

Creating Shared Value Initiatives in Japan

Creating Shared Value (CSV) is our way of delivering a long-term positive impact for shareholders and for society, through everything that we do as a company.

The chart on the right provides a quick look at the results Nestlé Japan has achieved in 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.

<div>Nutrition, health and wellness</div> <div>Some 1,400,000 children</div> <div>Since the programme started in 2011, Nestlé Healthy Kids Programme materials have reached more than 1,400,000 children at around 7,200 elementary schools in Japan to date.</div>	<div>Water</div> <div>– 24 %</div> <div>Despite a 62% increase in production volume at our factories, Nestlé Japan has been able to reduce the amount of direct water withdrawal by 24% from 2010 to 2016.</div>
<div>Environmental sustainability</div> <div>– 302 tonnes</div> <div>In 2016, Nestlé Japan was able to use 302 fewer tonnes of packaging materials thanks to changes made in the shape of packaging.</div>	<div>Environmental sustainability</div> <div>– 26 %</div> <div>Despite a 62% increase in production volume at our factories, Nestlé Japan has been able to reduce energy usage by 26% from 2010 to 2016.</div>
<div>Our people, human rights and compliance</div> <div>22 %</div> <div>Nestlé Japan is promoting work-style innovation. In 2016, the average number of days of annual paid leave taken by employees increased 22% compared to 2010.</div>	<div>Our people, human rights and compliance</div> <div>20 %</div> <div>Nestlé Japan has set a target to increase the ratio of female managers to 20% by 2020.</div>

Message from the President and CEO

Nestlé is the world's largest food and beverage company. It is present in 191 countries around the world, and its 328,000 employees are committed to Nestlé's purpose of enhancing quality of life and contributing to a healthier future.

Nestlé's more than 150-year history 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 stance imbued in the company's first product—like a mother bird caring for its young—has been passed down in every Nestlé product sold around the world even today together with the founding spirit of Henri Nestlé. Over the years, Nestlé has always been at the forefront of finding solutions to social issues, enhancing quality of life and contributing to a healthier future. Going forward, Nestlé will continue with this approach and commitment for many years to come.

Ten years ago Nestlé began advocating an approach called Creating Shared Value, as a strategy for bringing our purpose to life. Helping to find solutions to social issues through business represents our mission, our responsibility and, at the same time, an opportunity. Our business activities generate not only economical value, but social value as well.

Nestlé Japan, established in 1913, proudly celebrated the 100th anniversary in 2013. Today, we are working to address various issues facing the matured Japanese market with a declining birthrate and an aging population. This requires that we always think first about helping to solve the issues that our customers face. The key to our efforts is creating shared value through innovation. As a company trusted by its stakeholders, will devote all of our efforts to continuously propose valuable solutions to the various problems faced by society and our customers, now and in the future.



Kohzoh Takaoka

President and CEO
Nestlé Japan Ltd.

Nutrition, health and wellness

Inspired by our founder Henri Nestlé, guided by our values and with nutrition at our core, we work alongside partners to offer individuals and families products, services and knowledge that enhance quality of life and contribute to a healthier future. This will help us reach our 2030 ambition to help 50 million children lead healthier lives.



Nestlé Healthy Kids Programme

We developed Healthy Kids Healthy Ping Pong as a new approach to exercise utilising the sport of ping pong, which is popular among people of all ages.



Support breastfeeding

Our perspective

We strengthened our capacity to provide an environment conducive for breastfeeding through our global *Maternity Protection Policy*, which includes the right to extend paid maternity leave up to six months and flexible work arrangements. We currently have 302 breastfeeding areas and will equip all premises with more than 50 female employees with breastfeeding rooms by 2018. (Please see page 16 of the Global section.)

Nestlé Japan has established breastfeeding rooms at its Kobe Head Office and at other offices where more than 50 female employees work in accordance with the global *Maternity Protection Policy*.



Nestlé Kids Room—a nursery room set up at the Kobe Head Office

Empower parents, caregivers and teachers to foster healthy behaviours in children

Our perspective

In 2009, Nestlé launched the global Nestlé Healthy Kids Programme, an educational programme focusing on children's health. This programme targets school age children around the world 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 curriculum is carefully tailored to meet the individual needs of each school. Since the start of the programme, we have already provided learning materials to more than 1,400,000 children in Japan and received applications from more than 7,200 schools.

In 2016, we developed Healthy Kids Healthy Ping Pong as a new approach to exercise utilising the sport of ping pong, which is popular among people of all ages. Collaboration between schools, communities and families is required to keep children's good health. We are also working on initiatives that involve not only schools but also local governments and organisations to promote more active communities.

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



International Chefs Day in collaboration with the Nestlé Healthy Kids Programme

VOICE

Bringing together different generations to promote health and nutrition in a fun environment

Recently, ping pong has exploded in popularity in Japan. It is garnering a great deal of attention not only as a sport, but also as a form of healthy exercise. This is because there is little worry of injury and ping pong provides a healthy and fun exercise for people of all ages in line with their fitness level, skill level and objective.

The Nestlé Healthy Kids Programme's Healthy Kids Healthy Ping Pong brings together different generations to promote health and nutrition in a fun environment offered at schools and in the community.

Tsukasa Sato
President and Representative Director
Association for Making Japan Healthier Through Ping Pong
TacTive, Inc.



Apply and explain nutrition information on packs, at point of sale and online

Our perspective


In 2005, the Nestlé Nutritional Compass was introduced to display nutritional contents found in products 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. Nestlé Japan displays a QR code on the packages of NESCAFÉ Bottled Coffee, NESTLÉ MILO, KITKAT (certain products only), WONKA, and NESTLÉ NESQUIK brand products to provide information.

Guideline Daily Amount (GDA) labelling displays easy-to-understand information on the energy amount (calories) contained in one serving 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 use GDA labelling on the product packaging of many Nestlé products.

In 2016, we switched NESTLÉ NESQUIK and WONKA to GDA labelling for children so as to provide the right information for the age group that consumes these products the most.

Example of GDA labelling for children (NESTLÉ NESQUIK)



* The daily recommended intake for children 8 to 9 years old is based on the estimated essential caloric intake of boys and girls (physical activity level II: normal) between the ages of eight to nine per the Japanese version of Nutrition Reference Value (2015 version).

Offer guidance on portions for our products

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.

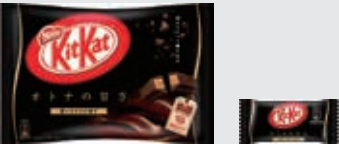
The portion of food and beverages consumed per meal is on the rise, so conveying a healthy meal portion to consumers is one way to prevent overeating.

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 and displays messages on products (recommended portion size and frequency of intake).

Example of message indicating portion

KITKAT MINI OTONA NO AMASA (13 pieces)

“Sweets and snacks should be eaten in moderation, or up to 200 calories per day. Each piece contained in this product provides 64 calories. For a well-balanced diet, we recommend that you consume no more than two pieces per day.”



Build biomedical science leading to personalised nutrition and digital solutions

Our perspective

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. The company 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. Nestlé Health Science issues all of its sales reps a tablet device so that they can quickly access the information they need at any time, empowering them to deliver comprehensive solutions related to nutrition care. In addition, Nestlé Health Science aims to help solve issues facing the healthcare and nursing care fields using the power of nutrition by providing the latest information on clinical nutrition at medical conferences held across Japan.

Nestlé maintains the world's largest food nutrition research network. In 2009, Nestlé Research Tokyo was established with the goal of providing science and technology that infuses renovation and innovation in our products worldwide. We engage in joint research with leading research institutions in the fields 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 2016, the 6th Food for Life Science Forum 2016: The Role of Microbiota in Human Health 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 based on scientific facts. 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 was established. In 2016, NNCJ provided eight research grants.

Rural development

We source supplies of raw materials from millions of farmers across the world. These farmers are critical to a secure, long-term supply, and therefore to our success. By understanding and managing where and how our ingredients are produced, and the issues farmers and their communities face, we can help develop thriving communities and support better livelihoods for those with whom we live and work.



NESCAFÉ Plan

The NESCAFÉ Plan is our global initiative to continually deliver high quality NESCAFÉ to consumers and bring a smile to the face of everyone in our value chain.

Implement responsible sourcing in our supply chain

Our perspective

An increasing number of consumers and stakeholders want to know where their food comes from and how it is produced. Responsible sourcing represents an essential element for ensuring a sustainable future for our business.

Nestlé conducts supplier audit and farm assessment to ensure the procurement of 12 priority ingredients complies with our *Responsible Sourcing Guideline* criteria.

Nestlé Japan fully complies with the *Responsible Sourcing Guideline* in its procurement activities. Also, Nestlé Japan conducts supplier audit using third-party auditors to ensure compliance with the *Responsible Sourcing Guideline*.

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, we are working to promote gender equality and address child labour issues. For more information, see page 26 of the global section.

Nestlé Japan began full-fledged efforts in 2014 aimed at promoting the *Nestlé Cocoa Plan*. All products sold under the NESTLÉ KITKAT and NESTLÉ AERO brands manufactured by Nestlé Japan are part of the *Nestlé Cocoa Plan*.

All products sold under the NESTLÉ KITKAT and NESTLÉ AERO brands made by Nestlé Japan are part of the *Nestlé Cocoa Plan*.



Continuously improve our green coffee supply chain

Our perspective

The NESCAFÉ Plan is our global initiative to continually deliver high quality NESCAFÉ to consumers and bring a smile to the face of everyone involved in the value chain. 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. Additionally, we are working to mitigate environmental impacts and increase efficiency by reviewing our manufacturing and logistics processes. For more details, see page 26 of the global section.



We are committed to being a good partner to Nestlé's future CSV initiatives

Responsible sourcing in the supply chain is garnering a great deal of attention as society as a whole works to achieve sustainable development. Typified by the *Nestlé Cocoa Plan*, Nestlé promotes Creating Shared Value with farmers and other producers. These many society-driven and progressive initiatives are helping to educate and raise awareness among suppliers. We are also committed to being a good partner to Nestlé's future CSV initiatives through the promotion of our CSR activities and supplier audits, among other efforts.

Toshio Shikata

Senior Manager
CSR and Risk Management Group
Fuji Oil Holdings, Inc.



Water

Water is a universal human right. It is critical to every part of our value chain: our employees, suppliers, customers and consumers all need access to safe, clean water and sanitation, as do the farmers we work with and the communities in which we operate. As we are committed to responsible stewardship of this precious resource, we seek continuous improvement in our withdrawal, use and treatment of water.



Work to achieve water efficiency and sustainability across our operations

The bottled coffee manufacturing line of the Kasumigaura Factory uses an aseptic-filling process that requires less water compared to the more common UHT hot-pack filling.

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 our partners to review progress 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 has increased by 62% from 2010 to 2016, direct water withdrawal per tonne of product was reduced by 53%.

The bottled coffee manufacturing line of Kasumigaura Factory saves about 240 tonnes of water each day compared to Nestlé's conventional aseptic-filling process.



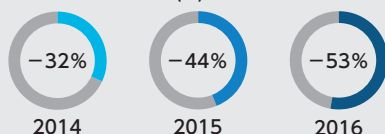
Treat the water we discharge effectively

Our perspective

With an investment of about 300 million Yen, the Shimada Factory installed a methane fermentation water discharge treatment system in 2004, becoming the first factory among 30 Nestlé coffee factories worldwide to have such a system. This water discharge treatment method degrades organic matter in highly concentrated water discharge 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 water discharge 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.

Reduction in direct water withdrawal per tonne versus 2010 (%)



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.



Contributing to improve hygiene, quality and production efficiency with specialised and comprehensive solutions

We have supported improvements to cleaning and hygiene of Nestlé Japan's production process for many years. We are proud that we have been involved in efforts to reduce water and energy costs as well as enhance quality and production efficiencies. Through its work to make maximum improvements, Nestlé Japan has taught us about what it takes to be a leading food and beverage company. It is our sincere hope that we can continue to serve as a partner underpinning Nestlé Japan's sustainable growth by providing innovative solutions and services as a global leader in cleaning and hygiene.

Miyuki Manabe

Corporate Account Director
Food and Beverage Business Division
Ecolab



Environmental sustainability

As a nutrition, health and wellness company, Nestlé can shape sustainable consumption and steward resources for future generations. We set ourselves commitments and objectives for real progress: from using sustainably managed and renewable resources to operating more efficiently, and from working towards our goal of zero waste to acting on climate change.



Provide climate change leadership

The Himeji Factory achieves an extremely high total energy efficiency rate 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.

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.

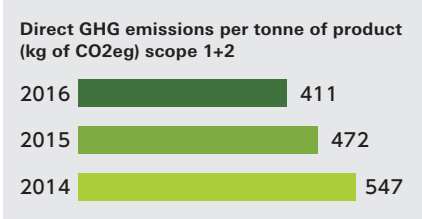
While Nestlé’s global goal for achieving complete removal of such refrigerants is five years ahead of the target date set by the Montreal Protocol, Nestlé Japan achieved removal in 2011, and in 2016, we switched over medium-sized freezers that have

more than 30kg of refrigerants to natural refrigerants, including those used for the NESTLÉ KITKAT line at the Kasumigaura Factory.

In 2015, all three factories in Japan completed the changeover from liquid fuel to natural gas initiated in 2011.

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.

Additionally, a cogeneration system has been introduced at the Himeji 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.



In February 2017, Nestlé Japan took part in ATMOSphere Japan 2017, a worldwide event on air conditioning, refrigeration and freezing held in Tokyo. Nestlé Japan made a presentation on its commitment to shifting freezers to natural refrigerants and about its work to reduce Freon refrigerants, showcasing leading initiatives as examples.



ATMOSphere Japan 2017

The phasing out of Freon refrigerants used at factories that produce freeze-dried coffee including products such as NESCAFÉ GOLD BLEND was completed in 2011.

–24 %
Water withdrawal

–11 %
Direct greenhouse gas emissions scope 1+2

–26 %
Energy consumption

Production volume at factories increased by 62% from 2010 to 2016, but during this same period Nestlé Japan reduced water withdrawal by 24%, water discharge by 28%, direct greenhouse gas emissions by 11%, and energy consumption by 26%.



Reduce food loss and waste

Our perspective

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.

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. Also, the Shimada Factory has continued with efforts to recycle part of the coffee grounds produced during the manufacturing process as planting soil since 2010.

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.

The Kasumigaura Factory, which produces KITKAT, recycles all food residues in animal feed. The factory has also introduced sorting machines to separate chocolate and packaging after the packaging process is complete, which increases the efficiency of its waste sorting and recycling efforts.

Thanks to these initiatives, in 2016 all three of our factories in Japan achieved zero net emissions of waste bound for incinerators and landfills.

As a way to reduce food loss, Nestlé Japan supports the activities of Second Harvest Japan and Foodbank Kansai to regularly supply people in need with food free of charge, by providing beverages, chocolate and other products after requesting these organisations to keep items at the right temperature and take the proper preventive measures for redistribution.

Improve the environmental performance of our packaging

Our perspective

In 2016, Nestlé Japan lowered the use of packaging materials by 302 tonnes by changing the shape of our product packages. Reductions in each main segment are presented below.

- Glass: -105 tonnes
- Paper packaging: -183 tonnes
- Plastics and laminated films: -14 tonnes

We eliminated the use of cushioning material by improving the partitioning of cardboard boxes for NESCAFÉ GOLDBLEND BARISTA and NESCAFÉ ECO & SYSTEM PACK (refill pack). This innovative solution was recognised with an award in the transportation category of the Japan Packaging Contest 2016 organised by the Japan Packaging Institute. This marks the second straight year we were honoured with an award at this contest, following a similar honour in 2015.

Assess and optimise the environmental impact of our products

Our perspective

Nestlé Japan has been promoting a transport shift (modal shift) that involves shifting to marine transport and rail transport, which enable mass transportation. Emissions of carbon dioxide are believed to be a major factor behind global warming, and using rail transport over truck transport produces only one-eighth of these emissions, while using marine transport produces one-fourth.

Going forward, 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.

Nestlé Japan's modal shift 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.
- 2017:** Co-winner of the Green Logistics Partnership Conference Award / Co-winner of Minister of Economy, Trade and Industry (METI) Award (business model) in the product / business model category at the FY 2016 Energy Conservation Awards

Promoting eco-friendly driving habits

The National Sales Division was honoured with the Minister of the Environment Award (general category) at the FY 2016 Eco Driving Contest.

Eco driving is an activity that anyone can easily practice as a way to curb emissions of CO₂ and prevent global warming. The Eco Driving Promotion Liaison Council (formed by the National Police Agency, Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of the Environment) promotes eco driving in Japan with the cooperation of affiliated organisations.



Provide meaningful and accurate environmental information and dialogue

Our perspective

Nestlé provides information on environmental sustainability through contact points with various consumers responding to the raising awareness and increasing interests among consumers in environmental issues.

One example is a mobile technology service enabling consumers to access "beyond the label" information on their smartphone or other mobile devices.

Nestlé Japan deploys a QR code to the packaging of NESCAFÉ bottled coffee, NESTLÉ MILO, KITKAT (certain products only), WONKA, and NESTLÉ NESQUIK to provide various information, including on the environment.

VOICE

Expanding the use of rail transport and examining the use of coastal feeder routes to mitigate environmental impacts

Aeon Global SCM is working to reduce environmental impacts from logistics and streamline the supply chain of the Aeon Group. Toward that end, we established the Aeon Rail Transport Research Society together with Japan Freight Railway Company, companies that use rail transport, and national brands to expand the use of rail transport. As a result, we were able to arrange together with Nestlé Japan and three other national brands for a jointly reserved train operating on Sundays during peak times of the year between Tokyo and Osaka. This initiative received the METI Award at the FY 2015 Green Logistics Partnership Excellence Awards. Moving forward, we plan on expanding the use of rail transport and examining the use of coastal feeder routes to mitigate environmental impacts.

Midori Yamaguchi

President and Representative Director
Aeon Global SCM Co., Ltd.



VOICE

Expanding routes with an eye on offering logistics tailored to the needs of today and tomorrow

Kawasaki Kinkai Kisen Kaisha is working to address environmental issues and solve the problem of truck driver shortages by encouraging a modal shift to marine transport. In October 2016, we launched a regular ro-ro vessel route connecting Shimizu and Oita in order to promote a modal shift from long-distance truck transport between the Kanto/Koshin and Kyushu regions. Nestlé Japan was among the first to take notice of this new route and adopted it as a new logistics route for its products.

Going forward, we will work with Nestlé Japan and others to expand routes with an eye on offering logistics tailored to the needs of today and tomorrow.

Shigenori Ishii

President and Representative Director
Kawasaki Kinkai Kisen Kaisha Ltd.



Our people, human rights and compliance

We are a diverse company, with 328,221 employees and operations in 191 countries. Our values are rooted in respect – for ourselves, for others, for diversity and for the future. Providing good working conditions and keeping our people safe, healthy and engaged are our top priorities. We also have a responsibility to respect and promote human rights in our value chains and operate to the highest ethical standards.



Enhance gender balance in our workforce

Nestlé Japan is implementing various initiatives to enhance the gender balance of its workforce.

Enhance a culture of integrity across the organisation

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.

We raise awareness about compliance internally while also providing compliance training for new employees and managers.

Compliance at Nestlé means adhering to our *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. Starting in 2017, we introduced a new e-learning based compliance training program for all employees.

Ensure that all Nestlé employees are covered by a certified safety and health management system

Our perspective

Nestlé strives to foster a culture where health and safety is a top priority. Our goal is to completely eliminate workplace related injuries and illnesses.

All of our business sites have been certified with the OHSAS 18001 accreditation (Occupational Health and Safety Management System). We continually call on each workplace to raise awareness about safety. Also, we are committed to safe driving based on risk management performed at each of our 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.

Thanks to our efforts to enhance the gender balance of the workforce, the percentage of women working at the Nestlé Japan Group has nearly doubled compared to 2010, reaching approximately 30%.

Moreover, we continue to work on initiatives aimed at reaching the goal of raising the percentage of female managers to 20% of all managers by 2020.

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. We also opened a company daycare centre called Nesurekko House at Kasumigaura Factory in 2012 and a nursery room called Nestlé Kids Room at Kobe Head Office in 2014.

In 2017, Nestlé Japan introduced an original white collar exemption program. This enables flexible work-style where employees can freely decide on their working hours and place of work. As a result, employees can choose a work-style under which they can produce the best results while maintaining work-life balance.

Every year Nestlé hosts events around the world in conjunction with International Women's Day on March 8. In 2017, Nestlé Japan held a roundtable talk for employees where board members and employees raising children took part as panellists to discuss diversity and inclusion.

Encourage safe driving

We are committed to practicing safe driving. As part of this commitment, we are working to completely eliminate automobile accidents at our business sites. This involves monthly monitoring of driving at each business site and having supervisors periodically ride along with employees who drive company-owned cars to check their safe driving habits.



Provide effective grievance mechanisms to employees and stakeholders

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.

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 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.

Additionally, we offer five-day summer internships to prospective engineers. Participants can acquire basic knowledge about the work of a plant engineer, through hands-on experiences, group work and presentations.

Nestlé Japan supports prospective recruits after they receive an unofficial job offer to create a career plan through the Nestlé Associate System. Prospective recruits (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. Prior to joining the company, associates work on innovative ideas directly linked to Nestlé's businesses using their fresh take as students and then present their results to executive management. Associates are able to grow and develop through marketing and practical work experience.

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 of Nestlé Japan have the opportunity to work at overseas offices, while Nestlé Japan hosts Nestlé employees from other countries.

Provide training on *Corporate Business Principles*, Nutrition, and Environmental Sustainability

Our perspective

Employees receive training in order to deepen their understanding and practice of the *Corporate Business Principles*. The company's intranet and newsletter are also used to periodically engage employees to raise awareness about their responsibilities as well.

Since 2007, Nutrition Quotient (NQ) Training has been held at Nestlé locations worldwide to educate employees about health and nutrition. In Japan, NQ Training is continuously given to all employees, including newly hired employees and employees involved in marketing and development. We also utilise various tools to increase employees' knowledge about nutrition.

As for environmental sustainability, Nestlé Japan conducts e-learning based training created by the Nestlé headquarters in Switzerland. In 2016, approximately 200 employees mainly from the Production Division completed this program.



NQ Training

Advocate for healthy workplaces and healthier employees

Our perspective

Nestlé advocates healthy workplaces and healthier employees to achieve our purpose of “enhancing quality of life and contributing to a healthier future.”

Nestlé Japan is promoting work-style innovation with the aim of achieving both work-life balance and improved productivity for all employees. This includes encouraging employees to take five consecutive days of paid leave and ensuring they leave work by no later than 7:00 pm. Also, for our sales departments, we have adopted a system that allows employees to go directly from home to customer meetings or return directly home from customer meetings to improve efficiencies. In 2016, we introduced a new work-style where employees are free to choose their working hours and where they work.

Nestlé Japan’s efforts to raise productivity and provide a flexible, employee-friendly workplace were recognised in 2016 with the top Excellence Award at the Kagayaku Telework Awards (Minister of Health, Labour and Welfare Commendation for Enterprises Promoting Telework).



Nestlé employees teleworking



Hoping to take full advantage of telework

Telework is garnering a great deal of attention as a work style that gets the most out of a diverse workforce and is one method for achieving a balance between work and childcare or family care, given the effective use of both time and place.

Nestlé Japan has achieved great success with telework, including raising the productivity of its employees and improving work-life balance.

We sincerely hope that Nestlé Japan will take full advantage of telework into the future.

Masakuni Hirashima
Manager, Workers' Life Division
Labour Standard Bureau
Ministry of Health, Labour and Welfare



Our initiatives to address social issues in Japan

Nestlé Japan always gives top priority to addressing social issues in its pursuit of creating shared value. This involves offering solutions to issues faced by a variety of stakeholders, including our customers.



Restore people-to-people connections in areas hit by a natural disaster

Following the major earthquake that struck Kumamoto, we have arranged for people in the community to meet and talk over a cup of coffee.

Our initiative to solve social isolation

Our perspective

Faced with an aging society and declining birthrate, Japanese society is undergoing many transformations affecting family structure, with a rise in people living alone and in small households, and more nuclear families than in the past. People also tend to communicate less with family members living away from them. This has caused increasing interest in products and services for checking on how these family members are doing.

NESCAFÉ GOLDBLEND BARISTA i is a next-generation coffee machine that helps connect people using IoT. The BARISTA i makes it possible for someone to know when a family member or friend with a BARISTA i enjoyed a cup of coffee and their mood simply by registering them on the “Friends” list of the NESCAFÉ app. This provides an opportunity for people to check up on their parents living far away or communicate back and forth with a friend. This also helps to connect people living far away over a cup of coffee.

Japan’s aging population and declining birthrate have also affected local communities. The number of local communities is declining due to changes in social environment and lifestyles, resulting in the loss of relationships that have been fostered in the communities and diluting the sense of community and connections.

In 2013, Nestlé Japan concluded a collaboration agreement with the City of Kobe in Hyogo Prefecture 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 May 2017, the nursing care prevention café is run voluntarily by local community members at around 60 locations in Kobe, contributing to the revitalisation of the communities.

NESCAFÉ AMBASSADOR

The NESCAFÉ AMBASSADOR programme is a service where participants use a NESCAFÉ coffee machine at their place of work or in their community. This programme seeks to promote more active communication through enjoyable conversations over a cup of coffee.



Revitalise local communities with NESCAFÉ

In 2016, Nestlé Japan concluded a collaboration agreement with Odate City in Akita Prefecture, marking the official launch of a community revitalisation project that aims to solve the issues facing Odate City with NESCAFÉ. Under this project, the NESCAFÉ Service Car equipped with a small kitchen and a refrigerated delivery car leased by Nestlé Japan will be used by a local vendor to sell Nestlé products such as NESCAFÉ as well as locally made prepared foods, noodle dishes, and boxed lunches to help address the problem of people living in rural areas that cannot access supermarkets or other stores. In March 2017, together with Kyushu TSUTAYA Co., Ltd., we began operating the ReaDrink WAGON, which offers a mobile café and library, in Shime Town, Fukuoka Prefecture. The goal is to use this mobile café and library to foster a sense of community and closer relationships between the people living there.



VOICE

Always filled with vitality and energy

We became a NESCAFÉ Ambassador after relocating from our old office. Unlike travel agents in the past, today there are many opportunities for us to use our critical thinking and knowledge to brainstorm new ideas and come up with solutions tailored to customer needs. Having a NESCAFÉ coffee machine has filled our office with vitality and energy, providing a unique new environment to really engage customers and improve our hospitality.

Kyoto Branch of Kinki Nippon Tourist Co., Ltd.
(NESCAFÉ Ambassador)





Our initiative to restore people-to-people connections in areas hit by a natural disaster

Our perspective

The community is an untold victim in any unprecedented large-scale natural disaster as residents are forced to live in temporary housing or move away to other areas. A community hit by a natural disaster must restore people-to-people connections and re-solidify the community in order to overcome the many challenges it faces. This process must begin by forging a new community in temporary housing through the efforts of the people living there who might not have known one another before.

The earthquake that struck Kumamoto in April 2016 caused widespread damages across the Kyushu region. Nestlé Japan began providing relief supplies and charitable donations from its employees immediately after the earthquake. Since then we have continued to support local communities affected by this disaster, including donating the entire proceeds from the sale of the NESCAFÉ GOLDBLEND BARISTA GACKT Model and launching nationwide sales of KITKAT Big Little Kumamoto Tea, in which charitable donations are included in the product price.

Today, we are actively donating NESCAFÉ GOLDBLEND BARISTA coffee machines and other Nestlé products to the assembly halls of temporary housing to encourage conversations between residents. As of May 2017, the number of temporary cafés in assembly halls is 45 in Kumamoto Prefecture.

Nestlé Japan will continue to assist communities affected by natural disasters to help out in any way possible.

Nestlé Purina Petcare

Nestlé Purina Petcare aims not just to be a pet food company, but a true pet care company by providing solutions for pets and pet owners. The company supports the healthy longevity of pets, ensuring a happy friendship between pets and their owners as a way of addressing issues facing society through pet ownership. Through such initiatives, Nestlé Purina Petcare delivers value added services that transcend a conventional food company.

The euthanasia of dogs and cats represents one of social issues concerning pets. Given this, in 2016 Nestlé Purina Petcare began working on ways to support activities for finding homes for cats in shelters.



VOICE

Temporary cafés where residents can casually meet one another and unwind

The temporary housing communities set up after the Kumamoto earthquake have assembly halls for the residents. To encourage residents to meet at these halls and converse with one another, we make use of coffee machines provided by Nestlé Japan. The issue of people dying alone in temporary housing has become a problem in communities affected by the Kumamoto earthquake. We can eliminate the sense of isolation people may feel if residents are encouraged to sit down together and talk over a cup of coffee. My hope is for these assembly halls to be transformed into temporary cafés where residents can casually meet one another and unwind.

Eishi Miyahara

Director, Kita Ward
Kumamoto City Social Welfare Council
(former Deputy Director of the Kumamoto Disaster Volunteer Center)



Our initiative to contribute to healthier lifestyles

Our perspective

Nestlé Japan considers matcha green tea to be its third pillar of business after coffee and chocolate, and proposes new ways to enjoy matcha green tea through various products and services. Matcha, which is receiving worldwide attention, represents a unique and healthy food that provides a larger amount of polyphenols than ordinary green tea when consumed.

In November 2016, Nestlé concluded a collaboration agreement on the promotion of Uji matcha with the Kyoto Prefectural Government. Under this agreement, activities have been commenced with an eye on research and raising awareness about matcha and health, by utilising the mutual strengths of both parties. We will now promote Uji matcha and its significant potential to be made into a brand not only in Japan, but internationally as well.

Looking forward, together with the Kyoto Prefectural Government, Nestlé will carry out activities dedicated to research and raising awareness about the health benefits of matcha to convey the attractiveness of matcha in terms of health to more and more consumers.



NESTLÉ WELLNESS AMBASSADOR

Nestlé Japan launched the NESTLÉ WELLNESS AMBASSADOR programme in March 2017.

This programme is a service for raising awareness on the nutritional elements we do not always get enough of and replenishing these nutrients with delicious matcha.

Nestlé will harness the experience and results from the NESCAFÉ AMBASSADOR programme to propose new healthy habits at home and at work.



VOICE

The collaboration agreement on the promotion of Uji matcha will help to promote the brand internationally

Kyoto Prefectural Government concluded an agreement with Nestlé Japan to promote Uji matcha and make Uji matcha into an international brand with the goal of communicating the charms of Kyoto to a worldwide audience.

The Yamashiro area in southern Kyoto Prefecture is the birthplace and major producer of Japanese teas including matcha, gyokuro, and sencha. We are now working to inscribe the Uji tea grown here on the Representative List of the Intangible Cultural Heritage of Humanity to convey its quality and cultural significance. We expect Nestlé Japan to play an important role in expanding Uji matcha internationally both from a cultural and business point of view.

Naohiro Maru

Manager, Uji Matcha Agriculture Section
Agriculture, Forestry and Fisheries Department
Kyoto Prefectural Government



Our Material issues

For more information about material issues, please refer to page 44 of the global section.

Assessment of material issues

Starting several years ago, Nestlé has identified issues facing its business and stakeholders and continually evaluated the materiality of each issue from a global perspective.

Nestlé Japan has identified material issues since 2015 taking into account the inherent social issues found in Japan. These material issues are revised every two years as with global material issues facing Nestlé. This year, we worked with CSR consulting firm Cre-en Inc. to carry out a re-assessment of material issues.

During this process, a survey was conducted targeting various expert stakeholders and people working at Nestlé Japan on 50 issues identified based on the latest trends in society and sustainability, including the UN Sustainable Development Goals (SDGs). Using the results of the survey, we re-assessed the materiality of each issue based on its effects on the businesses of Nestlé Japan.

Based on the results of the survey, we have updated the materiality matrix in which the materiality of external stakeholders is plotted on the vertical axis and the materiality of internal stakeholders on the horizontal axis. This materiality matrix shows the 20 issues with the highest degree of materiality for both groups.

The issues that Nestlé Japan will focus on have been categorised as follows:

- Food safety and security: Health and safety management in food manufacturing and distribution processes, food allergies/Halal/gluten free, food labelling fraud, etc.
- Nutrition, health and healthy diet: Over-nutrition, nutrition and health education, changes in dietary patterns, health of elderly people
- Addressing social issues in Japan: Aging population and declining birthrate, social disparities and poverty
- Responsible sourcing: Human rights and labour issues in the supply chain, traceability and transparency, etc.
- Fair and sustainable business practices: Compliance and business ethics
- Utilisation of human resources (human capital management): Diversity, human resources development
- Environmental conservation: Conservation and sustainable use of natural capital, reduction in food waste

The categories of “nutrition, health and healthy diet” and “food safety and security” are common issues identified globally as well. However, individual issues such as “health of elderly people” and “aging population and declining birth rate” are unique to Japan.

Nestlé Japan will now examine the actions it will take to address these material issues through direct dialogue with stakeholders based on the impacts that each issue will have on Nestlé Japan’s value chain.

Nestlé Japan materiality matrix

