-to-day operations and emphasises a bottom-up change in employee attitudes towards personal safety, while providing each person with the skills to identify hazards and minimise risks both at work and in their everyday personal lives. Fully integrating this programme with our Mission Directed Work Teams initiative ensures that safety is treated as an integral part of the way we work – a critical factor in ensuring the success of any safety programme.

Our key safety performance indicator, the Lost Time Injury Frequency Rate (LTIFR), continues to show a positive trend. This indicator measures all absences from work of at least one day due to a work-related injury or illness - a widely accepted international standard that is based on the US-OSHA accident measurement standards. (refer to the chart above)

Our People and the Workplace

2003	2004	2005	2006	2007
<ul style="list-style-type: none"> Setting up of a National Distribution Centre Safety, Health & Environment (SHE) Committee 	<ul style="list-style-type: none"> Official LTIFR reporting to Nestlé Management Centralisation of Market Returns Management Reduction of waste to landfill Increase sale of recyclable materials 	<ul style="list-style-type: none"> Organised 1st SHE Day for Nestlé MY at National Distribution Centre (NDC) 	<ul style="list-style-type: none"> Conducted Behavioural Based Safety Programme 	<ul style="list-style-type: none"> Supply Chain Security, Safety, Health & Environment (SSHE) committee formed Base Audit of SHE Management with 3 plants Crisis Management Drill at NDC (BCP) Implementation of BCP with selected 3 plants Launch MDWT

2007 and Beyond	
<ul style="list-style-type: none"> Implementation of Nestlé Compliance Assessment of Human Resource Safety, Health & Environment (CARE) policy Enforce Nestlé National Institute of Occupational Safety & Health (NIOSH) Safety Passport system to all contractors Incorporation of environmental data from Central Returns Warehouse in monthly SHE reports Behavioural Based Safety refresher programme to all staff 	<ul style="list-style-type: none"> Continuous coaching to ensure sustainability of MDWT practice Vehicle maintenance & safety briefing tracked and reported at Transporters' monthly performance review Extending SHE values & practice to our partners

Nestlé Malaysia Supply Chain emerged the winner in the internal market competition with their topic entitled "Nestlé MY Supply Chain SHE Management". The winning entry will now compete against other Nestlé market entries for the Nestlé Safety @ Work Award 2007; the results of which will be announced in April 2008.

Nestlé Supply Chain has also taken its SHE initiatives to another level by involving the logistics and third party warehouse partners in 2007, whereby various good practices have been shared via the following activities :

- SHE Management System
- Systematic Training for Truck Drivers
- Pre-Journey Checklist by Truck Drivers
- Loading Bay checklist by Truck Drivers
- Truck Parking Practices (i.e. use of Tyre Stoppers)
- Implementation of Business Continuity Plan (BCP) – Avian Influenza / Human Pandemic Preparedness with Nestlé
- Ammonia Safety Assessment & Improvements
- Road Safety Campaigns
- Forklift and Reach Trucks Training.

Our Consumers and the Marketplace

Nestlé's transformation into a trustworthy and responsible Food, Nutrition, Health and Wellness company augurs well for the consumers as the Company is more proactive in providing healthy solutions and value-added products with health benefits to meet the current and future needs of consumers.

As a consumer-driven company, Nestlé manufactures and markets its products to meet the needs of local consumers, and this can be a big challenge as Nestlé has operations in more than 100 countries around the world. In this respect, Nestlé consumers all over the world enjoy world-class manufacturing facilities, the best private R&D capability in food and nutrition, international quality and safety standards but with products catered to local preferences.

Consumers' trust has always been the key priority for Nestlé and we aim to nurture this trust by offering good quality and safe products with the peace of mind that all products manufactured, marketed, imported or exported by Nestlé Malaysia are certified Halal by authorised organisations.

Communicating with consumers as well as gaining their insights are important to Nestlé. Hence, we have a dedicated

Consumer Services Centre to meet the relevant needs of our consumers whether it be information, feedback or advice, through our service hotline: 1-800-88-3433.

Nestlé's transformation into a trustworthy and responsible Food, Nutrition, Health and Wellness company augurs well for the consumers as the Company is more proactive in providing healthy solutions and value-added products with health benefits to meet the current and future needs of consumers. The Nutrition, Health and Wellness re-positioning of Nestlé is also in response to the changes in demographics, the demands of a hectic lifestyle, the increase in non-communicable diseases, the speed of communication and travel, and many other factors.

We aim to continue our collaboration with the Ministry of Health and other relevant non-governmental organisations

(NGOs) to improve the eating habits and nutritional status of all Malaysians. The Company's Nutrition, Health and Wellness strategy complements the Government's 10-Year Nutrition Action Plan which will further benefit consumers. A number of initiatives have been implemented including the reduction of sugar, sodium and fats in our range of products, the fortification of products to bring added health and nutrition benefits as well as the introduction of Popularly Positioned Products which are nutritious and affordable.

Furthermore, Nestlé proactively engages with NGOs such as the Nutrition Society of Malaysia and the Malaysian Association for the Study of Obesity to help create better awareness on nutrition and health related issues to all Malaysians. In relation to this, as a follow-up to the Nestlé-UKM survey on the eating habits and nutritional status of primary schoolchildren in Peninsular Malaysia which was commissioned in 2001,

Nestlé has invested in a second study to assess the current nutritional status among our primary schoolchildren in both Peninsular Malaysia and East Malaysia. The results will be made available to the public in 2008.

Consumers who choose Nestlé products are not only assured of safety and quality but our products are now more nutritionally-balanced with added health benefits. Consumers are also provided with user-friendly information on-pack with the introduction of the Nutritional Compass on all our products.

Globally, Nestlé will continue to invest in R&D, innovate and renovate new and existing products to ensure they are more nutritious and healthier. Our consumer communications are also consistent with this strategy, as with our supply chain operations to ensure our products are safe, fresh and of top quality at the point of purchase.



CLOCKWISE, FROM TOP LEFT:

NESCAFÉ, a global brand is locally produced to meet the taste preferences of its local consumers.

MAGGI Mee Goreng is popular at the “mamak” stalls.

Nurturing young talents is part of the Nourishing Malaysia activities which benefit consumers.

Our “Dear Nestlé” members enjoying a food tasting session at a Nestlé event.

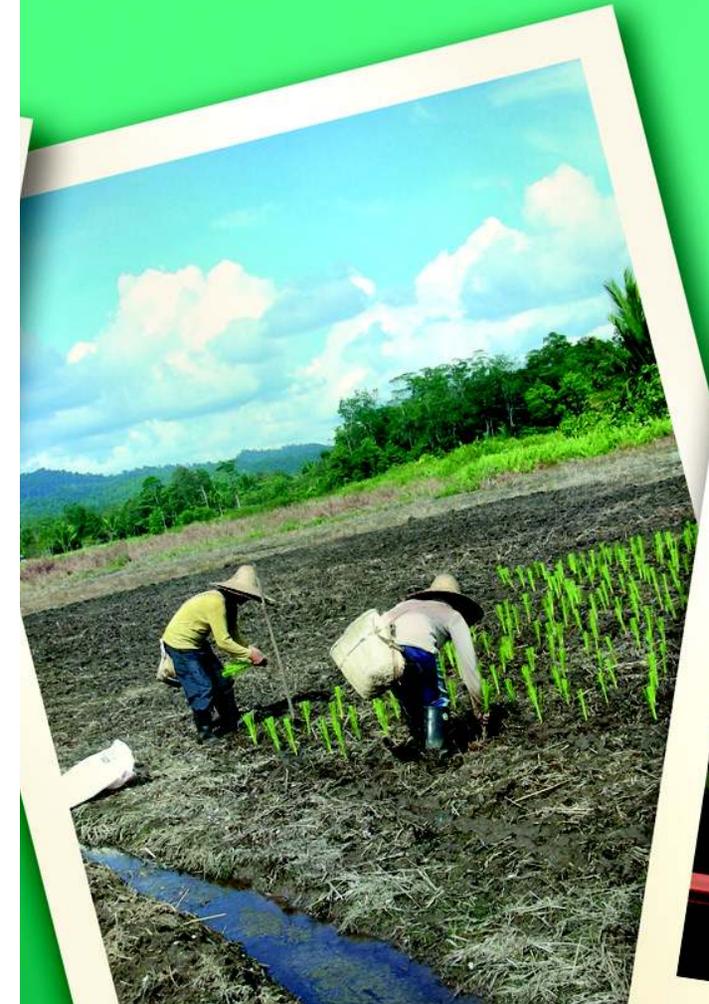
Nestlé brands and products transcend generations and provides for all life stages.



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Fast Facts

The Nestlé Group

- Founded in 1866 by Henri Nestlé
- World's largest food manufacturer, headquartered in Switzerland
- Present in over 100 countries
- Employs 276,000 people worldwide
- 480 factories in 86 countries
- 75 factories and 100 manufacturing lines are Halal-certified
- Over 6,000 brands and 10,000 products
- World's largest private nutrition research capability based in Switzerland
- 17 R&D Centres worldwide
- RM6 billion investment annually on R&D

Nestlé Malaysia

- Established in Malaysia in 1912
- Leading Halal food manufacturer
- Employs 4,000 people
- Over 300 Halal products
- RM3.4 billion in turnover in 2007
- Head Office based in Petaling Jaya, Selangor
- 7 factories and 6 sales offices
- 1 National Distribution Centre

Categories of Products in Malaysia

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

“Meeting the needs” should very much also be seen as a case for providing goods and services for people everywhere, for providing value for money, and also to ensure that the inhabitants of poorer countries have some choice.

Peter Brabeck-Letmathe

Chairman and Chief Executive Officer, Nestlé S.A.



Business Executive Manager, Chilled Dairy, Ms Yit Woon Lai explains the value-added benefits of chilled products to Mr Brabeck-Letmathe during his visit to the Nestlé, Nourishing Malaysia Showcase.

From the Managing Director

Our commitment to Malaysia remains steadfast, and we will continue to improve the quality of lives of Malaysians through our brands and products as well as our Shared Value Creation activities.

As the largest food and beverage company in Malaysia, we have a social and moral obligation towards helping build the nation. Over the 95 years we have been present in this country, we have done our part to share value with the local communities, in our effort to bring further progress to the nation. We have grown with the nation, and will continue doing so.

Our stakeholders are interested in our initiatives for Shared Value Creation and we are pleased to share our progress. This publication describes our most significant accomplishments in social accountability, community work, environmental sustainability and much more. I hope that you will find our second stand-alone Corporate Responsibility (CR) report informative and beneficial.

Since the launch of our first CR report last year, we have received a lot of feedback and response, which have been taken into account for this report. Be assured that our commitment to Malaysia remains steadfast, and we will continue to improve the quality of lives of Malaysians through our brands and products as well as our Shared Value Creation activities.

Our views of CR differ from most as we believe in Shared Value Creation, which is not only sustainable but also more dynamic and impactful. We also believe that our willingness to share such information further demonstrates our commitment to transparency and accountability which are essential to any company that adheres to the highest standards of corporate citizenship.

CR is part of Nestlé's DNA and clearly embedded in our long-term business strategy. Our company ethos states that in order for us to create value for our shareholders over the long term, we must also bring value to society. We have made clear progress and will continue to set new targets and exceed them in our efforts to contribute further to the growth of Malaysia. We will continue to do our part to uphold the principles that our customers, shareholders, associates and other stakeholders expect of Nestlé.

Building on the base established by our earlier report, this document highlights key initiatives and charts our progress in the community, workplace, marketplace and environment. We hope that you will have a better understanding of how Nestlé helps to Nourish Malaysians through the various Nutrition, Health and Wellness initiatives which contribute to our long-term business growth, as well as build sustainable communities, in line with the United Nations Millennium Development Goals.

We are in this for the long haul. We strive for excellence in every part of our business. Our aim is to offer greater value to our shareholders and consumers, create access to nutritious, good quality and safe foods and contribute to the long term social and economic development of the nation through our CR initiatives.

We encourage feedback as we believe it can help us do better. You will find our contact details at the back of this publication. Thank you for your interest.

Sullivan O'Carroll



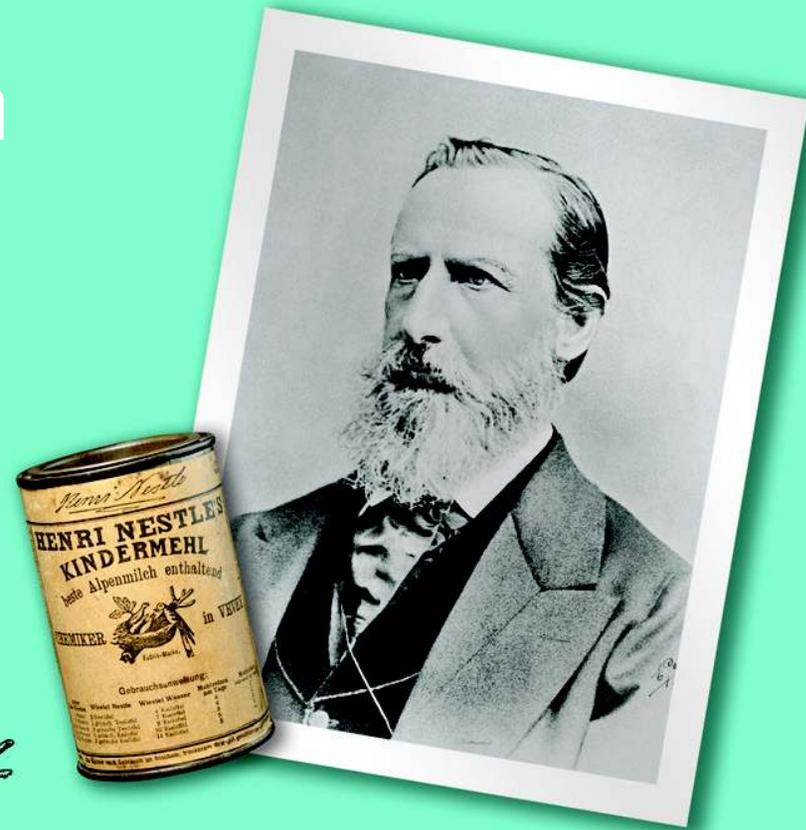
Mr Sullivan O'Carroll takes some "time off" to join Yvonne and her friend during play time at the Nestlé Learning Corner based at the Spastic Children's Association of Selangor and Federal Territory.

Nestlé, a Humanitarian Beginning

Often you will hear the phrase “CSR is part of Nestlé’s DNA”.

This is based on the fact that our founder – Swiss chemist, Henri Nestlé – developed a cereal-based product in 1866 to save the life of an infant who could not be breastfed. This is the legacy of Nestlé – to improve lives – a humanitarian deed which continues to inspire us more than 140 years on.

From its humble origins in Europe, the product – Farine Lactée Nestlé – soon became sought after in other markets; thus starting the global footprint of Nestlé.



Nestlé

The “Nest” - the Pride of Nestlé

Every Nestlé product carries the coat-of-arms developed by Henri Nestlé as a trademark in 1867. Translated from German, Nestlé means “little nest” and the now-famous symbol is universally understood to represent warmth, security, nourishment, family togetherness, nurturing and caring values to this present day.

Our Commitment to Malaysia

Nestlé strives to nourish the community holistically, through its brands and products as well as its long-term commitment to key stakeholders including employees, shareholders, business partners and the community at large.

From its origins which date from 1912, when it was then known as the Anglo Swiss Condensed Milk Company, Nestlé and its brands are trusted for their high quality. The Company was listed on the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia) in 1989. Starting from a small base in Penang, Nestlé Malaysia has today grown to include a large family of nearly 4,000 employees; 7 manufacturing facilities; 6 sales offices; and a turnover of RM3.4 billion in 2007.

One of the most visible brands in Malaysia, Nestlé products are probably available in almost every household and many attest to growing up with a cup of MILO, while others start their day with NESCAFÉ. Be it MAGGI, NESPRAY, BLISS or KIT KAT, the brand is very visible and is an inherent

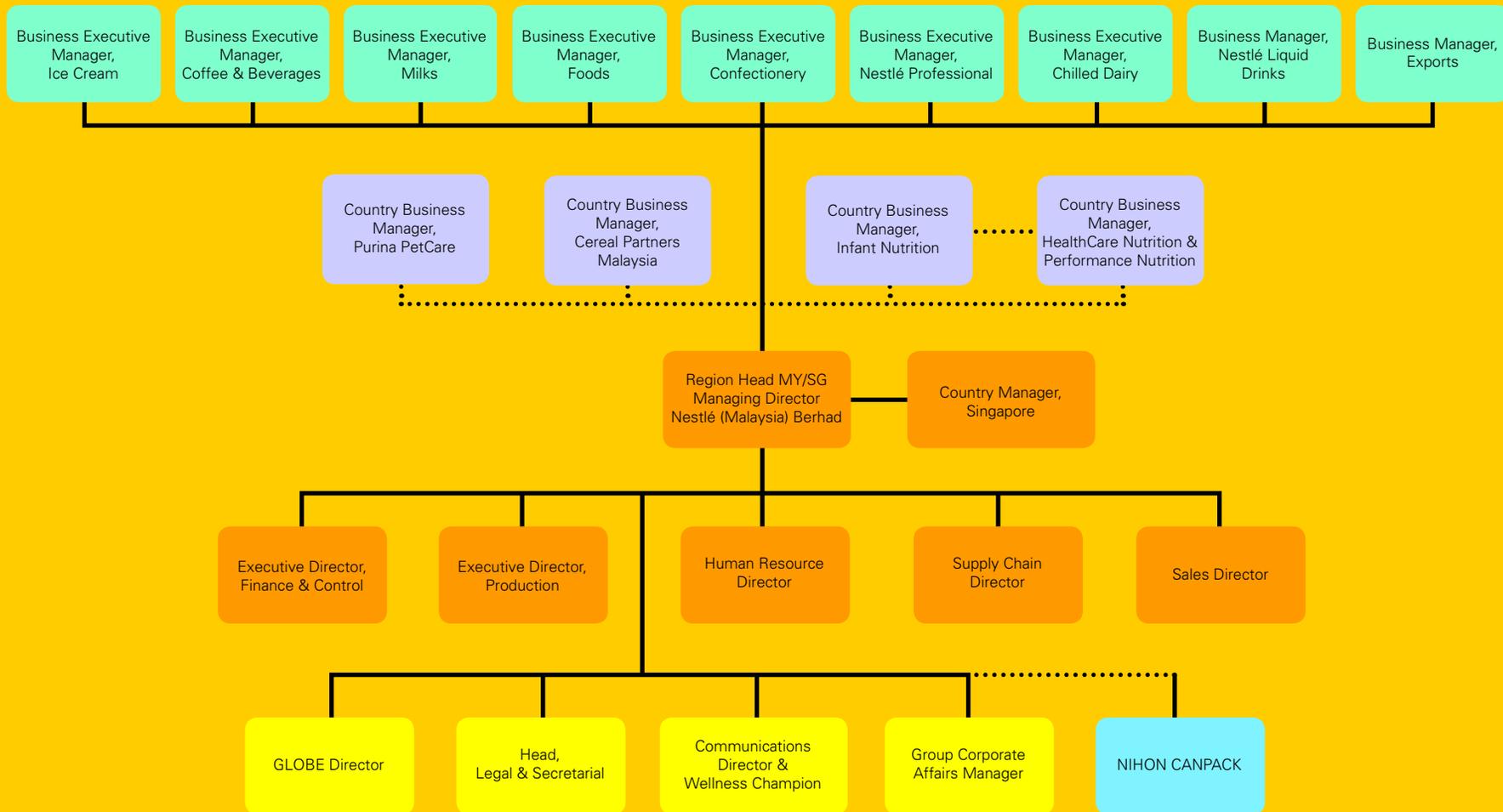
part of Malaysian culture and heritage. The Nestlé name is not only synonymous with Good Food, Good Life, but also with the various social activities that the Company has embarked on throughout its long history in Malaysia.

Led by its vision to Nourish Malaysia, Nestlé strives to nourish the community holistically, through its brands and products as well as its long-term commitment to key stakeholders including employees, shareholders, business partners and the community at large. We aim to create value for shareholders and hence society as we believe that corporate responsibility and sustainable business practices are an essential part of our long-term business strategy.



Nestlé (Malaysia) Berhad

General Management



■ SHARED SERVICES
 ■ LOCALLY-MANAGED BUSINESS
 ■ REGIONALLY / GLOBALLY-MANAGED BUSINESS
 ■ SHARED SERVICES
 ■ JOINT VENTURE

What Corporate Responsibility Means to Us

Good corporate citizenship goes beyond philanthropy, intermittent altruistic activity or abiding by local laws. Companies that are good corporate citizens are not just “doing the right thing” but are implementing policies that in many cases result in positive long-term financial returns for the shareholders, while bringing in sustainable benefits to the community and the environment it operates in.

At Nestlé, we believe that a business strategy based on the provision of top quality food, nutrition and health products can only be maintained by business practices based on the principles of long-term sustainable development. This is defined as the process of increasing the world’s access to better quality food, while contributing to long-term social and economic development and preserving the environment for future generations. We also believe that it is important to create and offer food products for consumers with differing nutritional needs and income levels as good food and nutrition are the right of every consumer.

Good corporate citizenship goes beyond philanthropy, intermittent altruistic activity or abiding by local laws. Companies that are good corporate citizens are not just “doing the right thing” but are implementing policies that in many cases result in positive long-term financial returns for the shareholders, while bringing in sustainable benefits to the community and the environment it operates in.

To ensure that its operating companies around the world adhere to consistent corporate behaviour and ethical business operations, the Nestlé Corporate Business Principles lay down clear guidelines for all Nestlé employees to uphold.



Happy children in Kampung Paus in the Ranau district of Sabah give their thumbs up for the kindergarten set up by Nestlé, with collaboration from Raleigh International and Pacos Trust.

What Corporate Responsibility Means to Us

These Corporate Business Principles are consistent with the principles of the Global Compact and Nestlé managers around the world are encouraged to implement the Principles in the specific situations they work in.

To prioritise what is needed to address the more pressing needs of our community, we take the UN Millennium Development Goals as a basic guide to attain our objectives in the pursuit of shared value creation.

Any CR project undertaken has to support sustainable development and achieve one or more of the UN Millennium Development Goals. We regard the attainment of the UN Millennium Development Goals as important objectives for improving communities and the goals are as follows:

- a) Eradicate extreme poverty and hunger
- b) Achieve universal primary education
- c) Promote gender equality and empower women
- d) Reduce child mortality
- e) Improve maternal health
- f) Combat HIV/AIDS, malaria and other diseases
- g) Ensure environmental sustainability
- h) Develop global partnerships

Each Nestlé market has its own CR programmes – guided by the Nestlé's CSR concept of Shared Value Creation, an approach which believes in creating value for society while creating value for our shareholders. We firmly believe that it is our responsibility to conduct our business in an efficient and transparent manner and any investments that we make must be good for the country and the Company, while following acceptable codes of business conduct. For us, it is not sufficient to create share value, but we prefer to create *Shared Value* with society.

We have a track record of living up to this responsibility, not only in Malaysia but in various parts of the Nestlé world where we do business. We take our responsibilities seriously and we are aware that we have an impact that goes beyond our factory gates ~ to suppliers, the families of our employees, the communities we work in and many more. However, as any organisation of human beings, we also know we are far from being perfect and we must learn to continuously improve.

Nestlé employees who volunteered to serve members of the public refreshing cold MILO during the Merdeka Parade in conjunction with the 50th National Day celebrations.



Consumers benefit from complimentary health checks which were available during the Nestlé, Nourishing Malaysia Showcase held at MidValley Exhibition Centre.



Nestlé volunteers spending time with the children of Rumah Nur Salam, a halfway home for neglected children in the Chow Kit area.



The farmers in Serikin, Sarawak enjoy new income opportunities via Nestlé's contract farming for traditional red rice, a nutritious ingredient used in NESTLÉ infant cereals.



What Corporate Responsibility Means to Us

All our Corporate Responsibility efforts are carefully reviewed and implemented to ensure their consistency and relevance; to bring long-term value for society and the Company's shareholders; be it from a social, environmental or economic perspective in line with our objective of Nourishing Malaysia.

In an effort to clearly map out the work that we do, and will continue to do, the scope of Corporate Responsibility have been segmented in 4 broad areas:

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

“Dear Nestlé” Programme Rewards Consumers



The “Dear Nestlé” loyalty programme, which is in its 11th year offers free nutrition information, recipes, samples, discount vouchers and invitations to forums and cooking demonstrations.

As Nestlé Malaysia is at the forefront of promoting Nutrition, Health and Wellness, the “Dear Nestlé” programme is positioned as the nutrition and health partner which helps Malaysians achieve a well-balanced and healthy lifestyle.

There is also an online version of the mailer at www.nestle.com.my/dearnestle. The online version features more nutrition and health related articles, recipes and interactive tools like a Body Mass Index (BMI) and calorie calculator.

The programme has received very positive feedback from the consumers, especially in the areas of Nutrition, Health and Wellness. Here are some of the feedback from the members.

“My family and I are determined to lose weight for the sake of our health. We are following the guidance and tips given by Nestlé on having a balanced diet and have reduced my weight. It has also worked for my family. Thank you Nestlé.”

En. Mohd. Elmey Bin Mohd. Arshad, 28 years old

“Thank you for the wonderful Dear Nestlé diary! This is the first time Nestlé has introduced a health chart for the entire family. Health is for everyone and Nestlé has the best value products. I’ve shared many nutrition tips with my friends and will definitely introduce more products to all my friends!”

Mrs. Gordip Kor Lall Singh, 49 years old

“I was looking for a way to start my exercise routine after giving birth to my second baby. When I saw the simple steps for exercise on the website, I was able to practise them even if I am ‘very, very, very’ busy. So thanks to Dear Nestlé for this.”

Mrs. Lee Yun Kiew, 33 years old

Ensuring Freshness at All Times

With growing consumer awareness of product quality and increasing customer demands for longer remaining shelf life, Nestlé has embarked on an integrated, company-wide approach to freshness in order to accelerate market responsiveness to what the consumers want as they are at the heart of our business.

Freshness is of prime importance to Nestlé Malaysia and the Company continuously works to ensure that the freshest products are delivered to customers and consumers. With growing consumer awareness of product quality and increasing customer demands for longer remaining shelf life, Nestlé has embarked on an integrated, company wide approach to freshness in order to accelerate market responsiveness to what the consumers want as they are at the heart of our business.

'Time to market' is the key principle by which we ensure that our products stay fresh when they reach the consumers. This is achieved with continued efficiency in the end-to-end Supply Chain from raw materials to finished goods. 'Delivering Freshness' is a Nestlé Best Practice which is integrated into the daily business processes and cross-functionally aligned from purchases of raw materials and packaging materials to production, inter-market supply, physical handling, route-to-market and quality of sales.

The ultimate objective is to establish an effective and efficient management of product shelf life across the entire business to deliver product freshness to expected physical standards.

The Key Performance Indicator (KPI) for freshness is the Inventory Freshness Index where we measure the '% remaining shelf life' as a standard and establish escalating global targets to monitor performance and improvements to deliver the FreshNes strategy. Information visibility is fully supported by our GLOBE-SAP Business Warehouse reports. This KPI is part of a coherent set of business performance measures to provide a transparent view of the different aspects of Supply Chain performance for continuous improvement. This is one of the emerging priorities as one can only manage and improve what is measured.

Stakeholder Engagement

Our efforts to engage more effectively with our stakeholders and gather their understanding and expectations of our long term CR concept of “Shared Value Creation” culminated in a one day dialogue session with senior representatives from local and international NGOs including the United Nations Development Programme (UNDP), Transparency International, Malaysian Institute of Corporate Governance, Institute of Strategic and International Studies (ISIS) Malaysia, ACCA, WWF Malaysia, Yayasan Salam, Malaysian Nature Society, Institute of Corporate Responsibility Malaysia (ICRM), Human Rights Commission of Malaysia (SUHAKAM), Malaysian International Chambers of Commerce & Industry, Business Council for Sustainable Development of Malaysia (BCSDM), Federation of Malaysian Consumers Association (FOMCA), Malaysian Association for the Study of Obesity (MASO), Nutrition Society of Malaysia and the National Council of Women’s Organisations (NCWO), Malaysia.



Shareholders attend the Nestlé AGM to share their feedback on the Company’s performance with the management.

The stakeholder convening which took place on October 31, 2007 was one of three similar dialogues commissioned by Nestlé and conducted by a UK-based independent third party consultancy, AccountAbility. The other two stakeholder convenings took place in Washington and Geneva for the US and European markets respectively.

The Kuala Lumpur stakeholder convening concluded on a positive outcome with both parties – the participating stakeholders and Nestlé – agreeing to the recommendations and action plans which would further enhance our CR initiatives in Shared Value Creation.



Media representatives attend the annual Nestlé Media Workshop on Nutrition, Health and Wellness to discuss related issues and developments.

Here are some of the proposed key areas of improvement recommended by the participating stakeholders:

Standards – set the benchmark in the industry to be an exemplary corporate citizen, upholding ethical business practices.

Nutrition – improve efforts to address the current lifestyle diseases such as obesity, diabetes, etc. through more proactive engagement with the various stakeholders and more effective communication.

Environment – undertake environmental initiatives which covers supply chain and focus on the conservation of natural resources while reducing waste.

Supply Chain – encourage suppliers and business partners to adopt sustainable business practices with clear Key Performance Indicators.

Nestlé will provide a report on the progress of its action plans to address the issues highlighted to the stakeholders by mid-2008 and a follow-up of these proposals will be reported in the next CR Review.



Shared Value is applied across Nestlé’s Value Chain

	Agriculture and Sourcing	Manufacturing and Distribution	Products and Consumers
Value chain impact	Purchasing Practices	Environmental, Safety and Labour Practices	New/renovated products for Nutrition, Health and Wellness
Growth context	Agricultural and Supplier Development	Better Food Safety Standards and Workforce Development	Increase knowledge and awareness for healthy lifestyles
Nestlé benefit	Raw material access at specified quality and foreseeable price	Premium food manufacturer	Profitable growth from superior product benefits
Society benefit	Higher food output using fewer resources	Higher food production standards	Wider access to food and nutrition and health

Examples of Shared Value Creation in Nestlé Malaysia

	Contract Chilli Farming	Food Mentoring Programme for SMEs	Collaboration with MOH
Value chain impact	Purchasing Practices	Good Manufacturing Practices	New/renovated products for Nutrition, Health and Wellness
Growth context	Agricultural and Supplier development through transfer of knowledge	Improved food safety standards, legislation and Halal certification	Increase knowledge and awareness for healthy lifestyles
Nestlé benefit	Raw material access at specified quality and foreseeable price	Potential collaboration with SMEs for contract manufacturing or sourcing	Profitable growth from superior product benefits
Society benefit	Supplements income of farmers, reduces poverty in rural communities & reduces reliance on imports	Higher food production standards	Consumer confidence with products with value added health benefits

	Commitment to Halal	Conserving the Wetlands in Setiu	“Nourishing Malaysia”
Value chain impact	Purchasing & Good Manufacturing Practices	Sustainable Business Practices	Promote Nutrition, Health and Wellness
Growth context	Improve innovation technology and supplier development through Halal knowledge	Better understanding on environmental matters	Innovate & renovate nutritious and healthier products using R&D expertise
Nestlé benefit	Profitable growth through sales & exports of Halal products	Build goodwill with key stakeholders & develop consumer base	Profitable growth from high quality and value-added products, including PPP
Society benefit	Consumer trust and confidence on quality and peace of mind for Muslim consumers	Develop sustainable livelihoods through transfer of knowledge while conserving natural habitat	Meeting consumers’ needs for healthier options in line with MOH’s 10-Year Nutrition Action Plan

Shared Value Creation – Commitment to Halal

Nestlé Malaysia is currently the biggest Halal food producer in the Nestlé Group. Exports of Halal products to more than 50 countries globally contributed 22% to the total turnover in 2007.

Halal is not a new concept for us at Nestlé, in particular in Nestlé Malaysia. We have been consistently working towards promoting the Halal food business over the last two decades, even before “Halal” became a buzzword. Our interest in Halal was borne out of social responsibility and respect for our Muslim employees and consumers, but today we are truly beginning to appreciate the long-term investment we have made in manufacturing and marketing Halal products.

Nestlé Malaysia had established clear guidelines on Halal practices since the 1980s as a mark of respect and responsible obligation to our Muslim employees and consumers. Since the introduction of the JAKIM Halal logo in 1994, Nestlé has been proactively involved in promoting Halal standards and the official Halal logo to the public, in particular Muslim consumers.

The Nestlé Halal Policy clearly states that all food and beverage products that are manufactured, marketed, distributed and imported by Nestlé Malaysia must be certified Halal by the relevant authorised bodies.

As a result of its on-going commitment and efforts to the development of Halal products, Nestlé Malaysia has been recognised as the Halal Centre of Excellence for the Nestlé Group and a leading exporter of Halal products.

The awareness of Halal is developing rapidly particularly in non-traditional Muslim markets such as the UK and France. Due to growing consumer demand, many big retailers and hypermarkets are beginning to offer Halal products on their shelves.

With these potential business opportunities, Nestlé has further investments in Halal manufacturing facilities, research and development, capacity building, consumer insights and communication. Our experience and knowledge on Halal applications has resulted in 75 factories and more than 100 manufacturing lines being Halal-certified, and producing Halal products for the Nestlé Group.

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As Malaysia aspires to be a global Halal hub, Nestlé willingly shares its expertise and global networking with the relevant Halal authorities – from sourcing to distribution. This sharing of knowledge includes working with the SMEs in the local food industry on Halal standards; collaborating with the relevant Government agencies and NGOs as well as local universities to provide industrial exposure on Halal and industry-related Syariah programmes.

Halal is a life-long commitment because it is a way of life for all Muslims. Halal does not cover only the religious aspects but it adheres to very strict quality and hygiene compliance which are in line

with good manufacturing practices. Halal covers everything from farm to fork, or from sourcing of raw materials to distribution of products. Halal is about trust, responsibility, respect and strict compliance.

Our corporate responsibility commitment towards providing Halal products for our Muslim consumers have reaped us many benefits. Not only have Halal practices been embedded in our business operations but we have brought recognition to the Halal food industry through exports of made-in-Malaysia Halal products to over 50 countries worldwide. In addition, Nestlé has developed strategic alliances in the local and international Halal community. Our Halal commitment has provided a clear win-win situation for all parties, in particular to our consumers, both Muslims and non-Muslims, who benefit from Halal produced Nestlé products.

In recognition of its Halal commitments, Nestlé Malaysia received the inaugural Halal Journal Award for “Best Corporate Social Responsibility Project” in 2007 from His Majesty the King at the World Halal Forum in May 2007, for being the company which has contributed significantly to the development of Halal in Malaysia.



Shared Value Creation – Small and Medium Enterprise (SME) Mentoring Programme

Creating value for the local SMEs augurs well for the growth of the local food industry because it raises the quality standards of food manufacturing. This in turn will benefit all consumers who will have greater confidence in purchasing locally made products and reduce reliance on food imports.

The Nestlé-SME Food Industry Mentoring Programme, a joint initiative with the National SMI Consultative Centre (now known as the National SME Council), was established in 1999 with the objective to help local SMEs in the food industry achieve “world class” status in their operations to be globally competitive. To date, more than 2,600 participants from over 1,300 small-medium enterprises in the food industry across Malaysia have benefited from this mentoring programme since its inception 8 years ago.

The Mentoring Programme is in response to the Government’s call for the private sector to assist the SMEs to develop and meet the future challenges of a competitive global business environment.

It is also in line with Nestlé’s commitment to nurture the growth of the food industry through the sharing of knowledge and transfer of technology.

It is targeted at all SMEs in the local food industry including food and beverage manufacturers, retailers, operators, food service providers, restaurant owners, caterers, hoteliers, food packaging companies, food equipment and machinery suppliers.

Besides imparting good manufacturing practices, and improving quality standards and legal compliance to reduce food safety issues, and boost consumers’ confidence in the quality of locally-produced food products, Nestlé shares valuable insights on Halal

certification with food manufacturers interested in penetrating the Halal food market. The mentoring programme also includes training on international food standards, HACCP, marketing and sales, packaging and food preservation and other topics which are relevant to the food business.

All the modules offered under the programme are in line with the Government's strategies under the Ninth Malaysia Plan to create competitive, innovation-driven and performance-oriented SMEs in the country.

Nestlé is confident that the mentoring programme will continue to evolve as the food industry progresses. We need to be able to keep up with consumer trends to meet consumer needs while at the same time manage a complex and competitive business to fulfill the necessary regulatory requirements.

As a global food company with the world's largest private R&D facility in food and nutrition, Nestlé has a wealth of resources and expertise to share with local food companies. Creating value for the local SMEs augurs well for the growth of the local food industry because it raises the quality standards of food manufacturing. This in turn will benefit all consumers who will have greater confidence in purchasing locally-made products and reduce reliance on food imports.

For Nestlé, the growth of quality SMEs in the local food industry provides us with potential business partners. Participants under the mentoring programme may be selected to become suppliers or co-manufacturers for Nestlé and other global food companies. This development will further encourage excellence and drive competitiveness among the SMEs within the local food industry.



Shared Value Creation – Nestlé, Nourishing Malaysia in Nutrition, Health and Wellness

What people eat and drink affects the way they live their life and increasingly, consumers are benefiting from Nestlé products that go beyond taste and convenience. Nestlé is providing consumers with much more, integrating added benefits of Nutrition, Health and Wellness.

Nestlé recognises that food and beverages play an important role in people's lives – both in terms of personal health and nutrition and in terms of sociability and enjoyment. What people eat and drink affects the way they live their life, and increasingly, consumers are benefiting from Nestlé products that go beyond taste and convenience.

Nestlé is providing consumers with much more, integrating added benefits of Nutrition, Health and Wellness. Nutrition has always been the foundation of Nestlé's business and the Company has a strong base on which to build, through its 140 years of experience as well as its expertise in R&D in food and nutrition.

Food trends and consumption patterns are constantly evolving with lifestyle and demographic changes. The increase in obesity and the number of non-communicable diseases such as diabetes and cardiovascular ailments have heightened health concerns and created greater awareness for nutritional and health benefits.

Nestlé's strategy is based on offering products that have proven superiority in consumer preference and nutritional value over the competition. This is based on a proprietary product testing process which has a dual aim: gaining the approval of a majority of consumers in a taste test while bringing a nutritional "plus". The process helps to continually improve the taste and nutritional value of our products, contributing to market share gains and improved profitability.

To support our journey towards Nutrition, Health and Wellness, the Nestlé Group continues to invest worldwide in R&D spending approximately RM6 billion in 2007. The Nestlé Research Centre based in Lausanne, Switzerland is the world's largest private facility for nutrition related research.

What does this mean for the Malaysian consumer? To ensure that our products meet the local needs and preferences of consumers, Nestlé ensures it has the right consumer insights before a product is developed. Once the product is developed, it has to

pass the superiority in consumer taste preference and that there is a nutritional or health benefit to the consumer.

To help the consumer understand the benefits of a Nestlé product, the Nutritional Compass was introduced on all our product packaging. The Nestlé Nutritional Compass is a communication tool that gives clear and comprehensive nutrition information on-pack. The on-pack contact details provide consumers with access to the Nestlé Consumer Services Centre where they can provide feedback, request for product information or recipes and obtain nutritional advice.

Nestlé believes that everyone has a right to good nutrition and to this end, the Company is developing Popularly Positioned Products (PPP) which are more affordable and more readily available for the lower income consumers. Some PPPs are fortified to ensure consumers get added nutritional benefits. In Malaysia, we have introduced NESTUM Sarapan Berkhasiat which is high in protein, calcium, iron and other vitamins and minerals.

We are very conscious about communicating responsibly to our consumers, and in particular to children. The Nestlé Consumer Communication Principles provides guidelines to ensure

consistency and compliance in all our consumer communication. One of the major communication initiatives taken by Nestlé Malaysia was to organise the Nestlé, Nourishing Malaysia Showcase which was opened to our key stakeholders and consumers.

The Nestlé, Nourishing Malaysia Showcase provided a platform for Nestlé to showcase its efforts in bringing Nutrition, Health and Wellness to consumers. It enabled both stakeholders and consumers access to the “heart” of Nestlé and to experience first hand the product offerings, services and activities that Nestlé has on offer. More than 5,500 visitors attended the Nestlé, Nourishing Malaysia Showcase, with dedicated “Wellness Ambassadors” serving as guides.

Responding to consumers’ needs, integrating further into society and communicating the product benefits clearly will bring us closer to the consumer and ultimately create better trust. This will strengthen consumer loyalty and ensure a sustained and long-term business growth. Nestlé consumers gain value through access of safe, high quality and nutritious products. They also benefit from the nutritional knowledge and acquire better understanding of how they and their families can use Nestlé products in a healthy and balanced diet.



Targets & Achievements

MARKETPLACE – NUTRITION, HEALTH & WELLNESS		
Our commitment to Nourish Malaysia by improving the health of consumers through our expertise in R&D in food and nutrition.		
What we set out to achieve	What we have achieved to-date	Going Forward
<p>Science</p> <ul style="list-style-type: none"> • Be the leading company in Food, Nutrition, Health & Wellness and provide healthier options to meet the evolving needs of consumers. • Leverage our R&D expertise and the 140 years of nutritional experience to innovate and renovate products to improve the nutrition and health benefits. • Ensure we meet the highest quality and safety standards, in compliance with local and international regulations as well as in accordance with the Halal guidelines. • Help the Government achieve the objectives of the 10-Year National Plan for Action for Nutrition II, working with the Ministry of Health and relevant NGOs. • Complement Government's efforts to reduce the rise in diseases related to obesity and unhealthy lifestyles. 	<p>Science</p> <ul style="list-style-type: none"> • New products with branded active benefits have been launched such as the NESTLÉ GOLD Infant Cereals with enhanced nutrient formulation such as BL BIFIDUS and PREBIO and MILO JUNIOR Growing Up Milk which contains DHA and ACTIGEN-E to meet the growing and development needs of children aged 3 to 5. • R&D expertise to develop products with specific dietary requirements for example NUTREN Diabetik. • Further investments were made to produce healthier air-dried noodles which contain 60%-80% less fat content. • Nestlé has commissioned UKM to conduct a follow-up study on the eating habits and nutrition knowledge of the nation's primary schoolchildren. The first study among 12,000 primary schoolchildren in Peninsular Malaysia was launched in 2001. • Collaborated with the Ministry of Education to launch the Healthy Schools Campaign working together with relevant academia (UKM) and NGOs (Nutrition Society of Malaysia and Malaysian Association for the Study of Obesity) to create awareness on the importance of nutrition among schoolchildren, teachers, parents and canteen school operators. • In an effort to create a knowledge platform for the benefit of the Malaysian medical and scientific fraternity, the Malaysian Chapter of the Nestlé Nutrition Institute (NNI) was launched in 2007. The Institute which operates as an "applied science" organisation is aimed at establishing a peer-to-peer relationship with healthcare professionals to help enhance the quality of lives around the world. The Malaysian Chapter of NNI will play an essential role in implementing and developing the Institute's activities such as workshops; sharing of health publications, journals and educational materials; as well as awarding scholarships to healthcare professionals in the country. 	<p>On-going investments in R&D and collaboration with the scientific community to improve our leadership in food, nutrition and health.</p>

Targets & Achievements

What we set out to achieve	What we have achieved to-date	Going Forward
<p>Consumer Communication</p> <ul style="list-style-type: none"> Continuously improve our understanding of consumer needs and preferences through effective consumer insights. Improve consumer communications to help them understand better the Nestlé product benefits. Enhance consumer loyalty and build consumer base through our value-added products and services. Adhere to responsible advertising and marketing activities. 	<p>Consumer Communication</p> <ul style="list-style-type: none"> Website – www.nestle.com.my access to information on Nutrition, Health and Wellness. With new features such as a Fun and Learn section and the Wellness Centre, consumers will gain the relevant information they require to enjoy balanced diets and lead healthier lifestyles. The on-pack Nestlé Nutritional Compass – first worldwide nutrition labelling initiative from any food company – provides easy-to-understand, relevant “Good to Know” information on nutritional content, “Good to Remember” nutritional tips and habits, and a “Good to Talk” panel that gives contact information for the Nestlé Consumer Services team for feedback and advice. Regular communication with consumers through the “Dear Nestlé” Loyalty Programme. The Programme which reaches thousands of households throughout Malaysia is positioned as the nutrition and health partner that empowers Malaysians to achieve a well-balanced and healthy lifestyle. An annual media workshop is organised for media reps to discuss relevant issues related to Nutrition, Health and Wellness. Engaging with stakeholders to gather feedback on Nestlé products and services through various channels – focus groups, visitor surveys to the Nestlé Nourishing Malaysia Showcase, ongoing dialogues with NGOs and opinion leaders. The Nestlé, Nourishing Malaysia Showcase aimed at showcasing the Company’s products, activities and services further strengthens the Company’s partnership with its key stakeholders, including consumers. More importantly, it demonstrates Nestlé’s goals and vision to help ensure a healthier Malaysian society and work in tandem with the Government to combat the prevalence and rise of diseases such as obesity and diabetes by offering consumers new options that would help them counter the challenges of their evolving lifestyles. Guang Ming Daily together with MAGGI, NESTLÉ OMEGA PLUS & NUTREN organised a wellness tour in the secondary Chinese markets. This activity which was held over a period of three months brought both medical and health consultants into 20 Chinese communities nationwide with the mission to educate them about the importance of “healthy living, nutritious diet and well-being”. The Nestlé Consumer Communication Principles provides clear guidelines on advertising to children. Nestlé does not advertise or conduct marketing activities to children under 6 years and any advertising to children are restricted to products with a nutritional profile which helps children achieve a healthy, balanced diet. 	<p>We will continue to invest in consumer insights and improve communication to our stakeholders through the various channels.</p>

Targets & Achievements

What we set out to achieve	What we have achieved to-date	Going Forward
<p>People</p> <ul style="list-style-type: none"> Encourage work-life balance among employees to lead healthier lifestyles. Increase the number of Wellness Ambassadors who will help realise the Company's vision of Nourishing Malaysia. <p>Products</p> <ul style="list-style-type: none"> Develop products with health promoting branded active benefits for the added value in nutrition and health. Develop Popularly Positioned Products (PPP) to ensure the lower income group have access to affordable products with high nutritional value. Improve the nutritional profile of Nestlé's current range of products. 	<p>People</p> <ul style="list-style-type: none"> Increase in the employment of nutritionists, dieticians and food technology specialists to provide the necessary expertise in nutrition and health. The Wellness-in-Action Programmes are ongoing to improve the health and well-being of our employees at all work sites. Nutrition training is provided to employees at all levels to improve understanding in nutrition. <p>Products</p> <ul style="list-style-type: none"> On-going innovation and renovation to reduce sugar, sodium, fat content, no added MSG etc in product range. To date, products such as MILO, NESCAFÉ beverages, MAGGI noodles, have all improved on nutritional benefits. The use of traditional Asian herbs with specific health benefits have also featured in some new products including the MAGGI NATURE'S TREAT range of rice porridge with added Pegaga, Red Dates and Kei Chi extract as well as the NESCAFÉ BODY PARTNER range with Tongkat Ali & Ginseng. The development of the PPP range has seen the introduction of the affordable NESTUM Sarapan Berkhasiat for a complete breakfast. The product is a good source of vitamins and minerals for added benefits. Development of nutritious and healthy recipes using Nestlé products for the benefit of consumers are on-going in the Nestlé Development Kitchen. MILO has collaborated with the National Fitness Council (NFC) through a variety of initiatives over the past three years. The corporate objectives of MILO are closely aligned with the NFC's inspirational slogan – "Get Fit, Get Healthy, Get United". Nestlé in collaboration with the Ministry of Education organised a nationwide annual MAGGI Secondary School Cooking Competition. Each year about 5,000 students participate in this event aimed at cultivating interest in cooking, raising the awareness of nutritious food and balanced diet. 	<p>Improvements to the work environment and efforts to promote work-life balance will be on-going.</p> <p>Development of new products must include clear nutrition or health benefits to the consumer. PPP will ensure that the lower income group are able to enjoy products with nutritional value.</p>

Targets & Achievements

AGRICULTURE		
1) Sustainable Agriculture Initiatives (SAI) established together with other global food companies to work with farmers to elaborate best practices		
What we set out to achieve	What we have achieved to-date	Going Forward
SAI will act on a worldwide scale as a platform for industry collaboration in the development and implementation of sustainability in agriculture. It will also offer a platform for development in areas of public concern such as the quality and safety of produce, the well-being of rural communities, animal welfare, as well as soil, water, air, energy and biodiversity aspects.	<ul style="list-style-type: none"> Improved quality and addressed safety problems in the food supply chain. Helped meet growing demand for quality food arising from population growth, increases in expendable income and dietary changes. Helped counter adverse effects of agriculture on natural resources and environment which affect agricultural productivity. Commencement of SAI project on replacing the use of plastic sleeving for Cocoa Pod Borer control, use of a bio-degradable alternative, or through use of organic-based spray control. 	Two SAI projects were launched in 2007 – <ul style="list-style-type: none"> i) conversion of plastic mulching to use of bio-degradable mulching ii) centralised supply of seedlings to farmers as an “indirect subsidy” to offset rising production costs. Implemented in Tawau and Raub in 2007, two areas with sizeable cocoa stands.
2) Contract Farming and Sourcing of Raw Materials		
What we set out to achieve	What we have achieved to-date	Going Forward
<p>To source Nestlé’s raw material needs from local origins, where available and economically feasible. Contract Farming is done only when there is a need to procure specific quality and ensure reliable deliveries of locally-grown agriculture raw materials.</p> <p>Local sourcing of chilli to help boost income levels of farmers and promote Good Agricultural Practices (GAP).</p>	<ul style="list-style-type: none"> Contract farming pricing is done on cost-plus basis i.e. linked to actual and current farm production output and costs. This ensures the average farmer should always have a profit at day’s end, thus ensuring continuity, commitment, and overall sustainability. Chilli contract farming was established in Kelantan since 1985, with Good Agricultural Practices recognition received through SALAM accreditation. In 2005, a pilot scheme of 4ha was conducted and in 2006, the total area achieving SALAM expanded to 40ha, or about 15% of total planted area. To meet pressing challenges, the fresh chilli contract farming was given a new impetus with the initial introduction of potted fertigation technology, albeit with mixed results, as high costs of plastics and planting media made for higher than expected costs. Our centralised seedling contribution was officially launched by the Director-General of the Farmers’ Organisation Authority in November 2007, with an initial provision to farmers of 100,000 good quality hybrid seedlings. 	To seek new avenues to expand on this initiative.

Targets & Achievements

What we set out to achieve	What we have achieved to-date	Going Forward
Red Rice Cultivation	<ul style="list-style-type: none"> • Under the umbrella of the Prime Minister's Department, the fresh chilli project site was visited by Prof. Jeffrey Sachs, a noted economist specialising in poverty eradication programmes. • A social report was conducted by Universiti Teknologi MARA for the Chilli project in 2006, which statistically showed the positive attributes of the whole project. • Nestlé's red rice cultivation was officially launched by the Sarawak Minister of Agriculture in October 2007. This contract farming scheme with farmers in Sarawak would practice zero-burning of harvested fields as well as the use of cultural and non-chemical means to ensure rapid leftover stalk degradation into compost, which then serves to enrich the soil further with organic matter. This project initially started with 75ha, involving 82 farmers in the rural districts of Serikin and Siburan. In Serikin, the project was well-received by the farmers who were eager to plant red rice for Nestlé. • Nestlé is currently working closely with the Malaysian Agricultural Research and Development Institute for large scale production of red rice. 	After the success of the trials, to proceed with commercial farming and cultivation of red rice for NESTLÉ Infant Cereals.
Pepper and Spices Cultivation	<ul style="list-style-type: none"> • Initiated contact with local authorities and partners to commence project and launch local spice garden. 	
Cocoa Production	<ul style="list-style-type: none"> • Launched joint project with Olam and Delfi, on improving fermentation levels in Sulawesi. This is a Shared Value Creation project in that Nestlé provides technical input, Olam co-ordinates all logistics, while Delfi processes the beans into powder which is then used by Nestlé. • As part of cocoa SAI, Nestlé has offered the Malaysia Cocoa Board (MCB) to host and train one of their scientists at the Nestlé Plant Science Centre in Tours, France, on the process of somatic embryogenesis. 	
Palm Oil	<ul style="list-style-type: none"> • Active participation in Roundtable for Sustainable Palm Oil matters. 	

Targets & Achievements

ENVIRONMENT		
Preserving natural resources and minimising waste have become an integral part of our business objectives to achieve global competitiveness.		
What we set out to achieve	What we have achieved to-date	Going Forward
<p>Identify opportunities to work with agencies such as World Wildlife Fund (WWF) and Malaysian Nature Society (MNS) for sustainable development for mutual benefits.</p> <p>The Nestlé Environmental Management System (NEMS) manages the Company’s environmental performance. NEMS is based on the continuous improvement management cycle and is completely aligned with the requirements of the international standard ISO14001:2004.</p>	<ul style="list-style-type: none"> In partnership with WWF Malaysia for a 4-year project in Setiu, Terengganu to save the wetlands and create new income opportunities for women of the Setiu wetlands. The project includes community research, capacity building programmes, business planning, monitoring and evaluation. Ultimately, the positive outcome of the project will empower the women of this village to create sustainable livelihoods while conserving the natural wetlands habitat of the area. Nestlé supports MNS activities such as sponsoring the annual Raptor Watch. Ensure environmentally friendly production techniques and ways to recover by-products, as well as processing methods that minimise water and energy consumption, and waste generation. Review factory compliance with legal and internal standards, investigate incidents that could affect the environment and take appropriate measures on them. Performance in 2007 show a reduction in Energy Consumption in MJ per tonne of product of 8.32% compared to the previous year. Aside from the continuous implementation of energy saving initiatives, strict monitoring of consumption levels and creating awareness for needless wastage of energy at all levels in the organisation, a significant contribution in the reduction was achieved by the high occupation rate of the production lines. Rationalisation and well-planned maximised production runs resulted in more efficient usage of energy per tonne of products. 2007 also posted a reduction of about 53% in sulphur dioxide SO_x per tonne of product and a reduction of about 9.04% in carbon dioxide CO₂ per tonne of product. However, there was a slight increase of 1.14% in Water Consumption in m³ per tonne of product compared to the previous year due to the start-up and commissioning of new production lines. Process and product validation as well as extensive cleaning cycles required the use of water without generating sellable product. The overall trend however for the past 6 years shows a steady reduction of water consumption of more than 3.5% per year. 	<p>Continue collaboration with like-minded organisations.</p> <p>All factories to be accredited with ISO 14001.</p> <p>Continue to achieve and exceed all KPIs as set.</p>

Targets & Achievements

What we set out to achieve	What we have achieved to-date	Going Forward
Packaging – to identify and ensure post consumer waste reduction.	<ul style="list-style-type: none"> Undertaken extensive Innovation and Renovation and introduced new packaging that reduces waste and allows easier recycling. Use of most efficient and appropriate packaging solutions that result in the lowest possible weight and volume of package. 	Regularly redevelop our packaging to reduce materials used or adopt new concepts that enable environmentally friendly disposal options.
Waste Management	<ul style="list-style-type: none"> Minimise the use of environmentally critical substances, recycle waste and dispose of non-recyclable waste in an environmentally sound manner. Increase the compatibility of packages with existing waste management schemes. Nestlé Malaysia is implementing the Integrated Waste Management for all factories together with the Central Returns Warehouse (CRW). Besides the Factories, the CRW will need to report their figures on solid waste disposal in future after the Integrated Waste Management is in place. 	Support industrial and Government efforts to promote integrated waste management such as source reduction, recycling, composting, energy recovery and landfill.
Distribution and Warehousing	<ul style="list-style-type: none"> Select appropriate transportation modes, optimum loading, vehicle-capacity utilisation, route planning, scheduling and fuel conservation. 	Ensure compliance with third parties.
Clarifier Pond	<ul style="list-style-type: none"> Return sludge (microorganisms) from clarifiers is starved for 4-6 hours without any food or oxygen. Thereafter it is mixed with the incoming raw influent in a pipeline to provide large amounts of food to these microbes. This results in a very good strain of microbes which has the following characteristics: <ol style="list-style-type: none"> a very good settling behaviour in clarifiers able to recover fast from shock loads and power failure foam in aeration tank is eliminated Our clarifier ponds are clean enough to sustain life – koi, carp and other fish. 	

Targets & Achievements

THE COMMUNITY – EDUCATION		
Provide equal education opportunities for marginalised communities		
What we set out to achieve	What we have achieved to-date	Going Forward
<p>Give rural young children an opportunity to get a head start in education.</p>	<ul style="list-style-type: none"> • Collaboration with Raleigh International and Pacos Trust to identify and build kindergartens in rural areas of Sabah: <p>Kg Liu Built in 2005. In 2006, 27 local children aged 5 and 6 were enrolled in the school. Following a recent visit by officials from the Ministry of Education, the school has since been registered as an official pre-school centre.</p> <p>Kg Saguon Built in 2006 and has 23 children aged between 4-6 years old enrolled. It is currently run by a trained teacher and the village recently sent another member of its community to be trained to assist the current teacher. In 2006, the school also organised a graduation ceremony for the older children in Kg Saguon.</p> <p>Kg Paus Built in 2007 to serve the Kg Paus population of 800 people which till then only had a primary school. The new kindergarten also allowed for one of the young women from the village to be trained as a school teacher.</p> <ul style="list-style-type: none"> • In addition to setting up of these kindergartens, Nestlé has provided opportunities for local youth to participate in voluntary community projects with Raleigh International through sponsorship of 6 young Malaysians. 	<p>To work with Raleigh International to set-up more kindergartens and monitor progress and provide assistance where required for existing Nestlé-sponsored kindergartens.</p>
<p>Provide physically and mentally challenged children with learning opportunities.</p>	<ul style="list-style-type: none"> • Established 4 Nestlé Learning Corners in Wisma Harapan Brickfields, Sekolah Khas Cheras, Spastic Centre and Sekolah Khas Klang Wisma Harapan. These Learning Corners are well equipped with the necessary learning aids for the physically and mentally challenged to ensure that they are given opportunities to improve themselves. • Established bigger Nestlé Learning Centre at Wisma Harapan Brickfields Vocational Training Centre. 	<p>Develop more local youth volunteers.</p> <p>Invest in more Nestlé Learning Corners in 2008.</p>

Targets & Achievements

What we set out to achieve	What we have achieved to-date	Going Forward
Create awareness among young children on social issues, for example sexual abuse.	<ul style="list-style-type: none"> • Collaboration with Protect and Save the Children (PSC) to build a Maze of Feelings – which helps young children learn right from wrong and teaches them inform a trusted adult if they fear that they are being abused in any way. 	Bring the maze on a roadshow to enable as many young children to experience it and be more aware of the social dangers.
Improve the hospital environment for sick children to make it more child friendly, in line with Ministry of Health's objectives.	<ul style="list-style-type: none"> • Established a Toy Library at the Occupational Therapy Unit, Paediatric Institute, KLGH, for children with Downs Syndrome and other debilitating conditions. • Established Family Friendly Corner at the Paediatric Institute, KLGH. • In 2007, Nestlé collaborated with the Association to organise a Play Therapy Workshop where experts from the Children's Hospital in Sydney Hospital were flown in to train local healthcare professionals. 	To work with the National Child Friendly Healthcare Association to establish new centres and provide a more friendly environment for sick children.
Help schoolchildren particularly in rural areas to improve their command of English to be able to compete better in their studies.	<ul style="list-style-type: none"> • In partnership with the British Council, Nestlé embarked on the "Click into English" (CIE) project which was supported by the Curriculum Development Centre of the Ministry of Education, to provide the necessary skills to enhance the English language teaching skills and aptitude of teachers via the use of ICT. CIE aims to bridge the digital divide and improve the level of English language proficiency amongst secondary students in Malaysia. The pilot project was launched in Kedah and Terengganu. • KOKO SMART START CAMP with the New Straits Times and the Ministry of Education was aimed at improving the level of English language proficiency and stimulate interest in English, while enhancing public speaking skills amongst primary school students. 	Extend the CIE project to all schools equipped with computers via a specially designed portal which will encourage both students and teachers to participate.
Encourage reading habits among schoolchildren.	<ul style="list-style-type: none"> • Collaboration with Nanyang Siang Pau for 4 years to inculcate the habit of reading amongst the younger generation through a Story Compilation Contest for Chinese Primary Schools. 	To continue the highly successful programme in 2008.

Targets & Achievements

What we set out to achieve	What we have achieved to-date	Going Forward
<p>Improve creativity among children.</p> <p>Inculcate good values in children through sports.</p>	<ul style="list-style-type: none"> 10,000 primary schoolchildren compete in the NESPRAY National Space Challenge, to win the coveted Prime Minister’s Trophy and a chance to visit an International Space Camp. It is a collaborative effort with the National Space Agency (ANGKASA), Ministry of Education and NESPRAY. MILO continues to strengthen its role in sports by introducing its “Grow with Sports” public service campaign. This initiative was aimed at reminding parents of the benefits of sports in developing healthy bodies and values in Malaysian children. MILO reinforced its commitment to junior sports development activities by sponsoring more than 200 events through strong long-term partnerships with Government bodies and NGOs, as well as the sports media. MILO is present in virtually all sports from grassroot through national to international events. 	
<p>TRAINING & MENTORING Improve technical skills and share knowledge with those in need.</p>		
What we set out to achieve	What we have achieved to-date	Going Forward
<p>Practical training for students to help them gain experience and knowledge in a working environment.</p> <p>Assist local SMEs to achieve world class standards.</p> <p>Promote gender equality and empower women through training and education.</p>	<ul style="list-style-type: none"> A strategic partnership with Limkokwing University College of Creative Technology to collaborate in research and development challenged the students to come up with packaging designs for stick and ice cream cups as part of a programme to develop local talent and encourage innovation and design. Through a mentoring programme established 8 years ago, Nestlé shares technical expertise and knowledge with SMEs in the food industry to help them develop and meet future challenges in a competitive global business environment. The programme also fulfills Nestlé’s commitment to develop the growth of the local food industry. To date, more than 2,600 participants from over 1,300 companies across Malaysia including East Malaysia have participated in the programme. On-going support for e-Homemakers – a network of single mothers and underprivileged women who try and create a better work-home life balance through flexible working options. One example of our support is the promotion and purchase of eco baskets which are weaved by the SALAM women using recycled newspaper. 	<p>Two-year agreement in this industry-within-university concept.</p> <p>To move to a higher level and include new topics in the programme.</p> <p>Continue our collaboration with women’s groups.</p>

Targets & Achievements

DISASTER RELIEF		
Nestlé is always at the forefront to assist victims who are impacted by natural disasters.		
What we set out to achieve	What we have achieved to-date	Going Forward
Provide assistance during a disaster to relieve the burden on victims and to ensure they remain nourished.	<ul style="list-style-type: none"> Floods hit Johor at the start of 2007, affecting more than 100,000 people. The Nestlé team provided MILO, NESCAFÉ, MAGGI noodles and NESTLÉ Breakfast Cereals to the victims and relief workers. Food supplies were also given to the evacuees at various relief centres and areas struck by the floods. Nestlé employees also organised collection of food items, toiletries, blankets and clothing to be donated to those affected. Donations of NESPRAY growing up milk powder were also distributed to nourish the children affected by the flood. The team also helped office colleagues and employees of Long-Term Partners and dealers clean up the debris left at their homes and premises after the floods. In July, heavy and continuous downpours brought massive floods to Seberang Perai. Relief centres were set up immediately and within hours the Nestlé Field Promotion Operator (FPO) teams in Penang were on hand to provide assistance and nourishment to the communities in need. 	
THE WORKPLACE – CAPACITY BUILDING WITH EMPLOYEES		
Nestlé has increased approximately 50% of training participation where there were more than 6,000 training participants in 2007 compared to only 4,020 in 2006. In addition, the total training man days have increased from 10,642 in 2006 to 15,418 training man days in 2007. These were achieved through more in-house training programmes.		
What we set out to achieve	What we have achieved to-date	Going Forward
<p>Improve Human Resource alignment with business objectives, in relation to Nestlé on the Move.</p> <p>Upgrade technical skills of Nestlé's First Line Managers (FLM) for self improvement to provide them with further career opportunities.</p>	<ul style="list-style-type: none"> Mission Directed Work Teams (MDWT) is a key change initiative, moving from a hierarchical to a network organisation, which calls for more empowerment and involvement of our people who have the necessary skills and knowledge. A total of 189 teams have been formed since June 2005 covering all levels from the front line to the top management of Production Division. Collaboration with Open University Malaysia to design and implement the Executive Diploma in Manufacturing Management (EDMM). Prepares the FLMS with the necessary skills required for the future role of being multi-skilled in running a mini-business. Increase their knowledge which is key in supporting the business framework based on the concept of "Agile Fleet" which requires speed in responding to the changing demands coming from the Business Units. 	<p>Widen MDWT concept beyond Production Division.</p> <p>50 participants graduated from the pilot programme.</p>

Targets & Achievements

What we set out to achieve	What we have achieved to-date	Going Forward
Leadership training for managers.	<ul style="list-style-type: none"> • Together with the NUS Business School, Nestlé trained 300 managers in strategic management and leadership over a 2-year period. This effort resulted in an increase of knowledge and better understanding of management subjects. The Company benefited by having more knowledgeable managers, who are able to be more strategic in their thinking to deliver positive business results. 	
Learning opportunities for non-management staff.	<ul style="list-style-type: none"> • The Sales College initiated in 2004 was aimed at providing a sound understanding of Management in various areas such as Sales, Marketing, Finance, Human Resource, Production and other relevant subjects – targeted at non-management staff, in particular Sales Representatives. • In July 2005, it evolved to a different level with the Open University Malaysia partnership for the Professional Certificate in Sales (6 main subjects) for 28 staff. 20 participants have been selected to join the Executive Diploma Programme. 	
Provide scholarships to children of employees and retirees.	<ul style="list-style-type: none"> • The scholarships, which have been awarded since 1978, have benefited 172 scholars to-date. The numbers of scholarships given have increased over the years. It was initially for 6 recipients per year and this was increased to 7 recipients in 1999. In 2007, Nestlé Malaysia granted scholarships to 10 well deserving children of its employees and retirees amounting to RM6,000 each. 	
Inculcate a caring culture among employees through a volunteer programme.	<ul style="list-style-type: none"> • Nestlé Reaching Out to Communities and Kids (ROCKS) employee volunteer programme internalises Nestlé’s CSR commitments. The 4,000 employees are able to take 16 hours off work a year to assist at any of the 30 homes Nestlé helps out annually. 	To increase membership amongst employees and add more value to ROCKers.
Develop a healthy workforce.	<ul style="list-style-type: none"> • Under the Wellness-in-Action programme, an internal initiative for employees, the Company aims to create a healthier workforce which understands and appreciates Nutrition, Health and Wellness. Under this initiative, every employee has to undergo basic nutrition training and are encouraged to participate in the 100 Days Wellness Challenge to improve their overall health and well-being. 	

External Assurance – Awards

1. PLATINUM PR AWARDS

Nestlé (Malaysia) Berhad came out tops in the Platinum PR Awards held in New York under the category of Public Affairs, for a submission on the Nestlé, Nourishing Malaysia Showcase 2006. We also received honourable mention under the Community Relations category for our 'Spicing Up the Community' Chilli project.

2. THE 3RD MALAYSIAN MEDIA AWARDS 2007

Nestlé was voted 'Advertiser of the Year' in the 3rd Malaysian Media Awards organised by Media Specialist Association (MSA) of Malaysia, based on the overall outstanding performance in many categories for 2006 and we were the proud winner of 3 out of the 10 Gold awards that were up for grabs. In addition, we were awarded 2 Silver and 1 Bronze awards and was also named Finalist in several other categories.

3. KPMG / THE EDGE SHAREHOLDER VALUE AWARDS 2006

In the KPMG / The Edge Shareholder Value Awards 2006, Nestlé (Malaysia) Berhad emerged top in the F&B industry and took sixth placing overall, up two rankings from last year's list of Top 100 Listed Companies in terms of Shareholder Value Creation. This proved that our constant focus on the 7 value drivers (in particular, the operational 4 drivers – sales growth, profit margin improvement, working capital and fixed assets intensity) is recognised and acknowledged by the industry.

4. IT EXCELLENCE AWARDS 2007

Nestlé Malaysia's Salesforce Automation Project won the MIS Asia IT Excellence Awards 2007, under the category of Best Business Enabler (Manufacturing), beating finalists Motorola and Tata Motors. The Award recognises the SFA Project Implementation team which has boosted the ability of an organisation to disseminate information internally and exchange it with their partners; creating new revenue streams and improving customer service.

5. ASIAN MARKETING EFFECTIVENESS AWARDS (AMEA) 2007

Together with McCann Erickson, NESCAFÉ KICK-START garnered the Bronze Award under the category of 'Most Effective Use of Branded Content' in the Asian Marketing Effectiveness Awards (AMEA) 2007. NESCAFÉ KICK-START was one of the two winners from Malaysia in this prestigious award.

6. ACCA MESRA AWARDS

The Association of Chartered Accountants (ACCA) Malaysia held the Malaysia Environmental and Social Reporting Awards (MESRA) 2006 Awards presentation to reward transparency and recognise corporations which report their environmental and social activities. Nestlé Malaysia was 1st runner-up for the Best Social Reporting in an Annual Report category, and was also short-listed under the Social Reporting Category.

7. FORTUNE'S THE WORLD'S MOST ADMIRED COMPANIES

Nestlé clinched the top spot in the consumer food products category in a survey conducted by Fortune to determine The World's Most Admired Companies, where top companies in 26 industries were judged by their peers in the industry. A total of 345 companies in 26 industries and 25 countries participated.

8. SILVER QUILL AWARDS

Apart from being awarded the "Excellence Award for the Highest Number of Silver Quills Achieved" during the International Association of Business Communicators (IABC) Malaysia Silver Quill Awards 2007, Nestlé (Malaysia) Berhad was also named the winner of 3 other categories – Communication Management for 'Spicing Up the Community' project, Economic, Social & Environment Development for 'Spicing Up the Community' project and Communication Management (Special Events) for Nestlé, Nourishing Malaysia Showcase. Mr Stéphane Alby, Executive Director, Finance & Control was present to receive the award from YB Datuk Seri Shahrizat Abdul Jalil, Minister of Women, Family and Community Development.





ADVERTISER OF THE YEAR
Nestlé Products Sdn Bhd



BEST CORPORATE SOCIAL RESPONSIBILITY PROJECT 2007
NESTLÉ (MALAYSIA) BERHAD



Corporate Governance

“The objective of Corporate Governance is that it should provide an appropriate level of protection for shareholders, combined with the right environment to enable management to deliver sustainable profitable growth for the benefit of shareholders. The Nestlé Corporate Governance Principles reflect and highlight our on-going commitment to ensure the highest level of responsible corporate conduct in all of our Company’s activities.”

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

Nestlé is committed to high standards of corporate governance. The Board of Directors and each individual is directly accountable to the shareholders and stakeholders for ensuring that good governance is committed and practised at every level of the Company’s operations, including relationships with third parties. Our guiding documents include the “Nestlé Corporate Business Principles” and the “Nestlé Principles of Purchasing”. The Company has adopted the “Nestlé Corporate Governance Principles” of its holding company, Nestlé S.A. Vevey, Switzerland, as its best practice in corporate governance.

The principles of corporate governance cover four areas, as follows:

- the rights and responsibilities of shareholders
- the equitable treatment of shareholders
- the duties and responsibilities of directors
- disclosure and transparency

These principles are in line with Part 1 and Part 2 of the Malaysian Code on Corporate Governance and paragraphs 15.26 and 15.27 of the Listing requirements of the Bursa Malaysia Securities Berhad.

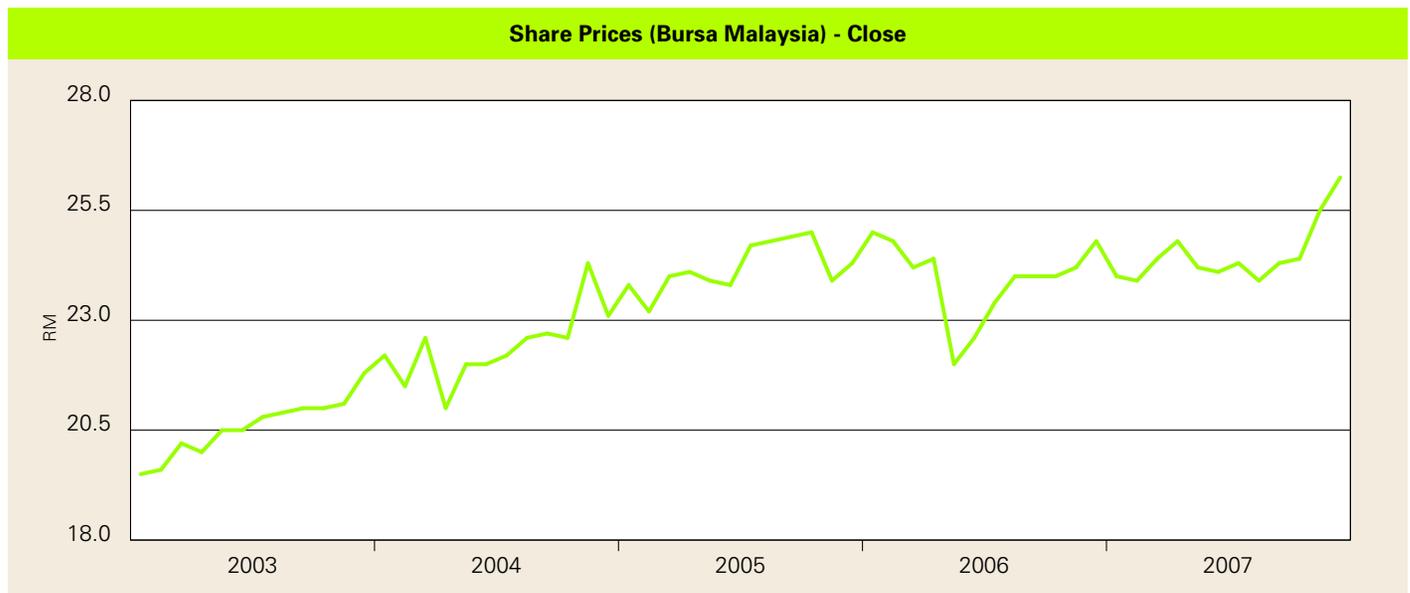
Note: The full statement on Corporate Governance appears in the Nestlé Corporate Report 2007.



Performance & Compliance

SHARE PERFORMANCE

	Calendar Year				
	2007	2006	2005	2004	2003
During the year					
Highest - RM	32.00	26.00	25.75	24.30	21.80
Lowest - RM	23.40	21.40	23.00	21.00	19.50



Based on month-end closing price

Performance & Compliance

5 YEARS' STATISTICS FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000
Turnover	3,416,028	3,275,541	3,127,441	2,901,183	2,656,989
Earnings / Cash Flow					
Profit before tax	395,298	363,285	331,253	297,209	202,117
% of turnover	11.6%	11.1%	10.6%	10.2%	7.6%
Profit after tax and minority interest	292,042	264,219	266,819	220,408	161,989
% of turnover	8.5%	8.1%	8.5%	7.6%	6.1%
Dividends paid & proposed (net)	266,889	234,500	199,794	188,069	176,330
Depreciation of fixed assets	71,327	69,776	72,482	71,149	70,793
Cash flow (net profit + depreciation + amortisation)	371,355	341,412	351,679	305,243	270,011
% of turnover	10.9%	10.4%	11.2%	10.5%	10.2%
Capital expenditure	102,640	79,065	75,458	62,056	61,550
Employment of Assets					
Fixed assets (net)	520,124	491,696	476,177	525,562	538,454
Prepaid lease payments (net) ⁴	53,968	55,003	56,038	-	-
Associated companies	3,600	3,417	3,212	2,894	2,237
Intangible Assets	61,280	66,342	72,724	84,067	96,134
Deferred tax assets	2,631	6,709	10,033	2,903	-
Receivables, deposits & prepayments	22,194	19,414	-	-	-
Net current assets ⁴	69,592	133,568	106,957	(84,998)	92,190
Total	733,389	776,149	725,141	530,428	729,015

Performance & Compliance

		2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000
Financed by						
Share capital		234,500	234,500	234,500	234,500	234,500
Reserves		402,759	324,606	289,552	217,035	166,211
Total shareholders' funds		637,259	559,106	524,052	451,535	400,711
Deferred Taxation		50,630	45,558	32,683	32,566	29,875
Minority Interest		-	-	-	-	-
Retirement Benefit Liabilities		40,321	64,277	63,929	46,327	48,429
Borrowings		5,179	107,208	104,477	-	250,000
Total		733,389	776,149	725,141	530,428	729,015
Per Share						
Market price ³	(RM)	26.25	24.80	24.30	23.10	21.80
Earnings ¹	(sen)	124.54	112.67	113.78	94.00	69.08
Price earnings ratio		21.08	22.01	21.36	24.58	31.56
Dividend (net)	(sen)	113.81	100.00	85.20	80.20	75.20
Dividend yield	(%)	4.3	4.0	3.5	3.5	3.4
Dividend cover ¹	(no.)	1.1	1.1	1.3	1.2	0.9
Shareholders' funds	(RM)	2.72	2.38	2.23	1.93	1.71
Net tangible assets ²	(RM)	2.46	2.10	1.92	1.57	1.30
Personnel	(no.)	4,685	4,151	3,818	3,750	3,472
Factories	(no.)	7	7	7	7	7

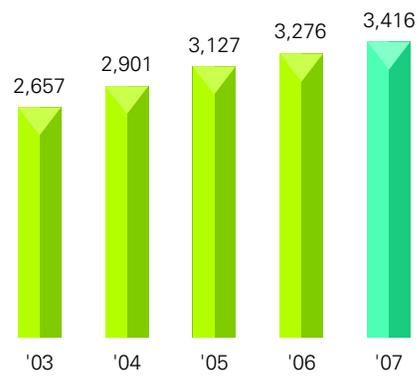
Notes :

- Earnings per share and dividend cover are based on profit after tax.
- Net tangible assets consists of issued share capital plus reserves less intangible assets.
- The market price represents last done price of the shares quoted on the last trading day of December.
- The comparative figures for 2006 have been reclassified to conform with the presentation requirements of FRS 101 as explained in note 27 to the financial statements.

Performance & Compliance

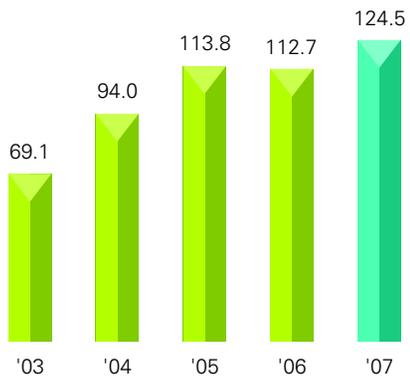
Turnover

(RM million)



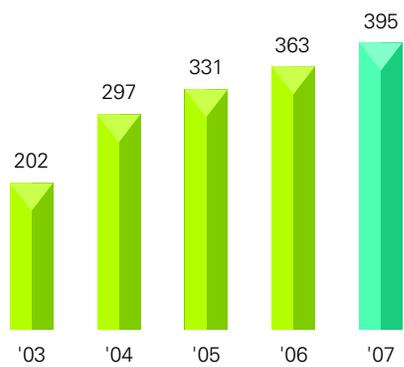
Earnings Per Share

(sen)



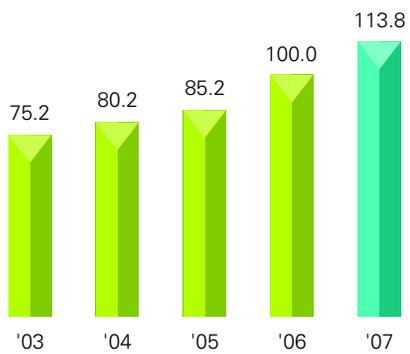
Pre-Tax Profit

(RM million)



Net Dividend Per Share

(sen)



From the Corporate Responsibility Committee

When we first embarked on our inaugural stand-alone Corporate Responsibility Review in 2006, we were faced with a huge task, as we were starting from zero base. We learnt through a lot of trial and error, how best to segmentise all our Social, Economic and Environmental commitments in a clear, concise and transparent manner so that our stakeholders would better understand what we do at Nestlé.

The task of putting together our second report has been challenging, but with the co-operation and support of relevant parties, we are pleased with the results we have achieved. We have created shared value for Malaysian society in many ways. While some initiatives were modest, others required more investment in terms of time and resources. The bottom-line is that we are sincere and committed to our initiatives to make a difference.

We believe that we have put together a much more comprehensive report this year, and segmentised it better. Thank you to all our stakeholders who have offered advice and counsel on how we can improve our reporting process. We also acknowledge the valuable input from the Institute of Corporate Responsibility Malaysia (ICRM) and ACCA.

We hope that you will find this report insightful, and look forward to sharing much more with you in the years to come as we continue on our mission of Nourishing Malaysia.

For information on the Nestlé Group's initiatives in Shared Value Creation, please visit www.nestle.com.

We appreciate your feedback and recommendations. Please send them to NourishingMalaysia@my.nestle.com.



Nestlé Contact Details

We want to understand your views better and hear what you think of our Shared Value Creation initiatives. We would like to know what we should be doing more of, and what you feel we are not doing right. Also contact us if you want to comment on our products, obtain recipes or seek nutritional advice from us. We want to hear from you.

Visit our website at www.nestle.com.my

Call us at Free Phone 1-800-88-3433

Fax us at 03-7965 6767

Write to us at
Nestlé Consumer Services
Nestlé House
4 Lorong Persiaran Barat
46200 Petaling Jaya
Selangor

E-mail us at NourishingMalaysia@my.nestle.com