

Report **2012**



**Nestlé**

## Creating Shared Value

Nutrition | Water | Rural Development



100 **Nestlé** di sisimu.  
tahun

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## COVER:

One of Nestlé Malaysia's key successful rural development programmes has been its contract farming initiatives, where farmers are actively engaged to be part of the Nestlé supply chain. In February 2012, the Nestlé Paddy Club was introduced with the aim of increasing field productivity and lowering production costs, whilst reducing rice-farming's environmental footprint, as well as enhancing overall farming safety aspects at the contract farms in Kedah.

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



# 58 Our Consumers and the Marketplace

# Message to Stakeholders

Creating Shared Value (CSV) is at the core of our business. That is how our company started off, with our founder, Henri Nestlé, a Swiss pharmacist who developed the world's first milk food for infants in an effort to save his neighbour's child who was unable to accept the mother's breast milk. And that is our guiding principle today. Extending beyond compliance and sustainability, our CSV philosophy aims to continuously create shared benefits for society and our shareholders.

2012 has been a milestone year as we celebrated our 100 years anniversary in Malaysia and in conjunction with that, not only did we execute celebratory events, but we also embarked on several key initiatives that are aligned with our three Creating Shared Value pillars – Nutrition, Water and Rural Development. These initiatives address the Group's main challenges such as meeting the nutrition needs of our consumers, addressing the global water crisis, improving our environmental performance and also supporting sustainable palm oil, for the next three to five years.

In February, we started a new initiative – the Nestlé Paddy Club (NPC) – to help minimise water usage in rice farming, reduce the environmental footprint and provide our company with fully traceable and high quality rice for our cereal production. Launched in Kedah, the initiative also helped to increase the farmers' income through yield improvement and pesticide cost reduction. Since the launch, NPC has grown tremendously and within 10 months reached a total of 289 farmers, covering 784 hectares of land with a harvested yield of 6.8 MT/hectare, which is 50% higher than the previous harvest.

As for Nestlé Project RiLeaf, we have surpassed our goal for 2012, of planting a minimum of 100,000 trees along the 150km stretch of the lower Kinabatangan River in Sabah. This three-year riverside reforestation initiative aims to create an environment where people, nature and agriculture (palm oil) can harmoniously co-exist in their need for water. 2013 will see an acceleration of the tree planting combined with incremental support for palm oil small holders.

In 2012, Nestlé Malaysia launched its '*Program Cara Hidup Sihat*', a longitudinal intervention programme to improve the knowledge and practice of healthy lifestyles involving secondary school students from 100 day boarding schools. The initiative is implemented in collaboration with the Ministry of Education (MOE) and Universiti Putra Malaysia (UPM). Furthermore, we continued our Nestlé Healthy Kids (NHK) programme in cooperation with the Nutrition Society of Malaysia (NSM), which is a three-year intervention programme to improve knowledge, attitude and practices on nutrition and healthy lifestyles among primary schoolchildren.

However, farmers under the Sarawak Traditional Red Rice (TRR) contract-farming initiative faced some challenges, as it remained under a consolidation phase for most of 2012 due to technicalities affecting the quality of rice.

**Nestlé Malaysia executed celebratory events and embarked on several key initiatives that are aligned with its three Creating Shared Value pillars, in conjunction with its 100 years anniversary in the country.**

In 2012, Nestlé Paddy Club achieved a harvested yield of

**6.8** MT/hectare,  
which is 50% higher than  
the previous harvest

More than

**100,000** trees

were planted along the lower  
Kinabatangan River in Sabah

Nestlé Malaysia Chairman, Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail handing over a Nestlé Nutritious Mealbox to a charity home representative.



[From left to right] Mr. Peter Vogt (Managing Director, Nestlé Malaysia), Yang Berbahagia Datuk Zool Azha bin Yusof (Secretary General, Ministry of Natural Resources and Environment) and Yang Berbahagia Dato' Dr. Abdul Latif Mohmod (Director-General of FRIM) at the Nestlé Project RiLeaf celebratory event at FRIM.

## Message to Stakeholders

Our seventh stand-alone CSV Report covers CSV activities and initiatives embedded in the operations of the Nestlé (Malaysia) Berhad and its subsidiaries\* – Nestlé Products Sdn. Bhd. and Nestlé Manufacturing Sdn. Bhd., for the year ended 31 December 2012, unless otherwise stated.

Once again, we engaged Bureau Veritas Certification to check our Report in accordance with the Global Reporting Initiative (GRI) 3.0 standards and the internationally recognised AA1000 Assurance Standard (2008), set by AccountAbility. AA1000AS is a generally

applicable standard for assessing, attesting to and strengthening the credibility and quality of an organisation's sustainability reporting and their underlying processes and competencies. It provides guidance on key elements of the assurance process.

To help us further improve ourselves, we encourage and welcome your feedback and comments. You can find our contact details at the end of this Report. We thank you for your continuous support for the past century. Nestlé is committed to be by your side for the next 100 years and beyond.

For more detailed reporting on our Creating Shared Value initiatives, the full version of the Creating Shared Value 2012 Report can be viewed online at [www.nestle.com.my/CSV](http://www.nestle.com.my/CSV).

**Tan Sri Dato' Seri Syed Zainol  
Anwar Jamalulail**

Chairman of the Board of Directors

**Peter Vogt**

Managing Director

# Fast Facts

## The Nestlé Group

- Founded in 1866 by Henri Nestlé.
- World's largest food manufacturer, with headquarters in Vevey, Switzerland.
- Operations in more than 150 countries.
- Employs over 339,000 people worldwide.
- 468 factories in 86 countries.
- Over 1 billion products sold every day representing over 2,000 global and local brands.
- World's largest private nutrition research capability based in Switzerland.
- 32 R&D and Technology Centres worldwide.
- RM5.16 billion global investment in R&D.

## Nestlé Malaysia

- Established in Malaysia since 1912.
- Biggest halal producer in the Nestlé world and the Halal Centre of Excellence for the Nestlé Group.
- Employs more than 5,000 people.
- Produces over 500 halal products.
- Turnover for Nestlé Malaysia - RM4.6 billion in 2012.
- Public listed on Bursa Malaysia since 1989.
- Head Office in Mutiara Damansara, Selangor.
- 7 factories.
- 1 National Distribution Centre.

### Categories of Products in Malaysia

- Coffee and Beverages
- Food
- Milks
- Liquid Drinks
- Infant Nutrition
- Breakfast Cereals
- Chilled Dairy
- Ice Cream
- Confectionery
- HealthCare Nutrition
- Performance Nutrition
- Nestlé Professional

# The Nestlé Legacy

Nestlé is the world's leading Food, Nutrition, Health and Wellness company, which believes that Good Food is the foundation of Good Life.

## THE PRIDE OF NESTLÉ: THE 'NEST'

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



## THE NESTLÉ CREATING SHARED VALUE LEGACY

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



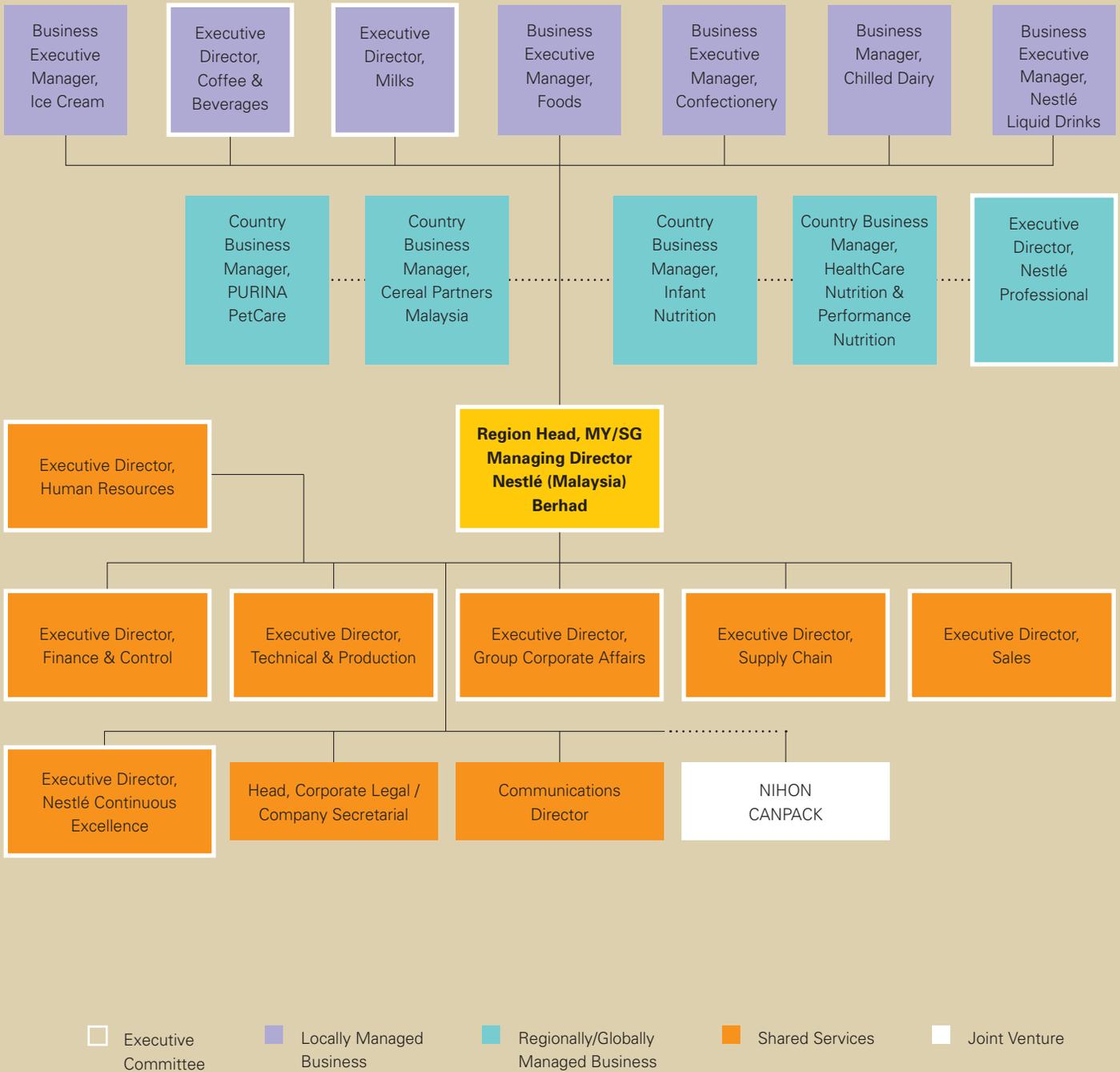
Good Food, Good Life

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

## THE MEANING OF GOOD FOOD, GOOD LIFE

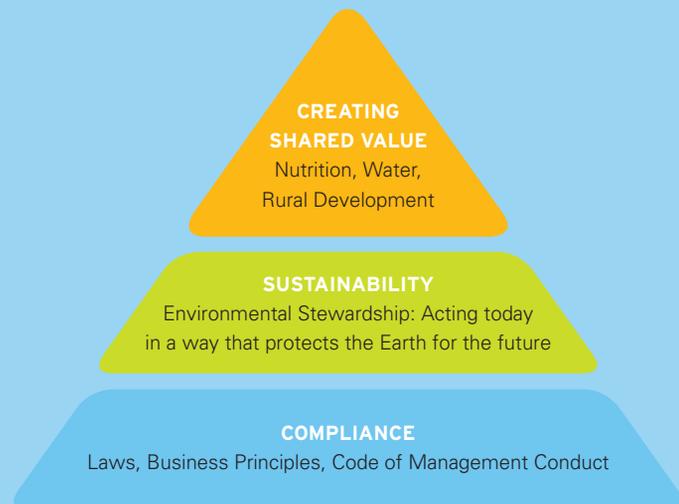
Insufficient access to good food could result in nutritional deficiencies, malnutrition and other complex issues, which is why Nestlé believes that Good Food is the foundation of Good Life. In addition to being the recognised Food, Nutrition, Health and Wellness company, Nestlé also aims to be the reference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

# Organisation Structure



# The Nestlé Creating Shared Value Strategy

At Nestlé, we believe that in order to create long-term value for our shareholders, we must create value for our society, subscribing to the view that corporate success and social welfare are interdependent. The Company focuses on three areas of greatest potential for joint value creation with society: Nutrition, Water and Rural Development. These areas are core to our business strategy and operations.



## THE NESTLÉ CREATING SHARED VALUE MODEL

We must also comply with our Corporate Business Principles to ensure that shared value is created at each stage of our value chain, which begins from the moment we source for raw materials up to the point where the product is manufactured and made available for our consumers.

## NUTRITION

Food and nutrition are the basis of health and of our business.



## WATER

The ongoing quality and availability of it is critical to life, the production of food and to our operations.



## Creating Shared Value at Each Stage of the Value Chain



### RURAL DEVELOPMENT

The overall wellbeing of the farmers, rural communities, workers, small entrepreneurs and suppliers are intrinsic to our ability to continue with our business in the future.



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

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

# Engaging Our Stakeholders



**The convening session provided us with the opportunity to engage better with our key stakeholders.**

It was agreed that neutralising the threat of Non-Communicable Diseases requires a continuous joint effort between all parties, in terms of education, awareness and product offerings.

On 26 June 2012, Nestlé hosted a convening session to engage with key stakeholders to discuss issues relating to the three Nestlé CSV pillars - Nutrition, Water and Rural Development - and to update them on current Nestlé CSV activities.

The session was attended by Nestlé's key stakeholders representing Non-Governmental Organisations (NGOs)

and government bodies, from various sectors such as Corporate Governance, Environment, Sustainable Development, Nutrition & Health and Consumers Issues.

The convening session was slightly different from previous ones, as this time around stakeholders were given the opportunity to propose topics of discussion prior to the session. With their feedback, the convening session focussed

solely on the Nutrition & Health pillar, as it was felt that with the growing threat of Non-Communicable Diseases (NCD) in Malaysia, it was imperative to discuss ways to combat it.

It was agreed that neutralising the threat of Non-Communicable Diseases requires a continuous joint effort between all parties, in terms of education, awareness and product offerings.

The following is a summary of what was discussed at the Stakeholder Convening Session:

Topic	Issues Highlighted	Stakeholder Recommendations (that affect Nestlé)	Action Plans by Nestlé
Nutrition & Health	Growing threat of NCD	<p>Industry to run campaigns that:</p> <ul style="list-style-type: none"> <li>- educate consumers on how to read product labels, at point of purchase</li> <li>- encourage consumers to ask for products with less sugar contents at public places, such as restaurants and stalls.</li> </ul> <p>Industry to measure the effectiveness of campaigns through awareness and actual behavioural changes.</p>	<ul style="list-style-type: none"> <li>• Continue to educate consumers on how to read product labels.</li> <li>• Embark on the MILO Kosong Campaign, where the public is encouraged to ask for no sugar to be added in their drink at <i>mamak</i> shops.</li> </ul>
		<p>Industry to educate consumers and increase awareness that being overweight and obese are serious health problems that can lead to other chronic diseases.</p> <p>Industry to educate the various target groups with relevant messages:</p> <ul style="list-style-type: none"> <li>- young people and parents: healthier eating habits and active lifestyles,</li> <li>- teachers: to lead by example,</li> <li>- canteen operators: to prepare healthier food options for students, without compromising on taste.</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborate with the Ministry of Education (MOE) to implement the 'Program Cara Hidup Sihat'.</li> <li>• Continue to educate primary school-going children on healthy eating/lifestyle via the Nestlé Healthy Kids Programme.</li> <li>• Explore ways to reach out to canteen operators, in collaboration with the MOE.</li> <li>• Engage with the members of media to inform them of the current health issues in Malaysia and the importance of healthy living, so they can communicate the messages to the public.</li> </ul>
		<p>Industry to produce:</p> <ul style="list-style-type: none"> <li>- healthier on-the-go products,</li> <li>- more products with low sugar content (for children), or with sugar replacer (for adults),</li> <li>- more products that are suitable for those suffering from NCD.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue with product innovation and renovation to develop healthier products, i.e. with less sugar, fat or sodium, especially for on-the-go products.</li> <li>• Promote NCD-related products i.e. OMEGA (for heart), NUTREN (for diabetes).</li> </ul>
		<p>Government, NGOs and industry to work together to develop long term sustainable and multi-sectoral campaigns, which take into consideration the cultural, racial, traditional and habitual aspects of the target audience.</p>	<ul style="list-style-type: none"> <li>• Continue collaboration with the government and NGOs, such as Ministry of Health (MOH) and Nutrition Society of Malaysia, to promote nutrition, health and wellness.</li> <li>• Enlist support from MOH, and health-related NGO's for advertising campaigns to strengthen nutrition and health positioning.</li> </ul>

# Governance



**The role of the CSV Council is to ensure that all activities carried out are in line with the Nestlé policies on sustainability and CSV philosophy.**

**In 2011, Nestlé Malaysia formed a Creating Shared Value Council to ensure that Creating Shared Value is present across all categories and operations. The Council consists of representatives from all the Business Units and Support Functions, and is headed by the Group Corporate Affairs Department (GCAD).**

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

## **GLOBAL DEVELOPMENT OF CSV**

At the global level, there is the Nestlé CSV Advisory Board that provides the Company with a diversity of informed ideas, recommendations and feedback, which will help to ensure sound development, sustainability and positive social and economic impact of the CSV business strategy.

Meeting twice a year to further develop the CSV concept, the Advisory Board is composed of world leading experts in the areas of corporate strategy, Nutrition, Water and Rural Development. These experts also analyse the Nestlé value chain, suggest potential actions and participates in the annual CSV Forum. Ideas and recommendations are then communicated to Nestlé S. A., who will then cascade them down to the various Nestlé markets for implementation.

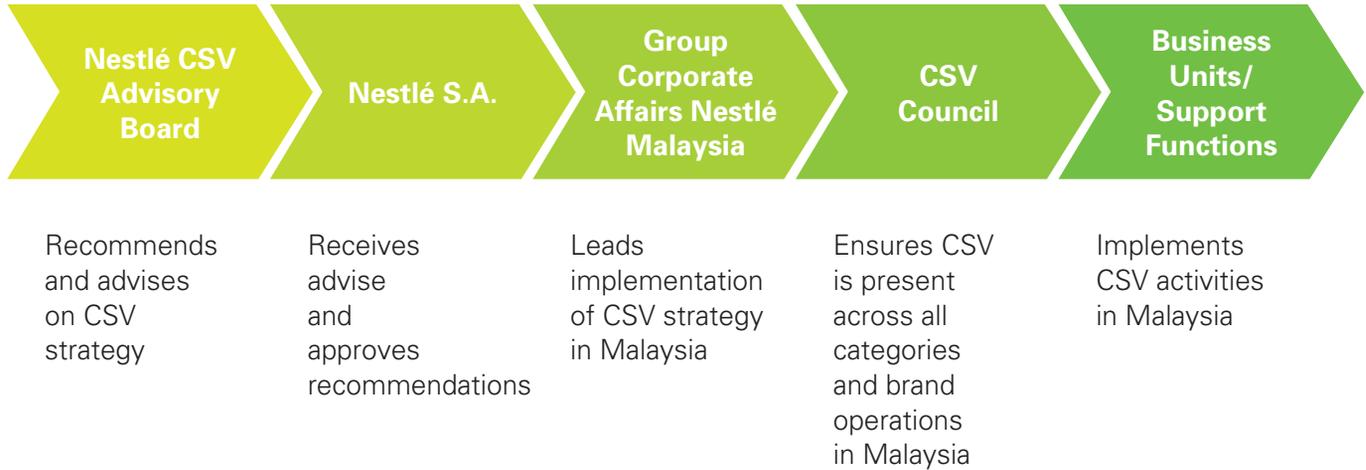
For the list of experts that sit on the Advisory Board, go to:  
[www.nestle.com/csv/Nestle/CSVAdvisoryBoard/Pages/CSVAdvisoryBoard.aspx](http://www.nestle.com/csv/Nestle/CSVAdvisoryBoard/Pages/CSVAdvisoryBoard.aspx)

## **LOCAL IMPLEMENTATION OF CSV**

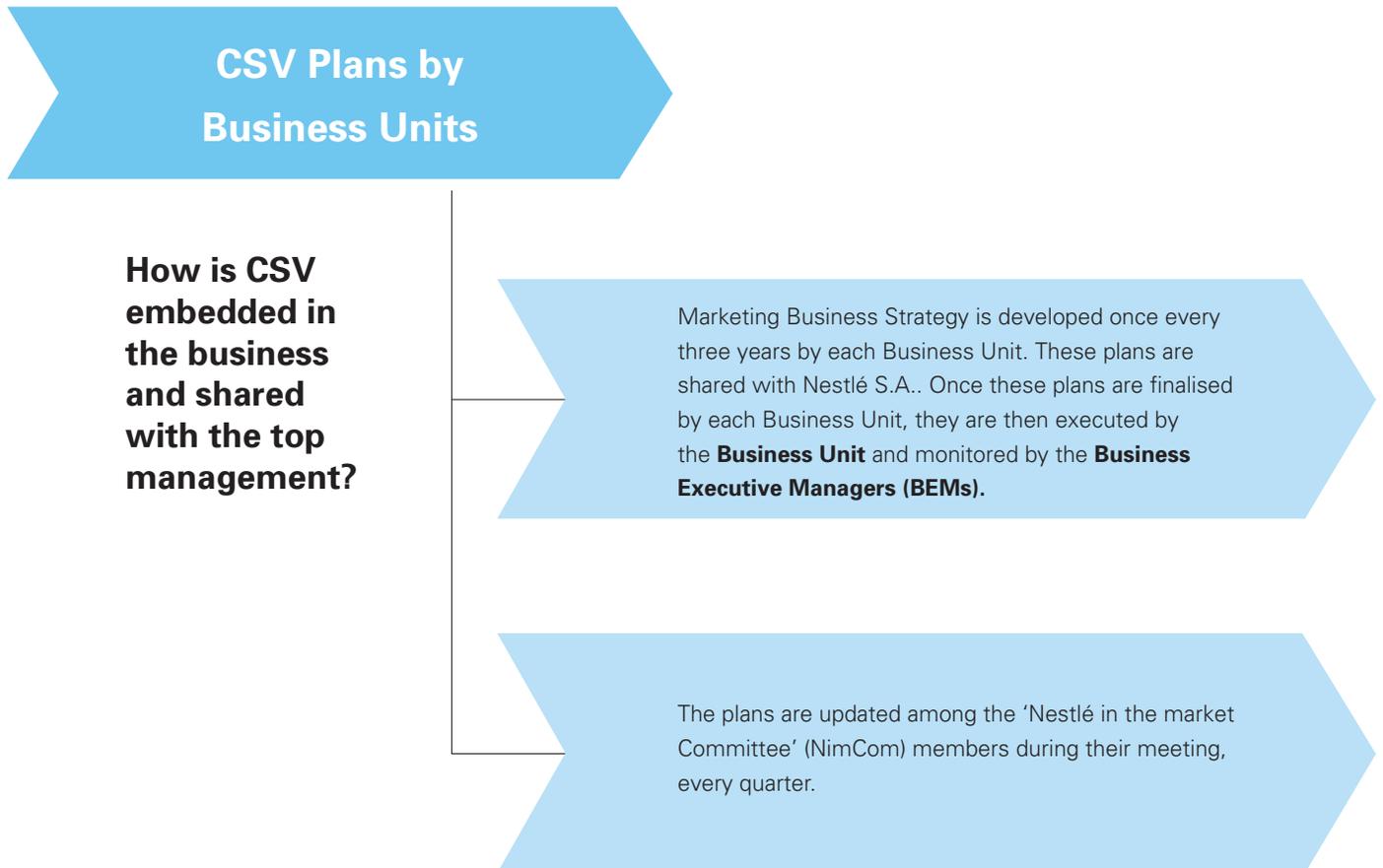
In 2011, Nestlé Malaysia formed a CSV Council to ensure that CSV is present across all categories and operations. The Council consists of representatives from all the Business Units and Support Functions, and is headed by the Group Corporate Affairs Department (GCAD).

The representatives – called CSV Champions – are responsible for ensuring that all activities carried out are in line with the Company's policies on sustainability and CSV. They are expected to take the lead in mapping out their Units' CSV initiatives. They also serve as Global Reporting Initiative (GRI) Champions, and are responsible for monitoring the activities and the measurements required, as well as ensuring that proper reporting procedures are followed based on the GRI reporting standards and guidelines.

**DEVELOPMENT OF CSV STRATEGY GLOBALLY AND HOW IT IS ROLLED OUT IN MALAYSIA**



**HOW CSV IS EMBEDDED IN THE BUSINESS AND SHARED WITH THE TOP MANAGEMENT IN NESTLÉ MALAYSIA**



# Summary of Key Performance Data

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

	GRI Reference	2010	2011	2012
<b>The Marketplace</b>				
<b>NUTRITION</b>				
Products meeting or exceeding Nutritional Foundation profiling criteria (as % of sales)	N/A	74%	78%	78%
Products meeting or exceeding consumer taste preference (as % of sales)		81%	78%	80%
Products with nutritional plus over competitors (as % of sales)		54%	54%	52%
Products with a nutritional claim on front of pack		64%	68%	67%
Products covered with NESTLÉ NUTRITIONAL COMPASS (as % of sales)		100%	100%	100%
Products with GDA labelling (as % of sales)		57%	69%	98%
<b>Our Environmental Footprint</b>				
Total energy (GJ)		1,468,295	1,501,802	1,479,099
Total amount of energy per tonne (GJ/tonne)	EN5	4.39	4.13	3.94
Total direct and indirect greenhouse gas emissions (tonne CO <sub>2</sub> )	EN16	131,078	134,344	137,125
Total water withdrawal by source (m <sup>3</sup> /year)	EN8	1,693,229	1,802,451	1,734,455
Volume of water recycled per reused (m <sup>3</sup> /year)	EN10	N/A	19,278	80,710
Landfill waste (tonne)		2,472	2,386	4,698*
Materials recycled (tonne)		N/A	7,091	11,561
<b>Our People</b>				
Workforce – Full Time Equivalent Employees	LA1	5,004	5,424	5,881
Lost Time Injury Frequency Rate	LA7	0.78	1.16	1.22
Leadership positions held by women	LA13	23%	29%	42%
Employee turnover	LA2	8%	6%	5.6%

\* Note: Sludge waste is included in landfill waste for 2012 reporting

	GRI Reference	2010	2011	2012
<b>Our Community</b>				
Potential number of children impacted from Nestlé - Raleigh Kindergarten project	#	50	60	71
Number of PEWANIS members impacted from the Setiu Wetlands Project with WWF-Malaysia (active & non-active)		13	33	13
Number of camps launched under the 'MILO PLAY MORE LEARN MORE' campaign		6	12	12
Number of registered participants who took part in the World Walking Day event		12,500	18,477	27,336
Number of farmers impacted from the Nestlé Paddy Club, Kedah		N/A	105	289
<b>NESTLÉ EMPLOYEE VOLUNTEER PROGRAMME (ROCKS)</b>				
Total number of volunteers participating in activities (employees & non-employees)		72	247	221
Number of hours (total)		393.5	592.5	1,193
<b>Economic</b>				
<b>OPERATIONAL FOOTPRINT</b>				
Number of total factories	#	7	7	7
<b>VALUE GENERATION (RM'000)</b>				
MY total sales	EC1	RM4,026,319	RM4,246,744	RM4,556,423
<b>VALUE DISTRIBUTION (RM'000)</b>				
Turnover	EC1	RM4,026,319	RM4,246,744	RM4,556,423
Operating costs		RM856,801	RM804,781	RM896,309
Taxes		RM74,346	RM131,681	RM132,316
Net profit		RM391,398	RM427,128	RM505,352
Earnings per share (sen) <sup>1</sup>		166.91	182.14	215.50
Net dividends per share (sen)		165.00	180.00	210.00
Dividend yield		3.8%	3.2%	3.3%

<sup>1</sup> Earnings per share are based on profit after tax

# Nestlé-specific indicators



Aimed at raising awareness on the benefits of a healthy lifestyle amongst primary school children in Malaysia, our Nestlé Healthy Kids programme is currently in its second year which focuses on educating the children on making informed choices when it comes to food consumption.

# Our Respect and Care for the Community

It is hoped that the healthy lifestyle module will eventually be applied to all schools in Malaysia and its approach and findings shared across the nation.

At Nestlé, we believe that Good Food is the foundation of Good Life. One of the three focus areas of our Creating Shared Value philosophy is Nutrition, because food is the basis of health and of course, our business. We aim to create a thriving and sustainable society by addressing health-related issues such as malnutrition and obesity, sedentary lifestyles, aging populations and also increasing health costs. Beyond that, we also look at communities that have an impact on our business.

As the leading Food, Nutrition, Health and Wellness company, we are committed to producing healthy, tasty and nutritious food, as well as promoting healthy lifestyles, what more with the alarming number of Malaysians diagnosed with Non-Communicable Diseases (NCD)<sup>1</sup>.

### **Educating Healthy Lifestyles**

While it is important to start children young on nutrition and wellness, it is also equally crucial to educate adolescents on the importance of consuming the right food and living a healthy lifestyle as this would affect their growth and development for their future as adults.

In collaboration with the Ministry of Education (MOE) and Universiti Putra Malaysia (UPM), Nestlé Malaysia is working on an intervention programme called '*Program Cara Hidup Sihat*' (Healthy Lifestyle Programme), which is targeted at secondary school students from 100 day boarding schools nationwide<sup>2</sup>.

Aimed at enhancing the knowledge and practice of healthy and active lifestyles, the three-year programme (2012 – 2014) is targeted at lower secondary students, their teachers and wardens, as well as the food operators who are responsible for preparing and serving their meals on a daily basis.

The programme consists of six elements, the first of which was initial introductory talks with the senior assistants of student affairs and wardens of the boarding schools; briefing them about the content and execution of the programme.

<sup>1</sup> As reported in The Malay Mail on 12<sup>th</sup> June 2012.

<sup>2</sup> Selected 100 day boarding schools nationwide, including Sabah & Sarawak and 50 controlled groups for UPM to review and conduct their research on.

## 332 food operators

were trained under the '*Program Cara Hidup Sihat*'

A total average of

## 14,792 visitors

experienced the 7<sup>th</sup> Nestlé Nourishing Malaysia Showcase in April 2012

## 27,336 registered walkers

participated in this year's World Walking Day event

## Our Respect and Care for the Community



Teachers and wardens being taught on how to execute part of the 'Program Cara Hidup Sihat' module, which includes understanding the body weight and changes in different life cycles.



Teachers and wardens at the briefing about the content and execution of the programme.

Nestlé ROCKers raised a total of

**RM20,510,**

enabling the purchase of hospital mattresses, commodes and bedding sets for Tong Sim Senior Citizen Care Centre

The number of Nestlé Healthy Kids website page views increased to

**182,896**

in 2012

While it is important to start children young on nutrition and wellness, it is also equally crucial to educate adolescents on the importance of consuming the right food and living a healthy lifestyle as this would affect their growth and development for their future as adults.



332 food operators were trained on how to prepare tasty and healthier dishes by using ingredients that are lower in salt and fat. In addition, the teachers and wardens received training on the educational module that would be taught to the students, which included understanding the body weight and changes in different life cycles, the balance between energy consumption and usage, the importance of healthy eating and ways to keep active. In total, 203 teachers and wardens completed the training.

The education module has been rolled out to the students, which will be monitored by the schools' senior assistants of student affairs and wardens, and at the same time reviewed by participating researchers from the Medical and Health Sciences Faculty of Universiti Putra Malaysia (UPM).

It is hoped that the healthy lifestyle module will eventually be applied to all schools in Malaysia and its approach and findings shared across the nation.

**Universiti Putra Malaysia's  
Dr. Chin Yit Siew explaining the  
'Program Cara Hidup Sihat' teaching kit.**

## Our Respect and Care for the Community



TOP:  
Healthcare professionals at one of the Nestlé Nutrition Institute's breastfeeding symposium held in 2012.



RIGHT:  
A participant receiving consultation on best breastfeeding practices.

### Best Breastfeeding Practices

As the leading Food, Nutrition, Health and Wellness company, not only do we share our expertise with our stakeholders but we also encourage others to share their best practices as well.

For example, in support of World Health Organisation's recommendations on breastfeeding, the Nestlé Nutrition Institute organised a symposium on breastfeeding that saw the participation of healthcare professionals. The symposium allowed them to share knowledge and exchange best practices in evolving and encouraging breastfeeding through lectures, workshops and also lactation training.

### Nourishing the Nation

Nestlé Malaysia continued to promote healthy eating and active living through its 7<sup>th</sup> Nestlé Nourishing Malaysia Showcase in April this year.

To commemorate the Company's 100<sup>th</sup> anniversary, the event was held in Penang where it began its operations as the Anglo Swiss Condensed Milk Company in 1912.

The Showcase event was a true celebration of how the Nestlé brands such as MILO, MAGGI and NESCAFÉ have over time grown to become part of the Malaysian way of life and can be found in almost every Malaysian home.



LEFT:  
Visitors paying attention to a healthy cooking demonstration at the Nestlé Nourishing Malaysia Showcase event in Penang.

RIGHT:  
L-R: Ms. Cher Siew Wei (Corporate Wellness Manager, Nestlé Malaysia), Y.A.M. Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail (Nestlé Malaysia Chairman) and His Excellency Tun Dato' Seri Utama (Dr.) Haji Abdul Rahman bin Haji Abbas (Governor of Penang) taking a tour around the Nestlé Nourishing Malaysia Showcase.

A total average of 14,792 visitors experienced the various scenarios in everyday Malaysian life – from the classroom and playground, to the kitchen and kopitiam – all of which demonstrated healthy lifestyles.

Activities that took place during the weekend included sessions to educate visitors on making healthier choices using food labels, and a Wellness corner that featured a calculator to determine the amount of sodium found in food.

Highlights included:

- The Company's latest product innovations and updated information on its initiatives to nourish Malaysia.
- Guided tours by Nestlé's Wellness Ambassadors.
- Cooking demonstrations and product sampling.
- Special performances from various Nestlé brands such as: MILO Wushu Coaching, NESCAFÉ Rock Band Challenge, KOKO KRUNCH Taekwondo Demonstration, FITNESSE Jazzercise and a performance by Aseana Percussion Unit sponsored by MAGGI Happiness is Homemade.

The Showcase event was a true celebration of how Nestlé brands such as MILO, MAGGI and NESCAFÉ have over time grown to become part of the Malaysian way of life and can be found in almost every Malaysian home.

## Our Respect and Care for the Community



### Walking Made Fun

With the aim of reinforcing the importance of exercising as a means to keep healthy, Nestlé organised 100 of its own Walking Day events in various communities throughout the country. In total, 14,087 Malaysians participated in the Nestlé Walking Day events in 2012.

In its effort to further spread the goodness of walking to all Malaysians, Nestlé Malaysia held its World Walking Day event on 28 October 2012.

The annual event, which saw the participation of 27,336 registered walkers, was held simultaneously in the following six locations:

- Istana Kehakiman, Persiaran Perdana, Presint 3, Putrajaya.
- Polo Ground, Ipoh, Perak.
- Taman Gelora, Kuantan, Pahang.
- Taman Tasik Merdeka, Jalan Kolam Ayer, Johor Bahru.
- Dewan Tun Hamdan, Pekan Tamparuli, Sabah.
- Waterfront, Kuching, Sarawak.

### ROCKing for a Good Cause

In addition to promoting healthy eating and active lifestyles, Nestlé also supports, cares and creates shared value for the communities in need such as the underprivileged, orphans, the disabled, single mothers and more.



FROM LEFT:  
Participants warming up before their walk.

Happy walkers during Nestlé Malaysia's third World Walking Day event in October 2012 at Putrajaya.

All smiles after a day of shopping for new clothes and necessities.

Earlier this year, through its Employee Volunteer Programme – Nestlé ROCKS (Reaching Out to Community and Kids) – volunteers fondly known as Nestlé ROCKers, organised a donation drive to raise funds for new hospital mattresses for the residents of Tong Sim Senior Citizen Care Centre. A total of RM20,510 was raised and this enabled the purchase of 50 hospital mattresses, three commodes and 80 bedding sets. The ROCKers also helped clean the centre, installed the mattresses and organised a lunch party for the residents.

In May, the ROCKers organised a ROCKin' Bazaar at the Nestlé head office in Mutiara Damansara to raise funds for charity, in aid of various charity organisations,

as well as to fund ROCKS activities held throughout the year. For example, in the spirit of the holy month of Ramadhan and Hari Raya Aidilfitri celebration, ROCKS brought festive cheers into the lives of 100 children who were treated to a day of shopping at AEON for new clothes and necessities.

The ROCKers also distributed Nestlé Nutritious Mealboxes containing Nestlé products to children from the different charity organisations that were involved in the ROCKS activities. These mealboxes are part of the Company's Nutritious Mealboxes Charity Drive, a campaign launched earlier in the year in conjunction with the centenary celebrations.

**Nestlé Malaysia's World Walking Day event is aimed at reinforcing the importance of exercising and keeping healthy.**

## Our Respect and Care for the Community

# CASE STUDY



### NESTLÉ HEALTHY KIDS PROGRAMME

#### Addressing Nutrition-Related Problems

The Nestlé Healthy Kids Programme was launched in August 2010 in collaboration with the Nutrition Society of Malaysia (NSM). Aimed at addressing complex issues such as nutrient deficiencies and obesity, the main objective of the programme is to raise awareness on the benefits of a healthy lifestyle amongst school-going children in Malaysia.

The programme entails the implementation of a two-prong approach, namely an interactive awareness campaign that focuses on nutrition and physical activity and a longitudinal intervention programme to develop, implement and evaluate effectiveness of an educational module, which began in early 2011.

Other activities include a Parent-Child Workshop, which allowed parents and children to discuss and learn about child nutrition and healthy lifestyle with experts, a nutrition knowledge sharing session between teachers and experts through a Teachers' Seminar, as well as the development of the Nestlé Healthy Kids Programme website ([www.healthykids.org.my](http://www.healthykids.org.my)).

#### Driving Awareness to the Next Level

In 2012, the Nestlé Healthy Kids Programme kicked off Year 2 of the intervention programme, which focused on food consumption and teaching about the food pyramid in more detail. Lasting between 45-60 minutes, each session is conducted by a dedicated facilitator who engaged the children through presentations, games and simple interactive activities.

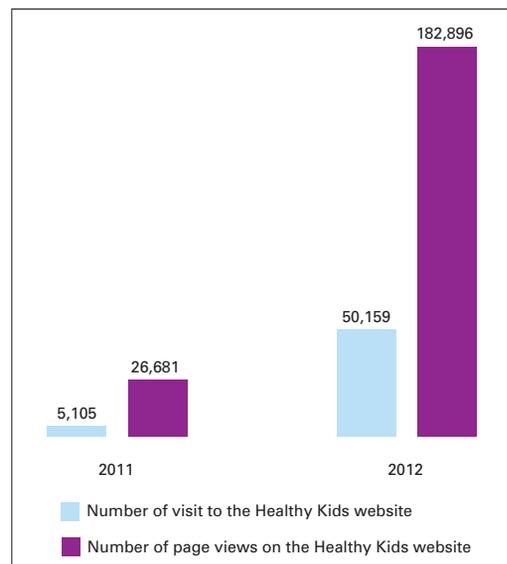


FROM LEFT:

The Nestlé Healthy Kids website is now updated with new content and interactive applications.

Students of SK Kg Tunku are geared up to start their second year of the intervention programme.

Food preparation demonstration at the Nestlé Healthy Kids Parents-Teachers workshop.



Number of visits and page views on the Nestlé Healthy Kids website.

Nestlé also expanded its awareness outreach by engaging both parents and teachers through an insightful Parents-Teachers workshop, where they were presented with the encouraging results from the first year of the intervention programme. They were also given a preview of the module for the year, as well as the opportunity to share their thoughts about the programme.

In addition to the workshop, a Teachers' Seminar was conducted at one of the participating schools to further promote awareness on nutrition and healthy lifestyles. The seminar was conducted together with nutritional experts among who include Universiti Kebangsaan Malaysia (UKM)'s Professor Dr. Norimah A. Karim and from NSM, Dr. Tee E. Siong and Dr. Zawiah Hashim.

### The Web, an Important Communication Tool

Updated with new content and interactive applications, the Nestlé Healthy Kids Website has seen a steady increase in the number of new visitors to its page. To enhance the website further, Nestlé integrated the Search Engine Optimisation (SEO) process to increase the website's traffic. This makes it easier for consumers to find the website, as well as to find information on nutrition, health and wellness that is specifically related to kids.

The total number of new and returning visitors for 2011 was 5,105. The numbers increased tremendously to 50,159 visitors in 2012. The number of page views also increased from 26,681 in 2011 to 182,896 in 2012.

## Our Respect and Care for the Community

### CASE STUDY (continued from previous page)



**A Teachers' Seminar was conducted to further promote awareness on nutrition and healthy lifestyles.**

To enhance the website further, Nestlé integrated the Search Engine Optimisation (SEO) process to increase the website's traffic. This makes it easier for consumers to find the website, as well as to find information on nutrition, health and wellness that is specifically related to kids.

### **Moving Forward**

Year 3 of the intervention programme will focus more on physical activities, with the emphasis on the importance of regular exercises.

The Nestlé Healthy Kids Programme will also be organising more parents and teachers engagement sessions, to maintain their involvement throughout the entire programme, as it is crucial that they are actively involved and are aware of their children and students' progress.

Nestlé will also continue to further improve the website content by exploring and developing various tools, thus making it more interactive and exciting for both the children and their parents.

## OUR COMMUNITY - OUR PERFORMANCE

	GRI Reference	2010	2011	2012
<b>KEY COMMUNITY PROJECTS</b>				
<b>Nestlé - Raleigh International Kindergarten Project<sup>1</sup></b>				
Number of volunteers	#	34	67	32
Potential maximum number of children impacted	#	50	60	71
<b>Setiu Wetlands Project with WWF-Malaysia<sup>2</sup></b>				
Mangrove replanting activity (number of seedlings planted)	#	3,766	751	606
Outreach programme (beyond Kg. Mangkuk)		N/A	4	5
Number of PEWANIS members				
i) Active members	#	10	33	10
ii) Non-active members	#	3	N/A	3
iii) Other members (Associate & Honorary members, advisors & auditors)	#	14	6	23
<b>Nestlé Healthy Kids Programme<sup>3</sup></b>				
Number of schools impacted		N/A	6	6
Total number of students involved in intervention programme		N/A	222	189
Total number of visits to the Healthy Kids Website		N/A	5,105	50,159
Total number of page views on the Healthy Kids Website		N/A	26,681	182,896
<b>MILO PLAY MORE LEARN MORE Campaign<sup>4</sup></b>				
Number of camps launched	#	6	12	12
Number of participants		N/A	4,000	4,140
<b>World Walking Day<sup>5</sup></b>				
Number of locations	#	6	6	6
Number of Nestlé Walking Day events		N/A	93	100
Total number of registered participants (for all 6 World Walking Day locations)	#	12,500	18,477	27,336
<b>MAGGI Secondary School Cooking Competition<sup>6</sup></b>				
Number of schools involved		1,600	1,600	1,600
Number of participating students		4,800	4,800	4,800
<b>KOKO KRUNCH Junior Taekwondo Championship<sup>7</sup></b>				
Number of participants		1,000	1,375	1,800
<b>Nestlé Paddy Club, Kedah<sup>8</sup></b>				
Number of farmers impacted / benefited from the project		N/A	104	289
Average yield (*)		N/A	6.0mt/ha	6.82mt/ha
<b>Nestlé Employee Volunteer Programme (ROCKS)<sup>9</sup></b>				
Number of activities	#	10	13	19
Number of volunteers:				
i) Employees	#	59	240	212
ii) Non-employees	#	13	7	9
Number of hours (total)	#	393.5	592.5	1,193

# Nestlé specific indicator

<sup>1</sup> Source: Report by Country Programme Manager of Raleigh Borneo, from January 2010 - December 2012.

<sup>2</sup> Source: 2012 Report by WWF Malaysia

<sup>3</sup> Source: Google Analytics Search Engine Optimisation Report, from January to December 2012 & Nutrition Society of Malaysia Yearly Reort 2012.

<sup>4</sup> Source: Various media articles by MILO Brand Team and report by 3rd party agency.

<sup>5</sup> Source: Various media articles, POSM, registration forms and sms registrations.

<sup>6</sup> Source: Official appreciation letter by Kementerian Pelajaran Malaysia, dated 25 February 2013.

<sup>7</sup> Source: Various media articles by Breakfast Cereal Team and report by 3rd party agency.

<sup>8</sup> Source: Yield Report by the rice millers in Kedah (Ban Eng Hin & Chuan Huat Bee Kah)

<sup>9</sup> Source: Attendance Report by Nestlé Group Human Resource Department.

Our Agricultural Officer on a boat transporting seedlings to the designated Nestlé Project RiLeaf planting sites. This riparian reforestation initiative aims to rehabilitate areas around the Kinabatangan River to create a natural riverine buffer that will minimise the impact of pollution in the river, which is well-known for its rich and diversified wildlife.



# Our Commitment to the Environment

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



“Sustainable development – providing sufficient materials and spiritual well-being to enable a good life for all of humankind, within the limits imposed by our one planet – is by definition a concept with global reach.”

– **José Lopez,**

*Nestlé S. A. Executive Vice President of Operations and Globe*

Nestlé believes that sustainable development has entered the competitive landscape as a new driver, with today's consumers increasingly giving preference to products and companies that subscribe to a sustainable approach.

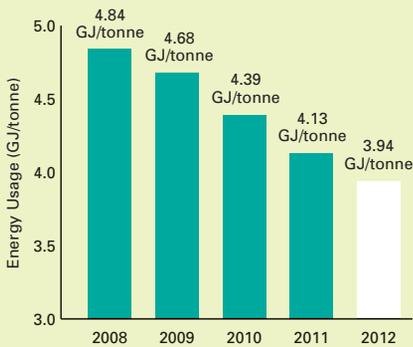
As one of the world's largest food company, our goal is to produce tasty and nutritious food and beverages with the lowest environmental footprint, which we achieve by continuously improving our operational efficiency and environmental performance.

We achieved savings of **6.7%** of specific water usage, surpassing the target of 4%

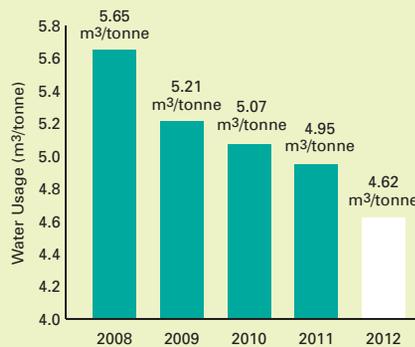
In 2012, we recorded savings of **4.5%** of energy usage per tonne product

## Our Commitment to the Environment

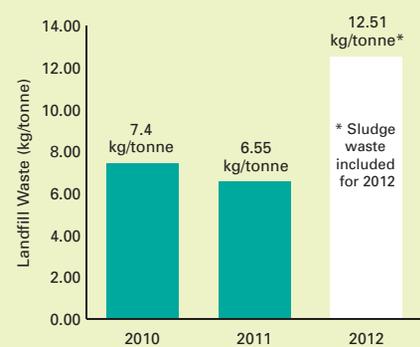
**Nestlé Malaysia Energy Usage**



**Nestlé Malaysia Water Usage**



**Landfill Waste Kg Per Tonne Product**



The following three key strategies were also adopted to further improve our environmental performance:

- i. Strengthening Our Standard Routines – to ensure that we are ‘brilliant at basics’, thus ensuring smooth operations and prevention of waste at all levels;
- ii. Rationalising Our Operations – where possible, the productivity of our equipments are maximised to gain economies of scale;
- iii. Investments in New Technology & Automation – with strong support from the industry experts, Nestlé is continuously on the look out for equipments that would help in reducing our environmental footprint.

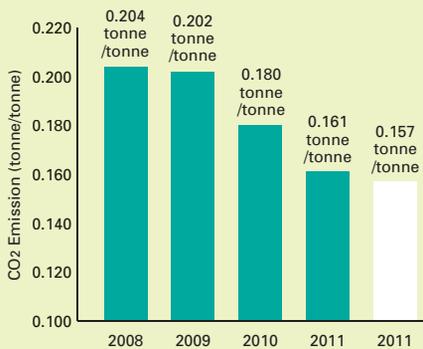
At the global level, we were the first company to commit to the elimination of deforestation from our supply chain, and have successfully managed to achieve traceability for palm oil, pulp and paper and other commodities.

At the local level, we embarked on Nestlé Project RiLeaf in 2011, a reforestation project in the Kinabatangan area in Sabah. To mark our 100<sup>th</sup> year anniversary in

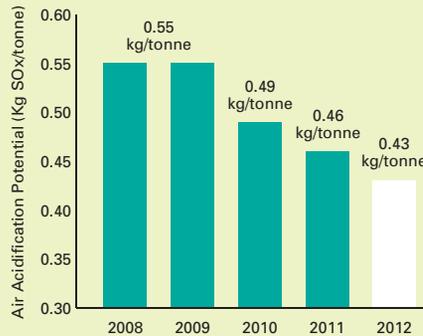
To-date Nestlé Paddy Club has a membership of  
**289 farmers**  
 cultivating over 784 hectares, with an average yield of 6.8 metric tonne per hectar

In 2012, Nestlé Malaysia successfully planted more than  
**100,000 trees**  
 along the Lower Kinabatangan River in Sabah as part of the Nestlé Project RiLeaf.

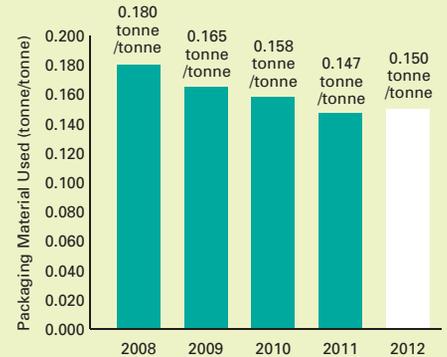
**Air Emissions**  
Tonnes Direct CO<sub>2</sub> Per Tonne Product



**Air Emissions**  
Kilogramme SO<sub>x</sub> Per Tonne Product



**Packaging Material Usage**  
Metric Tonne of Product



Malaysia, Nestlé successfully planted over 100,000 trees along these riverbanks in 2012.

(see Case Study on page 40)

Operationally, the Company adheres to local Malaysian regulations and our practices in all our factories and National Distribution Centre are accredited by SGS during the annual ISO 14001 audits. The environmental objectives for 2012 are as follows:

1. To reduce specific Water Usage (m<sup>3</sup>/ton product) by 4%.
2. To reduce specific Energy Usage (GJ/ton product) by 2%.
3. To reduce absolute amount of Solid Waste by 2.5%.
4. To maintain absolute amount of Direct Green House Gases and Indirect Green House gases at 2011 levels.

To achieve these targets, we have committed to a number of reduction programs at all our manufacturing sites. These programs are tracked globally via a central based software reporting structure (I-Nexus).

**Water Management - Our Top Priority**

In 2012 Nestlé Malaysia achieved savings of 6.7% of specific water usage, which translates to an achievement of 4.62 m<sup>3</sup>/ton in comparison to 4.95 m<sup>3</sup>/ton in 2011 and surpassing the target of 4%.

In addition to the direct usage of water in our operations, we are also looking at ways to reduce water consumption throughout the supply chain. This includes on-going R&D with our rice suppliers on semi-aerobic rice farming where initial estimated results have shown between 30% to 50% of water savings as compared to conventional wetland rice farming.

The savings in water utilisation rate of 123,800 m<sup>3</sup>/yr in 2012 is enough to sustain 2,260 people annually, an equivalent of specific savings of 6.7% compared to 2011.

## Our Commitment to the Environment



TOP:  
**Fine Bubble Diffusers have been installed at our wastewater treatment plant and this has helped reduce more than 20% of electricity.**

RIGHT:  
**We were able to achieve savings of 4.62 m<sup>3</sup>/ton of water by reusing condensated water for social blocks.**



The savings in energy utilisation rate of 71,327 GJ/yr in 2012 is enough to sustain fuel for 1,700 cars annually, an equivalent of specific savings of 4.5%.

Moving forward, Nestlé is in the process of installing Reverse Osmosis filtration to recycle our treated water for our non-potable operations according to the company guidelines. The first pilot plant will be commissioned in mid-2013 at our Chembong facility.

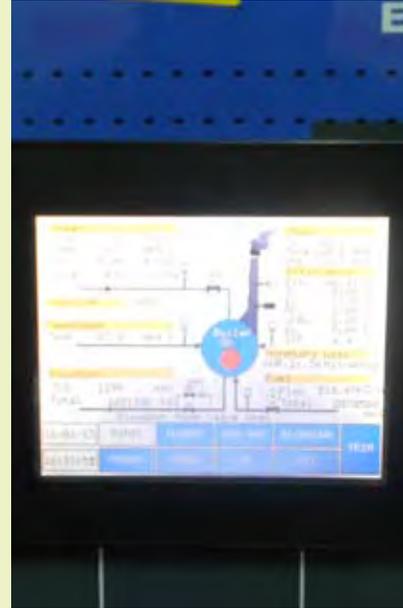
We are also looking at tapping rainwater for our non-potable operations and creating cross-functional project groups, which will consist of personnel from the Production, Industrial Performance and Technical units to further optimise the usage of water.

### **Addressing Climate Change – Managing Energy and Emission of Green House Gases**

At Nestlé, we are doing our part to address the problems arising from climate change and global warming by reducing our specific energy consumption and the emission of greenhouse gases from our operations.

#### **ENERGY MANAGEMENT**

To achieve our energy utilisation targets, we have put in place various energy and Green House Gases (GHG) savings programs, which include awareness campaigns among factory staff and installing energy saving equipment to improve energy efficiencies in our operations.



**LEFT:**  
By fully optimising our lorry loads, we are able to reduce our CO<sub>2</sub> emissions per tonne product for every kilometer travelled (CO<sub>2</sub> per tonne/km).

**RIGHT:**  
An Automatic Combustion Control system is installed to increase burner efficiency and reduce the emission of greenhouse gasses (GHG) from our operations.

For our supply chain operations, we continued to use the Carbon Tracking Tool at the National Distribution Centre to monitor key environment indicators for the finished goods movements, distance travelled (km), CO<sub>2</sub> emission (tonnes) and volumes (tonnes).

In 2012 we recorded savings of 4.5% of energy usage per tonne product, surpassing the annual equivalent target of 2% reduction. In annual energy reduction terms this translates to a reduction from 4.13 GJ per tonne in 2011 to 3.94 GJ per tonne in 2012.

However, direct and indirect emissions of GHG exceeded by 0.65% and 3.5 % respectively against our annual target of maintaining the emission levels in 2011. This is mainly due to an increase in our production volume by 3% and the commissioning of a new cereals plant in July 2012, which took some time to stabilise its operations.

Looking ahead, Nestlé will work with Energy Saving Companies (ESCO) and Industry Specialists to explore opportunities for optimising energy usage, which include the use of renewable energy and viable technologies to absorb the direct CO<sub>2</sub> gas released from our fuel burning equipment.

## Our Commitment to the Environment



TOP:

In an effort to minimise solid waste, we converted our wastewater treatment sludge into bioorganic fertilizer.

RIGHT:

Research has shown that biological conversion of wastewater treatment sludge into fertiliser can also be done by using retention trays.



### REFRIGERANT MANAGEMENT

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

While our priority is to purchase natural refrigerants, which have zero effect on the Ozone layer and extremely low Global Warming Potential, e.g. Ammonia, Carbon Dioxide or Hydrocarbon, we allow the use of Hydro Fluorocarbon (HFC) synthetic refrigerant in the absence of natural refrigerant equipment or technology. HFC is the next best option due to its zero effect on Ozone layer despite its higher GWP impact.

As part of our efforts to move away from the synthetic refrigerants we are testing 200 units of Freezers in our Ice Cream outlets using Hydrocarbon gas. If the testing is proven safe, energy efficient and successful, we will gradually migrate to the new technology for our other units.

### Minimising Solid Waste

To minimize solid waste at the factories, our environmental team continued with initiatives to maximise recycling potential and convert food waste to animal feed.

Despite our efforts, landfill waste in 2012 increased by 312 tonnes, largely due to the commissioning of the new cereals plant in Chembong, which took some time to stabilise. This was further compounded



TOP:  
Students are given a card for them to use and keep track of their recycling points.

RIGHT:  
Students trying out the recycling vending machine installed at their school.

by technical challenges at our vendor undertaking the sludge conversion process to fertilizer in the later part of the year.

Looking ahead Nestlé is planning to embark on a zero landfill journey whereby we target to achieve 100% recycling by 2016. We are currently researching new technologies to convert organic wastes to fertilisers using microbes and converting laminates into fuel or building materials.

### **Instilling Recycling Habit Amongst the Young**

Through the launch of the 'CAREton Project', Nestlé Malaysia and Tetra Pak installed the unique first-of-its-kind recycling vending machines in 20 primary schools in the Klang Valley. Following

the successful deployment in 2011, the project is aimed at inculcating the habit of recycling amongst school children, particularly the recycling of used beverage cartons.

To further boost the initiative, each student from the participating schools was given a swipe card designed specifically for use with the vending machines. The students will be awarded points for every used carton recycled, with the accumulated points enabling them to redeem gifts jointly sponsored by both organisations.

A total of 61,486 packs of used beverage cartons were collected between the period of April to August 2012.

## Our Commitment to the Environment

# SPECIAL FOCUS



LEFT:  
Nestlé Malaysia team (L-R): Chong Chin Yin, Agricultural Officer, Yong Lee Keng, Agricultural Services Manager, and Abdul Razak Jaarif, Agricultural Officer, showing the products that are made using the rice from Nestlé Paddy Club.

RIGHT:  
A paddy field that belongs to one of the Nestlé Paddy Club members, Sabri Nayan.



### ABOUT THE CLUB

One of Nestlé Malaysia's key successful rural development programmes are the contract farming initiatives, where farmers are actively engaged to be part of the Nestlé supply chain - ensuring a steady and sustainable stream of income for them while providing Nestlé with a reliable, traceable and controllable source of quality agricultural raw material for use in the manufacturing of Nestlé products.



**Nestlé Malaysia engages with farmers via Nestlé Paddy Club by sharing our expertise and knowledge on rice farming to provide these farmers with a better understanding of growing quality paddy.**

This initiative is a proactive and innovative approach to achieve a win-win-win situation for People, Planet and Profit.

The contract farming initiatives, which include the long-standing fresh chilli and red rice projects in Kelantan and Sarawak respectively, saw Nestlé providing support through the sharing of Good Agricultural Practices and a guaranteed minimum price for quality produce delivered. More recently, Nestlé introduced a variation of its contract farming with the formation of the Nestlé Paddy Club (NPC) in February 2012.

Following the success of the Pilot Programme in October 2010, the NPC is aimed at increasing field productivity or lowering production costs, whilst reducing rice-farming's environmental footprint, as well as enhancing overall farming safety aspects at the Nestlé rice contract farms in Kedah. This initiative is a proactive and innovative approach to achieve a win-win-win solution for People, Planet and Profit.

In best cases, there have been success in achieving a higher average yield (by up to 50%), but major challenges still remain in trying to reduce the yield-gap between high and low performers. We are optimistic that greater value could be realised in this respect to benefit most, if not all, NPC farmers; through close collaboration between Nestlé and its partners such as Organica Biotech Sdn. Bhd., DuPont Crop Protection Malaysia and the farmers themselves.

## SPECIAL FOCUS (continued from previous page)



### Nestlé Paddy R&D site, Sungai Petani

The Nestlé Malaysia Agricultural Services team first conducts fundamental research, which includes testing new innovations related to microbial and fertilizers.



### Nestlé Experimental & Development site, Sik

Successful trials are then implemented at the semi-commercial trial field, where paddy is planted and harvested according to season. Participating farmers will then adopt the tested and approved innovation into their own paddy fields.



### Milling Process

After 110 days, fully-grown paddy will be harvested and sold to the Nestlé appointed millers Ban Eng Hin and Chuan Huat Bee Kah, who will convert paddy into rice. Polished rice is then sent to Nina Maju for secondary cleaning, before it is delivered to the Nestlé Cereal Plant.



### Finished Goods

The harvested rice is then used by Nestlé to manufacture infant cereals.



LEFT:

**Nestlé staff and the farmers at the launch of Nestlé Paddy Club in February 2012.**

RIGHT:

**One of the benefits of being a member of the Nestlé Paddy Club is an opportunity to generate a stable income and higher rice yield.**

### **ABOUT THE MEMBERS**

During the Pilot Programme, NPC began with a membership of 20 farmers, cultivating over 49 hectares of paddy. To-date there are 289 farmers and the total area cultivated has increased to 784 hectares, with a last average yield of 6.8 metric tonne per hectare, against our targeted average yield of 5 metric tonne per hectare. The national average rice yield currently stands at 3.7 metric tonne per hectare.

The farmers are also part of a Farmer Field School – an additional initiative between Nestlé, and DuPont Crop Protection, Malaysia – where they receive training on Good Agricultural Practices (GAP) and sustainable agriculture. The school also gives them the opportunity to meet and network with each other on-site to share their experiences. In addition, a pesticide containers' collection and recycling programme are also in place to further reduce environmental impact.

## Our Commitment to the Environment

# CASE STUDY



**Seedlings that are ready to be planted are carefully handled and transported to planting sites.**

We successfully planted more than 100,000 trees along the Lower Kinabatangan riverbanks to commemorate our 100 years anniversary in Malaysia.

### NESTLÉ PROJECT RILEAF

The Kinabatangan River in Sabah, the second longest river in Malaysia, is well known for its rich and diversified wildlife, as well as lush landscape. Unfortunately, over the years, sizable sections of the Lower Kinabatangan River have been negatively impacted upon by logging and agricultural developments, and this has threatened the ecology of the area in general, and in particular, the river. It is with this concern that the Nestlé Project RiLeaf was initiated.

Focussing on two of its CSV pillars namely, Water and Rural Development, Nestlé Project RiLeaf is a riverside reforestation initiative along the Kinabatangan River to help sustain one of the world's richest ecosystems by creating a landscape where nature, people and agriculture (oil palm) can co-exist harmoniously in their need for water.

### Nature

This three-year initiative, which started in 2011, leverages on Nestlé's commercial agriculture experience and expertise to speed up the riparian reforestation of 2,400ha of land along the lower Kinabatangan River.

The rehabilitated area will then create a natural riverine buffer that can help minimise the impact of soil sedimentation and chemical fertiliser run-offs, two major pollutants of the Kinabatangan, thereby providing relief to allow the Kinabatangan River a chance to restore itself over time.

### People

Nestlé purchases forest seedlings from 34 KAPOK (Komuniti Anak Pokok Kinabatangan) members – local community-based seedling producers – and maximises the use of local service providers to manage the transportation, replanting, monitoring and maintenance of the purchased riverside-planted seedlings.

Mr. Yong Lee Keng, Agricultural Services Manager, Nestlé Malaysia (second from left) explaining the Nestlé Project RiLeaf Exhibition to (from left to right) Yang Berbahagia Datuk Zoa! Azha bin Yusof, Secretary General, Ministry of Natural Resources and Environment; En. Adnan Pawanteh, Executive Director of Technical and Production, Nestlé Malaysia; Yang Berbahagia Dato' Dr. Abdul Latif Mohmod, Director-General of FRIM and Mr. Peter R. Vogt, Managing Director, Nestlé Malaysia.



Nestlé relies on local service providers to manage the transportation, replanting, monitoring and maintenance of the riverside-planted seedlings.



Nestlé Project RiLeaf provides the KAPOK (Komunity Anak Pokok Kinabatangan) with additional income and the opportunity to participate in this unique reforestation initiative.

This capacity building exercise ensures that the local communities are engaged throughout the duration of the initiative and they too are aware of the environmental benefits of the exercise.

**100,000 trees**

In 2012, we successfully achieved our target of planting a minimum of 100,000 trees along the riverbanks, to commemorate our 100 years anniversary in Malaysia and symbolise our commitment to be by the side of Malaysians for another 100 years and beyond.

While it is too early to gauge the improvements to the ecosystem, the local community has seen immediate benefits, earning RM207,305 through the production and replanting of the seedlings since the start of the project.

More than  
**100,000**  
trees planted in 2012

**123,851**  
trees were purchased from Kapok

Aim is to reforest  
**2,400ha**  
of land along the lower Kinabatangan River

## Our Commitment to the Environment

### CASE STUDY (continued from previous page)



#### NEXT STEPS

##### Palm Oil

As a full member of the Roundtable on Sustainable Palm Oil (RSPO), Nestlé is committed to the development and procurement of sustainable palm oil, and at the same time explore innovations into novel approaches to further reduce the environmental footprint of palm oil planting.

As a demonstration of its commitment to RSPO, Nestlé commissioned University Malaysia Sabah to conduct detailed studies aimed at scientifically validating and verifying novel microbial approaches to palm oil planting focusing on bringing back 'life to soil', and exploring approaches to eliminate Ganoderma, the single biggest threat to palm oil plantations today. In due course, positive results from these studies will be shared with the scientific and technical key players in the palm oil industry.

Simultaneously, Nestlé started two palm oil smallholder showcases to demonstrate a progressive demo-farm that uses innovative microbial approaches with minimum chemical fertilise inputs, and also to conduct experiments on additional income-generating activities. The activities that could thrive under the conducive shaded canopy of matured palm oil trees include free-range antibiotic-free chicken farming and small-scale fish farming.

The following are some of the species of tree seedlings that are used for the replanting exercise at Nestlé Project RiLeaf, which are commonly found in the forest area of Sabah:

1. *Mallotus muticus* (Salungapid)
2. *Dillenia borneensis* (Simpur)
3. *Excoecaria indica* (Apid-apid)
4. *Neonauclea subdita* (Bongkol)
5. *Pterospermum spp.* (Bayur)
6. *Litsea spp.* (Madang/Bintangor)

LEFT

**University Malaysia Sabah was commissioned by Nestlé to conduct a scientific research to validate and verify novel microbial approaches to oil palm planting.**



Nestlé formally started on its palm oil smallholder engagement programme with the first 25 pilot palm oil farmers in the Kinabatangan region at the end of 2012. Based on the enthusiasm exhibited by the pilot farmers, we are cautiously optimistic that we will be able to meet our 2013 target of delivering real value and acquiring Certified Sustainable Palm Oil (CSPO) from these pilots. The successful model here could then be upscaled accordingly to encompass a larger pool of Kinabatangan palm oil smallholders, and hopefully, be a prime example of engaging with the palm oil industry on a solid triple-win for people, planet and profit.

“We are proud of this achievement, as it shows that the Nestlé project RiLeaf is on track to create the desired impact to the surrounding environment in Kinabatangan and also because it symbolises our commitment to be by the side of Malaysians, which is the theme of our 100 Years Celebration.”

**Peter Vogt**

Managing Director  
Nestlé (Malaysia) Berhad

## Our Commitment to the Environment

### OUR ENVIRONMENTAL FOOTPRINT - OUR PERFORMANCE

	GRI Reference	2010	2011	2012
<b>Production</b>				
Production volume (tonne)		334,182	364,026	375,405
<b>Materials Used</b>				
Non-renewable materials (tonne)	EN1	N/A	25,636	750
Direct materials (tonne)	EN1	N/A	391,886	405,501
Total weight of material used (tonne) <sup>1</sup>	EN1	N/A	418,638	406,948
Recycled materials (tonne) <sup>2</sup>	EN2	N/A	14,243	14,420
Percentage of recycled materials (%) <sup>3</sup>	EN2	N/A	3.44%	3.54%
<b>Energy</b>				
	EN3			
Total direct energy consumption by primary source (GJ)		1,087,125	1,100,904	1,067,093
Total direct energy per tonne of finished goods (GJ/tonne)		3.25	3.02	2.84
Total direct energy by renewable primary source	coffee ground	245,128	198,889	128,330
Total direct energy by non-renewable primary source <sup>4</sup>	NG/LFO/ Diesel/LPG	841,997	902,015	938,763
Indirect energy consumption by primary source (GJ) <sup>5</sup>	EN4	381,170	400,898	412,006
Indirect energy per tonne		1.14	1.10	1.10
Total energy (GJ)		1,468,295	1,501,802	1,479,099
Total amount of energy per tonne (GJ/tonne)	EN5	4.39	4.13	3.94
Energy saved due to improvements (GJ) <sup>6</sup>		96,884	97,618	71,324
<b>Water</b>				
Total water withdrawal by source (m <sup>3</sup> /yr)	EN8	1,693,229	1,802,451	1,734,455
Total water withdrawal per tonne <sup>7</sup>		5.07	4.95	4.62
Volume of water recycled per reused (m <sup>3</sup> /yr)	EN10	N/A	19,278	80,710
Percentage of water recycled and reused (%) <sup>8</sup>		N/A	1%	5%
<b>Emissions, Effluents and Waste</b>				
Total direct and indirect greenhouse gas emissions (tonne CO <sub>2</sub> )	EN16	131,078	134,344	137,125
Total greenhouse gas per tonne of finish goods (kg CO <sub>2</sub> /tonne) <sup>9</sup>		392	369	365
Other relevant indirect greenhouse gas emissions by weight (tonne) <sup>10</sup>	EN17	N/A	9081	9,938
Greenhouse gas reductions (tonne CO <sub>2</sub> )		15,217	8,440	1,419
Percentage of specific greenhouse gas reductions (%) <sup>11</sup>		10.4%	5.9%	1.0%
Emission of ozone-depleting substance (tonne) <sup>12</sup>	EN19	9.9	10.49	3.15

	GRI Reference	2010	2011	2012
<b>NO, SO and other significant air emissions (type &amp; weight)</b> <sup>13, 14</sup>	EN20			
SO <sub>x</sub> (tonne) <sup>15</sup>		165.2	166.9	161.9
NO <sub>x</sub> (tonne)		163.8	165.3	171.1
PM (tonne)		N/A	27.6	42.5
Total water discharge by quality and destination (m <sup>3</sup> /yr) <sup>16, 17</sup>	EN21	849,915	1,018,163	1,077,517
<b>Total weight of waste by type and disposal method</b> <sup>18,19, 20</sup>	EN22			
Hazardous waste (tonne)		5	13	28
Landfill waste (tonne)		2,472	2,386	4,698
Recycling (tonne)		N/A	7,091	11,561
Total number and volume of significant spills	EN23	nil	nil	nil
<b>Weight of transported waste deemed hazardous (tonne)</b> <sup>21</sup>	EN24			
Weight of hazardous waste transported <sup>22</sup>		N/A	30	39.8
Weight of imported hazardous waste		nil	nil	nil
Weight of exported hazardous waste		nil	nil	nil
Weight of treated hazardous waste <sup>23</sup>		N/A	17	16
<b>Travel</b>	EN29			
Total distance travelled for finish goods for land and sea ('000 km)		N/A	7,489	8,439
Total CO <sub>2</sub> discharge for above travels (tonne)		N/A	9,081	9,938
Average of CO <sub>2</sub> for every tonne of finished goods, over the total distance travelled (CO <sub>2</sub> /tonne * km) <sup>24</sup>		N/A	52	61
Total distance travelled by salesman ('000 km)		N/A	N/A	6,595
Total CO <sub>2</sub> discharge for salesman travel (tonne)		N/A	N/A	1,042
<b>Total environmental protection expenditures and investments (RM)</b>	EN30			
Waste disposal, emission treatment & remediation cost (RM) <sup>25</sup>		N/A	3,819,626	3,760,333
Prevention and environmental management cost (RM investment cost)		N/A	2,688,087	1,003,978

<sup>1</sup> Source : NEST + Factory KEI

<sup>2</sup> Calculations based on Packaging Technologist report i.e corrugated board = 50%; glass=35% and MAGGI hot cup = 25%.

<sup>3</sup> Source : Calculations from NEST/SAP report

<sup>4</sup> Source : NEST ( Fuel consumed in factories)

<sup>5</sup> Source : NEST ( Electricity consumed in factories)

<sup>6</sup> Source : NEST ( GJ/ton savings x vol)

<sup>7</sup> Source : NEST

<sup>8</sup> Source : Calculate from SAC & CE initiatives

<sup>9</sup> Source : NEST

<sup>10</sup> Note: results are extrapolated for 12 months based on " National Distribution Centre" tracking of finish goods movement within Malaysia - road and sea

<sup>11</sup> Source : NEST. GHG/ton savings x vol

<sup>12</sup> Source : NEST CFC - 11

<sup>13</sup> Note: Other gases ex POP ( Persistent organic pollutants), VOC ( Volatile Organic Compounds) and HAP (Hazardous air pollutants) are not relevant in our industry.

<sup>14</sup> Source :calculate from air emission monitoring

<sup>15</sup> Source : NEST CFC - 11

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

<sup>17</sup> Source : NEST

<sup>18</sup> All recycling and landfill waste are managed by appointed and authorised Waste

Management Company. Hazardous waste is managed by DOE licensed contractors.

<sup>19</sup> Source : NEST

<sup>20</sup> Increase over the years is resulting from better tracking and recording as a result of increased awareness thru ISO requirements

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

<sup>22</sup> Note : This is sum of disposed and treated hazardous waste

<sup>23</sup> Source: NEST and SAC report

<sup>24</sup> Source : NDC Carbon tracking

<sup>25</sup> Source : Factories report

\* Note: Sludge waste is included in landfill waste for 2012 reporting.

NESTLÉ SUPERMEET strengthens teamwork, encourages fair and friendly competition among employees, and also provides social and networking opportunities.



# Our People and the Workplace

People are an organisation's most important asset, as without them, strategies could not be executed effectively. Their contribution helps companies fulfill their corporate responsibility obligations towards other stakeholders and the environment.

At Nestlé, we continuously ensure that we attract and retain the best talents who can contribute to the success of our business. Throughout the year, we have conducted several activities in the areas of human resource training, employee surveys and team building.

#### Human Resource Training

We continued to invest in our employees' training and development in 2012 with a total budget of RM14.5 million allocated for in-house and external programmes on technical, leadership and soft skills.

One of the key on-going programmes held is the **Everyday Coaching Programme (ECP)** where we conducted three main activities during the year. These include the **Certified Master Performance Coach**, the **Everyday Coaching Train The Trainer module**, and the **Everyday Coaching Awareness Training (see Case Study on page 52)**.

Safety, Health and Environment (SHE) The well being of our employees are a priority and we aim to inculcate a culture of safety and health through various educational and awareness programmes. The highlight for the year was the **SHE Day Celebration**, which was held at the Head office on 27 June 2012, with the theme 'Safety Begins with Me'.

A total budget of

## RM14.5 million

was allocated for in-house and external training programmes

## 325 employees

participated in the SHE Day Celebration, which was themed "Safety Begins with Me"

Our People and the Workplace



FROM TOP, CLOCKWISE:

The Nestlé SHE Day Celebration was organised by the SHE Day committee members, consisting of employees from various units and departments.

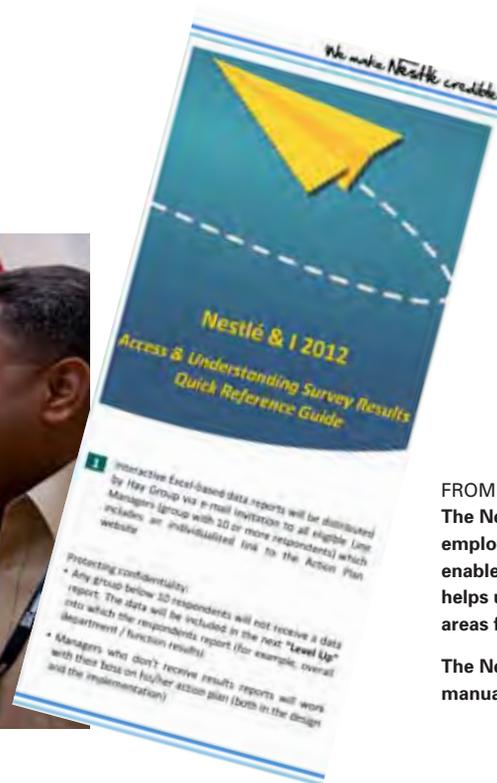
A National Institute of Occupational Safety & Health (NIOSH) representative giving a demonstration on CPR to the training participants.

A staff having a go at the Safe Driving simulator.



NESTLÉ SUPERMEET 2012 saw the participation of  
**1,283 employees**  
 from Malaysia and Singapore

As at 31 October 2012, a total of  
**1,129 management staff**  
 had undergone the Everyday Coaching Awareness Training session



FROM LEFT:

The Nestlé & I Survey measures employee commitment and enablement levels, which in the end helps us identify our strengths and areas for improvement.

The Nestlé and I information manual on how to fill up the survey.

Representatives from the Police, BOMBA, National Institute of Occupational Safety and Health (NIOSH) and Red Crescent Malaysia were present at the event to give talks on personal security, fire safety, ergonomics in the office, and basic first aid.

Other activities held include medical check-ups, physiotherapy screening, hazard identification and crossword contests. Additionally, there was also a section on Safe Driving with simulators on the importance of seatbelts, influence of alcohol and drugs while driving, and at-risk behaviour, which is using mobile phones while driving to create safe driving awareness on the importance of safe driving practices.

A total of 325 employees participated in the event.

### Listening to our People

At Nestlé, we regularly run surveys as part of our staff engagement, to solicit their feedback on the workplace environment. In addition to informal department meetings, feedback or evaluation forms for activities and the annual assessments, we also conduct the annual **Nestlé and I Survey**, which we introduced in 2010.

Nestlé & I consists of a globally consistent core set of questions addressing topics such as commitment, organisational aspects, leadership and questions relevant to the local market.

## Our People and the Workplace

For 2012, we continued to build on the employee enablement dimension, which measures the extent to which we create an enabling environment where skills are optimally aligned with roles, and barriers to performance are removed.

The survey results measure employee commitment and enablement levels, helping us identify the areas for improvement and implement relevant action plans for which the desired levels can be achieved.

The 2012 results highlighted our key strengths, which include high commitment towards the Company’s values, our Consumer and Customer focus, as well as the strong belief in the quality of our products. The feedback received from our colleagues, in itself, reflects their high level of pride in working for the company and also a stronger alignment with the company’s strategy.

The results also revealed opportunities for improvement particularly in the **Cooperation, Reward & Recognition and Manager Behaviour, Respect & Treatment** areas.

The Nestlé & I survey was conducted with the assistance of Hay Group, a global firm that specialises in Human Resources management, from 8 June to 6 July 2012 and involved all permanent staff.

### Nestlé & I Survey – Overview & Timelines



An overview of the Nestlé and I Survey process and timeline.



LEFT:  
NESTLÉ SUPERMEET 2012 saw the participations of various contingents from the Nestlé Malaysia head office, Singapore and also factories.

RIGHT:  
Nestlé retirees reading out an oath at the Nestlé SUPERMEET 2012 welcome dinner.

### Team Building

Teamwork has been the hallmark of our success and we continuously look at ways to build team spirit and pride in the Company. The Nestlé SUPERMEET was held from 15 to 17 June 2012 at Majlis Sukan Negara in Bukit Jalil.

The objectives of the activity were to strengthen camaraderie and teamwork, encourage fair and friendly competition among employees, provide social and networking opportunities, and a way to embed the We Make Nestlé values.

A total of 1,283 employees from Head Office, Factories, East Malaysia and Singapore participated, competing in events such as tennis, badminton and *sepak takraw*. The contingent from Chembong Factory emerged as champions of Nestlé SUPERMEET 2012.

A carnival was held on the final day for all employees and their families.

## Our People and the Workplace

# CASE STUDY

**LEFT:**  
Participants in a role-playing activity at the Nestlé Everyday Coaching training session.

**RIGHT:**  
One of the key ongoing Human Resource training programmes include the Everyday Coaching Train the Trainer module.



## Everyday Coaching Programme

Several training programmes have been implemented to ensure the development of our people, which is an integral part of the Nestlé business

The development of our people is an integral part of our business success and Nestlé's overarching principle is that each employee should have the opportunity to develop to the maximum of his or her potential.

We have implemented several training programmes to ensure this and one of the key ongoing initiatives is the 'Nestlé Everyday Coaching Programme'.

Introduced in 2011, the Everyday Coaching Programme aims to develop a coaching culture within the organisation, whereby employees will be assisted to realise their full potential to achieve their professional and personal goals by equipping them with the right know-how, tools and opportunities.



The Nestlé Everyday Coaching process.

The programme has three separate components, namely

1. Certified Master Performance Coach
2. Everyday Coaching Train the Trainer
3. Everyday Coaching Awareness Training

#### **Certified Master Performance Coach**

The aim is to train selected individuals and create a pool of senior coaches to conduct formal coaching within the organisation.

These individuals consist of either current Everyday Coaching trainers or passionate and committed individuals who have been actively coaching within the company.

Conducted by a Master Certified Coach from the International Coaching Federation (ICF), the programme focuses on the fundamentals of coaching, which include mindset change, power questioning, active listening, effective communication and the overall coaching process.

In 2012, 13 coaches were successfully certified.

#### **Everyday Coaching Train the Trainer**

Instead of relying on external trainers, Nestlé Malaysia developed this programme to build up the number of internal trainers to conduct training on Everyday Coaching awareness programmes.

Conducted by four of our Nestlé Certified Master Performance Coaches, the 6-day experiential programme focused on the Nestlé coaching culture, whole brain analysis, the GROW process and the skills and roles of a coach.

In 2012, 22 additional employees were trained, increasing the number of trainers from 22 in 2011 to 44.

## Our People and the Workplace

### CASE STUDY (continued from previous page)



**A series of Everyday Coaching Tips booklets were distributed to participants for their reference.**

#### **Everyday Coaching Awareness Training**

The objective is to create a coaching culture within the organisation by training management to identify training requirements of their staff and to impart the relevant knowledge.

Internal trainers were used to conduct coaching awareness training across all Business Units and Divisions, focusing on the Everyday Coaching Model, the GROW process, whole brain analysis, as well as the skills and roles required of a coach.

A year-long training schedule was put in place to ensure all management staff undergo the training, and as at 31 October 2012, 1,129 management staff have undergone the training.

#### **NEXT STEPS**

The Everyday Coaching Programme is an ongoing initiative as part of our process to ensure continuous improvements in our operations and in the development of our people.

Our targets for 2013 are:

1. To increase the number of Master Performance Coaches to 25.
2. To increase the number of internal trainers to 50.
3. To ensure that the programme covers all management staff and also selected non management staff.

## OUR PEOPLE - OUR PERFORMANCE

	GRI Reference	2010	2011	2012
<b>Workforce - Full Time Equivalent Employees<sup>1</sup></b>				
Total number of employees	LA1	5004	5,424	5,881
Total numbers of employees - Nestle Products Sdn Bhd (NPS Head Office, NPS NDC & Sales)	LA1			1,506
Total numbers of employees - Purina Petcare Malaysia	LA1			38
Total numbers of employees - Nestle Regional Services Centre				24
Total numbers of employees - Nestle Manufacturing Malaysia (Factory, NMM HOU & NMM NDC)				4,313
NMM Shah Alam	LA1			1,144
NMM Petaling Jaya	LA1			674
NMM Batu Tiga	LA1			936
NMM Kuching	LA1			232
NMM Chembong & Chembong Ice Cream	LA1			1,048
NMM HOU				76
NMM NDC				203
Permanent employees (%)	LA1	93%	90%	99%
Temporary & Contract employees (%)	LA1	6%	4%	1%
Rate of employees leaving employment by gender (%) - Male	LA2			3.3%
Total number of employees leaving employment by gender - Female	LA2			130
Rate of employees leaving employment by gender (%) - Female	LA2			2.3%
Total number of employees leaving employment by region - Nestle Products Sdn Bhd	LA2			148
Rate of employees leaving employment by region (%) - Nestle Products Sdn Bhd	LA2			2.65%
Total number of employees leaving employment by region - Nestle Manufacturing Malaysia	LA2			162
Rate of employees leaving employment by region (%) - Nestle Manufacturing Malaysia	LA2			2.90%
Total number of employees leaving employment by region - Purina Petcare Malaysia	LA2			4
Rate of employees leaving employment by region (%) - Purina Petcare Malaysia	LA2			0.07%
Total number of employees leaving employment by region - Nestle Regional Services Centre	LA2			0
Rate of employees leaving employment by region (%) - Nestle Regional Services Centre	LA2			0.00%
<b>Labor/management relations<sup>2</sup></b>				
Percentage of employees covered by collective bargaining agreements	LA4			97%
<b>Occupational Health and Safety<sup>3</sup></b>				
Lost Time Injury Frequency Rate	LA7	0.78	1.16	1.13

## Our People and the Workplace

	GRI Reference	2010	2011	2012
<b>Injury Rate for total workforce by region<sup>4</sup>:</b>				
Nestle HOU	LA7			6
NMM Shah Alam	LA7			2
NMM Petaling Jaya	LA7			2
NMM Batu Tiga	LA7			2
NMM Kuching	LA7			11
NMM Chembong	LA7			8
NMM Ice Cream	LA7			14
Nestle NDC	LA7			0
Sales & Marketing	LA7			1
<b>Lost Day Rate for total workforce by region<sup>5</sup>:</b>				
Nestle HOU	LA7			0.54
NMM Shah Alam	LA7			2.61
NMM Petaling Jaya	LA7			0.93
NMM Batu Tiga	LA7			0.76
NMM Kuching	LA7			0
NMM Chembong	LA7			1.69
NMM Ice Cream	LA7			2.04
Nestle NDC	LA7			0
Sales & Marketing	LA7			0
<b>Absolute number of Fatalities for total workforce by region<sup>6</sup>:</b>				
Nestle HOU	LA7			0
NMM Shah Alam	LA7			0
NMM Petaling Jaya	LA7			0
NMM Batu Tiga	LA7			0
NMM Kuching	LA7			0
NMM Chembong	LA7			0
NMM Ice Cream	LA7			0
Nestle NDC	LA7			0
Sales & Marketing	LA7			0

	GRI Reference	2010	2011	2012
<b>Training and Development<sup>7</sup></b>				
Training provided to employees per year (value of training - RM)		7,200,000	11,000,000	14,505,288
Number of attendance - local training		nil	7,954	2,435
Number of attendance - overseas training		nil	106	164
Number of employees enrolled in Flexi-Benefit		N/A	357	620
Average hours of training per year, per employee by employee category:	LA 10	N/A	N/A	
Management:				15.66
Non-management:				17.68
Percentage of employees receiving performance and career development reviews	LA 12	N/A	N/A	
Management:				94%
<b>Diversity<sup>8</sup></b>				
Gender profile (total) - % male	LA13	66%	66%	66%
Gender profile (total) - % female	LA13	34%	34%	34%
Leadership positions held by women	LA13	23%	29%	42%
Female / Male salary ration (women:men)	LA14			
Top Management		7:93	7:93	7:93
Senior Management		25:75	31:69	28:72
Middle Management 1		36:64	39:61	40:60
Middle Management 2		38:62	44:56	46:54
Executives		44:56	45:55	51:49
Confidential Administrator Support		88:12	89:11	82:18
Non-Management (unionised)		28:72	28:72	30:70
<b>Human Rights and Labour Standards<sup>9</sup></b>				
New employees trained on employee requirements, human rights and labour standards (number of employees)		160	84	138
Percentage and total number of business units analyzed for risks related to corruption:	SO2			14 out of 81 (17%)
Percentage of employees trained in organisation's anti-corruption policies and procedures:	SO3			
Management				4,380 (74%)
Non-Management				1,501 (26%)
Audited Employees				3,877 (66%)

<sup>1</sup> Source: Records from Group Human Resources, 2012

<sup>2</sup> Source: Records from Group Human Resources, 2012

<sup>3</sup> Source: SHE-PN Tool, 2012

<sup>4</sup> Source: SHE-PN Tool, 2012

<sup>5</sup> Source: SHE-PN Tool, 2012

<sup>6</sup> Source: SHE-PN Tool, 2012

<sup>7</sup> Source: Records from Group Human Resources, 2012

<sup>8</sup> Source: Records from Group Human Resources, 2012

<sup>9</sup> Source: Records from Group Human Resources, 2012

A photograph showing a man with glasses, a young girl, and a young boy looking at a vintage Nestlé product can. The man is on the left, wearing glasses and a white shirt. The girl is in the center, looking intently at the can. The boy is on the right, wearing a blue school uniform. The can is green and white, with the word 'MILK' prominently displayed in a large, stylized font. The background is slightly blurred, showing other exhibition items.

The Nestlé 100 Years Exhibition at the National Museum takes the public down memory lane by sharing with them Nestlé's journey and incredible stories from 1912 until today. The exhibition demonstrates that Nestlé has touched the lives of many Malaysians, that we are now part of the history and heritage of the country.

# Our Consumers & the Marketplace

Our consumers are at the heart of what we do. We believe that by fully understanding the nutritional needs and health challenges facing the society today, we can contribute to improving our consumers' quality of life.

This commitment is demonstrated by the sheer size and extent of our Research and Development (R&D) facilities - with 32 research, development and technology facilities worldwide, which employs over 5,000 people, Nestlé has the largest R&D network of any food company<sup>1</sup> globally.

Having this amount of knowledge and expertise means that we have the resources and capabilities to ensure that we provide sufficient support to our consumers, in order to help them lead healthier lives.

With reports stating that 60.7% of the Malaysian population are living with non-communicable diseases (NCD)<sup>2</sup> this responsibility is even more important. As such we have dedicated ourselves to continuously innovate and renovate our products in order to produce healthier and tastier food and beverages.

We also run initiatives that promote healthy eating and active living to Malaysians such as the Nestlé Nourishing Malaysia Showcase<sup>3</sup> in Penang and the World Walking Day<sup>4</sup> in 2012.

As many of our brands are household names and have a strong emotional bond with consumers - such as MILO - we have taken this opportunity to use the brand to spread these messages across the various consumer groups.

<sup>1</sup> See [www.nestle.com/RandD](http://www.nestle.com/RandD)

<sup>2</sup> See [www.mmail.com.my/story/607-malaysians-unhealthy](http://www.mmail.com.my/story/607-malaysians-unhealthy)

<sup>3</sup> See page 20 for details

<sup>4</sup> See page 22 for details

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**10,000** breakfasts  
were provided through the MILO  
Nutrition Movement

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Projek TUKAR sponsored  
**125** signages

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The 100 Years Campaign saw the  
distribution of **8,971**  
Nestlé Nutritious Mealboxes

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## Our Consumers & the Marketplace



MILO Play More Learn More Campaign promotes sports culture and encourages parents to motivate their children to play more sports.

**21,270** people  
visited the Nestlé 100 Years Exhibition  
at the National Museum

**12,000** people  
attended the Nestlé 100 Years  
official launch ceremony held  
at Dataran Merdeka

The Nestlé Incredible Stories  
contest received  
**108,350**  
submissions



LEFT:  
Participating coffee shops displayed the MILO *Kosong* poster to communicate the messages of the campaign to consumers.

RIGHT:  
MILO Nutrition Movement reinforces the nutritional value of MILO as a source of energy and as the ideal breakfast beverage for children.

For example the MILO Play More Learn More Campaign teaches schoolchildren life values through sports, MILO *Kosong*<sup>6</sup> encourages consumers to drink MILO with no added sugar and MILO Nutrition Movement<sup>7</sup> educates mothers on the importance of a healthy and balanced nutrition for their children.

With 100 years of experience, we know what works and what does not in this industry. As a leader in Food, Nutrition, Health and Wellness, we feel that it is our responsibility to share our expertise in running a successful business with our partners. For example, we share best practise with our vendors through the Nestlé Ice Cream Vendors Convention and with SME retailers through the Small Retailer Transformation Programme (Transformasi Kedai Runcit -TUKAR)<sup>8</sup>.

### COMMUNICATING TO CONSUMERS VIA COFFEE SHOPS

Malaysians love frequenting coffee shops or mamak stalls. With this national favourite pastime in mind, the MILO *Kosong* Campaign encourages consumers to order MILO without sugar at coffee shops. It reinforces MILO as a healthy beverage option and informs consumers that they can enjoy a glass of MILO at their favourite coffee shop, by ordering a cup of MILO *Kosong*.

All the 1,275 coffee shops that took part in this campaign had posters, aprons and t-shirts to communicate the messages of the Campaign to consumers.

# 1,275

coffee shops participated in the MILO *Kosong* Campaign

<sup>6</sup> See page 61 for details

<sup>7</sup> See page 62 for details

<sup>8</sup> See page 62 for details

## Our Consumers & the Marketplace



LEFT:

**Every child needs to consume the right balance of nutrition and energy in their daily diet.**

RIGHT:

**Engaging with rural consumers, MILO provided breakfast meals to selected rural schools.**

### COMMUNICATING TO MOTHERS

A child's daily life can be very physically demanding. Therefore, it is important that they get the right amount of energy to take on the day.

Focussing on breakfast, the most important meal of the day, the MILO Nutrition Movement educates mothers on the importance of providing the right balance of nutrition and energy in their child's daily diet.

This Campaign reinforces the nutritional values of MILO as a balanced and nutritious breakfast beverage that can provide energy to sustain a child's active and busy lifestyle.

This Campaign was communicated via TV commercials, infomercials, print advertisements and Facebook. There was also a media dialogue session to explain the benefits of the campaign and the importance of having the right nutrition, especially for breakfast. To further enhance the impact of the campaign to rural consumers, MILO provided 10,000 breakfast meals to students in selected rural schools.

### SHARING EXPERTISE WITH SME RETAILERS

In 2011, the TUKAR Programme was launched following the Malaysian Government's Economic Transformation Programme (ETP), an initiative to revolutionise the country into a high-income nation by 2020.



Nestlé also sponsored signages for 125 participating outlets under the TUKAR Programme.

As part of its participation in the programme, Nestlé, in collaboration with TUKAR consultants from Mydin, Tesco, Aeon, Carrefour and TS Management, shares expertise in retail sales, marketing and merchandising to the sundry shops involved in the TUKAR Programme.

Since 2011, we have been providing guidelines on merchandising to help retailers engage effectively with shoppers, as well as incentives for retailers to follow these guidelines.

Other forms of support included a discounted Nestlé starter pack for retailers and Nestlé sponsored signages at 125 participating outlets.

## Our Consumers & the Marketplace

# CASE STUDY

LEFT:  
The Nestlé 100 Years Celebration launch at Dataran Merdeka was a fun-filled event with a number of activities that encouraged consumer participation, such as this dance performance.



RIGHT:  
Fireworks lit the skies at Dataran Merdeka on 18 March 2012, marking the launch of Nestlé 100 Years Celebration.



## 100 years of Creating Shared Value

2012 was a milestone year for Nestlé Malaysia as it marked the Company's 100<sup>th</sup> year anniversary. We first began operations in Penang as the Anglo-Swiss Condensed Milk Company in 1912, selling only the Milkmaid® Brand Condensed Milk, or as it was more popularly known, 'Susu Cap Junjung'.

Over the years, we have evolved to become an integral part of society, nourishing generations of Malaysian families. We also play an important role within the Nestlé Group due to our unique location at the heart of the region, which allows us easier access to the ASEAN market, and led us to become the biggest Halal producer and the Halal Centre of Excellence for Nestlé globally.

### LARGE CELEBRATIONS FOR A HUGE MILESTONE

Befitting the importance of this key milestone, Nestlé organised a number of events throughout 2012, to reinforce and strengthen brand relationships with our consumers by commemorating the past legacy and renewing Nestlé's commitments to be by the side of our consumers for the next 100 years and beyond.



From left: Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail, Chairman of Nestlé Malaysia; Mr. Paul Bulcke, Chief Executive Officer of Nestlé S.A.; HRH Sultan Sharafuddin Idris Shah, the Sultan of Selangor; YB. Dato' Sri Mustapa Mohamed, Minister of the Ministry of International Trade and Industry; Nandu Nandkishore, Executive Vice President of Nestlé S.A., in charge of Zone Asia, Oceania, Africa and Middle East and Mr. Peter Vogt, Managing Director of Nestlé Malaysia placing the last six of the mealboxes that were arranged to make the Malaysian flag at the launch of Nestlé 100 Years Celebration at Dataran Merdeka.

The official launch of the Nestlé 100 Years Celebration was held at Dataran Merdeka, Kuala Lumpur on 18 March 2012. 12,000 people attended the fun-filled extravaganza, which included experiential booths to bring Nestlé brands and products closer to the consumers, a family walkathon, as well as a star-studded celebration concert featuring local artists such as Sheila Majid, Anuar Zain, Yuna, Jaclyn Victor and many others. The launch was graced by HRH Sultan Sharafuddin Idris Shah Al-Haj,

the Sultan of Selangor, who together with Paul Bulcke, CEO Nestlé S.A., Nandu Nandkishore, Executive Vice President of Nestlé S.A., in charge of Zone Asia, Oceania, Africa and Middle East, and Peter Vogt, Managing Director of Nestlé Malaysia officiated the launch.

As part of the day's activities, members of the public were invited to help pack 5,210 Nestlé Nutritious Mealboxes that were distributed to various homes and charities throughout the year.

We believe that the secret of our success is that we have continuously remained relevant to our consumers by delivering our brand promise of GOOD FOOD, GOOD LIFE. We are committed to continue doing so by being by the side of Malaysians for another 100 years and beyond, as reflected in the theme of our 100 years celebrations '100 Tahun Nestlé Di sisimu'.

## Our Consumers & the Marketplace

### CASE STUDY (continued from previous page)



Other activities to celebrate the 100<sup>th</sup> year anniversary include the Nestlé 100 Years Exhibition at the National Museum, which ran from 18 March 2012 to 15 May 2012, the production of a Nestlé 100 Years Coffee Table Book and Nestlé Nourishing Malaysia Showcase, Penang. The activities enabled Nestlé to share with the public how it has evolved from a trading company to become the largest food manufacturer in the country, and showcase products and activities that promote nutrition, health and wellness.

In addition, to mark the milestone, we have also successfully planted over 100,000 trees along the Kinabatangan River, Sabah during the year, as part of the Nestlé Project RiLeaf<sup>®</sup>. We also launched '*Program Cara Hidup Sihat*' (Healthy Lifestyle Programme), which is aimed at enhancing the knowledge and practice of healthy and active lifestyles, targeted at secondary school children from 100 daily boarding schools nationwide.



FROM LEFT:

**Remembering the good times - (from left to right) Mary Ong, the face of Malaysian squash; Airene Wong (Uracca's mother) and Uracca Leow Hoay Sim, national cyclist, at the launch of the Nestlé 100 Years Coffee Table Book.**

**Chef Muluk and the MAGGI Team entertaining the crowd at the launch of the Nestlé 100 Years Celebration.**

**Paul Bulcke, Chief Executive Officer of Nestlé S.A. (second from left) viewing the display of Nestlé product packaging, over the years, at the launch of the Nestlé 100 Years Exhibition at the National Museum.**

The year-long celebration was themed '*100 Tahun Nestlé Di sisimu*' and this was epitomised through the various activities held and brought to life through the 'Nestlé 100 Years Incredible Stories' online contest that we ran, inviting Malaysians to share their incredible stories or those special moments of how Nestlé and its products have touched their lives <sup>10</sup>.

#### **NEXT STEPS**

We believe that the secret of our success is that we have continuously remained relevant to our consumers by delivering our brand promise of GOOD FOOD, GOOD LIFE. We are committed to continue doing so by being by the side of Malaysians for another 100 years and beyond, as reflected in the theme of our 100 Years Celebrations '*100 Tahun Nestlé Di sisimu*'.

<sup>9</sup> Please see page 40, on Nestlé Project RiLeaf

<sup>10</sup> Visit [www.incrediblestories.com.my](http://www.incrediblestories.com.my) for details

## Our Consumers & the Marketplace

### CASE STUDY (continued from previous page)

Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail, Chairman of Nestlé Malaysia and Mr. Peter Vogt, Managing Director of Nestlé Malaysia with the representatives from the 10 charity homes, which are the recipients of the funds collected from the Nestlé Charity Golf Invitation.



### Nestlé 100 Years Activities

- Media Launch, 21 October 2011
- Nestlé - Malaysian Philharmonic School Concert, 14 January 2012
- Nestlé Walking Day Kick-off, 18 January 2012
- Nestlé Coffee Table Book Launch, 7 March 2012
- Nestlé 100 Years Museum Exhibition, Launch, 18 March 2012
- Nestlé 100 Years Official Celebration Launch, 18 March 2012
- Nestlé - Malaysian Philharmonic School Concert, 14 April 2012
- Nestlé Nourishing Malaysia Showcase Announcement, 18 April 2012
- Nestlé Nourishing Malaysia Showcase, 27-29 April 2012
- Nestlé 100 Years Golf, 15 July 2012

“From the start, Nestlé in Malaysia focused not only on offering high quality products to its consumers but also on Creating Shared Value for the communities it touched. Over time, the Company has become a natural part of society, nourishing generations of Malaysian families.”

**Mr. Paul Bulcke**  
CEO Nestlé S.A.

**THE MARKETPLACE - OUR PERFORMANCE**

	GRI Reference	2010	2011	2012
<b>Nutrition</b>				
Products meeting or exceeding Nutritional Foundation profiling criteria (as % of sales)	N/A	74%	78%	78%
Products meeting or exceeding consumer taste preference (as % of sales)		81%	78%	80%
Products with nutritional plus over competitors (as % of sales)		54%	54%	52%
Products with a nutritional claim on front of pack	PR3	64%	68%	67%
Products covered with Nestlé Nutritional Compass (as % of sales)	PR3	100%	100%	100%
Products with GDA labelling (as % of sales)	PR3	57%	69%	98%
<b>Nutrition, Health &amp; Wellness</b>				
Total number of employees who received nutrition training <sup>1</sup>		1,209	262 <sup>2</sup>	724
<b>Consumer Services</b>				
Number of cases handled		15,475	21,663	17,067
Number of enquiries		11,392	19,306	14,661
Number of complaints		3,984	2,264	2,316
Number of praises		99	93	90
<b>Breastfeeding Symposium &amp; Breastfeeding Engagement</b>				
Total number of participants at the Breastfeeding Symposium				101
<b>Ice-Cream Vendors</b>				
Total number of vendors				28

<sup>1</sup> Exclude Purina PetCare, Nestlé Nutrition and CPM

<sup>2</sup> The NQ training programme was initiated in 2007, for all existing employees, the majority of whom had undergone the training in 2010. The number of employees trained in 2012 were only for new employees and the few who have not had any training before as well as NQ Booster 'Lunch N Learn'.

# Awards & Achievements



## PUTRA BRAND AWARDS 2012

The Putra Brand Awards was held on 24<sup>th</sup> April 2012. Introduced as an extension of Malaysia's Most Valuable Brands (MMVB), the award recognises brand building as an integral business investment. The winning brands were selected based on consumer preferences that were gauged through a consumer research that involved 6,000 participants who determined the nation's favourite brands within 20 categories. This year, bagging up the Gold and Silver awards under the Non-alcoholic Beverage Category were MILO and NESCAFÉ respectively; and the NESTLÉ Breakfast Cereals, the Silver Award under the Foodstuff Category.



## THE EDGE BILLION RINGGIT CLUB 2012

Established by Malaysia's leading business and investment weekly – The Edge – The Edge Billion Ringgit Club recognises outstanding listed companies in various sectors such as market capitalisation, construction, consumer products, finance and many more. Nestlé Malaysia was one of the 18 companies that performed well by coming in first in Best CSR Initiatives Category. The awards were presented by Y. B. Datuk Seri Idris Jala, Minister in the Prime Minister's Department and CEO of the Performance Management and Delivery Unit (Pemandu).



### **NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)**

The National Annual Corporate Report Awards (NACRA) is a collaborative effort between Bursa Malaysia Berhad, Malaysian Institute of Accountants (MIA) and The Malaysian Institute of Certified Public Accountants (MICPA). The annual award presentation was held on 1<sup>st</sup> November 2012 to recognise excellence in the quality of corporate, financial and Corporate Social Responsibility reporting. This year, Nestlé Malaysia was awarded the Platinum Award under the Best CSR Report 2012 category. The award was presented by Domestic Trade, Co-operatives and Consumerism Minister, Y. B. Datuk Seri Ismail Sabri Yaakob.



### **THE EFFIE AWARDS MALAYSIA 2012**

Jointly organised by the Malaysian Advertising Association (MAA), Association of Accredited Advertising Agents Malaysia (4As), Media Specialists Association (MSA) and the Malaysia External Trade Development Corporation (MATRADE), the Effie Awards recognises effective marketing campaigns. Successfully meeting all marketing disciplines, the MILO Redemption Campaign was awarded the Silver Award for the Beverages/Non-Alcoholic Category.



### **MALAYSIAN BOOK OF RECORDS**

In an effort to encourage private sectors to play its role in nation building towards Vision 2020, Malaysian Book of Records (MBR) is an official body that recognises, acknowledges and certifies the country's record holders, breakers and creators. One of the attractions at the Nestlé 100 Years Celebration was the painting of the biggest 3-D canvas by a group of SAITO students, which earned a place in the MBR. The concept of the painting captured the consumers' interaction with Nestlé products in the last 100 years.

# GRI STANDARD DISCLOSURES

## GRI CONTENT INDEX INCLUSIVE OF FOOD PROCESSING SECTOR SUPPLEMENT

### STANDARD DISCLOSURE PART I: Profile Disclosures

#### 1. Strategy and Analysis

##### 1.1 Statement from the most senior decision-maker of the organisation

The Message to Stakeholders can be found on page 2 of the Creating Shared Value (CSV) Report 2012.

##### 1.2 Description of key impacts, risks and opportunities

Having defined a strategic framework on Stakeholder Engagement in 2011, we will continue to optimize activities with the right partners, ie. Ministry of Health, Ministry of Education, NGOs such as Nutrition Society of Malaysia and Malaysian Association for the Study of Obesity, and key Nestle customers, to enhance our credentials as the Nutrition, Health and Wellness (NHW) leader in Malaysia.

Nestlé's stakeholders agreed that neutralizing the threat of Non-Communicable Diseases (NCD) requires a continuous joint effort between all parties, in terms of education, awareness and product offerings. The Stakeholders Convening session was held on 26 June 2012 to discuss the issue on NCD with key stakeholders representing Non-Governmental Organisations (NGOs) and government bodies, from various sectors such as Corporate Governance, Environment, Sustainable Development, Nutrition & Health and Consumers Issues. The topics and responses from the discussion are stated on page 10 and 11 of the CSV Report 2012.

Inspired and highly emphasized by the NHW Roadmap for all Nestlé markets in Zone AOA (Asia, Oceania & Africa), Nestlé Malaysia is committed to put the consumer & customer at the heart by building trust in its brands as the leading NHW company.

Having defined a strategic framework from the Stakeholder Engagement Session, Nestlé will continue to optimize activities with the right partners, ie. Ministry of Health, Ministry of Education, NGOs such as Nutrition Society of Malaysia and Malaysian Association for the Study of Obesity, and key Nestlé customers to enhance our credentials.

Additionally, to combat NCD in Malaysia, Nestlé Malaysia will align with the Government's 2010 National Strategic Plan for NCD. Efforts to combat NCD with children is prioritised via school programmes such as the Healthy Kids Programme and *Program Cara Hidup Sihat* to reach adolescents in schools, as well as educate Malaysians on food labeling and promote healthy eating and active life style programs.

#### 2. Organisational Profile

##### 2.1 Name of Organisation

Nestlé (Malaysia) Berhad.

##### 2.2 Primary brands, products and/or services

Information about the primary brands and products is available in the Corporate Report 2012, page 14 to 19.

##### 2.3 Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.

The following are Nestlé (Malaysia) Berhad 's investments in subsidiaries:

- Nestlé Products Sdn. Bhd. (100%)
- Nestlé Manufacturing (Malaysia) Sdn. Bhd. (100%)
- Nestlé Asean (Malaysia) Sdn. Bhd. (100%)
- Nestlé Foods (Malaysia) Sdn. Bhd. (100%; inactive)
- Nihon Canpack (Malaysia) Sdn. Bhd. (20%)

##### 2.4 Location of organisation's headquarters.

The full address and contact details of the organisation's headquarters is stated at the last page of this report.

##### 2.5 Number of countries where organization operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.

The Fast Facts information on Nestlé SA and Nestlé Malaysia is on page 5 of the CSV Report 2012.

## GRI STANDARD DISCLOSURES

**2.6 Nature of ownership and legal form.**

The principal activity of the Company is that of an investment holding company, whilst the principal activities of the subsidiaries are as stated in note 5 to the financial statements; or as listed down above for indicator 2.3. There has been no significant changes in the nature of these activities during the financial year. As registered with the Companies Commission of Malaysia since 1983, the legal form of the Company is:

- Limited by shares
- Public Limited

**2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).**

The Company manufactures and supplies products for both domestic and export markets, consumers and also out-of-home (OOH) segments such as coffee-shops and restaurant operators; as well as other relevant stakeholders such as healthcare professionals, whom are addressed through the Nestlé Start Well Stay Well Educational Programme. The Company distribute its products throughout Malaysia, as define by 7 regional areas within Malaysia: Central 1 (Kuala Lumpur and Selangor), Central 2 (Negri Sembilan and Melaka), Northern 1 (Pulau Pinang, Kedah and Perlis), Northern 2 (Perak), Southern (Johor), East Coast (Pahang, Terengganu and Kelantan) and East Malaysia (Sabah & Sarawak).

**2.8 Scale of the reporting organisation.**

Scale of the reporting organization and quantity of products provided is stated in Fast Facts on page 5, and the net sales breakdown is stated on page 14 and 15 of the CSV Report 2012. The scale of reporting organization by the quantity of products provided can be found in the Corporate Report 2012 on page 14 till 19.

**2.9 Significant changes during the reporting period regarding size, structure, or ownership**

There were no significant changes during the reporting period regarding size, structure, or ownership. However, a new product manufacturing line was added to produce our Nestle Breakfast Cereals, which did not affect any data reported in the CSV Report 2012.

**2.10 Awards received in the reporting period.**

There are a total of 5 awards received by the Company, as stated on page 70 of the CSV Report 2012.

**3. Report Parameters****3.1 Reporting period.**

From 1<sup>st</sup> January till 31<sup>st</sup> December 2012.

**3.2 Date of most recent previous report.**

The Company's Annual Report 2011, consisting of 3 books: Corporate Report, Creating Shared Value Report and Financial Report.

**3.3 Reporting Cycle.**

The reporting cycle for the Company is on annual basis.

**3.4 Contact point for questions**

Further questions can be directed to the Company's Group Corporate Affairs Department (GCAD). Contact details are stated on the back cover of the Corporate Report 2012.

**3.5 Process for defining report content.**

The content of the report is defined by the following guidelines:

- GRI Content Guidelines
- Bursa Malaysia Guidelines
- Message to Stakeholders, on page 2 of the CSV Report 2012
- The Nestlé Global Creating Shared Value Strategy, on page 8 of the CSV Report 2012

## GRI STANDARD DISCLOSURES

### 3.6 Boundary of report.

The boundary of the report is stated in the Message to Stakeholders on page 2 of the CSV Report 2012.

### 3.7 State any specific limitations on the scope of boundary of the report.

Environment indicators are only reported for Nestlé Malaysia's manufacturing facilities. There are no specific processes in place for central collation of raw data for administrative and sales office.

The Corporate Report 2012 includes the business aspects of all of the Company's Business Units (BUs), except for Purina Petcare. However, all employee related matters (data and figures) are included in the report as a total company, including Purina Petcare, as stated on page 55, under the 'Our People and Workplace' section of the CSV Report 2012.

### 3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.

Subsidiaries are reported as part of the Nestlé Malaysia Group. Details of the Group are stated in the Message to Stakeholder on page 2 of the CSV Report 2012.

### 3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.

Data measurement techniques, the bases of calculations and other reported data that appears for each section of the CSV Report 2012 are stated in the 4 main sections and indicated accordingly with a foot note. Any tools, calculations or resources used for the listed data and figures are on the following pages:

- Our Respect and Care for the Community, page 27
- Our Commitment to the Environment, page 45
- Our People and Workplace, page 57
- Our Consumers and the Marketplace, page 69

### 3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).

There were no re-statements of information provided in the previous report. However, an Errata was issued to address errors that appeared in the CSV Report 2011, which was distributed to the shareholders on 2nd April 2012. The Errata addressed the errors that appeared on 'Summary of Key Performance Data' on page 18 of the CSV Report 2011.

### 3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.

All facts and figures reported in the CSV Report 2012 are in accordance with the previous CSV Report 2011. There were no significant changes from the previous reporting period in the scope, boundary, or measurement methods applied in the report. However, the calculation method for Sludge Waste is included in the total Landfill Waste figure for the CSV Report 2012, as stated on page 14. Apart from that, the total employees for the Company also includes those in the Purina Petcare Business Unit and the format of GRI Content Index has been adapted into the GRI Standard Disclosure write up.

### 3.12 Table identifying the location of the Standard Disclosure in the report.

As stated in 3.11, the previous GRI Content Index Table has been adapted into the Standard Disclosure write up, on page 72.

### 3.13 Policy and current practice with regard to seeking external assurance for the report.

The policy and current practice with regards to seeking external assurance for the report is stated in the Message to Stakeholders on page 2 of the CSV Report 2012. The Group engaged Bureau Veritas Certification to check in accordance with the GRI 3.0 Standards and the internationally recognised AA1000 Assurance Standard (2008), set by AccountAbility.

## GRI STANDARD DISCLOSURES

**4. Governance, Commitments and Engagement****4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.**

Governance structure of the Company, including committees under the highest governance body responsible for specific tasks are stated in the Corporate Governance Statement on page 2 of the Corporate Governance and Financial Report 2012. As stated accordingly, below are the principles that address the Company's overall governance structure and the governance body responsible for specific tasks:

- Principle 1 – Establish Clear Roles and Responsibilities of The Board of Directors and Management, which covers the Principal Responsibility of the Board of Directors, Clear Roles and Responsibilities, Code of Ethics for Directors and Code of Conduct, Whistle-Blowing Policy, Compliance Framework and Compliance Programme, Competition Law and Compliance Guidelines, Consumers, Suppliers and Service Providers, Sustainability of Business, and Access to Information and Advice.
- Principle 2 – Strengthen The Composition of the Board, which state the involvement of the Nomination Committee, whereby their task includes the Selection and Assessment of Directors, and the involvement of Compensation Committee, whereby their task is to govern the Director's Remuneration.
- Principle 3- Reinforce Independence of the Board, which clearly defines the responsibility between the Chairman and the Managing Director to engender accountability and facilitate the division of responsibility.
- Principle 4 – Foster Commitment of Directors, which covers Time Commitment and the Director's Training.
- Principle 5 – Uphold Integrity In Financial Reporting By Company, which explains the Board's aim to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of the financial year.
- Principle 6 – Recognise and Manage Risks of the Group, which defines the importance of risk management and internal controls.
- Principle 7 – Ensure Timely and High Quality Disclosure, which defines the essential aspect of an active and constructive communication policy in disseminating information to the shareholders and investors.
- Principle 8 – Strengthen Relationship Between the Company and its Shareholders, which shows the Board's belief that not only they are accountable to shareholders but also responsible for managing successful and productive relationships with the Company's stakeholders.

**4.2 Indicate whether the Chair of the highest governance body is also an executive officer.**

No. The Chair of highest governance body is the Chairman of the Board, who is non-executive.

**4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.**

There are a total of nine directors:

- Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail
- Dato' Mohd. Rafik bin Shah Mohamad
- Tan Sri Datuk Dr. Rafiah binti Salim
- Tan Sri Datuk Yong Poh Kon
- Dato' Frits van Dijk
- Peter Vogt
- Alois Hofbauer
- Marc Seiler
- Adnan Pawanteh

Details of each director are available in the Corporate Report 2012, on page 26.

**4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.**

The Group's shareholders are able to provide recommendations or direction at the Annual General Meeting (AGM); and employees, through internal meetings or training sessions. In 2012, all levels of employees in the Group were able to provide their recommendations and feedback through an internal survey known as 'Nestlé and I', which is reported on page 49.

**4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).**

Established on 26<sup>th</sup> August 2010, the Compensation Committee is responsible to make recommendations to the Board on the compensation framework for Directors. The main responsibilities of the committee are to ensure that the compensation, salary and benefits of the employees of the Group are benchmarked with industry standards in light of the Group's performance in the industry. The committee takes cognisance that the compensation packages of Executive Directors and Senior Management to the Group are subject to the global compensation practices of the worldwide Nestlé group of companies. More information on this matter is available in the Corporate Governance and Financial Report 2012, on page 9 and 10.

## GRI STANDARD DISCLOSURES

### 4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.

Processes in place for the highest governance body to ensure conflicts of interest are avoided are carried out by the Audit Committee, which comprises of three members who are all Independent Non-Executive Directors. The committee was established on 2nd March 1994 under the Terms of Reference stated in the Corporate Governance and Financial Report 2012. More information on this matter is available in the Corporate Governance and Financial Report 2012, on page 22.

### 4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.

Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics are carried out by the Nomination Committee. The assessment considered the qualifications, contribution and performance of the Directors on their competency, character, time commitment, integrity and experience in meeting the needs of the Group. More information on this matter is available in the Corporate Governance and Financial Report 2012, on page 8.

### 4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.

The internally developed statements of mission or values, codes of conduct, principles relevant to economic, environmental and social performance and the status of their implementation are stated in:

- Message to Shareholders, Corporate Report 2012 – Page 6
- Message to Stakeholders, CSV Report 2012 – Page 2
- Corporate Governance Statement, Corporate Governance and Financial Report 2012 – Page 2

### 4.9 Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.

Nestlé Malaysia and its Board of Directors have been resolute in ensuring that the Group's business and affairs are in strict adherence to the doctrine and principles of good corporate governance such as integrity, transparency, accountability and responsible business conduct.

Being a subsidiary of Nestlé S. A., the Group has adopted the Corporate Governance Principles of its holding company as the basis of its best practices in corporate governance, which mainly covers the following four areas:

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

The Board directs the Group's risk assessment, strategic planning, succession planning and financial and operational management to ensure that obligations to shareholders and other stakeholders are understood and met. More information on this matter is available in the Corporate Governance and Financial Report 2012, on page 2.

## GRI STANDARD DISCLOSURES

**4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.**

Processes in place for the highest governance body to ensure conflicts of interest are avoided are carried out by the Audit Committee, which comprises of three members who are all Independent Non-Executive Directors. The committee was established on 2<sup>nd</sup> March 1994 under the Terms of Reference stated in the Financial Report. More information on this matter is available in the Corporate Governance and Financial Report 2012, on page 22.

Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics are carried out by the Nomination Committee. The assessment considered the qualifications, contribution and performance of the Directors on their competency, character, time commitment, integrity and experience in meeting the needs of the Group. More information on this matter is available in the Corporate Governance and Financial Report 2012, on page 8.

**4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization.**

This is done in accordance to the Corporate Governance Statement that sets out the adoption and practices of the four principles practiced by the Group, as well as the application of the 8 Principles and 26 Recommendations of the Malaysian Code on Corporate Governance 2012 ["MOCG 2012"], relevant chapters of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on corporate governance and the internal requirements as codified in the Nestle Code of Business Conduct. More information on this matter is available in the Corporate Governance and Financial Report 2012, on page 2.

**4.12 Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses.**

Nestlé Malaysia signed and supports the UN Millennium Goals, The UN Global Compact CEO Water Mandate and the Roundtable for Sustainable Palm Oil (RSPO).

**4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: \*Has positions in governance bodies; \* Participates in projects or committees, \*Provides substantive funding beyond routine membership dues; or \*Views membership as strategic.**

Nestlé Malaysia is an active member in the Malaysian International Chamber of Commerce and Industry (MICCI) and the Roundtable for Sustainable Palm Oil (RSPO).

**4.14 List of stakeholder groups engaged by the organization.**

Nestlé Malaysia frequently engages with stakeholders that are relevant to its operations such as the Nutrition Society of Malaysia (NSM), Ministry of Health (MOH) and the Malaysian Society of Obesity (MASO).

## GRI STANDARD DISCLOSURES

### STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)

#### Disclosure on Management Approach SC (DMASC)

##### Aspects

- (i) Protecting natural resources
- (ii) Minimising toxicity
- (iii) Fair trade
- (iv) Fair compensation for labor
- (v) Traceability
- (vi) Genetically modified organisms (GMOs)
- (vii) Animal welfare
- (viii) Biofuels

Environmental sustainability is one of Nestlé's Corporate Business Principles which form the foundation of all that the company does. The Principles state:

"We commit ourselves to environmentally sustainable business practices. At all stages of the product life cycle we strive to use natural resources efficiently, favour the use of sustainably-managed renewable resources, and target zero waste."

Nestlé believe that all parts of society share responsibility for the environment. However, Nestlé is determined to provide leadership within its own sphere of influence; and for the resulting environmental benefits to become an extra reason for people to prefer its products.

The Nestlé Policy on Environmental Sustainability, which was recently updated in 2013, covers the entire value chain, from farm to consumer. Nestlé have identified four priority areas: water; agricultural raw materials; manufacturing and distribution; and packaging that are specific to food and beverage business. The value chain is illustrated on page 9 of the CSV Report 2012. The Policy incorporates the United Nations Global Compact's three guiding principles on environment – namely, that business should:

- Support a precautionary approach to environmental challenges.
- Undertake initiatives to promote greater environmental responsibility.
- Encourage the development and diffusion of environmentally friendly technologies.

An internal policy was introduced by the Managing Director of Nestlé Malaysia in 2012, whereby the emphasis on its commitments to the environment includes:

- Taking into account the need to preserve natural resources and save energy
- Applying local legal requirement as a minimum standard
- Research & Development and new investments include an evaluation to ensure environmentally-appropriate products, packaging and processes.
- Management and personnel within Nestlé Malaysia are encouraged to continuously improve environmental performance.

Nestlé has identified palm oil as one of our key resources that are used in manufacturing our products. In 2011, Nestlé Malaysia launched the Project RiLeaf (refer to case study on page 40) which aims to sustain one of the world's richest ecosystems by creating a landscape where nature, people and palm oil agricultural activities can co-exist harmoniously in their need for water. Nestlé is also part of the Roundtable on Sustainable Palm Oil (RSPO), which is to ensure fair trade and traceability of the palm oil usage in manufacturing its products. Nestlé Malaysia does not engage in GMOs or handle animal livestock in its operations.

#### Disclosure on Management Approach EC (DMAEC)

##### Aspects

- (i) Economic performance
- (ii) Market presence
- (iii) Indirect economic impacts

Nestlé Malaysia's financial matters such as the economic performance, market presence and indirect economic impacts are reported in the Corporate Governance and Financial Report 2012.

## GRI STANDARD DISCLOSURES

### Disclosure on Management Approach EN (DMAEN)

#### Aspects

- (i) Materials
- (ii) Energy
- (iii) Water
- (iv) Biodiversity
- (v) Emissions, effluents and waste
- (vi) Products and services
- (vii) Compliance
- (viii) Transport.
- (ix) Overall

Nestlé's commitment to the environment is focused on water preservation, natural resources efficiency, biodiversity conservation, air emissions reduction, climate change adaptation, and zero waste. Where possible, Nestlé sources for raw materials locally (in Malaysia) and have initiated programmes such as Contract Farming to ensure quality supply of materials. Nestlé reports the savings on the following aspects listed above on page 44 and 45 of the CSV Report 2012.

### Disclosure on Management Approach LA (DMALA)

#### Aspects

- (i) Employment
- (ii) Labor/management relations
- (iii) Occupational health and safety
- (iv) Training and education
- (v) Diversity and equal opportunity

With the belief that people are an asset to an organisation, Nestlé is committed in providing all employees good working conditions, a safe and healthy work environment, and flexible employment possibilities that support a better and balanced lifestyle, which is also consistent with our ambition as the leading Food, Nutrition, Health and Wellness company.

Nestlé determines training and development priorities, as such, Nestlé offers a comprehensive range of training activities and methodologies to everyone's learning and growth.

As for talent, development and performance management, each employees receives regular feedback on their performance and career aspirations through a variety of tools and processes such as the Performance Evaluation process (PE), the Progress and Development Guide (PDG) and 360° assessments.

Promotions are based on sustained performance from a results and behaviour standpoint. Employees who are interested in international assignments can be given the opportunity to work in different countries.

## GRI STANDARD DISCLOSURES

### Disclosure on Management Approach HR (DMAHR)

#### Aspects

- (i) Investment and procurement practices
- (ii) Non-discrimination
- (iii) Freedom of association and collective bargaining
- (iv) Child labor
- (v) Forced and compulsory labor
- (vi) Security practices
- (vii) Indigenous rights

Nestlé not only delivers high quality products but does it in a way that reflects the Group's commitment to conduct its business activities in full compliance with applicable laws and to be guided by integrity and honesty. The Nestlé Supplier Code which was updated in 2010, specifies and helps the continued implementation of the Corporate Business Principles by establishing certain non-negotiable minimum standards that encourage the suppliers, its employees, agents and subcontractors (the Supplier), to respect and to adhere to when conducting business. By acceptance of the Code, the Supplier commits that all existing and future agreements and business relationships with Nestlé will be subject to the provisions contained in the Code.

The Nestlé Supplier Code covers the following:

- Business Integrity – emphasizes on Compliance with applicable laws and regulations, and improper advantage.
- Sustainability – encourages operating practices, farming practices and agricultural production systems that are sustainable.
- Labour Standard – defines Prison and forced labour, Child labour, Working hours, Compensation, Non-discrimination and the freedom of association and collective bargaining.
- Safety and Health – focuses on Workplace environment and Product Quality and Safety.
- Environment – the Supplier must operate with care for the environment and ensure compliance with all applicable laws and regulations in the country where products or services are manufactured or delivered.
- Supplying Farmers – ensure that supplying farmers become fully aware of the Code, the provisions stated therein and their meaning and implications for their farming methods.
- Audit and termination of the supply agreement – in case when Nestlé becomes aware of any actions or conditions not in compliance with the Code, Nestlé reserves the right to demand corrective measures. Nestlé reserves the right to terminate an agreement with any supplier who does not comply with the Code.

### Disclosure on Management Approach SO (DMASO)

#### Aspects

- (i) Community
- (ii) Healthy and affordable food
- (iii) Corruption
- (iv) Public policy
- (v) Anti-competitive behavior
- (vi) Compliance

Nestlé Malaysia engages regularly with the community it operates in. The projects and initiatives are reported in the CSV Report 2012.

Through its Popularly Positioned Products (PPP) initiative, which targets Emerging and Less Affluent Consumers in all Markets with Nestlé Brands, Products and Solution, Nestlé is able to offer high-quality food products that provide nutritional value at an affordable cost to address the lower-income consumers.

Nestlé condemns any form of bribery and corruption (Sections 10 and 11 of our Code of Business Conduct) and shares the view of the United Nations which flag corruption as a major hindrance to sustainable development (Principle 10 of the UN Global Compact). Based on the above, the Company has made the following commitments:

"We will not use bribes. Nestlé prohibits all forms of bribery of "Public Officers" or "Business Partners".

The Nestlé Corporate Business Principles generally covers the anti-competitive and compliance behaviour under the leadership and personal responsibility.

## GRI STANDARD DISCLOSURES

**Disclosure on Management Approach PR (DMAPR)**

## Aspects

- (i) Customer health and safety
- (ii) Product and service labeling
- (iii) Marketing communications
- (iv) Customer privacy
- (v) Compliance

Nestlé aims to create value that can be sustained over the long term by offering consumers a wide variety of tastier and healthier food and beverage choices.

The way Nestlé market our products is equally important. While Nestlé believe that consumer communication such as advertising helps consumers exercise an informed choice, Nestlé also believe its practice must follow certain principles to ensure it gains and maintains consumers' trust in their brands and company.

Consumer communication is a two-way matter. The increasing importance of internet and digital media, such as social networks and mobile communication, has changed forever the way Nestlé engage with consumers and consumers engage with Nestlé. In addition, consumers' expectations regarding Nestlé's commitment to social issues, such as fighting childhood obesity and reducing the impact on the environment, are higher than ever. In this context, Nestlé must demonstrate a responsible and careful management of our consumer communication, both at brand and corporate level. The Nestlé Communication Principles have been defined

**Disclosure on Management Approach AW (DMAAW)**

## Aspects

- (i) Breeding and genetics
- (ii) Animal husbandry
- (iii) Transportation, handling and slaughter

Not applicable, as Nestlé Malaysia does not breed animals or handle livestock in its operations.

**STANDARD DISCLOSURE PART III: Performance Indicators****1. Strategy and Analysis****Sourcing – Across all aspects of sourcing****FP1 Percentage of purchased volume from suppliers compliant with company's sourcing policy.**

The percentage of purchase volume from compliant suppliers is 100%, as the Nestlé Suppliers Code demands each and every supplier to adhere to the codes before being listed as Nestlé's supplier or vendor. As stated in the Corporate Governance Statement on page 6 of the Corporate Governance and Financial Report 2012, the Nestlé Suppliers Code binds the Group's supplier and service providers to ensure high standards of business ethics amongst all suppliers and service providers of the Group including the suppliers or service providers of the Group's related companies. These Standards are incorporated into the contract with the relevant supplier or service provider. It is made clear in all agreements with suppliers and service providers that breaches relating to any provisions in the Standards of which the relevant supplier or service provider has been made aware of, may lead to immediate termination of the contract with the affected supplier or service provider. As of December 2012, there are 158 suppliers and service providers that are in compliance with the Nestlé Suppliers code (100%). There are no incident of non-compliance among the suppliers and service providers.

**FP2 Percentage of purchased volume, which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard.**

As of December 2012, the percentage of purchased volume which is verified as in accordance with SEDEX is 88%. The total number of suppliers that has gone through the SEDEX assessment is 139 out of 158 suppliers.

The percentage of purchase volume from 139 suppliers or service providers that have been assessed by SEDEX as according to the type of suppliers in our local regions:

- Raw Materials – 76 suppliers
- Pack – 53 suppliers
- S & IM – 2
- Marketing Services – 8

Source from Group Procurement, Nestlé (Malaysia) Bhd.

## GRI STANDARD DISCLOSURES

### **Economic – Economic performance**

#### **EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.**

The other direct economic value generated is stated on page 15 of the CSV Report 2012.

The direct economic value distributed for community investments is stated in the Corporate Governance and Financial Report 2012 on page 34 is RM61 million, listed as Goodwill.

#### **EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change.**

At Nestlé, we have analysed our value chain and determined three areas of greatest potential for our joint value optimisation with society and they are Nutrition, Water and Rural Development. These areas are core to our business strategy and vital to the welfare of the communities that we operate in.

Nestlé is doing its part to address problems caused by climate change and global warming by reducing specific energy consumption and the emission of greenhouse gases from its operations

Increasingly, Nestlé is helping its stakeholders adapt to climate change impacts – both to support their livelihoods and the environment; sharing good practices with different stakeholders and reducing the risk to food security and the long-term supply of materials to the business. In 2012, the Nestlé Paddy Club was launched to achieve a win-win-win situation for People, Planet and Profit for the paddy farmers in Malaysia. Nestlé Paddy Club provides an opportunity for the farmers to exercise good agricultural practices and become more resilient so that they can continue to grow crops in the face of changing patterns of agricultural production. The Nestlé Paddy Club case study can be found in the CSV Report 2012, on page 36.

#### **EC3 Coverage of the organization's defined benefit plan obligations.**

The coverage of the Group's defined benefit plan obligation is stated on page 49 and 50 of the Corporate Governance and Financial Report 2012.

The Nestlé Malaysia Group offers two retirement schemes that are made available for when a staff reaches the retiring age of 55 years OR 60 years, namely the Employee Provident Fund Scheme and the Nestlé Malaysia Group Retirement Scheme (NMGRS), both of which can be referred to in more detail in the Nestlé Management Employee Handbook.

In addition, the Group also offers various types of benefits i.e. Invalidity Benefits, Survivor Benefits and Vested Benefits.

#### **EC4 Significant financial assistance received from government.**

No financial assistance received from the Government directly. Tax breaks provided based on Halal incentives (applies to industry, not Group specific). The Government is not present in the Company's shareholding structure.

### **Economic – Market presence**

#### **EC5 Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation.**

No minimum wage legislation in Malaysia. Schedule of salaries and wages of non-management employees are stated in the collective agreements with the respective unions.

According to the collective agreement between Nestlé Manufacturing (M) Sdn Bhd and Food Industry Employee Union, the range of wages is from ratio RM750 (for Category 1) to RM1,250 (for Category 11).

According to the collective agreement between Nestlé Products Sdn Bhd and National Union of Commercial Workers, the range of wages is from a ratio of RM900 to RM1500.

## GRI STANDARD DISCLOSURES

### **EC6 Policy, practices, and proportion of spending on locally based suppliers at significant locations of operations.**

Our suppliers, agents, subcontractors and their employees comply to the Nestlé Supplier Code that specifies minimum standards, which they need to respect and adhere to including business integrity, sustainable operating and agricultural practices, labour standards, safety, health and environmental practices.

There is also the Sustainable Agriculture Initiative Nestlé (SAIN) that guides our engagement in farming systems to support agricultural practices. Where possible Nestlé sources for raw materials locally (in Malaysia) and have initiated programmes such as Contract Farming to ensure quality supply of materials (see Our Commitment to the Environment in the CSV Report 2012 – Highlight: Nestlé Paddy Club, page 36).

### **EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.**

The Nestlé Management and Leadership Principles policy is to hire employees with attitudes and professional skills enabling them to develop a long-term relationship with the Group, with no consideration given to origin, nationality, religion, race, gender, disability, sexual orientation or age. Where possible, Nestlé hires from the local community, depending on the required functions and expertise.

### **Economic – Indirect economic impacts**

#### **EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.**

As stated in EC1, the total amount of investment under Goodwill is stated on page 34 of the Corporate Governance and Financial Report 2012. Explanations of the extent of development of significant investments provided primarily for public benefit are explained in the 'Our Respect and Care for the Community' section of the CSV Report 2012 on page 16. Results, data and achievements for all community based projects are stated on page 27.

#### **EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts.**

Nestlé does not attempt to estimate its indirect economic impact using a measure of currency. The activities/initiatives that we embark on, in relation to the three core areas of our business – Nutrition, Water and Rural Development – are assessed over time through survey/monitoring results.

### **Environmental – Materials**

#### **EN1 Materials used by weight or volume.**

The figure is stated on page 44 in the CSV Report 2012, under the Our Commitment to the Environment.

#### **EN2 Percentage of materials used that are recycled input.**

The figure is stated on page 44 in the CSV Report 2012, under the Our Commitment to the Environment.

#### **EN3 Direct energy consumption by primary energy source.**

The figure is stated on page 44 in the CSV Report 2012, under the Our Commitment to the Environment.

#### **EN4 Indirect energy consumption by primary source**

The figure is stated on page 44 in the CSV Report 2012, under the Our Commitment to the Environment.

#### **EN5 Energy saved due to conservation and efficiency improvements**

The figure is stated on page 44 in the CSV Report 2012, under the Our Commitment to the Environment.

#### **EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.**

Kindly refer to 'Our Commitment to Environment' – Addressing Climate Change – Managing Energy and Emission of Greenhouse Gases on page 32. The initiatives include refrigerant management, minimizing solid waste and recycling. Nestlé is also testing 200 pilot units of high-energy efficient freezers in the Ice Cream business retails using Hydrocarbon refrigerant. This is one of our efforts toward natural refrigerant use, which has less global warming effect. However, the energy saving data are still at the R&D stage.

## GRI STANDARD DISCLOSURES

### **EN7 Initiatives to reduce indirect energy consumption and reductions achieved.**

Refer to 'Our Commitment to Environment' – Addressing Climate Change – Managing Energy and Emission of Greenhouse Gasses on page 32 till 34. We achieved a total purchased electrical savings of 1,424 GJ in 2012 due to improvement in process efficiency and various energy saving investments (e.g. T5 high efficient lights, fine bubble diffusers for wastewater treatment plant etc.).

Further Shuttle services are provided in Head Office and Factories for commuting employees. No data tracking is done for the measurement purposes.

### **EN8 Total water withdrawal by source**

The figure is stated on page 44 in the CSV Report 2012, under the Our Commitment to the Environment.

### **Environmental – Water**

#### **EN9 Water sources significantly affected by withdrawal of water.**

None of our water withdrawal sources are affected, as we are not classified as sensitive or part of the Ramsar Wetlands list. All our water sources are from Municipal Water, which are sourced from:

- Sungai Selangor – Syarikat Bekalan Air Selangor – Shah Alam Complex, Petaling Jaya & Batu Tiga factories;
- Sungai Batu Hampar – Syarikat Bekalan Air Negeri Sembilan – Chembong factories;
- Sungai Sarawak – Lembaga Air Kuching – Kuching factory

#### **EN10 Percentage and total volume of water recycled and reused.**

The figure is stated on page 44 in the CSV Report 2012, under the Our Commitment to the Environment.

### **Environmental - Biodiversity**

#### **EN11 Location and size of land or waters owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.**

Not applicable, as all factories are located in Industrial Estates designated by the respective state governments.

#### **EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.**

Not applicable, as all factories are located in Industrial Estates designated by the respective state governments.

#### **EN13 Habitats protected or restored.**

Not applicable, as all factories are located in Industrial Estates designated by the respective state governments. Nevertheless, Nestlé's commitment to the environment is reflected in its collaboration with NGOs to preserve the Setiu wetlands and Reforestation of the Kinabatangan area (refer to the Case Study on page 40).

#### **EN14 Strategies, current actions, and future plans for managing impacts on biodiversity.**

Not applicable, as all factories are located in Industrial Estates designated by the respective state governments. Nevertheless, Nestlé's commitment to the environment is reflected in its collaboration with NGOs to preserve the Setiu wetlands and Reforestation of the Kinabatangan area (refer to the Case Study on page 40).

#### **EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.**

Not applicable – there are no reports of IUCN Red List species in the areas of operations. All factories are located in Industrial Estates designated by the respective States, which is located in a developed area as compared to a forest or the natural habitat for IUCN Red List species. The Nestlé Policy on Environmental Sustainability states that we must incorporate environmental sustainability objectives when we build, construct and renovate manufacturing facilities.

#### **EN16 Total direct and indirect greenhouse gas emissions by weight.**

The figure is stated on page 44 in the CSV Report 2012, under the Our Commitment to the Environment.

#### **EN17 Other relevant indirect greenhouse gas emissions by weight.**

The figure is stated on page 44 in the CSV Report 2012, under the Our Commitment to the Environment.

## GRI STANDARD DISCLOSURES

**Environmental – Emissions, effluents and waste****EN21 Total water discharge by quality and destination.**

All wastewater discharged from factories are treated in biological wastewater treatment plant and all the discharge parameters comply with the local environmental regulations.

**EN22 Total weight of waste by type and disposal method.**

All recycling and landfill waste is managed by an appointed and authorised waste management company, and hazardous waste is managed by DOE licensed contractors. There is no reuse of waste collected by our authorized waste management. Management and monitoring of waste by deep well injection is not applicable or relevant to the Group's operations. The 2012 figure is stated on page 45 in the CSV Report 2012, under the 'Our Commitment to the Environment'.

**EN23 Total number and volume of significant spills.**

The figure is stated on page 45 in the CSV Report 2012, under the Our Commitment to the Environment.

**EN24 Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally.**

All hazardous waste is managed by DOE authorized contractors for further treatment and disposal. Storage amount in the factories are limited, as specified by local regulations i.e. under a period of six months or 20mtons.

**EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.**

All wastewater discharged from Nestlé Malaysia factories are treated, and comply with the Environment Quality Act Standard B, with the approval from the Environmental Authorities.

**Environmental – Products and services****EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.**

Refer to Our Commitment to the Environment – Instilling Recycling Habit Amongst the Young (on page 35).

**EN27 Percentage of products sold and their packaging materials that are reclaimed by category.**

Nestlé products reach consumers through various retails outlets. Due to its high variety of products, no measurement of packaging reclamation rates has been undertaken. However, in 2011, the Group organised a tri-recycling campaign with Tesco and Tetra Pak that encouraged members of the public and school children to recycle used beverage cartons. Recycling vending machines were then introduced at a later stage to facilitate the collection of the cartons. At this point, this is the only data tracking that the Group has taken on, and it is only for the MILO & NESCAFE beverage cartons. A total amount of 61,486 beverage cartons were collected in 2012 under this project. Information on this initiative is stated on page 35. The percentage of reclaimed products over production volume for this packaging is 0.056%.

**EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.**

As of December 2012, there are no significant fines, non-monetary sanctions or cases brought through dispute resolution mechanisms being imposed or happened within the Group.

**Environmental – Transport****EN29 Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.**

Monitoring for finished goods movement within Malaysia started in March 2011 and values provided are extrapolated for 12 months. Monitoring in other areas of transportation would be expanded gradually. The 2012 figure is stated also on page 45 in the CSV Report 2012, under the Our Commitment to the Environment.

**EN30 Total environmental protection expenditures and investments by type**

The figure is stated on page 45 in the CSV Report 2012, under the 'Our Commitment to the Environment'.

## GRI STANDARD DISCLOSURES

### Social: Labour Practices and Decent Work

#### Employment

##### LA1 Total workforce by employment type, employment contract and region

The figure is stated on page 55 in the CSV Report 2012, under the 'Our People and the Workplace'.

##### LA2 Total number and rate of employee turnover by age group, gender, and region.

The Group measures number and rate of employee turnover in gender and region, but not by age group due to non-directive from the Group Human Resource Department. However, the Group plans to start tracking in 2014. The latest 2012 figure is stated on page 55 in the CSV Report 2012, under the 'Our People and the Workplace'.

##### LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operation.

The Group has listed down and provided full disclosure on the benefits of every employee in the Nestlé Management Employee Handbook, the collective agreement between Nestlé Manufacturing (M) Sdn Bhd and Food Industry Employee Union, and the collective agreements between Nestlé Products Sdn Bhd and National Union of Commercial Workers.

#### Labor Practices and Decent Work – Labor/management relations

##### LA4 Percentage of employees covered by collective bargaining agreements.

Please refer below for breakdown of employees covered by collective bargaining agreements:

- Total of non-management employees – 4,380
- Total of employees under the union – 4,242
  - o NFM – 99
  - o NMM – 3,601
  - o NPM – 542

Percentage of employees covered by collective bargaining agreements is 97%. (Source: Group Human Resource, Nestle Malaysia, YTD December 2012).

##### LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.

As stated in the Collective Agreement, the minimum notice period is between three to seven days, depending on the nature of the change (i.e. restructuring, outsourcing of operations, closures, expansions, new openings, takeovers, sale of all or part of the organisation, or mergers).

##### FP3 Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country.

No working time lost due to industrial disputes, strikes and/or lock-out.

#### Labor Practices and Decent Work – Occupational health and safety

##### LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.

100%.

##### LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.

As recorded and stated on page 56, minor (first-aid level) injuries are included in the calculation of Lost Time Injury Frequency Rate.

For each Nestlé-recordable incident, any lost or restricted days must be tracked and recorded in SHE-PM tool, which is the system of rules applied in recording and reporting accident statistics. Lost and restricted days are counted as calendar days, starting from the day after the injury or illness.

Injury rate, occupational diseases rate, lost day rate, absentee rate and absolute number of fatalities for total workforce by region is recorded in the SHE-PM tool, which is stated on page 55.

## GRI STANDARD DISCLOSURES

Injury rate, occupational diseases rate, lost day rate, absentee rate and absolute number of fatalities for independent contractors working on-site to whom the reporting organization is liable for the general safety of the working environment by region is included together with total workforce as illustrated in the table below:

Location of Incident	Affected Individuals in Scope
On Nestlé sites	All <u>individuals</u> , ie all employees (regular and temporary), contractors and members of the public.
Outside Nestlé sites	All <u>employees</u> (regular and temporary).

These data will be separated and reported by category (workforce & independent contractors) in 2014.

According to Nestlé's policy, any injuries or illnesses (occupational diseases) that occur throughout 2012 are recorded and tracked based on incident classifications such as Near Miss, Hurt, First Aid, Medical Treatment (beyond First Aid), Restricted Work, Lost-Time, Irreversible and Fatality.

**LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.**

The Nestlé Everyday Coaching programme as reported in 'Our People and the Workplace' section covers the overall education, training, counseling, prevention and risk-control work-related matters, on page 52.

**LA9 Health and safety topics covered in formal agreements with trade unions.**

As indicated in the Collective Agreement 2011-2013 between Nestlé Manufacturing (M) Sdn Bhd and Food Industry Employee Union:

- Article 29 describes the terms and conditions, under which an employee shall or shall not be entitled to paid sick leave;
- Article 30 describes the terms and conditions, under which an employee shall be granted a prolonged illness leave;
- Article 31 describes the terms and conditions, under which an employee shall be granted an industrial accident leave.

**LA10 Average hours of training per year per employee by employee category.**

The figure is stated on page 57 in the CSV Report 2012, under the 'Our People and the Workplace'.

**LA 11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.**

Two schemes are made available for retirement when a staff reaches the retiring age of 55 years OR 60 years, namely the Employee Provident Fund Scheme and the Nestlé Malaysia Group Retirement Scheme (NMGRS), both of which can be referred to in more detail in the Nestlé Management Employee Handbook.

**LA 12 Percentage of employees receiving regular performance and career development reviews.**

The percentage of total employees who received regular performance appraisal and review during the reporting period is 94%, as stated on page 57.

**LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.**

The total number of employees is listed on Page 55 of CSV Report 2012.

The percentage of employees in minority groups is reported in terms of Ethnic Composition:

- Bumiputera – 4,263 (72%)
- Chinese – 1,136 (19%)
- Indian – 385 (7%)
- Others – 97 (2%)

The percentage of employees by age group:

- Below 30 years old – 2,351 (40.0%)
- 30 to 50 years old – 3,028 (51.5%)
- Above 50 years old – 502 (8.5%)

The percentage of employees in the gender category is stated on page 55 of CSV Report 2012.

## GRI STANDARD DISCLOSURES

The percentage of individuals within the organization's governance bodies in minority groups is reported in terms of Ethnic Composition:

- Board of Directors (total of 9 people)
  - o Bumiputera – 44.4%
  - o Chinese – 11.1%
  - o Indian – 0%
  - o Others – 44.4%

The percentage of individuals within the organization's governance bodies by age group:

- Board of Directors (total of 9 people):
  - o Below 30 years old – 0%
  - o 30 to 50 years old – 33.4%
  - o Above 50 years old – 66.6%

### LA14 Ratio of basic salary of men to women by employee category

The figure is stated on page 57 in the CSV Report 2012, under the 'Our People and the Workplace'.

### Social: Human Rights

#### Investment and procurement practices

#### HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.

Not applicable for Nestlé Malaysia. As stated in the Nestlé Corporate Business Principles, Nestlé fully supports the United Nations Global Compact (UNGC) guiding principles on human rights and labour practices.

#### HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken..

HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.

The percentage is as stated in FP2, which is 88% of suppliers and contractors have undergone and completed the SEDEX audit.

The percentage of contracts with significant suppliers and contractors that were either declines or imposed performance conditions is 12%.

For 2013, suppliers and service providers that have completed the SEDEX assessment will be compiled and reported in 2014.

#### HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

No training conducted on policies and procedures concerning aspects of human rights that are relevant to operations. However, every employee has access to the Nestlé Management Employee Handbook, and topics pertaining to human rights and ethics are available on page 7 of the Management Employee Handbook, which states the following:

"We fully support the United Nations Global Compacts (UNGC) guiding principles on human rights and labour and aim to provide an example of good human rights and labour practices throughout our business activities."

### Non-discrimination

#### HR4 Total number of incidents of discrimination and actions taken.

None in 2012- No incidents of discrimination was reported during the year under review, hence, there were no actions taken.

Source: Report from Head of Legal to Nestlé SA, 14<sup>th</sup> February 2013.

### Freedom of association and collective bargaining

#### HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.

Based on the Human Rights Related Grievance report in 2012, Nestlé factory in Kuching, Sarawak and Chembong, Negeri Sembilan has alleged violations on Human Rights. Internal action has been taken by the respective sites to address these alleged violations, as according to the Collective Agreement 2011-2013 of Nestlé Manufacturing (M) Sdn Bhd and Food Industry Employee Union, and also relevant measurement and actions will be conducted.

## GRI STANDARD DISCLOSURES

### Child labor

#### **HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.**

Nestlé's policy clearly prohibits child labour and recruitment procedures verify that prospective employees are of legal working age. There can be potential conflict in countries where human rights are compromised. The Group keeps abreast of issues, using such resources as Amnesty International, and ensure that education on human rights and equality are integrated into management training programmes.

Nestlé's policy on child labour is stated in the Nestlé Suppliers Code, page 2:

"The used of child labour by the Supplier is strictly prohibited. Child labour refers to work that is mentally, physically, socially, morally dangerous or harmful for children, or improperly interferes with their schooling needs."

For children that are used in Nestlé's advertisements, a parent consent talent agreement is signed by the parent/guardian of the child.

### Forced and compulsory labor

#### **HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.**

According to the Human Rights Grievance report for 2012, there are 31 cases related to Working Time violation:

- 5 cases – 72 hours violation
- 26 cases – Resting Day violation

Internal action has been taken by the respective sites to close the gaps (rotation of shifts, proper briefing on working time/over time, better scheduling, etc).

### Security practices

#### **HR8 Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.**

Security services are outsourced; hence Nestlé has no control over their training procedures and policies. Nevertheless, the security companies, as with all vendors, have to comply with the Nestlé Supplier Code when tendering their services. There are also no reports of an employee being harassed, body searched against his/her will or discrimination by security guards.

### Indigenous rights

#### **HR9 Total number of incidents of violations involving rights of indigenous people and actions taken.**

None - no incidents of violations involving rights of indigenous people was reported during the year under review, hence, there were no actions taken.

### Social: Society Community

#### **SO1 Nature, scope, and effectiveness of any programs and practices that asses and manage the impacts of operations on communities, including entering, operating, and exiting.**

New facilities are subject to all local building codes, regulations and requirements including environmental impact studies. Operational impacts on communities are reported under 'Our Respect and Care for the Community' section of the CSV Report 2012, on page 17 till 27. Feedbacks from our stakeholders are also reported on page 10 of the CSV Report 2012.

### Healthy and affordable food

#### **FP4 Nature, and scope, and effectiveness of any programs and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need.**

The reports are available on various programmes and practices that relates to promoting healthy and affordable food as stated in 'Our Respect and Care for the Community' on page 17 till 27, which explains on 'Program Cara Hidup Sihat', Nestlé Healthy Kids and other initiatives.

## GRI STANDARD DISCLOSURES

### Corruption

#### **SO2 Percentage and total number of business units analyzed for risks related to corruption.**

100%. In 2012, 14 audits were carried out across the various Business/Support Units in Nestlé Malaysia. The Board and Management fully support the contents of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. In support of the Nestlé Market Audit Department and prevailing practices of related companies, the Board and Management have put in place risk management guidelines, control measures and processes throughout the Group.

Risk management is firmly embedded in the Group's key processes through its Risk Management Framework, in line with Principle 6 and Recommendation 6.1 of the Malaysian Code on Corporate Governance ["MOCG 2012"]. Risk management practices are inculcated and entrenched in the activities of the Group, which requires, amongst others, establishing risk tolerance thresholds to actively identify, assess and monitor key business risks faced by the Group. More information on this matter is available in the Corporate Governance and Financial Report 2012, on page 18.

#### **SO3 Percentage of employees trained in organisations's anti-corruption policies and procedures.**

100%. Every employee, particularly new ones is given a book - Code of Business Conduct - upon their first day of induction.

#### **SO4 Actions taken in response to incidents of corruption.**

No incidences of corruption has been reported during the year under review.

### Public policy

#### **SO5 Public policy positions and participation in public policy development and lobbying.**

Nestlé does not participate in lobbying activities or activities to influence public policy development.

#### **SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.**

Nestlé does not contribute to political parties, politicians, and/or related institutions by country.

### Anti-competitive behaviour

#### **SO7 Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.**

As of December 2012, there are no reports of legal actions taken for anti-competitive behavior, anti-trust, and monopoly practices within the Group.

### Compliance

#### **SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliances with laws and regulations.**

As of December 2012, there are no monetary value of significant fines and total number of non-monetary sanctions for non-compliances with laws and regulations being imposed to the Group.

### Social: Product Responsibility

#### Customer health and safety

#### **PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures.**

Nestlé Quality Management System covers the food safety and regulatory compliance systems as well as other systems needed to ensure quality compliance and performance across the value chain. Food safety is being assessed through our yearly review of Food Safety Management System (under FSMS requirement).

Additionally, health impact is being assessed through compliance committee. Whenever a product is being developed, Nutritional and Health impacts on consumer are being assessed by looking at the sensitive nutrients in the foods. The recipe will not be approved if it does not comply with the Nutritional requirements of Nestlé.

Nestlé's unique 60/40+ programme constantly re-challenges its products to ensure that they are preferred by at least 60% of consumers of a large panel. Nutritional assessments are conducted locally which guarantees that wherever Nestlé operates, it is the nutritional needs of the local consumer that dictate the formulation of our products.

All food contact material packaging must comply to Nestlé's Standard which is shared with all suppliers with following rules:

- When no local legal requirements exist in the domains covered by the STANDARDS or if local legal requirements are less stringent, the STANDARDS must be enforced.
- When local legal requirements exist in the domains covered by the STANDARDS and is more stringent, these local legal requirements must be enforced.

Source: Nestlé Standards On Materials In Contact With Food (GI-80.008-1 of February 2012), Nestlé Quality Management System (NQMS) and 60/40+.

## GRI STANDARD DISCLOSURES

**FP5 Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards.**

The percentage of production volume manufactured in sites certified by an independent third party is 100% on all 8 factories based on the Nestlé Quality Management System. All factories are audited annually by SGS for ISO 22000, OHSAS 18001 and ISO 14000.

Source: *Manufacturing Management, Technical and Production, Nestlé Malaysia.*

**FP6 Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fat, sodium and sugars.**

Percentage of total sales volume of consumer products, by product category is stated in the table on page 90 and 91.

Definition of Saturated Fatty Acid (inclusive of Trans Fat):

Nestlé is, and has always been, committed to improving its food products with due regard to food safety and nutrition standards, as well as complying with regulatory requirements and meeting consumer health expectations. Based on this commitment, the Company has formulated a policy that:

- Requires monitoring of the level of SFA in all food products
- Makes it mandatory not to increase the level of SFA above the current values in existing food products
- Obliges new products to have SFA content less than that of an equivalent one in the Nestlé portfolio, or, if no such equivalent exists, the leading competitive product in the appropriate food category
- Necessitates reduction of SFA specifically, or the general level of total fat, by a defined amount over a prescribed time period.

Definition of Sodium:

The Group reiterates its current Policy for a further 4-year period as follows:

Sodium levels of relevant food products will be reduced by an average of at least 10% over 4-years (2012-2015). The Implementation Standard for Sodium (Salt) Levels in Food Products (GI-31.032) provides guidance on implementation of this Policy, in terms of:

- Product Safety
- Priority food products
- Stepwise reduction
- New product development

Definition of Sugar Reduction:

Emphasis for sugar reduction of will be given to products that:

- Make a significant contribution to a person's total dietary sugar intake (such as complete meals, meal replacers, snacks or drinks)
- Are intended primarily for consumption by children.

Products that are food components (such as coffee and tea creamers, sauces, toppings, spreads, etc) will be given secondary consideration since the serving sizes of such products are relatively small and they do not generally make a significant contribution to a person's daily sugar intake.

**FP7 Percentage of total sales volume on consumer products, by product category sold, that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives.**

Nestlé Policy on Fortification of Food Products with Vitamins, Minerals and Trace Elements is to promote fortification of food products with vitamins, minerals and trace elements at levels that are sufficient to help to improve health but in amounts that do not increase the risk of developing adverse consequences from excessive consumption.

The Policy applies to the following micronutrients:

<b>Vitamins</b>	A	B1	B2	B6	B12	C	D	E	K	Biotin	Folate	Niacin	Panthenic Acid
<b>Minerals &amp; Trace Elements</b>	Calcium	Copper	Iron	Magnesium	Manganese	Phosphorous	Potassium	Zinc					
<b>Ultra-Trace Elements</b>	Iodine	Selenium											

Fortification with other ultra-trace elements is not permitted.

The Policy applies to all food products for human consumption that are sold under brands owned by Nestlé, irrespective of whether the products are marketed wholly or in part by the Group. Percentage of total sales volume of consumer products, by product category is stated in the table on page 90 and 91.

GRI STANDARD DISCLOSURES

GRI STANDARD DISCLOSURES

Material name	Product category	Percentage NNS of SKUs with GDA	Reduction / removal of						Increase of Nutrients / Functional Components1						
			Sodium	Sugar	TFA	Total fat	Artificial colour	Calories (of the labelled serve size)	Mineral additional	Vitamin Additional	All types for fibers	Essential fatty acid	Protein	polyphenois	
MILO Chocobar 10(120x4g) XI	Confectionery	93%		✓		✓		✓							
MILO Chocobar 24(24x4g) XI				✓		✓		✓							
MILO Nuggets 30x35g XI				✓		✓		✓							
MILO Nuggets 40x90g XI				✓		✓		✓							
MILO Nuggets 24(12x17g) XI				✓		✓		✓							
MILO Nuggets 20x17g XI				✓		✓		✓							
MILO Nuggets 30x35g ID				✓		✓		✓							
MILO Chocobar 12(24x12g) XI				✓		✓		✓							
MILO Chocobar 6(12x65g) XI													✓		
MILO Chocobar 12(24x31g) XI										✓					
MILO Chocobar Sharebag 48(17x4g) XI										✓					
MAGGI 2-MINN Tom Yam MP 12(5x83g) MY			Food	98%				✓							
MAGGI 2-MINN Curry Letup 12(5x79g) MY					✓			✓							
LE PARFAIT IC Vanilla 4.5L MY	Ice Cream	98%					✓						✓		
LE PARFAIT IC Strawberry 4.5L MY							✓								
NESTLE MILO Frozen Conf 24x105ml XO															
NESTLE MILO FrozenConfection 24x105ml SG														✓	
NESTLE IC OriginalCupChocVan 24x140ml MY									✓					✓	
NESTLE SUNDAE Cup 20x145ml MY									✓						
NESTLE MILO FrozenConf MP12(4x105ml) XO														✓	
MAGGI ExtraHot Chilli HlthChc 24x320g SG	Food	98%	✓									✓			
MILO Hot Mix 16x960g N2 MY	Coffee & Beverages	100%				✓				✓					
MILO ACTIGEN-E Hot Mix 16x960g TW						✓				✓					
NESTEA Peach Tea 16x680g MY											✓				
NESTEA Lemon Tea 16x680g MY											✓				
NESCAFE MENU IpohWhiteCoffee24(15x36g)MY						✓	✓		✓						
NESCAFE MENU IpohWhite SIP24(15x36g)N1SG						✓	✓		✓						
NESCAFE White Coffee 16x1kg MY							✓		✓						
NESCAFE White Coffee Can 24x240ml MY							✓								
NESCAFE White Coffee Can 24x240ml SG							✓								
MILO ACTGE CalciumEnrichedMP12(15x30g)SG											✓				

### **Product and service labeling**

#### **PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.**

The internal Regulatory Affairs Unit has stated that information requirement and labeling on packaging for:

- Sourcing of components of the products or service is not required by the Malaysian Food Regulation 1985.
- Content, particularly with regard to substances that might produce an environmental or social impact is not required by the Malaysian Food Regulation 1985. However, an internal process is in place which requires the Regulatory Affairs' approval for proposal on labeling or any form of on-pack communication. Regulatory Affairs will vet through the labels or any form of on-pack communication to ensure that it complies to every requirements needed and to avoid any approval of labels that potentially have any sensitivity impact on environment and social.
- The safe use of the product or service is required by the Malaysian Food Regulation 1985 and a procedure is in place to address any food allergens contained in our products. All infant formula, infant cereal and follow-up formula products are required to enclose information on the safe use of the product on it packaging.
- Disposal of the product and environmental/social impact is not applicable for our products as the products do not require extensive special disposal methods.

All Nestlé products feature the following labels and logos on its packaging:

- Nutritional Claim on Front of Pack (FOP) – 67% of sales in 2012.
- Nestlé Nutritional Compass – 100% on all Nestlé products.
- Guideline Daily Amount– 98% of sales in 2012.

However, there are other information on the use of logos as well as information that do not appear on our products' packaging, even though the Group is eligible for the following logos:

- Veterinary Health Mark (VHM) Certification on all factories/manufacturing sites.
- Ministry of Health Certification.

#### **FP8 Policies and practices on communication to consumers about ingredients and nutrition information beyond legal requirements.**

The Group requires all Nestlé products to have the following labels on its packaging:

- Nestlé Nutritional Compass - provides relevant information to guide consumers in an innovative way through understanding the nutrition table, ingredients used in the product, tips for responsible enjoyment and the healthy use of our products. It also provides contact details so consumers can get more useful information.
- Guideline Daily Amount - provide a factual and objective guide to the daily intake for energy and key nutrients and empower consumers to evaluate a product's role in the daily diet.

#### **PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.**

No incidences of non-compliance with regulations and/or voluntary codes concerning product and services information and labeling, by type of outcomes were reported during the year under review.

#### **PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.**

An organization-wide practice is in place to assess and maintain customer satisfaction on our products. This is known as Goal Alignment, whereby all manufacturing sites that produces our products are measured by the number of unprepared incidents. The annual target is 'Zero Unprepared Incident' and as of December 2012, the target has been achieved and maintained throughout the year.

For our supply chain management, the Customer Satisfaction Level report is in place to measure factors that relates to the supply of our product to customers from our factories such as the freshness of shipment and the stock cover (availability of products).

### **Marketing communications**

#### **PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.**

Consumer communication is one of our Corporate Business Principles which forms the foundation of all that we do. The Principles state: "We are committed to responsible, reliable consumer communication that empowers consumers to exercise their right to informed choice and promotes healthier diets."

In February 2011, Nestlé released a comprehensive and detailed set of Consumer Communication Principles. These principles, which still apply to all kinds of consumer communication by our marketing staff and advertising agencies globally, stipulate that our advertisements must:

- Be truthful and credible
- Encourage moderation
- Not generate unrealistic expectations of popularity or success
- Not undermine parental authority.

The World Health Organization (WHO) Recommendations on Marketing of Foods and Beverages to Children was approved in 2010. Specifically, four areas are subject to discussion which are commercial activities in schools and related settings, the digital environment, the age definition of a child and the development of nutrition profiles for defining foods that should not be advertised to children.

As awareness of the effects of advertising to children grew, the policy on Marketing Communication to Children was released in 2011. The updated policy states that Nestlé does not directly advertise or market our products towards children less than six years of age. Advertising to children aged six to 12 is restricted to products with a nutritional profile that helps them achieve a healthy, balanced diet, including limits for ingredients such as sugar, salt and fat.

Nestlé Malaysia is a member of the Malaysian Advertisers Association - that governs all advertising practices in the industry - of which Mr. Khoo Kar Khoo, Communications Director, Nestlé Products Sdn. Bhd. is the President of the Council (ref: malaysiaadvertisers.com.my). As a member, Nestlé complies with all regulations imposed by the various government agencies.

#### **Compliance**

##### **PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.**

No significant fines for non-compliance with laws and regulations concerning the provision and use of products and services were reported during the year under review.

#### **Animal Welfare**

##### **Breeding and genetics**

##### **FP9 Percentage and total of animals raised and/or processed, by species and breed type.**

Not applicable – Nestlé Malaysia does not breed animals or handle livestock in its operations.

##### **Animal husbandry**

##### **FP 10 Policies and practices, by species and breed type, related to physical alterations and the use of anesthetic.**

Not applicable - Nestlé Malaysia does not breed animals or handle livestock in its operations.

##### **FP11 Percentage and total numbers of animals raised and/or processed, by species and breed type, per housing type.**

Not applicable - Nestlé Malaysia does not breed animals or handle livestock in its operations.

##### **FP12 Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type.**

Not applicable - Nestlé Malaysia does not breed animals or handle livestock in its operations.

#### **Transportation, handling and slaughter**

##### **FP13 Total number of incidents of non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling and slaughter practices for live terrestrial and aquatic animals.**

Not applicable - Nestlé Malaysia does not breed animals or handle livestock in its operations.

## NESTLÉ CONTACT DETAILS

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

*100* tahun  
Nestlé  
di sisimu®

**Nestlé [Malaysia] Berhad** [110925-W]

22-1, 22<sup>nd</sup> Floor, Menara Surian

No. 1, Jalan PJU 7/3

Mutiara Damansara

47810 Petaling Jaya

Selangor Darul Ehsan

Malaysia.

Tel: [+603] 7965 6000

Fax: [+603] 7965 6767

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

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

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