



Creating Shared Value

Nutrition | Water | Rural Development

Sustainability and Productivity:

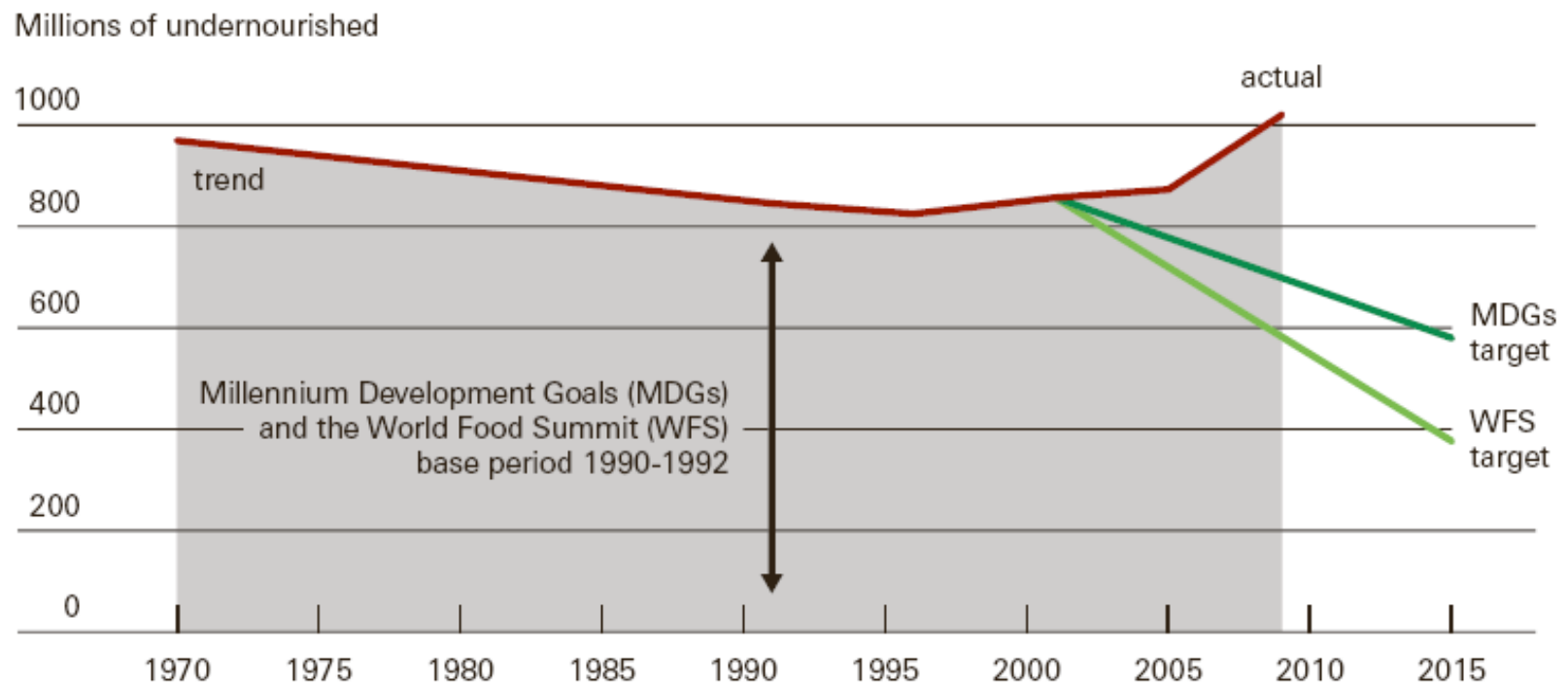
The Value Proposition of Sustainability

*20th Annual IAMA World Forum and Symposium
Boston, Monday June 21 2010*

Hans Jöhr
Corporate Head of Agriculture

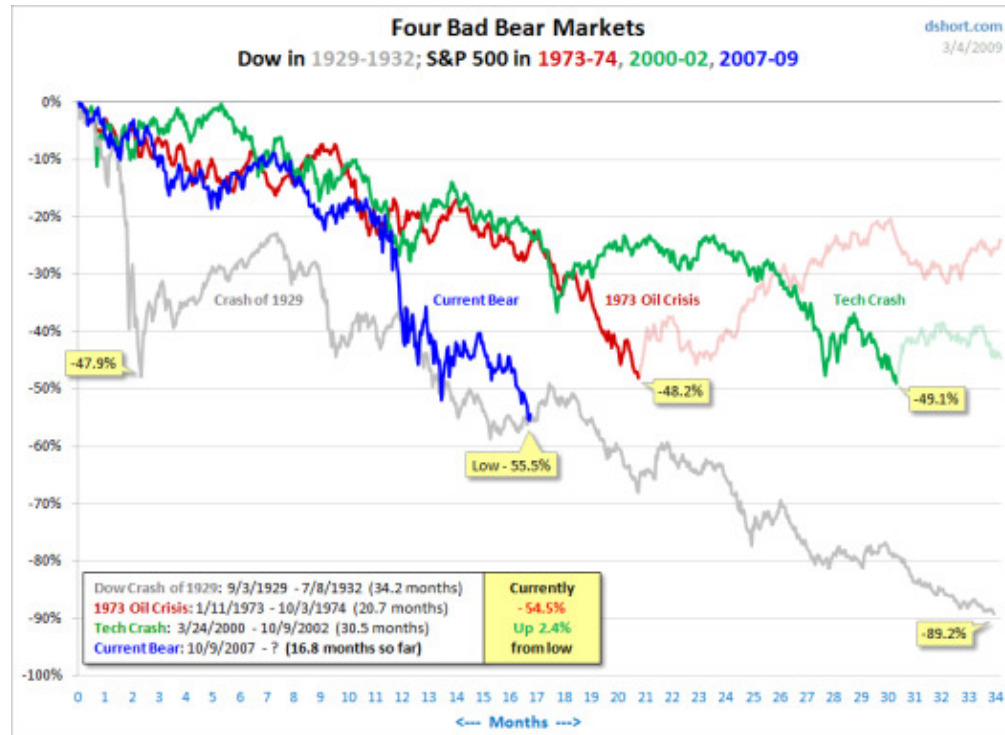
Current food security trends

Number of undernourished people in the developing world



source: FAO

Effects of the recent crisis

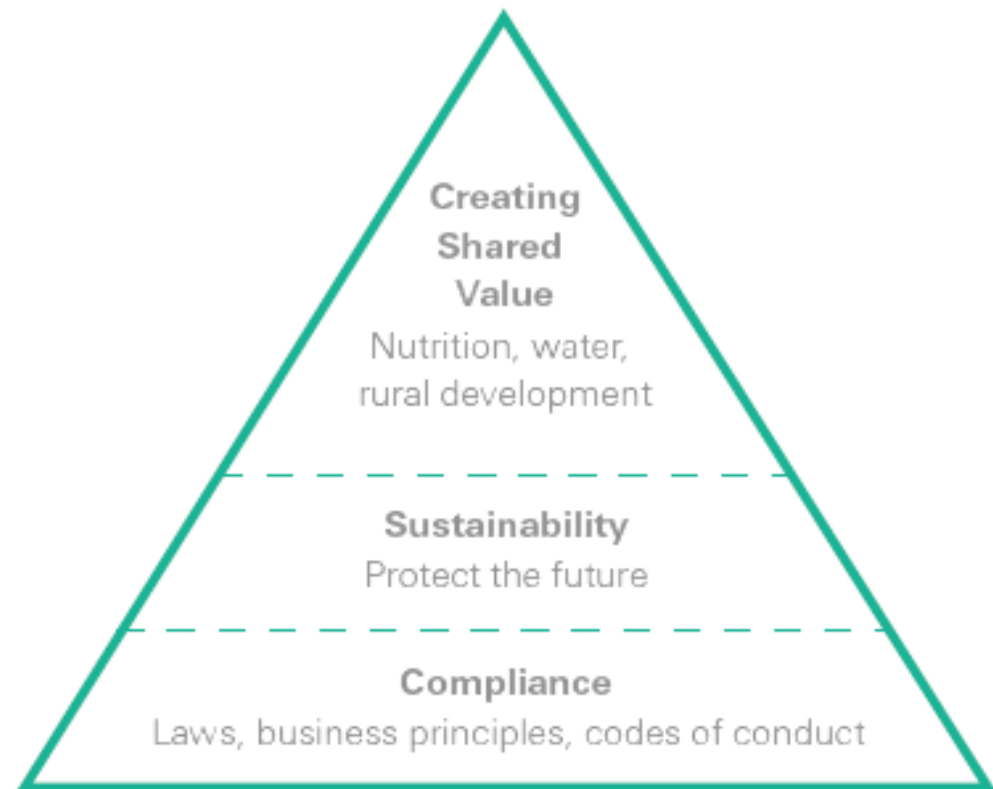


- \$50 Trillion Asset value destroyed in the last 24 months
- 53 million more in developing world face poverty (*World Bank*)
- -\$14.5 billion in US philanthropic donations in 2008 (*Giving USA*)

Nestlé and corporate responsibility

"Going beyond sustainability, to create value for shareholders & society - which is integrally linked to our core business strategies & operations"

"Development which meets the needs of the present without compromising the ability of future generations to meet their own needs"



Nestlé Creating Shared Value: 3 focus areas



Rural Development

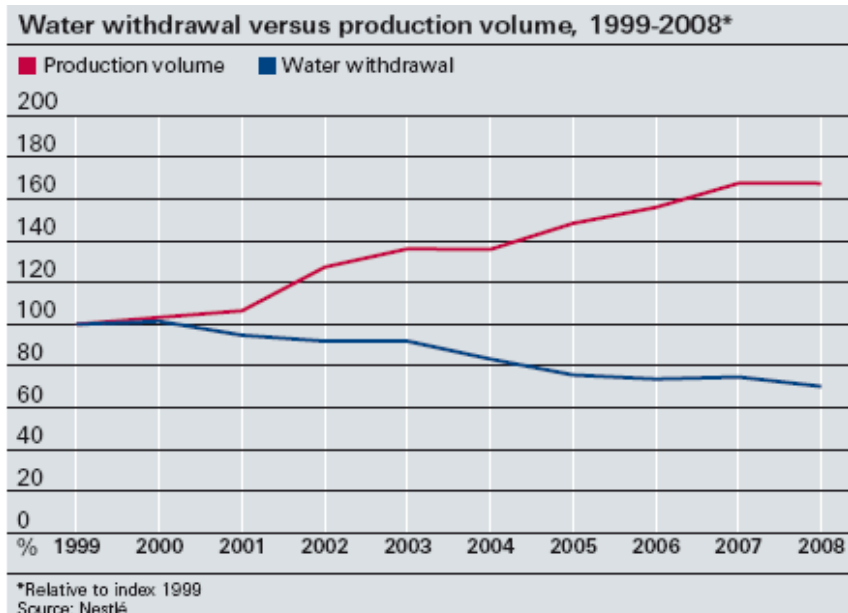


Water



Nutrition

Nestlé and Water: Progress in Environmental Sustainability

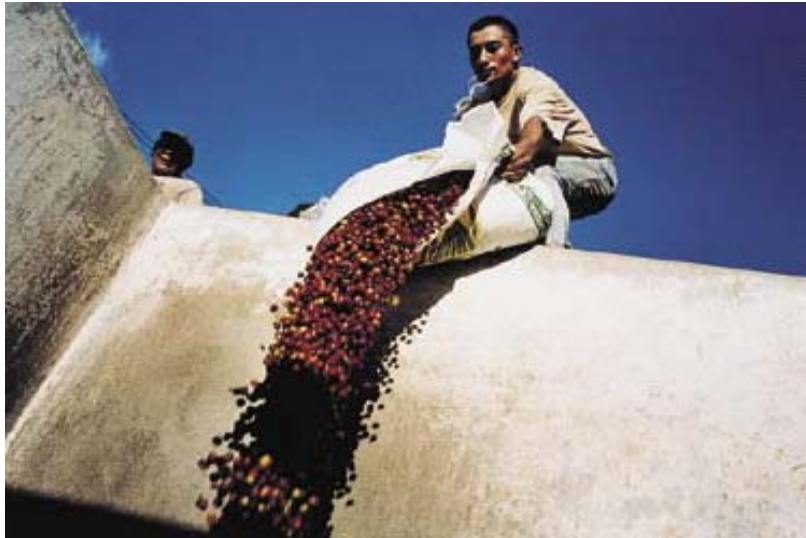


- Water withdrawal down **58%** 1999-2008, **6%** per tonne of product yoy
- Despite **68%** production increase
- **26%** reduction in water used for each litre of bottled water over 10 years (now **1.76**l/l)
- Leadership on water: UNGC CEO Water Mandate, WEF, Water Resources Group

Value for Society: *reduced impact on water availability/waste/packaging/vocal advocacy*

Value for Nestlé: *risk and cost reduction*

Creating Shared Value and Rural Development through agriculture/sourcing



- **CHF 22.5 billion** of raw materials, **2/3** from emerging economies
- **540 000** farmers supply Nestlé directly and receive technical assistance
- **CHF 48 million** of micro-credit loans to farmers

Value for Society: *knowledge sharing, improved agricultural & water management practices*

Value for Nestlé: *quality supplies from motivated, enabled farmers*

Rural development: Milk districts in 34+ countries



- Free veterinary service-health, breeding
- Animal feed at cost
- Teaching silage methods
- Biogas generators
- Cooling tanks
- Sanitation & Clean Water

“Our cows produce on average 9 or 10 litres of milk per day, whereas some 30 years ago we wouldn't have expected more than 2 litres per animal

”
Rufino Chindicué,
Caquetá milk farmer
and Nestlé supplier



2009 Rural Development Commitment: Abidjan Regional Development Centre



Increase agricultural productivity and safety of foods

- **1 million** cocoa plantlets per year from 2012, training **30,000 farmers** over 10 years
- Already developing and improving local crops and cereal-based products in West African region
- Long-term commitment to rural development and use of local material rather than imports

Creating Shared Value and Nutrition: Popularly Positioned Products



- **Brazil:** Popularly Positioned Product plant, Feira de Santana.
- Investment CHF **60 million**

Improving distributors' incomes and bringing micronutrient fortification



- Até Voce: **6,000** women micro-entrepreneurs empowered in Brazil
- Many PPP products nutritionally fortified (vitamins, A, C, D; Iron)
- Affordable fortified milks: **17 billion** servings in **60** countries during 2009
- Iodine-fortified bouillon cubes: **89** billion servings in 2009

Value for Society: income creation, skills transfer, microfinance, micronutrient fortification

Value for Nestlé: appropriate route to market for growth market segment

Nutrition education in Europe, Asia and Latin America



- EPODE (France, Spain, Belgium) – 2.5 million children
- Nutrir (Brazil) – 1.2 million
- Healthy Thai Kids (Thailand) – 10,000 schools

Competitive Advantage and Corporate Responsibility



“The Link Between Competitive Advantage and Corporate Responsibility”

Michael Porter, Mark Kramer,
Harvard Business Review,
December 2006

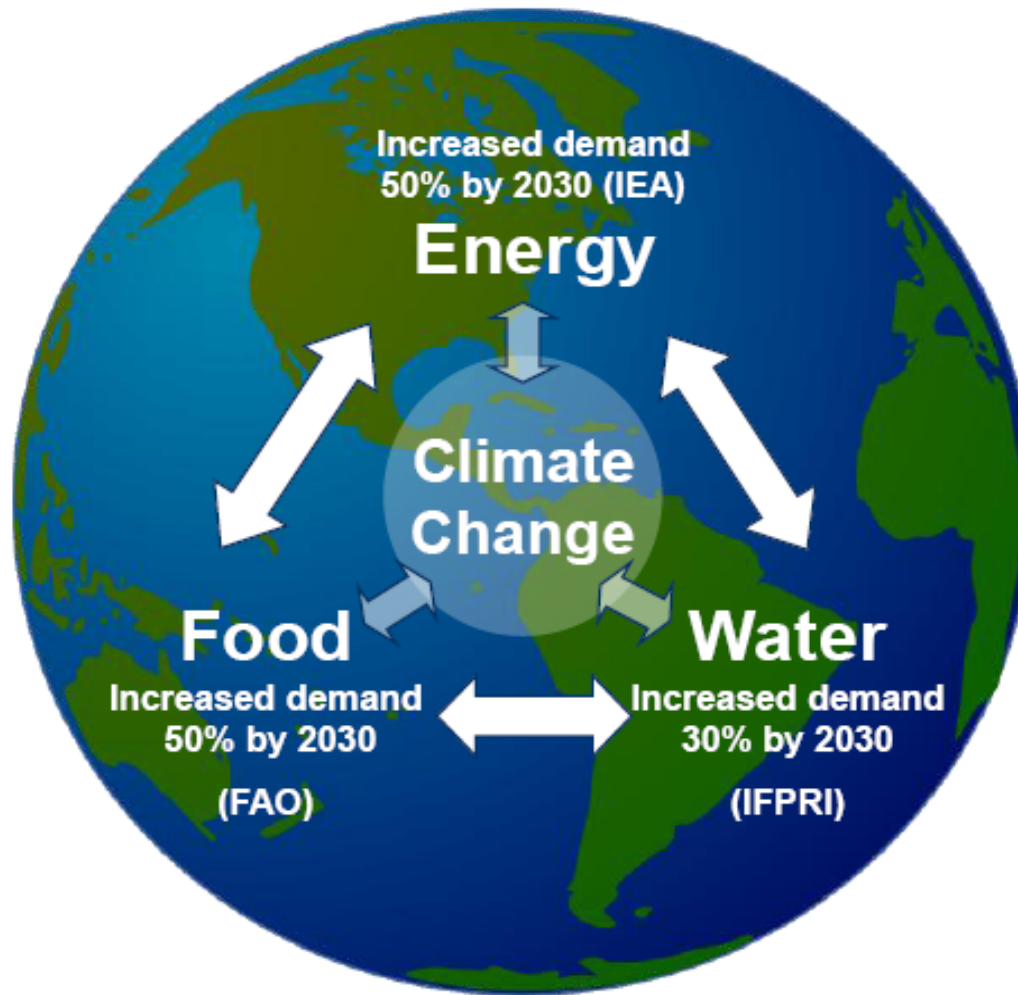
*Nestlé Creating Shared Value
Reporting and KPIs: visit
www.nestle.com/csv*

The Nestlé Prize in Creating Shared Value



- Prize for best Creating Shared Value Project
- Nutrition, Water, Rural Development
- Entries from Civil Society and SMEs
- Up to CHF 500,000 scale-up funding for laureate
- Awarded every two years, starting May 2010

2030: World heading for a Perfect Storm?



Future Supply of Agricultural Materials



Major **Opportunities** to feed 9bi people...

**Breeding's tangible benefit:
increased farm profitability**



- 2004 Yield 1.02 tons/Ha



New improved variety



Technical assistance



Better crop

- **2009 Yield 2.38 tons/Ha (*)**

(*) Robusta coffee farm yields
resulting from Nestlé's tree
distribution program in Thailand



The “Sustainable Agriculture Initiative Nestlé” (SAIN)



LAND



WATER



ENERGY



CLIMATE



PEOPLE

To ensure supply we have to smarter use natural resources by

- **Not wasting**
- **Not polluting**
- **Not destroying**

and a good start is eradicating the worst and promoting better

Sustainable Agricultural Practices.

Producing more food from the same area of land while reducing the environmental impacts requires what we call “**Sustainable intensification of Agriculture**”.

SAIN projects lead to CSV on many fronts...

...and create value in the areas of:

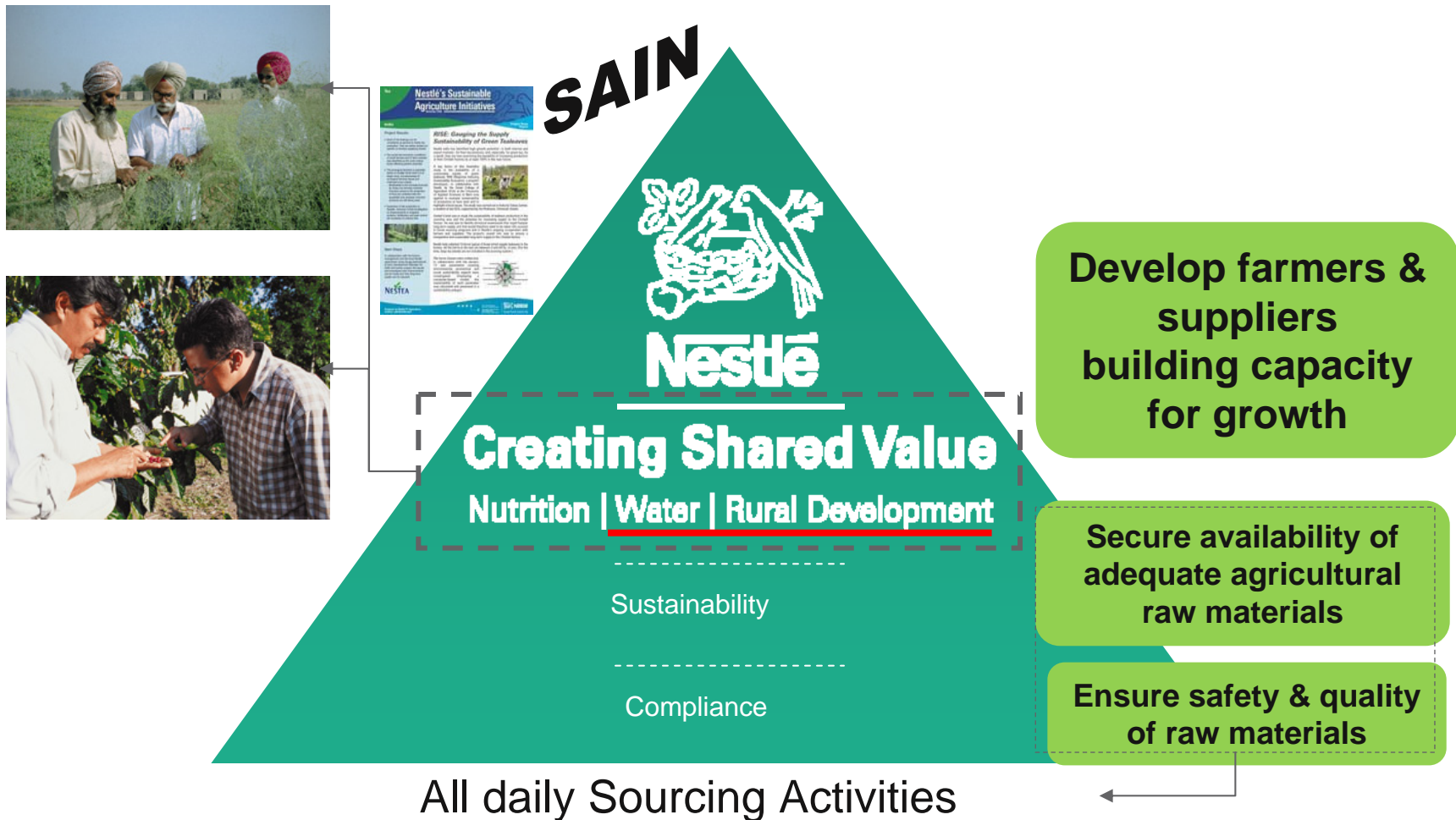
- Food safety & quality assurance
- Regulatory compliance (supplier code)
- Farm income generation
- Crop and yield improvements
- Animal health issues
- Logistic support / Transport
- Water management & irrigation
- Farm management guidance
- Technical training
- Etc

➔ Rural Development & Water

Creating Shared Value

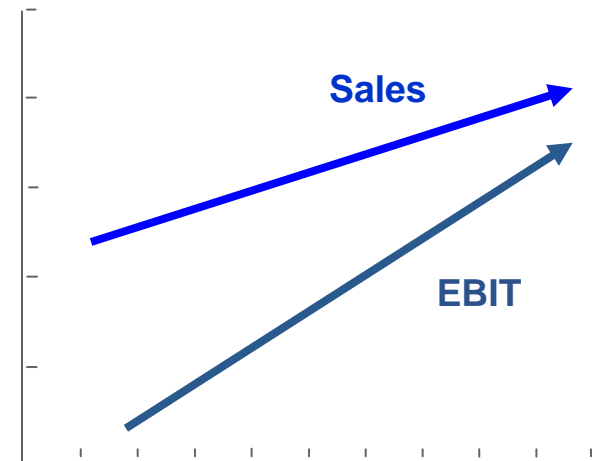


Sourcing delivers on Creating Shared Value with >540'000 farmers & 165'000 suppliers



The Nestlé Model

1. Annual **Organic Growth 5 - 6%**
2. Continued year after year improvement of **EBIT margin**
3. Improving Capital efficiency / Business **ROIC / Cash returns to shareholders**
4. Strive for **market leadership or strong No 2 positions.**



**Resulting in an industry outperforming,
long-term total shareholder return**

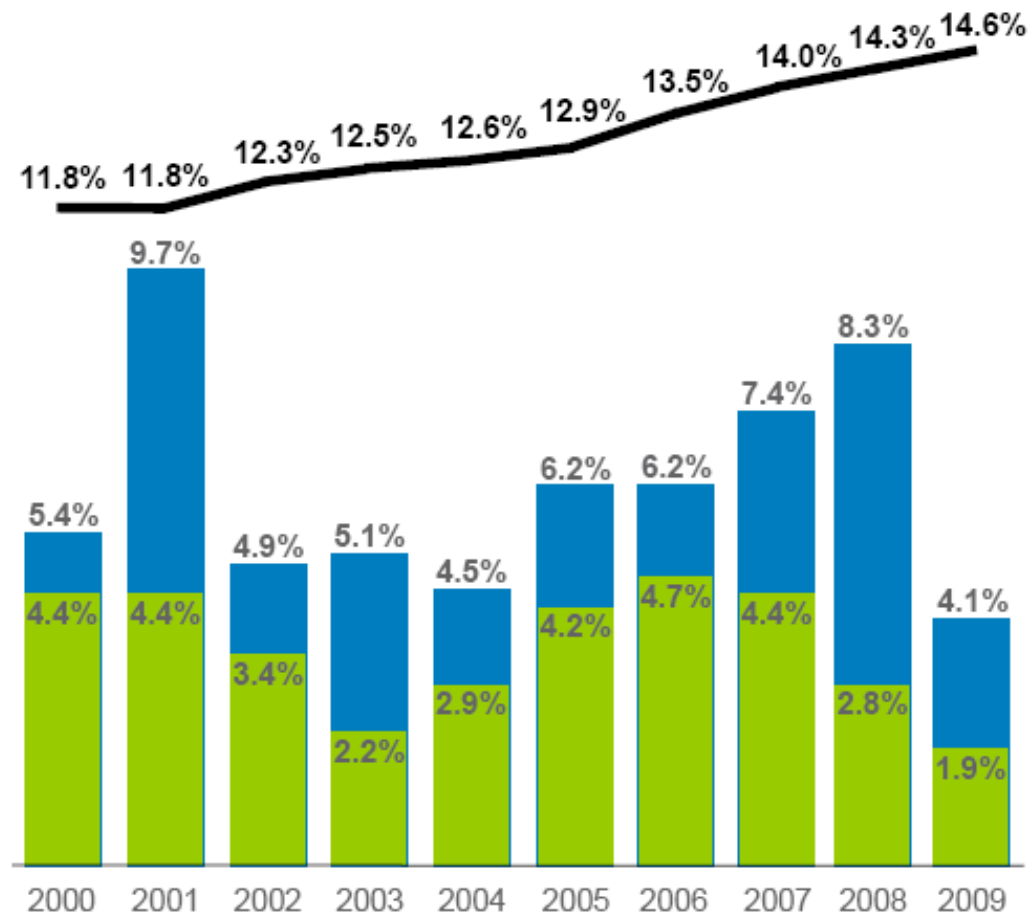
10 years of the Nestlé Model

Driving Organic Growth & EBIT Margin Improvement

10-year annual averages

Organic Growth	6.2%
Real Internal Growth	3.5%
Price	2.7%
EBIT margin	+30bps*

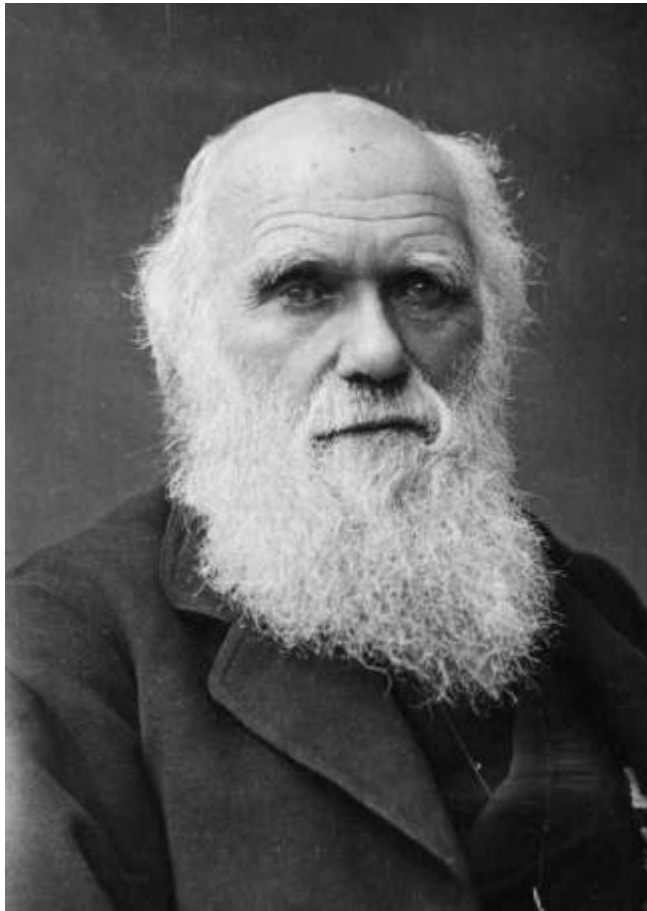
■ RIG
■ % Organic Growth
■ EBIT margin



*9-year average

Data corresponds to published figures – not restated for accounting changes

Quote



***It is not the strongest
species that survive,
nor the most intelligent,
but the ones most
responsive to change***

Charles Darwin

Quote



***Farming looks
mighty easy when
your plow is a
pencil and you're a
thousand miles
from the corn field***

Dwight D. Eisenhower

(34th US President from 1953 - 1961)