



Nestlé®

Good Food, Good Life

Creating Shared Value

Nestlé Oceania
**SUMMARY
REPORT 2010**

Brought to you
by the people
who work at
Nestlé in Oceania



“A number of performance areas remained a challenge for us and we are determined to turn these areas around. We will continue to be transparent – reporting the good with the bad – and be accountable – by setting aggressive targets to continuously improve our performance.”

Graham Campbell | CEO Nestlé Oceania

Cover

Hilda Roy delivered the MAGGI nutrition education road show which helped promote healthy diet practices in Papua New Guinea. The initiative reached 150 of the country's most remote villages in 2010.

A Word From Our CEO

We know our business fundamentally relies on a prosperous, healthy and sustainable society. Our approach, known as Creating Shared Value (CSV), keeps us focused on the long term value drivers for our business and the societal issues where we can have the greatest impact.

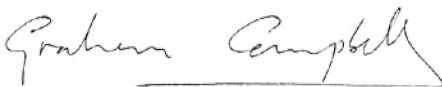
Our CSV reporting complements Nestlé's global reporting and details our regional performance.

Building on our global priorities of water, nutrition and rural development, we continue to work closely with our regional stakeholders to determine our focus areas and emerging risks. Throughout 2010 our key stakeholder engagement mechanism, the Oceania Creating Shared Value Advisory Board – made up of our regional stakeholders and sustainability experts – continued to challenge how we do business and kept us focused on the areas where we can genuinely create business and societal value.

KEY OUTCOMES FOR 2010:

- We broadened our materiality framework to involve more stakeholders in the process and to help us determine key issues and report content.
- We have included some of the new sector specific indicators which were released in 2010.
- We improved our performance across most areas, including environmental, nutrition and economic indicators.
- We focused on key commodities such as palm oil and cocoa, working with suppliers who share our vision and are prepared to meet ethical, environmental and social standards.

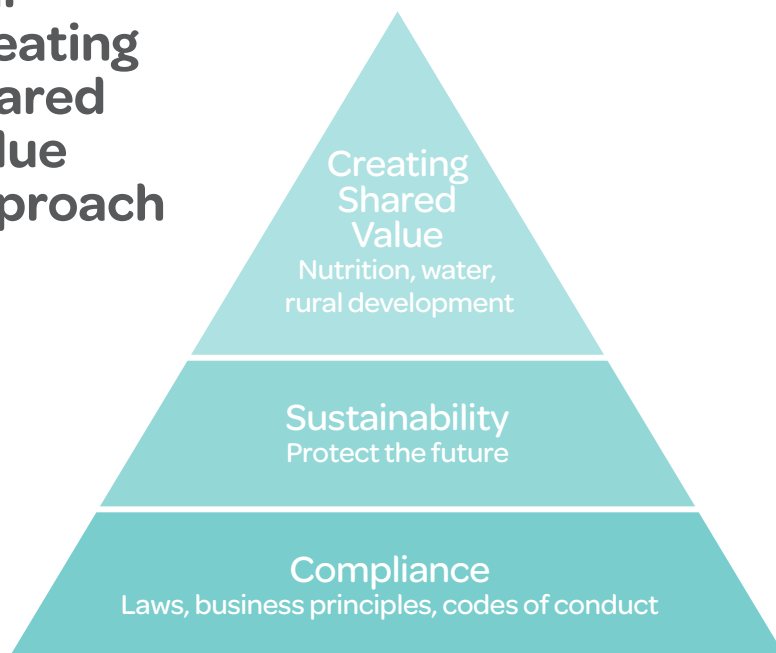
A number of performance areas remained a challenge for us and we are determined to turn these areas around. We will continue to be transparent – reporting the good with the bad – and be accountable – by setting aggressive targets to continuously improve our performance.



Graham Campbell
CEO Nestlé Oceania

This is a summary report.
For the full 2010 Creating Shared Value Report visit:
www.nestle.com.au

Our Creating Shared Value approach



For our business to be sustainable over the longer term and with our ambition to be the world's leading Nutrition, Health and Wellness Company, we believe our actions must be good for business and good for society. Our CSV approach keeps us focused on the areas which create long-standing value for our shareholders and contribute, uniquely, to a prosperous, healthy and sustainable society.

Our Oceania report provides our stakeholders with a localised overview of our performance, our achievements and some of the challenges facing our business.

We have reported our CSV performance since 2007. All global reports can be found at www.nestle.com and our Oceania reports can be viewed at www.nestle.com.au.

Our Performance

PERFORMANCE SUMMARY

This is an extract of performance against key indicators. Further performance data can be reviewed in the full report.

	GRI Reference	2008	2009	2010
Economic				
Oceania Total Sales (Billion AUD) *	EC1	3,059	3,130	3,150
Net Profit (AUD – 000s)	EC1	112,059	212,204	250,250
Products & consumers				
Products meeting or exceeding Nutritional Foundation profiling criteria (as % of total sales)	Nestlé indicator		63%	66%
New or renovated products for nutrition or health considerations (number of products)	PR1	62	73	87
Increase in nutritious ingredients or essential nutrients (number of new or renovated products) +	PR1	17	1	0
Reduction of sodium, sugars, TFAs, total fat or artificial colourings (number of products) +	PR1	74	173	86
Our environmental footprint				
Total energy consumption (Giga Joules per tonne of manufactured product)	Nestlé indicator	6.1	5.7	5.6
Total energy greenhouse emissions (tonnes CO ₂ e)	EN16	207,788	204,930	193,588
Water usage (kL per tonne of manufactured product)	Nestlé indicator	3.8	3.7	3.3
Non-hazardous waste disposed of to landfill (t)	EN22	6,267	5,989	5,683
Sourcing, agriculture & our supply chain				
Percentage of significant suppliers screened against Nestlé Responsible Sourcing Initiative *	HR2	0	100%	100%
Percentage of palm oil spend incorporating Green Palm certificates or RSPO certified material	FP2	–	–	100%
Percentage of cocoa purchased which is UTZ certified	FP2	–	–	4%
Our community				
Total community spend (AUD) +	SO1	4,044,750	5,033,416	7,799,489
Community Environment Projects (through the Nestlé Community Environment Program) (AUD) *	SO1 / EN13	425,000	340,416	167,273
Our people				
Workforce size	LA1	5,615	5,295	5,275
Lost Time Injury Frequency Rate	LA7	3.00	2.00	2.40
Leadership positions held by women (%) # ▼	LA13	32%	31%	31%
Employee turnover •	LA2	24.4%	16.9%	12.2%

+ Excludes Nestlé In the Market (such as Purina, Nestlé Professional and Nestlé Nutrition)

* This currently covers our material emission sources – electricity, gas and other sources of scope 1 energy emissions - from our factories

Excludes Nestlé Pacific Islands and taken as at December

▼ Percentage of management which are women. Incorporates senior executives, senior management and management

• From 2009, employee turnover represents all people who left the organisation voluntarily or due to dismissal, retrenchment or retirement and only applies to Nestlé Oceania monthly paid employees. Previously, employee turnover represented voluntary resignations only

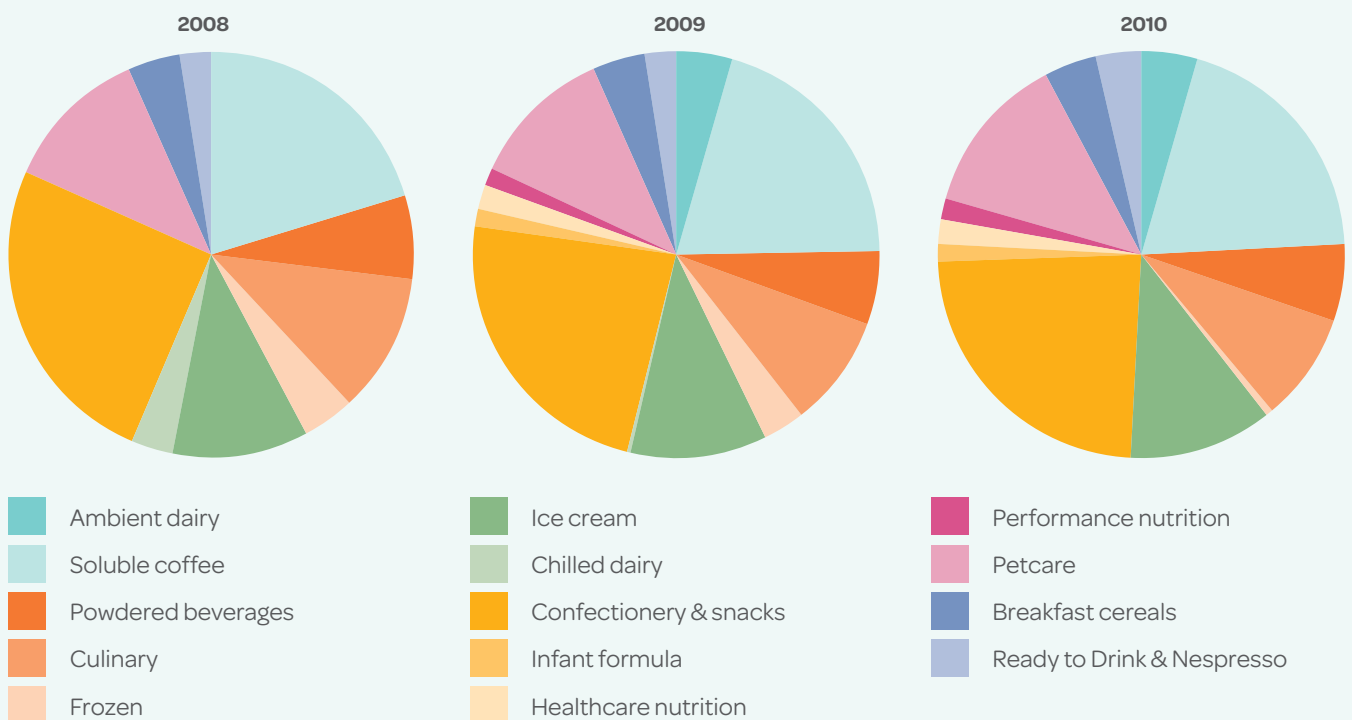
× Includes Nestlé in the Market business units such as Nestlé Professional and Nestlé Purina Petcare

KEY DATA

	GRI Reference	2008	2009	2010
Operational footprint				
Number of factories	Nestlé indicator	18	15	15
Number of product lines >	Nestlé indicator	3,500	2,523	4,161
Production volume (tonnes)		311,522	317,032	326,913
Product manufactured by Nestlé locally (in Oceania):				
Tonnes of product produced in Australia	Nestlé indicator		280,791	288,408
Tonnes of product produced in New Zealand	Nestlé indicator		24,579	24,922
Tonnes of product produced in Papua New Guinea	Nestlé indicator		11,662	13,583
Value generation				
Oceania Total Sales (Billion AUD) >	EC1	3.059	3.130	3.15
Value distribution (AUD - 000s)				
Net Proceeds of sales	EC1	3,125,318	3,194,669	3,199,833
Operating costs		2,936,100	2,885,812	2,838,392
- Employee salaries and welfare		407,462	466,992	412,431
- Retained profits		31,234	3,101	108,351
- Community investments				
Taxes		77,160	96,653	111,191
Net Profit (AUD - 000s)		112,059	212,204	250,250

> Includes Nestlé in the Market business units such as Nestlé Professional and Nestlé Purina Petcare

OCEANIA SALES BREAKDOWN (%)*



* Breakdown of sales amended to better reflect business areas



Our Performance

PROGRESS SNAPSHOT – How we are tracking against our to do list









Targets: 2010 and beyond

2010 Status / Progress

Future CSV Reporting and Strategy

Report against material indicators from the new GRI Food Processing Sector Supplement	 Incorporated a number of new indicators from the Food Processing Sector Supplement, including indicators relating to health and nutrition, food safety, industrial relations and responsible sourcing
Further develop our CSV reporting processes and procedures where identified by our audit provider	 Broadened the scope of our reporting and audit to include material indicators on responsible sourcing and our supply chain Strengthened materiality framework to provide greater opportunity for input, and to involve more stakeholders in the process, including stakeholders from New Zealand and Pacific Islands Expanded coverage of the broader Oceania region in reporting to ensure report is not too Australian centric
Hold bi-annual meetings with the CSV Advisory Board	 Continued to hold bi-annual meetings with the CSV Advisory Board



Products and consumers

Reduce the level of sugar in selected products by at least 5% by 2012	 On target to reduce level of sugar in selected products by at least 5% by 2012
Ensure 100% of Nestlé's product range comply with our Trans Fatty Acids (TFA) requirements	 Popcorn product to be renovated in 2011; two products to be phased out as not compliant with our TFA requirements
Reduce salt levels in our salty products, against a 2005 baseline, by 25% by the end of 2010	 Target reached to reduce salt levels in our salty products by 25% from 2006-2010
Continue our annual review of entire product portfolio against Nestlé Nutritional Profiling System to support continuous improvement	 Annual audit against the Nestlé Nutritional Profiling System continued with 100 percent of our Australian products audited
Engage consumers in a way that drives increased nutrition and creates demand for a healthy food supply	 Launched %DI counter, phone app and Food Lovers diet book launched with Allen & Unwin
Ensure 100% of our retail products contain %DI labelling	 As at December 2010, 94% of our products carried %DI labelling *
Ensure 100% of Nestlé Oceania employees complete nutrition-based training by 2011	 To date some 2,146 employees have received nutrition-based training, with 557 receiving training in 2010 and approximately 1,800 remaining to train
Undertake research on consumer understanding of nutrition issues	 Baylor College of Medicine May 2010 Craig Johnston guest of Nestlé and Nutritional Literacy report launched to DAA

Our environmental footprint

Reduce energy consumption (per tonne of product) by 2% in 2010	 2.4% reduction achieved based on GJ/t compared to 2009
Reduce water consumption (per tonne of product) by 4% in 2010	 9.1% reduction (based on kL/t compared to 2009)
Develop mitigation strategy to manage key sustainability risks (including water and carbon)	 Strategy in place covering key material sustainability risks such as energy, water, CO ₂ emissions & waste avoidance managed as per KPIs above
Develop Key Performance Indicators for our packaging performance	 Packaging Hero Project KPIs approved in 2010
Reduce greenhouse gas emissions by 3% in 2010	 4.7% reduction (t/t compared to 2009)
Reduce total waste by 5% in 2010	 14% reduction in waste (kg/t compared to 2009)



Our community

Maintain strong community support through Nestlé Good Life programs and initiatives in lifestyle activity and education	 In 2010 our Nestlé Good Life Program contributed close to \$8 million (AUD) to community programs and broader sponsorship initiatives
Respond to recommendations from the independent review of the NCEP program	 Review has resulted in simplification of projects approval process by Corporate. Sites shall continue to review detailed proposals however the corporate review has been reduced

Our people

Reduce Lost Time Injury Frequency Rate to less than two injuries per million hours in 2010	 LTIFR was 2.4 for 2010
Maintain employee turnover below 14%	 Employee turnover for 2010 was 12.2% and covers all reasons just voluntary resignations as of 2010. Comparable figure for 2009 was 16.9% so a marked improvement
Achieve Hewitt Best Employer employee engagement status	 Hewitt survey not conducted in 2010 as global 'Nestlé and I' survey conducted instead

Sourcing, agriculture and our supply chain

Ensure all 'high risk' suppliers are audited as part of our Responsible Sourcing program	 No high risk suppliers have been identified for Oceania according to the scope of the Responsible Sourcing Program
Ensure Supplier Code referenced in supply agreements for Nestlé Pacific Islands	 Nestle PNG – Supplier Code has been issued for flour, oils, corrugated and flexibles suppliers

* As explained in the report there are a few products where it is not possible to incorporate this on the packaging e.g. the product is exempt due to product size, or where the packaging update is yet to be scheduled due to low turnover of product.

Our Highlights

■ SOURCING, AGRICULTURE & OUR SUPPLY CHAIN

100%

of palm oil spend incorporated Roundtable on Sustainable Palm Oil certified material or Green Palm certificates

Commenced purchasing UTZ CERTIFIED cocoa for our Kit Kat Four Finger range to support the Nestlé Cocoa Plan

Issued Nestlé Supplier Code for suppliers of flour, oils, corrugated and flexibles for Nestlé PNG

■ OUR ENVIRONMENTAL FOOTPRINT

Reduced greenhouse gas emissions by **4.7%** based on t/t compared to 2009

Reduced energy use by 2.4% based on GJ/t compared to 2009

Reduced water use by 9.1% based on kL/t compared to 2009

Reduced waste by 14% based on kg/t compared to 2009

Established packaging environmental and ease of use key performance indicators

■ OUR COMMUNITY

150 Villages

reached in Papua New Guinea with our program to engage communities in healthy diet practices

■ CSV REPORTING

Further aligned reporting to the **Global Reporting Initiative** and included key indicators from the Food Processing Sector Supplement

Reporting more representative of the broader Oceania region, beyond Australia and New Zealand

\$8m

(AUD) contributed to community programs and broader sponsorship initiatives through our Nestlé Good Life Program in 2010



Progress against 2010 salt targets

2005

Our baseline

2010

We met our target to reduce salt levels in our salty products by 25%

Our People



In 2010 we launched our Commercial Graduate Program

This provides on-the-job training over two years and includes rotations through roles in Field Sales, Category Channel Sales Development (CCSD) and Marketing.

Our Highlights

■ OUR PEOPLE



Employee turnover down to **12.2% versus 16.9% in 2009**

Invested **\$6m (AUD)** in training and developing our people

■ PRODUCTS & CONSUMERS

100%

of our Australian products audited against the Nestlé Nutritional Profiling System

On target to reduce the level of sugar in targeted products by at least 5% by 2012

Launched %DI counter and Food Lovers Diet book to engage consumers in a way that drives increased nutrition and greater demand for a healthy food supply

Launched nutritional literacy report to Dietary Association of Australia

Achieved our 5 year target to reduce salt levels in our salty products by 25% against a 2005 baseline

557

employees received nutrition-based training in 2010

87

products renovated to improve nutrition or health outcomes



Our
5,275 employees
are our most
valuable resource



Our stories

■ PRODUCTS & CONSUMERS

Food quality & safety

In 2010 we produced around 288 thousand tonnes of product in our 15 Oceania based factories. To ensure the safety and quality of all of these products we adhere to strict systems which are regularly audited and we of course rely on the diligence of our employees.

■ OUR COMMUNITY

Nestlé's Community Environment Program

The Nestlé Community Environment Program (NCEP) continues to bring our Oceania sites and their surrounding communities closer together. The program involves our sites identifying and partnering with community groups on projects which deliver local sustainability outcomes. Some eight projects were implemented in 2010 across a diverse range of environmental issues, including revegetation, education and energy efficiency projects. Since the NCEP's inception in 2003, the program has supported over 110 projects and provided some \$2.6 million (AUD) in funds throughout Oceania.

■ PRODUCTS & CONSUMERS

NUTRITION ADVICE – EATING FOR YOUR SPORT

One of our physical activity outreach programs was launched by Nestlé in New Zealand, which published 14 Sports Nutrition advice sheets tailored to specific sports alongside 12 on general sports nutrition topics such as junior athlete, weight loss, muscle gain and nutrition for recovery.

■ OUR PEOPLE

INTRODUCING OUR COMMERCIAL GRADUATE PROGRAM

The commercial graduate program was introduced into the commercial space in 2010 to deliver a talent pool of young professionals into the business to ensure our long term sustainability.

■ OUR ENVIRONMENTAL FOOTPRINT

ECO REDUCTION PROGRAMS

All Oceania sites develop and manage Eco Reduction Programs which require a focus to reduce energy, water and waste. Through this program, over 280 resource efficiency actions were identified in 2010 and, as at December 2010, some 80 projects had been implemented.

■ OUR PEOPLE

INSPIRING LEADERSHIP PROGRAM

The Inspiring Leadership Program is an investment in our employees' personal development. It encourages our people to strive to achieve their best, in turn supporting our company in our ambition to be the leading Nutrition, Health & Wellness Company and to deliver on our Creating Shared Value approach.

■ PRODUCTS & CONSUMERS

EXPANDED PRODUCT RANGE ACHIEVING THE NATIONAL HEART FOUNDATION TICK

Changes to wholegrain, reductions in salt and increasing fibre means that 44 out of 46 of our cereals now carry the [Heart Foundation Tick](#).

■ PRODUCTS & CONSUMERS

New phone application for allergy sufferers

We have been working towards allergy sufferers being able to use their mobile phone to scan a food's barcode at the supermarket to determine whether it's appropriate for them to eat. The application under development by Deakin University, GS1 Australia and Nestlé Oceania in 2010 shows initial testing of the application has been encouraging.

■ SOURCING, AGRICULTURE & OUR SUPPLY CHAIN

Improving Australia's Oats

We have worked with farmers to create two new varieties of oat that are drought and disease resistant and high yielding. Working closely with oat farmers guarantees demand and we get a guaranteed supply of oats at the standard we require.

■ PRODUCTS & CONSUMERS

Portion Plate Education

To help consumers understand the importance of portion control, Nestlé sent out a "portion plate" to over 4,000 dieticians as a tool to assist them in their practice when talking to their patients. A magazine campaign was also created to promote portion control to consumers.

■ SOURCING, AGRICULTURE & OUR SUPPLY CHAIN

Working with farmers on water conservation

We can have a significantly greater overall impact on water resources by helping farmers to reduce their water consumption. In Oceania we engage our agricultural supply chain through our involvement in the [Sustainable Agriculture Initiative \(SAI\) Platform](#). The aim is to encourage water management practices that impact positively on the quality and quantity of water resources at a watershed level.

■ OUR ENVIRONMENTAL FOOTPRINT

Our Mulgrave site reclamation

We took waste minimisation one step further in 2010 with the demolition of a Nestlé Peters Ice Cream site, built in the 1960s. Rather than send the material to landfill, it was recycled. The machinery found a new home at another business and significant recycling outputs from the project included: 4,125 tonnes of concrete broken up for use as road base, 680 tonnes of steel recycled and 160 tonnes of bricks cleaned for reuse. The site has been converted to a green field until its future is decided.

Key targets for 2011 and beyond

Our people

- Reduce Lost Time Injury Frequency Rate to **less than 1.8 injuries per million** hours in 2011
- Recordable Injury Frequency Rate target of **no more than 8** for 2011
- Maintain employee turnover **below 14%**

Products & consumers

- Reduce the level of sugar in select products by **at least 5%** by 2012
- Ensure **100% of Nestlé's product range** comply with our Trans Fatty Acids requirements

Our community

- Implementation of **7 Nestlé Community Environment Programs** in 2011

Sourcing, agriculture & our supply chain

- Undertake a **risk assessment of all packaging and ingredient suppliers** to identify any potential risks associated with origin of manufacture
- All key **packaging and ingredient suppliers in Papua New Guinea** to receive and acknowledge the Supplier Code

Our environmental footprint

- **2% reduction in energy use** based on 2010 constant volume
- **1% reduction in greenhouse gas emissions** based on 2010 absolute volume
- **4% reduction in water use** based on 2010 constant volume
- **2.5% reduction in waste** based on 2010 total volume

Creating Shared Value reporting

- **Grow number of Food Sector Supplement indicators** reported against in 2011
- Further develop our **Creating Shared Value** reporting processes and procedures where identified by our audit provider

Global Reporting Initiative

Nestlé Oceania uses the Global Reporting Initiative as the basis of its Creating Shared Value reporting. A complete list of GRI indicators and Nestlé Oceania's reporting status is set out in our full report, along with the independent assurance statement from SGS Australia Pty Limited.

The content and quality requirements of the GRI Application level B+ were achieved including some of the new indicators as launched in 2010 for the Food Processing Industry Sector.

Contact us

We want to continually improve our Creating Shared Value performance and reporting, ensuring our commitment is genuinely of value to all our stakeholders. With this, we welcome your feedback and ideas for improvement.

Please get in touch with us at:

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For more information, visit our websites:

www.nestle.com.au

www.nestle.co.nz

www.nestle.com

For consumer enquiries, please contact our Consumer Services team at:

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For the full 2010 Creating Shared Value report visit: **www.nestle.com.au**



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