Sustainability and Productivity:

The Value Proposition of Sustainability

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Current food security trends

Number of undernourished people in the developing world

Millions of undernourished

1000
800
600
400
200
0


Millennium Development Goals (MDGs) and the World Food Summit (WFS) base period 1990-1992

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)
"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”

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?

Energy

Increased demand 50% by 2030 (IEA)

Climate Change

Food
Increased demand 50% by 2030 (FAO)

Water
Increased demand 30% by 2030 (IFPRI)
Future Supply of Agricultural Materials
Major **Opportunities** to feed 9bi people...

Breeding’s tangible benefit: increased farm profitability

- **2004 Yield 1.02 tons/Ha**

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

  (*) Robusta coffee farm yields resulting from Nestlé’s tree distribution program in Thailand
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
Sourcing delivers on Creating Shared Value with >540’000 farmers & 165’000 suppliers

Creating Shared Value

Nutrition | Water | Rural Development

Sustainability

Compliance

All daily Sourcing Activities

Develop farmers & suppliers building capacity for growth

Secure availability of adequate agricultural raw materials

Ensure safety & quality of raw materials
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*

*9-year average

Data corresponds to published figures – not restated for accounting changes
It is not the strongest species that survive, nor the most intelligent, but the ones most responsive to change.

Charles Darwin
“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)