



Sustainability and Productivity:

## The Value Proposition of Sustainability

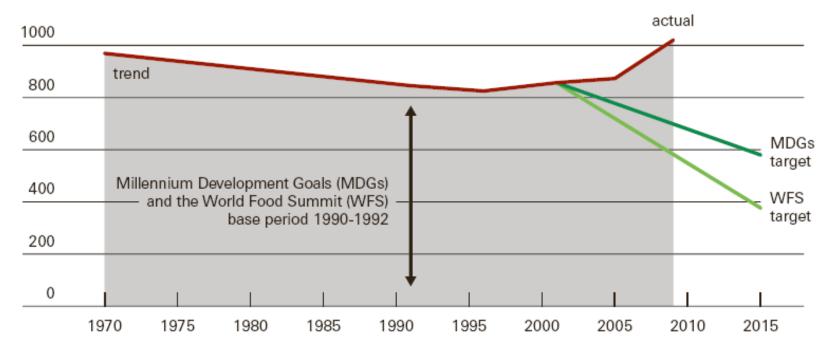
**20th Annual IAMA World Forum and Symposium** Boston, Monday June 21 2010

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



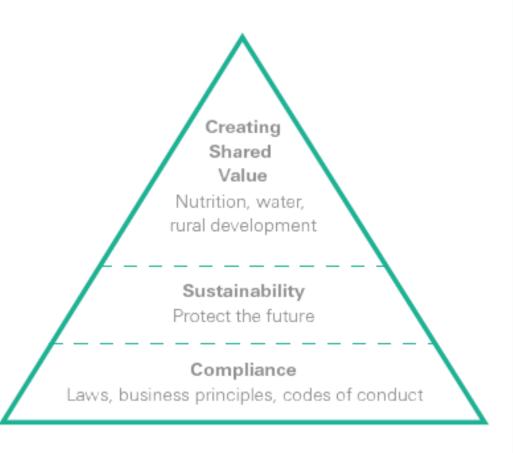
- \$50 Trillion Asset value destroyed in the last 24 months
- 53 million more in developing world face poverty (World Bank)
- -\$14.5 billion in US philanthropic donations in 2008 (Giving USA)



## 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



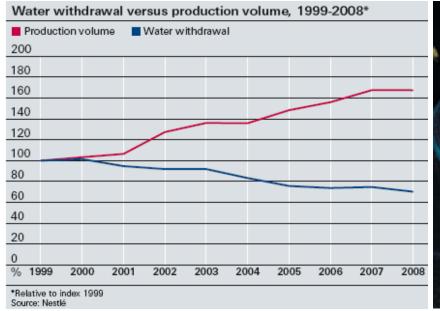
Rural Development

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 1.76l/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



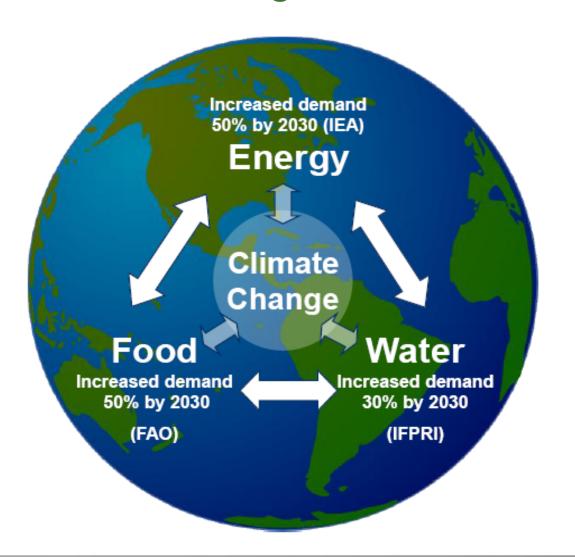
# The Nestlé Prize in Creating Shared Value



- 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 <u>eradicating</u> the <u>worst</u> 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



Nestlé's Sustainable
Agriculture Initiatives

India

#### Propert Results

- Must of the fivelege out be connected as general to festion be production. They are retire ferried nor specific to furnish supplying Hestili.
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#### RISE: Gauging the Supply Sustainability of Green Tealeaves

**Creating Shared Value** 

Needlé India has idontified high growth potential—in both internal and export nations—for their tea prefercht, and, especially, for groon too, Asa localf, they are now examining the healthing of increasing production of their Christial Factory by all least 1975 in the own hatter.

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Gerban's brief wan to study the australastic of tradesce production in the secretical area and the petantial for increasing supply to the Chelefi Tarovy. He was also to charify shockand wasserseless that might harpian teny-farm supply and that would therefore none to be based in the central in Saure sources groups and an Neideliko copying on-operation with terman and suppliers. The projects control are was to small as competitive and sustainable long-term supply to the Chelefi factors.

Needle India colorated 13 farms typical of those which supply tealescent to the factory. All the fairns in the test are between 3 and 60 ha, in use, iffor the time, large too estates are not included in the sourcing system.)

The larms chosen seam visited and, in collaboration with the owners, 12 ser parameters towering on vironmental and continuous and continuous automatical and continuous automatical property or a comparior based model, the screen-old-by of each parameter was calculated and presented in a sustainability polygon.



second by Bankle III Agriculture









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











Nestle

Creating Shared Value

Nutrition | Water | Rural Development

Sustainability

Compliance

Develop farmers & suppliers building capacity for growth

Secure availability of adequate agricultural raw materials

Ensure safety & quality of raw materials

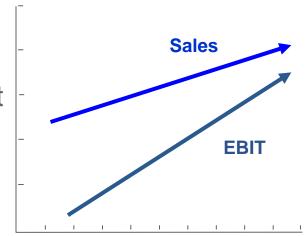
All daily Sourcing Activities



### The Nestlé Model

- 1. Annual Organic Growth 5 6%
- 2. Continued year after year improvement of **EBIT margin**





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%

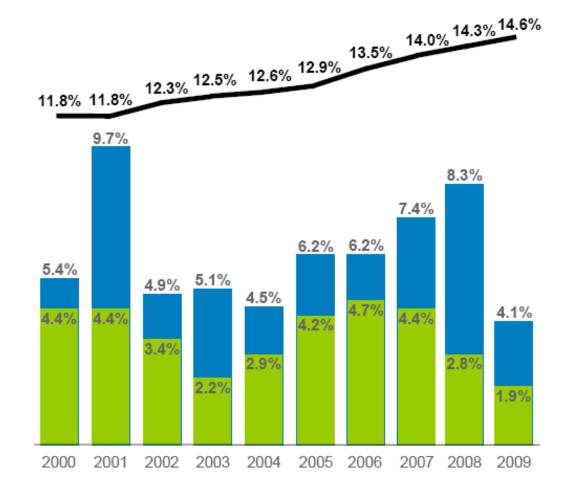
EBIT margin +30bps\*

RIG

% Organic Growth

EBIT margin

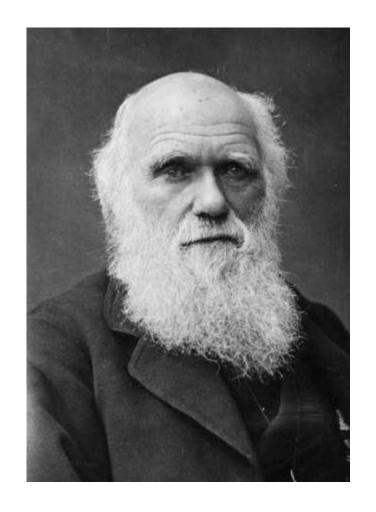
\*9-year average



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)

