

# Nestlé in Hungary Sustainability and Creating Shared Value Summary 2018



# Welcome

Dear Reader,



The publication you are reading briefly presents the actions we took in 2018 in terms of healthier nutrition, social and environmental sustainability.

The Creating Shared Value Summary of Nestlé Hungária highlights not only the Hungarian initiatives and achievements, but also all the global ambitions and activities of Nestlé. The pages of this Summary present everything we do daily at Nestlé to **enhance the quality of life and contribute to a healthier future**.

Nestlé has been present in Hungary for 30 years, currently being the largest Swiss investor and employer in the country. We strongly believe that the communities where we operate should profit as much as possible from our presence. The only way to ensure our success is to cooperate, contribute and create value for them – this is the approach Nestlé calls Creating Shared Value (CSV).

Our brands can be found in nine out of ten households. In compliance with this responsibility, we strive to offer a real contribution to solve the most urging social issues we encounter during our operations: the nutritional conditions of Hungarian children, the protection of the environment, the ever pressing problem of plastic use or the specific factors of the Hungarian labour market.

Throughout our work, we always aim to meet the expectations of our consumers, partners, associates, suppliers and our environment: we provide opportunities to create a healthier and happier life, promote the development of communities and strive to preserve our planet’s resources for the generations to come.

In order to achieve these goals, we constantly work on driving the widest possible cross-sector stakeholder cooperation. I hope that the achievements, goals and plans presented in this publication will not only demonstrate Nestlé’s long-term commitment in Hungary but will also help us to maintain a constant stakeholder dialogue.

On behalf of all Nestlé Hungária associates, I thank you for your trust and cooperation.

I am proud of our joint achievements and I am asking you to share your opinions regarding our performance, goals and plans.

I hope you will enjoy our summary report.

22 May 2019

**Péter Noszek**  
Managing director  
Nestlé Hungária Kft.

This publication was printed on 100% recycled paper.




# Creating Shared Value Overview, or what is this publication about?

At Nestlé, the “Creating Shared Value” approach is not only a core philosophy but it is also the foundation of our daily operation. We are aware that we can only achieve long-term success, if our operation is rooted in an ethical, legal, business compliance as well as a respect-based culture, which never undermines the wealth and well-being of others. In addition to our shareholders, we also need to cooperate with and create value for the entire society, including our consumers, local communities where we are present with our factories, our environment as well as the whole planet.

Our purpose is to enhance the quality of life and contribute to a healthier future for an increasing number of people worldwide.

To achieve tangible results, we focus our efforts to three particular areas where - due to our size and core activities - we have a significant influence.

In these areas, we have coordinated our business activities and social cooperation in line with the UN Sustainable Development Goals, and also identified certain global target numbers to be achieved by 2030.

For individuals and families 	For our communities 	For the planet 
1. Our 2030 ambition is to <b>help 50 million children worldwide to lead a healthier life</b> . Bearing our consumers’ expectations in mind, our product development projects allow us to offer tastier and healthier choices in Hungary as well. Our programs motivate people to lead a more balanced lifestyle while we increase and shape their knowledge concerning nutrition.	2. Our 2030 ambition is to <b>improve 30 million livelihoods in communities directly connected to our business activities</b> . In Hungary, we mainly focus on agriculture and rural development to ensure the well-being of our suppliers and the communities living in our operational environment. We continue the implementation of our Nestlé needs YOUth initiative, which allows us to provide internships and dual training opportunities for new graduates.	3. Our 2030 ambition is to strive for zero <b>environmental impact in our operations</b> . Plastic pollution is one of the most pressing issues regarding the environment. We have taken significant steps to recycle packaging materials, in which our Hungarian manufacturing capacities play a key role as well. We will continue reducing water consumption and the emission of greenhouse gases, as well as procuring the raw materials for our products in a responsible manner.

The next pages discuss in detail the long-term, value-creating activities **conducted by Nestlé Hungária in cooperation with the Hungarian stakeholders** to meet the highest expectations of social and environmental sustainability.

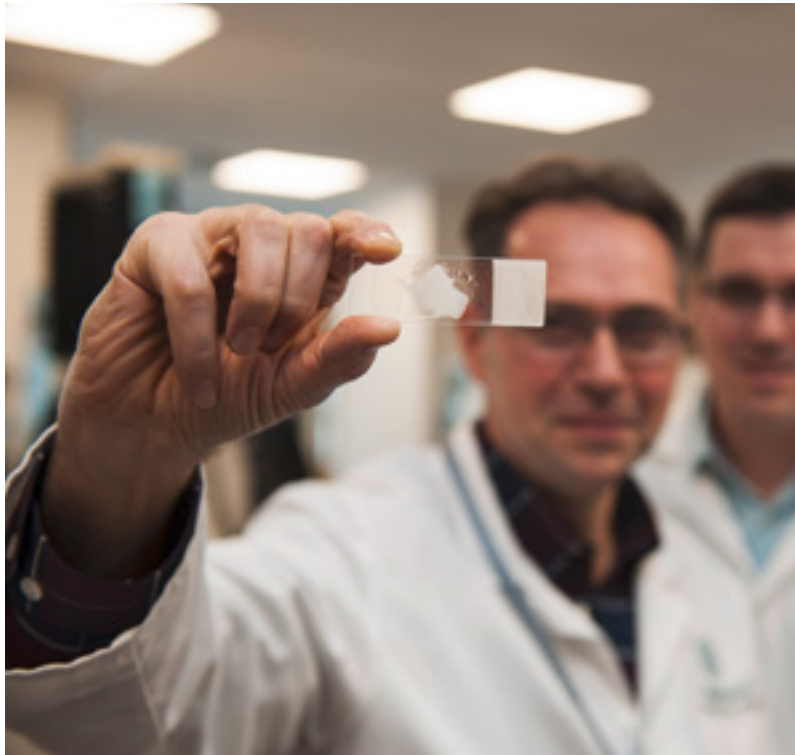
You can read more about the topics outlined in the summary report of the Hungarian achievements and our other goals at [www.nestle.hu](http://www.nestle.hu) and [www.nestle.hu/csv](http://www.nestle.hu/csv).  
Join our online community and follow us on Facebook: [www.facebook.com/nestleHU](https://www.facebook.com/nestleHU).  
To read more on our achievements and commitments, please visit our corporate website at [www.nestle.com](http://www.nestle.com) and click on our report “Creating Shared Value and meeting our commitments 2018” ([www.nestle.com/CSV](http://www.nestle.com/CSV)).



# Product development and nutritional commitments

As a leading food industry company, we aim to meet the ever-changing consumer expectations and the latest guidelines of nutrition science, so we can always offer increasingly tasty and healthy alternatives.

Nestlé’s research and development network, which is the largest privately owned R&D organisation in the food and nutrition sector, helps us in the design, finalization and product-level implementation of product development projects and innovations.



### World-leading innovation

In 2018, Nestlé researchers made a scientific breakthrough when they transformed the structure of sugar through a newly developed process using only natural ingredients. This landmark invention had its début in Nestlé’s iconic chocolate brand Milkybar in the United Kingdom and Ireland. With the help of this new technology, Milkybar Wowsomes has 30% less sugar than similar chocolate products and contains no artificial sweeteners, preservatives, colors or flavorings - while it tastes just as sweet as the conventional products. We presented this innovation to the participants of the Nestlé Hungária Food4Talk Conference in May 2018, where the stakeholders also had a chance to taste the product. We intend to continue applying this new technology in order to reduce sugar in our products for children in Hungary as well.



### NESQUIK All Natural


As of 2019, our Szerencs factory has been manufacturing the first NESQUIK cocoa powder in recyclable paper packaging. Wrapped in environment-friendly packaging material, NESQUIK All Natural contains five natural ingredients.


In addition to its higher cocoa content, the new version has less sugar than the classic NESQUIK cocoa powder and is made with raw cane sugar instead of refined sugar. As per the targets of the Nestlé Cocoa Plan, the cocoa is responsibly sourced from West Africa and is UTZ Certified just like any other NESQUIK product.


# Nutritional commitments in Hungary


In order to promote healthier nutrition and more balanced lifestyle for Hungarian families, we have made 10 + 1 commitments that we always bear in mind throughout our work conducted in Nestlé Hungária.


- 1


 **REDUCE** THE SALT CONTENT IN OUR PRODUCTS
- 2


 **REDUCE** THE ADDED SUGAR CONTENT IN OUR PRODUCTS
- 3


 **REDUCE** THE SATURATED AND TRANS FAT CONTENT IN OUR PRODUCTS
- 4


 **INCREASE** THE WHOLEGRAIN CONTENT IN OUR PRODUCTS FOR CHILDREN AND OPTIMIZE THEIR MINERAL AND VITAMIN COMPOSITION
- 5


 **DEVELOP PRODUCTS** FOR INDIVIDUALS WITH SPECIAL NUTRITION AND CONSUMPTION NEEDS
- 6


 **DISPLAY PORTION RECOMMENDATION AND NUTRITIONAL VALUE DATA** ON OUR PRODUCT PACKAGING, TO HELP OUR CONSUMERS MAKE CONSCIOUS DECISIONS.
- 7

 **ADVERTISE RESPONSIBLY**
- 8

 **PROMOTE AND SUPPORT** HEALTHY DIETS AND EXERCISE
- 9

 **RUN EDUCATIONAL PROJECTS** ON INFANT NUTRITION
- 10

 **SUPPORT** THE ASSESSMENT AND SURVEY OF CHILDREN'S FOOD INTAKE
- +1

 **OUR NESTLÉ INSTITUTE OF HEALTH SCIENCES** CONDUCTS BIOMEDICAL RESEARCH



### Salt reduction and refined recipes

We have reduced the salt content of our MAGGI products by 8% on average since 2013. Furthermore, the MAGGI line has 33 products containing only ingredients that are familiar and can be found in everyone's kitchen. It means that 28% of our commercially available portfolio already has this refined recipe.

### Cereals with reduced sugar content

The added sugar content of our children's cereals has dropped by 23% on average since 2013. In 2018, we also reduced the sugar in our NESQUIK Alphabet cereal, which now contains at least 30% less sugar than the average content in the commercially available chocolate and cocoa cereals for children.

We apply a special sugar-reducing technology to puffed cereals: the sugar content on the external surface of the flakes remains unchanged but their inside only contains minimal quantity of added sugar. Since the taste buds on our tongue meet the sweet coating first, the cereal causes an equally sweet sensation despite the reduced sugar content.





### NESQUIK products with reduced sugar content

The NESQUIK cocoa powder with reduced sugar content has been available in Hungary since 2016. The added sugar content of this product was reduced by over 50%, so the overall sugar content of the cocoa beverage is at least 30% lower than the average sugar content of the other current, commercially available cocoa drinks. The ready-to-drink cocoa beverage with a reduced sugar content arrived in Hungary in 2018. Its sugar content is at least 30% lower than the average level in most commercially available UHT cocoa milk drinks.

### Whole grain

Our cereals for children have whole grain as their number one ingredient but are also enriched with nine added vitamins and minerals. Since the end of 2018, our cereals only contain natural aromas.



### Nyisd ki a Nestlét (Opening Nestlé up)

The #NyisdkiaNestlét campaign was launched in 2017 on our [www.igyteljesazelet.hu](http://www.igyteljesazelet.hu) website, with informative articles and videos. The objective is to give an insight into the behind-the-scenes work of Nestlé Hungária so that we can show each consumer how and from where our products are delivered to their tables. In cooperation with dietetic experts and professional partners, we share useful information with our consumers on healthy nutrition that fully complies with the latest trends and guidelines in nutrition science.

Thanks to the second phase of the campaign, we had over 1,890,000 page views and nearly 912,000 individual visitors on our website in 2018. The most popular article in the Nyisd ki a Nestlét column was the "Facts and myths about sugar" educational content with nearly 12,000 views.



### KITKAT Ruby

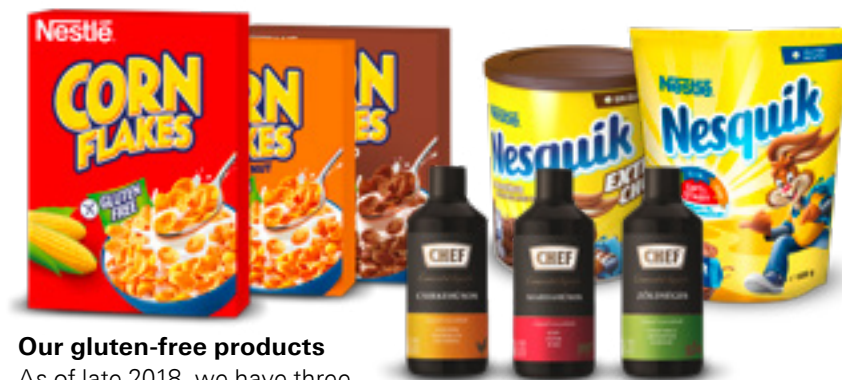
In 2018, Hungarian consumers were among the first in Europe to taste our world-leading confectionery coated with ruby chocolate: the KITKAT Ruby.

Jointly developed by the Swiss Barry Callebaut and Nestlé, this product is made of naturally pink Ruby cocoa bean - without any added artificial flavour or colour. Just like in the case of any other KITKAT products, the cocoa beans come from 100% sustainable sources.

### A major milestone in infant nutrition

Human milk oligosaccharides (HMOs) are a major milestone in infant nutrition. Of the solid components in human milk, the group found in the third largest quantity is that of the HMOs (1- 6)\*. Thanks to the development of biotechnology, it is now possible to reproduce such HMOs as 2'FL and LNnT, which have a completely identical structure with human milk oligosaccharides (7-10)\*. As bioactive components, HMOs have a key role in supporting the immune system (3- 6)\*.

In compliance with WHO's recommendations, Nestlé fully supports the exclusive breastfeeding of babies up to 6 months as well as the provision of complementary foods with continued breastfeeding, based on the advice of paediatricians or other healthcare professionals.



### Our gluten-free products

As of late 2018, we have three gluten-free CornFlakes products in the market but our NESQUIK cocoa drink powder, the crispy rice filled NESQUIK milk chocolate bar, as well as our CHEF products made for public caterers are all gluten-free as well.

\* HMO references: 1. Zivkovic et al. Functional Food Reviews. 2013;5(1):3-12, 2; Kobata A. Structures and application of oligosaccharides in human milk. Proc Jpn Acad Ser B Phys Biol Sci. 2010;86:731-747; 3. Ballard O, Morrow AL. Pediatr Clin North Am. 2013;60:49-74; 4. Rudlof S, Kunz C. Adv Nutr. 2012;3:398S- 405S; 5. Hennen T et al. Swiss Med Wkly. 2014;144:w13927; 6. Borgstöm B et al. J Clin Invest. 1957;36:1521-1536; 7. EFSA Panel on Dietetic Products, Nutrition, and Allergies (NDA). EFSA Journal 2015;13:4184; 8. EFSA Panel on Dietetic Products, Nutrition, and Allergies (NDA). EFSA Journal 2015;13:4183; 9. US FDA, GRAS Notice No 650; 10. US FDA, GRAS Notice No 659>

To read more about our nutritional commitments, achievements and product developments, please visit our websites [www.nestle.hu](http://www.nestle.hu) and [www.igyteljesazelet.hu](http://www.igyteljesazelet.hu).





# Nestlé for Healthier Kids Program

Our 2030 ambition is to help 50 million children worldwide to lead a healthier life.

We are aware that the formation of the appropriate nutrition and lifestyle habits begin in early childhood. Operated on a global scale, the Nestlé for Healthier Kids Program coordinates all efforts we make worldwide in order to develop a healthier nutrition and a more balanced lifestyle for children and their families. Our related product development projects and innovations, our nutrition science research as well as our lifestyle programs to promote nutritional knowledge are implemented in the framework of this initiative in Hungary as well.



**GYERE – Gyermek Egészsége Program® (Children’s Health Program)**  
The joint study of Nestlé Hungária and the Hungarian Dietetic Association (MDOSZ) in 2014 revealed that the lifestyle of Hungarian children in the age group 4-10 is characterised by bad eating habits, early obesity, and the inadequate or the excessive intake of certain nutrients. Based on the findings, with the professional leadership of MDOSZ and the exclusive sponsorship of Nestlé Hungária we launched the GYERE® Program in Szerencs in 2015.

**Our achievements:**  
With the help of the professional organization, we have contributed to the health development of over 2200 children by June 2018, allowing them to learn the basics of healthy nutrition and lifestyle in school courses coordinated by dietitians. The results measured at the end of the three-year program showed that overweight and obesity in the analysed 6-12 age group remained stagnant but the children’s knowledge on healthy nutrition was enhanced significantly. The high-risk group of 11-12-year-old girls demonstrated a decrease in overweight and obesity.

**Next phase:**  
The program is maintained in the 2018/2019 academic year also, as 700 students of Szerencs’ two primary schools have been involved in the education project with the six new themes since September.



**Péter Noszek**  
Managing Director  
Nestlé Hungária Kft.

**Jolán Kubányi**  
President  
Hungarian Dietetic  
Association (MDOSZ)

**dr. Krisztina Bíró**  
Deputy Head of  
Department Ministry of  
Human Capacities (EMMI)

With the professional leadership of MDOSZ and the exclusive sponsorship of Nestlé for Healthier Kids Program, the GYERE® Program was launched in Diósgyőr in October 2018. This new initiative will reach out to 3000 children in the next three years. **Our 2019 ambition is to involve 4000 children in our health education programs in Northern Hungary and reach out to 35 000 children in other regions by 2030.**

You can read further information about the GYERE® Program on the MDOSZ website at [www.mdosz.hu](http://www.mdosz.hu).

**Food4talk Conference**  
Nestlé Hungária’s annual stakeholder event was held for the third time in 2018. At the conference, we officially announced the launch and goals of the global Nestlé for Healthier Kids Program, in terms of which we involved many stakeholders to discuss the Szerencs results of the GYERE® Program. Presenting the products supporting a healthier lifestyle for children, the associate of Nestlé’s central research institute talked about how the new sugar structure was developed and how it was implemented at product level. The event was attended by nearly 80 participants invited from such governmental, professional and industrial organizations as the Ministry for National Economy, the Ministry of Agriculture, the Chamber of Agriculture, the National Institute of Pharmacy and Nutritional Health, the Federation of Hungarian Food Industries and the Hungarian Dietetic Association. The conference greatly contributed to the positive review by the decision makers, who evaluated Nestlé’s stakeholder management activity as outstanding in their non-representative 2018 survey.



In 2018, the Szerencs and Diósgyőr kindergarden and primary school pupils who participated in the GYERE® Program were each given a pack containing a PE bag, a water bottle as well as the new Hungarian MDOSZ-developed Okostányér® (“Smartplate”) nutritional guideline and education material on hydration. Designed for high school students, our MDOSZ-endorsed Eatself education program also finished this year, enabling us to convey our messages on healthy lifestyle to over 1000 adolescents.



**Participation in the SPAR Marathon**  
Nestlé Hungária is a regular sponsor and participant of Budapest’s SPAR Marathon. Organized as part of the event, the 500-metre Nestlé family run allowed children to experience their first running race and take a liking to exercise. In 2018, over 1700 participants ran this Nestlé family distance. With the help of our dietitian and our MenüMérleg innovation, nearly 10 000 visitors learned more about balanced diet after the race at the Nestlé tent. In addition, we handed out nearly 2000 Nestlé board games, so that competition visitors and their families could learn more about the latest nutritional science trends and the importance of exercise. **Our 2019 ambition is to involve at least 1000 participants and their families with an eDM registration.**

To read more about the Nestlé for Healthier Kids Program, please visit: [www.nestle.hu/egeszsegesebb-gyerekekert](http://www.nestle.hu/egeszsegesebb-gyerekekert)



# PURINA in society

We believe that healthy pet nutrition forms a vital part in the well-being of families. In cooperation with our partners, we conduct permanent research to provide a balanced diet for dogs and cats. Also, our social programs promote responsible pet ownership in Hungary.



### Favourable product composition for balanced nutrition

We offer a range of products to ensure the appropriate choice for pets with different nutritional and caring needs. We endeavour by way of our product ingredients to help pet owners in providing a balanced and healthy diet for their pets. Our Bük factory puts out products that fully comply with these requirements. The establishment is a key pet-food manufacturing centre in Europe.

Over 90% of the Bük products are made for export markets, which have significantly been expanded over the past years: at present, the factory supplies 42 countries.



As far as cats' eating habits are concerned, they prefer consuming a smaller amount in one sitting so they tend to leave some of the served food, which they do not consume later, either. GOURMET MON PETIT products are portioned in the size that cats typically prefer to eat in one meal, so there is no leftover in the bowl.

In 2018, we removed all added artificial colour from FRISKIES and DARLING products, so none of the currently available PURINA products contains any added artificial colour.



### BEYOND® product line

BEYOND® dog food products contain 9 key ingredients and minerals that owners know and trust while their pets can enjoy them, too. BEYOND® products are made in compliance with 50 different regulations, including the requirement on Hungarian raw materials of excellent quality. The food recipes were developed relying on the knowledge of hundreds of pet nutrition experts.

We believe that grains play an important role in canine diets, but we also know that some dog owners are reluctant to feed wheat to their pets. That is the reason why BEYOND® products contain a combination of whole grain barley, rye and rice, which allow a more balanced energy release than other carbohydrate sources. The products contain no added artificial colour, flavour or preservatives.



In 2018, we published four issues of GONDOS Gazdik Magazine in 25 000 copies. Our ambition was to support responsible pet owners with professional advice, personal accounts and best practices.

### Responsible pet ownership

HEROSZ Animal Shelter has been a key partner for PURINA since 2011. The primary goal for our joint programs is to call public attention to responsible pet ownership, improve the living conditions of dogs and cats at animal shelters, and help them find a loving owner as soon as possible.

In 2018, we provided the Budafok and Szentés HEROSZ shelters with dog and cat food worth HUF 7.7 million in total - which meant nearly 30 tons or 105 portions of products altogether. In addition, we supplied workwear and tools for the shelter employees to help the establishment's daily operation. We also provide the new owners with a start-up package for each adopted dog or cat.

For further details, please visit our website at [www.purina.hu](http://www.purina.hu).

### PURINA Pets@Work

Since 2017, our associates have also been allowed to bring their pets to the Budapest head office, so they don't have to give up their time spent together.





# Nestlé needs YOUth

Youth unemployment is a worldwide problem. While it contributes to global impoverishment, more and more industries suffer from the lack of properly skilled labour simultaneously. As a key food industry player and employer, we believe in providing work experience for the next generation. In the scope of our Nestlé needs YOUth program, we have been helping the young generation all over the world - including Hungary - to gain the relevant knowledge and skills before entering the world of work.



### Alliance for Youth Initiative

As an initiative across the business sector, government and education, our Alliance for Youth partnership has been running in Hungary since 2014. In addition to Nestlé Hungária, the program is now backed by 16 other companies. All together, we organize courses in career planning, practical skills development and job search. Our goal is to provide the young generation with the necessary knowledge to become future leaders, creative pioneers of our companies, successful entrepreneurs and key figures - regardless the area or position they work in.

### Vocational skills study tour

In cooperation with the Embassy of Switzerland in Hungary, we organized a Swiss study tour as a registered event of the European Vocational Education Week in November 2018, which was attended by key government representatives and leaders of education institutions. The main goal was to aid the development of competitive professional education programs for European youth and contribute to a successful Hungarian vocational education reform. We believe it is vital to establish and regularly maintain relations between schools and corporations and develop an efficient PPP (public-private-partnership) model. As another key objective, our local programs also aim to involve SMEs in vocational education as well as to aid underdeveloped regions.

### Dual vocational education and training

Skilled labour shortage afflicts our factories most. Backed with the support of the Mayor and the Vocational Training Centre of Szerencs, in 2018 we applied for the introduction of dual vocational programs in Szerencs. The three agreement signatories - Nestlé, Szerencsi Bonbon Kft, and Halász Produkt Kft – pledged an active role in the VET training program in the agreement.

Similarly to the training that started in Diósgyőr in 2016, our aim is to promote the employment of disadvantaged youth and the succession of our retiring professionals, primarily confectionery producers, electronics technicians and production line machine setters. Our ambition is to facilitate the intermediate certification of some 300 young people in Szerencs in the next 5-10 years. The three companies in the partnership will be ready to employ 80% of them in place of the retiring employees.

A total of 31 people attended the dual vocational training programs in our factories until the end of 2018.



**Enikő Kovács**  
Vocational Training Centre of Szerencs,  
Director General  
**Tibor Nyíri**  
Mayor of Szerencs  
**Hélène Kovalevsky**  
Factory Manager, Nestlé Szerencs Factory



### Academic course

We continued our program launched in partnership with Szent István University in 2017 for students specialising in food trade. During the training, our colleagues from diverse business areas provide students an insight into Nestlé operations and the specialities of the food industry. The visits to our factories and offices offer a first-hand experience of the world of Nestlé. We extend the initiative in 2019 by involving the senior manager of Nestlé Hungária as mentors.

We supported the publication of a niche coursebook on clinical dietetics edited by dr.Tatjana Ábel at the Department of Dietetics and Nutrition Sciences, Faculty of Health Sciences, Semmelweis University. The coursebook is primarily intended for students of dietetics and graduated dieticians, but future health visitors, physiotherapists, public health inspectors and nurses can also profit from the material. The book is available online and is downloadable for all professionals.

### Student Agent Team program

Our recruitment program launched in 2016 was extended last year, now including Szent István University, Budapest Business School (BGE), Faculty of International Management and Business and the Budapest University of Technology and Economics (BME) to engage students in the life of Nestlé. Until the end of 2018, 248 trainees gained experience at Nestlé Hungária.





# Our factories, our suppliers and local communities

Nestlé Hungária is currently the largest Swiss employer and investor in Hungary with over 2,400 employees in our three factories – in Bük, Diósgyőr and Szerencs –, the Budapest head office and the sales force. Thanks to the product development and production capacities, our factories play in important role within the Nestlé group.



The products from our factories are sold all around Europe and the world. The recipes reflect cultural differences and local preferences. All raw materials we use meet the same high quality and safety standards. Therefore, wherever we distribute our products, we aspire to offer our consumers the best quality and taste experience.



The head office of Nestlé Hungária with more than 300 people working both full-time and part-time in marketing, sales, business and support functions is located in Budapest. The following product categories are currently present in the Hungarian market: pet food, confectionery, coffee and cocoa based powdered beverages, dairy products, infant nutrition, cereals, culinary, professional (HORECA) products, and special healthcare food products.

## Szerencs

The Szerencs factory is the regional production and filling plant for coffee and cocoa powdered beverages in Central Europe, supplying almost 30 countries with products - including NESQUIK OptiStart which is distributed in 20 markets, or the NESCAFÉ 3in1 that was developed here for the European market in 2002 and has been in production ever since.



## The Szerencs factory in numbers:

- In the past years, Nestlé has completed investments totalling HUF 5.5 billion in the factory.
- The factory has over 500 employees.
- In 2018, the factory produced more than 32 000 tonnes of products of which 80% were exported.
- The Szerencs factory products are available in 24 countries.

## Regional sensory lab

In addition to the quality assurance test laboratory, the soluble powdered beverage category CEE regional sensory testing centre is also located in the sensory lab at the Szerencs facility, where a qualified team of independent experts carry out the tests associated with product development and quality, running objective comparisons on the samples at hand. The sensory lab is very important for Hungary, as having a dedicated sensory laboratory in every market is not a general feature in the Nestlé world. Consequently, the lab processes orders from Hungary, the Czech Republic, Slovakia, Poland, Romania and the Baltic states for the soluble coffee-, coffee mix- and soluble powdered cocoa beverage categories.





**The “Szerencsi” trademark**

Nestlé acquired the historic Szerencsi Csokoládégyár (Szerencs Chocolate Factory) almost 30 years ago turning it into the regional coffee and cocoa powder production hub at the end of the 90s. As Nestlé Hungária Kft. did not use of its proprietary “Szerencsi” trademark on its confectionery products anymore, in December 2018 we transferred this right to Szerencsi Bonbon Kft so that the town of Szerencs may continue to proudly cultivate its chocolate making tradition. According to the trademark use agreement, now only a local family enterprise – Szerencsi Bonbon Kft. – is authorised to distribute confectionery products with the “Szerencsi” trademark, and the family owned company becomes the exclusive successor for producing Szerencsi chocolate.No other large company has ever made such a gesture of goodwill in Hungary, so this act significantly improved the company reputation in the region. For initiating and preparing the trademark transfer, the Corporate Affairs and Confectionery teams received the We Make Nestlé award in the “Purpose and Values” category.



**dr. István Takács** Szerencsi Bonbon Kft.    **István Nagy** Minister of Agriculture    **Péter Noszek** Managing Director    **Tibor Nyiri** Mayor of Szerencs    **Ferenc Koncz** Member of Parliament

**The Diósgyőr factory in numbers:**

- The Diósgyőr factory completed investments over HUF 2 billion worth since 2011.
- The factory has over 700 employees.
- In 2018 the factory produced more than 3700 tonnes of products of which 88% were exported
- The Diósgyőr products are available in 20 countries.

**Diósgyőr**

The Diósgyőr factory is the only factory in the Nestlé Group specialised exclusively in the production of hollow chocolate figures, made of genuine chocolate. In the production of these chocolate figures, we also focus on supporting the balanced diet of consumers: we harmonised the weight of single portion figures and always indicate portion guidance on the chocolate multipacks.



**Bük**

In 1998, Nestlé acquired Jupiter Állateledel Gyártó Kft with the licence rights of the DARLING brand and the Bük factory. The PURINA factory is the Central-Eastern European hub of Nestlé’s pet food production operation, and has celebrated its 20th anniversary in 2018.

**The Bük factory in numbers:**

- Nestlé has completed investments totalling HUF 66 billion in the Bük factory in the past 20 years.
- The factory has 920 employees
- The factory produces almost 200 thousand tonnes of pet food per year - 50 trucks of finished products leave the facility every day.
- More than 90% of the production goes for exports to 42 different countries.

**Unparalleled manufacturing process**

The Bük factory has 40 world class robots working on the production line. The new plant began operation in 2017, following a HUF 20 billion investment. It is fully automated using a globally unique technology. The project was completed in two years with the participation of 290 vendor companies.





Our suppliers

Nestlé Hungária and Nestlé’s global sourcing network purchase over HUF 50 billion worth of materials and services from Hungarian companies. In 2018, 70% of Nestlé Hungária’s suppliers were Hungarian enterprises.



Agricultural raw materials and suppliers

The majority of sugar used in our Szerencs factory, or the corn, wheat, barley, rapeseed and meat delivered to the Bük factory are all from Hungarian suppliers. The excellent quality of Hungarian agricultural raw materials, as well as the strictly controlled and audited processes qualify these enterprises to be part of Nestlé’s European pool of suppliers as well. Besides the domestically sourced raw materials, our export operations also significantly contribute to the competitiveness of the Hungarian national economy. Due to its regional production capacity, Nestlé Hungária’s export volume is fifteen times larger than its imports.



Our Bük factory uses almost 140,000 tonnes of ingredients (meat products and grain) every year, of which 60% is sourced in Hungary.

In 2018, Nestlé sourced 90,000 tonnes of Hungarian grain to be processed in the Hungarian and Italian PURINA facilities. Among others, the BEYOND line contains a large proportion of Hungarian grain.

In our Szerencs factory we use sugar made from Hungarian sugar beet. Our domestic supplier has delivered almost 110,000 tonnes of bulk white granulated sugar since 2010, 14,400 tonnes in 2018 only. They also supply other Nestlé units outside Hungary.

Donations and partnerships

Being the largest global food and beverage company, it is inherently important to support organisations striving for the elimination of food shortage or food waste through donations, voluntary work and other partnerships. We have cultivated years of strategic partnerships with national organisations like the Hungarian Red Cross or the Hungarian Food Bank Association. The professional competence of these organisations guarantee that our contributions go where they are needed most.

Smile to Hospitals – Charity Santa Claus Run

We joined the Smile to Hospitals charity run as sponsors organised in December 2018 by NGOs. The initiative raised awareness regarding the power of smile, empathy and human acts of kindness. As the partner of MDOSZ, the Hungarian Dietetic Association, Nestlé Hungária supplied gift packages for the event that were delivered to five hospitals.



On behalf of Nestlé, Márta Kispál delivers the gift to Ildikó Buncsik, director of the Red Cross Budapest Unit and Mariann Váradi, professional Head of Health Improvement at the Hungarian Red Cross.

The Hungarian Red Cross Nestlé Fund

The open-end charity fund established in 2008 is supporting children with health problems around the country. Children’s conditions often drain the family of its resources, making finding and founding the right treatment difficult. The Hungarian Red Cross Nestlé Fund focuses on promoting the recovery of ill children, focusing on the financial support of the family. In 2018, the grant amount was HUF 1,500,000. However, the twenty two families, whose applications were accepted, were awarded a total of HUF 2,315,302, which is higher number than our annual contribution. We also organised a charity collection among our employees last Christmas whereby we supported three institutions with development tools and toys.



- Noémi Csóka**  
Corporate Communications Manager, Nestlé Hungária
- Balázs Cseh**  
President, Hungarian Food Bank Association
- Adrienn Nagy-Peidl**  
Community and CSR Manager, Tesco-Global Áruházak Zrt.

Hungarian Food Bank Association

Nestlé Hungária has been the strategic partner of the Hungarian Food Bank Association since 2008, donating the Association products worth HUF 34,525,736 in total in 2018. We launched a joint campaign with TESCO in October 2018, acting together against food waste. We offered 1% of the value of our products – a total of HUF 5,570,344 – purchased in TESCO during the campaign. At the end of the campaign period, TESCO also added 1% to this donation. The Food Bank used the whole amount (HUF 11,200,000) for the logistics and transport of 200,000 food packages to those in need.



# Environmental sustainability

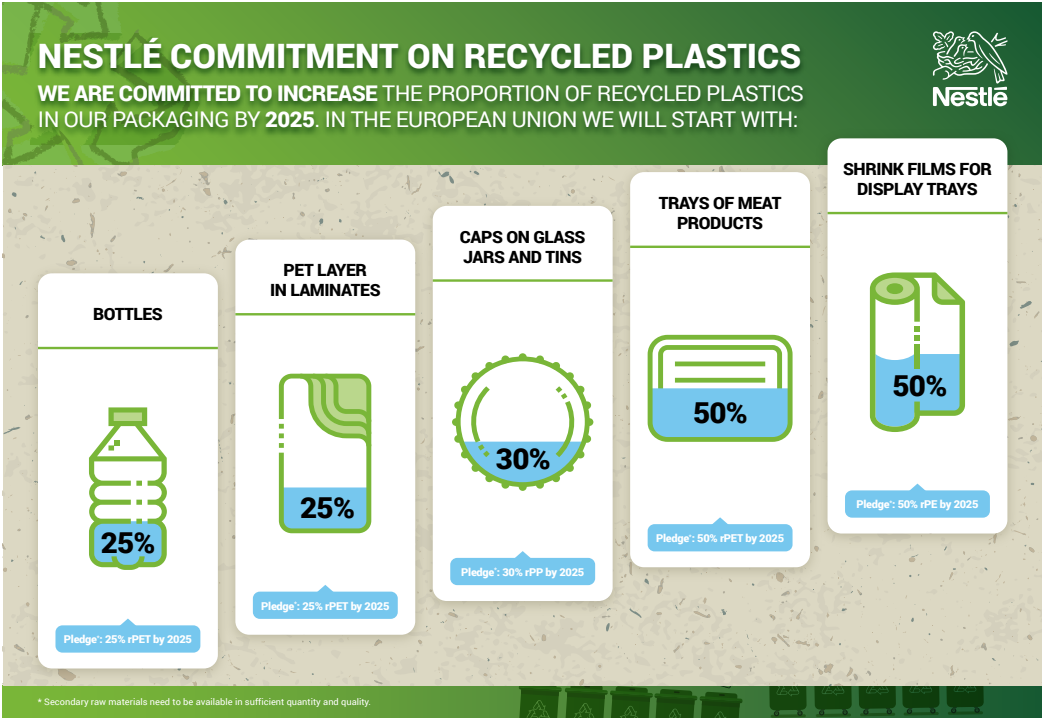
At Nestlé, we endeavour to preserve the decreasingly available resources of our planet for future generations. It is our responsibility to maintain a sustainable operation across the whole value chain, being mindful of the condition of forests, soil, natural waters and climatic factors. For this purpose, we apply the product life cycle approach from designing, producing and transporting our products globally, consequently in Hungary as well.

**Our 2030 ambition is to strive for zero environmental impact in our activities.**

We identified actions and targets for this purpose in areas such as the prudent use of natural resources, efficiency increase of our operations, response actions to climate change and the reduction of food waste.

**Plastic use and recycling**

In compliance with the goal set by the global head office in 2018, Nestlé undertook to make 100% of its packaging recyclable or reusable by 2025 all around the world. We are going to increase recycle plastics in our plastic packaging used in the European Union by 2025 to contribute to the voluntary pledge of the European Commission on recycled materials as follows:



We have other options besides recycling to prevent the packaging of our products from landing and accumulate in the environment as waste. We intend to increase biodegradable or compostable packaging. In 2018, Nestlé announced the creation of the Nestlé Institute of Packaging Sciences, dedicated to the discovery and development of functional, safe and environmentally friendly packaging solutions.



NESQUIK All Natural, the first cocoa powder in recyclable paper packaging is produced in the Szerencs factory. The pouch is made of paper recyclable in the paper stream. The paper is from sustainable sources, certified by the Forest Stewardship Council (FSC). The pouches have been extensively tested to make sure they keep the NESQUIK powder in perfect condition during transport and storage.

As of 2017, customers can return their used Nespresso capsules with a courier free of charge, a unique solution in Hungary. Collected used capsules are recycled in a special processing unit developed by a Hungarian company, separating the aluminium capsules and the grounds. Coffee grounds are used in agriculture as part of the composting process, while the aluminium parts are recycled in part in Hungarian aluminium production. Moreover, the designers of globally renowned Typton Eyeworks designed unique eyewear collections in 2018 for Nespresso where all the frames were made from recycled capsules. The glasses were inspired by the Nespresso Kazaar, Dharkan, Roma and Livanto capsules. A limited number of exclusive, custom designed frames were produced, but were not available commercially.

Further information about capsules recycling is available at [www.nespresso.com/hu](http://www.nespresso.com/hu).







**Water management**

We constantly strive to further reduce the water consumption of our facilities and offices.

Since 2010, we have reduced water use in production by 53% and 29% in our Szerencs and Diósgyőr factories. Last year we used 1.66 m<sup>3</sup>, 0.31 m<sup>3</sup> and 2.37 m<sup>3</sup> of water per tonne of production in Bük, Szerencs and Diósgyőr.

In compliance with the global Nestlé commitments, we began to work to accelerate our water stewardship program.



**GHG emissions reduction**

We have utilised renewable energy resources and green electricity in our Hungarian factories since 2017, which effectively eliminated all CO<sub>2</sub> emissions from electricity in our factories.

According to the end of the year data of 2018, the annual CO<sub>2</sub> emission of our Szerencs factory decreased by 72%, and that of the Diósgyőr facility decreased by 90%.

The steady expansion of the plant and the start-up of the second production line in the Bük factory increased the CO<sub>2</sub> emission proportionally in 2018.

**Sustainably sourced raw materials**

Ensuring farmers’ productivity and crop yields on the long run in response to climate change challenges is key in sourcing our ingredients.

In line with Nestlé’s global commitments, it is highly important in our regional coffee and cocoa powder production and filling plant in Szerencs to source the raw materials for our products from responsible suppliers and sustainable sources.



**NESCAFÉ Plan: coffee from controlled certified sources**

The NESCAFÉ Plan initiative aims to facilitate future coffee production by making coffee sourcing transparent and focusing on communicating with farmers, their working conditions and labour rights. Last year, 55% of the world’s total NESCAFÉ stocks came from certified sustainable sources – our aim is to steadily drive this rate higher. We launched the Grown Respectfully program last year to communicate the work of our NESCAFÉ Plan and share farmers’ inspiring stories with consumers.

**Nestlé Cocoa Plan**

The Cocoa Plan aims to promote the development of cocoa growing, ensure fundamental human rights to improve the profitability and livelihood of farmers and to enable access to education for their children. This makes Nestlé a committed member of UTZ, the world’s largest program pursuing the sustainability of cocoa production and use. By sourcing UTZ certified cocoa beans, we promote the long-term productivity of arable lands, and the improvement of the local farmers’ living and working conditions, thereby eliminating child labour and forward gender equality.

Nestlé distributes NESQUIK cocoa powder made in the Szerencs factory in nearly 20 countries using cocoa beans from 100% UTZ certified farms. These products all bear the pledge of Nestlé Cocoa Plan and the proprietary symbol of UTZ.

Further information about the responsible sourcing of our raw materials is available at [www.nestle.com/csv](http://www.nestle.com/csv).