



Nestlé

**Creating Shared Value**

Nutrition | Water | Rural Development



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Our Respect and Care for the Community



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Our Commitment to the Environment

“The creation of long-term value is not conceivable without consideration of criteria such as economic viability, social equality and ecological sustainability.”

**Peter Brabeck-Letmathe**

Chairman, Nestlé S.A.

**Cover:**

A wetlands conservation project by Nestlé (Malaysia) Berhad and WWF-Malaysia in Setiu, Terengganu helps ensure that the community enjoys a better quality of life, while providing the womenfolk with new and sustainable means of income. This is very much in line with Nestlé’s philosophy of Creating Shared Value.



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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
- 456 factories in 84 countries
- Over 8,500 brands and over 10,000 different products
- Sales of 32 billion individual products each year
- World's largest private nutrition research capability based in Switzerland
- 24 R&D Centres worldwide
- RM5 billion investment annually on R&D

## **Nestlé Malaysia**

- Established in Malaysia in 1912
- Leading Halal food manufacturer
- Employs 5,000 people
- Over 300 Halal products
- RM3.9 billion in turnover in 2008
- Public-listed on Bursa Malaysia since 1989
- 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 • Liquid Drinks
- Junior Foods • Breakfast Cereals • Chilled Dairy • Ice Cream • Chocolate and Confectionery • HealthCare Nutrition • Performance Nutrition • Nestlé Professional

# From the Managing Director

Our role in society goes way beyond that of a producer and marketeer of food and beverage products. In order to ensure the success of Creating Shared Value, we must engage with various stakeholders that represent different sectors of society to ensure that we remain close not only to the people we serve, but also to those who are vulnerable in society.



**Walking the streets of Chow Kit with Dr. Hartini Zainuddin, Adviser of Rumah Nur Salam, a shelter home for neglected children in the area, Mr. O'Carroll gains an insight into the undesirable activities the children are exposed to.**

Since 1912, Nestlé has built the trust among Malaysian consumers through our products and activities and many of our brands have become household names. It is certainly our intention to continue our journey to nourish and improve the quality of lives of Malaysians through our Nutrition, Health and Wellness vision. As the largest food and beverage company in the country, we are committed to Nourish Malaysia in every aspect. We have been here for the past 96 years and we want to continue to bring value to the local communities that we engage with, in fulfilling our social, economic and environmental commitments.

One of the biggest challenges for any company is continuing its corporate responsibility commitments when the effects of an economic downturn can threaten profit margins and bottom-lines. When cost cutting measures are implemented, and jobs are at risk, social responsibilities are often put on hold or overlooked totally.

Nestlé has had to face challenges too and has experienced unforeseen external cost pressures as a result of fluctuating prices of commodities and



The children of Rumah Nur Salam showing their appreciation over Nestlé's contribution of more than 1,000 eggs, under the ROCKS Eggxtra Nourishment programme which encourages Nestlé employees to contribute eggs to nourish the less privileged.

increasing costs of other input prices such as packaging materials. Our challenge is to balance the interests of all our stakeholders: our responsibility to provide good returns to our shareholders and / or protect local consumers from the burden of product price increases.

Providing value for every Nestlé product, maintaining the quality and improving nutrition and health benefits are commitments we have made in line with our promise to be the recognised leader in Nutrition, Health and Wellness. We have taken this a step further by introducing a range of Popularly Positioned Products (PPP) which makes affordable nutrition accessible to the majority of the population. This is a good demonstration of Nestlé's corporate responsibility (CR) concept of Creating Shared Value (CSV) which advocates that in order for the Company to enjoy sustainable business in the future,

we must create long-term value for our shareholders while at the same time create value for society.

We are well aware that our role in society goes way beyond that of a producer and marketeer of food and beverage products. In order to ensure the success of CSV, we must engage with various stakeholders that represent different sectors of society to ensure that we remain close not only to the people we serve, but also to those who are vulnerable in society.

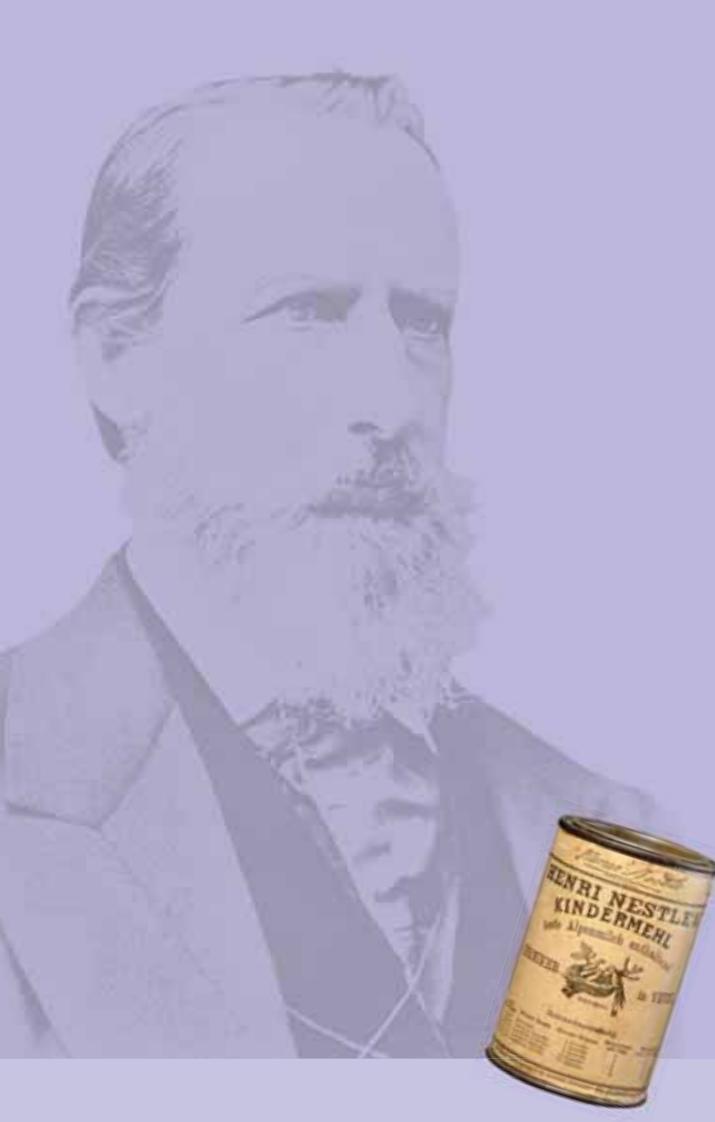
Nestlé products make-up approximately 12% of the average food basket in Malaysia which makes many of our brands an integral part of Malaysian households. The trust that consumers have in the quality and safety of our products is never compromised. Trust can sometimes be vulnerable when threatened with a food safety issue such as the melamine contamination crisis which

caused panic among consumers around the world and plunged the food industry into turmoil. It is during a crisis like this that consumers can appreciate companies which are socially responsible and adhere to ethical practices which go beyond compliance.

This report, the third in the series, provides a summary of how Nestlé Malaysia strives to manage its business in a responsible and sustainable way. The feedback we received has helped us improve our reporting process and chart our progress in the community, workplace, marketplace and the environment.

We remain steadfast in our commitment to Nourish Malaysia as we make new strides in the area of Nutrition, Health and Wellness, and we will continue to create shared value to improve the lives of Malaysians through our CR commitments.

**Sullivan O'Carroll**

A black and white portrait of Henri Nestlé, a man with a full, bushy beard and mustache, wearing a dark suit and white shirt. He is looking slightly to his left.

## Nestlé, a Humanitarian Beginning

In 1867, Henri Nestlé, a trained pharmacist, developed a healthy and economical alternative source of infant nutrition for mothers who were unable to breastfeed with the ultimate goal to combat the problem of infant mortality due to malnutrition. This new product, Farine Lactee Nestlé, the first milk food, saved the life of a premature infant who could not be breastfed.

Over 140 years later, Nestlé continues with our founder's legacy – to improve lives – and this is embedded within our values and corporate business principles.

## The “Nest” - the Pride of Nestlé

Henri Nestlé showed early understanding of the power of branding and had adopted his coat-of-arms 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.



# Nestlé



The lives of these traditional red rice farmers in Serikin, Sarawak have been impacted positively by Nestlé's unique contract farming scheme, which helps create new income opportunities for the farmers in line with Nestlé's concept of creating shared value.

## What Corporate Responsibility Means to Us

"The unique role of business is value creation, that is, in order to develop a successful long-term business, we must go beyond compliance and sustainability, and actually create value for society."

**Peter Brabeck-Letmathe**

Chairman of Nestlé S.A.

Nestlé was founded on social responsibility, sound human values and principles more than 140 years ago. To us, corporate responsibility is not something that is imposed from the outside but is an inherent part of our business.

At Nestlé we believe that our business can only bring long-term value to shareholders if it also brings value to society. This is Nestlé's concept of corporate responsibility or better known as "Creating Shared Value".



We evaluate all our commitments regularly to ensure that the investments made are good for the Company and for the community we operate in. We try to bring value to the farmers, our suppliers, to our employees and the other parts of the society, treating the environment in a way that preserves it. A fundamental Nestlé Corporate Principle states that the Company will not sacrifice long-term

development for short-term gain to ensure business sustainability and fulfill our commitments to our shareholders.

Creating shared value can encompass many areas. For instance, improving the nutrition knowledge of our consumers will empower them to make healthier choices, while for Nestlé we invest in products with nutritional benefits that can improve our

long-term profitability through consumer demand. Please refer to further examples below.

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

### Examples of Shared Value Creation at Nestlé Malaysia

	<b>Commitment to Halal</b>	<b>Conserving the Wetlands in Setiu</b>	<b>"Nourishing Malaysia"</b>
<b>Value chain impact</b>	Purchasing & Good Manufacturing Practices	Sustainable Business Practices	Promote Nutrition, Health and Wellness
<b>Growth context</b>	Improve innovation technology and supplier development through Halal knowledge	Better understanding on environmental matters	Innovate & renovate nutritious and healthier products using R&D expertise
<b>Nestlé benefit</b>	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
<b>Society benefit</b>	Consumer trust and confidence on quality and peace of mind for Muslim consumers	Develop sustainable livelihoods through transfer of knowledge while conserving natural habitats	Meeting consumers' needs for healthier options in line with MOH's 10-Year Nutrition Action Plan



**FROM LEFT:**

Apart from increasing the environmental awareness among the Setiu community, Nestlé partners with WWF-Malaysia to create sustainable livelihoods for the villagers of Kg. Manguk.

MILO touches the hearts of Malaysians through its support of numerous youth and sports development programmes, as well as sampling activities.

The farmers of Bukit Awang, Kelantan are proud that their chillies are used in the production of MAGGI Chilli Sauce which are exported to international markets. The project was also accorded the SALAM accreditation for excellence in Malaysian farming practices.

Our volunteers, under the Nestlé ROCKS employee volunteer programme spreading the joy of Christmas by spending some time with the boys from Agathians Shelter, an orphanage for abandoned children.

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

#### Contract Chilli Farming

Purchasing Practices

Agriculture and supplier development through transfer of knowledge

Raw material access at specified quality and foreseeable price

Supplements income of farmers, reduces poverty in rural communities & reduces reliance on imports

#### Food Mentoring Programme for SMEs

Good Manufacturing Practices

Improved food safety standards, legislation and Halal certification

Potential collaboration with SMEs for contract manufacturing or sourcing

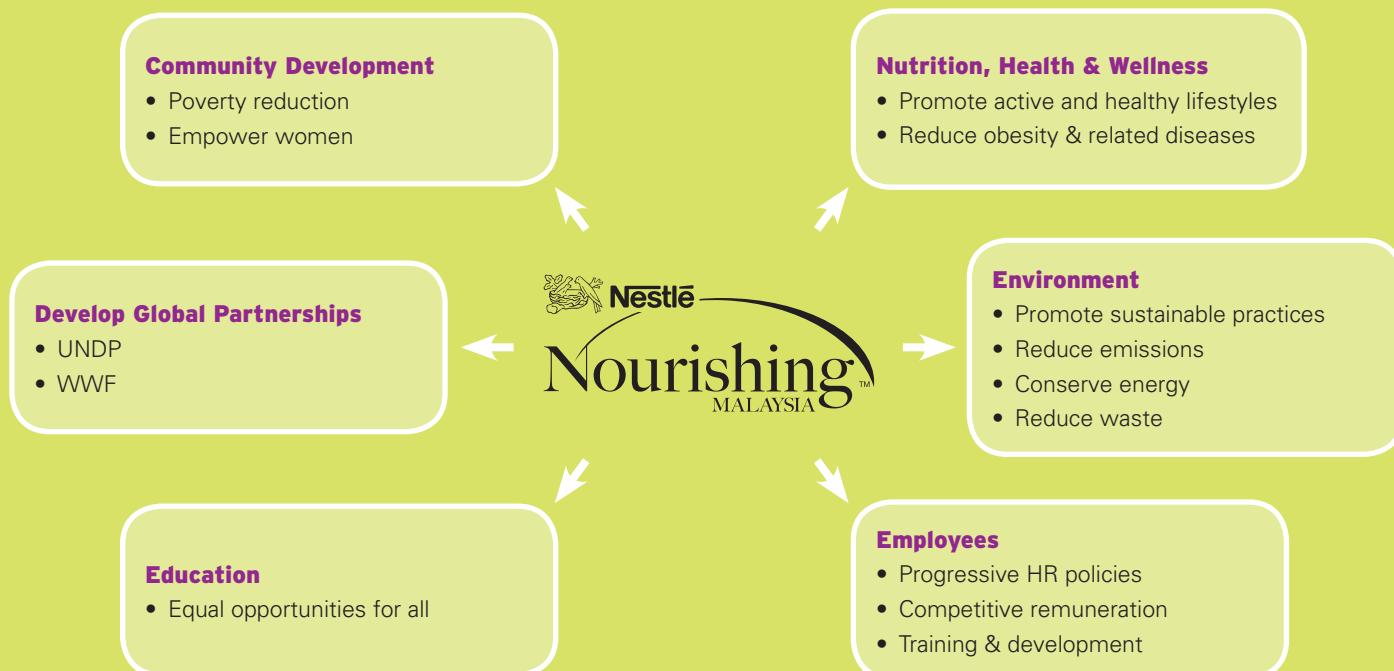
Higher food production standards & consumer confidence for local food

## WHAT CORPORATE RESPONSIBILITY MEANS TO US

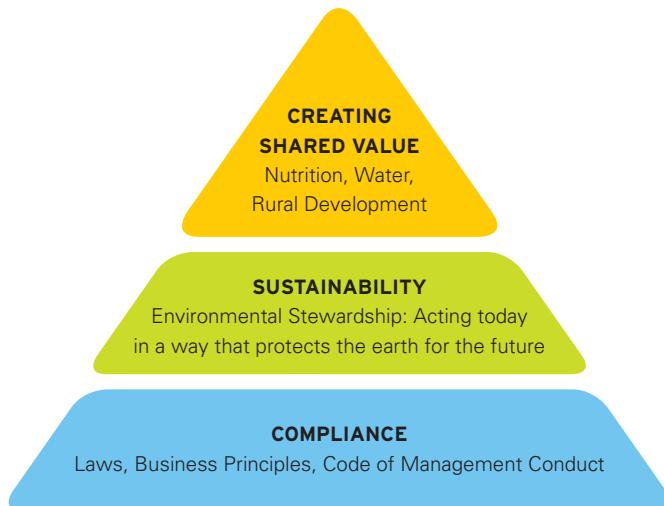
We are well aware that there is a lot more to be done and much that we can learn, but we are steadfast in our commitment. Each and every employee at Nestlé has contributed in one way or another to our CR commitments and will continue to do so as CR is part of our DNA.

### UN Millennium Development Goals

Our CR efforts can be categorised according to the UN Millennium Development Goals:



### The Nestlé Creating Shared Value Model



"Nestlé has three areas of focus in value creation - nutrition, water and rural development - which are fundamental both to business success and to meeting pressing societal needs."

**Paul Bulcke**  
CEO of Nestlé S.A.

### Our Key Focus Areas in Creating Shared Value

Creating Shared Value represents our values and it is the way we conduct our business. It guides us to ensure that our business is ethical and economically viable, our actions are environmentally sustainable and socially responsible. With this in mind, Nestlé has focused on nutrition, water and rural development as areas of value creation for the Company and society. These areas are core to our Company's business strategy and essential to creating a healthier population.

As the world's largest Nutrition, Health and Wellness company, Nestlé has a responsibility to provide safe, good quality and value added products to help a wide range of people around the world meet their nutritional needs to enjoy a healthy lifestyle. Supported by the Nestlé Research Centre in Lausanne, Switzerland the world's largest private nutrition R&D organisation, the Company is in a strong position to realise its vision to be the recognised expert in Nutrition, Health and Wellness. Furthermore, local consumer insights put us in a better position to meet appropriate nutrition needs and adapt our product formulations to suit local taste preferences.

One of the biggest threats for the Company is the challenge of water scarcity, which is already evident in many parts of the world, suffering from drought and water shortages. If the water issue is

not successfully managed, it can result in food shortages which can lead to increased food prices and nutritional insecurity. As a leading food company, Nestlé is concerned about the potential for this "food crisis" to become a longer-term global crisis in water and food security which could have serious consequences on society and our business.

Another area of attention for Nestlé is developing the rural community to ensure that they too have access to nutritional products, both from an affordability and availability perspective. In this respect, economic development and education in rural areas are key to improving the lives of the communities including reduction of poverty and improvement in nutrition and health.

We regularly evaluate the CR work we invest in to ensure that we are led by the principle that our success in creating value for our shareholders as well as for society will result in a win-win situation. In an effort to clearly map out the work that we do, the scope of our CR efforts are segmented broadly into these 4 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



Nestlé

Community and Kids •



# Sharing

The true spirit of Creating Shared Value is to build and share our success with the community. Through our corporate responsibility initiatives, Nestlé has not only touched but also improved the lives of many underprivileged communities in Malaysia, which include the physically and mentally challenged.

# Our Respect and Care for the Community



Guided by the UN Millennium Development Goals, which prioritises what is needed to address the most pressing needs of the society by focussing on poverty reduction, education and health issues, environmental sustainability and strategic partnerships to drive this further, we are able to achieve the desired results for our efforts.

## Building Sustainable Livelihoods

One of our successful programmes to help in poverty reduction has been the contract farming initiative which has made a substantial impact on the lives of farmers who participated in this programme. Nestlé has a long history of helping farmers which has had a positive long-term impact on economic and environmental development and improved standards of living in rural communities.

The farmers who participate in the contract farming programme are taught about environmental awareness and have to ensure Good Agricultural Practices (GAP) which assures that safe and

sustainable farming is carried out. When hard-core poor farmers in rural Kelantan who are part of the Nestlé Contract Chilli Farming scheme subscribe to GAP, it means that there is already significant progress being made, as Creating Shared Value additionally means treating the environment in a way that preserves it. For Nestlé, the value is a reliable source of raw materials at the quality needed to manufacture the relevant products. Our commitment to using local agricultural raw materials where feasible is also an important contributor to sustainable development.

Recently, the farmers in Kelantan were given an additional boost with a pledge for technical support for a Chilli Puree Project, which helps stabilise farm-gate prices, minimise wastage of fresh chillies, while creating new income opportunities for the farmers.

Similarly, the Red Rice initiative in Sarawak has given local farmers the opportunity to be part of Nestlé's supply chain, as it is a key raw material used in the manufacture of a range of infant cereals, which is produced for the region.



**FROM LEFT:**

The Nestlé contract farming scheme of traditional red rice in Serikin, Sarawak strives to improve the standard of living and livelihoods of the farmers in a sustainable manner, create opportunities and boost income levels.

Group Corporate Affairs and Wellness Director Tengku Marina Tunku Annuar Badlishah engaged in conversation with a resident at the Little Sisters of the Poor, home for the elderly during a Nestlé ROCKS community event.

Our Nestlé volunteers gently ferrying more than 2,000 eggs which were collected under the ROCKS Eggxtra Nourishment Project to one of the 30 beneficiaries under Nestlé's care.

Pre-school children of Kg. Keranaan, Sabah now have a kindergarten in their village where they can learn in a conducive environment, with some help from Nestlé and Raleigh.

### Equal Opportunities in Education

In addition to agricultural-related activities, Nestlé also supports equal education opportunities, especially for communities in rural areas who lack basic facilities for education. Nestlé believes that education is a great enabler which helps break the poverty cycle and aids in rural development, and has embarked on many education initiatives for underprivileged children, single mothers and the disabled.

Nestlé also nourishes those in need by providing monthly food aid and currently, 30 charitable organisations are beneficiaries of this programme and receive basic nutrition for those in their care, in particular the orphans, the aged and the underprivileged.

### Nestlé's Employee Volunteer Programme

While food and monetary contributions will go a long way, what is also important for the less fortunate, is care, attention and time. The Nestlé Reaching Out to Communities and Kids (ROCKS) employee volunteer programme, which was initiated in 2005, aimed at encouraging employee involvement in the communities where the Company operates, initiated several activities to further nourish and assist at selected organisations. A notable activity by Nestlé ROCKS was the unique Nestlé Eggxtra Nourishment initiative, which aims to collect fresh eggs to provide additional nourishment in meals.

In its first "egg drive", ROCKS succeeded in collecting over 1,000 fresh eggs from Nestlé employees which was presented to Rumah Nur Salam, a home for neglected children in the Chow Kit area. The second collection was equally successful and plans are underway for a monthly drive. The home is among the 30 charitable organisations which Nestlé supports, and where its employees can spend their 16 hours of "time off" each year to volunteer their time.





# Conserving

Nestlé's commitment to environmentally-sound business practices is not an obligation but a part of our day-to-day operations. Strict measures are taken to minimise any negative effects on the environment. As most of our raw materials are agriculture-based, water sustainability remains a concern for us as it has an impact on the future of our food security.

# Our Commitment to the Environment

## FROM LEFT:

**Nestlé places great importance on water and its management and related issues, because it has a vast impact on the sustainability of our business to continue providing food and beverage products that are safe and of high quality.**

**All our manufacturing facilities continuously find ways to implement conservation efforts and treatment of waste to generate internal savings as well as to protect the environment.**

**Nestlé and WWF-Malaysia are jointly involved in the re-planting of mangrove trees in the Setiu wetlands as part of conservation efforts.**

**Nestlé supports the villagers of Kg. Mangkuk in Setiu, Terengganu to use natural resources available to help sustain their livelihoods with activities such as basket weaving and production of local snacks.**



Since its early days, Nestlé has been committed to environmentally sound business practices and continues to make substantial environmental investments to improve its performance in environmental management. We strongly believe that our contribution in sustainable development will help us meet the needs of the present without compromising those of future generations.

Protection of the environment is clearly embedded in our Corporate Business Principles, while the Nestlé Policy on the Environment underlines this commitment. In addition, Nestlé fully supports the United Nations Global Compact's three guiding principles on the environment which are:

- Supporting a precautionary approach to environmental challenges
- Undertaking initiatives to promote greater environmental responsibility
- Encouraging the development and diffusion of environment technologies

## Water Management

Although climate change has been a topic of great interest and debate over the past few years, Nestlé views the water scarcity issue with greater urgency and is actively taking steps to bring awareness and change in water conservation and management. The United Nations Development Programme (UNDP) echoes our concerns by stating: "Water plays a pivotal role for sustainable development, including poverty reduction. Given the importance of water to poverty alleviation, human and ecosystem health, the management of water resources becomes of central importance."

As a food and beverage company, Nestlé is dependent on access to clean water to continue providing safe and high quality foods to our consumers around the world. Hence, water availability – both quantity and quality – impacts our business in multi-faceted ways, and it is in our interest to limit consumption and waste of the resource.

In Malaysia and other Nestlé operations globally, our efforts have resulted in a corresponding decrease in the consumption of water in Nestlé's manufacturing operations vis-à-vis our growing production.

## OUR COMMITMENT TO THE ENVIRONMENT



We aim to reduce the amount of water used per kilo of food and beverage we produce. This is not all, as we also try and ensure that the water we discharge is clean and managed responsibly within the environment. We also promote water conservation methods with farmers and the local community.

Internally, we have a programme in place to reduce our water consumption by 5% every year. We are working towards this goal and the overall trend for the past 6 years has shown a steady reduction of water consumption of more than 3.5% annually.

The basis for all water management activities is the Nestlé Water Policy – Water Resource Guidelines for Sustainable Management, which serves as a reference point for all managers, and is implemented at the factory level through the Nestlé Environmental Management System (NEMS) that defines and monitors strict criteria for compliance at all Nestlé factories. NEMS is fully aligned with the ISO 14001 standard for environmental management.

Through NEMS we ensure environmentally-friendly production techniques and ways to recover by-products, as well as processing methods that minimise water and energy consumption. Innovation and technology are important tools in sustainability development, as better technology means improved operational efficiency.

Externally, we have forged a partnership with the World Wildlife Fund For Nature Malaysia (WWF), to conserve the Setiu Wetlands, which not only is rich in natural resources, but also acts as a natural filter of pollutants and provides flood control for the area. (Refer to Case Study No. 2)

At Nestlé, we believe that targets alone are insufficient, as there has to be accountability and reporting. The ability and willingness to share such information further demonstrates our commitment to transparency and accountability attributes which are essential to any company that aspires to the highest standards of corporate citizenship.

*N.B. Nestlé S.A. is a founding signatory of the UN Global Compact CEO Water Mandate, launched at the UN Global Compact Leaders' Summit in Geneva in July 2007.*

To be aligned to internationally recognised environmental management system standards, we are seeking external certification of ISO 14001 for all our factories, which will provide a common language and help better demonstrate compliance to our stakeholders.

## OUR COMMITMENT TO THE ENVIRONMENT

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

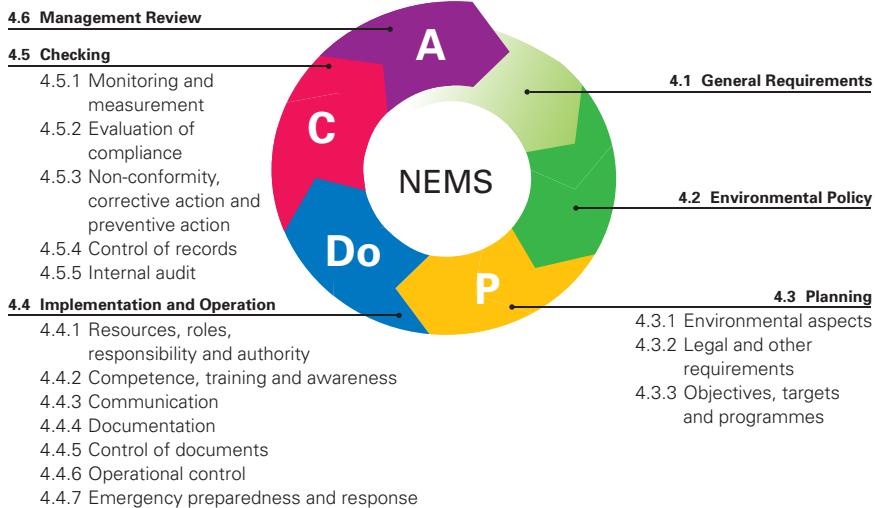
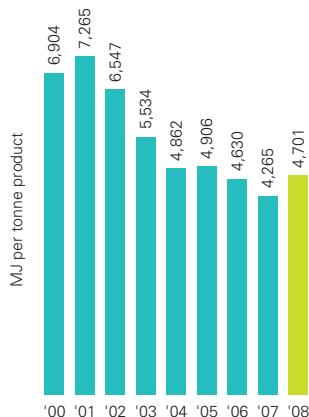


Chart 1  
Energy Consumption



In addition to NEMS, we enforce a range of internal technical performance standards; most of which meet or exceed Government regulations. Most notable being the Environmental Minimum Technical Requirements, which sets 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 encompassing 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.

The Integrated Management System (IMS) is a consolidated management system with a unified single process aimed at eliminating duplication and inefficiency that arises 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 is to be incorporated into the IMS certification.

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

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

There has been a significant increase in capital investments related to additional production capacity; a trend which began in 2007. As a result of commissioning and start-up activities, specifically in the Shah Alam and Kuching factories, the consumption of energy and water as well as air emissions has increased.

Process and product validation as well as extensive cleaning cycles require the use of energy and water without generating saleable products. However, in some areas not affected by commissioning activities, we have seen a significant reduction in both energy and water consumption due to continuous improvement efforts and optimised production runs.

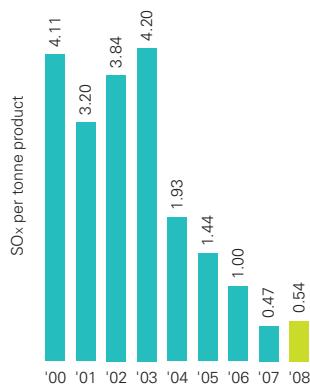
#### 1. Energy Management & Air Emissions

- Energy Management saw an increase of 10.22% (4,701 MJ per tonne product in 2008) compared to 2007 data (Energy Consumption 4,265 MJ per tonne product). (refer to Chart 1)
- Air emissions saw an increase of about 14.89% (0.54 SO<sub>x</sub> per tonne product in 2008) in SO<sub>x</sub> per tonne of product compared to 2007 data (0.47 SO<sub>x</sub> per tonne product). (refer to Chart 2)
- CO<sub>2</sub> emission saw an increase of about 2.07% (193 CO<sub>2</sub> in 2008) per tonne of product compared to 2007 data (197 CO<sub>2</sub>). (refer to Chart 3)

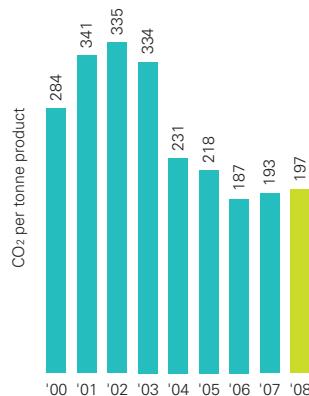
#### 2. Water Management

- For water management, 2008 saw an increase of 4.11% (5.56 M<sup>3</sup> in 2008) per tonne product compared to 2007 (5.34 M<sup>3</sup>). (refer to Chart 4)

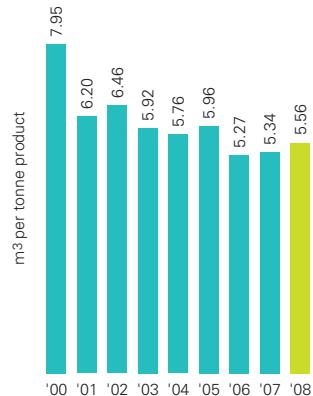
**Chart 2  
Air Emissions**



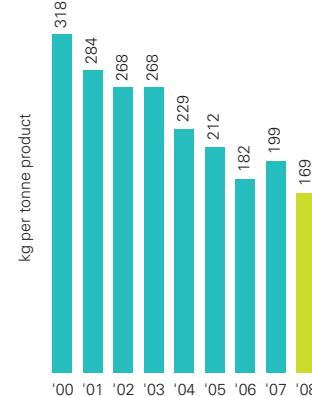
**Chart 3  
Air Emissions**



**Chart 4  
Water Consumption**



**Chart 5  
Packaging Material Usage**



### Waste Management

Nestlé Malaysia has implemented Integrated Waste Management for all the factories together with the Central Returns Warehouse (CRW) in Klang, which ensures that all 3 key areas are handled by the same entity - Destruction, Disposal & Waste Management On Site, Animal Feed Sales and Scrap Material Sales.

Apart from the factories, the CRW will also need to report their figures on solid waste disposal once the Integrated Waste Management is fully operational.

In 2008, the CRW disposed to the Landfill 1,300 tonnes or 46% lower than the 2007 levels due to reduced market returns and internal recycling efforts. Over the last four years, CRW has recovered 5,000 tonnes of materials for recycling and for 2009, this is expected to increase by 15% over 2008; attributable to the introduction of new machinery to crush tins of liquid milks, drinks and RTD tetra packs. Apart from the load reduction at the Landfill annually, there will also be productivity improvement and increased recycling.

As part of its "Green Supply Chain" initiative, all recyclable packaging materials (plastics, cardboard, tins, aluminium and glass) are sold to recyclers. Expired products are sold to contractors for conversion into animal feed. Materials which cannot be recycled are properly disposed of at the Landfill under strict control.

### Packaging

Packaging plays an important role in ensuring that the nutritional value and quality of the product is guaranteed throughout the shelf-life; it prevents wastage due to physical damage and foreign contamination while meeting consumers' expectations on functionalities.

Post-consumer packaging waste reduction remains a major concern to Nestlé and is an important consideration in our packaging innovation and renovation programme.

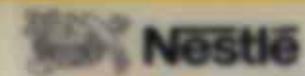
Optimisation of packaging material usage in 2008 saw the reduction of about 10% in packaging material usage per tonne product compared to 2007 data (180kg per tonne product against 199kg in 2007).

Our source reduction activities include many individual improvements that are often unnoticed by the consumer, one good example is our newly designed MAGGI Noodle shipping case which increased the packaging configuration from 30's to 60's, and collectively represented significant savings. In 2008 alone, our source reduction projects further reduced packaging material usage by about 313 tonnes per year.

In line with the Nestlé Global policy, we support the use of recycled materials. We have completed the conversion of the MAGGI Hot Cup which uses a thin-wall plastic cup (20% lighter) and is paired with recycled cardboard to provide rigidity and heat insulation.







# FitNest



## Striving

Our principal assets are not office buildings, factories or even our brands. Rather, it is the fact that we are a global organisation comprising of diverse nationalities, religions and ethnic backgrounds all working together under one single unifying corporate culture. At Nestlé, we strive to ensure our dedicated and qualified team achieves a good work-life balance.

# Our People and the Workplace

## 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 nvolvement

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.



Our corporate values of Trust, Respect, Involvement and Pride set the foundation for everything that we do at Nestlé, and is prevalent throughout the Company. The four core values shape our commitment to "A Heart for Excellence" which is a pledge by our employees to always strive for excellence in all that we do, with care and respect.

a heart for  
excellence

 Nestlé



'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.



FROM LEFT, CLOCKWISE:

**In the spirit of Trust, Respect, Involvement and Pride,** the management team scaled and conquered the highest peak in South-East Asia, Mount Kinabalu in Sabah as part of our Wellness initiative.

The Nestlé Supermeet, a sports meet gathering more than 1,600 athletes from 13 contingents in Malaysia and Singapore, aims to unite the teams and build a spirit of esprit de corps.

In line with promoting Nutrition, Health and Wellness, we launched FitNest, a gymnasium at our Head Office to encourage employees to lead a healthy and active lifestyle.

Events such as the Nestlé Sales Convention provides our employees with the opportunity to bond and unite as one Nestlé family.

The Diabetes Alert campaign, an internal programme was conducted to provide employees with the relevant knowledge to better understand and prevent or manage diabetes.

## Wellness at Work

It is crucial for our employees to contribute towards our corporate vision to be the leading reference company in Nutrition, Health and Wellness. With this in mind, the Company has put in place the Nutrition Quotient (NQ) Training, mandatory for all employees with the aim of giving them basic nutrition knowledge and understanding to empower them as our Nutrition, Health and Wellness (NHW) Ambassadors.

Nutrition knowledge is not enough and we encourage our employees to put into practice their nutrition knowledge and lead healthy lifestyles. We believe that a healthy workforce will lead to happy employees and improved productivity. To this end, employees can enjoy a host of initiatives and activities such as the 100 Days Wellness Challenge, the Nestlé Supermeet as well as those organised by the Nestlé

Recreation Clubs and sports committees. In addition, employees benefit from health checks, nutrition advice and healthy recipes.

## Training and Development

At Nestlé, we believe that training is essential for the development of all our people, who represent the backbone of the Company. 'Nestlé on the Move' helps our employees keep abreast with the most up-to-date and relevant competencies in view of their changing roles in the organisation.

As part of our Employee Value Proposition of Enriching Development, customised internal and external training programmes that focus on leadership competencies, functional competencies and personal effectiveness are conducted, and the year-to-date training is 18,894 man-days with a year-to-date number of staff trained totalled at 9,039 employees.

The Company has rolled-out various training programmes including promoting e-learning throughout the Company. More than 727 e-learning courses have been completed in 2008 with an average of 45 active users per month.

In 2008, Nestlé also set out to widen the Mission Directed Work Teams (MDWT) to extend beyond the Production Division, and some 30 new teams were formed. This will be progressively extended to other business units and divisions in line with the Nestlé Continuous Excellence (NCE) programme.

The Executive Diploma in Manufacturing Management (EDMM) – a collaboration with the Open University Malaysia – is an 18-month programme, which combines workplace and classroom learning for Nestle's First Line Managers. In 2008, the target was to complete the EDMM pilot programme, which generated 48 graduates.

## OUR PEOPLE AND THE WORKPLACE



The strategic initiative to enhance our factory operations through the development of human capital saw the first batch of 48 participants receiving their Executive Diploma in Manufacturing Management from Open University Malaysia.

A new initiative within the organisation is the establishment of the 'Team Room' - a virtual "on-line" environment which allow teams from regional sales branches, warehouses, factories and head offices – in Nestlé to work together efficiently and effectively regardless of geographic locations or time zones.

The Nestlé Continuous Excellence (NCE), which was launched in October 2008 is aimed at implementing Total Performance Management at all factories by 2013, and providing a lean Supply Chain in all business units by 2018.

The Nestlé Continuous Excellence initiative is:

- Consumer and Customer-focused
- Aligns Business and Operations Goals
- Develops leadership and competencies
- Has one Operating Model to improve performance
- Uses and applies world-class tools and best practices

As testament to the work we do, Nestlé has been invited to share its initiatives by way of talks and benchmarking discussions on Human Resource practices and Change Management by leading companies such as Petronas, Telekom Malaysia and other Government-Linked Companies (GLCs).

We also help ensure that the next generation of graduates is able "to plug and play", and regularly take interns to give them exposure. A Memorandum of Understanding was signed with Career Xcel under the auspices of the Ministry of Higher Education to help orientate and prepare undergraduates for the corporate world. Meanwhile, with the Workers' Institute of Technology, Polytechnic and Open University Malaysia (OUM) provides a corporate perspective and hands-on experience to students.



At Nestlé, safety is non-negotiable. Comprehensive safety measures are put in place to ensure that our greatest asset, our people are able to contribute and work in a safe environment.

### Workforce Talents

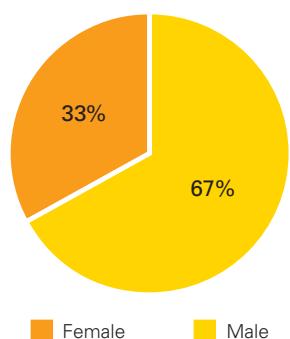
In 2008, Nestlé recruited a total of 1,417 new employees. Demographically our staff population reflects the diversity in terms of ethnic, gender and age spread (70% Malay, 21% Chinese, 8% Indian & Others, 1% Expatriate).

In terms of gender equality, as of December 2008, 67% of Nestlé Malaysia's employees are male and the remaining 33% female. At the Management level, the breakdown is 59% male and 41% female while at the Non-Management positions, the breakdown is 70% Male and 30% Female.

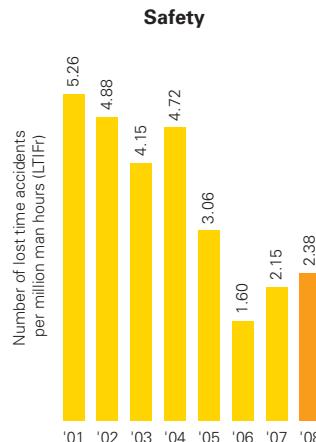
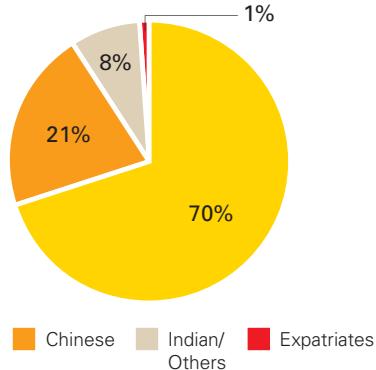
### Your Voice 2007

In 2007, Nestlé conducted an Organisational Climate survey – Your Voice – which resulted in an outstanding participation rate of 91%. The high participation rate allows us to act with confidence on the feedback obtained to build on our strengths and improve on key areas which will help us achieve our objective of being a "Great Place to Work". In the survey, Nestlé is also favourably benchmarked against other High Performing Global Companies.

**Total Gender Equality**  
as at December 2008



**Total Ethnic Diversity**  
as at December 2008



## Safety at the Workplace

As stated in the Nestlé Policy on Health and Safety at Work, our people are our most valued assets and priority is given to protect them. Preventing work-related injuries and illnesses, and integrating the health and safety of our employees into all aspects of our business is an essential part of our strategy to become a trusted Nutrition, Health and Wellness company.

Our key safety performance indicator, the Lost Time Injury Frequency Rate (LTIFr), 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.

### Safety

- Total accidents which occurred from January 2008 till December 2008
  - Event Related + Non-event related + Fatalities = 35 cases
  - Medical treatment beyond first aid = 8 cases

In terms of safety in the Production Division, the lost time accidents per million man hours increased from 2.15 LTIFr in 2007 to 2.38 LTIFr in 2008.

Efforts were undertaken to rejuvenate Behavioural Based Safety (BBS) in the Production and Supply Chain Operations and there have been improvements in terms of Behaviour Observations (participation by employees) submissions.

The NESCAFÉ Plant has achieved ZERO (0) Lost Time Injury since 2004 (more than 5 years) since the introduction of the “5 Safety Initiatives” at the Shah Alam Complex. The 5 Safety (5S) Initiatives are Safety Training, Safety Meetings, Safety Audits, Log Out Tag Out (LOTO) and BBS, and focuses on leading indicators via a framework, quantifying best practices and boosting internal competitiveness among units by visually displaying performances. The goal is to integrate safety functions and activities across the entire organisation.

Additionally, in line with an initiative to ensure road safety best practices amongst all employees worldwide, we have established a Safe Driving Committee, which champions road safety initiatives to increase staff awareness on safe driving habits. Bi-weekly Safe Driving messages are also flashed via e-mail to all Nestlé staff; serving as a constant reminder on the importance of safe driving.

### Supply Chain

In 2008, the Supply Chain’s team of trainers provided training to distributors in an effort to upgrade the standards of Distributors’ Warehouse Operations and add value by maintaining the quality of our products and increasing customer service levels. Training modules included Warehouse Operations, Handling Market Returns, Quality & Pest Management, Security and Safety, Health & Environment.





# Synergising

Led by its vision to Nourish Malaysia, Nestlé synergises with Small and Medium Enterprises seeking to establish a foothold in the highly competitive food and beverage industry. Under the SME Mentoring Programme, which is now in its ninth year, Nestlé continues to share its resources, expertise and world-class best practices.

# Our Consumers and the Marketplace

FROM LEFT, CLOCKWISE:

**Every Nestlé product undergoes an extensive R&D process and stringent quality standards before it is launched, because we value the trust that our consumers have in us.**



**Our interest in Halal was borne out of social responsibility and respect for our Muslim employees and consumers, and today, we are beginning to appreciate the long-term investment we have made in manufacturing and marketing Halal products.**



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

**In support of the Government's efforts to combat non-communicable diseases in the country, Nestlé partnered with relevant NGOs to actively participate during the Nutrition Month Malaysia campaign to promote good nutrition in the community.**

**MILO ready-to-drink is now less sweet, but tastes better than ever! Packed with nutritious vitamins and minerals, it provides the necessary energy to bring out the champion in your child.**

Nestlé consumers all over the world benefit from 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 improving our range of products and services through better consumer insights and stakeholder feedback. Furthermore, we want to offer our consumers peace of mind when they consume our products, not only by making sure all our products are safe and meet the highest quality standards but also with the assurance that all products manufactured, marketed, imported or exported by Nestlé Malaysia are certified Halal by authorised organisations.

## Nourishing All Malaysians

The consumer is strategically placed at the heart of our Nutrition, Health and Wellness Roadmap to indicate that our corporate vision is aimed at meeting the needs of the consumer – in taste, in nutrition profile and in enjoyment of every Nestlé product.

Our global investments in research and development (R&D) clearly shows Nestlé's commitment in innovating and renovating products based on scientific evidence and trials. When we convert this knowledge into products, consumers benefit from the nutritional value while Nestlé is able to grow its business.

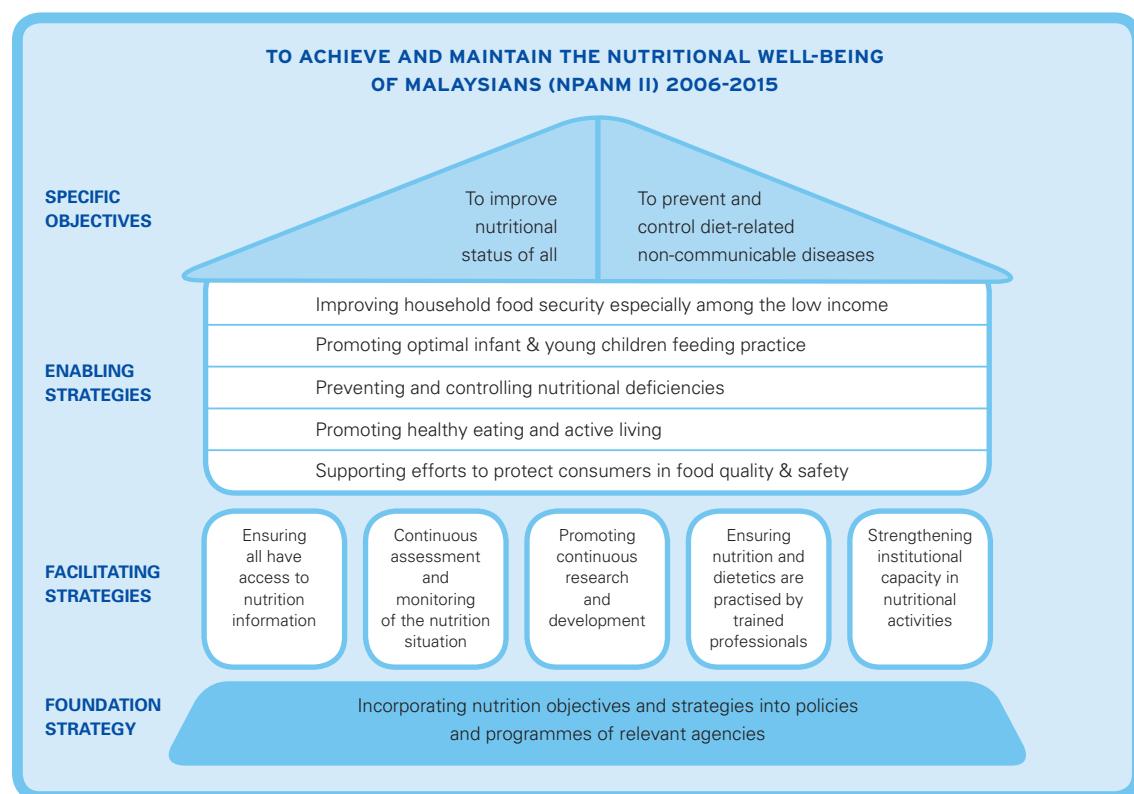
With the increase in non-communicable diseases such as diabetes, hypertension, cardiovascular disease, as well as a rise in the number of overweight and obese Malaysians, Nestlé shares the concerns of the Ministry of Health on the state of health of the nation.

We continually review the nutritional content of our products; reducing public-health sensitive components such as salt, sugar and trans-fatty acids, while increasing others considered to be positive for health, such as calcium, iron, whole grains and fibre.

## Supporting the Ministry of Health

Nestlé supports the efforts of the Ministry of Health's National Plan of Action for Nutrition Malaysia II (NPANM II) to address health issues related to nutrition affecting Malaysians.

## OUR CONSUMERS AND THE MARKETPLACE



Source: Ministry of Health, Malaysia.

## OUR CONSUMERS AND THE MARKETPLACE



The following measures have been taken by Nestlé to meet some of the provisions outlined in the NPANM II:

### 1. Promote healthy eating and active living for all by developing a wider variety of healthy food choices

*Nestlé's action:*

- (i) Nestlé already provides a wide range of products and using our R&D capabilities, we are improving our current portfolio to make the products more nutritious without compromising on good taste; for example by using less sugar, salt and fats.
- (ii) The launch of Popularly Positioned Products (PPP) provides affordable nutrition to more Malaysians.
- (iii) The use of traditional local herbs such as Tongkat Ali, Ginseng, Ginger, Pegaga, etc.

### 2. Support efforts to protect consumers in food quality and safety

*Nestlé's action:*

- (i) Provide educational materials to improve consumer awareness on nutritional labelling, food safety and consumer rights to safe and quality foods
- (ii) Support the implementation of the National Food Safety Policy and the National Plan of Action for Food Safety
- (iii) Produce and distribute educational leaflets on food labels and Halal for the benefit of the public

### 3. Ensuring all have access to nutrition information

*Nestlé's action:*

Establish nutrition promotion centres equipped with nutritionists and appropriate materials in addition to our nutrition advisory services via our Nestlé Consumer Services Toll Free Line: 1-800-88-3433 as well as our website at [www.nestle.com.my](http://www.nestle.com.my). In 2008, Nestlé continued to educate consumers on per serving sizes of rice/noodles, vegetables and meat, and emphasised healthy meal plans which have a healthy fat ratio and are within 650kCal per meal.

### 4. Promoting continuous research and development in food and nutrition

*Nestlé's action:*

- (i) Continue investing in the world's biggest private research facility in nutrition
- (ii) Collaborate and establish smart partnerships with academia and related food and nutrition organisations such as MARDI, UKM, NSM etc

### 5. Ensuring that nutrition and dietetics are practised by trained professionals

*Nestlé's action:*

- (i) Provide more opportunities for postgraduate training for dietitians and nutritionists
- (ii) Intake of nutrition undergraduates from UKM and UPM for practical training



**FROM LEFT:**

**We provide avenues and opportunities for our young consumers to showcase their talents and abilities through various activities and programmes.**

**Due to an overwhelming response, the OMEGA PLUS Walk-a-Mile event aimed at promoting heart health through walking, was held at several cities nationwide.**

**NESTUM Sarapan Berkhasiat provides affordable nutrition for the whole family, allowing more consumers to enjoy the high quality of our products.**

**The Nestlé Nutritional Compass contains information that help our consumers make informed choices that affect their health and nutrition.**

In addition to the efforts above, Nestlé and its brands are continuously encouraging Malaysians to adopt active lifestyles. MILO has been active in promoting junior sports for over 50 years, while NESVITA OMEGA PLUS encourages Malaysians to walk-a-mile to improve their health.

### **Popularly Positioned Products**

One of our key achievements in 2008 was the introduction of a range of Popularly Positioned Products (PPP) that offers Malaysians affordable nutrition and taste in their daily diets. Some of the products in the range are NESTUM Sarapan Berkhasiat and NESPRAY CERGAS. In addition to being affordable, the products also contain added nutrients such as iron which may be deficient in some pockets of our community.

\*Refer to Case Study 1 for more details on the PPP range

### **Survey on Eating Habits of Primary Schoolchildren**

As a follow-up to the Nestlé-UKM survey which was commissioned in 2001, Nestlé invested in a second study to assess the current nutritional status among 13,000 primary schoolchildren in both Peninsular Malaysia and East Malaysia.

The study examines the nutritional status, eating habits, physical activity as well as nutrition knowledge and attitude of primary school children aged 6 to 12 years, and was conducted by a team of researchers from the Department of Nutrition and Dietetics, Faculty of Allied Health Sciences, UKM, and is expected to be completed by March 2009.

The results will be used to form the basis of a report on the nutritional status of primary school children in Malaysia, and appropriate intervention initiatives will be discussed with all relevant parties to improve the nutritional knowledge, attitude and practice among primary schoolchildren.

### **Communicating with Our Consumers**

Communicating with consumers to understand their needs, respond to their enquiries or listen to their feedback is important to us. We do this via the Nestlé Consumer Services Centre, which is accessible during office hours on the toll-free line 1-800-88-3433. In 2008, the Centre received over 20,000 calls, with the highest number of inquiries (78.9%) attributed to the melamine scandal in China and new Nestlé product launches. With the Contact Centre, Nestlé was able to provide assurance to many concerned parents and consumers on the safety of Nestlé products during the melamine crisis.

### **Corporate Brand Monitor Study**

In 2008, Nestlé conducted a Corporate Brand Monitor Study. When asked to think about companies making food and beverage products, the first company that came to mind unaided and spontaneously was Nestlé. 2008 also saw a significant increase in total spontaneous awareness for Nestlé amongst consumers in the Nestlé database.

A majority of those surveyed also had a favourable opinion/ impression towards the Company, and felt that Nestlé is an 'expert and leader in nutrition'; an imagery not currently owned by any other player yet.

# "Dear Nestlé" Programme Rewards Consumers



*"I try to benefit from every tip sent by Dear Nestlé. Before, I ate a lot of sweet things and junk food. Now I focus more on eating vegetables and fruits – trying to manage 5 colours a day. Thank you Dear Nestlé for making me more confident and healthy, and helping me achieve an ideal body shape."*

**Aida Ros Liana Desa**, 26 years old



*"Thank you so much for the ideas on healthy living. It is very useful to know what we can do to improve our lives, especially when it is related to eating."*

**Prem Kumar Gopal Chand**, 45 years old

*"The Nutrition articles are a good nutrition reference. Now I know the benefits of food that I eat every day. Keep up the good work!"*

**Rina Soh**, 47 years old

The "Dear Nestlé" loyalty programme, which is in its 12th year, reaches out to Malaysian households; offering free nutrition advice, healthy recipes, product samples, discount vouchers and invitations to forums and cooking demonstrations. Members can also get interactive health reminders, submit recipe reviews or ask questions online.

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](http://www.nestle.com.my/dearnestle). The online version features more nutrition and health-related articles, recipes and interactive tools like Body Mass Index (BMI) and calorie calculators.

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

# Ensuring Freshness at All Times

Our commitment and rigorous approach to product freshness, combined with a robust performance measurement process has enabled us to deliver on our promise of Ensuring Product Freshness.



Freshness continues to be a priority in Nestlé Malaysia, to ensure that consumers are able to pick only fresh Nestlé products from the retail shelves when they visit their favourite hypermarket or sundry shop.

We work with our suppliers to receive the freshest possible raw materials and convert these raw materials into finished goods within the shortest time possible. We then ensure that our finished goods are shipped out to customers soon after production, in order to ensure that it is available on the retail shelves at the earliest.

Our effort is enhanced by a proprietary tool, developed in-house by our colleagues in the Nestlé Head Office in Switzerland. Information and Key Performance Indicators (KPIs) are readily available for us to manage our freshness focus proactively.

This commitment and rigorous approach to product freshness, combined with a robust performance measurement process has enabled us to deliver on our promise of Ensuring Product Freshness.

# Stakeholder Engagement



As part of its on-going efforts to have a two-way dialogue with key stakeholders on its main impact areas, Nestlé Malaysia gathered its key stakeholders for a follow-up convening following the first one in October 2007. This was aimed at enabling the Company to hear their views, suggestions and concerns on the Company's public image, its business operations and corporate responsibilities. The convening also allowed Nestlé to update the stakeholders on the progress made since the last convening.

The session began with a presentation by the Managing Director of Nestlé Malaysia, Mr. Sullivan O'Carroll, who reiterated Nestlé's concept of Creating Shared Value and outlined the Company's approach to Nutrition, Water and Rural Development. He also elaborated on the Popularly Positioned Product range, which is aimed at providing consumers with affordable nutrition and taste.

During the stakeholder engagement session, he outlined the strides made since the last convening, where in response to suggestions that Nestlé take on a "Big Brother" approach, the Company has engaged more farmers under a contract farming scheme under the red rice project in Sarawak. Nestlé has also contributed significantly towards the development of the Halal food industry in Malaysia and provides support and advice as part of its collaboration with the Halal Industry Development Corporation (HDC).

Following his presentation, the stakeholders were divided to discuss 4 topics that are considered to be vital to the Company's operations and role in society :

- 1) Nutrition & Health
- 2) Sustainable Development / The Environment
- 3) Code of Conduct / Ethical Business Practices
- 4) Food Security and Safety

Based on the discussions from each grouping, the following are among the key suggestions made by the stakeholders who attended the convening:

## Nutrition & Health

- Educate the public on nutrition and health, and this should not be limited to the benefits of Nestlé products but also promote the Food Guide Pyramid and encourage physical activity.
- Address public concerns on the rise of chronic diseases especially those affecting young children, and the increase in non-communicable diseases.
- Promote healthy eating to young children.
- Improve communication on Nestlé initiatives in NHW, for example the nutritional value of PPP range; Nutritional Foundation; 60/40+; etc.

## Environment

- Educate the public on water conservation and promote appreciation of rivers and wetlands to change wasteful attitudes.
- Instill environmental awareness amongst children.
- Lead in 3R programmes and promote recycling, especially among employees and throughout the supply chain.
- Encourage suppliers and vendors to adopt good environmental practices.

## Good Business Ethics

- Educate stakeholders on Nestlé Code of Business Conduct.
- Share experiences on ethical HR procedures in areas that can impact other companies.
- Continue collaboration with HDC to further develop the Halal food industry in Malaysia and promote the country as a regional Halal hub.

## Food Security & Safety

- Share expertise in traceability among SMEs in the event of a product safety issue.
- Be more proactive to identify potential risks in food safety following the melamine issue.
- Encourage suppliers and vendors in supply chain to go beyond compliance in addressing food safety issues.



## CR Case Studies

The following Case Studies provide insights into our key areas of focus

- Nutrition, Water and Rural Development.

It helps provide a better understanding of how we strive to create value while bringing long-term and meaningful change to society.

### **CR Case Study 1** - Nutrition, Health and Wellness

The Nutrition, Health and Wellness re-positioning of Nestlé is in response to demographic changes, the demands of hectic lifestyles, the increase in non-communicable diseases and the speed of communication and travel, amongst many other factors.

The Company is in full support of the Government's efforts to encourage healthier diets and active lifestyles to help counter problems associated with obesity, diabetes and cardiovascular diseases. We have made significant changes to improve our products' profile to complement the Government's efforts to create a healthier population.

The strategic re-positioning has also resulted in the Nestlé Nutritional Foundation (NF), which is a dynamic profiling approach to analyse the nutritional value of Nestlé products to support the constant optimisation of nutritional composition of products. A food or beverage product will only attain NF when all of its nutritional factors meet the criteria for its category.

The criteria used in the Nestlé Nutritional Foundation are established using the available recommendations for dietary intakes, issued by authorities such as World Health Organisation (2003) and the US Institute of Medicine (2006).

Some positive measures have been implemented to improve the nutritional profile of our range of products such as reduction of sugar, sodium and fats, the fortification of products as well as the introduction of Popularly Positioned Products (PPP); an affordable range with clear nutritional benefits that will ensure a larger segment of the population is able to enjoy our products.



**"One of the main objectives of Nutrition Society of Malaysia (NSM) is to promote healthy nutrition in the community, in support of the Government's efforts to combat nutritional problems in the country. These include nutrient deficiencies as well as diet-related chronic diseases in the country such as obesity, diabetes, coronary heart disease, hypertension and certain cancers. Better integration and collaboration involving the private sector, exemplified by Nestlé Malaysia's support of Nutrition Month Malaysia 2008, enables various health promotion activities to reach a wider segment of the community and facilitate consumer empowerment to enable them to make better choices regarding their lifestyles and eating habits."**

**Dr Tee E Siong**

President, Nutrition Society of Malaysia (NSM)

The PPP range strives to provide a more balanced diet by compensating for dietary deficiencies at reasonable cost, taste and convenience. In a small way, these products also support the Government's efforts to improve the nutritional status of all Malaysians.

How exactly is a PPP product formulated? This varies from market to market and is based on local considerations, food regulations, nutrient deficiencies as well as public health concerns such as infectious and non-communicable diseases.

The resulting product allows consumers to have affordable food options which cover a large part of their basic food needs to achieve an optimum level of nutrition. Through innovation, more cost effective ingredients such as those derived from plant sources, which have the right nutritional profile, have been used.

The PPP range in Malaysia was introduced in 2007 with NESTUM Sarapan Berkhasiat and NESPRAY CERGAS, to mention a few. Although a modest range at the moment, PPP will be developed to help improve nutritional status, growth and development.

The PPP range of products is among the many internal efforts undertaken by Nestlé to accelerate its evolution into a respected, trustworthy Food, Nutrition, Health and Wellness Company. In Malaysia, Nestlé remains committed to Nourishing Malaysia through products that contribute to better health.



**"Freshwater habitat conservation projects such as what WWF-Malaysia is doing at the Setiu Wetlands in Terengganu requires goal alignment and long-term commitment from our partners, funders and the local community. With appropriate training and capacity-building programmes, the women of Setiu learn to appreciate the importance of sustainable wetlands management and gain the skills and knowledge to utilise natural resources to generate alternative income to improve their socio-economic conditions. There is still much to be done and we are glad to have an ally in Nestlé Malaysia to support the community development component of this project."**

**YBhg. Dato' Dr. Dionysius S.K. Sharma**

Executive Director/Chief Executive Officer, WWF-Malaysia

## CR Case Study 2 - Water

Water conservation is one of the three key areas of focus under Nestlé's Creating Shared Value strategy, as the Company is cognisant of the fact that the availability of water for the environment and human use is challenged by many factors such as population growth, pollution and increasing demand for water-intensive foods and lifestyles.

Engaging experts and stakeholders has helped Nestlé understand and further develop its understanding of potential roles and commitments on water. Nestlé constantly seeks ways to raise the bar further, both in terms of its operations as well as by contributing to positive developments in broader water management and approaches.

Internally for instance, Nestlé Malaysia has a programme to reduce water consumption by 5% annually and the overall trend for the past 6 years has shown a steady reduction of more than 3.5% annually.

Externally, the Company has worked on several initiatives by working with partners such as the World Wildlife Fund for Nature (WWF). The most recent collaboration is in Terengganu, aimed at conserving the Setiu Wetlands, which is not only rich in natural resources and vital for the fisheries sector, but also acts as a natural filter of pollutants and provides flood control for the area.

The Setiu Wetlands also serves as the habitat and nesting ground for Malaysia's largest breeding population of the critically-endangered painted terrapin, and is home to 29 species of mammals, 28 species of reptiles and 112 species of birds.





**"From nothing, we now have a small business, as we were able to buy the necessary equipment with Nestlé's assistance. From the talks and expertise shared by Nestlé, the villagers also get more ideas on how to improve their businesses."**

**Rusnita bt. Ngah**

Group Leader of PEWANIS

(Pengusaha Wanita Setiu – Women Entrepreneurs of Setiu)

Kg. Manguk, Penarik, Setiu, Terengganu

The main source of income of the Setiu villagers is derived from the wetlands resources; driven primarily by the womenfolk, who process and sell fishery products such as salted fish, dried anchovies and shrimp paste.

This project was the result of a survey, which Nestlé had commissioned, on the socio-economic needs and current conditions of the local community, to identify their capacity building needs. As mothers and co-income earners, the women assume an important role in the area's long-term sustainable development and were the stakeholders identified for the project.

The project aims to raise the awareness on the need for conservation of the Setiu Wetlands, while equipping the local women with entrepreneurship knowledge and skills which will allow them to begin producing and selling traditional products using natural resources sustainably derived from the wetlands.

Besides the opportunity for sustained livelihoods and better standards of living, the women are also targeted to help ensure that the fragile wetlands ecosystem is safeguarded.

The local women are trained in basic entrepreneurial skills, including marketing, branding and communication skills - which is also useful for the tourism industry, and taught to pass on their new knowledge and skills by becoming trainers to other women, which also ensures the sustainability of the project. Simultaneously the women are also trained on environmental awareness and encouraged to practise "green" practices in their food manufacturing business.

The project is on-going and aims to engage the locals to work together cohesively towards a common goal of better sources of income which will greatly impact the livelihood of the local community, which has been identified as one of the poorest districts in Terengganu. The initiatives in place will contribute significantly towards the conservation of the wetlands.



### CR Case Study 3 - Rural Development

Conscious that education is a great enabler, which elevates the standard of living in a sustainable manner, helps break the poverty cycle and enables societies to thrive, Nestlé Malaysia has embarked on several initiatives aimed at eradicating poverty and promoting development in rural communities. The building of kindergartens in East Malaysia is one such example, as it helps address a key requirement for progress, while staying true to the objectives of the UN Millennium Development Goals.

Collaborating with Raleigh – a UK-based youth development NGO – Nestlé has to-date, built 4 kindergartens in rural parts of Sabah, in an effort to provide equal education opportunities for communities lacking basic infrastructure facilities. By providing facilities for pre-school education, Nestlé believes that it can provide the children of the community a head-start in life.

Villages in East Malaysia with the highest need based on the remoteness of the village, number of young children as well as the schooling facilities in surrounding areas, are first identified. Nestlé then funds the building of the kindergartens and equips it with teaching materials and furniture whilst volunteers from Raleigh erect the building. The training of a local to be a teacher ensures the viability and sustainability of the project.

Nestlé believes that this initiative creates value for the community, as good basic education will ultimately improve the quality of lives of the village community in a sustainable way. The kindergarten projects are also in line with Nestlé's efforts to contribute to the total development of the child.

The first Nestlé kindergarten, affectionately known as the "Nest", was built in Kg. Liu in 2005, followed by one in Kg. Saguon in 2006, Kg. Paus in 2007 and Kg. Keranaan in 2008. Each kindergarten project has the support of the local community, who takes immense pride in the fact that their young will now have a head-start when they commence their primary education. The bright yellow façade of the first Nestlé "Nest" has become the official colour for every kindergarten built thereafter, and most of these buildings take pride of place in their respective villages.

On average, annually, there are 25 pre-school children aged between 4-6 enrolled at the kindergartens. Some villages have higher enrolment numbers, attributable to the fact that children from the nearby villages travel daily to the village for their pre-school education. Nestlé personnel visit the kindergartens regularly to check on its upkeep as well as usage, while the teachers provide enrolment and progress reports.

A point to note is that the first kindergarten, which was established in Kg. Liu, was visited by officials from the Ministry of Education in November 2006, after having read about it in the local media. During their visit, they interviewed the two teachers, examined their record books and also observed some of the class activities. The Ministry officials were impressed with the curriculum and quality of the teaching and have since registered the school as a pre-school centre under the Ministry's umbrella.

# Targets & Achievements

## RESPECT & CARE FOR THE COMMUNITY - Education

Provide education opportunities for the marginalised.

What we set out to achieve	What we have achieved to-date	Going forward
Nestlé supports equal education opportunities, especially for communities in rural areas which lack the basic facilities for pre-school education for a head-start in life compared to their peers in more privileged areas.	<p>In collaboration with Raleigh, Government agency (KEMAS) and local NGO (PACOS Trust) this initiative has identified and built 4 kindergartens in rural areas of Sabah to-date:</p> <p><b>Kg. Keranaan</b> In 2008, a kindergarten was built to serve 40 pre-schoolers in this village of 700 people. 2 local women from the community were also trained to teach the children.</p> <p><b>Kg. Paus</b> Built in 2007 to serve the Kg. Paus population of 800 people which till then only had a Primary School. The kindergarten also allowed for one of the young women from the village to be trained as a pre-school teacher.</p> <p><b>Kg. Saguon</b> Established 2006 and has 23 children aged between 4-6 years old enrolled. It is run by a trained teacher and the village had sent another member of its community to be trained to assist the current teacher. In 2006, the school also organised a graduation for the older children in Kg. Saguon.</p> <p><b>Kg. Liu</b> Built in 2005. In 2006, 27 local children aged 5 and 6 were enrolled in the school. Following a visit by officials from the Ministry of Education, the school has since been registered as an official pre-school centre.</p> <p>In addition to setting up these kindergartens, Nestlé has provided opportunities for local youth to participate in voluntary community projects with Raleigh through sponsorship of young Malaysians. Nestlé also provides food supplies for the volunteers to take on their expeditions.</p>	<p>Work with Raleigh to set-up another kindergarten in 2009.</p> <p>Monitor progress and provide assistance where required for all the kindergartens.</p> <p>Continue to sponsor local volunteers to be part of the Raleigh expeditions.</p>

What we set out to achieve	What we have achieved to-date	Going forward
<p>Provide physically and mentally challenged children with learning opportunities.</p>	<p>Established 4 Nestlé Learning Corners in Wisma Harapan Brickfields, Sekolah Khas Cheras and Sekolah Khas Klang for the Selangor and Federal Territory Association for the Mentally Handicapped and the Spastic Centre for the Spastic Children's Association of Selangor and Federal Territory. 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.</p> <p>Established bigger Nestlé Learning Centre at Wisma Harapan Brickfields Vocational Training Centre.</p>	<p>Invest in more Nestlé Learning Corners where needed and monitor the progress of the current Corners and update equipment where required.</p> <p>Plans are underway to assist in the setting-up of a canteen at the Sekolah Khas Klang.</p> <p>Nestlé is also looking into providing nutritional and menu planning support for the kitchen staff of the schools to ensure proper nutrition for the children.</p>
<p>Supporting the National Child Friendly Healthcare Association of Malaysia to improve the hospital environment for sick children to make it more child-friendly, in line with Ministry of Health's objectives.</p>	<p>In 2008, Nestlé sponsored another Play Therapy Workshop. This was organised in East Malaysia where local healthcare professionals were given training by experts from the Children's Hospital in Sydney.</p> <p>In 2007, Nestlé collaborated with the Association to organise a Play Therapy Workshop where experts from the Children's Hospital in Sydney were flown in to train local healthcare professionals.</p> <p>Established Family Friendly Corner at the Paediatric Institute, Kuala Lumpur Hospital.</p> <p>Established a Toy Library at the Occupational Therapy Unit, Paediatric Institute, Kuala Lumpur Hospital, for children with Down Syndrome and other debilitating conditions.</p>	<p>Continue supporting the Association.</p>
<p>Help schoolchildren particularly those in rural areas to improve their command of English.</p>	<p>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 students in Malaysia. The pilot project was launched in Kedah and Terengganu.</p>	<p>Nestlé is currently revamping the website so that it can present this to the Ministry of Education for a nationwide roll-out of the project.</p>

## TARGETS & ACHIEVEMENTS

What we set out to achieve	What we have achieved to-date	Going forward
	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.	
Encourage reading habits among schoolchildren.	Collaboration with Nanyang Siang Pau for 5 consecutive years to inculcate the habit of reading amongst the younger generation through a Story Compilation Contest for Chinese Primary Schools.	Continue the highly successful programme in 2009.
Sponsor theatre classes for special needs children.	Under a special grant by Nestlé, the Jumping Jellybeans (JJB) continued their theatre training for special children at the Special Needs Learning Centre for autistic children. Theatre training for the children at MAGIC (Malaysian Association of Guardians for the Intellectually Challenged) also continued on a regular basis.	Much progress has been made with these special children and Nestlé will continue to support this programme.

### Training & Mentoring

Improve technical skills and share knowledge with those in need.

What we set out to achieve	What we have achieved to-date	Going forward
Promote gender equality and empower women through training and education.	On-going support for e-Homemakers – a network of single mothers and underprivileged women who seek 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 magazines. Nestlé also sponsors the group's newsletter and works with e-Homemakers to organise their Annual Mother's Day competition which recognises mothers who have defied all odds to make a difference.	To continue supporting the group and help them find ways to earn sustainable incomes.
Assist local SMEs to achieve world-class standards.	Through a mentoring programme which began in 1999, 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 2,800 participants from over 1,580 companies across Malaysia including East Malaysia, have participated in the programme.	To continue mentoring the SMEs and move to a higher level by including new topics in the programme, especially those that focus on Halal development.

### **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 disasters and natural calamities to relieve the burden of the victims and to ensure they remain nourished despite being displaced.	In times of need, the Nestlé team continues to provide nourishing food and beverages such as MILO, NESCAFÉ, MAGGI noodles and NESTLÉ Breakfast Cereals to the victims and relief workers of natural disasters which include floods and landslides.	To continue in these efforts and be able to provide aid effectively and swiftly.

### **Agriculture**

Nestlé strives for continuous improvements in upstream supply chain by transforming traditional agricultural production activities into value added products.

What we set out to achieve	What we have achieved to-date	Going forward
<p>Contract Farming is done when there is a need to procure specific quality and ensure reliable deliveries of locally-grown agriculture raw materials. Nestlé sources raw material needs from local origins, where available and economically feasible.</p> <p>Local sourcing of chilli to help boost income levels of farmers and promote Good Agricultural Practices (GAP).</p>	<p>Chilli contract farming was established in Kelantan in 1995. From the initial 4 farmers producing 16 metric tonnes of chillies on 4 acres of land, this has increased substantially, and in 2008, there were 300 farmers involved in the scheme, producing 800 metric tones on 300 acres of land.</p> <p>In 2008, the farmers were given an additional boost when Nestlé agreed to provide formal technical support for the Pertubuhan Peladang Kawasan Bukit Awang (PPKBA) Chilli Puree Project.</p> <p>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.</p>	<p>To continue to seek new avenues to expand this initiative to other rural communities.</p>
Local sourcing of red rice to help boost income levels of farmers and promote Good Agricultural Practices (GAP).	Nestlé's red rice cultivation was officially launched in October 2007. This contract farming scheme with farmers in Sarawak will practise 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 enriches the soil further with organic matter.	Following the success of the trials, Nestlé is currently working with the local farmers in Sarawak on commercial farming and the cultivation of red rice for use in Nestlé Infant Cereals.

## TARGETS & ACHIEVEMENTS

What we set out to achieve	What we have achieved to-date	Going forward
	<p>In 2008, Nestlé Malaysia signed two agreements with the Malaysian Agricultural Research and Development Institute (MARDI) for a formal research and development (R&amp;D) collaboration on agriculture, and a Memorandum of Agreement (MoA) for the management and implementation of the Ministry of Science Technology and Innovation (MOSTI) Red Rice Technofund. The MoA will see RM2 million out of the RM2.5 million allocation channelled to MARDI for primary R&amp;D and Agronomy efforts, while the remaining RM500,000 will be forwarded to Nestlé for commercialisation purposes.</p>	

### COMMITMENT TO THE ENVIRONMENT

Nestlé has a Policy on the Environment which defines the Company's worldwide strategy on environmental issues and to state its long-standing commitment to environmentally sound business practices such as preserving natural resources and minimising waste.

What we set out to achieve	What we have achieved to-date	Going forward
Preserve natural resources by identifying opportunities to work with NGOs such as World Wildlife Fund for Nature (WWF).	<p>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, this project includes creating awareness on conserving the local natural resources, community research, capacity building programmes, business planning, monitoring and evaluation. In 2008, Nestlé organised a talk with the local villagers to share with them the Company's expertise on entrepreneurship capacity building.</p>	<p>Ultimately, the positive outcome of the project will empower the women of this village to generate sustainable incomes while conserving the natural wetland habitat of the area. The local community is now more aware of their surroundings and its importance and their cottage industry initiative is expected to start in early 2009.</p>
Sustainable Agriculture Initiatives (SAI) was established together with other global food companies to work with farmers to promote best practices.	<p>To-date the initiative has improved quality and addressed safety problems in the food supply chain; help meet the growing demand for quality food arising from population growth, increases in expendable income and dietary changes; help counter adverse effects of agriculture practices on natural resources and the environment which affect agricultural productivity.</p> <p>Under the SAI project, replacing the use of plastic sleeving for Cocoa Pod Borer control, to the use of a bio-degradable alternative, or through use of organic-based spray control has been practised.</p>	

What we set out to achieve	What we have achieved to-date	Going forward
	<p>In addition, the conversion of plastic mulching to the use of bio-degradable mulching and the centralised supply of seedlings to farmers as an “indirect subsidy” to offset rising production costs have been implemented in Tawau and Raub.</p> <p>The Company has also provided support and guidance to farmers in crop management and sustainable practices in its chilli and red rice contract farming initiatives.</p>	
<p>The Nestlé Environmental Management System (NEMS) is based on the continuous improvement management cycle and manages the Company’s environmental performance. NEMS is aligned with the requirements of the international standard ISO14001:2004.</p>	<p>This system ensures environmentally-friendly production techniques and ways to recover by-products, as well as processing methods that minimise water and energy consumption and waste generation. It also reviews factory compliance with legal and internal standards, investigates incidents that could affect the environment and take appropriate measures.</p> <p>For 2008, Energy Management saw an increase in energy consumption of 10.22% MJ per tonne product; air emissions saw an increase of about 14.89%; CO<sub>2</sub> emission saw an increase of about 2.07%; and water management saw an increase of 4.11% per tonne product compared to 2007. These increases are attributed to the significant increase in capital investments related to additional production capacity in 2008 where as a result of commissioning and start-up activities, specifically in the Shah Alam and Kuching factories, the consumption of energy and water as well as air emissions increased due to the use of energy and water without generating sellable products.</p> <p>In areas not affected by commissioning activities, Nestlé has seen a strong reduction of both energy and water consumption due to continuous improvements and optimised production runs.</p>	<p>All factories to be accredited with ISO 14001.</p> <p>Continue to achieve and exceed all KPIs as set.</p> <p>Nestlé Malaysia has a programme to reduce water consumption by 5% annually and the overall trend for the past 6 years has shown a steady reduction of more than 3.5% annually.</p>
Packaging – to identify and ensure post-consumer waste reduction.	2008 saw the reduction of about 9.5% in packaging material usage per tonne product compared to 2007 data (180kg per tonne product against 199kg in 2007).	Regularly re-develop our packaging to reduce materials used or adopt new concepts that enable environmentally-friendly disposal options.

## TARGETS & ACHIEVEMENTS

What we set out to achieve	What we have achieved to-date	Going forward
Waste management	In an effort to reduce waste through recycling, Nestlé set up a Central Returns Warehouse (CRW) in 2004 at Bukit Raja, Klang to receive and process product returns due to damage and expiry. As part of its "Green Supply Chain" initiative, all recyclable packaging materials (plastics, cardboards, tins, aluminium and glass) are sold to recyclers. Expired products are sold to contractors for conversion into animal feed. Materials which cannot be recycled are properly disposed of at the Sanitary Landfill under strict control. In 2008, CRW disposed to the Landfill 1,300 tonnes lesser than 2007 due to reduction in the volume of market returns and our efforts in increasing recycling.	In 2009, we expect a further improvement in recycling by 15% with the introduction of a special machine which can crush tins of liquid milks, drinks and RTD tetra packs. Other initiatives involving Factory Waste Management will also include increased recycling and reduced load to the Landfill to help the Company minimise waste.

### PEOPLE AND THE WORKPLACE - Capacity Building with Employees

Nestlé believes 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. Our corporate values of Trust, Respect, Involvement and Pride are observed and practised consistently at all levels throughout the organisation.

What we set out to achieve	What we have achieved to-date	Going forward
Creating a dynamic workforce.	In 2008, Nestlé recruited a total of 1,417 new employees, hence contributing towards employment creation in Malaysia.	Nestlé will continue to recruit as per the business needs.
The Company encourages continuous improvement through training, and the improvement of professional skills at all levels in the organisation and career opportunities are based on merit.	'Nestlé on the Move' is one prime example, as it helps our employees keep abreast with the most up-to-date and relevant competencies in view of their changing roles in the organisation.  Customised internal and external training programmes that focus on leadership competencies, functional competencies and personal effectiveness are continuously conducted.	Introduce a revised leadership programme called Personal Effectiveness and Renewal Leadership (PEARL) which focuses more on personal effectiveness and follow-up on action planning through Executive Coaching.  Leverage on Blended learning (Classroom and e-learning) for most Corporate In-House Training programmes.
Mission Directed Work Teams (MDWT) is a key change initiative, moving from a hierarchical to a network organisation, which calls for further empowerment and involvement of our people who have the necessary skills and knowledge.	A total of 189 teams has been formed since June 2005, covering all levels from the front line to the top management of the Production Division. In 2008, we set out to widen the MDWT concept beyond the Production Division and 30 new teams were formed in 2008 including 2 business units, Supply Chain and Human Resource Division.	Nestlé will continue to implement the MDWT concept in business units and other divisions in line with Nestlé Continuous Excellence (NCE). Priority for 2009 will be to roll-out the leadership module to senior and middle management levels.

What we set out to achieve	What we have achieved to-date	Going forward
Executive Diploma in Manufacturing Management (EDMM) is a collaboration with Open University Malaysia (OUM) - an 18-month programme, which is a combination of workplace and classroom learning for Nestlé's First Line Managers (FLMs).	In 2008, the target was to complete the EDMM pilot programme. 48 graduated with EDMM in 2008, enabling them to deliver their role as FLMs. In line with the Company's progression, some were promoted to Production Managers.	The second batch is undergoing the programme and will be completing their training in April 2009 and 32 EDMM graduates are expected in 2009.  For all new coming FLMs, e-learning will be used as the delivery mode for the EDMM programme. A task team is working on putting at least four modules on complete e-learning by the end of the year.
Nestlé Sales Personnel	In a collaboration with OUM, a Sales College is in place for our employees to undertake a 6-month programme leading to the Professional Certificate in Sales.  A Professional Certificate in English for Sales Communication, which is another tie-up between Nestlé and OUM, is also offered to employees.	This is an on-going programme where we enrolled 3 batches and the fourth batch will commence early 2009. The way forward is to have the Executive Diploma Programme for those who have attended in order to widen their knowledge in Sales and to increase their competency.  We will continue to have this certification in various locations especially for the sales personnel who wish to improve their communication skills.
Production Operators	For the production operators, Nestlé collaborated with the Workers Institute of Technology (WIT) and in some cases with Polytechnics, to train them to become Technical Operators by providing them with basic fitting technical skills and knowledge.	This will continue as part of the people development programme.
Nutrition Training	In 2007, Nestlé Malaysia initiated Nutrition Training to ensure that all Nestlé employees are knowledgeable about nutrition and are able to apply this knowledge in everyday action. It is a continuous training for all Nestlé Malaysia employees. In 2008, the programme was extended to all branches and factories. As of today, more than 1,000 people consisting of Nestlé employees and its communication partners have been trained.	

## TARGETS & ACHIEVEMENTS

What we set out to achieve	What we have achieved to-date	Going forward
Scholarships to children of employees and retirees	In 2008, Nestlé provided a total of 10 Nestlé Scholarship Awards to the children of employees and retirees to pursue their higher education. Since its inception in 1978, a total of 182 students have benefitted from the award.	Continue the 10 Scholarship Awards to eligible and deserving recipients with revision to the quantum of award to individual scholars.
Inculcate a caring culture among employees through a volunteer programme	Nestlé Reaching Out to Communities and Kids (ROCKS) employee volunteer programme internalises Nestle's CR commitments. The Company's 5,000 employees are able to take 16 hours "time off" from work a year to assist at any of the 30 homes Nestlé helps out annually. This year, ROCKS initiated 'Eggxtra Nourishment' – an egg collection drive aimed at providing nutrition for the less fortunate. The response was overwhelming.	To increase membership amongst employees and add more value to ROCKS by initiating new activities that are meaningful and sustainable.
Develop a healthy workforce	<p>In line with the Company's Wellness Programme, effective 2008, Nestlé House has been declared a 'No Smoking Building'.</p> <p>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 is encouraged to participate in the 100 Days Wellness Challenge to improve their overall health and well-being. In support of this campaign, employees are encouraged to use the stairs instead of lifts.</p> <p>Promotions were also done via poster displays along the corridors and pantries.</p>	The 'No Smoking' Policy will be similarly enforced at the new headquarters location. The fire exit staircase at the new location will be converted into a walkway to encourage staff to walk instead of using lifts.
Safety, Health and Environment (SHE) Initiatives	<p>Initiatives undertaken under SHE throughout 2008 included:</p> <ul style="list-style-type: none"> <li>- MDWT &amp; Behavioural Based Safety (BBS) refreshers.</li> <li>- Emergency Drill &amp; HAZMAT Training with BOMBA conducted with full scale exercise involving BOMBA at Kuching and Chembong factories.</li> <li>- Nestlé Safety @ Work Award 2008.</li> <li>- SHE Beyond Production conducted where SHE Network meetings were held at factories (created team rooms and rolled-out). Network has benefitted through informal and formal training.</li> <li>- CARE Programme conducted.</li> <li>- Team rooms were created for Avian Influenza/ Human Pandemic Preparedness.</li> </ul>	The BBS and MDWT programmes will continue to be implemented while CARE audit is currently being rolled-out at the Sales, Supply Chain and Head office between 2009-2010.

What we set out to achieve	What we have achieved to-date	Going forward
	<ul style="list-style-type: none"> <li>- Team rooms created for Crisis Management.</li> <li>- Factory SHE Day organised (at Chembong Complex).</li> <li>- Nestlé Integrated Management System (NIMS) certification for factories.</li> </ul>	
	<p>In line with a Nestlé global initiative to ensure road safety best practices with our employees, we have established a Safe Driving Committee, to champion road safety initiatives. Initiatives included distribution of safe driving messages on stickers and bunting at all Nestlé key locations. Messages were printed in collaboration with the Jabatan Keselamatan Jalan Raya (JKJR) Malaysia and bi-weekly Safe Driving messages were flashed via e-mail to all Nestlé staff.</p> <p>In terms of safety performance, the lost time accidents per million man hours increased from 2.15 LTIFr in 2007 to 2.38 LTIFr in 2008.</p>	<p>Planned initiatives in 2009 include defensive driving training and a Safe Driving campaign.</p> <p>Efforts are undertaken to rejuvenate BBS in the Production &amp; Supply Chain Operations and show the improvements in terms of Behaviour Observations (participation by employees) submission.</p> <p>This will be done through cross fertilisation of SAFETY Best Practices with the introduction of the “5 Safety Initiatives” which are Safety Training, Safety Meetings, Safety Audits, Log Out Tag Out (LOTO) and BBS.</p>
NIMS certification is an integrated management system. The importance of the establishment of NIMS is to facilitate the management of continuous improvement and compliance. NIMS delivers a common management process, a simplification of standards and practices and also provides a single audit for quality, food safety and SHE.	<p>To-date, ISO14001, OHSAS18001 Certified factories are:-</p> <ul style="list-style-type: none"> <li>• PJ factory certified &amp; awarded on 4 December 2007 (passed surveillance audit on 16 December 2008)</li> <li>• Chembong MILO/Chocolate factory certified and awarded on 18 November 2008</li> <li>• Chembong Ice Cream factory certified and awarded on 19 November 2008</li> </ul> <p>These factories were also certified MS1722 Part 1 (Malaysian Standard for Occupational Safety and Health Management System).</p>	<p>In 2009, the Batu Tiga, Shah Alam and Kuching factories are to be assessed and certified ISO14001, OHSAS18001.</p>

## TARGETS & ACHIEVEMENTS

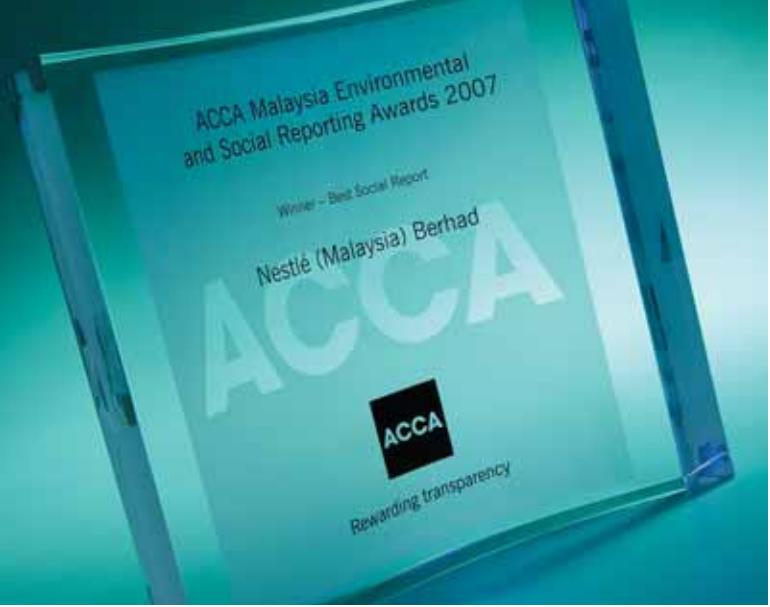
What we set out to achieve	What we have achieved to-date	Going forward
The Nestlé Continuous Excellence (NCE)	This initiative was initiated to deliver 3Cs which are delighting Consumers, delivering Competitive advantage and excelling in Compliance. The NCE was rolled out in 2008.	The target is to implement Total Performance Management in all the factories by 2013, and provide LEAN Supply Chain in all business units by 2018.
<b>CONSUMERS &amp; THE MARKETPLACE - Nutrition, Health &amp; Wellness</b>		
Our commitment to Nourishing 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
Nestlé is on its journey to become a trusted and responsible Nutrition, Health and Wellness company offering products of superior value with added benefits. As a consumer-driven company, Nestlé manufactures and markets its products to meet the needs of local consumers.	<p>Communicating with consumers as well as gaining their insights is important to Nestlé and this has been done through a dedicated Consumer Services Centre to meet the relevant needs of our consumers whether it be information, feedback or advice. Good service levels were achieved through quick turnaround visitation and analysis times, which helped to return consumer confidence in Nestlé's product quality and our seriousness in having satisfied consumers.</p> <p>Nestlé also reaches out to consumers through a series of healthy cooking demonstrations. In 2008, 20 cooking demonstrations were held where Nestlé reached out to many different groups from Senior Citizens to Women's Associations and Healthcare Practitioners. The aim is to encourage more consumers to cook healthy and nutritious meals for themselves and their families.</p>	Nestlé will continue to communicate closely with consumers.
	In 2008, Nestlé emphasised healthy meal plans which have a healthy fat ratio and are within 650kCal per meal. It also continued to educate consumers on per serving sizes of rice/noodles, vegetables and meat.	
Working with the Government.	Nestlé aims to continue its collaboration with the Ministry of Health and other relevant NGOs to improve the eating habits and nutritional status of all Malaysians. The Company's Nutrition, Health and Wellness strategy complements the Ministry of Health's National Plan of Action for Nutrition Malaysia II (NPANMII).	Nestlé is clear on how we want to complement the Government's 10-Year Nutrition Action Plan through the development of products with less sugar, less salt, less fat etc.

What we set out to achieve	What we have achieved to-date	Going forward
Working with NGOs to help the Government achieve the objectives of the 10-Year Nutrition Action Plan.	<p>In 2001/2002 Nestlé commissioned a study to assess the nutritional status, eating habits, physical activity as well as nutrition knowledge and attitudes of primary school children aged 6 to 12 years. A follow-up study was commissioned in 2007 to cover approximately 13,000 school children throughout the country. The main aim of this study is to produce a report of the nutritional status of primary school children in Malaysia which can be used as a reference for relevant agencies and serve as a means to raise public awareness.</p>	The study is expected to be completed in 2009 and the results to be published in the first half of the year.
Providing relevant value-added products.	<p>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. Nestlé's strategy is based on offering products that have proven superiority in consumer preference and nutritional value over the competition and this is based on a proprietary product testing process called 60/40+ which helps to continually improve the taste and nutritional value of our products, contributing to market share gains and improve profitability. We continually review the nutritional content of our products, reducing public-health sensitive components such as salt, sugar and trans-fatty acids, while increasing others considered to be positive for health, such as calcium, iron, whole grains and fibre.</p>	On-going investments in R&D and collaboration with the scientific community to improve our leadership in Food, Nutrition, Health and Wellness.
Nutritional Foundation – raising the bar for consumers' benefit	<p>In 2005, Nestlé Malaysia began assessing the nutritional profile of its total portfolio of products and by knowing the nutritional profile of each Nestlé product we are able to constantly optimise its nutritional composition. From this, we have developed MAGGI TASTYLITE Noodle which contains lower fat content using air-dried technology and a range of less sweet beverages such as MILO. Products attaining the Nestlé Nutritional Foundation status represent an appropriate choice when the consumer chooses to have it in the context of a balanced diet. A food or beverage product will only attain the Nestlé Nutritional Foundation status when all of its nutritional factors meet the criteria for its category.</p>	To create more products that meet the Nestlé Nutritional Foundation status and renovate existing products.

## TARGETS & ACHIEVEMENTS

What we set out to achieve	What we have achieved to-date	Going forward
Popularly Positioned Products (PPP) – an affordable range for nutrition and taste	In 2008, Nestlé introduced a range of products called PPP which is the result of deep consumer insight + science = providing high quality products with good nutrition that are within consumers' daily affordability. Products are formulated based on local considerations: food regulations, nutrient deficiencies, public health care concerns.	To introduce a wider range of PPP products.
Communicating with the media	An annual media workshop is organised for media representatives to discuss relevant and topical issues related to Nutrition, Health and Wellness.	To continue interacting with and updating the media on the latest developments with regards to Food, Nutrition, Health and Wellness.
Communicating with consumers	To engage with its consumers, Nestlé's Consumer Services Centre communicates with consumers through calls, e-mails, face-to-face visits and letters. In 2008, the Centre had over 20,000 calls from consumers with a high number of enquiries (78.9%) stemming from the melamine scandal in China. There were also calls on new Nestlé product launches. Nestlé was able to provide assurance to many concerned parents and consumers on the safety of Nestlé products during the melamine crisis. Many calls were also on topics related to the health and nutrition of toddlers, children and senior citizens. The Nestlé Consumer Contact Centre, which is staffed by qualified nutritionists and product technologists, assists consumers in their enquiries.	Good service levels were achieved through quick turnaround visitation and analysis times, which helped to ensure continued consumer confidence in Nestlé's product quality. It also demonstrates our seriousness in having satisfied consumers and we will continue to improve on this.
Communicating with stakeholders	Engaging with stakeholders to gather feedback on Nestlé products and services through various channels – focus groups, visitor surveys at the Nestlé Nourishing Malaysia Showcase, on-going dialogues with NGOs and opinion leaders via stakeholder convenings.	We will continue to improve our communication with our stakeholders through the various channels and act on the feedback received.

What we set out to achieve	What we have achieved to-date	Going forward
Delivering Freshness	<p>'Delivering Freshness' is a Nestlé Best Practice which is integrated into the daily business process and is cross-functionally aligned. 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.</p> <p>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. Nestlé Malaysia's FreshNes target is set at 95%, based on the total stock value of '&gt;80% Remaining Shelf Life' for Local Manufactured products and '&gt;70% Remaining Shelf Life' for Imported products. The "fresh" life is the time in weeks from the date of manufacture during which the product maintains its inherent positive characteristics of appearance, flavour and texture as measured by Nestlé Research Scientific and Technical Centre.</p>	We will continuously raise the bar in our freshness pursuit, for the benefit of our consumers.
Managing the Melamine Issue	<p>In September 2008, several companies in China were implicated in a scandal involving milk which had been adulterated with melamine, leading to a global food crisis and shattered consumer trust. From the onset of the crisis, Nestlé products were amongst the few that were declared safe for consumption by the Ministry of Health of Malaysia. In managing this crisis, Nestlé was well aided by competent and professional personnel, embracing a solid Quality system throughout the food chain from farm to fork and having a structured Crisis Committee which enabled the Company to monitor and act on the issue carefully in the trade, with the local media, engaging with authorities as well as the customers and consumers.</p>	Looking ahead, Nestlé will continue to improve the safety and quality standards throughout the supply chain to minimise any risk which can result from a similar food crisis.



## External Assurance - Awards

The year under review proved to be one of recognition for Nestlé (Malaysia) Berhad, where several noteworthy awards were won by the Company, primarily in the area of social reporting. The awards won throughout the year will serve as an impetus for the Company to drive further in its quest for excellence and Creating Shared Value in all that it embarks on.

### 1. ACCA MESRA

#### **Nestlé Wins ACCA MESRA Social Reporting Award for CR Report**

Nestlé (Malaysia) Berhad won the Association of Chartered Certified Accountants (ACCA) Malaysia Environmental and Social Reporting Awards (MESRA) 2007 in the Social Reporting category.

Nestlé beat 44 other companies to win the award for the 'Best Social Report' for the Company's first stand-alone Corporate Responsibility (CR) report, and was commended for the following attributes among others:

- successfully demonstrating the integration of sustainable development into the business strategy
- providing a clear articulation of the meaning of sustainable development to the Company
- identifying and explaining key social impacts and issues arising from its business

- demonstrating completeness with table on sustainability targets, achievements and future actions
- stakeholder engagement

The annual awards aims to encourage the uptake of sustainability (or corporate responsibility) reporting among companies in Malaysia; whereby businesses are encouraged to report on the impact of their business operations to the environment and society that they operate in.

### 2. StarBiz-ICRM Awards

#### **Nestlé Wins Two Awards at Inaugural StarBiz-ICRM Awards**

Seven companies were honoured at the inaugural StarBiz-Institute of Corporate Responsibility Malaysia Awards for demonstrating outstanding corporate responsibility (CR) practices. Nestlé bagged two awards, under the categories of 'Community' for our SME mentoring programme and 'Marketplace' for on-going product innovation and renovation to reduce sugar, sodium and fat content in our entire product portfolio. We were also recognised for our efforts in creating a healthier society with the introduction of the Nestlé Nutritional Compass, the first worldwide nutrition labelling initiative by any company.

The winners were judged based on four categories – Marketplace, Workplace, Environment and Community.



### 3. Most Admired Companies

#### Nestlé Malaysia is the Country's Most Admired Company

Nestlé (Malaysia) Berhad earned the top spot as the overall most-admired Malaysian company in the Wall Street Journal Asia's Asia 200 survey of readers. Nestlé was also No. 1 in the categories of corporate reputation and quality of its products and services, and No. 3 in the innovation category in the survey.

The poll among 2,447 executives and professionals in 12 Asian-Pacific countries, which was conducted by market-research firm Colmar Brunton, also showed that Nestlé beat the other contenders due to the innovative evolution of its brands in Malaysia, its leading position as a Halal food manufacturer and unique approach to corporate responsibility. Additionally, the Company was recognised for "excellent time management in response to pricing, costing and promotional activities".

### 4. KPMG/The Edge Shareholder Value Award 2007

In the recent KPMG/The Edge Shareholder Value Award 2007, Nestlé (Malaysia) Berhad emerged tops in the F&B industry, second in the Consumer Group segment and took seventh placing overall in terms of Shareholder Value Creation. In its seventh year, the Award Programme aims to recognise public-listed companies in Malaysia that have delivered exceptional value for its shareholders.

### 5. NACRA Awards

#### Nestlé Clinches Two Gold Awards at NACRA 2008

Nestlé (Malaysia) Berhad emerged tops in 2 categories at the National Annual Corporate Report Awards (NACRA) 2008. The Company won Gold Awards for the Best Designed Annual Report and the Best Corporate Social Responsibility (CSR) categories. Jointly organised by Bursa Malaysia Berhad, Malaysian Institute of Accountants (MIA), Malaysian Institute of Management (MIM) and The Malaysian Institute of Certified Public Accountants (MICPA), the annual award presentation is held to recognise excellence in annual corporate reporting.

### 6. Sahabat SME

#### SMEs Recognise Nestlé's Efforts

Nestlé recently won an SME Recognition Award 2008, in the Sahabat SME Category at the Small Medium Industry (SMI) Gala Dinner and Award Presentation Ceremony held at MINES International Exhibition and Convention Centre on 13 December.

# Corporate Governance



**"It is a bold and fitting agenda for Nestlé Malaysia to inculcate a stakeholder engagement convening in their operations. It is a forum to consult, criticise, commend and construct (the 4Cs) business values and behaviour. A frank, transparent and proactive engagement of one's stakeholders culminates in trust and accountability. A positive awareness of sound business ethics enables priority-setting and acts as a check-and-balance to ensure that a company stay relevant to the needs of the public. I hope Nestlé Malaysia, a founding member of the Business Ethics Institute of Malaysia, will continue to intensify its stakeholder engagement activities such as the Nourishing Malaysia Showcase and the on-going dialogues with various quarters including its business associates, suppliers and the Government to uphold and enhance its traditionally embedded high standards of ethical behaviour and good governance."**

**Dr. Zainal Abidin bin Abdul Majid**

Chairman, Business Ethics Institute of Malaysia

Nestlé is committed to high standards of corporate governance. The Board of Directors and each individual are directly accountable to the shareholders and stakeholders for ensuring that good governance is committed and practiced 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 Supplier Code". The Company has adopted the "Nestlé Corporate Governance Principles" of its holding company, Nestlé S.A. in Vevey, Switzerland, as its best practice in corporate governance.

The principles of corporate governance covers the following four areas:

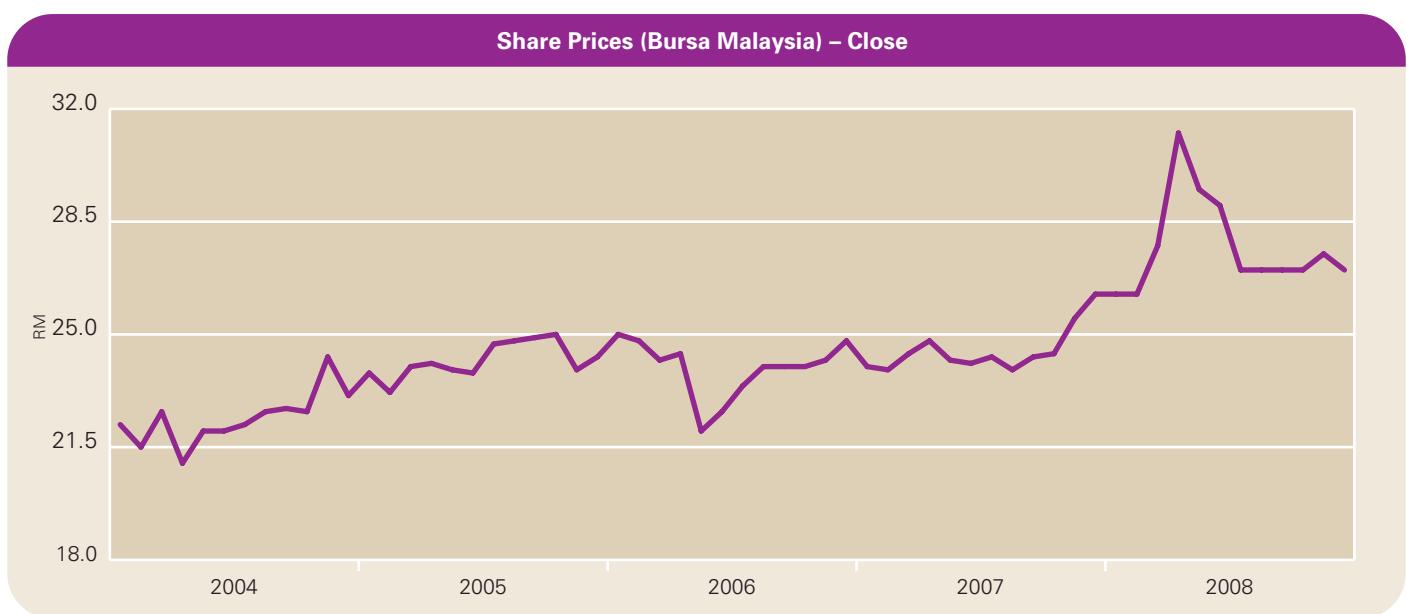
- the rights and responsibilities of shareholders
- the equitable treatment of shareholders
- the duties and responsibilities of directors
- disclosure and transparency

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 or the Listing requirements of the Bursa Malaysia Securities Berhad.

**Note: The full statement on Corporate Governance appears in the Nestlé Corporate Report 2008.**

# Performance and Compliance

	Calendar Year				
	2008	2007	2006	2005	2004
During the year					
Highest - RM	<b>32.00</b>	32.00	26.00	25.75	24.30
Lowest - RM	<b>25.50</b>	23.40	21.40	23.00	21.00



## PERFORMANCE AND COMPLIANCE

	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000
<b>Turnover</b>	<b>3,877,068</b>	3,416,028	3,275,541	3,127,441	2,901,183
<b>Earnings / Cash Flow</b>					
Profit before tax	<b>441,353</b>	395,298	363,285	331,253	297,209
% of turnover	<b>11.4%</b>	11.6%	11.1%	10.6%	10.2%
Profit after tax and minority interest	<b>340,887</b>	292,042	264,219	266,819	220,408
% of turnover	<b>8.8%</b>	8.5%	8.1%	8.5%	7.6%
Dividends paid & proposed (net)	<b>448,341</b>	266,889	234,500	199,794	188,069
Depreciation of fixed assets	<b>74,124</b>	71,327	69,776	72,482	71,149
Cash flow (net profit					
+ depreciation + amortisation)	<b>416,302</b>	371,355	341,412	351,679	305,243
% of turnover	<b>10.7%</b>	10.9%	10.4%	11.2%	10.5%
Capital expenditure	<b>188,055</b>	102,640	79,065	75,458	62,056
<b>Employment of Assets</b>					
Fixed assets (net)	<b>633,526</b>	520,124	491,696	476,177	525,562
Prepaid lease payments (net) <sup>4</sup>	<b>52,933</b>	53,968	55,003	56,038	–
Associated companies	<b>3,242</b>	3,600	3,417	3,212	2,894
Intangible assets	<b>61,024</b>	61,280	66,342	72,724	84,067
Deferred tax assets	<b>3,980</b>	2,631	6,709	10,033	2,903
Receivables, deposits & prepayments	<b>23,814</b>	22,194	19,414	–	–
Net current assets <sup>4</sup>	<b>(148,575)</b>	69,592	133,568	106,957	(84,998)
Total	<b>629,944</b>	733,389	776,149	725,141	530,428
<b>Financed by</b>					
Share capital	<b>234,500</b>	234,500	234,500	234,500	234,500
Reserves	<b>281,255</b>	402,759	324,606	289,552	217,035
Total shareholders' funds	<b>515,755</b>	637,259	559,106	524,052	451,535
Deferred Taxation	<b>56,801</b>	50,630	45,558	32,683	32,566
Minority Interest	–	–	–	–	–
Retirement Benefit Liabilities	<b>54,698</b>	40,321	64,277	63,929	46,327
Borrowings	<b>2,690</b>	5,179	107,208	104,477	–
Total	<b>629,944</b>	733,389	776,149	725,141	530,428
<b>Per Share</b>					
Market price <sup>3</sup>	(RM)	<b>27.00</b>	26.25	24.80	24.30
Earnings <sup>1</sup>	(sen)	<b>145.37</b>	124.54	112.67	113.78
Price earnings ratio		<b>18.57</b>	21.08	22.01	21.36
Dividend (net)	(sen)	<b>191.19</b>	113.81	100.00	85.20
Dividend yield	(%)	<b>7.1</b>	4.3	4.0	3.5
Dividend cover <sup>1</sup>	(no.)	<b>0.8</b>	1.1	1.1	1.3
Shareholders' funds	(RM)	<b>2.20</b>	2.72	2.38	2.23
Net tangible assets <sup>2</sup>	(RM)	<b>1.94</b>	2.46	2.10	1.92
<b>Personnel</b>	(no.)	<b>5,293</b>	4,685	4,151	3,818
<b>Factories</b>	(no.)	<b>7</b>	7	7	7

### Notes :

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



# From the Corporate Responsibility Committee

It has been both a challenge and a pleasure preparing this Creating Shared Value report; challenging because after winning the ACCA MESRA Awards for the ‘Best Social Report’, we have to improve on the previous report to meet not only our own high expectations, but also those of our stakeholders; and it has been a pleasurable exercise because we can chart our progress over the past 12 months and review our strengths and opportunities.

The Corporate Responsibility Committee comprises colleagues from the various divisions and business units, providing input in their areas of expertise. The report is a product of team effort, not only internally but also with the involvement of our communication partners, WestCoast Communications Sdn Bhd and Mutiara RTS Sdn Bhd.

The Committee is aware that the report may not be complete without third party verification and we hope to address this formally in our next report.

In the meantime, we hope that you will find the report insightful, interesting and beneficial. We value your comments and feedback to help us improve our reporting. Please call, write or e-mail us. Our contact details are available on the following page.

## **CORPORATE RESPONSIBILITY COMMITTEE:**

### **Adviser :**

Sullivan O’Carroll  
(Managing Director)

### **Head of Committee :**

Tengku Marina Tunku Annuar Badlishah  
(Group Corporate Affairs and Wellness Director)

### **Committee Members :**

Ariffin Buranudeen	Asrina Mohd Shariff
Elvi Sazali Jaafar	Chia Wee Leng
Tengku Ida Tengku Ismail	Tracy Lew
Immy Ooi	Lashvinder Kaur
Marinus de Kloet	Alfyan Adnan
William Kuek	D. Thanaselvam
Yong Lee Keng	Mike Teh

# Nestlé Contact Details

We want to understand your views better and hear what you think of our CR initiatives. We would like to know what you think 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, suggest new ones, obtain recipes or seek nutritional advice from us. We want to hear from you.

Visit our website at [www.nestle.com.my](http://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**  
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**46200 Petaling Jaya**  
**Selangor**

E-mail us at [Nourishing.Malaysia@my.nestle.com](mailto:Nourishing.Malaysia@my.nestle.com)

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 Creating Shared Value activities.





[www.nestle.com.my](http://www.nestle.com.my)