

# OUR PEOPLE

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## WHAT WE SAY:

Attracting and retaining first-class, talented people remains the number one priority for us. We seek to achieve this by creating a great place to work for all of our employees and by providing a workplace which is ethical, safe and where our people are challenged to make a difference.

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## WHAT WE DO:

We continue to develop an ethical and responsible culture across our workforce, put in place measures to improve our occupational health and safety practices, and offer training and development opportunities for our people. We survey employee satisfaction and engagement regularly.

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## HOW WE'RE TRACKING:

We employed some 5,600 employees across Australia, New Zealand and the Pacific Islands in 2008. We continued to offer comprehensive training and development opportunities for our people. Our Health and Safety performance continued to improve with a further reduction to our Lost Time Injury Frequency Rate (LTIFR). Employee turnover has tracked in line with targets established.

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*"As part of our CARE Program audits we were able to improve our facilities, update and improve security measures, and make other various improvements to our HR practices."*

Anne Kingston, Divisional HR Manager, Nestlé Oceania.

## Developing our people in the Pacific Islands

### CASE STUDY

**As the person responsible for HR issues within the Pacific Islands, Anne Kingston is only too aware of the significant challenges facing employers in the region.**

"Nestlé has a long history in the Pacific Islands, dating back to the early 1970s. Now, our operations stretch over 18 countries, employ some 700 people and incorporate four sales offices and three factories in key countries such as Fiji, New Caledonia and Papua New Guinea and Tahiti.

With a population of some 8.4 million – of which 90% earn under AUD 20 a day – and with varied cultures, religions and languages, each country has its own unique HR challenges.

For example, in Fiji we face challenges of attracting, retaining and developing our people, particularly within middle management and technical roles, given the high levels of emigration to countries such as Australia and New Zealand.

#### **Building the right**

##### **Human Resources platform**

The independently-audited CARE Program has ensured that our key corporate responsibility and HR principles and policies (incorporating the UN Global Compact Principles) are embedded in our day-to-day practices in the Pacific Islands. Our factories in PNG, New Caledonia and Fiji were audited as part of The CARE Program in 2006 and 2007.

As a result of the audit process, we were able to improve our facilities; update and improve security measures; develop local procedures and tighten recruitment and induction processes; improve communication channels; and ensure the use of temporary workers was managed appropriately.

Each factory achieved a 100% audit result for the HR component. This was outstanding and is among the best results we've seen across Nestlé's operations globally.

#### **Responding to our people's feedback**

Our employee feedback survey, Climate Survey – completed by 90% of our Pacific Island employees in 2007 – saw a range of issues emerge including salaries, training and recruitment.

In PNG, there was feedback on the need for training and developing local skills so the use of expatriates could be minimised. Security was improved by providing an on-site canteen and meal facilities which among other things has reduced major absenteeism on night shifts.

Responding to employee feedback, we've also established a Graduate Program targeting Fiji, New Caledonia, PNG and Tahiti. This two-year program sought to develop the capability of our local Pacific Island people."

## What we say

Attracting and retaining first-class, talented people remains the number one priority for us. We seek to achieve this by creating a great place to work for all of our employees and by providing a workplace which is ethical, safe and where our people are challenged to make a difference.

We also know this is particularly important when we look at some of the challenges facing employers like Nestlé. Regardless of the current economic conditions and the labour changes we are seeing globally, the war for talent continues to intensify within our sector. Our workforce – like many others – is also ageing; this is a particularly relevant issue at certain factories. And the need for innovation is as important as ever as our market becomes more and more competitive.

## What we do

### OUR WORKFORCE\*

4,245

Australian employees

636

New Zealand employees

735

Pacific Island employees

5,615

Total number of Oceania employees

79%

Percentage of full time employees

4%

Percentage of part time employees

17%

Percentage of casual employees

### CREATING THE RIGHT CULTURE AND THE RIGHT ENVIRONMENT

#### Principles, values and policies

Our overarching employment commitments are set out in our Nestlé Corporate Business Principles, Nestlé Leadership and Management Principles, Nestlé Human Resources Policies and Nestlé Code of Business Conduct and are supported through a range of Oceania-specific policies.

Above all, these policies ensure that our practices are right for our people, specifically when it comes to explicit workplace issues such as discrimination and harassment, work life balance, remuneration, ethical practices, safety, learning and development and industrial relations.

Policy is important; however, it is also crucial that our employees fully understand and apply our policies in their day-to-day work-activities. This has been a major focus for Oceania in 2008. We established the 'Knowing Nestlé' education initiative – including an information seminar which was attended by most employees – to bring to life our Corporate Business Principles, company values and other key policies.

#### Human rights

Our commitment to human rights cuts across our entire business operations; however, it is particularly significant when it comes to our employment practices. Our Corporate Business Principles detail our human rights practices. Our approach is guided by the UN Global Compact and covers key issues such as freedom of association, collective bargaining, forced and compulsory labour, child labour and discrimination.

### Assuring our adherence – The CARE Program

Our independently-led assurance program, The CARE Program (Compliance Assessment of Human Resources, Occupational Safety, Health, Environment and Business Integrity), plays a critical role when it comes to our corporate responsibility commitments across our HR activities. Importantly, the project ensures we are compliant against our own internal policies and principles (such as the Nestlé Business Principles, HR Policies and Code of Business Conduct) and also external norms and regulations (such as the UN Global Compact).

The project sets out a range of minimum standards when it comes to our labour and ethical standards. If a factory or corporate office fails to meet any of the minimum standards they are required to immediately (often within 24 hours) rectify the issue. At the end of 2008, there had been no instances where minimum standards had not been met.

Since 2005, all Oceania factories have undertaken CARE Program audits. All sites achieved over 98% compliance with the following factories receiving 100% on all areas: Mulgrave (Victoria), Echuca (Victoria), Lae (Papua New Guinea), Blacktown (NSW), Chalet Patisserie (Queensland). All Oceania factories will be reaudited in 2009 and we also aim to audit our remaining facilities (head offices, distribution centres) by 2010/2011.

### SAMPLE HR MINIMUM REQUIREMENTS:

#### Safety

- Policy and system implementation.
- Compliance.
- Safety equipment is provided where required.
- Equipment, building and workplace sound.
- Training and employee consultation.

#### Health

- First aid treatment is available.
- Safe drinking water is available.

#### Hiring and employment

- The site does not use forced labour.
- Overtime is voluntary.
- All workers are above the minimum age.

#### Compensation

- Minimum wage is exceeded.

#### Bribery and corruption

- Bribery and corruption does not exist in any way.

Building on the minimum requirements the project assesses general performance and provides a useful framework for improving policies and systems across four key areas: Health and Safety, Labour, Business Integrity and Environment.

\* Based on full time equivalent employees.

**UNDERSTANDING OUR EMPLOYEES' CONCERNS, THOUGHTS AND PRIORITIES**

We seek feedback from our employees both through regular dialogue and also formal channels.

Our 'Climate Survey' is our key employee satisfaction survey for monthly paid employees and we use these responses and feedback to improve what we do. In 2008, we participated in a Nestlé global employee survey, 'Nestlé and I International Opinion Survey' so we did not run a local Climate Survey. In 2007, 83% of our people participated in the Climate Survey and a range of issues emerged, including change management, communications, developing talent, and training and learning.

The Nestlé global survey – Nestlé and I International Opinion Survey – was completed in October 2008 and covered global questions (relating to communication, recognition, management principles, safety and values). 90% of our people participated in the survey. The survey found that 86% of our people are proud to work for Nestlé Oceania and 86% believe Nestlé makes quality products. Consistent with feedback from our Climate Survey, communication and change management were issues on which our employees felt we needed focus.

In Australia and New Zealand, we also benchmark our performance against our peers through the Hewitt Best Employer Survey. Given we undertook the Nestlé global survey, we did not undertake this survey in 2008. In 2007, our overall employee engagement was 60%, marginally down from 61% the previous year. This result put us in the 'Best Employer Range'. We will continue to benchmark our performance against our peers going forward.

**Employee turnover**

We achieved a 5% improvement in our employee turnover (voluntary resignations), taking employee turnover from 12.4% in 2007 down to 11.8% in 2008. Looking further back to 2004 our employee turnover was 9.1%. The increase has been mainly driven by the 'war for talent' in the external employment market. Although our turnover is lower than industry norms, retaining our people will continue to be an area of focus for us.

**Concern and grievance reporting**

In September 2008, Nestlé Australia and New Zealand launched a new ethics and grievance reporting service, the Nestlé Business Conduct Line. The service is independently run and allows our employees to report fraudulent and unethical behaviour in our workplace.

This can cover anything from fraud, theft, misconduct, bullying, harassment, to discrimination and any other breaches of our various policies, including the Nestlé Corporate Principles and the Nestlé Code of Conduct.

All concerns are dealt with promptly and efficiently by the relevant representative of the Oceania Compliance Committee, while protecting the confidentiality and rights of the employee who raised the concern in the first place.

**WORKING WITH OUR PEOPLE****Performance management**

When it comes to managing the performance of our employees, we believe the best approach is to ensure our people can meet their personal goals and company goals at the same time. As such, personal development is a key component of our approach and we seek to work with all employees to develop their leadership and functional competencies.

A new global Nestlé initiative is being piloted across a sample of employees in Nestlé Oceania in 2009, which is an enhancement to our performance management framework to more explicitly look at both 'what' was achieved and also 'how' it was achieved. The 'how' – which looks at key behaviours relating to results, integrity, collaboration and initiative – will sit alongside the 'what' when it comes to reviewing our people's performance. This is an important initiative in recognising and rewarding appropriate values and behaviours across the business.

**Labour relations**

Nestlé's relationship with our people is based on trust, integrity and honesty. Participation in unions and representative groups is a matter of individual choice. We also respect our employees' right to collective bargaining.

While our labour management principles and policies are developed at a national and global level, consistent with best practice standards such as the UN Global Compact, we feel industrial relations are often best handled at a site level. Through this approach, we seek to establish a constructive dialogue with unions on a practical level.

**Getting the balance right**

We all know – often through first-hand experience – the challenges in balancing work and family life. Unsurprisingly, work-life balance was raised by our people in our most recent Climate Survey.

We have policies which seek to create a family friendly workplace and this remains an area of focus for us. We also allow our people to become active in their communities through our Nestlé Volunteer Day (see the Our Community section for more information). We also provide opportunities for our people to use their personal sick leave to care for family members who are ill.

More broadly we are seeking to develop an environment where employees feel comfortable to suggest alternative working arrangements.

In Australia, our parental leave policy provides for a lump sum ex-gratia payment equivalent to a maximum of 10 weeks pay, 12 months basic unpaid maternity leave plus an additional 12 months unpaid leave for employees who have been with Nestlé for three years.

**OCCUPATIONAL HEALTH AND SAFETY**

The health and safety of our people at both work and outside of work is paramount to us.

Our commitments are set out in our Oceania Health and Safety Policy and are delivered through a Nestlé Safety, Health and Environment System which is based on the international standard, OHSAS 18001.

We've improved our Health and Safety Performance dramatically over the past five years. Our key measure, Lost Time Injury Frequency Rate (LTIFR), has dropped by some 70% since 2004. In 2009, we're aiming to further reduce our Lost Time Injury Frequency Rate to less than three injuries per million hours.

While our performance has improved significantly, our ultimate goal is to develop a zero-injury culture right across our business. This will require some new thinking and innovation going forward, including a new set of behavioural leadership expectations for all employees, a 'near miss' reporting and investigation program, a focus on specific issues such as manual handling, and better risk reduction strategies to stop injuries happening from the outset.

We recognise innovation and safety achievements through our Workplace Safety Awards. Key achievements, championed by our people, over 2008 included:

**Choc Chip Vacuum System at Wahgunyah Factory** – The lifting of 10kg boxes of choc chips above shoulder height was identified as a hazardous manual handling activity using the Nestlé Risk Matrix. Options were examined, and it was decided to use an innovative technique where the operator vacuums the chips out of a tub located at waist height. The operator places the suction hose into a large plastic tub containing choc chips and proceeds to perform other tasks. The chips are vacuumed/sucked into an overhead hose and delivered to the chip feed hopper. There is no deterioration or damage to the chips in this transfer. The cost of the project was \$15,000.

**Fan Cooling at Gympie** – The installation of a new fan cooling system significantly increased air flow in affected areas, resulting in increased comfort during summer. The energy-running cost of the new approach is only 2.5% of that of air-conditioning and environmental benefits include the avoided use of refrigerants and low energy use.

**Wall of Safety at Campbellfield** – A new format of communication was released in the form of a visual 'before and after' scenario along with a risk assessment score. This has provided an opportunity to display, communicate and prioritise safety concerns and issues to all employees and the factory where necessary. Since the inception of the Wall of Safety in early September 2007, a zero recordable injury record has been achieved.

**Patisserie Packing Room Safety Upgrade at Chalet** – The engineering project aimed to eliminate the amount of manual handling in the site's packing room and create a smooth flow of packed product. This has resulted in the elimination of a significant strain risk. The goal was to make sure the heights and widths were suitable for all staff working in the area. The operators were also involved in the layout of the packing line. Also the process time for each cake has been reduced, minimising impacts of temperature fluctuations on product. The project has also eliminated the use of all wooden pallets in the area.

Nestlé Uncle Tobys' Wahgunyah factory also received the 2008 Victoria WorkSafe Award for 'Best Strategy for Health and Safety Management'. Uncle Tobys' manual handling risk reduction strategy was developed in consultation with employee Health and Safety Representatives, managers and a range of external stakeholders.

**WELLNESS AT NESTLÉ**

Reflecting our ambition to become a leading Nutrition, Health and Wellness company we have also developed a comprehensive employee wellbeing initiative known as the 'WellNes' program. Operating across Oceania, the program covers three key areas:

**Physical** – addressing individual health concerns including nutrition, exercise, sleep, fatigue and stress, initiatives include seminars, flu vaccinations, skin cancer assessments, physiotherapy services to deal with soft tissue discomfort, Posture @ Work® to ensure core strength, flexibility and postural alignment.

**Psychosocial** – confidential counselling and support for our employees and their immediate families through our Employee Assistance Program.

**Financial** – enhancing our employees' financial wellbeing through seminars and resources covering a range of issues including 'transition to retirement', budgeting, salary packaging, debt and superannuation.

**TRAINING AND EDUCATION**

Our career development strategy focuses on 'lifelong learning' whereby our people continually develop their skills and capabilities.

Nestlé Oceania's training and development reflects a 70/20/10 rule, that is ideally our people gain 70% of their development through career experiences and on the job opportunities, 20% through feedback and coaching and 10% through formal training.

Nestlé Oceania's formal training offers programs such as professional skills-based training and leadership training, orientation training and safety and compliance training. We also offer function specific training aimed at specific areas of the business such as sales and marketing, finance, operations, supply and HR. The functional-based training enables staff to enhance their specific competency-based skills and knowledge needed to enhance capability within the running of these specific business areas.

We actively encourage our people to continually develop their tertiary qualifications and provide assistance to employees who undertake approved part time studies.

Overall we spent some AUD 5 million on training across Oceania in 2008.

**DIVERSITY AND EQUAL OPPORTUNITY**

Being a food and beverage business our consumer base is incredibly diverse. By creating an inclusive environment and by basing career opportunities on merit and merit alone we are committed to representing this diversity within our business.

Our equal employment opportunity and antidiscrimination commitments ensure recruitment, promotion and conditions of employment are based on performance, ability and potential, irrespective of colour, age, national origin, religion, gender, disability and veteran status.

**WOMEN IN MANAGEMENT**

In Australia, Nestlé reports its performance against key priority areas to the Equal Opportunity for Women in the Workplace Agency (EOWA).

Overall, across our workforce, 47% of our people are women. In 2008, 32% of total management positions were held by women, up from 29% in 2006.

The percentage of females in senior positions, whilst still relatively low, has increased across all management levels. From 2006† to 2008, our reporting found that the percentage of women employed in:

- Senior Executive positions grew from 4% in 2006 to 8% in 2008.
- Senior Management positions grew from 25% in 2006 to 28% in 2008.
- Management positions grew from 31% in 2006 to 34% in 2008.



Lisa Browning is the Health and Safety Officer and Rehabilitation Co-ordinator at Nestlé Oceania's Chalet facility in Queensland where our Chalet Patisserie range of cakes are made. Lisa joined Nestlé not long after the factory was purchased by Nestlé and at a time when the safety culture needed some attention. She's worked hard with her team to turn this around and they have made a real difference.

† Nestlé was not required to produce an EOWA report in 2007.

## How we're tracking

	2006	2007	2008
<b>Workforce – Full Time Equivalent Employees</b>			
Australian employees	4,671	4,655	4,245
New Zealand employees	664	651	636
Pacific Island employees	692	741	735
Total number of employees	6,027	6,047	5,615
<b>Employee engagement</b>			
Hewitt Employee Engagement Score <sup>o</sup>	61%	60%	+
<b>Occupational Health and Safety</b>			
Lost Time Injury Frequency Rate	4.3	3.31	3.00*
<b>Employee turnover</b>			
Employee turnover <sup>‡</sup>	10.9%	12.4%	11.6%
<b>Diversity</b>			
Gender profile (total) – % male <sup>^</sup>	53%	†	53%
Gender profile (total) – % female <sup>^</sup>	47%	†	47%
Women in management (%) <sup>^ v</sup>	29%	†	32%
Female/Male salary ratio (women : men) <sup>^ #</sup>			
– Senior Executives	46:54	†	43:57
– Senior Management	50:50	†	51:49
– Management	48:52	†	49:51
– Technical/Professional	48:52	†	48:52
– Administration/Clerical/Other	49:51	†	48:52
– Weekly/Fortnightly Paid	45:55	†	47:53

<sup>o</sup> Australian and New Zealand employees only.

<sup>+</sup> Given Nestlé participated in a global employee survey, the Hewitt survey was not completed in 2008.

<sup>\*</sup> This is an overall Nestlé Oceania figure. Previously, it excluded additional Nestlé businesses such as our Nutrition and pet care businesses.

<sup>‡</sup> Employee turnover percentages are for resignations only and only applies to Nestlé Oceania monthly paid employees.

<sup>^</sup> Excludes Nestlé Pacific Islands employees.

<sup>†</sup> Nestlé was not required to produce an EOWA report in 2007.

<sup>v</sup> Incorporates Senior Executives, Senior Management and Management.

<sup>#</sup> NZ salaries converted to AUD on basis of NZD 1 = AUD 0.7780