

Nestlé in Society

Creating Shared Value Report of Nestlé Philippines














Good Food, Good Life

The background is a vibrant, circular illustration composed of thick, overlapping brushstrokes in shades of yellow, green, blue, and orange. A green vine with leaves curves around the top and right sides. In the lower-left quadrant, there is a yellow sun with rays, a brown silhouette of a farmer wearing a wide-brimmed hat and holding a basket of red fruit, a red tractor, and a blue factory building. The overall style is artistic and hand-drawn.

Creating SHARED VALUE

REPORT 2013

CONTENTS

	ABOUT THE REPORT	1
	MESSAGE FROM THE CHAIRMAN AND CEO	2
	ABOUT NESTLÉ PHILIPPINES	4
	CREATING SHARED VALUE	8
	NUTRITION	16
	WATER, ENVIRONMENT AND SAFETY	38
	RURAL DEVELOPMENT	64
	PHILANTHROPY	80
	OUR PEOPLE	88
	RESPONSIBLE ADVERTISING AND ADHERENCE TO WHO MILK CODE	114
	GRI INDEX SHEET	118

ABOUT THE REPORT

The Nestlé Philippines CSV Report presents the initiatives of Nestlé Philippines aimed at making a positive difference in the areas of Nutrition, Water, and Rural Development. These are initiatives that the Company calls Creating Shared Value (CSV), which is a strategy that allows Nestlé to grow its business while contributing to the advancement of the society where it operates.

Scope

This report covers the CSV activities that the Company conducted through its different worksites from January 1, 2012 to December 31, 2013. These worksites include: Makati Administration Office (Makati), Cabuyao (Laguna), Cagayan de Oro, Pulilan (Bulacan), Lipa and Tanauan (Batangas).

Reporting Principles

This report is aligned with the Global Reporting Initiative (GRI) G 3.1 guidelines.

Materiality Analysis

This document details the Company's CSV activities in Nutrition, Water, and Rural Development. It also reports about the Company's programs and compliance to law in the areas of human resource management, responsible advertising, and adherence to the WHO Milk Code.



MESSAGE FROM THE CHAIRMAN AND CEO

Business and Society

Society needs business just as business needs society. This is the principle behind the Nestlé business strategy we call Creating Shared Value (CSV). We believe that truly successful business not only infuses a nation with the economic means to prosper, it also contributes to a thriving society.

Strategic approach to development

Awareness of this symbiotic relationship drives Nestlé to tackle social issues that intersect with our business, especially in areas where we know we are best equipped to make a positive difference. As a leading Nutrition, Health, and Wellness company, we focus our CSV efforts on three strategic areas: Nutrition, Water, and Rural Development. We make sure that our business operations contribute significantly to:

- the advancement of nutrition education, healthy nourishment, and the wellness of Filipino families;
- the conservation and preservation of water and other natural resources through the promotion of sustainable and responsible consumption practices; and
- the enhancement of the quality of life of communities in rural areas by creating employment, providing livelihood opportunities and initiating community development programs.



John Miller with Cut and Sew beneficiary Mila Lambio and her husband



John Miller with Dr. Mario Capanzana, Director of the Food and Nutrition Research Institute of the Department of Science and Technology

Era of collaboration

Years of immersion in our CSV initiatives have strengthened our conviction that business can indeed serve as a force for change. Our first-hand experience has also shown us that collaboration between and among different sectors is critical to the success of any endeavour aimed at achieving sustainable progress. Nestlé thus pursues partnerships with government and non-government agencies as well as other leaders and organizations in civil society to synergize capabilities and resources in order to bring out the best possible results from our various CSV activities.

John Martin Miller
Chairman and CEO

Nestlé in society report

This bi-annual CSV Report details all the CSV programs and initiatives of Nestlé Philippines Inc., showing in concrete terms how Nestlé strives to be an agent of development and to create long-term value for society. Through this report, we hope to inspire others in the business sector to take the path towards Creating Shared Value and thereby contribute to the continuing progress of the nation.

ABOUT NESTLÉ IN THE PHILIPPINES

Organizational Profile

Over 100 years of doing business in the Philippines is testimony to the strength and stability of Nestlé Philippines as an organization, relentless in its mission of nourishing generations of Filipino families and helping build a strong and prosperous nation. Recognized as a leader in nutrition, health, and wellness, the Company manufactures and distributes fast-moving consumer goods that are leaders in their respective categories. Among these are NESCAFÉ, NIDO, MILO, NESTEA, MAGGI, BEAR BRAND, NESTLÉ, and PURINA. Its product range includes coffee, milk, beverages, non-dairy creamer, food, infant nutrition, ice cream and chilled dairy, breakfast cereals, confectionery, and pet-care.



Nestlé sites across the Philippines



MISSION

Nestlé aims to continuously nurture future generations of Filipino families and to contribute to the development of a strong and prosperous nation, as we have done for the last 100 years.

OUR PRODUCTS



Beverages:

MILO
MILO R2
NESTEA
NESFRUTA

Breakfast Cereals:

NESTLÉ Cookie Crisp
NESTLÉ Cornflakes
NESTLÉ FITNESSSE
NESTLÉ Honey GOLD
NESTLÉ HONEY STARS
NESTLÉ KOKO KRUNCH
NESTLÉ MILO Balls
NESTLÉ Clusters
NESTLÉ Snow Flakes

Chilled Dairy:

NESTLÉ Fruit Selection Yogurt
NESTLÉ PREMIUM DAIRY
NESTLÉ ACTI-V
NESTLÉ BEAR BRAND Probiotic
NESTLÉ Sour Cream
NESTLÉ Creamy Yogurt

Coffee & Creamer Creations:

NESCAFÉ CLASSIC
NESCAFÉ 3-in-1
NESCAFÉ DOLCE GUSTO
NESCAFÉ DECAF
NESCAFÉ GOLD
NESCAFÉ CAPPUCCINO
NESTLÉ COFFEE-MATE

Confectionery:

CRUNCH
BABY RUTH
KITKAT
BUTTERFINGER
FOX'S
POLO
SMARTIES

Dairy Health and Nutrition Solutions:

BEAR BRAND Powdered Milk Drink
BEAR BRAND Busog Lusog
BEAR BRAND Adult Plus
BEAR BRAND Junior
NIDO FORTIFIED
NIDO Forti-Choco
NIDO Forti-Melon
NIDO Junior
NIDO 3+
NIDO 5+
NESVITA Pro-Bone
NESVITA Pro-Heart
NESVITA Cereal Milk Drink

Food:

MAGGI MAGIC SARAP
MAGGI MAGIC SINIGANG
MAGGI MAGIC MEALS
MAGGI Savor
MAGGI Oyster Sauce

Healthcare Nutrition:

NUTREN Diabetes
NUTREN Fibre
NUTREN Junior
NUTREN Optimum
PEPTAMEN
ISOCAL
ORAL IMPACT

Ice Cream:

NESTLÉ TEMPTATIONS
NESTLÉ KIMY
NESTLÉ DRUMSTICK
NESTLÉ TWIN POPS
NESTLÉ SORBETES
NESTLÉ PINIPIG

Infant Nutrition:

NAN Pro
NAN SENSITIVE
NAN HW
NAN Kid 4
PreNAN
NAN AL 110
NESTOGEN
NESTLÉ MOM & ME
NESTLÉ Cerelac
GERBER

Liquid Beverages:

NESTLÉ All-Purpose Cream
NESTLÉ Fresh Milk
NESTLÉ Low Fat Milk
NESTLÉ Non Fat Milk
NESTLÉ CHUCKIE
NESTLÉ MILO RTD
NESCAFÉ RTD
BEAR BRAND Sterilized

Nestlé Professional:

MAGGI
MILO
NESCAFÉ
NESTEA
NESTLÉ Lemonade
BUITONI
NESTLÉ Ice Cream

Petcare:

FRISKIES
ALPO
PURINA Pro Plan
PURINA BEGGIN
PURINA FANCY FEAST

CREATING SHARED VALUE



WHAT IS CREATING SHARED VALUE?

In line with its mission of nurturing generations of Filipinos and contributing to nation building, Nestlé Philippines stands firmly committed to the global Nestlé business strategy of Creating Shared Value (CSV). CSV is an approach that recognizes and places importance on the interdependence between business and society, and thus promotes a symbiotic relationship that allows Nestlé to grow its business while contributing to the advancement of the society where it operates.

Both CSV and Corporate Social Responsibility (CSR) promote the welfare of society. CSV however, goes much further by focusing on activities and strategies that have long-term positive impact on business as well as on society. Whereas CSR is deemed to be a “responsibility”, CSV is seen as an opportunity to create competitive advantage for the shareholders of the business while giving value to the stakeholders in society.

Creating Shared Value means Nestlé intertwines its business activities with initiatives that promote the welfare of society. While its primary business is to make and market food and beverage products, it does so with conscious efforts to use resources efficiently across the value chain and contribute to the society’s economic and social development.

Nestlé Philippines is committed to Creating Shared Value in the areas of:



Nutrition

Improve consumers’ understanding of nutrition create access to nutritious food, encourage healthy habits, and promote an active lifestyle.



Water

Advocate sustainable water consumption and encourage environmental sustainability.



Rural Development

Support farmers in rural areas in the production of raw material and encourage livelihood in rural areas.

THE CSV COUNCIL



CSV is integrated into the entire Nestlé business and is thus the responsibility of each and every employee and not just a single department. As such, the Company has formed the CSV Council, which is composed of representatives from all Business Units and Shared Service Units. Formed in January 2010 under the stewardship of the Corporate Affairs Department, the CSV Council is tasked to:



- Consolidate, drive, and direct all CSV initiatives of the Company;
- Align CSV activities, measure their success in definite terms, ensure a common understanding of the CSV concept within the Company, and communicate this to employees, stakeholders, and the general public;
- Meet regularly to exchange ideas on how to design and monitor local CSV programs, receive updates on the progress of ongoing programs, cascade learning, and keep abreast with the latest and best practices from other countries; and
- Establish partnership with non-government organizations and bilateral aid organizations in order to maximize the impact, scale, and sustainability of the CSV programs.



NESTLÉ AND CREATING SHARED VALUE IN OUR VALUE CHAIN

BENEFIT TO SOCIETY

Sourcing

- Livelihood generation
- Local income
- Agricultural development

CSV Programs:

NESCAFÉ Plan (pg.72), Cut & Sew (pg.68), Yard & Garden (pg.69)

Manufacturing

- Reduce environmental impact
- Increase environmental conservation

CSV Programs:

Food Fortification (pg.24), Product Reformulation (pg.26), Water, environment & safety practices (pg.38), Packaging (pg.54)

Distribution and Marketing

- Increased livelihoods
- Enhance nutrition

CSV Programs:

Business on Wheels (pg.70), Nestlé Healthy Kids (pg.20), I Choose Wellness (pg.27), Cooking with Magic (pg.30), MILO Sports Programs (pg.31)

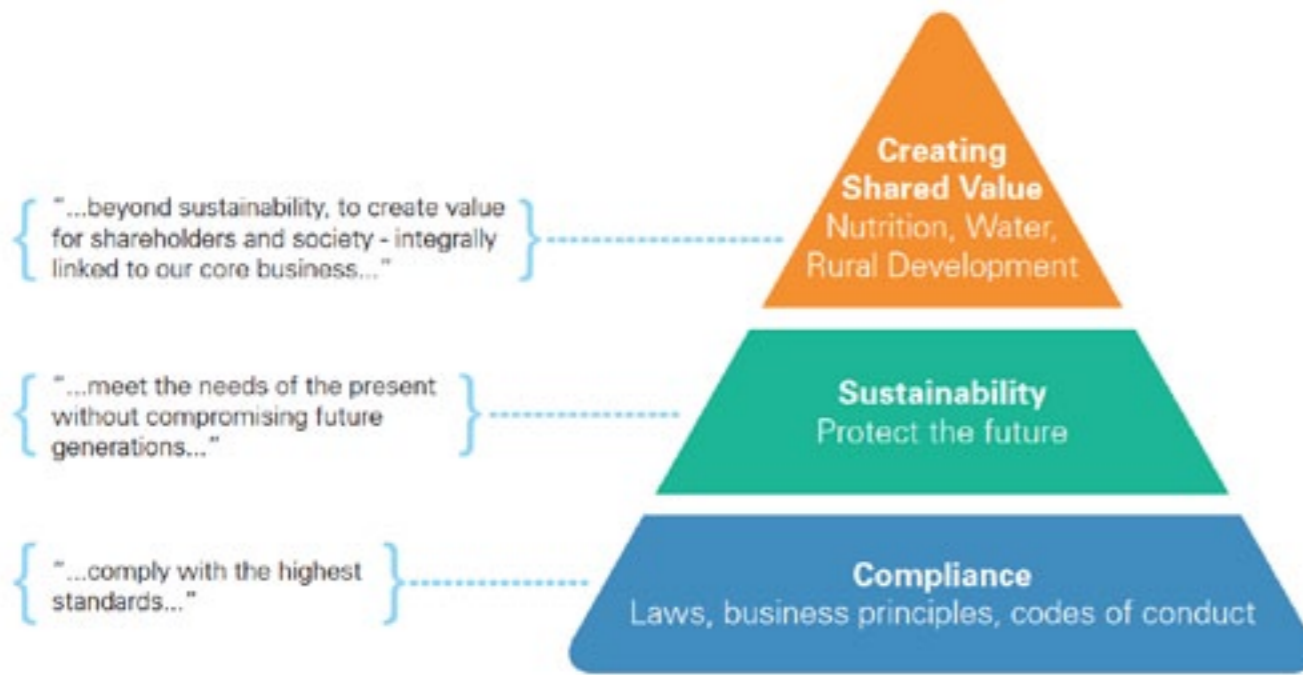


BENEFIT TO BUSINESS

- Cost savings
- Convenience through local sourcing

- Increased safety
- Cost savings
- Operational efficiency
- Product innovation
- Transport efficiency

- Maximizing market base
- Increased distribution
- Increased sales
- Increased brand awareness
- Increased consumer awareness on Nutrition, Health & Wellness



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 to our consumers.

“We believe we can make an important contribution to society, by going a step beyond corporate social responsibility to create value through our core business both for our shareholders and society. We prioritise the areas of nutrition, water and rural development to create shared value; this requires long-term thinking...”

Peter Brabeck-Letmathe,
Chairman

“Creating Shared Value is built upon fundamental commitments to society, both to achieve the highest standards of compliance with laws, codes of conduct and our own Nestle Corporate Business Principles as well as to protect the environment for future generations.”

Paul Bulcke,
Chief Executive Officer

2012-2013 SAFETY, HEALTH AND ENVIRONMENT AWARDS

2012 Safety Milestone (SMILE) award
by the Department of Labor & Employment (DOLE)
(Pulilan Factory)

2012 Plaque of Recognition for 6 years of unwavering
support and contribution
(Philippine National Red Cross)
(Lipa Factory)

2012- 2013 Zero Basura Olympics and Best in Composting
(PBSP and Earth Day Network
in partnership with NSWM, PBE and DENR)
(Cagayan de Oro Factory)

2012 PEPP Track 1 Companies with Superior Environmental
Program
(Pulilan Factory)

2012 Achievement award for technology development
(Robusta Coffee Technology) for agri-services team
(Crop Science Society of the Philippines)

NUTRITION

As the world's leading Nutrition, Health and Wellness Company, Nestlé endeavors to play an active role in the promotion of good and proper nutrition throughout the Philippines, and in the process improve the general health and wellness of all Filipinos. The Company works closely with nutrition authorities from the government as well as the academe to develop and implement programs that address real concerns and contribute meaningfully to national efforts at meeting nutrition-related challenges.

Beyond producing nutrition-rich food and beverage products, the Company helps elevate the state of nutrition awareness and practices in the country in four ways: improving consumers' understanding of nutrition, making nutritious food accessible, encouraging healthy habits, and promoting an active lifestyle.



impact on NUTRITION

Improve nutritional understanding

Access to nutritious food

Encourage healthy habits and behaviors

Promoting an active lifestyle



IMPROVING CONSUMERS UNDERSTANDING OF NUTRITION

Addressing Malnutrition through Nestlé Healthy Kids



Nestlé Healthy Kids is a school-based education program that addresses the problem of malnutrition among school children in resource poor settings. The objective of the program is to teach children aged 9-10 about the basics of good nutrition and equip them with practical know-how on preparing and eating the right kinds of food that will nourish them to good health. The program teaches students how to stay healthy and put together a balanced meal.

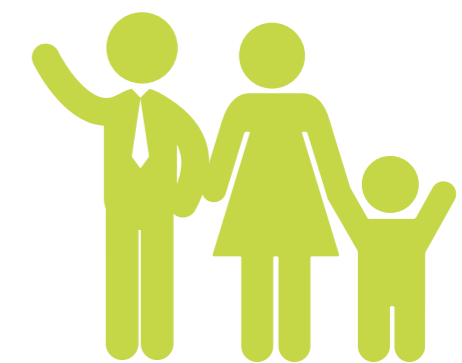
Nestlé developed the program in partnership with the Food and Nutrition Research Institute of the Department of Science and Technology (FNRI-DOST). Together, Nestlé and FNRI-DOST designed a comprehensive 10-lesson curriculum on nutrition education for school children. Educational materials on these 10 lessons were then produced by education experts, designed in such a manner that makes learning about nutrition a fun and exciting experience for students.



Under the program, teachers are trained to cascade the 10 lessons to Grade 4 students under the subject of MAPEH (Music, Arts, PE, and Health). The lessons include: how to read nutrition labels, how to prepare a balance meal; the basics of go-grow-glow; the importance of breakfast; food safety habits; and other healthy habits such as physical exercise.

The program includes three learning sessions on nutrition given to the children's parents (or guardians) and operators of school canteens, enabling them to create and sustain an environment that encourages school children to be nutrition-conscious in the food they eat and to develop a healthy lifestyle.

Launched only in 2013, Nestlé Healthy Kids has so far covered two schools in Meycauayan, Bulacan, covering 298 students and 260 parents and canteen personnel. It targets to continuously expand the program in the succeeding years to benefit more school children.



298 Students
260 Parents and
Canteen Personnel

For more information contact us at nestle.healthykids@ph.nestle.com

Laki sa Gatas



Student sessions

A flagship nutrition education program of Nestlé in the Philippines is Laki sa Gatas, which advocates proper nutrition among parents and children, with emphasis on the nutritional value of milk every day.

Every year, the program visits public elementary schools in different parts of the country to teach parents about the importance of giving proper nutrition, which includes fortified milk with Tibay Resistensya Nutrients like Iron, Zinc and Vitamin C to help fight Micronutrient Deficiency. The program engages teachers and trains them to be able to monitor the health condition of their students and check for possible symptoms of nutrition deficiency. Through the meal planner module, the program teaches mothers about the importance of giving a balanced and nutritious meal for the family, all within their budget. Finally, through its ambition module, the program reinforces to school children the importance of hard work and a healthy mind and body to help them reach their ambition in life. Laki sa Gatas features highly interactive and fun learning activities that make use of entertaining tools such as the ambition glass for the kids and meal planning games for the parents. These effectively engage the full attention of the parents and the school children throughout the whole activity.



Mothers sessions

Launched in 2006, Laki sa Gatas has since toured over 9,000 schools throughout the Philippines and has imparted its lessons on nutrition to over 3.5 million school children, 2.1 million parents, and 127,000 teachers. Post-event evaluations reveals an increase in intent to serve milk more often and that 85% of parents who attended the Laki sa Gatas sessions expressed intention to give their children milk every day to help fight Micronutrient Deficiency.



9,000
Schools



3.5
million
Students

Creating Nutrition-Smart Shoppers: The Nestlé NUTRITIONAL COMPASS®



Using every possible vehicle to communicate with consumers about nutrition, Nestlé has designed its product packaging with an illustrative and easy-to-understand presentation of the product contents, highlighting its nutritional values and the benefits it offers to consumers. Aply called NUTRITIONAL COMPASS®, the visually pleasing presentation does serve as a “compass” that points consumers to nutritional information about the product that are relevant to them, enabling them to make informed choices at point-of-sale. Such presentation is an innovative departure from the finely printed table of nutritional content that is usually seen on food product packaging.

Nestlé now uses the NUTRITIONAL COMPASS® not only on its product packaging but as a standard design for any product presentation. The idea is to always make it easy for consumers to understand and appreciate products for its nutritional content and to inculcate in them the importance of reading nutrition labels.

CREATING ACCESS TO NUTRITIOUS FOOD

Micronutrient Fortification: Making Nutritious Food Accessible to every Filipino

The greater majority of Filipinos come from the lower-income households where consumption of nutritious food is hardly a priority. Food that fits into their meager daily budget is what gets served, regardless of its nutritional content or lack thereof.

Sensitive to this situation, Nestlé continues to promote small pack sizes of its products, making these affordable to fit the daily budget of low-income households and easily available by selling them through sari-sari stores. More importantly, Nestlé has fortified these popularly positioned products with sufficient amounts of vitamins and minerals, ensuring that essential micronutrients get served in these households. In 2012, there were 16.2 billion servings of fortified products with Vitamin A, Iron, Iodine and Zinc that reached consumers

These popularly positioned Nestlé products fortified with micronutrients include:



BEAR BRAND Efficacy Study: Promoting the Power of Fortified Milk



As Nestlé makes use of its superior global nutrition science research to develop nutrient-fortified products, the Company also works closely with government authorities in determining what nutrients would best address the nutritional needs of Filipinos.

One notable collaboration between Nestlé and the Food and Nutrition Research Institute of the Department of Science and Technology (FNRI - DOST) is the BEAR BRAND Efficacy Study on Fortified Milk, which aimed to determine the nutritional effects of drinking fortified milk on growing children. The study involved 141 school children aged at least six-year-old in six elementary schools. They were randomly assigned to three groups with two study groups made to drink fortified milk for 120 days. The nutritional status and iron biomarkers of the students were measured before and after the study.

Results revealed that giving fortified milk helped fight Micronutrient Deficiency. School children who took part in the study and had 2 glasses of fortified milk showed increased levels of zinc, and hemoglobin in their body. They also gained increase in height and improvement in cognitive abilities such as responsiveness, better memory, comprehension and focus.

This landmark study has affirmed the efficacy of the fortification of milk with essential nutrients such as zinc, iron, and vitamin C to help improve the nutrition condition of the Filipino population, more specifically the school children. It has been proven that giving fortified milk everyday will help fight Micronutrient Deficiency. This has become the cornerstone of the BEAR BRAND communication as the only milk product tried and tested to help fight Micronutrient Deficiency.

 141 School children

 Increase in height and improvement in cognitive abilities

Sodium, Sugar and Transfat Reduction

While Nestlé continues to develop the science of fortifying its products with nutrients, the Company likewise pursues research and development efforts aimed at reducing the saturated fat, trans fat, added sugar, and sodium content in its products without compromising taste and quality.

Globally, Nestlé has implemented mandatory policies on the reduction of these ingredients in the past 10 years with clear target reduction rates. Thus far, results of initiatives toward this end show that the Company is on track to meet its reduction goals and that the commitment to sustaining these initiatives remain strong.

INITIATIVES	Initiatives on Saturated Fat Reduction	Initiatives on Sodium Reduction	Initiatives on Sugar Reduction	Initiatives on Trans Fatty Acids (TFA) Reduction
Policies	Policy to reduce saturated fats in Nestlé products, implemented since 2009	Policy to reduce salt in Nestlé products and thereby limit sodium consumption, implemented since 2005	Policy to reduce sugar in Nestlé products, implemented since 2007	Policy to reduce TFA in Nestlé products, implemented since 1999 (Milk fat is exempted from the policy since as its TFA component is naturally occurring.)
Commitments	Further reduce saturated fat by an average of 10% by end 2016 in products that do not meet Nestlé Nutritional Foundation Criteria	Further reduce sodium levels in Nestlé products by an average of 10% by end of 2016 in products that do not meet Nestlé Nutritional Foundation Criteria	Further reduce sugars in Nestlé products by an average of 10% by end of 2016 in products that do not meet Nestlé Nutritional Foundation Criteria	Prioritize the reduction of TFA in Nestlé products consumed by children and products with higher levels of TFA*
Results to Date	Reduction in the levels of saturated fats in Nestlé products has been achieved. By end of 2013, 96% of children's products meet Nestlé Nutritional Foundation Criteria for saturated fat which is based on dietary recommendation from leading health authorities including the World Health Organization	Reduction in sodium levels in Nestlé products has been achieved. In 2013, 96% of children's products met Nestlé Nutritional Foundation Criteria for sodium as defined in the Nestlé Nutritional profiling system	Between 2000 and 2013, the overall sugar content in Nestlé products has been reduced by 32%	At the end of 2013, 96% of Nestlé products were free of TFA which originate from partially hydrogenated oils

*High level of TFA means exceeding 3% of total fat in food, or 2% of daily total energy intake

ENCOURAGING HEALTHY HABITS AND BEHAVIORS

The Road to Good Health: I Choose Wellness



Nestlé goes beyond the realm of advertising and promotions to spread its wellness advocacy to the Filipino nation. At its core, the Nestlé Wellness campaign urges Filipinos to choose a lifestyle anchored on proper nutrition and physical fitness to help stave off lifestyle diseases such as hypertension, diabetes, and heart disease. The Company has launched several wellness programs targeted at specific publics, preaching the value of wellness and demonstrating practical ways to achieve it.

Wellness within Nestlé

Nestlé subscribes to the ideal that wellness begins at home and has thus infused the element of wellness in nearly all programs and activities for all its employees and their families. The Company encourages everyone in the organization to adopt a healthy lifestyle, supporting them in this endeavor with nutrition education training, regular physical exercise programs, and year-round sports and recreation activities. Well-equipped gym facilities can also be found at work sites.



**“Choose Wellness, Choose Nestlé”
at the Trade**

Nestlé promotes its wellness advocacy to the general public by deploying registered nutritionists to supermarkets and groceries to personally engage shoppers and consumers in talks about nutrition and wellness. These nutritionists are usually stationed at a designated Nestlé Wellness booth, where shoppers can have their body measurements taken, nutritional status evaluation and their risk to nutritional problems assessed through a lifestyle questionnaire. Shoppers may then consult with the nutritionists on their personal health and nutrition concerns while the nutritionist teaches them on how to eat right and gives tips on how to live a wellness lifestyle. Some 6.7 million shoppers have benefitted from these one-on-one consultations with Nestlé nutritionists in the trade since this program was launched in 2007.



**6.7 million Shoppers
benefitted from consultations
with nutritionists**



Wellness Expo

A major initiative of the Company to communicate nutrition, health, and wellness to the public is its two-day Choose Wellness Expo held every July in celebration of Nutrition Month. The event is a festive experience for Filipino families as they get introduced to Nestlé Wellness concepts through interactive activities. The expo also showcases how the different Nestlé brands can help consumers achieve their wellness goals. More than 30,000 attended the Nestlé Wellness Expo in 2013, of which about 16,000 availed of the free onsite nutrition counseling.



**30,000 consumers attended the
Nestlé Wellness Expo 2013**



Wellness Campus

To bring the wellness experience to young people, Nestlé in 2013 rolled out its newly launched Wellness Campus campaign to public high schools in the National Capital Region (NCR). Supported by the Department of Education, the program aims to encourage students to start adopting a wellness lifestyle anchored on eating right and engaging in regular exercise.

Communication is done through the school’s Monday flag-raising ceremony, where, in a span of 15 minutes a lecture on nutrition occurs and thereafter engaging the student assembly in a dance exercise. The main message being put across is that good nutrition and exercise are the chief keys to achieving wellness. Bookmarks bearing this message are then distributed to all students after the flag ceremony.

In 2013, the Company conducted Wellness Campus in 250 public high schools throughout NCR within a span of 10 weeks. Over 700,000 students from these schools experienced being part of the Wellness Campus.



**250 public
high schools**



**Over 700,000
students
participated**

Cooking with Magic

To complement culinary skills with sound nutrition knowledge (or vice versa), Nestlé offers the Cooking with Magic program to nutritionists and cooks who specifically work in hospital food service. Hospital food is generally perceived as far from palatable and therefore falls short in serving the needs of patients who deserve both nutrition and comfort from the food they eat. Cooking with Magic program aims to enable cooks and nutritionists to serve meals that are both nutritious and delicious, emphasizing both taste and balance, and thereby providing patients with the nutrition they need and the comfort they expect.

Cooking with Magic is a 10-day program that combines lecture discussions, cooking demonstrations, and hands-on exercises, all of which have been developed and are carried out in coordination with the Nutritionists and Dietitians Association of the Philippines (NDAP), an accredited professional organization of nutritionists and dietitians. Participants gain knowledge on the basics of nutrition, menu-planning, recipe development, safety and sanitation, cooking balanced meals, as well as the art of plating and presentation. This allows them to serve healthier and tastier options to their patients that are likely to improve their nutritional well-being.

Cooking with Magic also encourages the participants to become brand ambassadors communicating that MAGGI MAGIC SARAP contains 40% less sodium than salt, making it the better choice when preparing balanced meals.

More importantly, the program draws attention to the need for hospitals to consciously strive to increase the quality of food preparation and cooking in order to provide better service through tasty and balanced meals.

The program reached a total of 33 hospitals with 125 participants.



33 hospitals



125 participants

PROMOTING AN ACTIVE LIFESTYLE

MILO Summer Sports Clinics



Over the years, Nestlé has played an active role in promoting sports development in the country through the long-running sports programs of MILO. With character forming values such as discipline, teamwork, competitiveness, sportsmanship, and perseverance learned through sports, the program aims to create champions—not just in sports, but also in life.





The MILO Summer Sports Clinics is the longest-running grassroots sports development program in the Philippines, a fact highly recognized by the Philippine Sportswriters Association with a Lifetime Achievement Award. The clinics are wide-range training programs designed to teach children aged 7 to 18 the basics of different sporting games through professional and scientific instruction. It began back in 1983 as a training ground for aspiring basketball players, expanding to several other sports over the years.

Today, the clinics cover: badminton, basketball, bowling, chess, football, gymnastics, ice skating, karatedo, lawn tennis, swimming, table tennis, taekwondo, and volleyball. Among the MILO Summer Sports Clinics' esteemed graduates are professional basketball player Chris Tiu, Southeast Asian Games gold medalist Japoy Lizardo, former Olympian and gymnastics star Bea Lucero, Michael Martinez the first Filipino Olympian in the winter Olympics and WNCAA volleyball gold medalist MVP Princess Gaiser. The MILO Summer Sports Clinics are held every summer in more than 700 venues nationwide with over 30,000 enrollees every year.

 30,000 enrollees

MILO Marathon

Starting nearly four decades ago, the MILO Marathon made its mark in the Philippines by being the first marathon to be considered a major national sports event. To this day, it remains the grandest, most prestigious running competition in the country with over 200,000 participants from all walks of life every year in key cities nationwide. MILO Marathon evolved into an even grander sporting event with its advocacy of giving shoes to underprivileged school children. Many of these children run, play, and go to school with no shoes to cover their feet. With the "Help Give Shoes" movement, a portion of every runner's registration fee is put into a collective pool, which is then doubled by MILO with its own monetary donation.



200,000 participants



MILO Little Olympics



The total amount raised is used to buy the running shoes donated to shoeless public school children, who are chosen based on their academic performance and athletic potential. These shoes are a symbol of inspiration for Filipino children to reach for their dreams and become their very best.

Since its launch in 2010, the advocacy has helped give over 34,200 pairs of running shoes to kids who need them.



34,200

pairs of running shoes



Knowing the important role schools play in youth development, MILO partners with the educational sector to bring out the children's athletic excellence through the MILO Little Olympics — an interschool junior sports competition where schools from different regions compete in several events. Along with the prestige of victory, the winning teams also receive cash prizes that go into funding their schools' sports equipment and facilities.





For over twenty years, the program has committed itself to discovering and developing local athletes. It also continues to shape the youth into learning the values of discipline, sportsmanship, and teamwork early in their life.

In 2013, more than 24,000 young athletes from different parts of the country competed in the MILO Little Olympics.




 
24,000 young athletes

MILO Enerjam School Tour (MEST)



Staying true to its vision of championing sports in the country, MILO launched a school tour that reaches out to grade school children in both public and private schools nationwide. Called MILO Enerjam School Tour (MEST), it is a half-day program that engages students into mini-exercise sessions and lectures about leading active, healthy lifestyles. At the same time, it also invites parents to a lively talk on the benefits of sports and physical activity to growing kids. So far, the Enerjam tour has visited 1,351 schools nationwide, getting a total of 1,307,368 students from Grades 2-6 engaged in physical exercise sessions.

 1,351
Schools
nationwide

 1,307,368
Students
from Grades 2-6 engaged in
physical exercise sessions



WATER, ENVIRONMENT AND SAFETY

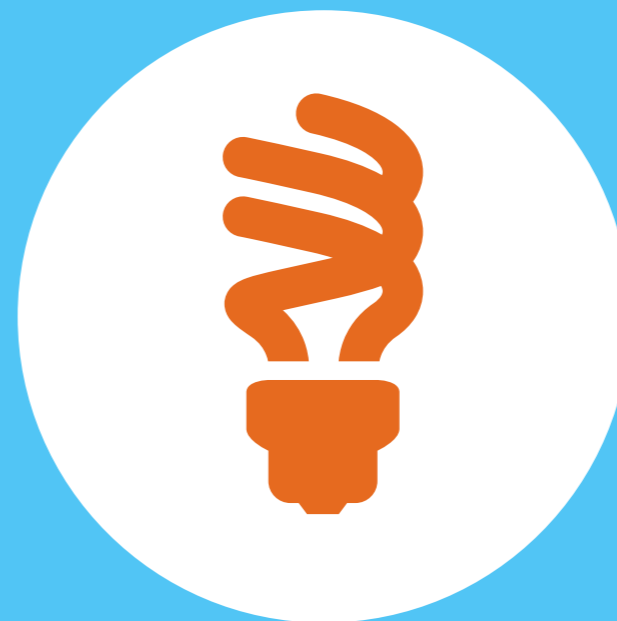
The Company has put in place several initiatives aimed at protecting the environment in four priority areas: water, agricultural raw materials, manufacturing and distribution, and packaging. The Company has also aligned these initiatives with global sustainability standards to ensure the continuing availability and usability of natural resources for future generations.



IMPACT ON WATER AND THE ENVIRONMENT



Water
ConServation



Energy
ConServation



Waste
Management



Sharing Best
Practice

WATER INITIATIVES

Making Every Drop Count

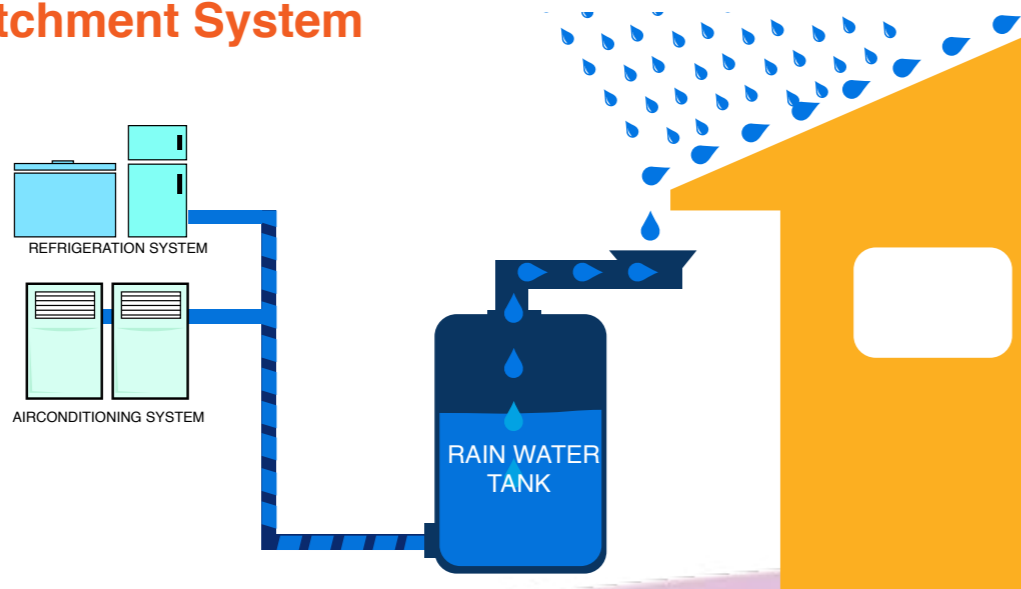
Water is life. The fact that water is a finite resource that is getting scarcer day by day is what drives Nestlé to have water conservation as a primary focus. For decades now, the Company has been relentless in its efforts to minimize and optimize water consumption, treat wastewater, and protect water sources.

Despite an increase in production output year after year, Nestlé remains constantly aware of the need to reduce consumption of water. This has brought forth countless water-conservation practices, many of which started out as suggestions or ideas from line personnel and are now being implemented across Nestlé worksites.



Rain Water Catchment System

Rain water which is a natural water source is collected in the cistern tanks and is used for domestic purposes.



Zero Waste Water Discharge

Waste water is treated and reused in the plant site allowing zero waste water discharge.



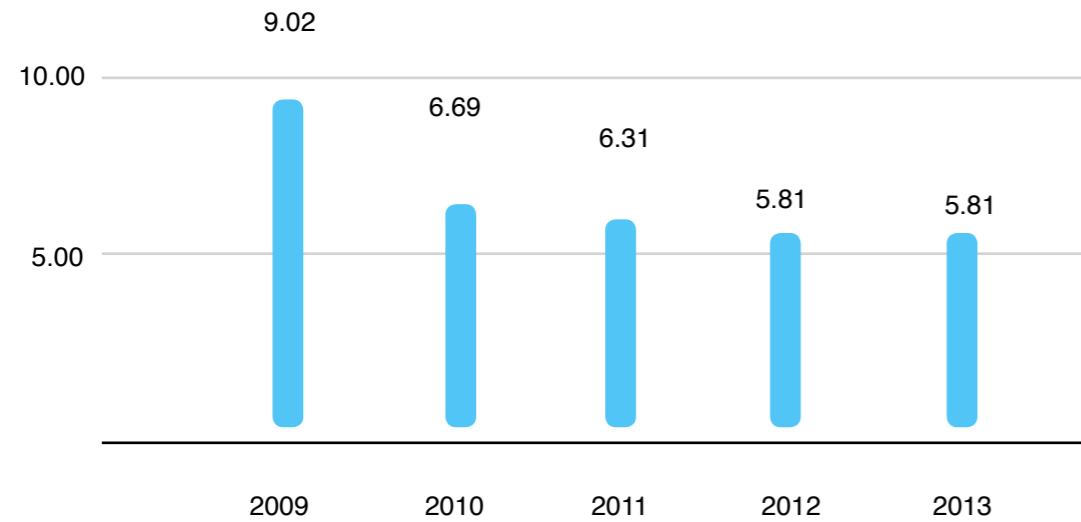
Water in Our Worksites

Among its many water-conservation practices at the worksites are:

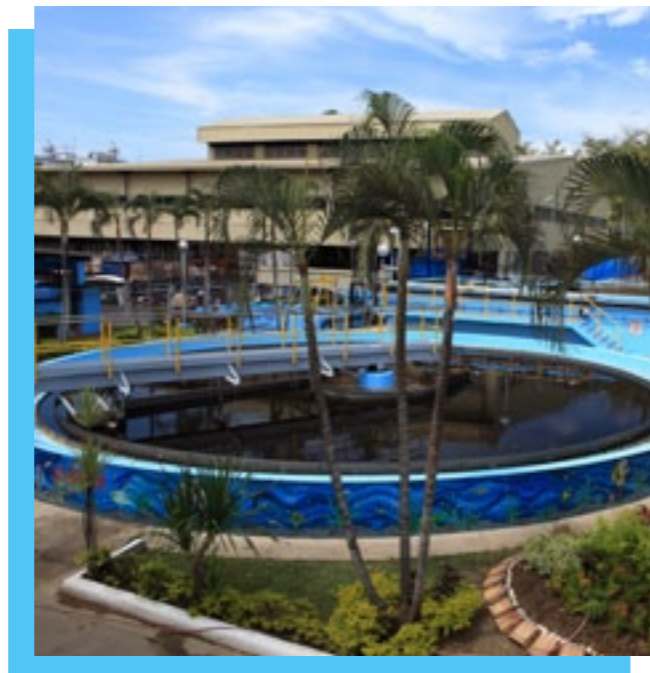
- Installation of cistern tanks to collect rainwater
- Recirculation of cooling water instead of being immediately discharged to waste
- Reuse of water from Reverse Osmosis plants for such purposes as flushing of toilets
- Reuse of water from the steam condensate process to run the steam boiler
- Reuse of the final rinsing water during cleaning-in-place (CIP) of process equipment as initial rinsing water for the next CIP
- Reuse of effluent for irrigation of plants and grass inside factory premises
- Use of automatic washer for the cleaning dryer, which regulates volume of water used to clean the dryer
- Insulation of steam valves and leak management
- Throttling of supply valve to regulate water flow
- Use of waterless urinals



NPI Water Performance (M³/MT)



Aside from optimizing water consumption, Nestlé also operates world-class wastewater treatment plants in all its work sites to ensure that every drop of wastewater from its factories and distribution centers is treated of impurities before being discharged to natural waterways. Constantly evaluated, treated water from Nestlé complies with the standards of the Department of Environment and Natural Resources (DENR) and has been proven to be able to sustain marine life.



Going one step further, Cagayan de Oro Factory and Cabuyao Factory has put in place a last line of defense to detect contaminated storm water and stop this from getting discharged to the river by bringing it back to the wastewater treatment plant for further treatment.

Pulilan Factory, on the other hand, now operates with zero wastewater discharge and does not discharge any treated process waste water outside the facility. Much of the treated water goes instead to the factory's evaporative condenser while the rest is used in the site's fish pond.

All these initiatives have enabled Nestlé to reduce by 35.5% its annual water consumption per metric ton of products produced from 9.02 cubic meters in 2009 down to 5.81 in 2012. The Company was able to maintain this figure in 2013.

35%
reduction in water
consumption

Water Beyond Worksites

Beyond its internal operations, Nestlé also works with local communities to manage natural water resources such as rivers and creeks that run through the localities of its worksites.

Cagayan de Oro Factory conducts regular clean-up activities at the Umalag River, cutting unsightly grasses and ridding the area of algae and scattered trash. Employees and residents of Barangay Tablon join hands in cleaning up the river every quarter. Cagayan Distribution Center (CDC) has also mobilized employees, local residents and students to clean up the coastal area in Barangay Casinglot.

Pulilan Factory works closely with local fisher folk in preserving and enriching marine life in the river near the factory. The factory also coordinates with the municipal government to help clean up the irrigation canals that feed water to vast farmlands in the province of Bulacan.

Meanwhile, Nestlé extends its water resource management initiatives to include Boracay through the NESTEA Beach Clean-up program, which focuses on helping preserve the pristine quality of the Boracay beach resort where the Company holds the championship series of its annual NESTEA Beach Volley event.

In 2013, the Company partnered with the Boracay Beach Management Foundation, Inc. to clean up the beach, drawing in 245 participants coming from the government, local population and organizations, private sector representatives and divers. This particular clean-up drive yielded 116 kilos of trash collected from the shore while underwater clean-up generated a total of 86 kilos of waste.

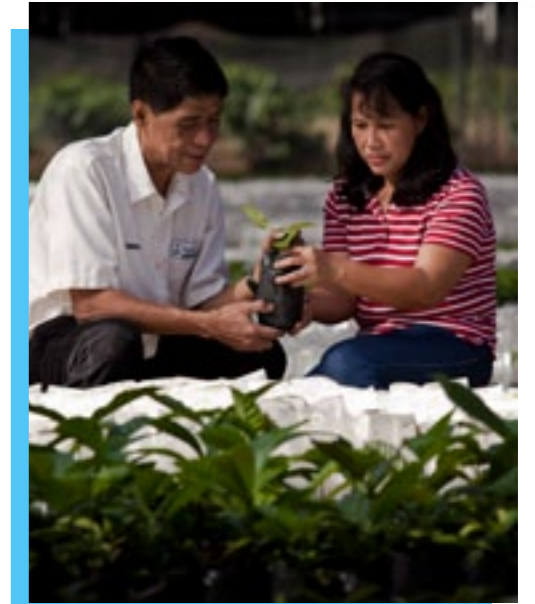
Part of the underwater clean-up is the newly added coral reef planting activity, which is now the thrust of the Boracay Beach Management program. In 2012, Nestlé donated PhP1 from every sale of the NESTEA tumbler to the production of a coral reef dome, which divers from local government units planted underground. In 2013, Nestlé partnered with the LGU divers anew, supporting their participation in the underwater clean-up as well as in transplanting corals by providing them with boats, oxygen tanks, and food.



 245 participants

Water and Agriculture

To help reduce water consumption in agricultural activities, Nestlé teaches farmers about mulching, intercropping and land sloping, which are water-conservation techniques. Mulching, intercropping and sloping agricultural land technology (SALT) are all sustainable practices. Mulching controls weed growth in between the rows, provides organic matter for the plants (if natural mulch is used) (Artificial mulch is when you use plastic film) and conserves the moisture in the soil. Intercropping is when you plant different crops for sustainability and to maintain diversity. It provides additional income for the farmer. SALT prevents soil erosion and conserves the nutrients of the soil.

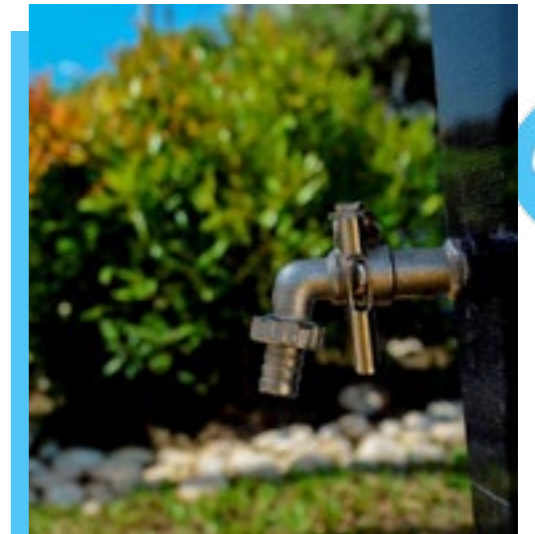


Water for Emergency

Nestlé Philippines has been chosen for the pilot run of a Nestlé global program called “Water for Emergency”, which was launched in 2013 by a group called Nestlé Engineers Beyond Borders.

This program targets countries that are prone to natural calamities, during which access to potable water becomes extremely difficult. The idea is to install suitable potable water faucets just outside the perimeter area of Nestlé factories and make these accessible to residents in the neighborhood during times of potable water shortage. It also requires Nestlé facilities to be prepared to fill trucks with potable water for distribution to calamity victims in areas near the factory.

For its pilot run in the Philippines, Nestlé completed the installation of the potable water faucets at the perimeter area of Cagayan de Oro Factory, which now supplies clean reliable drinking water to residents in the area. The program is slated to be implemented at Cabuyao and Pulilan Factories in the near future.



Project WET

To educate more people about the value of water, Nestlé conducts a day long water education workshop in different schools and communities aiming to equip participants with the tools and the know-how to cascade water education to their own spheres of influence. The workshop is called Water Education for Teachers or Project WET, a program sponsored by Nestlé Waters USA that teaches not only the importance of water but also how to effectively relay this message through several learning activities and modules. Specifically, it tackles water as a vital resource, its properties and underlying threats, the current water situation in the Philippines, the impact of water crisis to the environment, and practical ways to conserve water.

From 2012-2013, Nestlé conducted Project WET for several groups such as the Gawad Kalinga communities, public schools, Nestlé sites, and government agencies. The program has produced 310 Project WET trainers during the said period. To sustain the project, participating Nestlé work sites have partnered with nearby schools to run the Project WET course on a regular basis. Project WET toolkits have also been developed and distributed to partner schools.



310 trainers



ENERGY SAVINGS INITIATIVES

Mindful of the diminishing supply of fuel, the world's primary source of energy, Nestlé invests heavily in technologies that optimize and reduce energy consumption, convert by-products into energy, and explore the use of alternative energy sources.

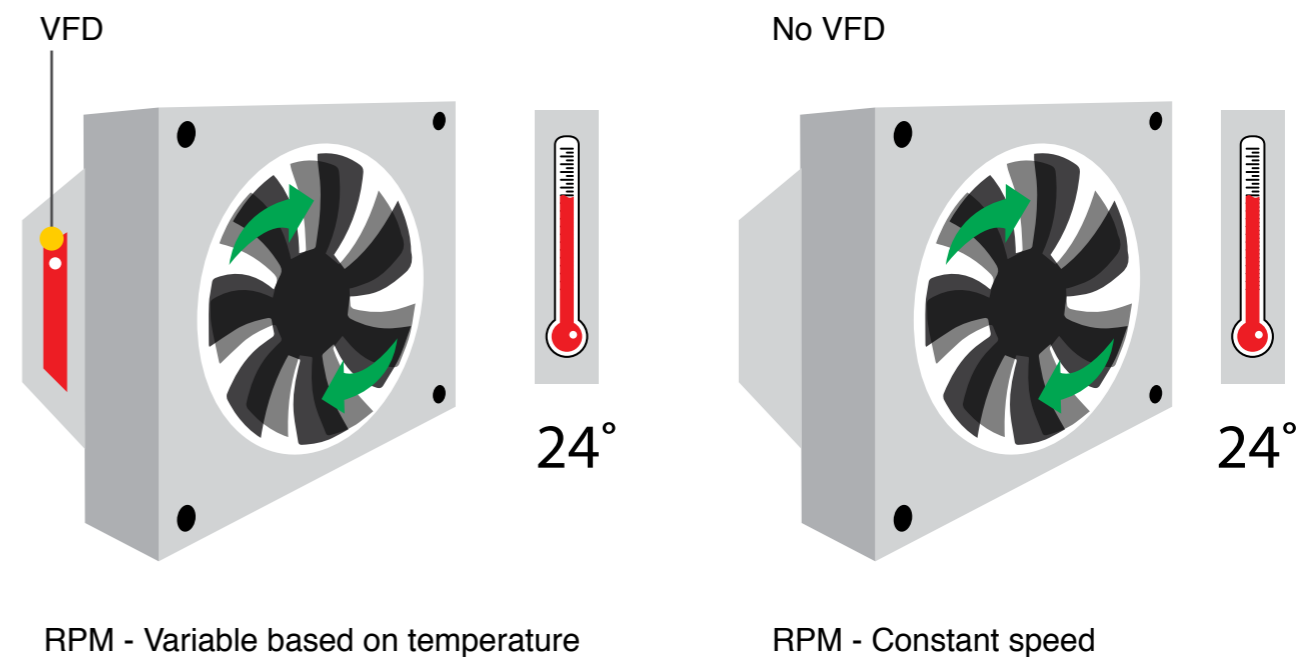
A strong foundation to the Company's energy-efficiency efforts is a keen sense of energy-consciousness among employees, which has been developed through continuous training. Departments in all worksites constantly look for ways to avoid wasteful use of energy and develop energy-efficient practices while keeping track of their energy consumption rates. Energy management in every work site is also regularly audited.

Major Initiatives

Below are some of the Company's major energy-reducing initiatives implemented in the factories, which consequently have also cut down its emission of harmful greenhouse gases (GHG).

- **Installation of Variable Frequency Drive (VFD)**, a device that automatically adjusts motor speed whenever necessary. A VFD installed in a fan, for example, can sense any significant change in climatic temperature and automatically adjusts the speed of the fan. Nestlé installed 30 units of VFD in several motors in all its factories in 2012.

Reduced annual energy consumption by 17,850 GJ



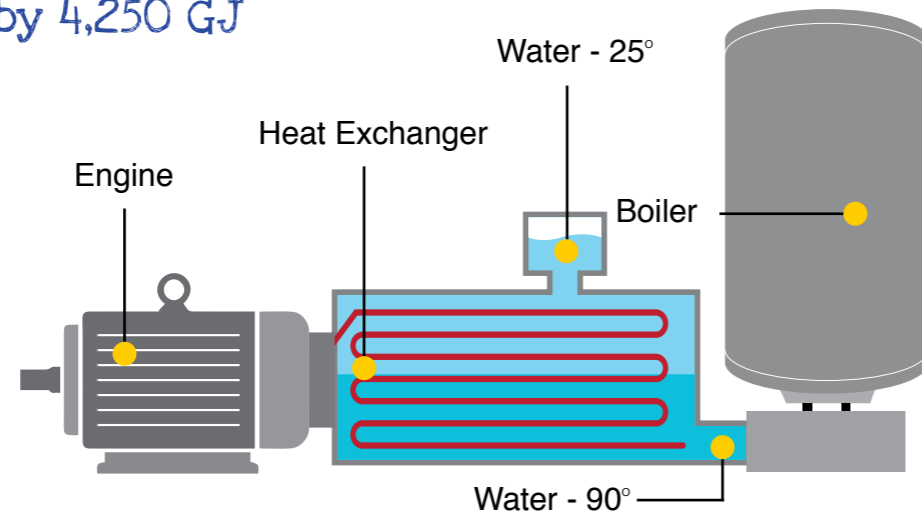
- **Modification of an old hot air valve technology** in the Egron machine in CDO Factory, replacing this with Vanessa valves, which are more efficient in design. The old design used to be just one large valve with a three-way distribution channel, and the valve had to be turned to the direction of one channel at a time, wherever the heat needed to be diverted to. Shifting the direction of the valve from one channel to another was prone to leakage, releasing wasted heat in the process. This old big valve was replaced with two Vanessa valves, that now can be turned on or off. The need to shift the direction of the valve was eliminated, and this has reduce the proneness to leakage.

Reduced annual energy consumption by 4,250 GJ

- **Installation of a heat recovery system** that captures energy from water-cooled air compressor and used to pre-heat water that is then used for the air-conditioning system. This system was installed in Cabuyao and CDO Factories.

Reduced annual energy consumption by 4,645 GJ and reduced annual CO2 emission by 343 tons

Installation of a Heat Exchanger



- **Installation of a heat exchanger** that captures hot air from the diesel engine in CDO factory and uses this hot air to heat up water to be fed to the exhaust gas boiler. By the time the water is fed to the boiler, it has already been pre-heated to 90° and just needs only an additional 10° of heating to reach the required 100° temperature. In the meantime, the hot air used to pre-heat the water in the heat exchanger is cooled from 360° to 180° before it gets released to the atmosphere.

Reduced annual energy consumption by 2215GJ and reduced annual CO2 emission by 181 tons

- **Installation of a thermo compressor** in the evaporator finisher at CDO Factory, which hastens the extraction and recovery of steam from boiled coffee extract and feeds this to tubes where it heats up liquid from 60° to 80°. In the process, the recovered steam also turns to liquid, which can be used to feed the boiler.

Reduced annual energy consumption by 13,370 GJ and reduced annual CO2 emission by 1000 tons

These major initiatives, along with other energy optimizing practices throughout the Company's different work sites, enabled Nestlé to reduce its energy consumption per metric ton of products by 5.68% in 2012. In 2013, Nestlé further reduced its energy consumption per metric ton of products by 3%. However, the total energy consumption of the Company in 2013 increased, this was due to the start-up operations of newly opened Tanauan Factory, where energy efficiency systems and practices were yet to be established.

Type of Energy	Source	2011 (GJ)	2012 (GJ)	2013 (GJ)
Direct Energy Consumption	Biomass	388,324	408,930	463,179
	Oil products	1,890,715	1,750,166	1,668,677
	Total	2,279,039	2,159,096	2,131,857
Indirect Energy Consumption	Total Purchased Electricity	117,353	237,766	355,635
	Electricity from Renewable source	37,311	77,084	108,660

We are able to cut down our indirect emissions along with NOx & SOx emissions due to the reduction of overall decrease in indirect energy consumption. We are focusing more on producing direct energy from our biomass plant and the energy consumed through it has increased significantly in the past 3 years.

Type of emissions	2011 (tonnes)	2012 (tonnes)	2013 (tonnes)
Direct emissions (CO2)	190,323	181,608	180,755
Indirect Emissions (CO2)	15,679	31,768	47,516
NOx Emissions	291	273	266
SOx Emissions	1,067	965	868

In its unwavering commitment to continually conserve energy, the Company has lined up several projects and initiatives aimed at further reducing energy consumption and greenhouse gas emissions. The major ones involve installation of power sub-stations, installation of more heat recovery systems, and modification of technologies. Many of these are in the pipeline for 2014 and are expected to deliver the desired results in the immediate future.

SOLID WASTE MANAGEMENT

Going for Zero Waste and Full Recovery

To help preserve natural resources, Nestlé recognizes the importance of reducing waste along the whole value chain and is committed to eliminating waste at every level of its operations. The Company defines waste as any material that arises during the manufacturing or distribution stage of a product that is destined for final disposal at offsite landfill or incineration without energy recovery. Ultimately, the Company aims to produce zero waste and achieve full recovery of unavoidable by-products.

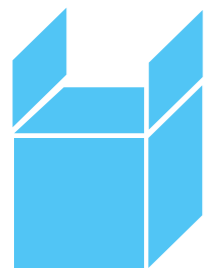
Coffee Waste as Fuel for Boiler

In manufacturing coffee products, Nestlé inevitably produces waste in the form of spent coffee grounds, roasted chaffs, green coffee residue, and coffee wash. Nestlé collects all these and feeds them into a biomass plant that transforms the waste into energy. The biogas plant at CDO Factory, where the Company manufactures coffee, uses almost 150,000 kg of spent coffee grounds every day as fuel for producing 20-ton per hour of steam energy. This translates to annual savings of more than 4,000 million liters of oil, in addition to reduced SOx emission by nearly 300 tons and prevention of 70,000 tons of waste.



70,000 tons of waste prevented

Types of Waste:



Solid Waste
(glass materials, scraped metal, wood, cardboard, plastic waste)



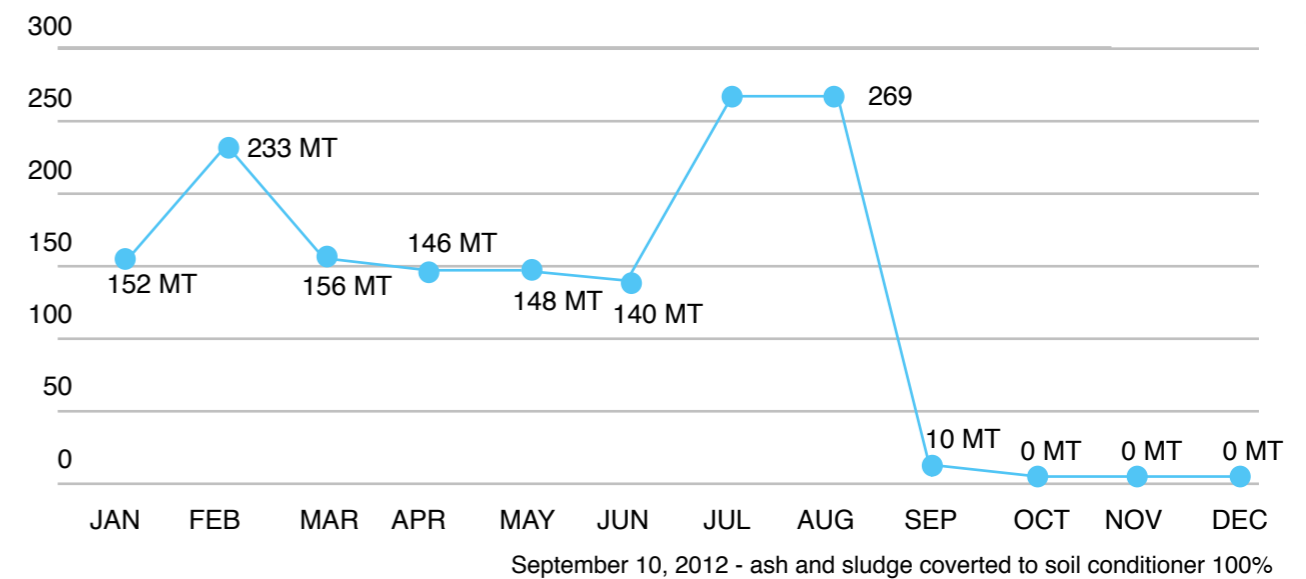
Residual Waste
(paper, sludge)

Factory by-product as organic fertilizer

Nestlé always seeks innovative ways to minimize the impact of whatever waste it generates. Due to its significant production activities, factory by-products in the form of ash and sludge are common in Nestlé plants, and these normally end up as waste. Nestlé agronomists have found a way to convert these by-products into compost or organic soil conditioner for coffee trees.

The idea of using ash and sludge for coffee farms was conceptualized by Nestlé. Trials were conducted to test the effectiveness of sludge and ash as compost at the Nestlé Coffee and Plantlet Production and Training Center in Tagum City, Davao del Norte and at the demonstration plot within the Northern Mindanao Integrated Agricultural Research Center (NOMIARC) of the Department of Agriculture Regional Field Office 10 (DA-10) in Dalwangan, Malaybalay, Bukidnon. These trials yielded positive results.

For the composting project, the 28 Metric Tons (MT) of ash and the 20MT of sludge are fully converted to soil conditioner through the composting process. This means that there is 0% waste sent to landfills, as all of the waste is utilized. The graph below represents the success of the composting project in completely reducing the waste sent to landfill of the factory. As of September 10, 2012, 100% of the ash and sludge is converted to soil conditioner.

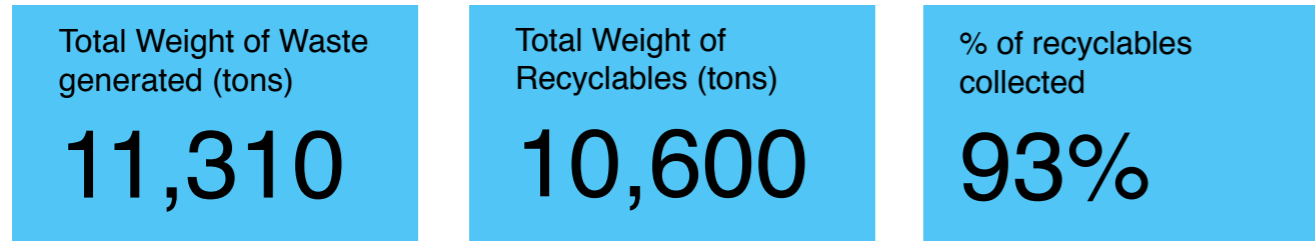


The initiative is considered a success as 100% of the waste is now being converted to soil conditioner, which is then distributed to farmers and Nestlé coffee facilities. As of June 2012, 780 tons of waste has been converted to soil conditioner through composting.

The use of ash and sludge as soil conditioner has thus become part of the integrated crop technology package that Nestlé now shares with farmers. These technologies and techniques fall under Nestlé's Better Farming Practices, which are aligned with the principles of the Common Code for the Coffee Community (4C).

Proper Disposal

Other wastes produced in Nestlé factories (such as container vessels, metallic waste, and paper waste) are closely measured and recycled through DENR accredited recyclers. Whenever possible, the Company also recycles and internally reuses some of its wastes.

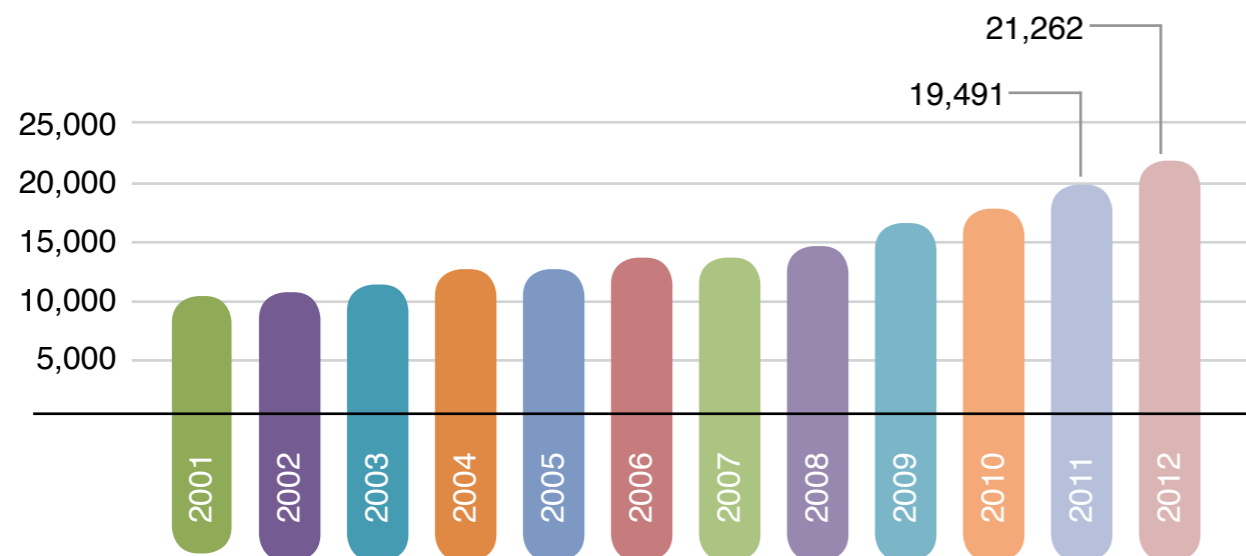


PACKAGING INITIATIVES

Product packaging forms the complete branding of every Nestlé creation. It relays the main product attributes to the consumers and provides convenience in usage. It also supports efficient handling as the product goes through the supply chain. While the Company protects and preserves the quality of its products through appropriate packaging, it also guarantees that packaging materials do not create excessive environmental impact.

For years, Nestlé has been using a systematic approach to lessen the impact of its packaging. The systematic approach involves reduction of weight and volume by using lighter materials, optimized dimensions, and material substitution while still meeting consumer needs, food safety, and product quality requirements.

Cummulative Packaging Source Optimization Achievement - Nestlé Philippines Inc.



For example, the NESTLÉ Fruit Selection Yogurt used to be packed in a preformed plastic cup with a shrink label and an aluminum foil lid. This was replaced with a plastic sheet that is formed, filled and sealed (FFS) at the production line with a paper label and metallized Polyethylene terephthalate (MPET) lid. Not only does the new packaging material give the product a new look and feel, it also reduced the packaging material usage per year.

Life Cycle Impacts - Annual (in equivalent units)



Another example is the use of thinner sachet material, called duplex laminate, from a heavier triplex (3-layer) laminate for several NESCAFÉ 3in1 variants. Although lighter, the new laminate continues to ensure product quality throughout its guaranteed shelf life.

From: Triplex - 3 Layers



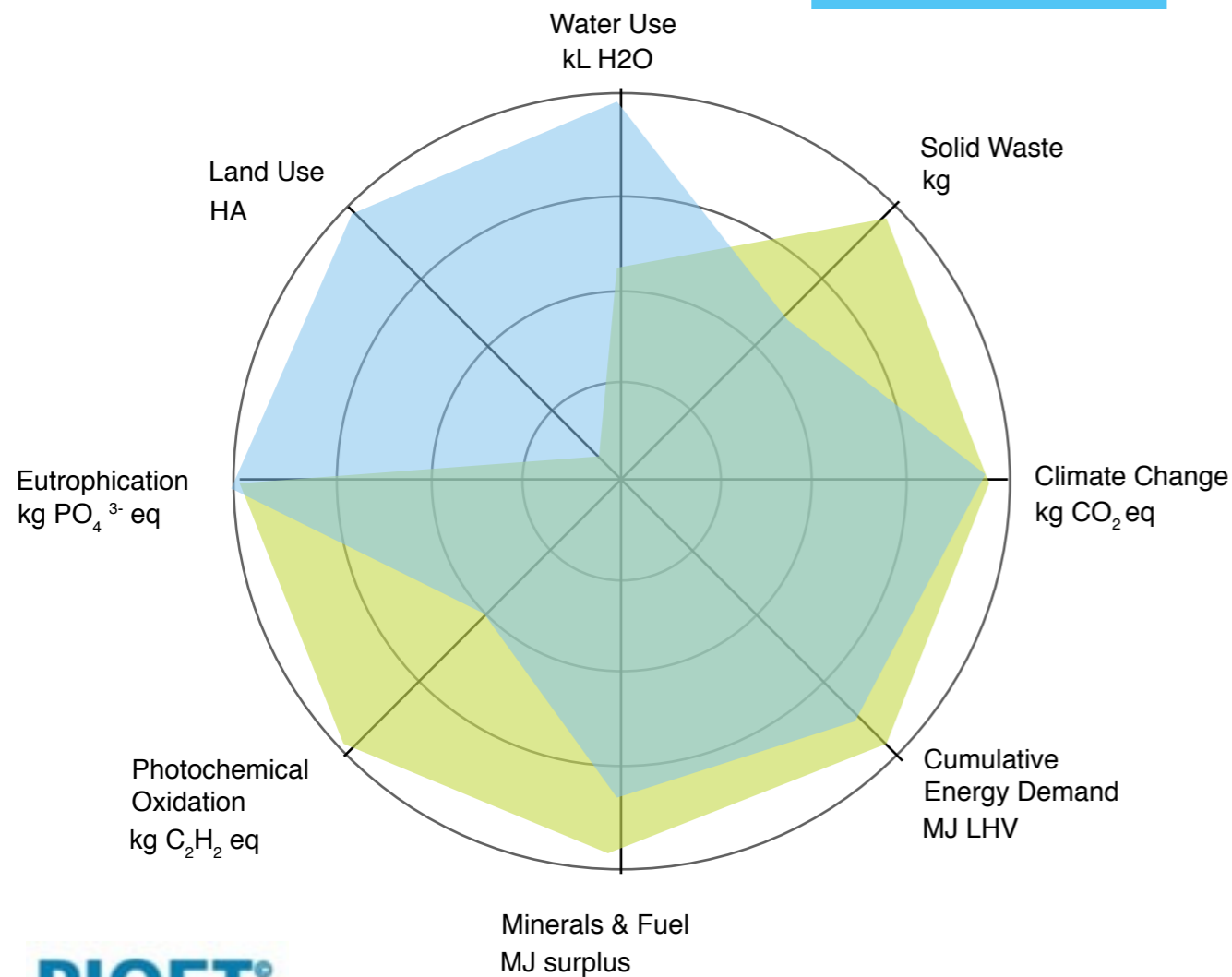
To: Duplex - 2 Layers



Use of a Simplified Life Cycle Approach in Packaging Development

Nestlé uses an eco-design tool called PIQET (Packaging Impact Quick Evaluation Tool) to consider the impact of the new packaging on the environment during the conceptualization and development stage. The tool is able to compare holistically the environmental impact of a new pack format versus current.

The use of recycled material in paper-based packaging is applied whenever it is feasible. Nestlé uses shipping cases that are partly made of recycled paper coming from industrial sources.



GREENING THE SUPPLY CHAIN (GSC) PROGRAM

Nestlé shares its best practices and initiatives with business partners and encourages them to develop a similar commitment to water conservation and environment protection through its Greening the Supply Chain (GSC) program. Since its launch in 2000, GSC has made a difference in the operations of nearly 200 business partners, having imparted to these companies valuable practices and know-how in water and environment protection.



Nestlé takes the time to meet with the leaders and management team of its business partners before getting them involved in the program, presenting to them the hows and whys of GSC and its potential impact on their environmental performance. Once they gain an appreciation of the program, business partners commit themselves to it with the firm resolve to keep improving their environmental management system in partnership with Nestlé.

The GSC Program has four major activities:

EMS Training

Companies that join GSC undergo a three-day training on Environmental Management Systems (EMS), which is conducted at Nestlé Center. This training teaches participants different ways for a business operation to minimize impact on the environment and improve its environmental performance.

On-site Visit

Environment officers from Nestlé visit business partners onsite to guide them in establishing their own environment program and implementation and improving their EMS.

GSC Forum

Every four months, Nestlé organizes a day-long GSC Forum for all its GSC business partners, where invited experts talk about different subjects pertaining to the environment and safety. Aside from getting updated on timely issues and regulations, GSC participants use the forum to network and share best practices. The GSC Forum also allows business partners to collaborate on initiatives that address common concerns such as water and climate change.



Recognition Program

Nestlé gives formal recognition to business partners who are able to implement notable environmental programs with documented and verified results. Nestlé Chairman and CEO personally confers the Recognition Plaques during the awarding ceremony.



ENCOURAGING ENVIRONMENTAL PROGRAMS IN SCHOOLS

To cascade its water and environment advocacy to the education sector, Nestlé has partnered with the DENR, the Department of Education, the Department of Energy and the Commission on Higher Education in running the National Search for Sustainable and Eco-Friendly Schools, a bi-annual contest that encourages schools to develop simple but sustainable environmental initiatives. The contest aims to further promote environmental awareness in the academic community, inspiring students to explore different initiatives in the areas of water conservation and efficiency, waste segregation, recycling, composting, and energy reduction and savings in schools. Through this contest, Nestlé and government partners give recognition to schools that come up with the best and most sustainable initiatives.

One special category in the contest is the Nestlé Water Leadership Award, which Nestlé grants to the school that is able to highlight its water efficiency and conservation initiatives.

In 2012, the contest received entries from 16 regions. A total of 43 schools from primary, secondary, and tertiary levels advanced to the national level and 39 schools qualified for the Nestlé Water Leadership Award. Nestlé awarded 3 schools at the national level. Nestlé conferred its top Water Leadership

Award to Ateneo de Manila University, lauding the school's rainwater collection system installed at the rooftop of its Rizal Library, which harvests rainwater and stores this in underground cisterns for use in flushing toilets. Nestlé also gave recognition to the school's other water initiatives, such as a catchment pond that also collects rainwater and the installation of two types of wastewater treatment facilities in the campus.



SAFETY ON THE ROAD

With 5,000 drivers* and delivery crew to carry-out the huge logistical task of transporting Nestlé products from our factories and distribution centers to the vast customer-consumer trade nationwide, an approximate 77,000 km of road distance is traversed every single day. That is why Nestlé strongly advocates road safety and relentlessly aims for zero accidents throughout the process of physically moving its products from one point to another.

How Big is Transport Operations in Nestlé Philippines?

13 |  trucking companies

4 |  shipping companies

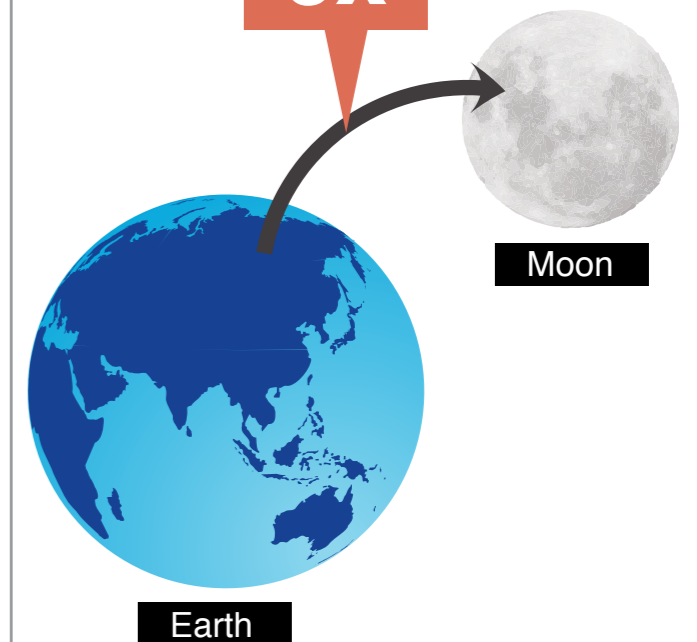

over 2,000 trucks


5,000 drivers

 77,000 km/day

that is
23,000,000 km/month

which is **6x** the distance



To this end, the Company has launched the Safety Beyond the Gates program.

Safety Beyond the Gates

Safety Beyond the Gates is a Nestlé Philippines safety program that extends beyond the confines of Nestlé facilities and focuses on managing road safety through their third party transport service providers, focusing on four areas, namely:

Education and training

Nestlé requires that all truck drivers who will carry-out deliveries for its products shall undergo classroom training and actual driving sessions in Defensive Driving Courses (DDC), which aims to migrate an offensive driving behavior to a defensive driving behavior for already-skilled and licensed drivers. A total of 5,200 drivers have undergone DDC from its start in 2009 to end 2013.



Tools and techniques

To validate training effectiveness, Nestlé implemented the Ride-Along Behavior-Based Safety (BBS), wherein trained and appointed observers hitch or ride along the journey of a truck delivering products for Nestlé and subsequently observes the driving behavior of the driver in conformance with identified defensive driving behaviors they learned from DDC. Moreover, Nestlé utilizes the Global Positioning System (GPS) technology, which was originally used for security management, for validating training effectiveness, as well as in reinforcing desired driving behaviors by way of tracking speed and driver actions/reactions on acceleration and braking. As a basic mandate, all Nestlé trucks are specified to be equipped with the safety features of under-ride guards, retro-reflective stickers, tire chocks and others. Attached is the matrix of the stringent requirements, which essentially reflects Nestlé Philippines' commitment to making a difference in road safety.



GO or NO GO Decision Matrix for Truck Entry			
Requirements	Criteria	Compliance?	DECISION
Defensive Driving Course for Drivers	Trained and not expired	YES	Allow Entry
		NO	No Entry
Tire wear	Within acceptable tire thread depth	YES	Allow Entry and if off-specification, issue TVT.
		NO	No Entry
Under-ride guards (all trucks)		YES	Allow Entry and if off-specification, issue TVT.
		NO	No Entry
Retro-reflective stickers	Available or Not?	YES	Allow Entry and if off-specification, issue TVT.
		NO	No Entry
Tire chock (2 chocks/truck)		YES	Allow Entry and if off-specification, issue TVT.
		NO	No Entry
Lights (headlights and tail lights)	Working or not?	YES	Allow Entry
		NO	No Entry



Policies and procedures

Road safety measures also extend to the Company's transport providers, which are required to comply with Nestlé's safety policies and procedures. The Company checks this compliance periodically. In the unlikely event of an accident, Nestlé immediately calls for a thorough investigation by the involved transport provider, requires their owners and/or top management to report their findings at the Makati Administration Office (MAO) and conducts a corresponding safety audit. After all information has been retrieved and collated, a Safety Stand Down is carried-out to all the other transport providers, in order to cascade the valuable lessons learned from this particular accident.

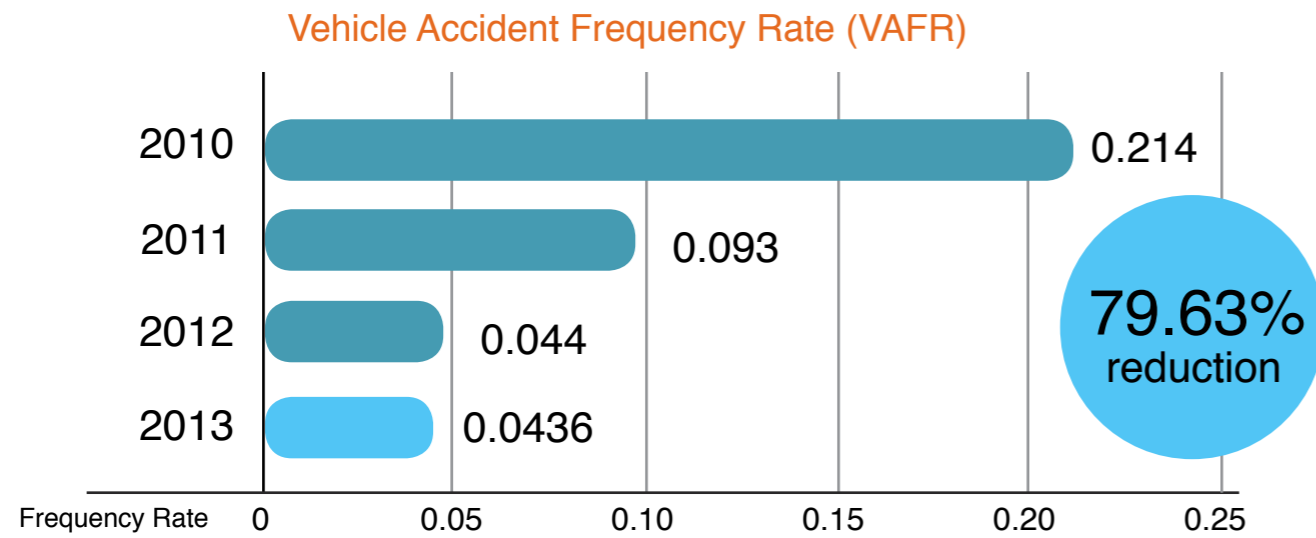
Action and assessment

Nestlé regularly conducts management system audits to its transport providers, which would cover on-site checks on the facilities, the maintenance of their vehicles and the compliance to labor standards, including workers' pay, to ensure that Nestlé's transport providers all comply with the company's safety standards and business principles. This is done through the company's CARE Audit Program, which also looks into how the transport companies provide for the well-being of their drivers.

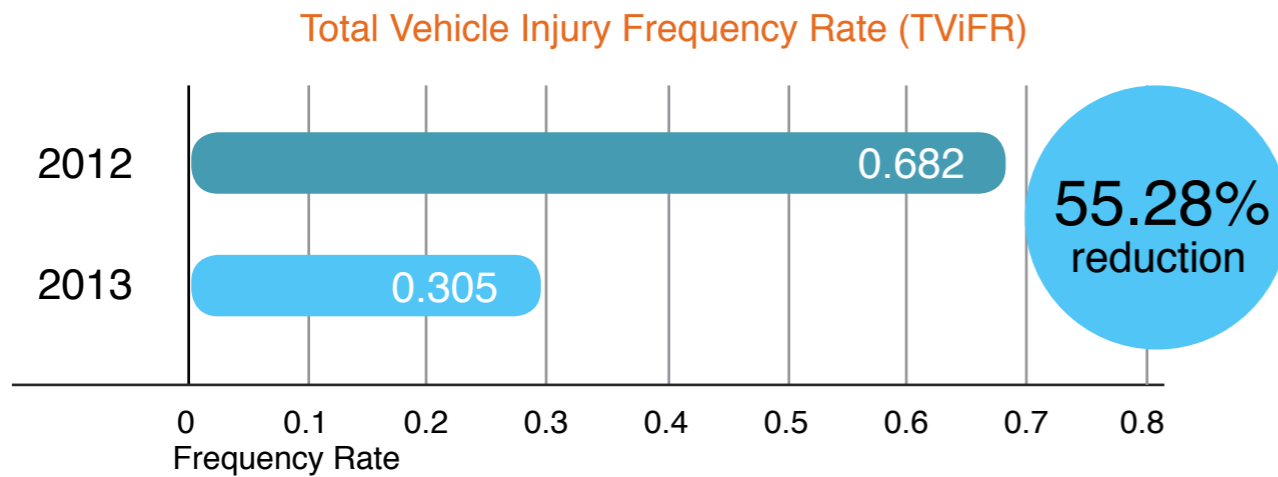


In addition, Nestlé has put in place a system for ensuring regular monitoring of every vehicle that carries its products. It provides hands-on coaching to drivers and other transport personnel to reinforce their commitment to road safety. It has also set up sleeping areas and rest lounges at transport terminals to provide drivers and assistants a comfortable place to rest and recharge between trips.

From 2010 to 2013, the Vehicle Accident Frequency Rate (VAFR), a measure of disabling road accidents per million kilometres travelled, fell by 79.63 %.



Way forward is the evolution of this measure, to cover all transport road accidents and not just limited to the disabling ones, in order to obtain the 'true picture' of the overall transport safety performance and correspondingly appreciate better the enormous extent of efforts afforded behind the said performance. This is in reference to the numerous programs and systems that were implemented or enhanced in order to bring down the total number of transport road accidents from 31 in 2012 down to 14 in 2013. This new measure is termed Total Vehicle Injury Frequency Rate (TViFR), which now covers all transport road accidents regardless of classification. TViFR for 2012 was 0.682 and 0.305 for 2013, translating to a 55.28% reduction, as exemplified in the graph below.



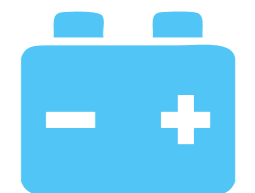
Balik Baterya

Another note-worthy initiative in the transport sector is the annual Balik Baterya program, where Nestlé collects used lead-acid batteries (ULABs) from its transport trucks and vehicles. These are being hauled and recycled to its accredited recycling plant. The proceeds are used to purchase school desks to be donated to ill-equipped schools. The program also aims to curb the incorrect disposal of ULABs to informal and unregulated sector small shops.

Nestlé collaborates with its transport partners and the Philippine Business for Social Progress (PBSP) in the collection, transport, and correct disposal of ULABs. The collected ULABs are sold to Evergreen Environmental Resources Inc., which in turn use them to produce new automotive and industrial batteries. PBSP then coordinated with the Department of Education, Department of Environment and Natural Resources, in channeling the proceeds from the sale of the collected ULABs to the purchase of school materials for donation to schools in impoverished municipalities.

On its 6th year in 2013, the program collected 1,342 ULABs weighing a total of 32,110 kilos, which fetched a total amount of PhP 280,000. This amount went to the purchase of 135 school desks, 6 sets of kiddie tables and chairs and 3 reading corners donated to Parang Elementary School, Piddig Elementary School and Cabisuculan- Columbia Elementary school in Laoag, Ilocos, Norte, identified as one of the poorest secondary schools in the Philippines.

This balik baterya program is also in coordination with USAID thru the Basa Pilipinas Program.



32,110 kilos of ULABS

RURAL DEVELOPMENT

Rural development forms part of the Company's initiatives to support and improve the socio-economic conditions of communities where it operates. The Company explores every possible way through which its operations can create livelihood opportunities for people in these communities and thus help spur sustainable progress.



IMPACT ON RURAL DEVELOPMENT



Cut and Sew



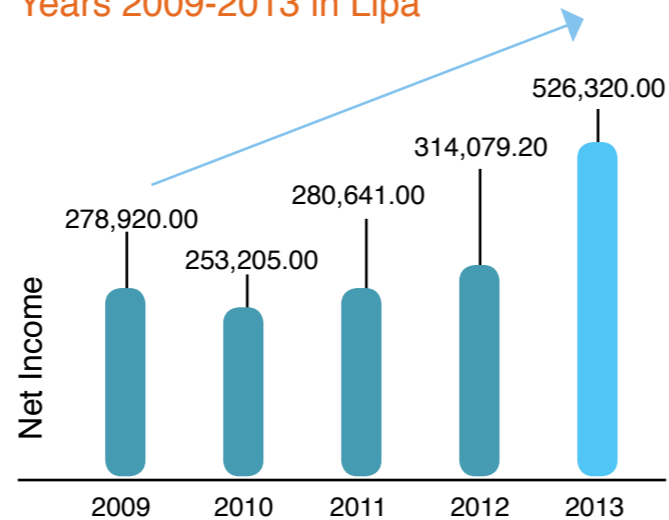
A livelihood program created by Nestlé for people in its surrounding community is the Cut and Sew program in Lipa Factory. The project significantly improves the lives of the residents involved in the program. The program would also not be possible without the partnership with local government units.

Under this program, a group of women in Barangay Bagong Pook located close to Lipa Factory earns a steady living by sewing employee uniforms, lab gowns, hairnets, shoe covers, and rags that the Factory requires. The Factory orders considerable volumes of these items from year to year, providing the Cut and Sew ladies, who were once unemployed, with a steady stream of income. From 2009 to 2013, the group income has steadily been increasing.

Cut and Sew was initiated by Lipa Factory way back in 1997 when it gathered women from the barangay who had basic sewing skills and sent them to formal training at the Technical Education and Skills Development Authority (TESDA). The Factory shouldered the costs of the training and helped the ladies get started on their own sewing business by facilitating loan opportunities with a local bank.

The success of the Cut and Sew program in Lipa inspired Pulilan Factory to organize a similar livelihood project for women in Barangay Tibag. This program is called “Samahan ng mga Mananahi”, which is also a group of formerly unemployed women who now sew and supply hairnets, face masks, filters, reflectorized vests and aprons for Pulilan Factory. They also handle uniform repair jobs.

Net Income for the Years 2009-2013 in Lipa



The Cut and Sew template has also been adopted by Cabuyao Factory for women in Barangay Niugan. Here, the participating ladies sew rags and hairnets for the Factory.

The hallmark of a successful CSV program is the replication of its success in other communities. Such can be said of Nestlé’s partnership with the Philippine Business for Social Progress (PBSP), Accenture Philippines, and Gawad Kalinga. In October of 2013, Nestlé and Accenture agreed to jointly fund a Cut and Sew type of project for residents of the Nestlé Gawad Kalinga eco-village in Lipa City, with PBSP contributing its social development expertise and GK managing the project. Some 21 residents of the GK village have joined and today handle sewing jobs for Nestlé Lipa Factory, earning a steady income in the process.

This expansion of the Cut and Sew project shows how templates of existing CSV projects can be adopted by communities such as Gawad Kalinga to create livelihood opportunities for their residents.



Yard and Garden

Aside from sewing, the womenfolk in the community near Lipa Factory are also engaged in growing cut flowers and organic vegetables as another source of livelihood under the auspices of the Factory. This is the Yard and Garden program, under which the barangay ladies tend a plot of land within the premises of the Factory, on which they grow flowers and organic vegetables.

The Factory allows the use of the land for this purpose, and further supports the Yard and Garden ladies by encouraging them to sell their produce to the Factory canteen and to the employees themselves. The Factory also rents decorative plants from the group from time to time.

A similar gardening project has also gained grounds in Pulilan Factory, where it is called Project Farmville. The farm is situated within the premises of the Factory, and is tended by residents of Barangay Tibag. A wide range of local crops is grown in the Pulilan Farmville, such as eggplant, corn, tomato, radish, bitter melon, winged beans, sweet potato, pepper, cabbage, calamansi, okra, mustard, kangkong, and alugbate. These vegetables are sold to employees and the canteen in the factory.



Samahan ng Mangingisda

Seeing that a considerable number of families in Barangay Tibag in Pulilan are in the fishing industry, Pulilan Factory initiated the formation of the Samahan ng Mangingisda project for the community, calling on interested fishermen to join in and work together to strengthen their livelihood. In support of the group, the Factory facilitates training programs and financial assistance for these fishermen. More importantly, the Factory links them up with government agencies that are in a position to promote their interests, such as the Department of Environment and Natural Resources (DENR) and the Bureau of Fisheries and Aquatic Resources.



Business on Wheels

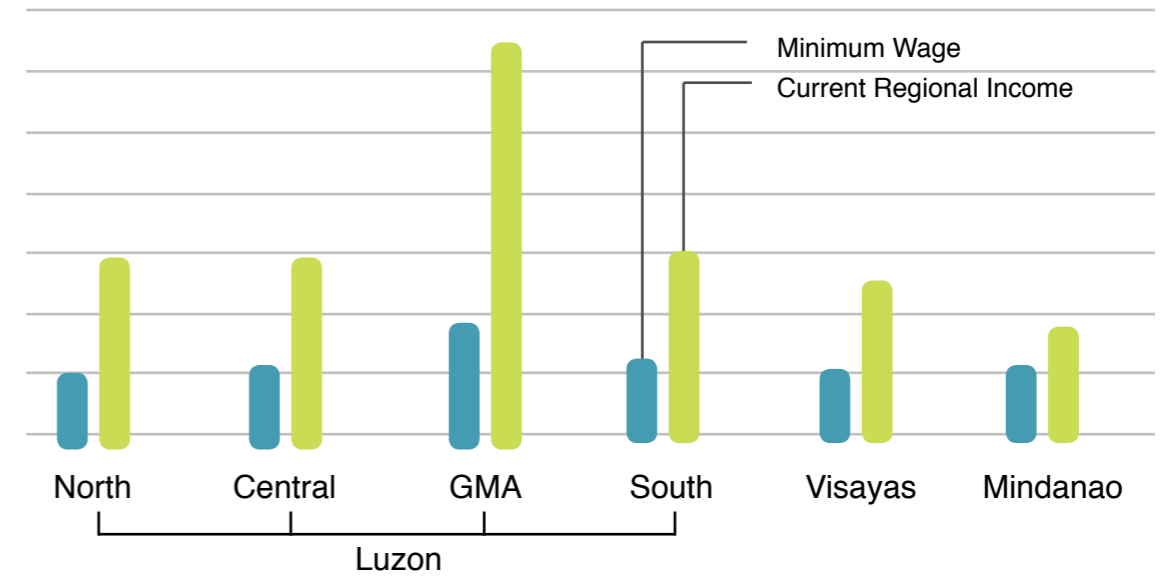


Nestlé Philippines has introduced a strategic route-to-market scheme aimed at penetrating small accounts in areas not covered by the Company's distributors. This scheme proves to be an effective platform for the Company to provide livelihood opportunities to unemployed or underemployed individuals who have the potential to become small-scale entrepreneurs.

The Business on Wheels (BOW) of Nestlé Professional caters to small carinderias, kapihans, and small-scale eateries. More than 521 BOWers have been deployed nationwide. Most BOWers are now elevated to earning above the minimum wage because of the BOW program.

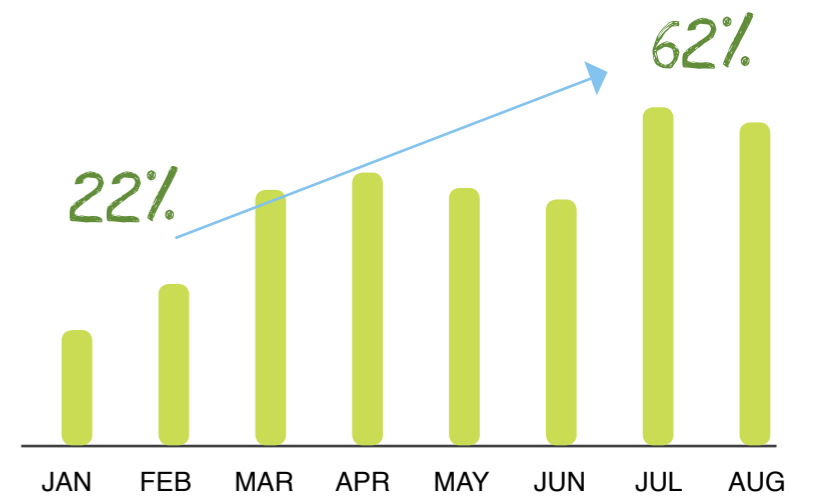


Increase in Bower Income



In the BOW program, participants are trained on the Nestlé way of selling, product knowledge, and the mechanics of the program they are in. They are subsidized with Nestlé-branded motorized vehicles and deployed to particular sites where they are tasked to sell Nestlé products to target accounts. These entrepreneurs get their supply of Nestlé products from Nestlé distributors at discounted rates, and they get to sell these at marked-up prices.

Increase in National Distribution of Products



NESCAFÉ PLAN

Coffee is the second most consumed beverage in the world next to water. In the Philippines alone, 9 out of 10 households consume coffee, mostly from the robusta variety. In 2012, the domestic demand for coffee beans amounted to 70,000 metric tons while the total local production was pegged at only 24,000 metric tons. This huge disparity between demand and supply can be attributed to low yield-crop genetics, low fertilization rate, lack of training of farmers, inadequacy of drying facilities, and inefficiency in transport facilities. As the biggest buyer of robusta in the country, Nestlé is committed to helping address these challenges through the NESCAFÉ Plan.



ABOUT THE NESCAFÉ PLAN

The NESCAFÉ Plan is Nestlé’s long-term approach to Creating Shared Value for the coffee industry. It aims to guarantee a long-term supply of quality coffee by making coffee farming more attractive to the next generation and having a lower environmental impact. It is a collaborative effort with global and local partners.

The NESCAFÉ Plan targets to increase coffee production in the Philippines to a level where it is able to meet at least 75% of the local demand by 2020, from 25% in 2010. It entails training over 83,000 farmers and distribution of 36.4mio million high-quality coffee seedlings over the 10-year period.



Company’s agricultural research and training activities

Long before the advent of the NESCAFÉ Plan, Nestlé in the Philippines had already been actively helping local coffee farmers improve both the quality and quantity of their yield through the Company’s agronomy program, which started way back in the 1960s when Nestlé opened its first NESCAFÉ manufacturing plant in the country. Then as now, the foremost objective is to equip coffee farmers with the best available technologies and techniques to enable them to increase their harvest per hectare and improve the quality of their coffee, which they can deliver directly to Nestlé. At the heart of the program is the Nestlé Coffee Plantlet Production and Training Center in Tagum City, Davao del Norte, which was set up in 1994 as the hub of the Company’s agricultural research and training activities.

Through the program, which is now under the NESCAFÉ Plan, Nestlé provides local farmers access to world-class coffee farming technologies, transfers technical know-how to farmers through training, propagates high-quality coffee planting materials, promotes sustainable practices, and directly buys green coffee from the farmers.

With the program’s acceleration in 2010, the NESCAFÉ Plan has distributed over 8.4mio robusta seedlings and has trained 17,805 farmers in coffee growing and production.

Trained 17,805 farmers in coffee growing and production



World-class coffee farming technologies

The NESCAFÉ Plan has paved the way for new projects that target specific needs of specific communities. Among these are:

Coffee Technologies and Funds to Fuel Economic Empowerment (CoFFEE) Project

Nestlé has joined hands with Deutsche Investitions-und Entwicklungsgesellschaft (DEG) and Asia Society for Social Improvement and Sustainable Transformation (ASSIST) in carrying out this Public-Private Partnership (PPP) project, which aims to help small holder farmers and communities in Mindanao acquire innovative farming technologies through training, post-harvest upgrades, and marketing support.

CoFFEE Project specifically aims to: (1) determine the gaps and opportunities in the coffee value chain of a locality; (2) share theoretical and practical knowledge on Robusta coffee farming; (3) introduce the latest technologies in Robusta coffee such as high-yielding seedlings, innovative fertilizer that is both efficient and sustainable, and new post-harvest drying techniques; (4) develop 30 farming entrepreneurs or FARMtrepreneurs in one area; and (5) create a business case for sustainable small-scale coffee communities.

This is achieved through the creation of community awareness via forums, sessions, and dialogue, conduct of Training of Trainer (ToT) workshops, and establishment of a mother plant garden and nursery, followed by a case study development and measuring the project's sustainability. Nestlé is also committed to purchase the cooperative's produce as long as it passes the Company's quality standards.

Nestlé kicked off the project with the signing of a Memorandum of Agreement with the Kahayagan Coffee Growers Multi-Purpose Cooperative of the Municipal Government of Tagbina, Surigao del Sur.



Piloting Agroforestry in Mindanao

Nestlé, through its popular coffee brand NESCAFÉ, has partnered with Paris-based Pur Project to promote the practice of agroforestry among coffee farmers. Two cooperatives in Mindanao have been selected to pioneer the implementation of the program: Bayanihan Millennium Multipurpose Cooperative in Pangantukan, Bukidnon and Mabuhay Kahayagan Coffee Growers Cooperative in Tagbina, Surigao del Sur.

Agroforestry is a long-established sustainable system where farmers grow diverse trees alongside high-value crops such as coffee to ensure income in the short, medium, and long term. Under this program, Nestlé encourages the participating coops to plant fruit trees as well as hard wood trees. These trees provide shade to the planted coffee trees. Such shading is ideal for most coffee varieties, such as Robusta, and enables the coffee trees to produce premium beans with a higher aroma complexity and well-balanced acidity.

The coops stand to gain much from the practice of agroforestry. In the short term, the produce from the fruit trees serve as good food sources and may also be sold in the trade. In the long term, hard wood trees can be harvested and used as timber.

Nestlé's partner in this venture is Alter Trade, the local counterpart of Pur, which provides the trees acquired through Nestlé's global sustainability fund. Alter Trade visits the coops every three months to monitor the progress of the planted trees and the upkeep of their land. Every planted tree must pass a certain set of standards, and the farmer-caretaker receives a corresponding incentive in the form of cash or organic fertilizers.



Watershed Rehabilitation in Quirino Province

The Quirino Province implements a public-private partnership (PPP) project called Q-LiFE (Quirino Livelihood For Everyone) Upland Ecosystem Program to rehabilitate the Dumatata watershed, which is a major natural water catchment area in the province and is essential to residents in 13 neighboring barangays. While rehabilitation is the main goal, the project also aims to provide long-term livelihood for the community.

Nestlé participates in this project by providing good quality Robusta seedlings to local farmers. About 550,000 seedlings have already been planted in an area of about 1,234 hectares since Nestlé stepped into the project in 2012. The coffee trees are expected to help improve the water-holding capacity of the area's soil, minimize soil erosion, address the siltation in nearby water bodies, and promote biodiversity. Local sourcing of coffee is also realized.

Nestlé further supports the project by giving training and technical assistance to the local coffee farmers. Together with provincial agricultural officers, Nestlé agronomists conduct seminars that talk about growing and caring for the crop; introduction of sustainable farming techniques such as backyard planting, perimeter planting, inter-cropping and use of natural and recommended crop spacing; land clearing method that avoids tree-cutting; and intelligent use of fertilizers.



Agricultural Scholarship Program (NESCAFÉ CUPS)

In May 2013, Nestlé Philippines signed a Memorandum of Agreement with the University of the Philippines Los Baños (UPLB) to launch the first-ever NESCAFÉ Coffee University of the Philippines Scholarship (or NESCAFÉ CUPS). The program granted three UPLB students full scholarship with stipend as well as internship at the Nestlé Coffee Plantlet Production and Training Center (NCPPTC) in Davao.

The scholarship program is expected to generate interest in agriculture, particularly coffee farming, among young Filipino students. It is part of the Company's long-term plan for a flourishing coffee industry where future leaders have had the benefit of solid academic and practical education.

Apart from offering the scholarship program, the Company also supports the Agriculture Department of UPLB by providing talks on coffee to students, professionals, and farmers. Such support for UPLB signifies the Company's intention to reinforce the next generation of farmers as key to ensuring the future of coffee farming.



Certification for Sustainable Coffee Production (4C)



The NESCAFÉ Plan advocates the principles and standards of the Common Code for the Coffee Community (4C), an international association of major players in the coffee industry, of which Nestlé is a founding member. As such, it promotes sustainable green coffee production, processing, and trading practices among 150 coffee-producing groups in the country with the objective of reducing production cost and generating sustainable income for the farmers. Another objective is to have all these groups eventually earn a certification for sustainable coffee production from 4C.

As of end 2013, four coffee-producing towns have already been bestowed this much-coveted certification from 4C— the towns of Sen. Ninoy Aquino, Kalamansig and Lebak in Sultan Kudarat, and the town of Tagbina in Surigao del Norte. These towns are now certified by 4C as being able to produce, process and trade 4C-compliant coffee.

Expansion of Coffee Facilities

The accelerated efforts of the NESCAFÉ Plan have necessitated the expansion of the Company's coffee facilities. This was most evident in the establishment of the Lipa Integrated Coffee Center (LICC), which opened in 2013 coinciding with the 75th year anniversary of NESCAFÉ.

A replication of the NEDF farm in Davao, the five-hectare LICC now serves as the Company's agricultural and development hub providing assistance to farmers in Luzon. The center aims to: (1) expose farmers to the best Robusta Coffee farming technology; (2) provide a venue for training farmers on proper technology on Robusta Coffee; (3) propagate good coffee planting materials for distribution to farmers; and (4) generate viable techniques to increase productivity while lowering production cost.

LICC plays an important role in sharing best practices in coffee farming in line with the Principles of the Sustainable Agriculture Initiative and 4C. It features a Robusta production nursery with a capacity for 500,000 seedlings, to be distributed among growers at cost. The center is envisioned to expand its capacity to 1 million seedlings and become a major source of coffee planting material in the country. The center houses buying stations and composting facilities for organic fertilizers.

Because of its existing Public –Private Partnership with the Philippine Government, Nestlé also has plantlet nurseries within select R&D center facilities of the Department of Agriculture.

The Company has set up satellite coffee bean buying stations at areas strategically close to small partners. Buying stations enable farmers and small-scale intermediaries to sell their coffee directly to Nestlé at global market price, as long as their coffee meets Nestlé quality standards.



PHILANTHROPY NESTLÉ CARES

Nestlé extends the boundaries of its Corporate Social Responsibility pursuits to programs that are purely philanthropic in nature.





Eco-village in Lipa, Batangas

The Company's philanthropic bent is most evident in its sustained sponsorship of two Gawad Kalinga (GK) villages—the 50-house eco-village in Lipa City, which was put up in 2011, and the 54-house village in Baseco, Tondo, which came up in 2004. The eco-village in Lipa has so far benefitted 44 families, providing them with housing, as well as a community that lives in harmony with nature. The village is equipped with a rainwater catchment system that allows recycling of rainwater and is designed to make use of reed bed technology that processes sewage by natural reed system without use of chemicals.

All 54 houses in the GK village in Baseco, aptly called the Nestlé Good Life Village, were built with manual labor contributed by some 150 Nestlé employees back in 2004. The Company has continued to support this community through all these years.



Through acts of philanthropy, big or small, the Company hopes to nurture the spirit of volunteerism among its employees and like-minded individuals or organizations and in the process contribute further to the uplifting of lives in communities where help is most needed.

EMPLOYEE VOLUNTEERISM

In encouraging employees to volunteer their time for community service, the Company supports them not only by providing the necessary material resources but also by offering a unique benefit called Employee Volunteerism leave, which allows availers to use eight hours of their official paid time every year to volunteer themselves to worthy social projects. This special leave came about as more and more employees started getting involved in a number of the Company's volunteer programs, which has paved the way for many other activities aimed purely at extending help to people in need.

Many of these activities have become regular and have been going on for a number of years now. In 2012 and 2013, participation in these activities remained active and inspired, with the number of volunteers increasing from previous years.



Lakbay Tagumpay

Every other Saturday, employee volunteers visit the Nestlé-sponsored Gawad Kalinga (GK) village in Baseco, Manila and spend half the day tutoring students in Math and English. In Tondo Baseco, Nestlé refurbished a small school-like building in the village where these tutorials are held. The area is equipped with learning tools and includes a playground to provide a healthy learning environment for the children.



Teaching Sports

Nestlé employees conduct sports clinics under the guidance of MILO B.E.S.T. coaches for the residents of the Nestlé Baseco GK Village. Employees teach the children basic skills in basketball.

Christmas Cheers at Baseco

Having established affinity with the Nestlé GK village residents, Nestlé employees have taken it upon themselves to bring cheer to the community during the Christmas season by sponsoring a Christmas party yearly. The employees themselves prepare the program, complete with entertainment, serve the residents with delightful snacks, and distribute Noche Buena packages or food bags containing Christmas dinner ingredients for their families.

Brigada Eskwela

Every year, just before the start of the school year, employee volunteers from Nestlé factories take the time to help clean and spruce up classrooms in nearby public schools. As further support to these schools, Nestlé factories donate computers, drums as trash bins, fire extinguishers, and other useful materials to the schools from time to time.

Tree Planting

Nestlé employees are at the forefront when it comes to environmental activities such as tree planting. From time to time, Nestlé factories organize tree-planting activities for employees and their respective families, usually at areas within the factory premises that had been designated for planting trees and are thus called “mini forests”.

Since the onset of the NESCAFÉ Plan, employees have also been encouraged to plant coffee trees at the Company’s coffee farm site in Lipa, Batangas.

Another activity for the environment that draws high level of employee volunteerism is the clean-up of rivers situated near Nestlé factory sites. The clean-up also involves volunteers from barangay residents.



Blood Donation

All Nestlé sites partner with the Philippine National Red Cross (PNRC) in conducting a blood donation activity at least once a year. Hundreds of employees, as well as contractual workers, volunteer to donate blood, contributing hundreds of bags of blood to the blood bank of the PNRC each year.

Calamity Response

The highlight of 2013, however, was the overwhelming collective response of Nestlé employees to the victims of Typhoon Yolanda (Typhoon Haiyan) that hit Central Visayas in November, and the earthquake that likewise devastated parts of Bohol and Cebu.

Nestlé employees organized their own whole-day relief-packing operation and spent an entire day putting together some 5,148 packs of hygiene kits and relief goods intended for the victims of Yolanda in Leyte and the earthquake in Bohol. More than half of the relief packs were turned over to Caritas Manila for distribution in Leyte while 2,500 were brought to Bohol and personally distributed to the earthquake victims by a team of Nestlé employees.

In addition, some employees auctioned off their own hand-made art works to fellow employees, and all proceeds from the activity, amounting to a total of PhP 90,590, were donated to the Yolanda victims. This amount was added to the total collection of cash donations from the employees, which the Company matched.



BUILDING FOR COMMUNITIES



Nestlé has transformed its annual sales kick-off event into an effective venue for galvanizing the energy and the enthusiasm of its national sales force and using these to physically build objects that are useful and value-adding to target beneficiaries.

In February 2012, the Nestlé sales force came together to assemble what could be described as one of the most uniquely Filipino vehicles—the three-wheel pedicab or padyak. Working the whole day, the group produced 58 units of the pedicab, which were then given to three partner communities: Gawad Kalinga Baseco, Gawad Kalinga Lipa, and coffee farmers in Silang, Cavite.

In the Gawad Kalinga villages, some of the deployed padyaks are now used to ferry people to and from key institutions for a manageable fare. Other units are being used to help mobilize cottage industries such as barbeque stands, charcoal vending, and other small businesses. The flexibility of the padyak is showcased in the Baseco community, as some of them are also being used to help clean the area by transporting wastes to the proper areas.



Coffee farmers in Silang, Cavite who received the padyaks use the three-wheeler to transport harvested coffee beans to and from their areas to buying stations. It can also carry other necessary equipment and items when it is not harvest season.

In 2013, the Nestlé Sales Force hand-built 40 tables, 160 chairs, and 40 bookshelves. These were delivered and donated to several public elementary schools in Metro Manila, including Paltok Elementary School, Sto. Niño Elementary School, Cuneta Elementary School, Magat Salamat Elementary School, and Vicente Lim Elementary School.



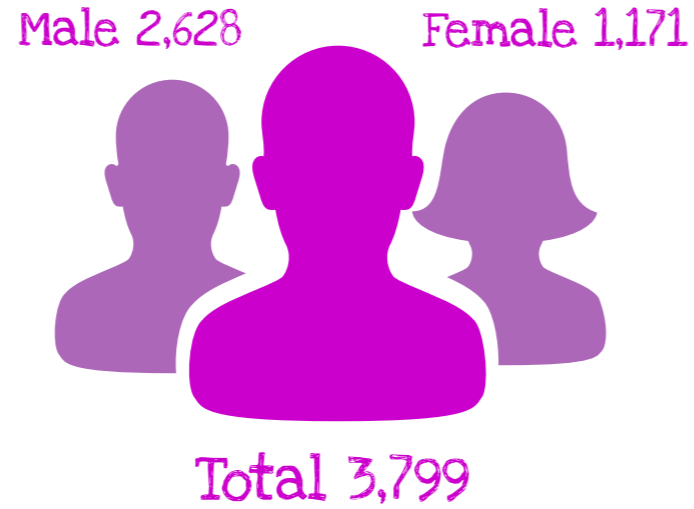


OUR PEOPLE: NESTLÉ'S MOST IMPORTANT RESOURCE

While the lifeblood of Nestlé's business pulsates from its strong brands and wide range of products, the Company considers its people as its most important resource and thus strives to provide them with compensation and benefits considered to be competitive in the industry, ample opportunities for growth and development, and programs that promote their total well-being and that of their families.

OUR PEOPLE

The Company employs* over 3,800 men and women distributed in several work sites throughout the country. The greater majority (34.3%) is based at the Company's Makati Administration Office at Nestlé Center in Rockwell while 23.2% is assigned to the Cagayan de Oro Factory in Mindanao and 21.5% to Cabuyao Factory in Laguna. The rest are based at Lipa Factory in Batangas (10.4%), Pulilan Factory in Bulacan (5.9%), and Tanauan Factory also in Batangas (4.7%). Some 23.8% of the Company's workforce is in the executive level while 23.4% is supervisory. More than half (52.8%) is rank-and-file.



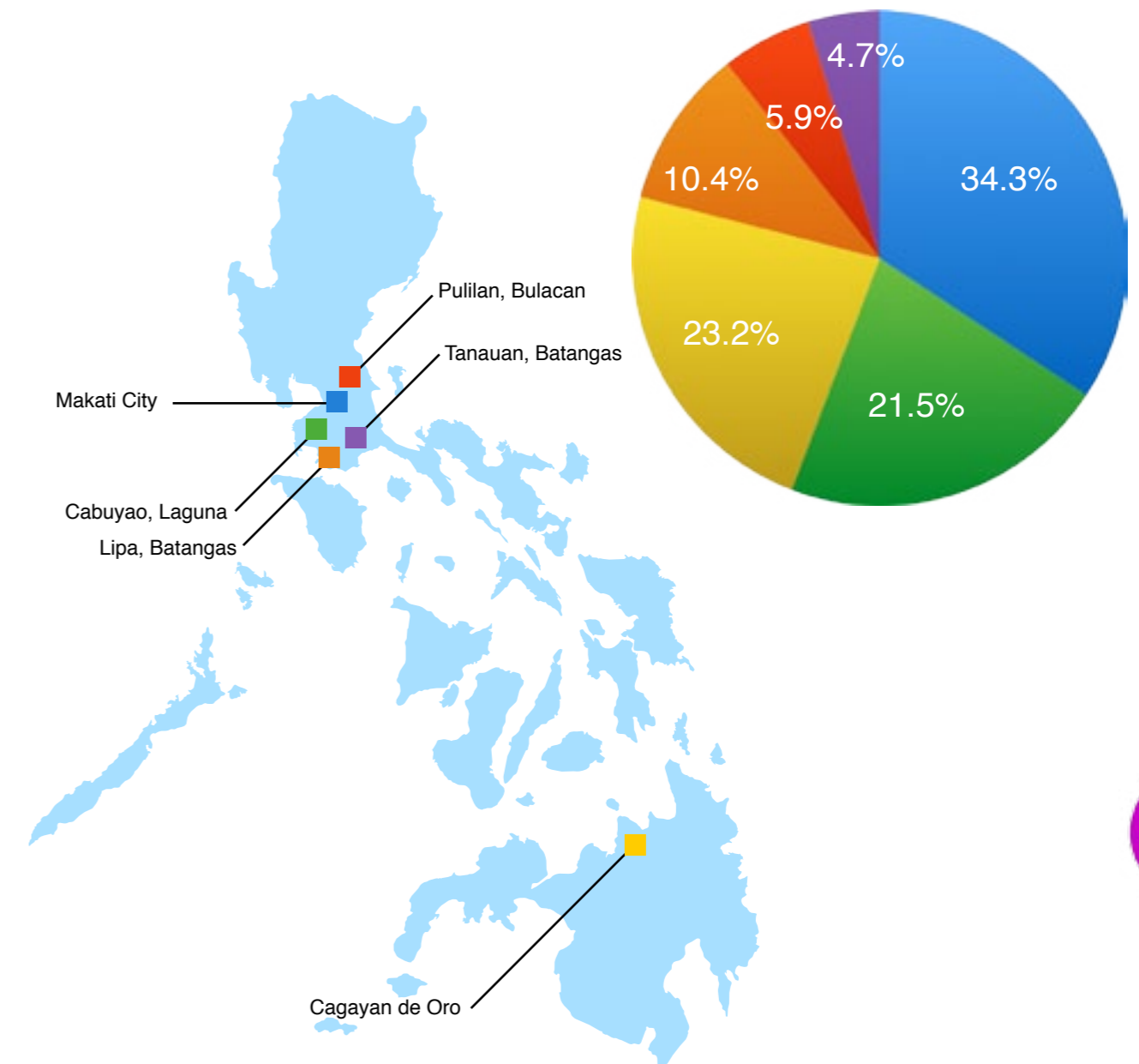
*regular staff. Does not include distribution centers and Nestlé Business Services

Gender	Age Range	Staff	Mid Management	Senior Management	Total
Male	18-30	591	242	0	833
	31-45	666	422	115	1203
	45-69	372	169	60	601
Female	18-30	287	345	6	638
	31-45	54	313	94	461
	45-60	18	49	29	96

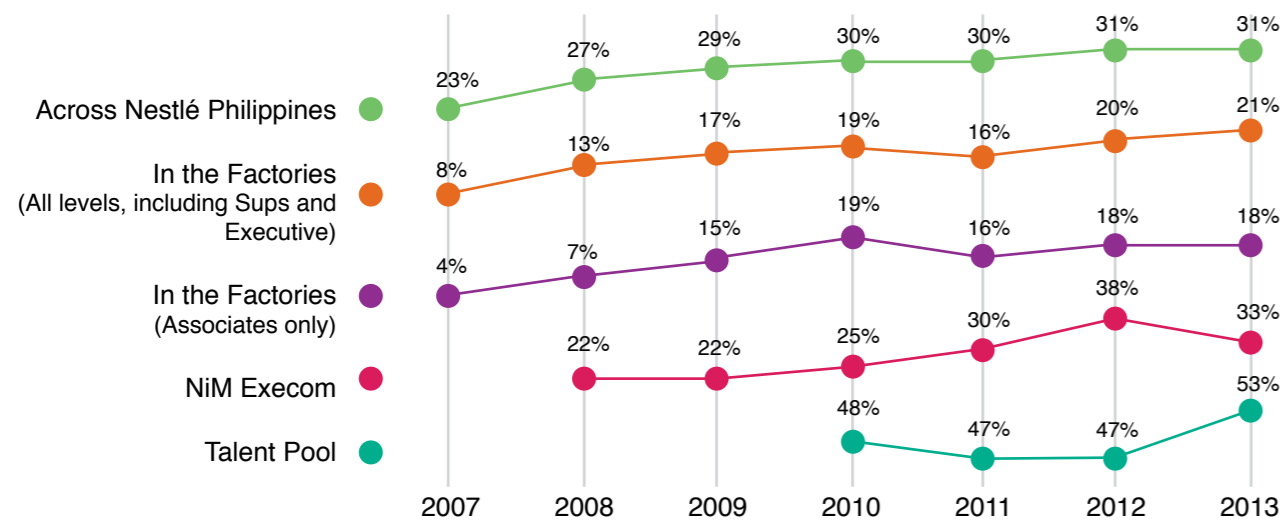


Although the male employees still outnumber the female at 2,628 to 1,171, the Company has made significant strides in achieving gender balance in the workplace, whereas the workers who man the production lines at the factories used to be all-men, today 21% of the workers at the shop floor are women. Even the ratio between male and female in the Company's Executive Committee has narrowed significantly from what used to be 22% female in 2008 to what is now 33% female. In the talent pool of high-potential young leaders, the ratio is near the perfect balance ratio of 53% female-to-47% male.

Workforce by Location



Evolution of Female Population



Nestlé Philippines enjoy a high level of loyalty among its employees. An internal climate study, shows that 95% of Nestlé employees across all levels and work sites say they are proud to work for Nestlé Philippines. This figure is 8% higher than industry average. The same study shows that 86% of employees choose to work for the Company for a long time (26%) (higher than industry average) and 83% say they would recommend Nestlé to family and friends as a good place to work in.

This loyalty can also be seen in the average 3.85% annual turnover rate of employees in the past 10 years. In 2013, the turnover rate was 4.21%; among rank-and-file employees, the rate was only 2.99%. All employees who availed of parental leave returned to work with no attrition and no change in salary upon their return from their parental/maternity leave.

Ratio of Basic Salary

	Male	Female
Senior Management	1.89	1.81
Middle Management	1.31	1.28
Supervisor	1.21	1.25
Associate	6.68	6.45
	2012	2013



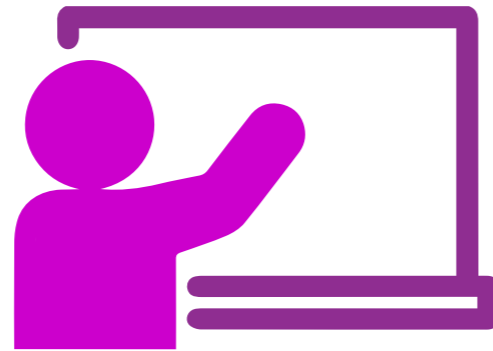
95% of all Nestlé employees say they are proud to work for Nestlé Philippines

WORKPLACE WELLNESS

Nestlé Philippines is committed to promoting wellness in the workplace which pervades every activity within the Nestlé organization.



Employees are constantly encouraged to adopt a healthy lifestyle through proper nutrition and physical activity.



Employees participate in nutrition education training, regular physical exercises, year-round sports and recreation activities.

The company also incorporates wellness in internal communication materials, maintains a well-equipped gym, and installs dedicated nutritionist in various sites.

LIFE BALANCE

At the core of the Company's HR program is the promotion of life balance, which is based on the global Nestlé HR Policy that states:

“We believe that the employee’s personal and professional life must have a good balance.”

The formal launch of life balance as a company-wide program in 2011 signaled the conscious effort of the Company to actively promote it within the organization by providing employees with the mindset, the means, and the motivation to achieve balance in their life. Nestlé recognizes that employees have real and important concerns outside of work, and that helping them address these ultimately results in better work performance.

The Company has adopted an approach comprising three dimensions to support employees and help them achieve balance in their lives. These dimensions complement one another:

My Life, My Balance Workshop

which provides employees with a venue for understanding their own life balance, draw up action steps to address challenges, take responsibility and accept the outcomes they create in their life, and establish team understanding of how each member supports one another in relation to life balance.

Life at Work

which consists of employee support programs, activities where employees can bond and have fun together at work, including sports and recreational activities, dressing down on Fridays, and availing of concierge services.

Flexible Working Arrangements

which are temporary alternative working arrangements (e.g. 4-day work week, week-long vacation leave, educational leave) that provide employees flexibility to attend to personal concerns and interests.

Employee Volunteerism Leave

which is a flexible work arrangement encouraging employees to take an active interest in the company's philanthropic initiatives. This is to support the employee's community involvement. The company grants paid time of up to 8 hours per calendar year to employees who would like to volunteer their time for a good cause.



SAFETY AS A CORE VALUE

To Nestlé, safety is a value more than simply a priority. Mindful that accidents are direct results of unsafe acts and unsafe conditions, the Company has a set of accident-prevention tools and programs designed to make everyone more sensitive to safety hazards and adequately equipped to correct these hazards on time. The set comprises safety meetings, safety inspections, behavior observation, behavior feedback, job hazards analysis, safety training, and accident investigation and reporting.



Two programs launched recently to further promote safety are:

“We Care” Campaign

This is an awareness campaign within the Company to communicate that compliance is all about caring for our employees and our families. The campaign highlights this statement: “Our choice not to follow the rules could cause serious injuries to ourselves and our colleagues and this cannot be tolerated.”

12 Life-Saving Rules (LSR)

The Company launched 12 Life Saving Rules to drive the zero accident campaign for employees, detailing 12 simple do’s and don’ts that enable employees to be responsible for their own safety and that of their colleagues. To help employees understand the 12 Life-Saving Rules, an LSR Playroom was set up in each Nestlé factory. It is an interactive training facility where safety devices and different activities such as role playing, quizzes, and audio visual presentation are set up for an engaging learning experience.



In line with the Company’s promotion of safety and health, the Company seeks to partner with the labor unions in the different worksites on compliance with safety rules and regulations. To date, Cabuyao Factory has adopted a Health and Safety clause in its Collective Bargaining Agreement while other factories have other provisions akin to the aforementioned:

Cabuyao

- Compliance with NGMP guidelines
- 100% participation in programs that improve hazard awareness such as “One minute to save a life”
- Annual physical and dental checkups
- Medical and hospitalization plan
- Provision of leaves
- Less than 16 work hours a day
- Flexible workweek

Pulilan and Lipa

- Working weeks with rest day
- Drug free work area
- Annual physical and dental checkups
- Medical and hospital plans for employees and their dependent(s)
- Provision of leaves as needed by employee due to personal commitments, sickness or emergency
- Rehydration drinks for employees exposed to extreme temperature and experience excessive sweating (in Lipa)

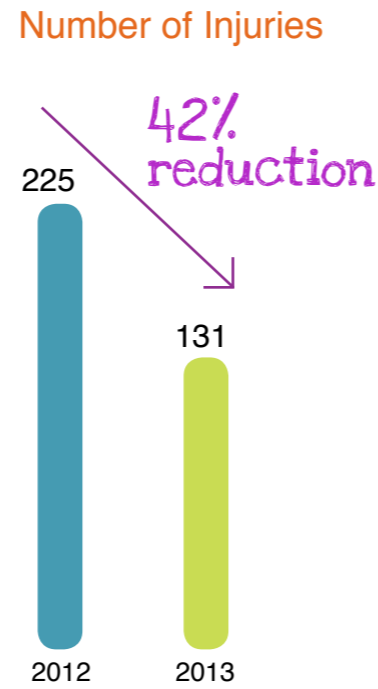
CDO

- Rehydration drinks for employees exposed to extreme temperature and experience excessive sweating
- Annual physical and dental checkups
- Less than 16 work hours a day
- Flexible workweek with 5 days of work and one 6th day
- Drug free work area
- Medical and hospitalization plans



Nestlé Philippines boasts of an outstanding safety performance. It achieved a remarkable safety performance of Lost Time Injury Frequency Rate of 0.14 in 2012, with four factories and all four distribution centers posting a perfect safety record in that year. This means that all these work sites did not incur any lost time incident in 2012. The safety performance further improved in 2013, with the total number of injuries dropping 42% from 225 in 2012 to 131 in 2013. The total injury rate was likewise reduced by 45% from 8.54 in 2012 down to 4.71% in 2013.

To further ensure safety and security of employees at the workplace, Nestlé requires its security service provider to conduct regular training for all the security personnel assigned to Nestlé on human rights, safety, and security. In 2014, approximately 85% of Nestlé's security personnel went through such training. This year, the target is to have 98% of the personnel covered by this training.



 Total injury rate was reduced by 45% from 8.54% in 2012 to 4.71% in 2013

LEARNING & DEVELOPMENT

Nestlé anchors its learning and development program on the 70/20/10 principle where the employees acquire knowledge, skills, and behavior through – Experience, Relationship & Education.

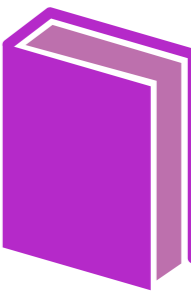
Experience-based training could take the form of being given stretch assignments, going on missions to fix or turn around business, or being assigned to special projects and task forces, to name a few. Relationship-based refers to coaching, feedback, boss/mentor relationship, or role modeling. Education-based is the traditional concept of training, which refers to classroom seminars and workshops. This mix of development methods that follows the 70-20-10 proportions effectively seasons the employees, providing them with actual hands-on learning experiences that sharpen their skills and competencies, with theoretical instruction as mere back-up.




70% Experience



20% Relationship



10% Education

The evolution of 70-20-10 rule on learning and development came about as a result of much evaluation and strategizing to make employees better suited for the human resource needs of the business. By shifting the weight of importance from classroom training to experiential training, the Nestlé organization has been able to fast-track the development of key people as they get exposed to bigger responsibilities that stretch their capabilities and test their limits. Learning from hands-on experience has proved to be far more effective, far more lasting, and far more profound than all the theories discussed in a three-day classroom seminar. Giving importance as well to mentoring and coaching as a training tool, has greatly helped relationships between line managers and employees, building rapport, trust, and openness between them, and enabling employees to learn directly from their superiors.



Training Programs

Although classroom training makes up only 10% of the Company's learning and development activities, Nestlé Philippines carefully plans out its annual line-up of training programs aimed at building up capabilities that are necessary to enable the organization to meet its business goals.

In 2013, the Company's training programs were categorized as: Core (basic and fundamental, required for all employees); Leadership Skills and Personal Effectiveness (required for leaders and management staff); and Elective (optional courses that employees may find useful in their respective functions). Employees logged in an average 14.77 hours of training throughout the year.



Average of
14.77 hours
of training

Performance Evaluation and Development

All Nestlé employees go through Performance Evaluations (PE) every year to have their performance measured and assessed against their individual objectives and how these align with business targets. They are evaluated in terms of the six Nestlé Leadership Framework (NLF) behaviors related to their specific positions (i.e. All employees, leaders and senior leaders. It is the line manager (and not the HR function) that conducts the PE for each employee. The line manager discusses and reviews this PE with the concerned employee twice a year— mid-year, where the two of them are able to evaluate, identify gaps, and find ways to close these gaps within the year; and year-end, where performance issues are thoroughly reviewed based on the year's performance.

A short-term bonus awaits employees who are found to have achieved and exceeded their individual objectives as well as the standards specified in their Performance Evaluation form, delivering tangible results for the business against agreed targets. Short-term bonus is usually a percentage of the employees' annual base pay and is given as cash pay-out. Alignment of objectives and Short-term Bonus payout is based on employees' achievements against expected collective and/or individual factors defined at the beginning of the performance period.



Employees who are not able to meet their objectives are given a Performance Improvement Plan. The plan is agreed by both the employee and his or her line manager. This plan usually covers a 6-month period and addresses significant performance or behavioral issues through training, coaching, and other learning and development interventions.

Another tool that Nestlé Philippines uses in tracking the performance of each of its employees is the Progress and Development Guide (PDG), which is a life-long document that follows the employee throughout his/her career in the Company. The PDG identifies the strengths and weaknesses of the employee against the Nestlé Leadership Framework. It identifies, monitors, and follows up on the employee's career and development plans. Through PDG, the employee is able to share his career aspirations and align expectations.

INTERNSHIP AND THE NESTLÉ MILE PROGRAM

Nestlé Philippines offers internship opportunities to top students recommended by its partner educational institutions such as University of the Philippines, Ateneo de Manila University, De La Salle University, Xavier University, and University of Asia and the Pacific to name a few. Activities under the Nestlé internship program provide the interns with the chance to use their know-how and contribute to actual function-related projects, in the process helping sharpen their skills and increasing their knowledge. They are also coached by Key Nestlé leaders as part of their development.

In 2012, a total of 84 students from nine schools underwent internship at Nestlé. In 2013, a total of 49 students underwent internship at the head office. Many of them interned during their summer break.



2009
Conception
of MILE

2012
84 Students
from
9 Schools

2013
49 Students
underwent
internship

Nestlé also runs a program called the Management Immersion for Leadership Excellence (MILE), the Company's signature graduate recruitment and development program that brings together the best graduating college seniors from all over the Philippines. MILE is a short but intensive course that immerses participants in the Nestlé business, testing their skills and knowledge through complex business challenges designed in the context of the Nestlé business.

Since the conception of MILE in 2009, the program has served as a key recruitment initiative attracting the best of the best potential employees coming from esteemed universities.



LABOR RELATIONS



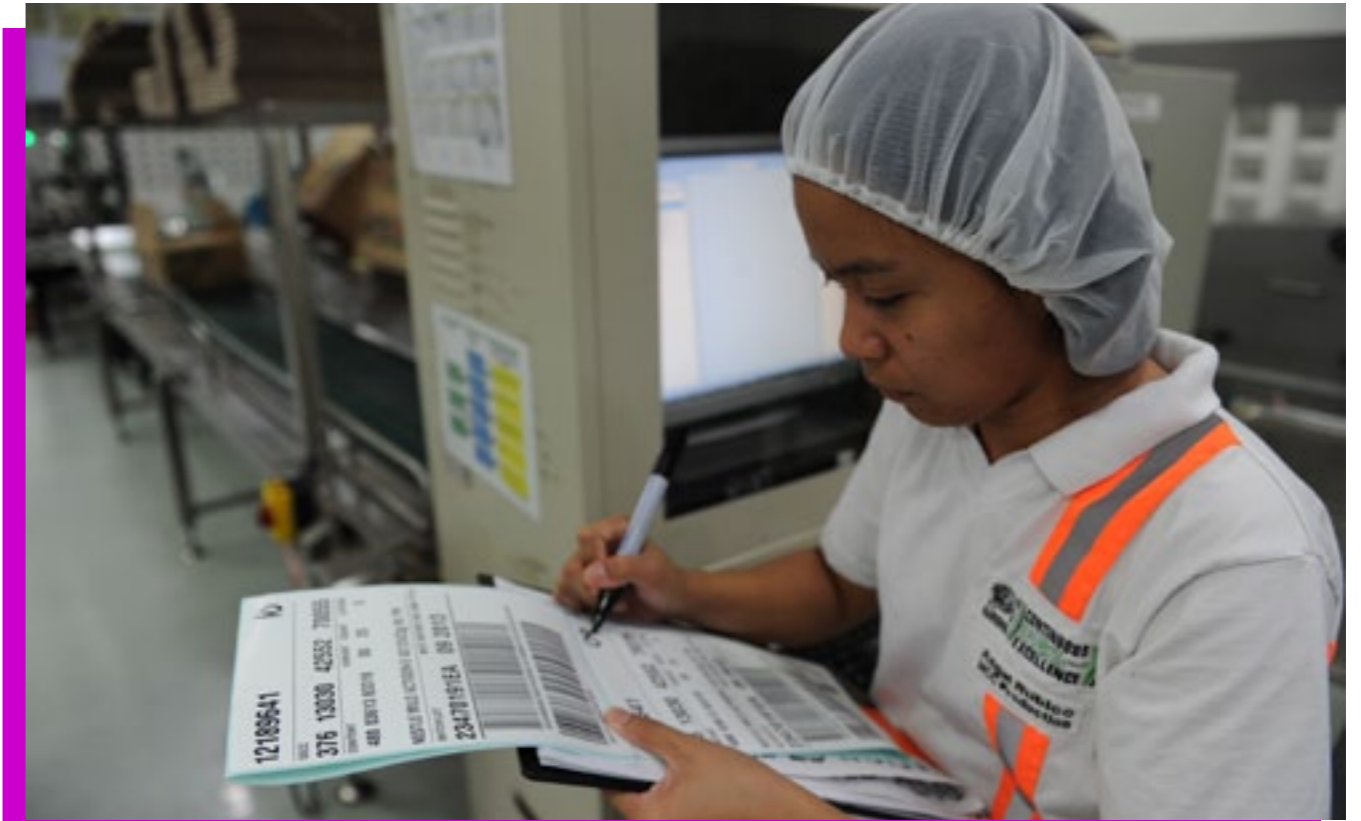
Regular Talakayan (townhall) sessions

Nestlé is one of the first global corporations to subscribe to the UN Global Compact's guiding principles on labor. The Nestlé Corporate Business Principles reiterate the UN Global Compact principles, particularly on the right to self-organization and collective bargaining.

The Company currently has four bargaining units representing rank-and-file employees in Cabuyao Factory, CDO Factory, Lipa Factory, and Pulilan Factory. Members of all four unions enjoy a superior CBA package that contains: wage increases 20% higher than industry; 14 months guaranteed pay; a superior medical package extended to spouse and children of married employees and parents and siblings of single employees; a non-contributory retirement plan fully funded by the Company; and a contributory retirement plan where the Company provides counterpart funding to employees' contributions, among others. All four CBAs were peacefully negotiated without work disruption or threat thereof.

With the harmonious industrial relations in Nestlé Philippines, the Company has started moving toward employee partnership strategy. This entails the formation of a Labor Management Council in each of the work sites, to be composed of labor leaders and frontline managers working together for the welfare of both the employees and the Company. Management and labor now collaborate on a greater range of employee programs, such as sports and recreation activities and the implementation of the Code of Conduct. Transparency is likewise enhanced through frequent dialogues via the regular Talakayan (townhall) sessions held between management and labor at all work sites.

RESPECT FOR BASIC HUMAN RIGHTS



Nestlé Philippines respects personal dignity, privacy, and personal rights of all its employees and is committed to maintaining a proper decorum at the workplace free from discrimination and any kind of harassment on the basis of gender, religion, nationality, race, age and sexual orientation. The Company upholds the human rights of all people—including indigenous communities—and ensures that its operations at all its work sites throughout the country protect these human rights. The Company likewise stands firmly against child labor, forced labor, sexual harassment, and all forms of corruption.

In advocating human rights and related issues, the Company enforces among its employees a Code of Conduct that defines the standards of behavior consistent with such values as honesty, judicious use of company resources, accurate accounting of company funds, prompt and truthful reporting of matters that affect the Company, fidelity in the custody of confidential information, obedience to company rules and regulations, respect for superiors and co-workers, cooperation and team spirit, prudence in dealing with the Company's publics, and concern for the environment and the society, among others. Employees who deviate from these standards of behavior are meted with corresponding sanctions.

ENSURING COMPLIANCE

Nestlé engages the services of independent international 3rd party auditor Bureau Veritas to audit the Company’s different worksites (including its co-manufacturers and key business partners) to check their compliance with international labor standards as well the Company’s own policies and principles on human resource management. The audit, called CARE, monitors adherence to and observance of the prescribed Safety, Health and Environment, Labor Standards, Business Integrity, Human Rights, and Security practices.

Another audit that the Company conducts every year is the Contempo audit, which evaluates compliance by Nestlé Philippines and all its 3rd party suppliers to labor laws, standards, and regulations particularly on the use of 3rd party or non-regular workers. The audit is carried out by a team of independent social auditors, most of whom are faculty members of the UP School of Labor and Industrial Relations as well as legal staff of one of the country’s foremost law firms.

CARE AUDITS CONDUCTED

2012	2013
7	12

CONTEMPO 2012

No. of Site/Facilities audited	8
No. of Contractors audited	118

CONTEMPO 2013

No. of Site/Facilities audited	8
No. of Contractors audited	153

THE BOARD OF DIRECTORS OF NESTLÉ PHILIPPINES INC.

The members of the Board of Directors (BOD) of Nestlé Philippines, Inc. (NPI) are an elected set of people who possess outstanding qualifications, embody the corporate values, and are well-equipped to perform their duties and responsibilities to ensure that the Company operates and functions at its best in a fast-paced and competitive environment.

NPI implements certain regulations governing the conduct of its employees, management staff, and members of the Board. These serve as a precaution against inappropriate behavior and activities and as a guide to the ideal work performance and ethics of each employee, customer, and supplier.

THE BOARD OF DIRECTORS

“...The corporate powers of all corporations shall be exercised, all businesses conducted and all property held by the board of directors... elected from among the holders of stocks...”

Sect 23, Corporation Code of the Philippines

The NPI Board of Directors is the superlative body in all governance matters. It has the sole authority to determine, police, and conduct the ordinary business of the corporation as it exercises discretion and judgment on these matters. The Board appoints officers of the corporation and delegates authority of management. However, the extent of the Board’s exercise of its power must comply with the restrictions from the Constitution, laws, the Corporation’s Articles of Incorporation and By-laws. All actions must be collegial, agreed upon in a meeting duly convened for the purpose.

The By-Laws of Nestlé Philippines, Inc. mandate the functions of its Board of Directors as follows:

1. From time to time make any change in the rules and regulations not inconsistent with these By-Laws for the management of the Company’s business and affairs;
2. Purchase or otherwise acquire for the Company any property, rights or privileges that the Company is authorized to acquire at such price and on such terms and conditions and for such consideration as they shall from time to time see fit;
3. At their discretion pay for any property or right acquired by the Company or discharge obligations of the Company either wholly or partly in money or in stocks, bonds, debentures, or other securities of the Company;
4. Create, make and issue mortgages, deeds of trust and trust agreements, and negotiate for transferable instruments and securities, secured by mortgage or otherwise, and perform all other acts and deeds necessary to accomplish the same;

5. Appoint a person or persons to act and hold in trust for the Company any property belonging to the Company or in which it is interested or for any other purpose, and execute and do all such duties and things as may be requisite in relation to any such trust; and
6. From time to time provide for the management of the business of the Company at home or abroad in such manner as they see fit, and in particular from time to time delegate any of the powers of the Board in the course of the current business of the Company to any standing or special committee or to any officer or agent and appoint any persons to be the agents of the Company with such powers (including the power to sub-delegate), and upon such terms as may be deemed fit.

Qualifications of a Board Director

The Board of Nestlé Philippines, Inc. must be able to meet all legal requirements such as:

- Ownership of at least one (1) share
- Registration of share in his/her name during his/her term
- Majority of the board should be residents of the Philippines

Furthermore, NPI Board Directors must be:

- Committed to the common objective of the Company;
- Committed to the Nestlé Corporate Business Principles, Nestlé Code of Business
- Conduct, and all other policy documents of the Company;
- Holder of a university degree in a discipline in arts and science, law, engineering, economics, finance, medicine, philosophy, or other equivalent fields of learning;
- Constantly abreast with the latest developments in his field of engagement;
- Of strong moral conviction and subscribes to the core values of the Company;
- Assertive but open to engage in healthy debate in conflict resolution; and
- Of proven integrity and good standing in the business community

Election of Directors

The election of Directors to the Board is held during the Annual Stockholders' Meeting of the Company, which takes place every fourth Monday of May. All Directors must formally accept their election upon being elected. They serve for a term of one (1) year, or until the next Annual Stockholder's Meeting. In case of any vacancy in the Board due to resignation or other causes, the remaining directors shall elect a new director whose term expires on the next Annual Stockholders' meeting.

Rights and Duties of Directors

Every NPI Board Director has the right and duty to:

- Determine policy, set strategy, and approve budget, business plans and performance measurements (e.g. MBS, OPL, CAPEX);
- Ensure integrity of accounting and financial reports;
- Appoint/select and replace key managers and determine their remuneration;
- Act as guardian of business, assets and property;
- Submit annual reports to the shareholders; and
- Create and delegate some of its authority to one or more Executive Committees

The role of an NPI Board Director is fiduciary in nature. He/she therefore must act with diligence, loyalty, and obedience.

Name of Board Member	Position	Executive / Independent Director	Gender
John M. Miller	Chairman and CEO of Nestlé Philippines	Executive	Male
Peter Winter	Technical Director of Nestlé Philippines	Executive	Male
Daniel Aellen	CFO of Nestlé Philippines	Executive	Male
Dennis Austriaco	Sales Director of Nestlé Philippines	Executive	Male
Edith de Leon	Head of Corporate Affairs of Nestlé Philippines	Executive	Female
Pierre Streit	AOA Finance Director of Nestlé S.A.	Executive	Male
Helio Waszyk	AOA Regional Management of Nestlé S.A.	Executive	Male

* As of 2013

The following are the offices of NPI:

The Chairman

The Chairman has distinct duties from the Board of Directors. He/she is mandated to:

- Organize the frequency, time, and priority matters to be covered by the BOD in the ensuing year;
- Lead the BOD in ensuring the practice and guardianship of a culture of good governance in the Company
- Encourage open discussions to inspire a pro-active approach to adopting policies and measurements to promote good governance;
- Lead the BOD in considering the creation of an Executive Committee, Compliance, Ethics, Regulatory, Audit, and other Committees that will implement policies on compliance, corporate governance, and good corporate citizenship; and
- Task the executive Directors to adopt programs to ensure good governance is included in their business plans and strategies for the long-term, and requires them to render regular reports at every Board meeting.

The Corporate Secretary

The Corporate Secretary must be a Filipino citizen; however, he/she need not be a Director of the Company. He/she shall be present at all Board meetings and is expected to:

- Set the agenda of the BOD meetings, provide due notice to the Directors, and record faithfully the minutes of the meetings;
- Provide inputs and support to the Chairman in developing policies and programs for the BOD in promoting a culture of good corporate governance in the Company; and
- Submit reports to the Securities and Exchange Commission as required by the Corporation Code and its rules and regulations, and to such other government bodies regulating the activities of the Company.

The Treasurer

The Treasurer is selected by the Board of Directors and may not necessarily be a member of it. He/she is expected to:

- Have custody of all the money, securities and values of the company and shall keep regular book of accounts.
- Deposit and withdraw the money, securities and value into a banking institution in the City of Manila, Philippines as per the direct advice of the Board of Directors.
- Perform all his/her other duties incident that is assigned by the Board of Directors.

Agenda of the BOD Meeting

The BOD meetings shall primarily cover Company policies, business plan and strategy, management supervision, and matters deemed within the purview of the former. The Chairman, along with the Corporate Secretary, is tasked to set the tone in the selection of subjects to be included in the agenda. Every Director of the Company is obliged to propose matters or issues to be discussed during the said meetings. Furthermore, the agenda shall be organized in an efficient manner, considering the relevance of the matters to be included, and the time allotted for the meeting. The agenda shall also be duly filed with the BOD Minutes Book of the Company.

BOARD OF COMMITTEES

The Board has formed committees to support certain functions and help in corporate governance. All committees have their own sets of rules in accordance with their respective objectives.

Executive Committee

- There are 2 Executive Committees created by the BOD; its composition is determined by the BOD as well.
- The Executive Committees are chaired by the Chairman of the BOD.
- The agenda and frequency of the meetings of the Executive Committees are determined by the Chairman.
- Nestlé in the Market Execom (NiMex): This Executive Committee monitors the business performance of the Company with focus on driving growth and achieving set targets.
- Corporate Function Executive Committee (Cofex): This Executive Committee steers the long-term strategic directions of the business. Furthermore, it continuously explores initiatives in good corporate governance, which it recommends to the BOD for approval and carries out implementation once approved. The Cofex also sits as the Compliance Committee and the Audit Committee.
- The meetings of these Executive Committees are duly recorded and filed.

OTHER GOVERNANCE INFORMATION

General Principles of Governance

- Nestlé recognizes the rights and responsibilities of shareholders.
- Nestlé upholds the equitable treatment of shareholders, respecting the principle “one share – one vote”.
- The Board of Directors of Nestlé is accountable to the shareholders. Its members act on a fully informed basis, in good faith, with due diligence, competence, and care in the best interest of the Company.
- It is incumbent upon the Management and all employees of Nestlé, in the exercise of its authority, and in the performance of their duties, to act with fairness and honesty, promote and accept accountability, encourage transparency, and observe and foster a high level of commitment to professional ethics and integrity.

Remuneration

The By-Laws of the Company provide that Directors shall not receive any salary or compensation for their services. In relation to this, the BOD has delegated to the shareholders of the Company the discretion to remunerate its Directors concurrently serving as executive officers.

Conflict of Interest Policy

This policy is implemented to avoid conflict between personal interests of all employees including the Board members or of a third party with the interests of Nestlé. The Company condemns any act of corruption or bribery that may affect its management and the values upheld by each employee. Conflict of interest shall be avoided at all times.

MEMBERSHIP TO ASSOCIATIONS

American Chamber of Commerce of the Philippines, Inc.	Packaging Institute of the Philippines
Allied Suppliers Credit Association of the Philippines	People Management Association of the Philippines
ASEAN Food & Beverage Alliance (AFBA)	Philippine Association of Food Technologists, Inc.
Association of Makati Industries, Inc.	Philippine Business for the Environment
Association of Safety Practitioners of the Philippines, Inc.	Philippine Association of National Advertisers (PANA)
Bishops-Businessmen's Conference	Philippine Business for Social Progress
Corporate Network for Disaster Response (CNDR)	Philippine Chamber of Commerce & Industry
Credit Management Association of the Philippines	Philippine Chamber of Food Manufacturers, Inc.
Employers' Confederation of the Philippines	Philippine Institute for Supply Chain Management
European Chamber of Commerce of the Philippines	Philippine-Swiss Business Council
Food Industry Asia (FIA)	Philippines-New Zealand Business Council
Infant & Pediatric Nutrition Association of the Philippines (IPNAP)	Pollution Control Association of the Philippines
International Life Sciences Institute	Supply Chain Management Association of the Philippines
Junior Achievement of the Philippines, Inc.	Wallace Business Forum
League of Corporate Foundations	Undying Wishes of Pinoys, Inc. (formerly United Way Philippines, Inc.)
Makati Business Club	
Management Association of the Philippines	
EMB - Metro Manila Airshed	



RESPONSIBLE CONSUMER COMMUNICATION AND ADHERANCE TO THE WHO MILK CODE

The marketing operations of Nestlé Philippines involve far-reaching communication, advertising, and promotional activities. All these activities are governed by the Nestlé Consumer Communication Principles issued globally by Nestlé, a set of guidelines that define what constitutes responsible and ethical, truthful and credible, and valuable and informative communication.

In compliance with these Principles, Nestlé Philippines makes sure that all its claims regarding the health, nutrition, and wellness benefits of its products reflect the nutrition composition of the products and that all forms of its communication must project moderation in food consumption and promote active rather than a sedentary lifestyle. The Company also endeavors to scientifically back up any claims it makes on the environmental impact and social benefits of its programs and initiatives.

Nestlé strictly abides by the country's laws and regulations, making sure that its communications do not display vulgarity, bad manners and offensive behavior, and avoid depicting attitudes that are discriminatory to religious, ethnic, political, cultural or social groups. In compliance with the provisions of the code of the Ad Standards Council, a self-regulatory body, the Company never mentions competitors directly in its advertising nor portrays them inaccurately.

Furthermore, Nestlé understands the influence of media especially among children, and thus exercises extreme caution when communicating to children, defined as consumers less than 12 years of age. The Company does not advertise directly to children under the age of 6, and limits its advertising to children aged 6-12 to products that help them achieve a healthy and balanced diet. Any sampling or promotional activities in schools are done only with the consent of school authorities and are always accompanied by educational and nutritional messages.

In addition, Nestlé Philippines supports the global, regional, and national commitments of Nestlé to responsible marketing among children. These commitments include the International Food & Beverage Alliance (IFBA) and European Union (EU) Pledge. Nestlé Philippines is also a signatory to the Philippine Pledge on the "Responsible Advertising to Children" initiative which is a pledge created by food and beverage companies who are members of the Philippine Association of National Advertisers. These signatures from companies signify their commitment to advertise products to children in the Philippines in a responsible way and support parental efforts to promote healthy lifestyles to their children.

Compliance with the WHO Milk Code



As a manufacturer of infant formula, follow-up formula and young children’s milks, Nestlé Philippines fully complies with both the letter and the spirit of the World Health Organization’s International Code of Marketing of Breast-milk Substitute (dated 1981), the Philippine National Milk Code or Executive Order No. 51 (dated 1986) and its Revised Implementing Rules and Regulations (dated 2006). The guidelines of the WHO Milk Code and the provisions of the Philippine National Milk Code are designed to promote safe and adequate nutrition for infants through the protection and promotion of breastfeeding and by ensuring that when the use of safe alternative to breast milk is deemed necessary, it is done on the basis of adequate and objective information and through appropriate and responsible marketing and distribution. For utmost compliance, Nestlé Philippines always applies the stricter rule when a provision of the Philippine Milk Code differs from a guideline set in the WHO Code.

In addition, Nestlé Philippines, Inc. adheres to the global Nestlé Policy and Instructions for Implementation of the WHO Milk Code. This set of instructions is addressed primarily to the company’s marketing and sales staff including contracted third parties and trade partners involved in the marketing and distribution of milk formulas. The policy was first drawn up in 1982, refined in 1984, and has since been revised and strengthened a number of times— in consultation with stakeholders that include the WHO, United Nations Children’s Fund, and civil society organizations.

To further strengthen operational Milk Code compliance locally, Nestlé Philippines has summed up all pertinent guidelines and legislation into its company policy and procedure manuals on the marketing of breast milk substitutes. The manuals are posted in the company’s intranet for easy access and reference by employees.

Nestlé Philippines also carries out internal and external independent audits on Milk Code compliance. External independent parties include respected organizations like Bureau Veritas, SGS, and Financial Times’ FTSE4Good. So far, Nestlé is the only breast milk substitute manufacturer to be included in the responsible investment index of FTSE4Good.

The Company has also established feedback mechanisms through which concerns on its marketing practices for breast-milk substitutes may be raised. Employees can report anonymously through the Head of Corporate Affairs who is the designated WHO Code Ombudsman for the company.

On the other hand, external parties like third party vendors, trade partners, and consumers can bring their observation to the company’s attention through the “Contact Us” site www.nestle.com.ph/info/contactus.

The company’s WHO Code Ombudsman spearheads the objective validation and appropriate resolution of all received reports.

Nestlé Philippines is also a founding member of the Infant and Pediatric Nutrition Association of the Philippines (IPNAP), an association of manufacturers of infant nutrition and pediatric products that have joined hands to promote responsible business practices and ethics among its members, coordinate the industry’s approach to combating myriad issues surrounding inadequate infant nutrition in the Philippines, underscore the members’ commitment to provide nutritious and safe food products that meet the highest standards of food safety and quality and strengthen compliance to the Philippine National Milk Code through multi-stakeholders dialogue and collaboration with the Philippine Government and its agencies, the medical profession, international and local non-governmental organizations and the general public.

As a manufacturer of infant formula, follow-up formula and young children’s milks, Nestlé Philippines participates in concerted efforts to enforce strict compliance with the Milk Code. After all, the company is true to its founder’s advice. As early as 1867, Henri Nestlé has expressed in the strongest of terms that “During the first months, mothers’ milk will always be the most natural sustenance and all mothers who can do it should breastfeed their children.”

GRI CONTENT INDEX

Disclosure	Description	Reported	Page Number	Direct Explanation
1.1	Statement from the most senior decision-maker of the organization.	Fully		
1.2	Description of key impacts, risks, and opportunities.	Not		Confidential
2.1	Name of the organization.	Fully	4	About Nestle Philippines
2.2	Primary brands, products, and/or services.	Fully	6	Our Products
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully		There are no subsidiaries of Nestle Philippines
2.4	Location of organization's headquarters.	Fully	124	Contact Details
2.5	Number of countries where the organization operates	Fully		Nestle Philippines operates on its own
2.6	Nature of ownership and legal form.	Fully	104	Nestle Board
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	12	Creating Shared Value
2.8	Scale of the reporting organization.	Partially		No. of Employees - 3832 Net Sales - 104 Billion Php Net Revenue - 12.5 Billion Php Operational Expense - 86 Billion Php No. of Operations - Refer to product list
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully		None
2.10	Awards received in the reporting period.	Fully	14	Awards
3.1	Reporting period	Fully	1	About the Report
3.2	Date of most recent previous report	Fully		This is the first Sustainability Report of NPI
3.3	Reporting cycle	Fully	1	About the Report
3.4	Contact point for questions regarding the report or its contents.	Fully	124	Contact Details
3.5	Process for defining report content.	Partially	1	This report is based on the material aspects of our business as analysed by the corporate head office with the support of various stakeholder consultations.
3.6	Boundary of the report	Fully	1	About the Report
3.7	State any specific limitations on the scope or boundary of the report.	Fully	1	About the Report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities.	Fully		No Subsidiaries or joint ventures were included in the report
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.	Fully		Nestle Philippines has developed its own internal data calculation tools aligned to the global practices and Nestle Corporate office requirements
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	Fully		There were no restatements
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully		This is the first report therefore no significant changes
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	118	GRI Index Sheet
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	123	GRI Application Check
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.	Partially	111	Board of Committees
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	109	Board of Directors
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	109	Board of Directors
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Not		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Not		

4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	112	Conflict of Interest
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	108	Qualification of Board Director
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.	Fully	5	About Nestle Philippines
4.9	Procedures of the highest governance body for overseeing the organization'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.	Fully	109	Board of Directors
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	109	Board of Directors
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Not		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Not		
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization is a member.	Partially	113	Membership to Associations
4.14	List of stakeholder groups engaged by the organization.	Partially	12	Stakeholders based on Creating Shared Value Concept
4.15	Basis for identification and selection of stakeholders with whom to engage.	Partially	12	Identified in the concept of Creating Shared Value
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Not		
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Not		

Performance Indicator	Description	Reported	Page Number	Direct Explanation
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.	Partially		Net Sales - Php 104 Billion New Revenue - Php 12.5 Billion Operational Expense - Php 86 Billion
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Not		
EC3	Coverage of the organization's defined benefit plan obligations.	Not		
EC4	Significant financial assistance received from government.	Fully		Nestle Philippines does not receive any financial assistance from the government and operates on its own. It is not a publicly listed company in the Philippine Stock Exchange.
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Not		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Not		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Not		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	66	Rural Development
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Fully	66	Rural Development
Environment				
EN1	Materials used by weight or volume.	Not		
EN2	Percentage of materials used that are recycled input materials.	Partially	54	Packaging Initiatives
EN3	Direct energy consumption by primary energy source.	Fully	51	Energy Saving Initiatives
EN4	Indirect energy consumption by primary source.	Fully	50	Energy Saving Initiatives
EN5	Energy saved due to conservation and efficiency improvements.	Fully	50	Energy Saving Initiatives
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions achieved	Fully	50	Energy Saving Initiatives
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Fully	50	Energy Saving Initiatives
EN8	Total water withdrawal by source.	Fully	45	Water Initiatives

EN9	Water sources significantly affected by withdrawal of water.	Fully	44	Water Initiatives
EN10	Percentage and total volume of water recycled and reused.	Partially	45	Water Initiatives
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully		There are no facility in the area adjacent to areas of high biodiversity or protected areas
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Fully		There is no impact in such areas as none of our facility is in such area.
EN13	Habitats protected or restored.	Fully	45	Water Beyond Worksites
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Fully	68	Rural Development
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Fully		None
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	51	Energy Saving Initiatives
EN17	Other relevant indirect greenhouse gas emissions by weight.	Fully	51	Energy Saving Initiatives
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Fully	50	Energy Saving Initiatives
EN19	Emissions of ozone-depleting substances by weight.	Fully		None
EN20	NOx, SOx, and other significant air emissions by type and weight.	Fully	51	Energy Saving Initiatives
EN21	Total water discharge by quality and destination.	Fully		We have zero wastewater discharge policy
EN22	Total weight of waste by type and disposal method.	Fully	52	Solid Waste Management
EN23	Total number and volume of significant spills.	Fully		None
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.	Fully		None
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Fully		None
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	55	Packaging Initiatives
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Fully	55	Packaging Initiatives
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully		There were no significant fines
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Fully	56	Simplified Life Cycle Approach
EN30	Total environmental protection expenditures and investments by type.	Not		
Labor Practices				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Partially	90	Our People
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Fully		Overall Turnover Rate – 2.56%
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	Partially	93	Our People
LA15	Return to work and retention rates after parental leave, by gender.	Partially	93	All employees returned after availing their parental leave
LA4	Percentage of employees covered by collective bargaining agreements.	Fully		53%
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully		We provide minimum of 30 days' notice period for any operational changes
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.	Fully	97	Safety as core value
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Fully	98	Rates of injury
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	99	Learning & Development
LA9	Health and safety topics covered in formal agreements with trade unions.	Fully	97	Safety as core value
LA10	Average hours of training per year per employee by gender, and by employee category.	Not		

LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	99	Learning & Development
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	101	Performance Evaluation & Development
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	93	Our People
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Fully	93	Our People
Human Resources				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Fully	106	All our investment agreements specifically supply chain, incorporates human rights clauses and we conduct regular audits under Contempo Audit annually
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Fully	106	Ensuring Compliance
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.	Not		
HR4	Total number of incidents of discrimination and actions taken.	Fully		There were no such incidents
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Fully	104	Labor Relations
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Fully	105	Respect for Human Rights
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Fully	105	Respect for Human Rights
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Fully	105	Respect for Human Rights
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Fully		We respect the rights of indigenous people and ensure that there are no such violations. There were no such incidents
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Fully		CARE audits monitors company's adherence to Environmental, Labor, Human Rights, Safety and Business practices. In 2012, 7 CARE audits were conducted, whereas in 2013, the number of audits increased to 12.
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not		
Society				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Fully	68	Rural Development
SO9	Operations with significant potential or actual negative impacts on local communities.	Fully	68	Rural Development
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Fully	68	Rural Development
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Fully	106	Ensuring Compliance
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully		All the employees undergo employee orientation programs which include training on anti-corruption policies as well.

SO4	Actions taken in response to incidents of corruption.	Fully		There were no such incidents
SO5	Public policy positions and participation in public policy development and lobbying.	Fully		We do not participate in development of Public Policy.
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully		There were contributions to any political parties
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Fully		There were no such incidents
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully		There were no such incidents
Product Responsibility				
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.	Fully	20	Nutrition
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	56	Life Cycle Approach
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	Fully	115	Responsible Consumer Communication
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	Fully		There were no such incidents
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Not		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	115	Responsible Consumer Communication
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Fully		There were no such incidents



Statement GRI Application Level Check

GRI hereby states that **Nestlé Philippines Inc.** has presented its report "2013 Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 02 September 2014

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 12 August 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

CONTACT DETAILS



We would like to hear from you.

For comments or inquiries on Creating Shared Value

Contact us:
creatingsharedvalue@ph.nestle.com

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Nestlé Philippines, Inc.

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Nestlé Center, 31 Plaza Drive
Rockwell Center, Makati City, 1200 Philippines

www.nestle.com.ph