



Nestlé in society

Creating Shared Value and meeting our commitments

Activities in Japan 2015

Message from the President and CEO

Nestlé's goal is to be the leading Nutrition, Health and Wellness company in the world.

Nestlé's roots in Switzerland can be traced back to our founder, Henri Nestlé, who developed an innovative infant cereal to address high levels of infant mortality due to malnutrition. This product put Nestlé on the map and today Nestlé has grown into a leading Nutrition, Health and Wellness company in the world.

Nestlé celebrates the 150th anniversary in 2016. Nestlé's fundamental strategy of creating value for society and, at the same time, creating value for shareholders, remains unchanged to this very day. The *Nestlé Corporate Business Principles*, a document that outlines the fundamental values and principles which all employees should follow, clearly states that Creating Shared Value (CSV) is the basis of our business development.

Nestlé Japan, established in 1913, proudly celebrated the 100th anniversary in 2013. In its pursuit of CSV, Nestlé Japan is first and foremost dedicated to offering solutions to various stakeholders. Today, as the market in Japan matures and the population continues to age, we are approaching the era of IoT where all things are connected via internet thanks to the remarkable advancement of technology. Nestlé Japan is currently in transition, moving from manufacturing to service industry in an effort to solve customers' problems in this constantly changing environment. In addition to offering solutions through the provision of high-quality products, we are creating solutions that transcend product categories and industries, through robots, artificial intelligence and other technologies, as well as products and services that utilise the internet, and innovation driven by changes in business model.

As a trusted Nutrition, Health and Wellness company under the slogan "Good Food, Good Life", Nestlé Japan is dedicated to create value that pleases everyone and propose solutions to various customers.

Kohzoh Takaoka

President and CEO
Nestlé Japan Ltd.



Creating Shared Value Initiatives in Japan

For a company to prosper over the long term and create value for shareholders, it must create value for society at the same time. We call this Creating Shared Value.

In Japan, Nestlé carries out activities to create shared value in the fields of Nutrition, health and wellness, Rural development, Water, Environmental sustainability, and Our people, human rights and compliance. We will take a closer look at some of our main results in 2015.

 <p>Nutrition, health and wellness</p> <p>Some 1,200,000 children</p> <p>Since the programme started in 2011, Nestlé Healthy Kids Programme materials have reached some 1,200,000 children at more than 6,000 schools in Japan to date.</p>	 <p>Nutrition, health and wellness</p> <p>More than 60 locations</p> <p>The nursing care prevention café of the Kobe Genki! Iki-Iki!! Project is run at more than 60 locations in Kobe (as of January 2016).</p>
 <p>Water</p> <p>– 63 %</p> <p>Despite a 130% increase in production volume at the company's factories, Nestlé Japan has been able to reduce the amount of direct water withdrawal per tonne of product by 63% from 2005 to 2015.</p>	 <p>Environmental sustainability</p> <p>454 tonnes</p> <p>In 2015, Nestlé Japan was able to use 454 fewer tonnes of packaging materials thanks to changes made in the shape of packaging.</p>
 <p>Environmental sustainability</p> <p>– 26 %</p> <p>Production volume at Nestlé Japan's factories increased 130% from 2005 to 2015, but direct GHG emissions declined 26%.</p>	 <p>Our people, human rights and compliance</p> <p>20 %</p> <p>Nestlé Japan has set a target to increase the ratio of female managers to 20% by 2020.</p>

Materiality

For more information about material issues, please refer to page 8 of the global section.

Assessment of material issues

Nestlé began identifying material issues for our business and stakeholders from a global perspective several years ago, and since then we have continually re-evaluated these issues. In 2015, Nestlé Japan evaluated our own unique material issues for the first time while taking into account issues and contexts that are characteristic of Japan.

Nestlé Japan, working with Caux Round Table (CRT) Japan, identified 49 material issues believed to be of the most importance from a social perspective.

These 49 issues were further examined based on the relationship and impact they have on Nestlé Japan's business operations and the degree of interest held in them by stakeholders with expert knowledge. In turn, these were narrowed to 26 issues believed to impact Nestlé Japan the most and to be of the greatest interest to our stakeholders. Please see the materiality matrix below for further details.

In Japan, the materiality of the following matters was confirmed.

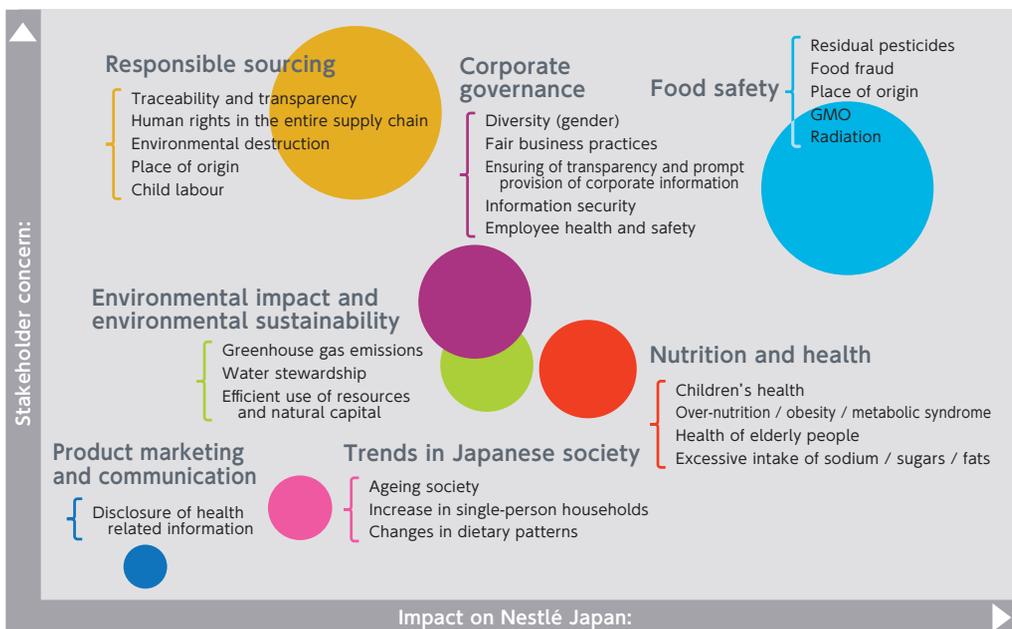
- Food safety, such as residual pesticides, food fraud, securing food safety in the production area, GMO, and radiation
- Disclosure of health related information in product marketing and communications
- Ageing population, health of elderly people, increase in single-person households, and changing food customs
- Information security, ensuring of transparency and quick provision of corporate information

The following matters were confirmed as having the same high materiality globally and in Japan. For global information, please refer to page 8 of the global section.

- Traceability and transparency
- Efficient use of resources and responsible management of water resources (water stewardship)
- Children's health and over-nutrition
- Improvement of women's rights and diversity (gender balance)
- Employee safety and health

Going forward, Nestlé Japan will evaluate the impact of each issue in our value chain and work to address each issue identified as material through direct dialogue with stakeholders.

Nestlé Japan materiality matrix



- (Responsible sourcing) place of origin = Are producers and workers engaged in safe production, manufacturing and labour conditions at the place of origin?
- (Food safety) place of origin = Is a safe production system in place for consumers in the place of origin? Is food produced with consideration given to safety?

Nutrition, health and wellness

We are the leading Nutrition, Health and Wellness company. We enhance lives with science-based nutrition and health solutions for all stages of life, helping consumers care for themselves and their families.



Nestlé Healthy Kids Programme

This programme is aimed at school age children to help them increase their knowledge and practical skills on Nutrition, health and wellness.

Lead the industry in nutrition and health research through collaboration

Our perspective

Nestlé has the world's largest food and nutrition research organisation, with about 4,800 people involved in R&D, as well as corporate venture funds and research partnerships with business partners and universities.

Nestlé Research Tokyo was established in 2009 with the goal of providing science and technology that infuses renovations and innovations in our products. We engage in joint research with leading research institutions in the field of health and nutrition in an effort to mainly unearth new innovations. We have led the annual Food for Life Science Forum since 2011 as an initiative to deepen understanding in the field of health and nutrition. In 2015, the 5th Food for Life Science Forum on Nutrition and Healthy Aging was held jointly between the Endowed Chair of "Food for Life" of the University of Tokyo, Nestlé Nutrition Council Japan, and Nestlé Research Tokyo.

The Nestlé Nutrition Council Japan (NNCJ) was established to develop nutritional science in Japan and distribute information on nutrition and health. NNCJ has engaged in activities that contribute to the advancement of nutrition science for more than 20 years since 1993 when its predecessor the Nestlé Science Promotion Committee. In 2015, NNCJ provided eight research grants and presented three junior researchers with awards for their papers.

10 researchers from the Nestlé Research Centre (NRC) attended the 12th Asian Congress of Nutrition (jointly with the Japan Society of Nutrition and Food Science Annual Meeting) held in Yokohama in May 2015, where they gave presentations about nutrition and presented the results of their latest research at an exhibition booth.

Deliver nutrition information and advice on all our labels

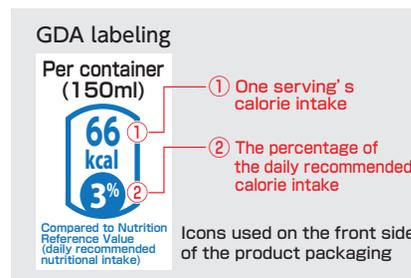
Our perspective

Food labels need to provide nutrition and health information that is practical and easy to understand to help consumers make the right choices.

In 2005, the *Nestlé Nutritional Compass* was introduced to display nutritional contents, nutritional value and information for a more balanced diet.

In 2013, we started a new initiative to provide detailed nutrition, health and corporate information using QR codes on some product packages.

Guideline Daily Amount (GDA) labeling displays easy-to-understand information on the energy amount (calories) contained in one serving (one sachet, etc.) of a product, as well as the percentage of the daily recommended intake it represents. In order to support consumers in their efforts to choose the right foods to lead healthier lives, we have introduced GDA labeling on the front side of the product packaging of many Nestlé products.



Provide Portion Guidance for consumers

Our perspective

Nestlé emphasises "portion guidance" (various creative solutions for notifying consumers of meal portions) as a means of addressing obesity, which is a growing health concern around the world.

The portion of food and beverages consumed per meal is on the rise, so conveying a healthy meal portion to consumers is one way to prevent overeating.

To help consumers understand and decide on a proper meal portion based on product size and frequency, Nestlé Japan designs its packages to contain information on meal portions (individual packaging, etc.) and displays messages on products (recommended portion size and frequency of intake).



*Nestlé has established nutritional profiling criteria that include minimum necessary intake of certain nutritional elements and caps on the intake of calories, saturated fats, and sugars, of which excessive consumption has become a worldwide problem. Products that satisfy these requirements are considered to have Nestlé Nutritional Foundation.



Promote healthy diets and lifestyles, including physical activity

Our perspective

Seniors and health: In 2013, Nestlé Japan concluded a collaboration agreement with the City of Kobe for the Kobe Genki! Iki-Iki!! Project. Through this project, we are helping to improve the quality of life of elderly people by capitalising on Nestlé's health and nutrition know-how.

One part of this project is the nursing care prevention café initiative. We support this initiative by providing NESCAFÉ GOLDBLEND BARISTA machines and other products to these established community locations where people can meet and talk over a cup of NESCAFÉ. As of January 2016, the nursing care prevention café is run voluntarily by local community members at more than 60 locations in Kobe.

Nestlé also sends employees to provide lectures out to these locations, where participants learn about nutrition and health with fun.

Through this project, Nestlé hopes to widely promote the importance of nutrition and exercise among more elderly people, to contribute to a society where people live longer healthy lives.

In 2015, the Kobe Genki! Iki-Iki!! Project received an award for excellence in the category of companies at the 4th Healthy Life Expectancy Award (nursing care prevention and seniors lifestyle assistance) organised by the Ministry of Health, Labour and Welfare.

Children and health: In 2009, Nestlé launched the global Nestlé Healthy Kids Programme, an educational programme focusing on children's health. This programme aims at school age children to help them increase their knowledge and practical skills on Nutrition, health and wellness.

In Japan, a similar programme for children in lower grades of elementary school was launched in 2011. An improved version that also caters to upper grades of elementary school was launched in 2012. The nutrition programme teaches children about the relationship between food and the body, while the exercise programme encourages children to enjoy physical activities. Since the start of the programme, we have already provided materials to some 1,200,000 children in Japan and received applications from more than 6,000 schools.

Starting in 2014, we participate in the Japan's National UNESCO ASPnet Conference as a corporate supporter and establish the Nestlé Japan Healthy Kids Award. This award recognises elementary schools that continue to engage in positive activities for children's health.

Coffee and health: Every year Nestlé Japan holds joint seminars with academic societies and other lectures in order to widely convey the latest knowledge about caffeine and polyphenols in an effort to actively raise awareness about coffee and health. Additionally, we published articles in the newsletter published by the Japan Dietetic Association containing interviews with prominent researchers on the topic of coffee and health. The article also discusses polyphenols, caffeine, lifestyle diseases, and the importance of good hydration. These articles are also be available on Nestlé Japan's corporate website (<http://www.nestle.co.jp/nhw>).

Super ageing society and Japan

With it approaching a super-aging society, a new issue facing Japan is the risk of malnutrition in seniors. Malnutrition is not only a cause of many illnesses, but also results in the loss of bone and muscle mass, immunity, physical strength, vigour and cognitive functions. For this reason, it has a serious impact on the quality of life of seniors.

Nestlé Health Science manufactures and sells nutritional products that meet a broad range of nutritional care needs at homes as well as medical institutions and nursing care facilities. Its products are used by more than 10,000 medical institutions, nursing care facilities, and in-home care services nationwide.

In April 2016, Nestlé Health Science acquired

a dense liquid foods business from Ajinomoto Co., Inc. to further strengthen its nutritional product business. The two companies also concluded a sales agreement on oral nutritional food products in medical and nursing care channels.

Also, Nestlé Health Science proactively works to raise awareness and share nutrition assessment tools in Japan. These include MNA® (Mini Nutritional Assessment) for easily assessing the nutritional status of seniors and EAT-10 for assessing the swallowing ability (drinking and eating) of seniors, both geared toward healthcare and nursing care practitioners.

The Nestlé Wellness Club was first launched in Hokkaido in 2015 in order to help resolve healthy life expectancy issues posed by

an ageing society. This club uses digital technology to provide tailor-made capsules and consultations by professionals in order to deliver solutions optimised to the health needs of every individual from the perspective of diet, exercise and he brain.





Kobe Genki! Iki-Iki!! Project

The Kobe Genki! Iki-Iki!! Project is hosted by the City of Kobe and Nestlé Japan to create a society where people can live long and enriching lives. As part of this project, local community members run voluntarily nursing care prevention cafés bringing together elderly people at more than 60 locations in Kobe.



Nestlé Healthy Kids Programme Special Session

In the autumn of 2015 a special session of the Nestlé Healthy Kids Programme was held around the world in collaboration with the International Chefs Day, held annually by the World Association of Chefs' Societies. In Japan, a special session was convened at an elementary school in Tokyo.



Working together to support the healthy living of seniors

The City of Kobe host the Kobe Genki! Iki-Iki!! Project together with Nestlé Japan. The goal of this project is to prevent the need for nursing care by utilising Nestlé Japan's expertise and brand power in the field of health. The super-ageing society requires gathering places run by local community members and places where seniors can remain active. The nursing care prevention cafés operated as part of this project can now be found at more than 60 locations in the city as a civic-led effort to prevent the need for nursing care. The City of Kobe will continue working with Nestlé Japan to help support the health living of seniors.

Hiroshi Yokokawa

Manager, Preventive Medical Care for Elderly Citizens
Nursing Care Insurance Division
Senior Citizens' Welfare Department
Public Health and Welfare Bureau
City of Kobe



Growing and expanding the Healthy Kids BRT Programme

We developed an indoor exercise programme for Nestlé Healthy Kids to encourage children to become more active, given the decline in the number of play areas and limitations placed on outdoor activities. The programme uses the concept of a fun, effective and safe programme utilising small spaces and was named the Healthy Kids BRT Programme using the initials B for balance, R for rhythm, and T for timing, which together form physical literacy. The mechanism used is easy for children to learn and also easy for instructors to teach in a safe manner. I hope to spread the Healthy Kids BRT Programme across Japan while also developing the programme based on verifications of its exercise results.

Hirokazu Kobayashi

Representative Director,
Kids Athletics JAPAN
Professor, Faculty of Law,
Chuo Gakuin University



Rural development

To produce our foods and beverages we rely on secure, long-term supplies of raw materials from millions of farmers worldwide. By understanding and managing where and how these ingredients are produced, we can promote better agricultural practices, support rural development in line with local priorities and address supply chain issues from gender inequality to deforestation.



Workshop in Vietnam for NESCAFÉ AMBASSADOR

We organise workshops in Vietnam to broaden understanding of the NESCAFÉ Plan.

Roll out the Nestlé Cocoa Plan with cocoa farmers

Our perspective

Through the Nestlé Cocoa Plan, launched in 2009, Nestlé not only purchases cocoa beans at fair prices based on quality, but also provides disease-resilient, high quality and high-yield seedlings to farmers, hosts workshops to share knowledge and techniques for cocoa bean farming, and builds water systems, roads and schools. Through these initiatives, farmers in cocoa producing countries are able to lead better, healthier lives. For more information on the Nestlé Cocoa Plan, see page 24 of the global section.

Nestlé Japan also began full-fledged efforts in 2014 aimed at promoting the Nestlé Cocoa Plan.

In 2015, all KIT KAT and NESTLÉ AERO manufactured and sold in Japan by Nestlé Japan received UTZ certification,* an international certification programme for sustainable farming.

*UTZ certification: UTZ certification specifies criteria such as adequate farming practices and farm management, safe and sound labour conditions, environmental protection and efforts to eliminate child labour. Certification is awarded only if all of these criteria have been fulfilled.

Continuously improve our green coffee supply chain

Our perspective

The NESCAFÉ Plan aims to ensure that consumers can continually enjoy coffee far into the future by the practicing of Creating Shared Value that Nestlé advocates in all processes, from coffee bean cultivation to processing, distribution and consumption. For example, by increasing the volume of coffee beans directly purchased from farmers, we are able to increase farmer incomes, and we distribute seedlings and provide technology to ensure higher quality coffee beans can be grown. For more details, see page 25 of the global section.

Nestlé Japan began holding the Workshop in Vietnam for NESCAFÉ AMBASSADORS in 2014 in order to broaden understanding about the NESCAFÉ Plan.

In 2015, 20 NESCAFÉ AMBASSADORS visited coffee farms in Vietnam where they toured the seedling cultivation process for making high quality coffee, harvested coffee beans, and took part in coffee tastings.



Coffee tastings

Participants broadened understanding in the NESCAFÉ Plan through tastings and various other hands-on activities.



I'm now more assured of the Nestlé brand than ever before

During the Workshop in Vietnam, I enjoyed harvesting coffee beans over laughs even though we couldn't communicate in the same language. I felt a sense of expectations and trust in Nestlé after seeing local farmers' confidence and pride in producing truly high quality coffee beans. I now know that every cup of coffee I drink in Japan is instilled with a sense of love, which makes me feel more assured of the Nestlé brand than ever before.

Mayumi Koga

NESCAFÉ AMBASSADOR and participant in the Workshop in Vietnam



Water

Water is critical to our business and our value chain, yet global withdrawals are predicted to exceed supply by 40% by 2030. Respecting the right to safe, clean water and sanitation, we strive to use water efficiently and facilitate responsible water stewardship in catchments where we source water or ingredients, and where we have facilities.



Conserving water equivalent to 330 households

The bottled coffee manufacturing line of the Kasumigaura Factory conserves some 240 tonnes of water every day, which is equivalent to the amount used by around 330 average households.

Work to achieve water efficiency and sustainability across our operations

Our perspective

The Non-Freon (carbon dioxide / ammonia) cascade refrigeration system, which was introduced into our coffee freeze-drying process at the Himeji Factory in Hyogo and Shimada Factory in Shizuoka, requires less water than the previous system. Water usage in the refrigeration system at both factories has decreased by 19% a year after the system was introduced and this level is being maintained each year.

The bottled coffee manufacturing line of the Kasumigaura Factory in Ibaraki uses an aseptic-filling process that requires less water compared to the more common UHT hot-pack filling. The line also features the latest machinery, which saves about 240 tonnes of water each day compared to Nestlé's conventional aseptic-filling process. This amounts to the total amount of water used by about 330 average households.

Furthermore, every year we hold a water workshop jointly with Katayama Nalco Inc. to review performance under our annual action plan. This workshop has resulted in a number of measures being implemented, including the optimisation of cooling tower operations. While our production volume increased by 130% from 2005 to 2015, direct water withdrawal per tonne of product was reduced by 63%.

Nestlé Japan: Reduction in direct water withdrawal per tonne of product versus 2005 (%)



Treat the water we discharge effectively

Our perspective

With an investment of about 300 million Yen, the Shimada Factory installed a methane fermentation wastewater treatment system in 2004, becoming the first factory among 30 Nestlé coffee factories worldwide to have such a system. This wastewater treatment method degrades organic matter in highly concentrated wastewater through the effective use of anaerobic microorganisms, or methane bacteria, making it possible to achieve our own clean water standards which are even more stringent than the law. This method also does not require energy such as steam. As a result, the factory's energy usage has actually decreased substantially, achieving a reduction in CO₂ emissions of around 12%.

In addition, since 2005, the factory has used biogas, mainly methane gas, generated by the methane fermentation wastewater treatment system as a supplementary fuel for the boiler. The energy savings using this system is estimated to be about 70 litres of crude oil per hour.



12%

The methane fermentation wastewater treatment system of the Shimada Factory has greatly lowered the factory's energy consumption and reduced CO₂ emissions by around 12%.

Raise awareness on water conservation

Our perspective

The Project Water Education for Teachers (WET) is an international initiative designed to enhance awareness among children around the world about water issues using creative educational tools. Since 1992, Nestlé Waters, headquartered in France, has been the main sponsor of Project WET and supported the activities globally.

In Japan, Project WET is promoted by the River Foundation. Nestlé Japan has been conducting such activities, mainly at its factories, since 2012. There are already 13 staff members at Nestlé Japan qualified as "educators" who are able to teach children using WET tools. They are also working to help students in elementary schools close to the factories deepen their knowledge, understanding and sense of responsibility about water and water resources.



13 "educators"

Nestlé Japan has 13 employees who are qualified as "educators" to teach children using WET tools.



Helping reduce water usage with a global perspective, continual improvement and innovative proposals

We've been supporting Nestlé Japan's initiatives to reduce water usage for about eight years now. Through water workshops and daily services, we are proud to say that Katayama Nalco has helped in Nestlé Japan's efforts. With each passing years issues facing water conservation become more challenging, but in the future, we hope to further advance our efforts and help to reduce both energy and waste through water treatment. I always feel tense in my dealings with everyone at Nestlé because of their strong dedication to reducing water usage. We hope to help reduce water usage with a global perspective and through continual improvement and innovative proposals.

Tadayuki Fujioka

Business Development Manager WPS-L Business Katayama Nalco Inc.



Environmental sustainability

Environmental sustainability means protecting the future by making the right choices, in a world where natural resources are constrained, biodiversity is declining, and where climate change may exacerbate these challenges. It also means delighting consumers, and living up to the expectations of our employees and external stakeholders about our environmental responsibility and practices.



For today and the future

Nestlé works closely with its partners and other organisations to increase the efficiency of its business operations and constantly improve the environmental performance of its products.

Improve resource efficiency in our operations

Our perspective

A cogeneration system has been introduced at the Himeji Factory and at the Shimada Factory. Cogeneration, which combines heat and power, is a new energy supply system that utilises energy discharged during electrical power generation, increasing total energy efficiency.

The Himeji Factory achieves an extremely high total energy efficiency rate, reaching a maximum of 92% (usually between 70 and 80%), thanks to a fuel supply system where liquefied natural gas (LNG) is transported by tanker and stored in an LNG satellite base inside the factory. Compared with heavy oil, LNG can reduce emissions of nitrogen oxides (NOx) and sulfur oxides (SOx) that cause air pollution and carbon dioxide emissions, which could lead to global warming. These cutting-edge technologies have been highly acclaimed as pioneering innovations. In fact, Nestlé received the Chairman's Award from the New Energy Foundation at the 9th New Energy Awards.

At the Shimada Factory, conventional heavy fuel oil has been replaced with utility gas to reduce the environmental impact from the

cogeneration system and other combustion equipment, such as deodorising equipment and air heaters. At the Kasumigaura Factory, we have also shifted fuel sources to natural gas and in 2014 the factory managed to source 100% of its fuel from natural gas.

At the Himeji and Shimada factories, almost 100% of the coffee grounds produced during coffee extraction are recycled and reused as renewable energy fuel, while the steam generated by the combustion energy is used as a heat source in the factories. This thermal energy recovery system using fluidised bed boiler technology was installed at the Shimada Factory for the first time in Japan in 1983 and at the Himeji Factory in 1986.

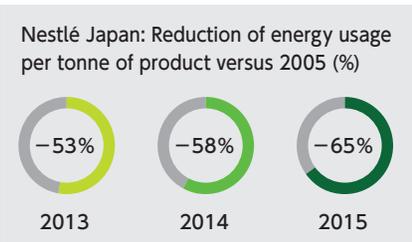
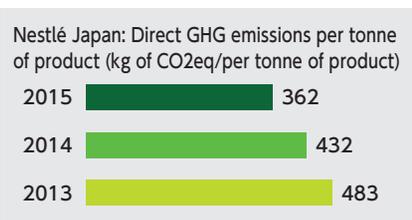
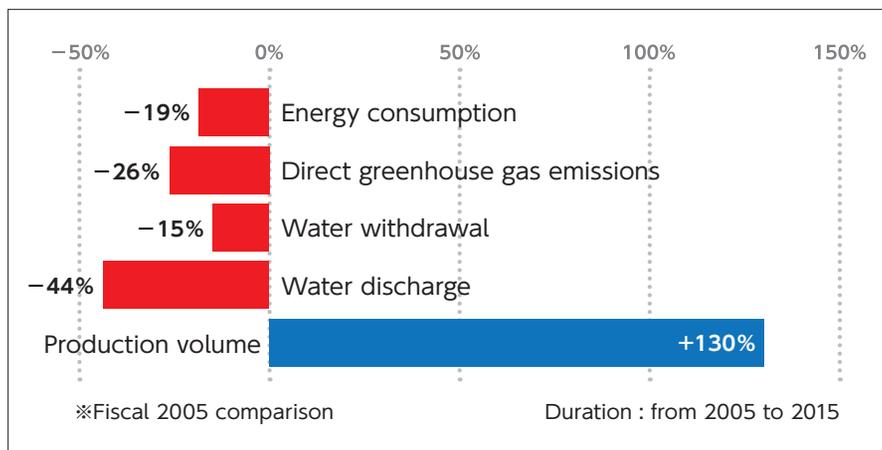
About 20% of the annual energy consumed at the Himeji Factory is sourced from the thermal recycling of coffee grounds (biomass). This system was recognised as a pioneering case of biomass utilisation and registered as No. 31 Hyogo Biomass Eco Model by Hyogo Prefecture. With the introduction of fluidised bed boiler technology and other energy saving

measures, in 2013 the Shimada Factory was nominated as a showcase facility in Shizuoka Prefecture's Fuji no Kuni Shizuoka Next-Generation Energy Park Project, which is part of a nationwide project led by the Ministry of Economy, Trade, and Industry (METI).

As part of a global commitment to zero waste, Nestlé is working on various initiatives around the world. As part of these efforts, Nestlé Japan's factories are reducing not only the waste from the production processes, but also all waste in general.

Since 2010, the Shimada Factory has been recycling some parts of the coffee grounds produced during the coffee manufacturing process into soil. The Kasumigaura Factory, which manufactures KIT KAT, recycles all food waste into animal feed, and in 2014 this factory achieved zero emission of waste.

In addition to the factories, Nestlé Japan is also implementing a paperless office initiative under which it continues to review workflow and digitising documents.



Improving environmental performance during manufacturing

Production volume at factories increased by 130% from 2005 to 2015, but during this same period Nestlé Japan reduced energy usage by 19%, direct greenhouse gas emissions by 26%, total water withdrawal by 15%, and total water discharge by 44%.



Provide climate change leadership

Our perspective

Nestlé was the first company in the world to develop the Non-Freon (carbon dioxide / ammonia) cascade refrigeration system, which was introduced into our coffee freeze-drying process at the Himeji Factory and Shimada Factory. Since both carbon dioxide and ammonia are natural refrigerants and circulate within the system, and are typically not released into the air, they have little to no effect on global warming or ozone depletion.

Nestlé has promoted a 15-year plan to phase out Freon refrigerants used in large freezers at factories that produce freeze-dried coffee including products such as NESCAFÉ GOLD BLEND. While Nestlé's global goal for achieving complete removal of such refrigerants is five years ahead of the target date set by the Montreal Protocol, Nestlé Japan achieved removal in 2013, a further five years in advance of the deadline.

In 2015, we switched over medium-sized freezers that have more than 30kg of refrigerants to natural refrigerants.

Additionally, in 2015 the Himeji Factory, Shimada Factory, and Kasumigaura Factory each completed the changeover from liquid fuel to natural gas initiated in 2011.

EMS certification

All three of Nestlé Japan's factories obtained ISO 14001 certification for their environmental management systems and FSSC 22000 certification for the quality management systems by December 2008. Third-party institutions have been regularly auditing and carrying out renewal screenings for these factories with regard to both international certifications, the results of which confirm that each factory continues to be in compliance with the rigorous demands of these standards, and that further improvements are constantly being made.



Ammonia refrigeration system for the KIT KAT line installed at the Kasumigaura Factory in 2015

Ammonia is a natural refrigerant. Ammonia circulates within this system and is normally not emitted into the atmosphere, so this system has nearly zero impact on global warming or ozone depletion.



Natural gas storage tank at the Kasumigaura Factory

In 2015 all three of Nestlé Japan's factories completed the changeover from liquid fuel to natural gas initiated in 2011.

Improve the environmental performance of our packaging

Our perspective

In 2015, Nestlé Japan lowered the use of packaging materials by 454 tonnes by changing the shape of our product packages. Reductions in each main segment are presented below.

- Paper packaging: 399 tonnes
- Plastics and laminated films: 55 tonnes

In 2015, Nestlé Japan's portion products were recognised with a Beverage Packaging Award at the Japan Packaging Contest, which is organised by the Japan Packaging Institute to honour excellent packaging and efforts to widely spread the development of packaging technologies. Nestlé Japan received the award for reducing packaging material by 15% by weight and improving logistics efficiency by 33% after introducing a compact and shallower beverage container.

Assess and optimise the environmental impact of our products

Our perspective

Nestlé Japan has been moving towards a transport shift (modal shift). This involves shifting to marine transport and rail transport, which enable mass transportation. Compared to truck transport, rail transport imposes less of a burden on the environment and produces only one-eighth the CO₂ emissions, which are believed to be a major factor behind global warming. We will continue working with our partners and other organisations to improve environmental performance across the entire value chain.



Nestlé Japan's modal shift initiatives

- 2010:** All shipments from factories to Hokkaido were switched to ferry. Certified as an excellent supporter of the eco-ship modal shift.
- 2012:** Began full-fledged modal shift efforts.
- 2013:** Certified under the national modal shift promotion project.
- 2014:** Prepared a declaration and confirmation concerning modal shift initiatives together with the JR Freight Group and reached an agreement to more actively promote a shift to rail.
- 2015:** Certified to use the Eco Rail Mark. Nestlé Japan, Kawasaki Kinkai Kisen Kaisha, Ltd. and the Japan Weather Association concluded an agreement to promote a modal shift in Japan.

Awards and commendations

- 2014:** Received the FY 2014 Excellent Green Logistics Commendation Program, Award from Ministry of Logistics Deputy of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) Minister's Secretariat.
- 2015:** Received the FY 2015 Excellent Green Logistics Commendation Program, Award from Minister of MLIT / The Kobe Modal Shift Promotion Council in which Nestlé Japan participates received the Logistics Environmental Conservation Activities Award at the 16th Logistics Environment Award / A paper prepared by Nestlé Japan about modal shift initiatives received the top prize from the Railway Freight Promotion Steering Committee.
- 2016:** The efforts to promote a modal shift to maritime shipments by the three companies received the 17th Logistics Environment Award.



I look forward to working together to increase transport efficiency and contribute to society by improving the natural environment

Logistics in Japan represents an important artery of economic activities that is now facing a major turning point. This is because a modal shift to rail and maritime transport from truck transport is progressing at a rapid pace due to the conventional issues of the environment and the growing severe truck driver shortage. Freight railway offers environmental performance, producing approximately one-eighth the CO₂ emissions as trucks, the ability to transport huge volumes where a single driver can transport the same as 65 trucks, and world renowned on time reliability in the 94% range. Nestlé has been a leader in addressing global environmental issues and Nestlé Japan started to improve logistics chain and shift to rail transport before others. This has earned it numerous national awards and placed it at the forefront of the modal shift movement. I would like to take this opportunity to express my admiration and appreciation for Nestlé's pioneering initiatives. I look forward to working together to increase transport efficiencies and contribute to society by improving the natural environment through new solutions.

Tadamasa Ishida
Chairman JR Freight Railway Company



Striving to realise a sustainable society through modal shift initiatives

All Japan Express has a secure and reliable network of 222 transport partners that stretches from Hokkaido in the north to Kyushu in the south. This network is now using highly energy efficient freight railway as a means to improving customer logistics. The Kobe Modal Shift Promotion Council established in 2013 has addressed various issues and dramatically expanded the use of freight railway through the powerful leadership of Nestlé Japan. I would like to once again express my appreciation for the fact that this initiative with Nestlé Japan was honoured with the FY 2015 Excellent Green Logistics Commendation Program Award from Minister of MLIT. Going forward, All Japan Express hopes to contribute to the realisation of a sustainable society through modal shift initiatives that include expanding the use of highly transport efficient 31-foot containers and injecting creativity into the process of matching the transport needs of other companies.

Akira Sugino
President
All Japan Express Co., Ltd.



Our people, human rights and compliance

Nestlé operates with a fundamental respect for the rights of the people we employ, do business with or otherwise interact with. This respect is at the core of Nestlé's *Corporate Business Principles* and aligned with the UN Guiding Principles Reporting Framework.



Nestlé's employee training

Nestlé offers training programmes to support career development and the achievement of business targets as well as on nutrition and health.

Ensure that all employees and stakeholders can easily report possible compliance violations

Our perspective

Nestlé encourages employees, suppliers, and stakeholders to report practices and actions believed to be inappropriate or illegal all over the world. Nestlé properly investigates all complaints with impartiality and prohibits retaliation for reports made.

Nestlé Japan introduced the Nestlé Hotline in 2009 to receive reports from employees who noticed a compliance violation or potential violation. All reports are kept strictly confidential and employees who do file a report are not subject to unfavourable treatment as a result of their report.

Ensure all Nestlé employees are covered by a certified Safety and Health Management System

Our perspective

Nestlé's original CARE (the Compliance Assessment of Human Resources, Occupational Health and Safety, Environment, and Business Integrity) Programme based on an outside audit network covering the five fields of Human Rights and Labour Practices, Business Integrity, Safety and Health, Environmental Sustainability, and Security has applied to all business sites of the Nestlé Japan Group since 2007.

Additionally, all Nestlé Japan's business sites have been certified with the OHSAS 18001 accreditation (Occupational Health and Safety Management System). Information on 'accident-free' days, or the number of days without injuries, is posted on our intranet to increase workplace safety awareness.

We also focus on safe driving practices and monitor the number of traffic accidents per business site on a monthly basis. We also hold corporate-wide workshops for supervisors of employees using company-owned vehicles as part of our efforts to eliminate traffic accidents at all business sites.

Enhance gender balance in our workforce

Our perspective

Nestlé promotes diversity based on the belief that a workplace staffed with different employees is more conducive to producing new ideas and innovations. Nestlé Japan has established the goal to increase the ratio of women managers to 20% by 2020 as part of its commitment to enhance the gender balance of its workforce. Toward that end, we provide development programmes focused on mentoring and overseas personnel exchanges involving female employees.

To promote the career development of female employees and encourage male employees to participate in childcare, Nestlé Japan provides up to 10 days of paid leave for childcare leave open equally to men and women as well as opened a company daycare centre called Nesurekko House at Kasumigaura Factory in 2012 and another daycare centre called Nestlé Kids Room at Kobe Head Office in 2014. Also, under the Nestlé Maternity Protection Policy (page 39 of the global section) rolled out for its worldwide employees in 2015, nursing rooms have been set up at the Nestlé Japan Head Office and other offices where more than 50 females work.

Starting in January 2016, Nestlé Japan introduced a flexible working system for all employees, which allows them to freely choose time and place to work. This enables employees with childcare or nursing care obligations to have a more flexible work schedule.

VOICE

I'm now able to work just like before

Women still face many challenges when they return to work following childbirth. These include the lack of daycare slots even if one wants to go back to work, being called upon during work or having to drop off and pick up children, and the stress of causing a burden on the workplace. Thanks to Nesurekko House these problems are now a thing of the past and I'm able to work just like before. Nesurekko House is a great facility that has helped a great deal.

Yumi Takeuchi

Confectionery Manufacturing
Kasumigaura Factory
Nestlé Japan



VOICE

Ensuring parents can entrust their children to us with peace of mind

At Nesurekko House, we focus on cultivating children's ability to think and act on their own through hands-on outdoor activities in our rich natural environment. To ensure parents can entrust their children to us with peace of mind, we talk to them about the day's happenings every time they pick up their child. Even if someone has to suddenly work overtime or their child gets a fever, we don't rush them to pick up their child and instead carefully monitor the situation and make it so they can drop in to pick up their child with peace of mind and without rushing.

Reiko Kakei

Principal
Nesurekko House





Provide training on *Corporate Business Principles* and Nutrition

Our perspective

Nutrition Quotient (NQ) Training, which was launched globally in 2007 with the aim of educating employees about nutrition and health, has been attended by some 420,000 employees worldwide at the end of 2015 and some 36,000 employees have attended NQ refresher trainings.

All employees in Japan have also completed NQ Training. We continue to hold training for new employees, and marketing and development staff members to enhance employee knowledge on nutrition using various learning tools.

We raise awareness about compliance internally while also providing compliance training for new employees as well as newly appointed section chiefs, managers, and department heads. Compliance at Nestlé means adhering to *Nestlé Corporate Business Principles*. To help our employees understand and follow these principles, and practice them confidently in interactions with stakeholders and people in the workplace, we provide various forms of assistance.



Provide nutrition training for our employees

Nestlé provides NQ Training to educate its employees around the world about nutrition and health.

Roll out the Global Youth Initiative across all our operations

Our perspective

Nestlé Japan has introduced Nestlé Pass, a new year-round recruitment process focusing on internships. This format for hiring students from diverse backgrounds enables students to choose the timing and method of recruitment, giving them multiple opportunities to apply. Starting in 2015, we eliminated conventional entry sheets and online testing in favour of the Nestlé 8 Days Mission programme. This represents a new selection and hiring process where students desiring to work at Nestlé complete one challenge or business case per day for 8 days to demonstrate their passion for Nestlé and business acumen.

In 2016 Nestlé Japan introduced a Diversity Recruitment Programme in which two professional golfers joined the company. The goal of this programme is to hire professional athletes or freelance workers with experience in specialised fields to share their leadership, entrepreneurship, and advanced skills and knowledge to contribute to Nestlé Japan's businesses. After joining the company, these new employees work toward realising their dreams while also using their business experience at Nestlé Japan for further personal growth and the formation of new career paths.

Nestlé Japan supports prospective recruits, or associates to create a career plan through the Nestlé Associate System. The basis for this programme is the Progress & Development Guide (PDG) used to share the career plans of employees working with Nestlé around the world. Associates learn about the Nestlé style of development and are given assistance to fully prepare for their career at the company and to enhance their student life.

After joining the company, they are given access to various learning opportunities and tools to raise employees and develop their careers. One example of this is the overseas personnel exchange programme within the Nestlé Group started in 2013. Employees in Japan have the opportunity to work in Africa, Australia, or ASEAN countries, while Nestlé Japan also hosts employees from other countries.