

# Creating Shared Value Summary Report 2011

(Translation of P41-56 of the Japanese Version)

## Activities in Japan

Like Nestlé in many other countries, Nestlé-in-Japan strives to create value not only for our shareholders but also for society. We call this Nestlé's advanced CSR, "Creating Shared Value", and engage in various activities.

We are pleased to share with you some examples of our activities in CSV and related areas from the following four viewpoints: our activities in "**Nutrition**" to help realize healthier diets, "**Water and environmental sustainability**" mainly promoted at factories, "**Our People**", our focus on our employees, and "**Social Contribution and Volunteer Activities**." We also introduce our support for the Great East Japan Earthquake.

### Message from the top



**President and CEO Nestlé  
Japan Ltd., Kohzoh Takaoka**

The origin of Nestlé's establishment in Switzerland can be traced back to our founder, Henri Nestlé, who developed milk food for infants following concern over a high infant mortality rate due to malnutrition. Ever since our establishment back in 1866, Nestlé's fundamental strategy of creating value for society and, in turn, creating value for our stakeholders, has not changed.

Last year, the fact that Creating Shared Value (CSV) is the basis of our business development was reaffirmed in the "Nestlé Management and Leadership Principles", a document that lays out the fundamental values and principles that all employees should adhere to. Thinking of ways to create things of value for the various stakeholders involved in our day to day business activities is both the responsibility and honor of each and every employee.

Nestlé-in-Japan, established in 1913, is proud to be celebrating our 100<sup>th</sup> anniversary in 2013. Our mission here in Japan is to take advantage of our strengths as a global company to delight Japanese consumers with high quality products of nutritional value through trustworthy brands.

# Supports for the Great East Japan Earthquake

On March 11, 2011, the Great East Japan Earthquake and Tsunami struck the Tohoku region. Nestlé-in-Japan has experienced the warm support of the people of Japan after our head office in Kobe was destroyed in the Great Hanshin Earthquake in 1995, so everyone in our organization endeavored to do all we could as a food and beverage company to contribute to the quick recovery by way of the three pillars of Safety of Employees, Corporate Social Responsibility and Business Continuation (offering safe, high quality products). We will continue to do all that we can to contribute to the recovery of the Tohoku region.

## Safety of Employees

### **Crisis Management Committee**

Immediately after the disaster, Nestlé-in-Japan set up a Crisis Management Committee of company executives to implement the necessary measures for the care of employees and their families in the affected areas and to ensure the supply of relief products. Moreover, in addition to resuming business, prompt action was taken to draw up plans for shelter and reassign employees to the appropriate work locations.

Via our cell phone “Emergency Communication Tool”, we were able to contact everyone in the organization to promptly relay that all employees had been accounted for and confirmed safe.

## Corporate Social Responsibility

### **Food Donations**

Nestlé-in-Japan has donated about 42,000 cases of mineral water, coffee, chocolate, nutrition products and pet food to the disaster area. We continued sending mineral water to areas where water supply had been cut off until early July 2011. Nestlé Health Science Company has also sent 63,200 bottles of “RESOURCE JUNIOR” to 7 school lunch centers in Ishinomaki and Higashi-Matsushima city to support student lunches.



### **Relief Fund**

Relief Funds from our employees in Japan and all around the world combined with “matching gifts” of equal value from the company, amounted to a total of about 40 million yen. It was sent to the

afflicted areas through the Red Cross. CEO Bulcke received a thank you letter for this support from Mr. Geleta, the secretary general of the International Federation of the Red Cross and Red Crescent Societies.

### **Special Recruitment slots for Tohoku**

Special recruitment slots for Tohoku were established in our recruitment plan of new graduates and mid-career employees at our factory. 6 new members who joined via this initiative are now working with us.

## Support with Products

### **KIT KAT Zunda**

50,000 KIT KAT were distributed to people in the disaster areas in Tohoku in May 2011. On the back of each box, students and people in Kobe who had experienced The Great Hanshin-Awaji Earthquake wrote their support messages. A total of 12 million yen has been donated to the afflicted areas through the Japan Red Cross Society thanks to a 10 yen donation for every Nestlé KIT KAT Zunda flavor product sold since its launch in May 2011.



The many thoughts expressed in the message box on the back of KIT KAT packages. Powerful words, sensitive words. Every message is full of hope for the people of Tohoku.

## Cheer up with NESCAFÉ project

Charity sampling events were held at 5 locations throughout Japan, including “Café NESCAFÉ”, and about 1,600 cups of iced latte were distributed to the event participants.

The 10 million yen that was raised through the company and donations collected at each event was donated to Miyagi.



## NESCAFÉ ECO & SYSTEM PACK

NESCAFÉ ECO & SYSTEM PACK implemented a joint campaign with TOPPAN PRINTING CO., LTD. in which 10 yen from every NESCAFÉ ECO & SYSTEM PACK sold between March 1 and April 30 was donated to a relief fund for areas affected by the Great East Japan Earthquake. The type of support measures were based on ideas submitted by people from all over Japan via our website.



Nestlé-affiliated Nihon L’Oreal established the Community Café Hana-so in Ishinomaki city in order to foster relations among people in the community. Nestlé-in-Japan is providing such products as NESCAFÉ BARISTA machines and KIT KAT to create a relaxing coffee break at the café.



NPO Florence established the *Kibo-no-Zemi* Study Room at Hana-so this march, open every Saturday. These activities in cooperation with L’Oreal are to support students in the afflicted areas with their studies.

## “Kit Zutto Project” supporting the Sanriku Railway!

The “Kit Zutto Project” was started in March, 2012 to support the restoration of the Sanriku Railway in Iwate prefecture that was heavily

damaged in the Great East Japan Earthquake with our brand concept “Dreams will Kit come true.” Also, a 20-yen donation will be made for every sale of the new “World Variety” KIT KAT mini. From April, 2012, the “Kit Zutto Train” and a station building were decorated with messages of support gathered from local residents and people from all over the world via Facebook.



## Stakeholder voice

Not only was it a means of transport for local residents, the Sanriku Railway was an important tourist attraction for the region. The Great East Japan Earthquake damaged the line and station buildings, and service has still only been partially restored.

We hope that increased awareness of the Sanriku Railway and its charm all over the world via the “Kit Zutto Project” will help with the restoration and entice tourists to visit the region again.

Since March, the Kit Zutto Train, the station design and various events have brought smiles to the faces of locals and visitors alike. Tohoku will be full of these smiles again and we look forward to complete resumption of rail service from 2014.



Masahiko Mochizuki,  
President of Sanriku  
railway

## Offering safe, high quality products (business continuation)

In order to strengthen our commitment to offer safe, high quality products, a radioactivity check was added as one of the compulsory pre-shipping inspections for all domestic products from March 2011. In addition, we continue to carry out monitoring for radioactivity at our offices nationwide

# Nutrition

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Ever since Henri Nestlé developed a dairy product for infants and saved the life of a child, Nestlé has cultivated business strategies for Nutrition, Health and Wellness to this date.

With science-based solutions, we are striving to improve the quality of life through food and diets, with our major goal of producing tasty and nutritional food and beverages that have minimal environmental impact. We also aim to generate greater awareness, knowledge and understanding among consumers through clear, responsible communication.



Nestlé Healthy Kids Program

## Nestlé Healthy Kids Program

Nestlé believes that education is the best tool to help children understand the value of lifelong nutrition and a healthy lifestyle. Nestlé started the Healthy Kids Program in 2009 to raise nutrition, health and wellness awareness of school-age children around the world. In 2011, the “Karada Zukuri” program provided educational materials for around 120,000 children at 1,200 schools in Japan for children in the lower grades of elementary school. Children learn about the importance of nutrition and relationship between food and the body, and also take part in an exercise program to experience the joy of physical activity through games such as oni-gokko (tag). The program is being enhanced even further in 2012 to incorporate the upper grades of elementary school and Healthy Kids Program events are being held in and around our factories for local children and employees’ families.

### *The Present and Future for Children*

As food and nutrition education will be introduced into school education, we believe it is possible to bring this program into the classrooms. Group games such as tag are an important element in the growth of children until the age of around 12, however, the number of children who actually play tag these days has drastically decreased. In terms of food, children are eating meals with their parents and family members less frequently, depriving them of opportunities to learn manners and nurture their communication skills. Adults also need to seriously think about how to utilize the “dining table”, the best place to teach nutrition for the body and mind and how human beings should live. Dining tables are a “place for leaning.” We sincerely hope that our new, unique program comprising food and nutrition education and exercise will achieve fruitful results.



**Yukio Hattori**, Member of Children's Health Committee, Nutrition Activity Promotion Conference, President of Hattori Gakuen; Member of "Shokuiku (Food and Nutrition Education) Promotion Committee" and "Investigative Committee for Basic Program for Shokuiku Promotion"

## Food and Nutrition Education Activities

The “Nestlé Wellness Kitchen” is an on-site cooking class providing cooking practice and drink tasting as well as helpful nutritional information and tips in dietary life that can be readily used. We offer two courses: Course 1 combines a food and nutrition lecture and a cooking class: a food and nutrition lecture on a theme concerning four nutrition and food categories of everyone's interest, i.e., calories, calcium, fat, and vegetables, and a cooking lesson introducing healthy menus using Nestlé products. Course 2 is a coffee class in which we offer knowledge on coffee and how to enjoy it. In 2011, 180 classes were held nationwide and the total number of participants exceeded 6,500.

Even after the “NQ Nutrition Training” that began in 2007 was completed by all employees, Nestlé-in-Japan continues to hold the training for new employees and to enhance employee knowledge on nutrition via various tools.



Nestlé Wellness Kitchen

## Globally Unified Nutritional Foundation

At present, Nestlé produces more than 10,000 kinds of products worldwide, and approximately one billion Nestlé products are sold daily. In order to ensure that these wide ranging food products are safe and healthy, Nestlé has unique nutrition profiling standards set out for each category, setting rules for upper intake limits for nutrients that should be reduced and lower intake limits for nutrients that tend to be insufficient. Products satisfying these standards are considered to have the “Nestlé Nutritional Foundation”, and they account for 96% of all Nestlé products in Japan. As for trans fatty acid for which guidelines were introduced in 2011 by the Consumer Affairs Agency, Nestlé established a strict policy concerning the amount of trans fatty acids contained in products in 1999 and has worked on product improvement by introducing the nutrition profiling standards in line with it.

## In the Area of Health Science

In our health science business, we provide healthcare nutrition products to meet the various needs of patients and medical professionals. Some of our well known brands include ISOCAL for bed ridden patients, the nutritional supplement RESOURCE suitable for certain nutritional needs of patients from infants to the elderly, and PEPTAMEN for patients requiring concentrated nutritional care. These products are currently being provided to around 8,000 medical and nursing facilities throughout Japan, and the Nestlé Health Science Heart-full Care Program has been delivering these products and nutrition related consulting services directly to out-patients and their care givers via a dedicated call center and website.

Moreover, we are promoting the “Mini Nutritional Assessment (MNA®)” that was developed in 1994 in Switzerland as a tool to easily evaluate the risks among malnourished elderly. It has been translated into over 20 languages and is used in many countries now. In Japan, this convenient tool has been highly acclaimed and introduced through over 20 academic meetings including the Japanese Society for Parenteral and Enteral Nutrition (JSPEN) and seminars at 80 locations nationwide. Because the MNA is able to evaluate the elderly with a certain degree of accuracy without relying on professionals and equipment, it was used in evacuation centers following the Great East Japan Earthquake and was presented with the “2011 Good Design Award.”



## Communication

### <Via Packages>

The “Nestlé Nutritional Compass” has been introduced to almost all Nestlé product packages, displaying nutritional facts and product characteristic concerning nutrition and health so that consumers can choose products after obtaining sufficient nutritional information. The world’s leading coffee brand NESCAFÉ placed a “coffee polyphenol mark” on NESCAFÉ

product packages to communicate the fact that coffee has a high polyphenol content and that NESCAFÉ is the leading source of polyphenol intake for Japanese.

In order to help calorie conscious consumers control energy intake and lead healthier lives, we have introduced “Guideline Daily Amount (GDA) labeling” on product packages, showing energy amount and its percentage of the energy value according to the Nutritional Reference Value in Labeling (2,100 kcal/day as target).



Nestlé Nutritional Compass

### <Via Website>

A WEB magazine called “Nestlé Mind and Body Balance Magazine” is issued to support the wellness of consumers, providing helpful information concerning health of mind and body, including food and nutrition education games where information on nutrition can be learned with ease and fun. The “MAGGI Recipe Website” has all recipes designed to keep fat, salt and other key ingredients under appropriate levels set by Nestlé. A number of healthy recipes marked with a special “Wellness Recipe” icon are now available to introduce dishes that contain lots of vegetables or a high level of calcium or iron. Moreover, the “Nestlé Kids Challenge” offers two websites, “Kids Town” for children and “Mom and Dad Town” for parents, providing helpful information for health as well as food and nutrition education. Aiming to be a Nutrition Health and Wellness Company in the world, the “Omoyari Recipe TV” site was started in 2011 to show short video clips of Nestlé employees preparing simple, healthy and tasty dishes for special people in their lives.



### <Via Smartphones>

A recipe application for smartphones, "Nestlé Balance Recipes", has been available since June 2009. It provides appropriate nutritional and health information, such as approximately 1,700 recipes supervised by "food professionals" with specialized knowledge on nutrition, as well as a function for managing body weight and energy intake. In addition, we have also introduced new content such as voice recognition for page scrolling and a weight control app for iPad. Thanks to this continuous commitment to the development and updating of digital contents, the total number of downloads for smartphones and tablets has surpassed 1.5 million.

### <Via open lecture>

In order to communicate the latest information regarding the high content of polyphenols in coffee, an open lecture entitled "Coffee polyphenols and health" was held by the Japanese Society of Nutrition and Food Science in cooperation with Nestle-in-Japan in May 2011 at Ochanomizu University.

### Nestlé's Research & Development Network

Nestlé has the world largest nutritional research network as a private organization with approximately 5,200 employees, and has "Nestlé Research Center" in Switzerland as the core center, as well as 28 research and development centers worldwide.

As part of "Nestlé Research Center (Switzerland)", "Nestlé Research Tokyo" opened in 2009 in the premises of the University of Tokyo focusing on fundamental research on nutrition and health. By starting the joint research program "Food for Life", various topics concerning health and nutrition are studied there such as "coffee and health", "healthy ageing", "metabolic syndrome" and "functional foods."

Nestlé Research Tokyo and the Food and Life research program with the University of Tokyo conducted the "Food and Life Science Forum – Coffee Consumption and Diabetes" in November 2011. With the number of type 2 diabetes cases worldwide continuing to rise, along with a growing interest in preventive effects, the leading researchers in diabetes and coffee introduced their latest studies on coffee consumption and diabetes.

The Nestlé Science Promotion Committee, established in 1993 for the purpose of contributing to the development of nutritional science in Japan, was renamed the "Nestlé Nutrition Council, Japan" in 2005 and continues to provide assistance to young researchers while co-sponsoring research seminars, public seminars and scientific meetings.



Prof. Kazuo Kondo, Ochanomizu University, at Food and Life Science Forum



Pamphlet of "Food and Life Science Forum – Coffee Consumption and Diabetes"

## Water and environmental sustainability

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Our ambition is to produce tasty and nutritious food and beverages that also leave the smallest possible environmental footprint, so we strive to continuously improve our operational efficiency and environmental performance. We apply a life cycle approach to assess the impacts of our own operations and products, as well as those associated with the wider value chain, thereby contributing to a better future and creating shared value both for Nestlé and society.



Non-Freon (CO<sub>2</sub>/NH<sub>3</sub>) Cascade Refrigeration System (Shimada Factory)



## Methane Fermentation Wastewater Treatment System

With an investment of about 300 million yen, the Shimada Factory (Shizuoka Prefecture) installed a methane fermentation wastewater treatment system in 2004, becoming the first factory among about 30 NESCAFÉ coffee factories worldwide to utilize such a system. In the past, primary wastewater treatment required a large amount of thermal energy, but the methane fermentation method is based on biological degradation by anaerobic microorganisms (methane bacteria) and does not require energy such as steam. As a result, the factory's energy usage has decreased substantially, achieving approximately 12% reduction in CO<sub>2</sub> emission.

Furthermore, since 2005, the factory uses the bio gas (mainly methane gas) generated by the methane fermentation wastewater treatment system as supplementary fuel for the boiler, and the energy saving through this system is estimated to be equivalent to 70 liters of crude oil per hour.

## Cogeneration System

The cogeneration system was introduced at the Himeji Factory (Hyogo Prefecture) in 2004 and at the Shimada Factory in 2006. Cogeneration, which is also called combined heat and power, is a new energy supply system that utilizes energy discharged during electrical power generation thereby increasing total energy efficiency.

The Himeji Factory achieved an extremely high total energy efficiency rate of maximum 92% (typically 70-80 %) by introducing a fuel supply system where LNG (liquid natural gas) is transported by tanker and stored in an LNG satellite in the factory.

These cutting-edge technologies have been highly acclaimed for their innovativeness and Nestlé received the Chairman's Award from the New Energy Foundation at the 9th New Energy Award in 2005. With this new system, we achieved approximately 19% energy saving and 30% reduction in CO<sub>2</sub> emissions when compared with the previous system.

At the Shimada Factory, the use of traditional heavy fuel oil has been switched to more eco-friendly city gas, not only for the cogeneration system, but also for other combustion equipment such as deodorizing equipment and air heaters.

## Coffee Grounds Recycling for Thermal Energy Recovery

The Himeji Factory and the Shimada Factory recycle the coffee grounds produced during the coffee extraction process and use them as fuel, while the steam generated by its combustion energy is used as a heat source in the factories.

This coffee grounds thermal energy recovery system using a fluidized-bed boiler was installed at the Shimada Factory for the first time in Japan in 1983, and three years later at the Himeji Factory in 1986. The total investment amount was about 2 billion yen for the two factories. Since approximately 20% of the annual energy consumption is served by this coffee grounds (biomass) thermal recycling at the Himeji Factory, this system was recognized as a pioneer case of biomass utilization and registered as No. 31 "Hyogo Biomass Eco Model" by Hyogo Prefecture in 2007.

## Non-Freon (CO<sub>2</sub>/NH<sub>3</sub>) Cascade Refrigeration System

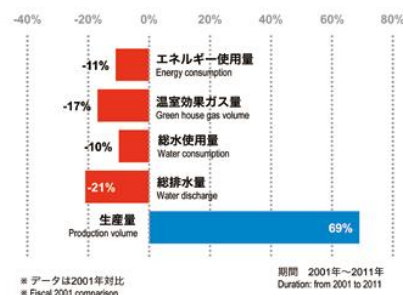
Nestlé was the first company in the world, in any industry, to develop the "Non-Freon (CO<sub>2</sub>/NH<sub>3</sub>) cascade refrigeration system", introduced to the coffee freeze-drying process at the Himeji Factory (Hyogo Prefecture) in 2005. The system was also introduced at the Shimada factory in April, 2011. As CO<sub>2</sub> and NH<sub>3</sub> are both natural refrigerants and circulate inside the system normally without being emitted into the atmosphere, the impact on ozone depletion and global warming can be minimized.

Nestlé has been committed to our 15-year plan to phase out Freon refrigerants at all plants that produce freeze dried coffee such as our trademark NESCAFÉ GOLDBLEND. While Nestlé worldwide achieved complete removal of such refrigerants 5 years ahead of the target date set by the Montreal Protocol, Nestlé-in-Japan achieved its removal 10 years in advance of the deadline. Following installation of the new system, the Shimada factory was able to reduce power consumption by 26% and water consumption by 15% between March and July, 2011, compared to the same period in the previous year.

## Nestlé's Environmental Activities

While the production volume at the factories of Nestlé in Japan increased by 69% from 2001 to 2011, there were decreases in the total energy consumption, the total greenhouse gas emission, the total water consumption, and the total water discharge.

### Improving Environmental Performance in Manufacturing



In June, 2011, Hyogo prefecture presented Nestlé Japan Group with the “21<sup>st</sup> Hyogo Prefecture Environmentally Friendly Business Award” for our excellent activities and efforts to preserve the environment.



### Obtaining International Standard Certifications

All three Nestlé factories in Japan (Himeji Factory, Hyogo; Shimada Factory, Shizuoka; Kasumigaura Factory, Ibaraki) obtained certifications to three international standards, ISO14001 (environmental management system standard), ISO22000 (food safety management system) by December 2008. FSSC2000 (Food Safety System Certification 22000), a widely-recognized certification in the food industry, was also obtained in 2011.

### Initiative to eliminate waste and irregularity

Nestlé Continuous Excellence, or NCE, is a worldwide consumer-focused initiative that began in 2008.

The objectives of this initiative are the following 3 C's:

- Delighting **C**onsumers
- Delivering **C**ompetitive Advantage
- Excelling in **C**ompliance

Vigorous efforts are ongoing at our 3 domestic factories to eliminate waste and irregularity throughout the entire value chain, from the procurement of raw materials to the delivering of products to the consumer. Pursuing these activities in our daily business leads to higher efficiency in terms of inventory and production costs, as well as a reduction of lead time and complaints.

### Recycling Activities at Factories

Since 2010, the Shimada Factory has been recycling the coffee grounds produced during the coffee manufacturing process into culture soil. Coffee grounds used as landfill in the past are now fermented and donated to the local "Rose Hill Park" in Shimada.

Toward the realization of a recycling society, the Kasumigaura Factory manufacturing KIT KAT engages in recycling all food waste into animal feed. Food wastes such as wafers are transported to places such as ostrich farms, hog farms, or cow farms nearby and are used as animal feed.

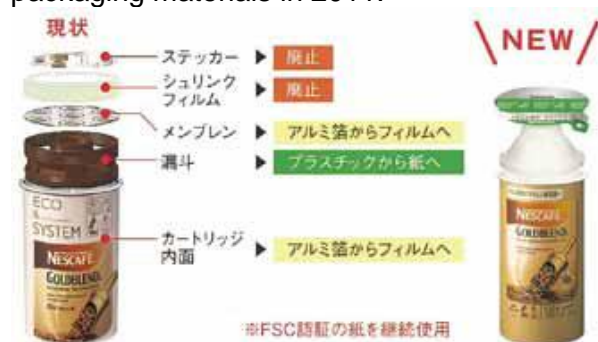


Visitors to the “Bara no Oka Festa” at Bara no Oka Koen (Rose Hill Park) took home soil produced with coffee residue.

### Reducing Our Environmental Impact

In March 2012, the package for Soluble (instant) Coffee NESCAFÉ ECO & SYSTEM refill was renewed to an eco-friendly, easy-to-recycle paper package. The cartridge is now completely aluminum free and by replacing the plastic funnel with a new paper one, we have achieved paperization of the container to the maximum extent. While maintaining its user friendliness, the container is now more lightweight and can be crushed easier for simple disposal.

In addition, progress has been made with the optimization of PET bottle labels, Cocoa Malt product packs and the outside of canned coffee products leading to 572-ton reduction in packaging materials in 2011.



In the Carbon Footprint (CFP) System trial project promoted by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Agriculture, Forestry and Fisheries (MAFF), Nestlé in Japan has played a key role in establishing rules for the CFP calculation and labeling in the instant coffee and chocolate categories, and defined the Product Category Rules (PCR). As for the Water Footprint (WFP), a concept becoming increasingly important especially in Europe, Nestlé in Japan is also expected to play a key role as a member of the WFP Japanese national committee promoted by METI and other related organizations.

## Realizing Eco-Friendly Transport and Distribution

In 2009, NESCAFÉ Canned Coffee was certified for the "Eco-Rail Mark" established by the Japanese Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and the Railway Freight Association for using railroad transport that is said to emit only one seventh of the CO<sub>2</sub> emitted by road transport. In addition, Nestlé received the "Best Supporter of Eco-ship Modal Shift Project" award from the Director-General of Maritime Bureau, MLIT in 2010, for completely switching the delivery mode to ferry for the delivery of products produced at three domestic factories to Hokkaido.



We actively engage in direct delivery of products from our factories to customers, instead of routing through warehouses at various locations, enabling us to distribute fresher products as well as to reduce transportation distance and food mileage. In addition, Nestlé has given support to a large scale retailer in its organization-wide efforts to cut CO<sub>2</sub> emissions. A Nestlé proposal for a modal shift to deliver NESCAFÉ products by rail from the Shimada and Himeji factories to their warehouses was accepted and put into practice from May 2011. The direct delivery of NESCAFÉ PET Bottled Coffee started in 2007 and direct delivery to Okinawa by ferryboats began in 2010. We plan to further identify opportunities for eco-friendly transport and distribution.

## Company Cars

Nestlé drew up a "Car Fleet Roadmap" globally to reduce emission of CO<sub>2</sub> and gasoline consumption. Replacement of company cars is underway at Nestlé in Japan as well. About 100 company sedan cars including executive cars are being replaced with environmentally superior hybrid cars, while about 500 vans used for sales activities are being replaced with the most fuel efficient hybrid cars in the world.



## Power Saving Efforts

Efforts at all Nestlé-in-Japan offices nationwide have been ongoing to cut the company's maximum energy consumption during peak hours (9:00 – 20:00) by 17% on the previous year in line with the government's July-September 2011 measures for energy supply and demand. From July, 2011, air conditioning has been shut off at 6 p.m., lights out at 7 p.m., and employees have been leaving the office by 7 p.m. in line with "No Overtime." These activities resulted in a 28.3% cut in energy consumption in office in July-September 2011 compared to same period of the previous year.

Moreover, the installation of an in-house power generator at the Kasumigaura factory in Ibaraki prefecture means that just under 70% of energy can be supplied in-house between our three factories.

## Efforts in the Offices

Introduction of multifunctional FAX machine and document management software in summer, 2011, has enabled the Nestlé Customer Service Center to switch over to paperless operation system to receive orders from customers. This and other efforts throughout the organization have led to 8.6% reduction in paper usage.

## Our People

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Nestlé is convinced that it is our people who form the strength of the Company and the hiring of people who share our values and principles is essential for us. The overriding principle is that each employee should have the opportunities and support they need to fulfill their potential in a safe and fair workplace where they are listened to and valued, and where diversity and equality are respected. Long-term investments in training and professional development give our people better job opportunities and provide Nestlé with the skilled workforce we need to succeed.

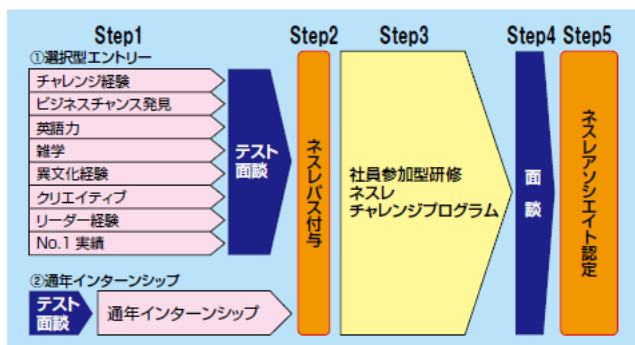


## Creating a dynamic team

With the ultimate goal of putting together a dynamic team comprising members of diverse characteristics that are able to learn from each other, a new year-round recruiting process in which students can choose the timing and method of recruitment called the “Nestlé Pass Course” was introduced in 2011, also allowing applicants to apply as many times as they wish. Candidates can apply by either selecting 2 entry courses from a total of 8 or by being granted a “Nestlé Pass” upon participation in a year-round internship program that will enable them to take part in our “Nestlé Challenge Program” for the employees at a time of their choice followed by an interview for recruitment.

In addition, the “Nestlé Associate System” was introduced in March, 2012, to offer prospective recruits (associates) support for designing a career plan based on the same PDG (Progress & Development Guide) used for all Nestlé employees worldwide. This gives them the opportunity to experience training the “Nestlé way” and to make their student life more fulfilling.

The “Nestlé-in-Japan Innovation Award” that began in 2011 aims to have all employees play an active role in the establishment of new business models for Nestlé-in-Japan. By encouraging an entrepreneurial spirit among employees to create, select and carry through on ideas, the company aims to enhance its competitiveness in the market, and excellent ideas are rewarded in a variety of ways including financial bonuses and trips to the Swiss headquarters.



Nestlé Pass Course

## Diversity@Nestlé in Japan

Nestlé-in-Japan has been building a corporate culture for the promotion of diversity through the appointment of a Diversity Manager in 2009 and by holding workshops, while task forces have been established to address three specific areas

of focus, “Diversity in Sales”, “Diversity in Factories”, and “Women and Leadership.” In 2009, the Nestlé in Japan Gender Balance Vision for the next 10 years, including the target to double the number of female employees by 2020, was set forth, and a “mentoring program” started in 2010 to provide continuous career building support for employees through conducting twice a month one-on-one phone or in-person consultation with experienced executives and management members.

### <Support Work Life Harmony>

To support a balance in work and life events such as raising children and caring for family members, we have established a system to work from home for up to 6 months per application for employees who are entitled to take prenatal maternity leave, childcare leave and family-care leave. For support of child care, both male and female employees are now entitled to take up to 10 days of paid childcare leave. In 2011, 34 male employees utilized this childcare leave.

In June 2011, we obtained the "Next-Generation Certification Mark ('Kurumin')" in recognition of the formulated action plans and activities conducted based on the "Act on Advancement of Measures to Support Raising Next-Generation Children." Next-Generation Certification Mark (Kurumin)



### <Corporate nursery, “Nesurekko House”>

In order to promote the career development of female employees and child care support by male employees and then, create better conditions to enable long careers at Nestlé, our corporate nursery, “Nesurekko House”, was opened at Kasumigaura Factory in April 2012. Most employees at the factory work shifts, sometimes starting from 7 a.m. Therefore, the nursery opens from 6:30, earlier than other nurseries, to meet the needs of our employees.



Corporate nursery, “Nesurekko House”,

### Stakeholder voice

With in-house nursery facilities, facilities can be run according to the needs of each specific company. In this way, employees can work without worrying about meeting exact pick-up times. In addition, care is provided even for children who are running a slight fever, unlike other nurseries that would normally ask the parent to pick up the child. These kinds of corporate nurseries will play an even more important role in the future for companies that wish to secure and get the most out of quality human resources. We endeavor to earn trust and offer services of the highest quality.



Aika Yasunaga, President, Japan Welfare Research Institute  
Operator of Nesurekko House

### Mental Health Training

Aspiring to be a leading company in "Nutrition, Health and Wellness", Nestlé has been conducting "Mental Health Self Care Training" for all employees since 2010 to support their mental health as a first step to “Wellness”. The purpose of this training is to help employees enhance their understanding of mental health and enable them to maintain and manage it by themselves.

### Health and Safety – CARE Program

All three Nestlé factories in Japan (Himeji, Shimada and Kasumigaura) are certified to OHSAS 18001 (Occupational Health and Safety Management System).

Information on accident free days (continuous days without lost time injuries) is posted on the intranet to increase awareness of safety in workplaces. CARE (Compliance Assessment of Human Resources, Occupational Health and Safety, Environment and Business Integrity), Nestlé’s independent audit program in the respective four areas, has been implemented to cover all Nestlé in Japan locations since 2007.

### Compliance training

Based on “The Nestlé Code of Conduct”, compliance training is being carried out on employees to ensure adherence not only to rules, but also the “Nestlé Corporate Business Principals.” The training is held for new, 3<sup>rd</sup> and 5<sup>th</sup> year employees, new assistant managers and section chiefs, and from 2012 for department managers, laying the firm foundations for fair and reliable business activities.



Compliance training

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# Social Contribution and Volunteer Activities

## Disaster Assistance

Nestlé-in-Japan had first-hand experience of the 1995 Great Hanshin-Awaji Earthquake with its head office located in Kobe, and we now actively provide support for people affected by large-scale natural disasters.

For the Haiti earthquake in 2010, the company matched the amount of donations collected from employees enabling us to donate about 1.5 million yen to the afflicted areas. Similarly in 2011, 770,000 yen in donations from Nestlé employees for hunger relief in Somalia were matched by the company for a combined amount of 1.55 million yen. Donations for both causes were made through the Japanese Red Cross Society.

Our response to the Great East Japan Earthquake in March, 2011, is outlined on page 42.

## Community Clean-Up Activities

In support of Mt. Fuji Club, an environmental NPO, Nestlé in Japan has been participating in Mt. Fuji clean-up activities twice a year since 2009. Nestlé employees also participate in clean-ups of Mt. Rokko in Kobe, in addition to company-wide clean-ups around the offices and factories on a regular basis.

## Environmental Preservation Activities

In support of Rokko Mountain Range Greenbelt Development Project, we have been participating in the forest caretaker activity since 2009 to restore forests and make them more disaster resistant. We are conducting maintenance such as thinning and tree planting in our area (Wellness-no-Mori) at the foot of Mt. Rokko.



## Collect and Donate

We take part in the activities of the “Eco Cap Promotion Network”, a specified nonprofit organization promoting volunteer activities to donate vaccines to underprivileged children around the world by collecting and recycling PET bottle caps. Through the Japanese Organization for International Cooperation in Family Planning (JOICFP), Nestlé employees take part in charitable activities to collect Bell Marks cut out from products, used stamps, cards and other items.

## Blood Donation

The Kobe head office, factories and offices in Japan are continuously promoting blood donation activities through blood collection buses. In 2009, we received a merit award from the Japanese Red Cross Society in recognition of our continuous cooperation with Red Cross blood donation for over 30 years.

## Food bank

Nestlé in Japan is working with Second Harvest Japan and Food Bank Kansai to support their regular free distributions of food to those in need. While receiving assurances regarding measures to control temperature and the prevention of resale, we have been providing beverages and many other products to this valuable cause. Moreover, our employees regularly take part in volunteer activities such as the Second Harvest Japan soup kitchen held every Saturday in Ueno Park.

## Nestlé Yuzuriba

Nestlé Yuzuriba, a new social service that allows people to give away and receive everyday goods for free, was started in November, 2011, at the Nestle Amuse website. By offering a place to offload unwanted items such as electrical goods, baby goods or unused gifts to those who can make use of them, we hope to enrich lifestyles and support the environment.

It has a Facebook page as from July 2012, we started offering an application for smart phones.



Nestlé Yuzuriba (<http://nestle.yuzuriba.jp/>)

## Activities in Sponsored Events

Nestlé in Japan is cooperating with the "Kobe Luminarie Heartfelt Day" which started after the Great Hanshin-Awaji Earthquake in 1995. At the site, many of our employees participate in the event as volunteers and welcome visitors every year.



Employees volunteering to distribute warm beverages at Kobe Luminarie Heartfelt Day

## Stakeholder voice

### Heartful Day full of smiles

Started after the Great Hanshin Earthquake in 1995, Kobe Luminarie is one of the biggest events on the Kobe calendar. Heartful Day is held each year before the official festival period for people with disabilities in the hope that they will be able to enjoy the lights at their leisure while avoiding the crowds. Since Nestle first became involved as a sponsor in 2001, many employees and their families have offered their time and effort to distribute hot coffee and chocolates to visitors while assisting them to take photos. It is truly heartwarming each year to see the smiles on the faces of visitors on the receiving end of this warm and encouraging support. We are extremely grateful for these efforts.



Atsuo Kadono  
Director  
Kobe Convention & Visitors Association