

Nestlé in society

Creating Shared Value

Activities in Japan





Nestlé in society: Creating Shared Value (CSV) — Activities in Japan To the readers

In order for a company to be successful over the long term and create value for shareholders, it must also create value for the communities in which it operates.

Like in all other countries, Nestlé-in-Japan is engaged in many areas to create value for both society and the company. This is called “Creating Shared Value”, our advanced understanding of Corporate Social Responsibility (CSR).

The “Activities in Japan” section of this report covers many activities in CSV and its foundations, i.e. compliance and sustainability.



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Message from the top



Kohzoh Takaoka

President and CEO Nestlé Japan Ltd.

Nestlé's roots in Switzerland can be traced back to its founder, Henri Nestlé, who developed an innovative milk product for infants to address a major social issue of the time, the high levels of infant mortality due to malnutrition. Ever since our company was established in 1866, Nestlé's fundamental strategy of creating value for society and, at the same time, creating value for its shareholders, has not changed for nearly 150 years. The "Nestlé Management and Leadership 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. Thinking of ways to create value for the various stakeholders involved in our day-to-day business activities is both the responsibility and honor of every employee.

Nestlé-in-Japan, established in 1913, celebrated its 100th anniversary in 2013 and started a new journey in a new century. Our objective here in Japan is to maximize our strengths as a global company to delight Japanese consumers and to contribute to their nutrition, health and wellness. While we will remain true to this objective, we will also focus on creating new value. We are determined to do our best to become the company that is trusted and respected by each and every one of our stakeholders in Japan.

Since its establishment, when Henri Nestlé developed a milk product that saved a child's life, Nestlé's business strategy has been focused on Nutrition, Health and Wellness. Using science-based solutions, we are striving to improve consumers' quality of life through nutrition, with our main objective of producing tasty and nutritional food and beverages that have a minimal environmental impact. We also aim to generate greater awareness, knowledge and understanding among consumers about nutrition through clear, responsible communication.

For a healthy aging society Kobe Genki! Iki-Iki!! Project – A joint project with Kobe city for elderly people

Through our Kobe Genki! Iki-Iki!! Project, Nestlé is supporting a healthy aging society by reaching out to elderly people, emphasizing the importance of nutrition and exercise. In Japan's rapidly aging society, it is essential that elderly people lead an active lifestyle in order to stay healthy. Everyone wants to stay healthy for as long as possible, so making an effort to manage one's physical condition through exercise and nutrition on a daily basis is essential.

In October 2013, Nestlé Japan collaborated on the Kobe Genki! Iki-Iki!! Project with Kobe city, in order to encourage more elderly people to engage in care prevention.

This is where we hope to use Nestlé's health and nutrition know-how to enhance the quality of life among the elderly people of Kobe. In addition, to promote our efforts in community building for local residents, we are providing *NESCAFÉ GOLDBLEND BARISTA* machines and other products to support established community locations where people can meet and talk over a cup of *NESCAFÉ*. Instructors are also being sent out to provide lectures on nutrition and exercise sessions at these locations.

This collaboration between Kobe city and Nestlé is unique on a national level.



Participants enjoying a chat over a cup of *NESCAFÉ* at an event in Kita Ward, Kobe.



Collaboration with Kobe City – Mr Yada, former Mayor of Kobe, with K. Takaoka, CEO of Nestlé Japan.

Food and Nutrition Education Activities

The “Nestlé Wellness Kitchen” is an on-site cooking class that provides practical cooking skills and beverage tasting as well as helpful nutritional information and tips. We offer two courses: the first is the “NESTLÉ MILO Asakatsu Cooking Class”, which combines a food and nutrition class highlighting the theme of nutrition for breakfast and a balanced diet, plus a cooking lesson on recipes using Nestlé products. The second course is a coffee class on the basics about coffee and how to enjoy it. In 2013, around 130 classes were held nationwide, and the total number of participants exceeded 5,000. Since the courses were created in 2009, Nestlé has held 680 classes in total with more than 25,000 participants, expanding our nutrition and health activities.

Furthermore, the “NQ Nutrition Training”, which was launched globally in 2007 and aims to educate employees about nutrition and health, was attended by about 246,000 employees worldwide including all employees in Japan, by the end of 2013. We continue to hold training for new employees and marketing and development staff members to enhance employee knowledge on nutrition using various learning tools.



Nestlé Wellness Kitchen

Product Improvement (Nestlé Nutritional Foundation)

To date, Nestlé produces more than 10,000 products worldwide, and about one billion Nestlé products are sold daily. In order to ensure that these wide-ranging food and beverage products meet health and safety standards, Nestlé has unique nutrition profiling standards set out for each category, adhering to rules on the intake of nutrients such as calories, saturated fatty acids and sugar, which in excessive amounts can affect health. Products that meet these standards achieve the “Nestlé Nutritional Foundation”, which account for nearly 100% of all Nestlé products, excluding coffee machines in Japan. For trans fatty acids, guidelines were introduced by the Consumer Affairs Agency in 2011. Nestlé established a strict policy on the amount of trans fatty acids included in products in 1999 and has worked on improving products by introducing the nutrition profiling standards. Further efforts are being made following the issue of a new policy in April 2014 with updated reduction targets.

Focusing on Health Science

At Nestlé Health Science, we provide medical nutrition solutions to meet the diverse needs of consumers and medical professionals. Some of our well-known brands include dietary supplements such as *ISOCAL* for those who cannot eat orally, the oral nutritional supplement *RESOURCE* and *PEPTAMEN*, for patients requiring concentrated nutritional care. We are currently delivering these products to about 8,000 medical and nursing facilities throughout Japan, while also providing nutrition care information. We are also conducting research with medical professionals nationwide, so that we can make scientific and evidence based proposals on the role of nutrition to the medical and healthcare field.

In addition, the Nestlé Health Science “Heart-full Care Program” is delivering these products via a call center and website, and is responding to queries about nutrition care from patients and their families. We have been actively involved in efforts to spread the use of internationally developed and proven nutritional evaluation or assessment tools in Japan, such as the “Mini Nutritional Assessment (MNA®)” to evaluate the risks among malnourished elderly people, and “EAT-10” to evaluate the difficulty in swallowing.

Communication

<Via Packages>

The “Nestlé Nutritional Compass” has been introduced on nearly all Nestlé product packaging to display nutritional facts and product information relating to nutrition and health so that consumers can choose appropriate products by reading the nutritional information.

As an extension of the “Nestlé Nutritional Compass”, we have started a new service to provide detailed nutrition, health and corporate information via a QR code printed on product packages. This was introduced on the packaging of *NESTLÉ MILO ORIGINAL* 240g in October 2013, *KIT KAT* Mini, and *KIT KAT* Mini Sweetness for adults in March 2014.

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

<Via Website>

A web magazine called the “Nestlé Mind and Body Balance Magazine” is issued to support consumers’ health and wellness. It provides helpful information on the mind and body, including fun and easy educational food and nutrition games for adults. The “Nestlé Balance Recipe” includes about 2,000 recipes designed to keep fat, salt, and other key ingredients at appropriate levels highlighted by Nestlé. A number of health and wellness recipes are included which contain plenty of vegetables or a high level of calcium or iron. The “Nestlé Kids Challenge” also offers useful content including “Kids’ Town” for children and other pages designed for parents. These sites are popular among children and parents who can learn about nutrition while having fun,

and provide useful information on health, food and education.

<Via Smartphones and Tablets>

A recipe application for smartphones, “Nestlé Balance Recipes,” has been available since June 2009. It provides useful nutrition and health information including about 1,700 recipes supervised by food professionals with specialized knowledge on nutrition. It also helps consumers manage their body weight and energy intake. We have furthermore introduced new content such as voice recognition for page scrolling, and a weight control app for iPad. In 2012, we started offering “Nestlé UV Forecast” for those worried about the effects of ultraviolet rays. We updated this with a new function in April 2014, and achieved over 100,000 downloads as of May 2014. Due to our continuous commitment to develop and update digital content, the total number of downloads for smartphones and tablets surpassed two million in May 2014.

<Via Open Lecture>

In order to communicate the latest information on the high content of polyphenols in coffee, lectures including seminars co-hosted by academic societies are being held annually to actively promote educational activities involving coffee polyphenols and health. In May 2013, the Nestlé-sponsored lecture called “Skin cell damage made by ultraviolet rays and protective effects of coffee polyphenols” was held at the 67th Annual Meeting at the Japan Society of Nutrition and Food Science in Nagoya. Here, the latest research results concerning the mechanism of spot generation and skin spot prevention effects of coffee polyphenols were presented.



Nestlé Kids Challenge.



“Nestlé UV Forecast” with 100,000 downloads.

Nestlé Balance Recipe
PC: Nestlé.jp/recipe/
Mobile: m.Nestlé.jp/recipe

Nestlé Healthy Kids Program

Nestlé believes that education is the best tool to make children more aware that nutrition knowledge and good exercise can keep them healthy throughout their lives. In 2009, Nestlé launched the Healthy Kids Global Program, which is aimed at school age children worldwide to help them increase their knowledge and practical skills on nutrition, health and wellness. In Japan, the “Karada Zukuri” program for children in the lower grades of elementary school was launched in 2011. An improved version of the program that also caters for upper grade children was introduced in 2012.

In 2013, we received applications from about

1,100 schools and distributed the program’s educational materials to about 200,000 children. Since the start of the program, we have provided materials to 600,000 children in Japan and received applications from over 3,600 schools in total.

The nutrition program teaches children about the relationship between food and the body. The exercise program encourages them to enjoy physical activity through games such as our original “Healthy Kids Oni-gokko” and can use what they have learned in the nutrition program. In 2014, we started offering a new exercise program called “Healthy Kids BRT”, which can be played independently and in a small indoor space. At Nestlé-in-Japan

factories, Healthy Kids Program events are organized for local elementary school students and employees’ families.

Total number of children reached using the Nestlé Healthy Kids program materials:

600,000



“Healthy Kids Oni-gokko” treasure hunt.



“Healthy Kids Oni-gokko” quiz.



“Healthy Kids BRT program”.

“ Stakeholder view



Kaoru Hasegawa

Principal of Arakawa Ward Shioiri-Higashi Elementary School.

Shioiri Elementary School is a large school with 770 pupils. Most of our pupils live in high-rise properties and take an elevator or stairs to go and play outside. Because of this, it was decided that our fourth-grade children would take part in the Nestlé Healthy Kids Program for one year to promote the concept: “I am in charge of building my own body.” Our aim was to make our pupils more aware that nutrition knowledge and exercise can help keep them healthy throughout their lives. Through the Nestlé Healthy Kids Program, the children

took regular bone mass measurements so that they could understand what is going on inside their bodies by measuring the changes. In addition, through knowledge and experience, they learned that both eating and exercise are important to making their bodies healthy and strong, which is a significant achievement. These efforts were truly meaningful in terms of changing children’s awareness.

COLUMN | The Nestlé Research Center receives the University of Tokyo Shokumon Award

The Nestlé Research Center, the core of Nestlé’s R&D network based in the Swiss city of Lausanne, received the University of Tokyo Shokumon Award 2013. Nestlé has become the first foreign food company to receive the Award. The award acknowledges Nestlé’s continuous support to the University’s research and education programs.

The “Shokumon Award” recognizes individuals or organizations for their contributions to the University through private donations, volunteer work, or the establishment of endowed chairs or research centers.



Nestlé's Research and Development Network

Nestlé has the world's largest nutritional research network as a private organization with more than 5,000 employees. Its network includes the Nestlé Research Center (NRC) in Switzerland and 33 research and development centers worldwide.

As part of the NRC in Switzerland, "Nestlé Research Tokyo" based at the University of Tokyo was opened in 2009, with the aim of bringing innovation and renovation to Nestlé products worldwide through science and technology. It collaborates with leading research institutions in health and nutrition, leading in breakthrough innovations.

As well as engaging in joint research, it has led the annual "Food and Life Science Forum" since 2011, in order to have better understanding on the relation between nutrition and health.

In October 2013, the third Annual "Food for

Life" Science Forum, jointly organized by the Nestlé Nutrition Council in Japan, the Nestlé Research Center Tokyo, and the Endowed Chair of "Food for Life" of the University of Tokyo, focused on the role of nutrition in stimulating and sustaining cognitive performance.

Professor Ryuta Kawashima, Director of the Smart Aging International Research Center at Tohoku University, Professor Satoshi Kida from the Tokyo University of Agriculture, and Professor Toru Moriguchi from Azabu University, presented various data outlining the correlations between food and nutrients and cognitive functions.

Given the increasing amount of interest in dementia in this aging society, the event attracted more than 250 participants, mainly experts from the medical and life science community, students, and the private industry.

Nestlé Nutrition Council Japan - for the development of nutritional science

The "Nestlé Nutrition Council Japan," which was established to develop nutritional science in Japan and distribute information on nutrition and health, has engaged in activities that contribute to the progression of nutrition science. As well as providing grants and awards for assisting researchers, the council's major activities include holding lectures on health and nutrition, and publishing books by researchers from home and abroad.

It dates back to 1993 when the predecessor of Nestlé Nutrition Council Japan – the Nestlé Science Promotion Committee – was established.

In 2013, eight grants were given to research projects and four awards were presented to young researchers. In addition, a lecture called "Nutrition and the Biology of Human Aging" was held.

Nestlé Nutrition Council Japan
<http://nncj.Nestlé.co.jp/ja>



2013 "Food for Life" Science Forum.

Rural Development and Responsible Sourcing

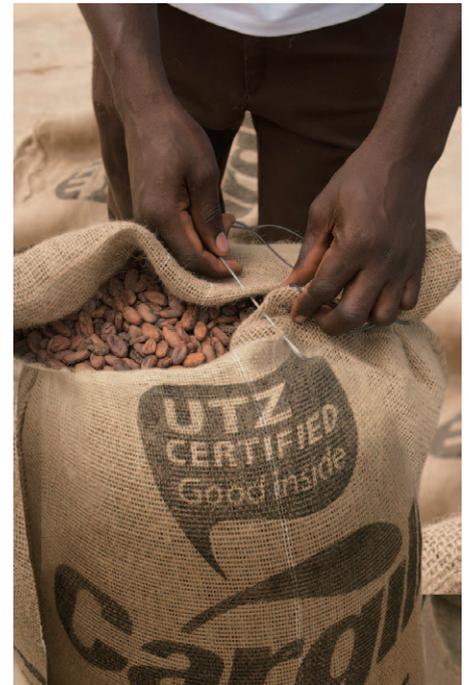
The well-being of the communities from which we source our agricultural commodities and local labor is vital to our success as a business and to create value for our shareholders. Through rural development, by providing local employment and encouraging sustainable production practices, we are looking to protect the supply and quality of our raw materials, and also provide a positive and long term impact on the local economy and local communities.

Nestlé Cocoa Plan – launched in Japan in 2014

The *Nestlé Cocoa Plan*, launched by Nestlé in 2009, has two objectives. Firstly, it enables farmers to increase their income and lead better lives through the cultivation of more profitable, higher-quality cocoa, and to improve the cocoa cultivation environment by turning it into a sustainable system. Secondly, it enables Nestlé to source high-quality cocoa beans sustainably. Our company purchases high-quality cocoa beans from farmers at fair prices, provides support to cocoa farmers through the distribution of disease-resistant plantlets that yield good-quality cocoa trees, holds training workshops on cocoa cultivation, and aims to improve water and road infrastructures and schools to help farmers in cocoa-producing countries live healthy lives. For more information on the *Nestlé Cocoa Plan*, see page 14 of the global Nestlé in Society CSV Report.

Nestlé Japan has also begun fully-fledged efforts on boosting the *Nestlé Cocoa Plan*. In 2014,

KIT KAT, which is manufactured and sold by Nestlé Japan, received UTZ certification, an international certification program for sustainable farming. UTZ certification specifies criteria such as adequate farming practices and farm management, safe labor conditions, environmental protection, and efforts to eliminate child labor. Certification is awarded only if all of these criteria have been fulfilled. Since March 2014, leading *KIT KAT* products in Japan were produced with the UTZ certification label. We aim to make 100% of the products UTZ certified in 2015.



COLUMN | **Nestlé Cocoa Plan Internship**

In 2014, Nestlé Japan began a recruitment program called the *Nestlé Cocoa Plan Internship** with an aim of finding and developing global leaders with leadership skills to enhance our future operations and society. The internship, in which participants visit Cote d'Ivoire, the world's largest cocoa producer, and gain hands-on experience of the *Nestlé Cocoa Plan*, is designed to contribute to the development of our future global leaders.

* Applications for this program closed on May 30, 2014.



Water

Nestlé's long-term success as a company depends on ensuring the sustainability of the water resources that supply our everyday business operations and support the livelihoods of producers, consumers and other key stakeholders. As the world's largest food and beverage company, Nestlé relies on access to clean water to make quality products. The company has adopted rigorous standards to reduce water consumption at its plants and facilities.

Efficient Water Usage

The "Non-Freon (CO₂/NH₃) 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 levels are being maintained each year.

At the bottled coffee manufacturing plant at the Kasumigaura Factory in Ibaraki, which was completed in June 2012, an "aseptic-filling process" was adopted, requiring less water compared to "UHT hot-pack filling". Due to

the most advanced machine being introduced at the new factory, about 240 tons of water is being saved per day compared with the previous aseptic-filling process. This amounts to water used by about 330 average households.

Since the use of the cooling tower in 2008, there has been a 6% decrease in water used in our three factories in 2013 compared to 2008, while our production volume has increased.

Project WET

The Project WET (Water Education for Teachers) is an international initiative designed to enhance awareness among children around the world about water issues using creative

educational tools. Since 1992, Nestlé Waters, which is headquartered in France, has been a main sponsor of Project WET's activities. In Japan, Project WET is promoted by the River Foundation. Nestlé-in-Japan has been involved in activities at its factories since 2012. There are already 12 staff members qualified as "educators" who are able to teach children using the WET tools. They are also working to help students in primary schools close to the factories deepen their knowledge, understanding, and responsibility about water and water resources.



A program using the WET tools at the Himeji and Shimada Factories.



Environmental Sustainability

We're helping to protect the environment and scarce resources, now and for future generations – improving efficiency in our own operations and involving our partners to continuously optimize the environmental performance of our products along the value chain.

Saving energy and reducing greenhouse gas emissions

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 more than 30 Nestlé coffee factories worldwide to use such a system. This wastewater treatment method is based on biological degradation by anaerobic microorganisms, or methane bacteria, and does not require energy such as steam. As a result, the factory's energy usage has decreased substantially, achieving about 12% reduction in CO₂ emissions. Since 2005, the factory has used biogas, mainly methane gas, generated by the methane fermentation wastewater treatment system as supplementary fuel for

the boiler. The energy savings using this system is estimated to be at about 70 liters of crude oil per hour.

The cogeneration system was introduced at the Himeji Factory in 2004 and at the Shimada Factory in 2006. Cogeneration, which combines heat and power, is a new energy supply system that utilizes energy discharged during electrical power generation, increasing total energy efficiency. The Himeji Factory achieved an extremely high total energy efficiency rate of 92% (the rate is usually between 70–80%) by introducing a fuel supply system where liquid natural gas (LNG) is transported by a tanker and stored in a LNG satellite base in the factory. Compared with heavy oil, LNG can reduce emissions of

nitrogen oxides (NO_x) and sulfur oxides (SO_x) 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 Award in 2005. With this new system, we achieved about 19% in energy savings and a 30% reduction of CO₂ emissions compared to the previous system. At the Shimada Factory, traditional heavy fuel oil has been replaced with the city gas to reduce the environmental impact in the cogeneration system and other combustion equipment, such as deodorizing equipment and air heaters.



The Kasumigaura Factory, Ibaraki.



At the Kasumigaura Factory, we are using natural gas in all our major equipment, achieving nearly 100% replacement in 2013. The Himeji Factory and the Shimada Factory, the recycled coffee grounds produced during coffee extraction, is used as renewable energy fuel, while the steam generated by its combustion energy is used as a heat source in the factories. This thermal energy recovery system using fluidized 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 consumption at the Himeji Factory is sourced from coffee grounds thermal recycling. This system was recognized as a pioneering case of biomass utilization and registered as No. 31 “Hyogo Biomass Eco Model” by Hyogo prefecture in 2007. With the introduction of fluidized bed boiler technology and other energy saving measures, the Shimada Factory was nominated by Shizuoka Prefecture as a showcase facility in the Prefecture’s “Fuji no Kuni Shizuoka “Next-generation Energy Park” project, which is a part of the METI-led nationwide project.

Nestlé was the first company in the world, and in any industry, to develop the “Non-Freon (CO₂/NH₃) cascade refrigeration system”, which it introduced to its coffee freeze-drying process at the Himeji Factory in 2005. The system was also introduced at the Shimada Factory in April 2011.

0 waste

Kasumigaura Factory has achieved zero waste in 2014.

As carbon dioxide (CO₂) and ammonia (NH₃) are both natural refrigerants and circulate inside the system without going into the

atmosphere, the impact on ozone depletion and global warming are minimized. Nestlé has been committed to our 15-year plan to phase out Freon refrigerants at all factories that produce freeze-dried coffee including products such as *NESCAFÉ GOLDBLEND*. While Nestlé global achieved complete removal of such refrigerants five years ahead of the target date set by the Montreal Protocol, Nestlé-in-Japan achieved its removal ten years in advance of the deadline. Following installation of the new system, the Shimada Factory was able to reduce power consumption by 26% between March and July 2011, compared to the same period the previous year.

Packaging

The aseptic filling process used at the Kasumigaura bottled coffee plant makes it possible to reduce the amount of PET used in beverage bottles. Family-sized PET bottles, sized 900 ml, are the lightest* of its kind in Japan including the cap and label. The new line adopts labels of 30 µm in thickness to achieve thinner labels. In the future, we will strive to reduce the amount of resources used.

Glass jars have also been improved to become thinner and lighter. Some were switched to other types of packaging, so that the amount of glass we used in 2013 was reduced by 45% compared to 2004. *NESCAFÉ EXCELLA* glass jar products received the Environment Award in the “Glass Jar Award 2013”.

* Family-sized 900 ml: Total weight of cap, label and PET bottle based on our survey in June 2013.

Achieving Zero Waste

As part of our global commitment to zero waste, Nestlé Japan’s factories are trying to reduce not only the waste from their production processes but also in general

waste.

Since 2010, the Shimada Factory has been recycling the coffee grounds produced during the coffee manufacturing process into soil. Coffee grounds that went to landfills in the past are now fermented and donated to the Rose Hill Park in Shimada.

The Kasumigaura Factory, which manufactures *KIT KAT*, recycles all food waste into animal feed. Food waste such as wafers are being transported to ostrich farms, hog farms, or cow farms nearby and used as animal feed. Through these measures, the Kasumigaura Factory achieved zero waste in 2014. Out of about 450 factories worldwide, 61 factories achieved zero waste in 2013.

International Standard Certifications

All three Nestlé factories in Japan – the Himeji Factory in Hyogo, the Shimada Factory in Shizuoka, and the Kasumigaura Factory in Ibaraki – obtained certifications for three international standards: ISO14001 (environmental management system standard), ISO22000 (food safety management system) by December 2008, and FSSC22000 (Food Safety System Certification 22000), a widely recognized certification in the food industry in 2011.

Initiative to Eliminate Waste

Nestlé has been promoting the “Nestlé Continuous Excellence” program, an ongoing operations improvement initiative with a focus on consumers, worldwide since 2008. Vigorous efforts are ongoing at our three factories and at our head office to eliminate waste throughout the entire value chain, from procuring raw materials to delivering products to the consumer. Focusing on these activities in our daily business leads to higher efficiency in terms of inventory and production costs, as well as to a reduction of lead time and complaints.

Our "Paperless office" initiative is part of these efforts. We are proactively reviewing our workflow and switching from paper to electronic. In addition to cutting down on using paper, it is also enabling us to work more efficiently. The initiative has resulted in a 41% decrease in paper usage in 2013, compared to 2011. Paper usage at our Kobe head office has been reduced to 55% in three years.

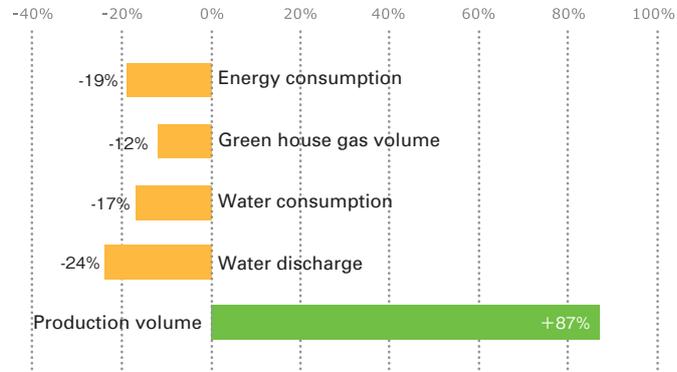
Transport and Distribution

In 2009, NESCAFÉ Canned Coffee was certified with the "Eco-Rail Mark" awarded by the Japanese Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and the Railway Freight Association for using railroad transport. This method of transport emits only one sixth of the CO₂ emitted by road transport. In addition, Nestlé received the "Best Supporter of Eco-ship Modal Shift Project", an award from the director-general of the Maritime Bureau, MLIT in 2010, for switching its distribution of products at three domestic factories by ferry for delivery to Hokkaido. To further improve our environmental performance in transport and distribution, more efforts are underway such as improving truck-load efficiency to reduce the total number of trucks, and introducing large trailers and looped trucks to improve transport efficiency.

In distributing products to our clients, direct shipment from our factories and co-manufacturers is now being implemented, which has contributed to a reduction in transport costs and time, therefore allowing products to be delivered in prime and fresh condition.

Nestlé has been moving towards a full scale transport shift (modal shift) to rail and shipping since 2012, an initiative that has been hailed by the Ministry of Land,

■ Improvement in environmental performance in production



*Fiscal 2003 comparison

2013-2003period

While the production volume at the Nestlé in Japan factories has increased by 87% from 2003-2013, there were reductions in total energy consumption by 19%, total greenhouse gas emissions by 12%, total water consumption by 17%, and total water discharge by 24%.



Container with Nestlé logos

Infrastructure, Transport and Tourism, and earned us certification as a national environmental business in 2013. Our impact on the environment has been reduced by an equivalent of the annual forestation impact of 5.5 times the volume of Tokyo Dome, or a reduction of more than 200 tons of CO₂. In June 2014, Nestlé Japan agreed with the Japan Freight Railway group to accelerate the switch to rail transport with smaller CO₂ emission by making a joint declaration. As well as reducing CO₂ in transport, we are encouraging the distribution centers of our partner companies to obtain the ISO14001

(Environment Management System) certification. Five companies we are working with have already acquired the certification, and other major distribution centers are now preparing to achieve the certificate. In the meantime, we will continue to identify further opportunities to reduce environmental impact in transport and distribution.

Company Cars

Nestlé drew up a “Car Fleet Roadmap” across the globe to reduce its emission of CO₂ and gasoline consumption. Nestlé-in-Japan promotes the introduction of vehicles with increased environmental performance. For example, the replacement of company cars is underway, starting with about 100 hybrid cars for executives, followed by about 450 hybrid cars with one of the best fuel efficiencies in the world for our sales activities.

“ Stakeholder view



Masatoshi Matsuo

Logistics Headquarters, Japan Freight Railway Company.

Reducing the impact on the environment by using rail transport

One of the causes of global warming is considered to be carbon dioxide (CO₂). In rail freight transportation, CO₂ emissions per transportation unit are about one sixth of those emitted from transportation by truck. Rail transportation generates the least emissions among all our transportation modes. For this reason, it has been attracting attention in recent years as an “environmentally friendly” mode of transport.

JR Freight has been collaborating with Nestlé

Japan in an effort to shift towards reducing the environmental impact. As a partner, we are greatly honored that our initiatives in railway transportation were certified by the Japanese government in 2013. We want to continue our joint efforts to promote sustainable operations in the supply chain.



Our People, Human Rights and Compliance

Our success is based on our people. With respect and dignity, we aim to promote a sense of personal responsibility across our whole company. We aim to recruit competent and motivated people who respect our values, seek to boost equal opportunities, protect our employees' privacy, and do not tolerate any form of harassment or discrimination.

Creating a Dynamic Team

We are creating a dynamic team comprising people with diverse backgrounds who are able to learn from each other. As part of this, we have organized a new year-round recruitment process called the "Nestlé Pass Course", introduced in 2011, in which students can choose the timing and method of recruitment. It also allows applicants to apply as many times as they wish. Candidates can apply by either selecting two courses from a total of eight, or by being granted a "Nestlé Pass" upon taking part in a year-round internship program that enables them to be selected in our "Nestlé Challenge Program". Here employees can choose when they wish to be recruited, which is followed by an interview. In addition, the "Nestlé Associate System", introduced in March 2012, offers prospective recruits or 'associates' support in creating a career plan based on a Progress and Development Guide (PDG) used for all Nestlé

employees worldwide, giving them the opportunity to experience training the "Nestlé way" while enhancing their student life. The "Nestlé Japan Innovation Award", launched in 2011, encourages all employees to actively participate in establishing new business models for Nestlé-in-Japan. Our company aims to enhance its competitiveness in the market by encouraging entrepreneurship among employees to create new and innovative ideas. They are rewarded in a variety of ways, including financial bonuses and trips to the Swiss headquarters. The Award is now well known among our employees, and as many as 1,500 applications were registered for the third annual Innovation Award in 2013.

"Diversity @Nestlé in Japan"

An organization that comprises a more diversified team of employees is more likely to generate new ideas and innovations.

Nestlé-in-Japan has been driving its diversity efforts to encourage employee opportunities regardless of their gender, nationality and age. In 2013, we launched a personnel exchange program with other Nestlé offices worldwide. Employees from Nestlé Japan have worked in Africa, Australia and ASEAN countries, and vice versa. This is part of Nestlé Japan's endeavors to develop strong leadership and initiative in our employees.

Supporting Work Life Harmony

To promote the career development of our female employees and childcare support of our male employees, we opened a nursery for employees' children called Nesurekko House at the Kasumigaura Factory in April 2012. We also opened the 'Nestlé Kids Room', a childcare facility, in the Kobe Head Office in April 2014.

Both male and female employees are entitled to take up to ten days paid maternity or



paternity leave. In 2010, we launched a system to allow employees, who are entitled to take prenatal maternity leave, childcare leave and family-care leave, to work from home for up to six months. So far, more than 100 male employees have taken up this opportunity.

Mental Health Training

Nestlé has been conducting “Mental Health Self-Care Training” for all employees since 2010 to support their mental health. The purpose of this training is to help employees enhance their understanding of mental health and enable them to recognize and maintain it by themselves.

Health and Safety – CARE Program

Our three Nestlé factories in Japan 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. Nestlé’s independent audit program, the Compliance Assessment of Human Resources, Occupational Health and Safety, Environment and Business Integrity (CARE), in these respective four areas, has

been implemented to cover all Nestlé locations in Japan since 2007.

Education on Compliance Awareness

Nestlé’s reputation relies on our commitment to integrity, honesty, fair dealing and compliance with all applicable laws and internal standards. Our employees put this into practice by adhering to the “Nestlé Corporate Business Principles”. To help our employees understand and follow these principles, while interacting with stakeholders and people in the

workplace, we hold compliance training and awareness activities. During the training sessions, employees, managers and department heads are actively encouraged to join in discussions to think and raise their awareness about the fair and honest behavior of individuals as well as organizations.



Nesurekko House



Rieko Ueda

President and Representative Director of Mothernet Inc. and Operator of the “Nestlé Kids Room”.

“ Stakeholder view

While setting up a permanent daycare center involves heavy costs, including personnel costs, operating an in-house daycare facility—which is open only during requested hours—is a new alternative. Not only does it serve as a nursery, but such a facility can also

function as a community space for employees and provide support to those who wish to return to work. It has the potential to become an extremely effective facility for helping employees with their work life balance and to support their families.

♥ Social Contribution and Volunteer Activities

Helping others

Helping non-profit organizations through volunteering

In 2013, we launched a program to help non-profit organizations that are involved in social contribution activities. As part of the program, volunteering activities undertaken by individual Nestlé employees are converted into points and funds, which are then donated by the company in relation to the number of points earned.

Food Bank

We are working with Second Harvest Japan and Food Bank Kansai to support their regular activity of providing free food to those in need. We have contributed products such as beverages and chocolate to the food bank, making sure that our products arrive in good condition and are not resold. Our employees also donate their time to events such as the Second Harvest Japan soup kitchen every Saturday in Ueno Park.



Providing donations to the Second Harvest Japan.

Protecting the Environment

Community Clean Up Activities

In support of the Mt. Fuji Club, an environmental non-profit organization, since 2009 Nestlé-in-Japan has taken part in the Mt. Fuji clean up activities at least twice a year. Nestlé employees also participate in clean ups at Mt. Rokko in Kobe in the spring and autumn, as well as the company-wide clean ups at our offices and factories on a regular basis.

Environmental Preservation Activities

In support of the Rokko Mountain Range Greenbelt Development Project by the Kinki Regional Development Bureau, Ministry of Land, Infrastructure and Transport, we have taken part in caretaking activities at the site since 2009 to help restore the forest and keep the area free from fire and disaster hazards. In addition, we are maintaining the area, such as thinning and tree planting at the foot of Mt. Rokko.

For our community

Collect and Donate

We are also taking part in the "Eco Cap Promotion Network," a non-profit organization that donates vaccines to underprivileged children worldwide through the collection and recycling of PET bottle caps by volunteers. Nestlé employees also volunteer their time to charity activities as part of the Japanese Organization for International Cooperation in Family Planning (JOICFP) to collect Bell Marks cut out from products, used stamps, cards and other items.

Blood Donations

Nestlé's head office in Kobe, its factories and offices in Japan are continuously promoting blood donation activities through blood collection buses. In 2009, we were presented with a merit award from the Japanese Red Cross Society in recognition of our continuous efforts to boost blood donations for more than 30 years.

Sponsorship Activities

Nestlé-in-Japan is actively involved in the illumination festival "Kobe Luminarie", and the "Kobe Luminarie Heartfelt Day" event, which started after the Great Hanshin-Awaji Earthquake in 1995. Many of our employees take part as volunteers to welcome visitors each year.



Caretaking activities at Mt. Rokko.

COLUMN | The LUCERNE FESTIVAL helps the reconstruction efforts of the Tohoku Region through music

The LUCERNE FESTIVAL ARK NOVA Matsushima 2013 in Matsuyama-cho, Miyagi, took place from September to October in 2013 as part of the Lucerne Festival in Switzerland, one of Europe's most renowned music festivals. Nestlé, which has been a principle sponsor and partner of the Festival Orchestra, supported the event.

LUCERNE FESTIVAL ARK NOVA Matsushima 2013: This black balloon-like building is a movable concert hall designed by a team that includes world-renowned architect Arata Isozaki.



COLUMN | **Heliport for helicopter ambulances at the Kasumigaura Factory:
living together with the local community**

The Kasumigaura Factory is located along the Tone River, surrounded by lush greenery and reservoirs. The factory, which manufactures a wide variety of products from confectionery and beverages to nutritional products, is introducing various measures to become a factory that “lives together with local communities.” One of these measures includes contributing to the hospital through a heliport for helicopter ambulances. It was installed on the premises in 2008, and has since been used to transport patients who require emergency care and live in the neighborhood to the hospital.

