

Nestlé Hungária Kft.
Sustainability and
Creating Shared Value
Report
2010





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1. Welcome



Dear consumers, partners and colleagues,

Thank you for reading Nestlé's 2010 report on Sustainability and Creating Shared Value.

It is important for us to maintain, and, wherever possible, enhance our activities aimed at sustainability and creating shared value, even in the present economic situation. We are happy that we have been able to maintain the size of our Hungarian workforce despite the long economic crisis; we still employed more than 1300 people in the country in 2010 and we created

another 200 workplaces by opening our new factory in Bük in 2011.

Our most important goal is to provide products that contribute to a healthy lifestyle and a balanced diet. Continuing our previously established practice, we renovated the recipes of 38 products in 2010 in the interest of nutrition science or health development, such as reducing sodium content and usage of food additives (e.g.: MSG), promoting healthier food preparation or supporting responsible consumption of snacks.

The number of products that have gone through our special 60/40+ product development programme is constantly increasing, and consumers can now find ingredient and health impact related information on the labelling of more and more Nestlé products.

In 2010, we brought numerous new products to market. These include the NESCAFÉ Green Blend coffee with natural polyphenols. A new version of our most popular bouillon, the Maggi Tyúkhúsleves kocka reached consumers during the year, which contains 40% less salt and 45% less fat.

We continued the Nutrikid programme – which has also received recognition from experts – and supplemented it with a school health education survey in 2010. We are happy that in the 2011-12 school year, 60,000 schoolchildren will receive the Nutrikid exercise book and learn about the healthy diet.

With regard to our factories in Hungary, we are especially proud of the fact that in the Szerencs (powdered

beverages) and Diósgyőr (hollow figure) factories, there were no accidents causing any lost work hours in 2010. We will continue our behaviour-based labour safety programme in our factories, which is one of the main reasons for our good results. The safety of our employees remains one of our main priorities.

We have managed to further reduce the water consumption of our factories, both in absolute numbers and per tonne of product: compared to 2006, the total water use has been reduced by 32%.

Please see the details on the following pages, and contact us if you have any questions or suggestions.

Andrea Zambelli
Managing Director



2. About the Report

You are reading the Sustainability Report of Nestlé Hungária. The report and the information contained pertain to the calendar year 2010, except where otherwise indicated. Previous reports are available on www.nestle.hu.

The Content of the Report

In compiling the content of the report, GRI (Global Reporting Initiative, the most widely adopted sustainability reporting standard in the world) guidelines and indicators were taken into consideration on the one hand, and on the other, the important results and critical issues that the organization's managers feel Nestlé should report on in a sustainability report. The management of Nestlé Hungária compiled the list of these latter issues in 2008; we assumed that the most important matters have not changed since then.

For the first time this year, when compiling the report, we also took into account complementary food industry indicators published by the GRI in 2010.

In order to facilitate comparability and traceability, we maintained the structure of the 2009 report.

Numerous colleagues participated in the collection of the data and information contained in the report (see the last page). The B&P Consulting company assisted us in planning the process and drafting the report.

The Scope of the Report

Business units and factories included in the report all belong to Nestlé Hungária Kft. with one exception. The exception is Cereal Partners Hungária Kft. (CPH Kft.), a joint venture of Nestlé Hungária Kft. and General Mills Inc. As CPH Kft. has no employees, its product distribution and related activities are carried out by Nestlé Hungária Kft. The report also covers CPH Kft.

Kékkúti Ásványvíz Zrt. also belongs to Nestlé, however, its operations are largely separated from Nestlé's other activities in Hungary: its management and control is independent of Nestlé Hungária, and its data collection system is separate as well. Nestlé Ice Cream Hungária Kft., which has been in liquidation since 1 October 2008, is not covered by this report either.

There are no other subsidiaries, leased facilities or outsourced activities which could have a significant impact on the comparability of the report over time and/or its comparability to other organizations.

This report was not audited by an independent organization.

In case of differing interpretations of the Hungarian and the English versions of this report, the Hungarian version is to be considered authoritative.

All data pertains to Nestlé Hungária Kft. except where otherwise indicated. The data originates from Nestlé's internal information system and databases, and Nestlé's global Creating Shared Value and Rural Development Report 2010. For data calculation methods (where relevant), and any methods applied for measurement and estimation, please refer to the relevant topics.

The brand names in the report are registered trademarks of Nestlé Group.

We welcome any questions, comments, or suggestions you may have regarding the report. Please direct any such queries to Nestlé Communication Director Krisztina Suhajda or Creating Shared Value Committee Secretary Andrea Nagy using one of the means of contact listed on the back cover.

3. Key Performance Indicators

Our key performance indicators enable the measurement of the most important aspects of our Creating Shared Value and Sustainability performance.

	GRI	2008	2009	2010
Economy*****				
Net sales revenue (Mln HUF)	EC1	88,995	84,640	83,518
Domestic net sales revenue (Mln HUF)		41,402	43,020	40,820
Retained Profit (profit reserve and depreciation) (Mln HUF)	EC1	3,505	3,834	1,897
Nutrition				
The part of the portfolio that meets the criteria of Nestlé Nutritional Foundation (NF)*		48.2%	51.1%	47.5%
Number of products renewed for health or nutritional science reasons**		NA	57	38
Number of products renewed with reduced salt, sugar, trans fatty acid, fat or artificial colouring content using natural ingredients**		NA	37	13
Products that have gone through the 60/40+ development process (as a % of the 50 products with the highest sales revenue)**		53%	60%	69%
Products that feature the Nestlé Nutritional Compass (% of relevant products)***	PR3	100%	100%	100%
Products that feature the GDA (Guideline Daily Amounts) (% of the relevant category)****	PR3	100%	100%	100%
Products that feature ingredient of health impact related statements on the front of the packaging (e.g. no flavour enhancers, contains added vitamins, no preservatives)*		21.3%	20.7%	35.5%
Observing the ban on TV advertisements aimed at children under the age of 6 in line with the principles of self-restraint		100%	100%	100%
Environment				
Raw materials				
Quantity of raw materials used (tons)	EN1	157,173	136,841	135,110
Total quantity of non-hazardous waste in factories (tons)	EN22	10,595.7	7,359	6,083
Energy				
Natural gas use in factories (GJ)	EN3	216,694	189,281	185,871
Energy use of facility per tonne of product (GJ/t)	EN3	1.78	1.81	1.81
Electricity use in factories (GJ)	EN4	94,813	85,314	84,051
Greenhouse gases				
Carbon dioxide emission of production caused by natural gas use (t CO ₂ eq)	EN16	12,157	10,618	10,427
Carbon dioxide emission of production caused by natural gas use per tonne of product (kg CO ₂ /t)	EN16	69.5	69.89	69.86
Carbon dioxide emission of production caused by electricity use (t CO ₂ eq)	EN16	9,058	8,150	8,030
Carbon dioxide emission of production caused by electricity use per tonne of product (kg CO ₂ /t)	EN16	51.79	53.64	53.79
Water				
Total water withdrawal (m ³)	EN8	222,658	178,864	168,595
Water use per tonne of product (m ³ /t)	EN8	1.26	1.16	1.12
Total water discharge from factories (m ³)	EN21	129,692	89,278	94,091

	GRI	2008	2009	2010
Health, safety and environmental management				
Number of sites with ISO 14001/OHSAS 18001 certification		1	4	4
Suppliers				
Number of suppliers audited for food safety, quality and processing		30	31	34
Employees				
Total workforce (number of employees)	LA1	1,345	1,308	1,325
Shortcomings identified during CARE audit		-	0	-
Number of fatal accidents	LA7	0	0	0
Proportion of women in leadership positions*****	LA13	0%	11%	21%

* With the exception of infant formulas and breakfast cereals, proportional to our products distributed in Hungary.

** In the culinary products, beverages, and confectionery categories.

*** Seasonal confectioneries and pet food comprise an exception to displaying the Nutritional Compass.

**** Exceptions to displaying the Guideline Daily Amounts: infant formulas and clinical nutritional products, baby food, pet food, unflavoured mineral water, coffees, and desserts.

***** Contains combined data of Nestlé Hungária Kft. and Cereal Partners Hungária Kft.

***** The definition of senior management was expanded for 2010; apart from MANCOM members, managers working at NiM are now also considered members of senior management.



4. About Nestlé

Nestlé Hungária Kft. has been developing its product portfolio continuously since its creation in 1991. Nestlé is present on the Hungarian market with confectionery products, instant beverages, breakfast cereals, pet food, infant formulas, baby food, culinary products for home cooking, products for professional kitchens, coffee products and clinical enteral nutritional products. It is estimated that Nestlé products are consumed in 99% of Hungarian households.

Nestlé Hungária Kft. has three factories in Hungary.

The Szerencs and Diósgyőr factories

The manufacturing of chocolate and chocolate-containing products started in Szerencs in 1923. Before the Second World War, Szerencs was home to the largest Hungarian chocolate factory. The manufacturing of chocolates and wafers started in the Diósgyőr factory in 1962. Later the increased demand called for a change of profile. As a result, the modernized factory produced only chocolate from 1978 forth.

On 11 April 1991, Nestlé acquired the Szerencs and Diósgyőr plants, and then founded Nestlé Hungária Kft. As a result of factory developments, the Szerencs factory became Nestlé's

regional drink powder manufacturing and packaging plant, and the Diósgyőr facility became Nestlé's only factory in Europe that specializes in hollow figures.

The Bük pet food factory

We acquired Jupiter Állateledelgyártó Kft. in 1998, along with the Bük factory and the rights to use the DARLING brand. Following this acquisition, an additional pet food factory was established in the town with a nearly 6 billion HUF investment – the very first facility in Hungary to produce both dry and wet (canned) pet food. Over the years, the plant became the Central and Eastern European centre of Nestlé's pet food manufacturing.

Further information about the history of Nestlé: www.nestle.hu

Nestlé Hungária Kft. is a single member limited liability company. Its ownership structure did not change in 2010 (for further information, please see the 2009 report).

The liquidation process of Nestlé Ice Cream Hungária Kft. was still underway in 2010, and is still ongoing. Nestlé did not withdraw from the ice cream market in 2010, but distribution is carried out by legal entities independent of Nestlé.

Nestlé's head offices are in Budapest (1095 Budapest, Lechner Ödön fasor 7.).



4.1. Mission and Values

Nestlé's main goal is to offer its customers tasty and nutritious products that are appropriate for their cultural traditions, lifestyle and age.

Nestlé is committed to the following basic business principles in every country it operates in, respecting local laws and cultural and religious habits:

- Nestlé's business goal is to create long-term sustainable value for its shareholders, employees, consumers and business partners through the manufacturing and marketing of its products.

- Nestlé prefers long-term business development over short-term profit.
- Nestlé accepts that consumers – without whom the company could not exist – have a genuine and warranted interest in the behaviour and convictions of the manufacturer of products they like.
- Nestlé believes that legal compliance is the most effective way to ensure responsible operation in general, although further guidance based on voluntary business principles can be useful for employees in certain areas in order to ensure

the highest possible quality across the organization.

- Nestlé is aware that the success of the company reflects the responsibility, professionalism and behaviour of its management and its employees. This is why the selection of appropriate workforce and continuous trainings are so important.
- Nestlé maintains its commitment to follow all local laws and regulations in every country.



4.2. Brands and Products

Nestlé Hungária Kft. offers the following products on the Hungarian market:

- beverages (*Nescafé*®, *Nescafé Dolce Gusto*®, *Nesquik*®, *Ricoré*®, *Nespresso*®),
- culinary products (*Maggi*®),
- professional culinary products (*Maggi*®, *Chef*®, *Buitoni*®),
- confectionery products (*Boci*®, *Balaton*®, *Kit Kat*®, *Smarties*®, *After Eight*®),
- breakfast cereals (*Nestlé Fitness*®, *Nesquik*®, *Chocapic*®, *Cini Minis*®, *Cookie Crisp*®),
- infant formulas, baby food and beverages (*Nestlé Beba*®, *Sinlac*®, *Nestlé*®, *Lactogen*®),
- clinical enteral nutritional products (*Isosource*®, *Resource*®, *Novasource*®, *Modulen*®) and
- pet food (*Pro Plan*®, *Dog Chow*®, *Cat Chow*®, *Purina One*®, *Gourmet*®, *Friskies*®, *Felix*®, *Darling*®)

Further information about the brands and products is available on the following websites:

www.nestle.hu
www.nescafe.hu
www.nesquik.hu
www.dolce-gusto.hu
www.nespresso.com
www.maggi.hu
www.boci.hu
www.kitkat.hu
www.mitegyenababa.hu
www.nestleprofessional.hu
www.purina-one.hu
www.purina-proplan.hu

The quantity of products manufactured in Hungary in 2010 was 149,268 tonnes.



NESPRESSO.



Az Ön Kedvence, a mi Szenvedélyünk.™

Nestlé products are sold throughout the entire territory of Hungary. Almost half of the net sales revenue is from domestic retail sales and sales to institutions. The rest of sales come from business with Nestlé partner companies abroad, mostly generated by factories operating in Hungary and serving the markets of Central and Eastern Europe.



In 2010, we introduced numerous new products and modified existing products.

New products

New and renewed products in the categories of beverages, confectionery and culinary products for home use (with the nutritional advantages of the product noted in brackets – see the meaning of ‘NF’ on page 15):

Beverages:

- NESCAFÉ Green blend instant coffee (NF; special nutritional advantage: natural polyphenol content)
- NESCAFÉ Green blend 3in1 (NF; special nutritional advantage: natural polyphenol content)

Confectionery:

- BOCI Retro Tejcsokoládé (NF)
- BOCI Almáspite Töltött Tejcsokoládé (NF; resealable packaging for filled chocolate tablets and improved molds for easier portioning in order to promote the moderate consumption of sweets)
- BOCI Madártejes Töltött Tejcsokoládé
- BOCI Karamellás Desszert Dobozos
- BOCI Meggy Trüffelkrémes Desszert
- BOCI Mogyorókrémes Desszert
- BOCI Egészmogyorós Desszert
- BOCI Bársony (NF; nutritional advantage: polyphenol content with natural antioxidant effects)
- KIT KAT Senses (easy portioning shape and light wafer recipe)
- BOCI Aero epres szelet (NF; the bubbles in the chocolate increase volume without increasing the energy content, reducing the energy quantity per portion)
- BALATON citromos

Culinary products:

- MAGGI FIX Kolbász Tepsis Burgonya
- MAGGI Omlós fortélyok Ropogós csirkeszárnnyak base (nutritional advantage: cooking bag for preparation without fat or oil)
- MAGGI Omlós fortélyok Fűszeres sertésoldalas base (nutritional advantage: cooking bag for preparation without fat or oil)
- MAGGI Omlós fortélyok Aszalt szilvával töltött sertéssült base (cooking bag for preparation without fat or oil)
- MAGGI Zöldségleves stock cube
- MAGGI Tyúkhúsleves stock cube with reduced salt and fat content (NF; 40% lower salt content and 45% lower fat content compared to traditional chicken stock cubes)
- MAGGI Tyúkhúsleves base
- MAGGI Gulyásleves base
- MAGGI Májgombócleves base (NF)
- MAGGI Grízgombócleves base (NF)

- MAGGI Paradicsomleves betűtészta
- MAGGI Sajtkrémleves
- MAGGI Instant Grízgombóc-leves (NF)

Cereals:

- NESQUIK Duo (winner of the Outstanding Product Award; nutritional advantage: wholegrain cereal and added vitamins and iron)



4.3. Organizational Structure

No change has occurred in the company's organizational structure since last year; the detailed chart can be found in the annual report from 2008.

Management Bodies

The NiM (Nestlé in the Market) Committee is the main managing body overseeing business activity. It holds sessions every two months, and makes decisions in group-level strategic issues.

The NiM Committee is led by the Managing Director of Nestlé Hungária Kft., who has the role of "custodian" in the Hungarian market, entrusted with representing Nestlé to the outside world. As of 1 September 2009, the Managing Director is Andrea Zambelli.

The joint management board for food business units and service departments, the Management Committee (MAN-COM) makes all strategic and tactical decisions regarding business units (beverages, culinary products, confectionery products and service departments) falling under the direct scope of authority of the Managing Director.

Most of the other business units also have their own management bodies, which are responsible for business decisions affecting the unit in question.

In accordance with Act IV of 2006 on Business Associations, Nestlé has a Supervisory Board overseeing the management of the company.

The Supervisory Board has six members; two of them are appointed by the Works Council.

The highest authority of the business association may only make decisions on the financial statement required by the Act on Accounting after receiving the written report of the Supervisory Board.

4.4. Awards and Recognitions

Nestlé is in the top 3 Most Attractive Companies

The Employer Brand Research survey conducted by the newspaper Figyelő, Aon Hewitt and AIESEC Hungary studied the best companies to start a career at.

The survey started in 2010, with 33 thousand respondents filling in the



questionnaire (8 thousand of them fresh university graduates), who evaluated more than 230 companies: the answers paint a detailed picture of the unique characteristics, attractiveness and mind-share of companies, of their competitors in the labour market and their competitive advantages and special traits.

A list of the five most attractive companies was compiled based on the responses of fresh university graduates, which shows where they would prefer to start their careers. Nestlé took the third place on the Most Attractive Companies list.

NESCAFÉ® Dolce Gusto® takes the Gold EFFIE prize

Nestlé's marketing team received the Gold EFFIE prize at a grand award gala held in the National Theatre on 8



October 2010, awarded for the introductory campaign of NESCAFÉ® Dolce Gusto® in the 'Durable goods' category. The EFFIE prize is one of the world's most prestigious marketing communication awards, founded by the New York American Marketing Association in 1968.

The EFFIE is the only marketing award that assesses both creativity and the successful achievement of marketing communication objectives; thus, it is the only one to reward the successful achievement of the real goal behind the advertisement.

The 2010 contest had 66 entrants. The entries were evaluated by a jury of 100 professionals.



5. Sustainability Institutions

Nestlé's Creating Shared Value business principle is based on the firm belief that long term business success can only be achieved if the interests of shareholders and society converge.

We believe that we can do more than operate in an environmentally, socially and economically sustainable way; we can create value for society, while creating value for our shareholders as well.

What do we mean by Creating Shared Value?

- We create value for our shareholders through our business strategy and operation;
- We offer our consumers delicious products with a high nutritional value, which contribute to their health and well-being;
- We take steps to improve the economic and social situation of those involved in the entire value chain: farmers who produce raw materials, people who live near our plants and our suppliers and commercial partners.

5.1. Sustainability Directives and Procedures

There are numerous internal documents regulating the values, behavioural norms and basic principles to be followed by Nestlé and its employees. These are:

- Nestlé Corporate Business Principles and Hungarian strategic plans for each unit;

- The local application of Nestlé Group's Code of Ethics and Business Conduct;
- Nestlé Management and Leadership Principles;
- Nestlé's Consumer Communication Principles;
- and the Nestlé Supplier Code.

The Nestlé Corporate Business Principles and the Code of Ethics and Business Conduct contain the minimum requirements that we observe globally apart from complying with all local laws. Nestlé Corporate Business Principles (which contain a commitment to the ten basic principles of the UN's Global Compact initiative) are continuously being developed and adapted to the needs of the changing world. The Business Principles and the Management and Leadership Principles establish a commitment to fair behaviour, integrity and care for people. These are complemented by other rules and regulations.

Nestlé has an internal audit programme, CARE (Compliance Assessment of Human Resources, Safety & Health, Environment and Business Integrity), designed to verify compliance with Nestlé Corporate Business Principles.

Sustainability Agreements and Initiatives

Nestlé is a signatory or supporter of numerous international agreements and initiatives establishing economic, environmental and social norms. The list is available on page 14 of our 2008 annual report.

5.2. Creating Shared Value Committee

The aims of the Creating Shared Value Committee formed in 2008 remain unchanged (see our 2008 annual report).

The composition of the Committee changed in 2010. As of 2010, the members of the Committee are:

- The Managing Director who acts as the President of the Committee
- The Corporate Communication Manager;
- The Corporate Affairs and Public Communications Manager
- The Head of Finance;
- The Communication Director;
- The Corporate Director of Human Resources;
- The Factory Manager of Szerencs/Diósgyőr;
- The Bük Factory Manager, who also represents the pet food unit in the Committee;
- The country business manager of Nestlé Waters;
- An employee representative.

In 2010 the committee held one meeting.

5.3. Creating Shared Value Strategy

The goal of Nestlé Hungária is to become a leader in sustainability within the sector in Hungary, and become a centre of knowledge within the Nestlé group.

In order to reach this goal, we reviewed our CSV activities in 2008 and studied possible directions and schedules for development.

Based on the results, a four-year development plan was drawn up, which establishes a cooperation and dialogue with representatives of groups within and outside Nestlé, and also ensures transparency and the precise measurement of indicators.

Key elements of the 2009-2012 plan include:

- setting up a regular dialogue with stakeholders,
- increasing the transparency of operation, through yearly reports on environmental and social performance among other things,
- the operation of the Creating Shared Value Committee, and
- the use of the GRI as a performance management and planning tool.

The main focuses of our social responsibility activity are:

- Healthy eating and continuous development of our products' recipes,
- Promoting awareness of healthy lifestyle,
- Food safety, and
- The reduction of the specific environmental footprint of Hungarian production.

In the field of Creating Shared Value, Nestlé operates a four-year rolling plan, thus our four-year plan is reviewed and updated annually.

5.4. Creating Shared Value Management

The Corporate Communication Manager is responsible for sustainability and Creating Shared Value, and the implementation of projects in these areas. The Corporate Communication Manager reports directly to the Managing Director and the Creating Shared Value Committee.

In 2010 we continued the development and expansion of our GRI

database which was created in 2008, as well as our data collection and the measurement of our sustainability performance. The GRI database aggregates all metrics demonstrating the social and environmental impact of operation, thus ensuring a foundation for the report. (Further details are on page 12 of our 2009 annual report.)

The internal organizational structures set up in order to support the "nutrition, health and wellness" strategy (the Nutritional Compass Workgroup and the full-time dietician advisor) and processes did not change in 2010. Their description is available on page 13 of our 2009 annual report.



5.5. Stakeholders

In 2008, Nestlé systematically mapped out its stakeholders and the social and environmental issues that are the most important for the company (see the details on page 16 of the 2008 report). We assumed that the company's main issues and stakeholders did not change in 2010.

In 2010, Nestlé Hungária Kft. was involved in a dialogue with the following organizations: The European Parliament, the Ministry of Rural Development, the Central Agricultural Office, the Hungarian Dietetic Association, the Hungarian Authority for Consumer Protection, the National Association for Consumer Protection, National Institute for Food and Nutrition Science, the Ministry of National Resources, the Hungarian Parliament, the National Institute for Health Development, and the Ministry of Public Administration and Justice.

The dialogue with the above stakeholders was realised on a case-by-case basis, and the frequency of contact was determined by common activities and external factors.

Survey among primary school students and teachers

We carried out a survey among students and teachers as part of the Nutrikid program (see the details on page 22).

Survey among fresh graduates

In 2010, we continued a tradition that has been in place for several years, and conducted two surveys at college and university job fairs.

The first, non-representative survey was made at the spring job fair of Corvinus University in Budapest. The survey involved 13 questions and was answered by 151 respondents. The survey showed, among other results, that:

- The number of respondents for whom the social-environmental commitment of potential employers is highly important has grown compared to 2009 (from 18% to 21%). Responsible business conduct is important to 44% and moderately important to 29%, respectively, of those who participated in the survey.
- At the same time, the number of graduates who continuously stay informed about and keep track of the corporate responsibility activities of the companies to which they have applied has increased this year (to 14%).
- Compared to the 2009 results, the proportion of respondents for whom the continuous training provided by potential employers is important in terms of workplace selection increased by 8% (from

86% to 94%). With regards to training type – similarly to the results from last year – language instruction and the continuous development of language skills ranked first.

- The results confirmed that fresh graduates have an increased drive to create harmony between their work or workplace and their private life. More than half of the respondents find this especially important when looking for a job. This consideration is almost as important for men as it is for women, and among them, the number of those who consider this balance very important increased from 43% to 50%.

The second, also non-representative, survey was conducted in the fall of 2010 at the job fair held jointly by Corvinus University and the Budapest University of Technology and Economics. The survey involved 6 questions and was answered by 128 respondents. The main findings are as follows:

- According to 87% of respondents, the employer is responsible for the health condition of employees, and the employer has an obligation to promote the protection of their health.
- In terms of the elements of health development programmes, men are most interested in sports while women put sports in the third place. In contrast, women consider an appropriate work environment the most important, followed by reducing the harmful effects of work done in front of a computer.

Further information about the survey is available at www.nestle.hu.



Figure 1: The most important stakeholders for Nestlé Hungária Kft. and the tools and channels of communication are:

Stakeholder groups					
Communication tools and channels					
	Special channels and tools	Sustainability and Creating Shared Value Report	Website	Invitation to the online broadcast of the Creating Shared Value forum	Cooperation in industry organizations
Internal stakeholders					
<ul style="list-style-type: none"> • (Future) employees • Trade unions 	<ul style="list-style-type: none"> • Monthly internal electronic newsletter in Hungarian and English (factories have their own newsletters apart from these) • Intranet • Notice boards and posters in offices and factories • Internal satisfaction survey • Information day • Job fairs, surveys 	<ul style="list-style-type: none"> • Links in the internal newsletter 		x	
<ul style="list-style-type: none"> • Owner 	<ul style="list-style-type: none"> • Numerous internal reporting and data management systems • Managerial and other meetings 	<ul style="list-style-type: none"> • Printed copies via mail 			
External stakeholders					
<ul style="list-style-type: none"> • Consumers 	<ul style="list-style-type: none"> • Nestlé Lifestyle Centre website • Consumer Service support via phone and email • Electronic newsletters • Advertisements, promotions 	<ul style="list-style-type: none"> • Links in the newsletter 	x		
<ul style="list-style-type: none"> • Local communities, especially near factories • Civil society organizations, NGOs • State, authorities • Universities and research institutes (mainly food industry) • Experts, such as gastroenterologists or dieticians • Suppliers • Retailers (e.g. supermarket chains) and wholesalers 	<ul style="list-style-type: none"> • Personal contact, consultation as requested 	<ul style="list-style-type: none"> • Printed and electronic copies 	x	x	x
<ul style="list-style-type: none"> • Media 	<ul style="list-style-type: none"> • Regular press releases • Special events organized for the press 	<ul style="list-style-type: none"> • Printed and electronic copies, press releases 	x	x	
<ul style="list-style-type: none"> • Primary school students and teachers 	<ul style="list-style-type: none"> • Nutrikid programme 		x		x

6. Healthy Eating

Our goal is to contribute to an improvement of the quality of life, health and wellbeing of our consumers through solutions based on our scientific research on food and nutrition. We also aim to enhance consumers' knowledge on food and nutrition through clear and responsible communication.

What do we do?

- We spend significant amounts on continuously improving the nutritional composition and taste of our products.
- In our recipe registration system, we keep track of products to be developed and recipes as well as monitor our results to date.
- We continue to reduce the salt, sugar, trans fatty acid, saturated fat and artificial colouring content of our products. Furthermore, we are increasing the proportion of nutritious ingredients and useful micronutrients.
- We provide appropriate and easy-to-understand guides regarding the recommended amount of consumption.

- We only advertise products to children the composition of which complies with internal development policies based on domestic and international dietary recommendations.
- Our Nutrikid education programme for children has been in place for years. We also help our employees master the art of healthy living. Furthermore, we endeavour to turn them into ambassadors of our company as well as of healthy living.
- The dialogue with stakeholders and the cooperation with government and other nutrition and health organizations are also an integral part of our work.

More detail pertaining to all of this is contained in this chapter.

6.1. Product Development

We continuously review the nutritional composition of our products, and wherever possible, improve their composition by adjusting the recipes. When adjusting recipes, our primary aim is to reduce components the health impact of which is contested (e.g. salt, sugar, trans fats) and increase the quantity of beneficial nutrients (e.g. whole grains, vegetables, calcium) in the products.

Standard Recipe Registration System

We analyse the nutritional profile of all of our products (with the exception of strictly regulated infant formulas, clinical enteral products, and products of joint ventures) according to a complex set of criteria. We constantly adapt the criteria in accordance with the latest nutritional science recommendations of authorities (e.g. the WHO or the EU).

We evaluate products according to four basic principles:

- The product's role in a balanced diet;
- Relevant nutritional content in the given product category (e.g. energy, fat, added sugar, calcium, wholegrain cereals);
- Maximum and minimum recommended quantities of nutrients and ingredients;
- Recommended portion size for the targeted consumer; adult or child.

Products that comply with all criteria are placed in the "Nestlé Nutritional Foundation" or "NF" category.



Results reached in the 60/40+ tests are added to the NF evaluation system. Consequently, the whole set of criteria is as follows:

- Result reached in the 60/40+ tests;
- To what extent the nutritional composition complies with Nestlé's internal standards (NF – see above);
- Whether the product has an advantage in terms of taste or composition compared to its main competitor on the market.

Product Development Goals in the Area of Nutritional Content

Nestlé has had targets for the reduction of the quantity of ingredients deemed harmful to health in case of excessive consumption since 2003. We were the first in the food industry to implement comprehensive measures to reduce the quantity of these nutrients in our products; we set the target for the reduction of trans fatty acid content in 2003, salt in 2005, sugar in 2007, and saturated fats in 2009.

See our quantified targets in Figure 2.

Figure 2: Nestlé's nutritional content related targets

Targets	
Trans fatty acids	Reduce to below 1% of total energy content
Salt	Reduce by 25% by 2011 (in case of products with a salt content higher than 100 mg/100 kcal).
Sugar	Reduce by 5% by 2011.
Saturated fatty acids	A 3% reduction in total fat content and a 1% reduction in saturated fats by 2012.

Figure 3: Results in development of nutritional composition and front-of-packaging communication

	2008	2009	2010
	As a percentage of total net sales*		
The part of the portfolio the nutritional composition of which is in accordance with internal development policies and international dietary recommendations (NF)	48.2%	51.1%	47.5%
Claim located on the front of the product packaging related to the health impact of the product's composition	21.3%	20.7%	35.5%

* With the exception of infant formulas and breakfast cereals

Results of the Entire Portfolio

In 2010 we assessed the composition of virtually 100% of relevant categories. (We did not evaluate infant formulas strictly regulated by law, clinical enteral products, and products of joint ventures.) This is a very high rate when compared to the global result of 83% in 2009.

47.5% of the evaluated products meet NF requirements (NF: see above, as a percentage of sales).

"In 2010, Nestlé took further steps for supporting healthy diets. The range of cooking bag MAGGI food bases that can be prepared without adding fat or oil, introduced successfully in 2009, was expanded, and a modern alternative version of our most popular bouillon, the Maggi Tyúkhúsleves cube was introduced, with 40% lower salt content and 45% lower fat content.

Zsuzsanna Szűcs
Dietician of Nestlé Hungária Kft.



Figure 4: Development of product taste and composition in 2010*

Direction of development	Product and concrete steps taken	How many product types are affected?
More natural ingredients	Further expansion of Maggi food bases free of flavour enhancers	3
	Boci Bársony: with natural blackberry, pear and cocoa pieces	3
More modern recipe or preparation	Further expansion of Maggi food bases with cooking bags	5
	Introduction of the Maggi "light" chicken bouillon: 40% less salt, 45% less fat (compared to the traditional cube)	2
Packaging that is lighter or more conducive to portioning	Introduction of the Boci Aero epres tejcsokoládé: the bubbles in the chocolate increase volume without increasing the energy content, reducing the quantity per portion – supporting moderate consumption of sweets	2
	Improved molds for Boci chocolate tablets with filling for easier portioning in order to promote the moderate consumption of sweets	8
Flavour profile development	Development of the Nescafé Classic 3in1 recipe for an even better taste	9
	Boci milk chocolates – even more cocoa flavour, and the squares now have a new, more rounded shape to ensure a longer taste experience	4
	Development of the Maggi tyúkhúsleves stock cube recipe for an even better taste	2
Total:		38

* In the culinary products, confectionery, and beverages categories

Sensory Tests

The sensory laboratory in Szerencs is Nestlé's instant powder drink sensory testing centre for the Central and Eastern Europe region. The independent assessors working in the laboratory carry out sensory tests for the relevant 60/40+ research (see below) and other tests related to product development and product quality tracking.

In 2010, 14 research projects were conducted in the lab with 13 sensory assessors.

Continuous quality control is extremely important in production; for this reason a group of trained taste experts works in our plant in Szerencs.

Every day begins with a tasting; products manufactured on the previous day are put to the test and are only marked as "saleable" in case of compliance.

Nestlé on an international level

The Nestlé Group operates the world's largest privately owned food industry research and development network, employing approximately 5,000 people. The centre is the Nestlé Research Centre in Lausanne. Over 300 scientists of 50 nationalities work on continuous developments and new research in the centre.

60/40+ development

The 60/40+ concept is a special concept developed by Nestlé for product development. Consumers look for tasty food with up-to-date ingredients; therefore, our aim is to create food with a taste that at least 60% of consumers like and that also have an "extra" nutritional advantage.

Thus, apart from evaluating taste, we also evaluate the nutritional contents of products. We examine the nutritional content and composition of

our products and compare them with Hungarian and international dietary recommendations, as well as with the data of competitors' products. The evaluation shows the product's dietary strengths and weaknesses, and also marks out the direction of further work.

In 2010, we had a total of ten 60/40+ test projects. We are planning 5 test projects for 2011.

The TOP50 (the 50 goods with the highest turnover) products participating in the 60/40+ development process comprised 69% of the turnover of this category.

Nestlé on an international level

The Nestlé Nutrition Institute is the world's largest private publisher in the field of nutritional research. Its website offers access to a medical and scientific library, educational materials and online courses. Its more than 65,000 registered members have access to increasingly personalized information in the chat rooms, newsletters and forums. www.nestlenutrition-institute.org

The Promotion of Conscious Food Consumption

Communication of the appropriate recommended consumption quantity is an important part of our social responsibility action. In some cases, a balanced diet requires the reduction of portions; in others, it requires increasing the frequency of intake. Due to the increasing percentage of obese people and the insufficient intake of certain basic nutrients, the appropriate portion size and the frequency of consumption are increasingly important dietary considerations. Nestlé has been actively working on researching and solving these problems for years. For example,

we use appropriate portion sizes in the above-mentioned ingredient evaluation system. One of the main drivers behind establishment and application (currently displayed on all of our relevant products) of the Nestlé Nutritional Compass (see below) is the communication of healthy portions to consumers.

6.2. Product Labelling

Numerous studies and specialists' recommendations emphasize that the key to a balanced diet is the proper and varied selection of food. One of the biggest aids in this regard is the nutritional information which can be found on food packaging.

Nestlé Nutritional Compass – your guide to a balanced diet

The Nestlé Nutritional Compass gives you information about:

- The nutrient content of the product (per 100 grams or 1 portion of food, listing energy, protein, fat, saturated fat, carbohydrate, sugar, dietary fibre and sodium content),
- Various nutritional recommendations,
- The physiological effects and composition of the specific basic ingredients,
- And in some cases, some gastronomic background information related to the product in an easy-to-follow, clear format. (Further details are on page 18-19 of our 2008 annual report.)

Guideline Daily Amounts, GDA

The GDA food labelling system shows the full daily amount of energy, proteins, carbohydrates, sugar, fat, saturated fatty acid, dietary fibre and sodium necessary for an adult's

balanced diet, and shows what percentage of that amount is covered by one portion of the food product in question. This is an international industry initiative: a result of the cooperation of scientific experts, government, NGOs and corporate actors. (Further details are on page 19 of our 2008 annual report.)

Compass and GDA on Products

Since 2009, both the Compass and GDA are present on the packaging of all of our relevant products. The Compass is not displayed on the hollow figures (it doesn't fit on the label) or on pet food (not relevant). The GDA is not displayed on infant formulas and clinical nutritional products, on baby food (the differing requirements of the ill and infants do not allow for the development of a common reference), on pet food (not relevant) and on products containing only coffee (their energy content is negligible).

Nestlé complies (in some cases, voluntarily) with the data provision requirements listed in every product category shown in Figure 5.



Figure 5: Data provision on Nestlé products

Type of information	Food products	Nespresso products	Pet food
Origin of the ingredients of the product or service	The origin of the product is 100% indicated There is no legal obligation to indicate the origin of the ingredients	Yes	No
Ingredients, with special regard to the materials that may have an environmental or social effect.	Yes (on 100% of products) Allergens are indicated voluntarily	Yes	No
The method of safe use of the product or service	Yes, in case of food where this is relevant, e.g. preparation of culinary products, coffee, cocoa.	Yes	Yes, where relevant
Waste disposal and related environmental/social impact	Yes (on 100% of products)	No (The Nespresso Ecolaboration separated waste collection system is currently being set up.)	Yes

Figure 6: Fine or penalty related to information or labelling on products and services

Fine or penalty	Amount (HUF) and reason
Baby food	11,378,610 HUF fine + 49,120 HUF testing costs of: pesticide remains in Nestlé Almalé baby drink products.
Confectionery	160,000 HUF fine + 70,000 HUF for testing costs: lower cocoa dry matter content than indicated on the label in Boci dark chocolate bunny figures.

In 2010, the authorities took and tested samples from Nestlé products on 114 occasions. There were only two problems raised based on the testing.

In May 2010, the Heves County Agricultural Office took samples from the Nestlé Almalé baby drink product and, during pesticide remains testing, found an excess level of captan and

its breakdown products. The Office issued a fine. Nestlé contends that the findings of the authority were unfounded; however, paid the fine.

The National Consumer Protection Authority of North Hungary tested the cocoa dry matter content of Boci dark chocolate bunny figures. Their testing methods indicated a lower dry matter content than the quantity indicated on

the label. Even though international experience has shown the method used by the authority not to be fully reliable, and the testing of the second sample indirectly confirmed product compliance, the authority refused to accept testing results achieved using any other means of testing. The issued fine was paid by Nestlé.

6.3. Healthier Employees

Improving Nutritional Knowledge at the Workplace

Employee health is indispensable for the good functioning of a company, and the fast spreading of diseases linked to poor dietary habits, lack of exercise and smoking (e.g. vascular diseases, diabetes and obesity) reduce productivity and generate ancillary costs.

The workplace is an ideal scene for prevention both due to the number of people present and the number of hours spent there. There is no quick fix, and everyone has to take responsibility for their own lifestyle, but the right tools and incentives allow the employer to play a significant role in improving awareness of these issues.



NQ training

Healthy eating is important for everybody at Nestlé, and the continuous learning related to it

is indispensable for Nestlé to play a leading role not only in the food industry, but in the field of healthy eating and lifestyle as well.

In 2010, 93 employees in the head office and in the plants in Szerencs or Diósgyőr, including colleagues working at the conveyor belts, took part in the global NQ training (NQ = Nutritional Quotient) programme (details are on page 33 of our 2008 annual report) introduced in Hungary in 2007. The goals set for 2010 were reached: all the employees working in the head office completed the foundation training. Since 2007,

a total of 914 people have participated in NQ trainings.

NQ training modules

The key to the success of the training is the use of interactive, personalized modules that encourage participants to take practical action:

- Foundation module: a self-contained programme for all Nestlé employees.
- Advanced module: a second step for employees that are in regular contact with clients or consumers.
- Specialized modules: we place a special emphasis on understanding consumers and applying Nestlé's dietary and lifestyle strategy in the various product categories.

Screening Tests

Every year since 2006, we organize screening tests in Budapest for employees. In 2010 they focused on ergonomics at the workplace and stress management. Employees received useful tips in these topics, and had an opportunity to learn how to refresh themselves with some easy-to-do office exercises. A dermatological screening test was also available.



Figure 7: Additional internal programmes related to healthy living

Programme description	2006	2007	2008	2009	2010
Number of participants/employees reached					
Head Office (Budapest)					
NQ training (foundation, advanced, specialist)	-	155	117	61	59
Health survey (+ diet programmes and office massage in certain years)			Announced to all employees		
Health weeks (information via e-mail regarding healthy eating and lifestyle, poster campaign, alternative tools: armrest, screensaver; product packages)			Announced to all employees		
Subsidized exercise facility through contracted partner			Provided to all employees		
Internal monthly newsletter, interesting, topical articles in WellNes section			Sent out to all employees		
Purina Budapest					
Subsidized fitness facility through contracted partner	-		Provided to all employees		
Health survey (+ massage in certain years)			36	12	-
Health weeks (information via e-mail regarding healthy eating and lifestyle, poster campaign, alternative tools: armrest, screensaver; product packages)	-		Announced to all employees		
Szerencs					
NQ training (foundation)	-	-	229	93	0
Health weeks (information via e-mail regarding healthy eating and lifestyle, poster campaign)	-		Announced to all employees		-
Diósgyőr					
NQ training (foundation)	-	-	169	-	-
Health weeks (information via e-mail regarding healthy eating and lifestyle, poster campaign)	-		Announced to all employees		-
Bük					
Health weeks (information via e-mail regarding healthy eating and lifestyle, poster campaign)	-		Announced to all employees		-
Subsidized exercise facility through contracted partner	0		Provided to all employees		

In addition to those listed in the table:

- Nestlé's internal monthly newsletter (including its WellNes section) is sent to employees in Szerencs, Diósgyőr and Bük as well.
- In Bük, the company also provides the opportunity to play football.

- Free fruit and mineral water for employees every day in the Budapest office and in the plants. Furthermore we provide mineral water to area sales representatives.

6.4. Healthier Population: Our Education and Information Programmes

In Hungary, Nestlé contributes to raising health awareness regarding the population's way of life, and to making a healthy diet and a balanced lifestyle more popular through various lifestyle programs. The flagship among these programmes is Nutrikid.

The Nutrikid Educational Programme

Nestlé Hungária Kft. started the Nutrikid programme aimed at 10-12 year olds in 2003 with the collaboration of the Hungarian Dietetic Association. Any primary school in the country is welcome to join the free programme. The Nutrikid programme package, which is free of product advertisements, contains a workbook full of fun elements, a cartoon video cassette/DVD, as well as a teacher's handbook to aid the education.

Interested primary schools can get acquainted with the material of the Nutrikid educational programme all year round at the website www.nutrikid.hu. On the interactive interface, children can find interesting readings, the film entitled "A piramis titka" [Secret of the Pyramid] and games as well. A separate menu option aimed at adults is also available on the website.

Since 2003, at least 320,000 pupils from 2900 primary schools have used the Nutrikid programme for learning. In the 2011/2012 school year, 850 schools ordered almost 60,000 Nutrikid exercise books. In the last seven years, the company has spent over 155 million forints on this novel educational programme.

Nutrikid school health education survey

In the autumn of the 2010/11 school year, we carried out a survey among primary school teachers and 10-12-year-old pupils. The survey investigated the nutrition and sports facilities as well as programmes promoting healthy living offered by the schools.

4700 students and more than 600 teachers filled in the questionnaire.

The main results are as follows:

- 40% of the students who took the survey have at least 3 meals in school, and although many bring their snacks from home, others need to buy their morning and afternoon meals with their pocket money.
- Choosing the right food is not easy; 30% of the surveyed school snack bars do not sell dairy products and only 3 out of 5 sell fruit.
- One third of students only exercise one time a week at best, beside the 2-3 physical education classes. According to the answers of teachers, however, students have the opportunity to do more physical activity, as Hungarian schools offer more than 3 different sports activities to students on average.
- Teachers who took the survey almost unanimously claim that health education is as at least as much a responsibility for parents as it is for teachers. According to the students' answers, however, only 60% of them feel that they have learned anything from their parents in that respect.
- Most teachers regard lack of funds and time as the main obstacle in health education at school, and 14% think that there is also a shortage of experts.

- 77% of schools taking part in the survey regularly hold educational activities centred around healthy lifestyle: in most of the cases these take place in the form teacher's class, or in biology class; 34% of the students have the opportunity to attend a faculty on this topic.

The results show that the three problematic areas in schools are:

- The promotion of conscious dietary choices;
- The balance of nutrition and physical exercise; and
- The engagement of parents.

Our yearly school competition was organized around these themes.

Nutrikid School Competition: Health Day

We organize a competition for schools participating in the Nutrikid programme each year. In 2010, we asked participating teams to prepare a health day plan and poster that answers the challenges identified by the survey.

Plans and posters were sent in from all around the country, by a total of 164 teams.

Based on the criteria listed in the contest terms, the jury awarded prizes to the following teams/schools:



First place:

The Magyaratád Branch School of the Mernyei Szabadi Gábor Primary School and Kindergarten – Magyaratádi Bikmakkok team.

Prize: 300,000 HUF

in support for the health day with the participation of Alexandra Béres.

Second place:

Koncz Dezső Primary School, School Dormitory and Children's Home (Zalaszentgrót) – RaKonczátlanok team.

Prize: 200,000 HUF

in support for the health day.

Third place:

Vajda Péter Music and Sports Primary School – Vajda6t team.

Prize: 100,000 HUF

as a support for the health day.

Special prize for creativity:

Eötvös József Primary, Music and Vocational School, Ercsi – Tapsifülek team.

Prize: 100,000 HUF

as a support for the health day

The summary of their submission is available here: www.nutrikid.hu.

The members of the jury were:

- Emese Antal, president of the Hungarian Dietetic Association
- Alexandra Béres, national, European and world fitness champion. She participated in the health day organized by the winners of the first prize.
- Tímea Tóth, Nestlé's dietician

The schools used the prizes for organizing health days in April and May 2011.



The programmes included:

- Salad king: salad making contest for classes with the participation of parents and grandparents,
- Knowledge is health: fifth-year students made a Health Radio show about dental care and hygiene,
- The school food pyramid for conscious eating: students collected building blocks hidden in the yard and built their schools food pyramid,
- Health casino: children could play with the tokens won at the health lottery.

A selection of the best ideas submitted as part of the Health Day plans is published here www.nutrikid.hu.

Nestlé Nutrikid representative research

In the survey started in 2010, Nestlé interviewed students and their mothers on two occasions and in three age groups. Some of the students participated in the Nutrikid programme, others did not. The goal of the questionnaire was to gauge the results achieved by the Nutrikid educational package that started in 2003 and promotes healthy dietary habits with the support of the Hungarian Dietetic Association. 1152 fifth- and sixth-grade students answered the questions in October 2010, with another 1211 respondents in May 2011. About half of them participate in the Nutrikid educational programme. 571 mothers were surveyed using similar means. The proportion of Nutrikid pupils was similar among the 422 participating eighth-grade students.

One of the main findings of the survey is that 10 to 12-year-old Hungarian

children spend three hours in front of the television and computer on average, one in ten students does not have lunch, and 15% consume fast food on a daily basis. In smaller towns and villages, children are more open to learning about health, but those who participated in the Nutrikid programme have a more conscious attitude towards good diet and exercise all around the country.

The programme is more successful in small towns and villages, as demonstrated by the better responses from students to academic questions.

"This is due to the fact that the Nutrikid programme has a stronger community-building, cohesion-creating force in these areas. Children like to learn about healthy eating in small groups in the afternoon, thus spending their free time in a useful way,"
said Emese Antal, president of the Hungarian Dietetic Association.

More information about the programme and the competition and brainstorming on best practices can be found at www.nutrikid.hu.



"Points out the track in the maze of dietary trends"

Link: www.eletmodkozpont.hu

Launched in 2005, the Nestlé Lifestyle Centre is an internet service centre where experts help those interested to receive answers to their questions related to diet, exercise and healthy living. Apart from expert advice, the website also offers useful articles, videos, tests and calculators in numerous topics such as healthy lifestyle, diet, health

protection, beauty care, relationships, family issues and raising children. The Nestlé Lifestyle Centre is endorsed by the Hungarian Dietetic Association.

Experts of the Nestlé Lifestyle Centre, who provide personalized answers to the incoming letters:

- Family doctor
- Dietician
- Personal trainer, doctor specialized in sport
- Psychologist

In 2010, the lifestyle portal had more than 530,000 visits, and experts received more than 1000 questions regarding healthy and balanced lifestyles during the year.

Buzz in Kékkút: young students learned about the importance of water

Almost two hundred primary school students learned about the protection of natural waters and healthy hydration in April at the event held on the occasion of the World Water Day in Kékkút. At the "Look after water" festival, 8 to 12-year-old children played interactive games and learned about water. The event was organized by Kékkúti Ásványvíz Zrt. for local schools in cooperation with one of the world's leading water education programmes, Project WET.

7. Food safety

7.1. Precautionary action

Various specialized organizational bodies and crisis committees monitor local and international events that could have a negative impact on Nestlé, the environment or society. They are responsible for crisis prevention and crisis management. Nestlé's international crisis management system includes a strict internal reporting system, and there are companywide regulations in place for action to be taken in case of crises as well. In order to ensure short response times, Nestlé also uses international conference calls and information received directly from international organizations such as the UN's World Health Organization and Nestlé's own research centre.

Nestlé operates a comprehensive product recall process at every distribution centre, including Hungary. This contains all the information necessary for safe, timely, precise and cost-effective recalls.

7.2. Quality Policies and Quality Management

Nestlé and Quality

Under no circumstances do we make any compromise as far as the safety of our products is concerned; we do our utmost to ensure that we offer products of the highest quality to our consumers. Accordingly, it is our duty to comply with relevant legislation and provisions; this is an issue that is not subject to negotiation.

The keys to the successful implementation of high quality requirements are training and teamwork. Continuous training is provided so that everyone

clearly understands their own tasks and possesses the necessary skills to carry them out.

In order to make every employee feel comfortable with all of this, we organize a training at the head office in Budapest called Faces of Quality, which describes the operation of the quality management system, the practical application of the law, techniques for managing consumer relations, and the sensory test process. In 2010, we held 3 trainings with 35 participants. Apart from that, 13 sales representatives of the cereals unit received a general quality training.

"In 2010, our most significant task was ensuring the ongoing operation of our integrated management system, introduced in 2009 and successfully certified, as well as the introduction of the new NIMS-DMS document management system at all Nestlé Hungária sites."

Elvira Pletyák-Mihályné, Quality Manager and Deputy Regional Technical Manager in Hungary, Nestlé Hungária

Institutions

Nestlé has an extensive system of institutions and regulations for ensuring food safety and quality. Further details are on pages 27-28 of our 2009 annual report.

Our quality, labour health and safety and environmental management policy (which gives a brief and clear summary of the basic principles and commitments espoused by Nestlé Hungária Kft. in this area) is available at www.nestle.hu.



8. Communication with Consumers

8.1. Responsible marketing

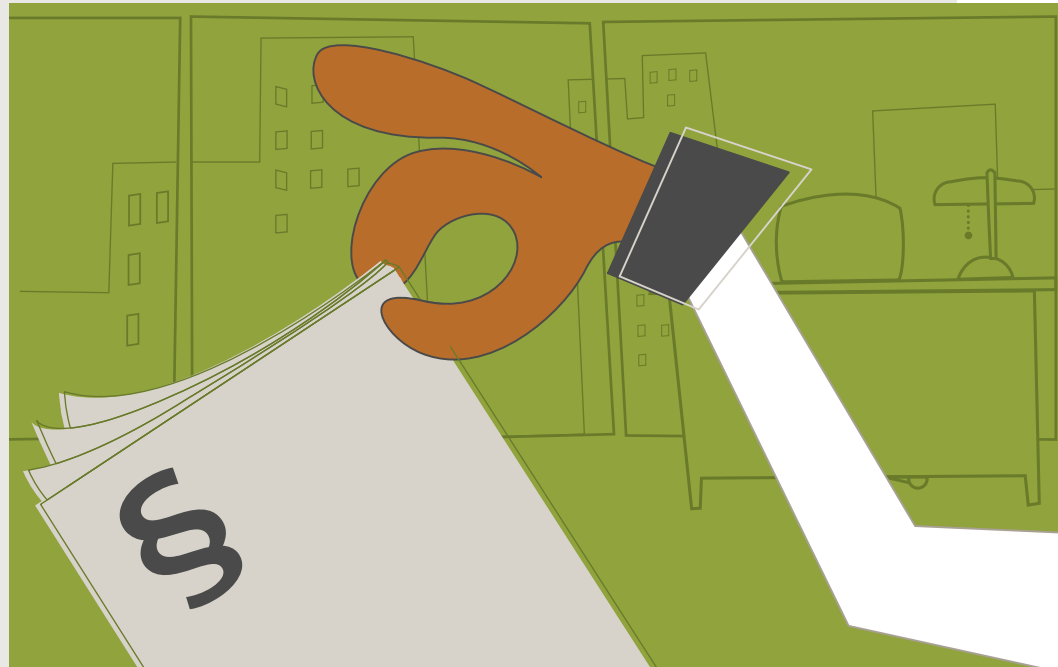
Responsible communication with consumers has been a part of Nestlé Corporate Business Principles since 1999. Consumer Communication Principles:

- support moderation, healthy eating habits and physical exercise, and, in case of children, support the protection of the parents' authority and avoiding unrealistic expectations of popularity or success;
- the observation of the principles is compulsory for all employees working in the areas of marketing and advertising and all agencies that work for Nestlé;
- cover responsible communication and advertising aimed at children: they forbid advertising aimed at children under the age of 6; marketing activity aimed at children aged 6-12 is limited to the products in the NF category – these contribute to a balanced diet, and comply with clear sugar, salt and fat intake limits.

These rules have been observed in every country, including Hungary, since 2008.

In order to ensure the observation of the Consumer Communication Principles, Nestlé created an "Implementation Guide" and set up a monitoring system.

Due to the ever stricter legislation and increasing consumer interest, Nestlé reviewed and strengthened its internal regulations regarding dietary and health statements on products. At the end of 2008, the regulation entitled "General Rules" entered into



effect. After this, the "Standard for the Development of Health Claims" was introduced in 2009, which also regulates the study of consumer understanding of these issues, strict scientific verification processes, large-scale teamwork and areas of responsibility.

The legal department of Nestlé Hungária Kft. monitors compliance with the above-mentioned voluntary norms and the following legal regulations covering marketing communication on an ongoing basis:

- Act XLVII of 2008 on Unfair Business Practices against Consumers
- Act XLVIII of 2008 on the Basic Conditions and Certain Limitations of Business Advertising Activity
- Act XLVI of 2008 on the Food Chain and its Oversight by Authorities
- Act XCVI of 2001 on the Publication of Business Advertisements, Retail Store Signs and Certain Notices of Public Interest in Hungarian

- Act CLV of 1997 on Consumer Protection
- Act CXIX of 1995 on the Use of Name and Address Information Serving the Purposes of Research and Direct Marketing
- Act XVII of 1996 on the Prohibition of Unfair Trading Practices and Unfair Competition
- Act CLXXXV of 2010 on Media Services and Mass Communication
- Act CIV of 2010 on the Freedom of the Press and the Fundamental Rules on Media Content

In 2010, the department registered no cases of non-compliance with the above laws.

We also voluntarily committed ourselves to sending advertisements to the Advertising Self-regulation Organization for review before airing, subject to the decision of the marketing branding group.

8.2. Consumer Service

Consumer Service apart from providing advice and information, analyses consumer feedback and proposals and makes suggestions for product development as well, thus representing the interests of consumers within the company.

Consumer complaints are carefully investigated so that the appropriate action can be taken and prompt and precise feedback can be given to the consumer.

Interested parties can receive information about new Nestlé brands and products and their uses and availability. With the assistance of our nutritional science experts, we are able to offer expert information regarding nutritional questions as well. Our consumers express great interest in Nestlé's ongoing prize-drawing promotions. Our colleagues are glad to provide information regarding the terms of participation, drawings, and list of winners.

The Service maintains detailed statistics of the incoming phone calls and letters. We track the number of consumer contacts and the number of complaints, their topic, and the number of resolved complaints and the method of resolution.

In 2010, Consumer Service was approached by customers in 31,580 cases. Most of these were related to prize-drawing campaigns and other promotions (e.g. NESCAFÉ® Dolce Gusto® web shop). The total number of product quality complaints was 151, which is 0.5% of all consumer contacts.

Review

We had an independent review of the operation of Consumer Service in 2010 as well (using the same criteria as in 2009).

The review produced the following results:

- The characteristics of Nestlé Consumer Service:
- the performance of the phone service was 92.7% (the average of reviewed companies was 74.4%);
- the performance of the e-mail service was 94% (the average of reviewed companies was 57.8%);
- the phone service was professional and polite in managing contacts;
- e-mails were answered within 48 hours;
- e-mails are answered in a format that conveys Nestlé's image (brand groups and the Nestlé logo, Consumer Service contact information), using consumer friendly and polite opening and closing formulas.
- reinforcing loyalty for Nestlé products.

Characteristics of competitors:

- companies are constantly improving their management of phone contacts – they all fulfil appropriately requests of consumers who contact them, although the researcher did not find trained phone operators at every company; in some cases, the call was forwarded to a regular employee;
- there are fairly significant differences in the quality of answers provided to e-mail contacts – some companies use a consumer-friendly tone and a good style while others manage contacts in a non-consumer-friendly manner;

- sometimes response times reach several days or consumer contacts even remain unanswered;
- in some cases, it is not clear from the format of the e-mail response whether it was sent by a company employee or the customer service.

8.3. Consumer Satisfaction Measurement

Nestlé conducts numerous consumer satisfaction surveys in Hungary as well.

- Monthly reports are prepared pertaining to all product groups on the number of consumer complaints relative to the quantity of products sold. The cumulative figure in 2010 was 0.43; in other words, there were 0.43 complaints for every 1 million products sold.
- 60/40+ tests.
- Brand Health Tracking: annual survey which examines the brand awareness and image of Nestlé and its competitors. It facilitates the analysis of the efficiency of the given year's communication and target setting for the following year. We have been conducting the survey since 2002.

9. Employees

Our aim is to provide our colleagues with better work opportunities and higher incomes through continuous training and professional development.

Our main principle is to provide every one of our employees with the necessary opportunities and support to foster the development of their abilities, in a secure and fair workplace where workers are involved in the life of the company, and where respect is shown for equal opportunity.

In spite of the effects of the global economic crisis on Hungary, we provided our colleagues with training and development in 2010 as well (although these programmes were scaled down in some organizational units). In a few sites, there was even a substantial increase in the number of training hours. We are very proud of the fact that no accidents happened in the Szerencs and Diósgyőr factories in 2010.

9.1. Training

Nestlé emphasizes the principle of lifelong learning both at the international and the local level; thus, the employees of Nestlé Hungária Kft. have access to trainings aimed at improving professional skills, conferences (coordinated in part by the training centre in Switzerland) and trainings aimed at improving individual competences.

Employees and their managers determine the areas of development and decide on the related action plans together at yearly development discussions based on the goals for the next year and possible career steps.

Nestlé believes that most of the responsibility for an employee's development – about 70% – lies with the employee, and the greatest source of experience is daily work and involvement in new tasks and new projects. This is followed by managerial guidance and support

by mentors. Finally, formal trainings contribute 10% to individual development. This approach serves as the basis for the yearly training plan and the long-term individual development plan.

Detailed information on our special training programme on healthy diets and lifestyles is available on page 20.

A drawing contest was organized for employees' children and grandchildren in 2010. The best drawings were included in last year's sustainability report.

Figure 8: Training hours

	2009		2010	
	Total training hours	Training hours per person	Total training hours	Training hours per person
Nestlé Hungária	26,659	20.3	18,185*	13.7*
Head Office and Purina Budapest	12,968	32.8	2,045*	6.1*
Szerencs	4,566	12.2	9,424	26.7
white-collar	2,506	32.5	3,769	52.3
blue-collar	2,060	6.9	5,655	20.1
Diósgyőr	2,750	13.0	2,144	10.2
white-collar	221	7.9	858	30.6
blue-collar	2,529	13.8	1,286	7.1
Bük	6,375	19.3	4,571	12.2
white-collar	1,636	22.1	945	11.1
blue-collar	4,739	20.1	3,626	12.5

Figure 9: Training types and the number of participants in 2010

Training type / Person	Nestlé Hungária total	Head Office and Purina Budapest	Szerencs and Diósgyőr	Bük
Compulsory training	1,400	334	693	373
Skills development	504	72	417	15
Professional continuing education	856	14	817	25
Team building	114	114	0	0
English language course	98	60	28	10
Studies in a scholarly framework (based on a study contract)	5	4	1	0

Internship Opportunities and the COMEX Programme

In 2010 we hired 23 career starters for various areas at Nestlé's head office, the Bük factory and the Szerencs and Diósgyőr factories. Nestlé's aim is to provide insight into the everyday reality of each area of activity in order to provide young people with practical knowledge. We developed our COMEX (Commercial Executive) rotating programme expressly for fresh graduates, during the course of which we train mainly marketing/sales oriented professionals. 22 people completed the COMEX programme successfully since it was set up in 2000, with 6 participants in 2010.

In the framework of the internship programme, nearly 14 students gained experience in the areas of marketing, sales administration, logistics, controlling, HR and various areas of engineering and technology.

The prevention of Corruption

For purposes of prevention, we published Nestlé's global Code of Ethics and Business Conduct in the Hungarian market for local employees, extended with local applications. Since 2009, all Nestlé employees filled in the so-called declaration "A" about other employment relationships or other legal arrangements

that involve carrying out work apart from their employment at Nestlé. In declaration "B", employees declare any intention to enter into any other employment relationships or other legal arrangements that involve carrying out work (with or without remuneration) apart from their employment at Nestlé. This is monitored by the company on an ongoing basis. No corruption-related event took place in 2010.

9.2. Employee Benefits

In addition to their competitive salaries, employees at Nestlé receive a wide range of benefits:

- 13th month salary
- Flexible working hours
- Cafeteria system
- Employer's contribution to voluntary pension funds
- Baby food gift packages for employees' babies
- Christmas and Easter gifts to employees
- Support for sports activities
- Group life and accident insurance
- Labour health service
- Loyalty rewards
- Retirement bonus
- School starting support
- Employee benefits for contributing partners (travel, clothing purchases)



Everyone who has an employment contract at Nestlé (indefinite term or fixed-term, full-time or part-time) receives the same benefits.

Virtually all employees receive regular performance evaluations at Nestlé Hungária Kft., and most employees also receive an overview of their career-building and individual development opportunities. The evaluation system for white-collar workers is more complicated than that of physical workers, but the evaluation has an impact on the rate of pay rises for both groups.

Managers

The Nestlé Management and Leadership Principles detail the company’s expectations of its senior managers on a global level, which are in accordance with Nestlé Corporate Business Principles. We are in the process of introducing Job Success Profiles for

every position, which includes qualifications, experience and the expected competence levels.

The relationship between the remuneration of senior management and the performance of the organization is ensured by the incentive system. Nestlé applies two kinds of incentives. Short-term incentives are bonuses given to managers based on the achievement of yearly goals. Goals are usually comprised of three parts: group- or company-level goals, department-level goals and personal goals. Their proportion varies from position to position. Long-term incentives motivate the members of senior management to increase the value of company shares. The amount of severance pay is included in the Collective Agreement and depends on the time of service at the company. The amount of severance pay increases after five years

of employment. After ten years it is double the amount prescribed by the Labour Code.

Executive management evaluates its own performance on the basis of the fulfilment of bonus targets, which include individual, department-level and company-level targets, as well as business strategy goals. This encompasses financial, social and environmental targets that are dependent mainly on the position and activity in question.

Conflicts of Interest

The rules on conflicts of interest are contained in the local application of Nestlé Group’s Code of Ethics and Business Conduct. The document is binding for all employees. Apart from this, we also use declarations “A” and “B” filled in by employees, discussed in the section on preventing corruption (see page 29).

Figure 10: Average starting wage compared to the local minimum wage at major sites of the organization

Name of site	Position	Average starting wage in the position thousand HUF	Minimum wage thousand HUF	Proportion
Head Office and Purina Budapest	Sales administrator	220	73.5	299.3%
Szerencs	Packer	73.6	73.5	100.1%
Diósgyőr	Packer	73.6	73.5	100.1%
Bük	Tank operator / Scale table operator / Co-packer	95.7	73.5	130.2%



9.3. Health and Safety

The Nestlé Occupational Health and Safety Management System (an OHSAS 18001 compliant system) supports our work culture, which is committed to the “zero accident” policy.

Compliance with the rules

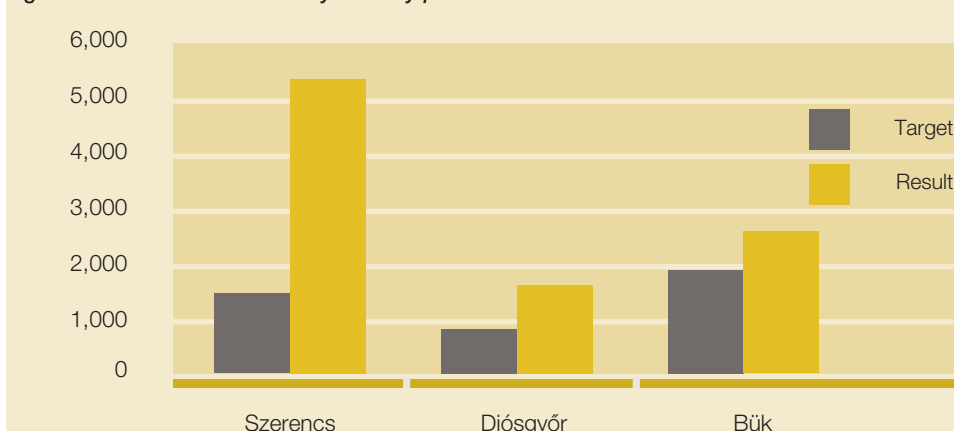
Compliance with the health and safety rules laid down in our Business Principles and in Hungarian legislation was successfully reviewed again in 2010 by the certification firm SGS.

In accordance with Act XCIII of 1993 on Labour Safety and Act CLXI of 2007 amending the previous Act, work safety representatives were elected in the factories (jointly in Szerencs and Diósgyőr and a separate one in Bük). There were 9 work safety representatives in Szerencs, 5 in Diósgyőr, and 3 in Bük.

The work safety representatives hold meetings with managers once a month regarding work safety and current environmental issues.

The behaviour-based work safety programme – the system of so-called safety talks (SUSA) – which contributed greatly to the reduction in the

Figure 11: The number of safety talks by plant in 2010



number of accidents, will continue in all Nestlé production units. (A detailed description of the Safety Talks programme is on page 38 of our 2008 annual report).

As an example, the results of the factories in Szerencs and Diósgyőr improved: there were 9 accidents that caused lost work hours in 2008, there were 6 in 2009, and none in 2010. This result is due to the hard work of the recent period including the improvements made to the work environment, the separation of pedestrian and forklift paths, the

managerial commitment to the issue, the developments in visual communication and the involvement of the workforce in the occupational safety programmes.

We are aware of the fact that the majority (nearly 90%) of accidents stem from hazardous behaviour; that is why we attach importance to the sustained operation and continuous development of the programme.



Figure 12: Accidents at the workplace causing lost work hours between 2006 and 2010

	2006	2007	2008	2009	2010
Nestlé Hungária total					
number of accidents	17	11	13	7	2
total days lost	391*	524*	539*	363	35
lost days as a percentage of total work time	0.12%	0.16%	0.16%	0.11%	0.01%
Head Office and Purina Budapest					
number of accidents	2	2	2	1	1
total days lost	30	7	60	47	17
lost days as a percentage of total work time	0.03%	0.01%	0.06%	0.05%	0.02%
Szerencs and Diósgyőr					
number of accidents	9	7	9	6	0
total days lost	252	186	286	316	0
lost days as a percentage of total work time	0.17%	0.13%	0.19%	0.21%	0%
Bük					
number of accidents	6	2	2	0	1
total days lost	109	331	193	0	18
lost days as a percentage of total work time	0.15%	0.45%	0.22%	0%	0.02%

*Erroneous data was published in these cells in the 2009 report due to a calculation error.

Accidents

There occurred no fatal accidents and no accidents causing lasting injuries in 2010.

9.4. Employee Dialogue

Trade Unions

In accordance with the Hungarian Labour Code, all employees except the Managing Director are covered by a Collective Agreement.

Nestlé Hungária Kft. informs employees and employee representatives of any changes in operation and measures that have a significant impact on employees in accordance with the procedures and deadlines set by the Labour Code. (The rules on deadlines and procedures vary case by case.)

Apart from this, the Collective Agreement lays down special rules for restructuring. These state that if the measure taken affects the number of employment relationships set forth in the Labour Code, Nestlé is obliged to take certain measures and request the opinion of the Works Council and Trade Union Committee regarding the planned measure.

In 2010, there were no incidents at Nestlé that could have endangered the right to unionization or the right to apply a Collective Agreement. Nestlé informs employees about issues affecting a significant number of employees on an ongoing basis.

Works Council

Nestlé Hungária Kft. has a Central Works Council and the factories have their own local Works Councils, in accordance with the conditions set forth in the Labour Code. The established practice is that the management formally provides information to the Central Works Council twice a year, also offering the Works Council the opportunity to voice its opinion. As there are numerous issues to be resolved that cannot be handled in this framework, there is a very active process of e-mail and personal discussions between employee representatives and senior management.

Approximately 60% of Works Council representatives are members of the Trade Union of Confectionery Workers.

We have a cooperation agreement in place with the Central Works Council, which sets more advantageous conditions than those required by the Labour Code.

Other Forms of Employee Dialogue

Apart from day-to-day contacts with the trade union, there is also a yearly information day designed to increase employee engagement and create an opportunity for personal discussions. The intranet sites and the monthly newsletter also help keep employees informed.

9.5. Equal Opportunity

In terms of equal opportunity and human rights issues, the operation of Nestlé is governed by the document entitled Corporate Business Principles and the Human Resources Policy.

Nestlé is launching several initiatives worldwide to bring about equal treat-

ment of and career opportunities for employees. As such, we are devoting special attention – among other things – to the situation of women, for example to the process of reintegrating women into the labour force after maternity leave.

Women with Children and Working Mothers

At Nestlé, the proportion of women with children and working mothers is relatively high. Consequently, we have set up a systematic policy for them.

We developed a registry system in the Budapest office to ensure that we have sufficient information regarding women returning to work in the eventuality that their former colleagues no longer work at the company. When a job opening arises, the first step we take is to see if there are any candidates with relevant experience among women returning to work after maternity leave.

For women going on maternity leave, we assess the anticipated date of their return and determine whether they are interested in.

In 2010, we had a research company carry out a comparative analysis of the “Development of organizations’ HR processes aimed at improving the satisfaction of female employees”. 500 employees from 13 companies participated in the research, and the following factors were analysed in order to help us develop our HR process based on the results:

- Equal opportunities for the genders at the workplace and in terms of career paths in a multinational environment; potential distorting factors.
- Factors that have a negative impact on the role of women at the workplace at international corporations.
- The identification of hurdles limiting women’s career advancement.
- Problems faced by working mothers returning to multinational corporations after maternity leave.
- Negative attitudes characteristic of Hungarian employees in terms of their approach to work.

Proportion of Local Employees

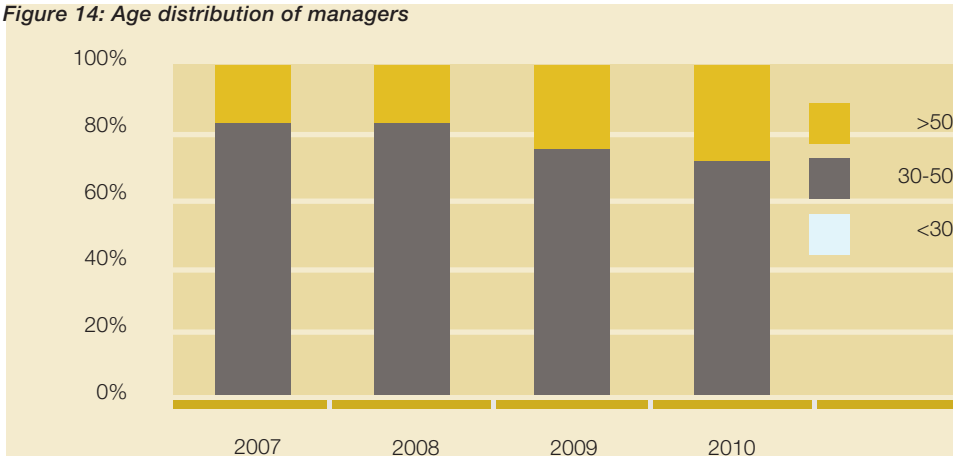
Employees are considered local if they live in the city or town of the given site or in the given county. Within management, employees not sent by Nestlé Centre are considered local.

Figure 13: Proportion of local employees in senior management

Proportion of locals (%)			
	2008	2009	2010
NiM-COM (Senior management)	73	67	69*
Head Office and Purina Budapest	64	64	63
Employees in Szerencs and Diósgyőr	99	99	99
Employees in Bük	92	91	91

**The definition of senior management was expanded for 2010; apart from MANCOM (Management Committee) members, managers working at NiM (Nestlé in the Market) are also considered members of senior management (see. 4.3).*

Figure 14: Age distribution of managers



Age and Gender Statistics

There were only male managers in 2007-2008; there was one female member in the management team in 2009; in 2010, there were 4. The definition of senior management was expanded for 2010; apart from MANCOM members, managers working at NiM are now also considered members of senior management.

Figure 15: Age distribution of employees at the Head Office and Purina Budapest

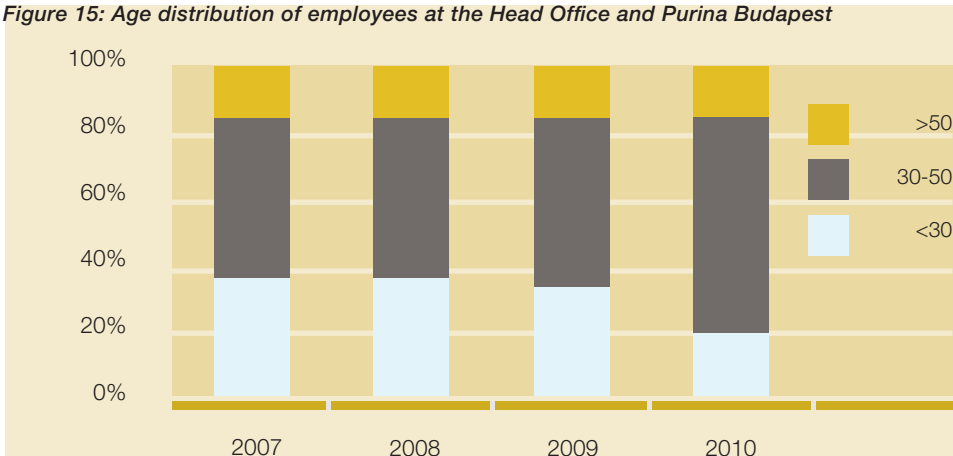


Figure 16: Gender distribution of employees at the Head Office and Purina Budapest

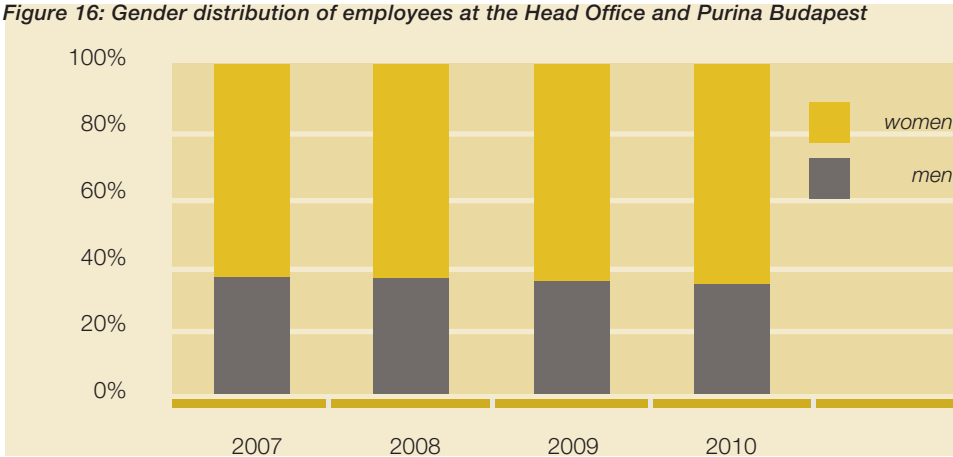


Figure 17: Age distribution of employees in Szerencs and Diósgyőr

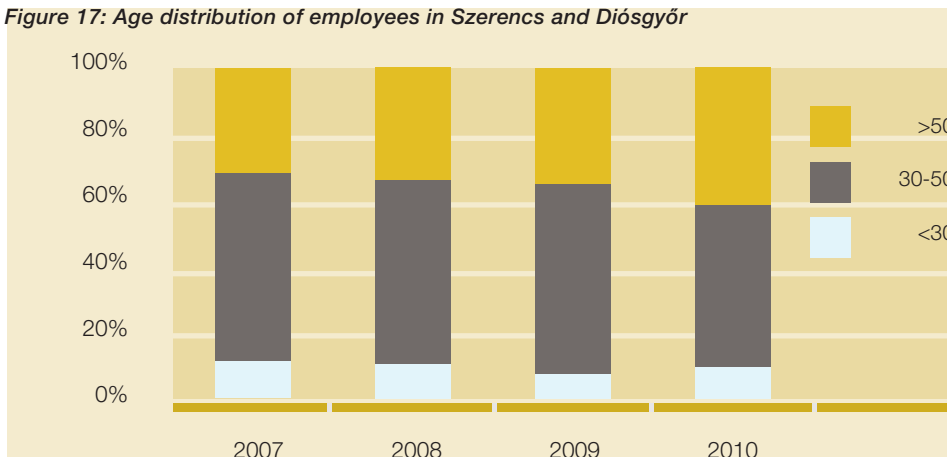


Figure 18: Gender distribution of employees in Szerencs and Diósgyőr

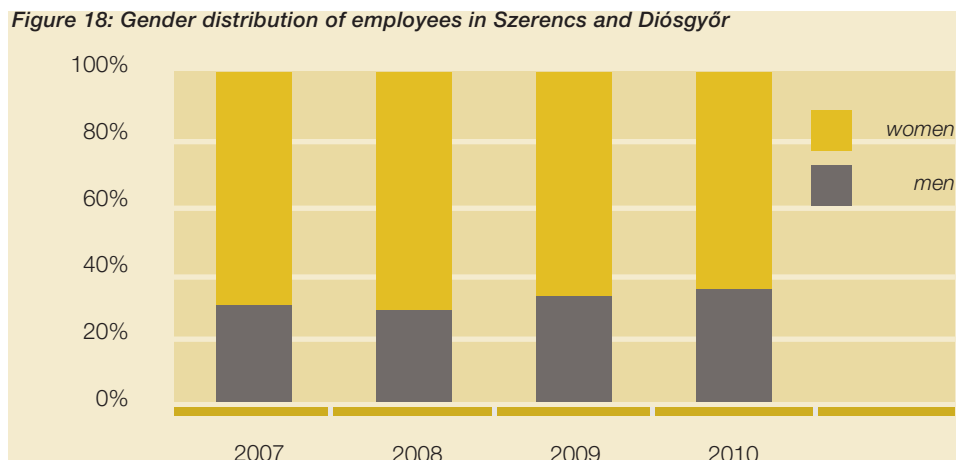


Figure 19: Age distribution of employees in Bük

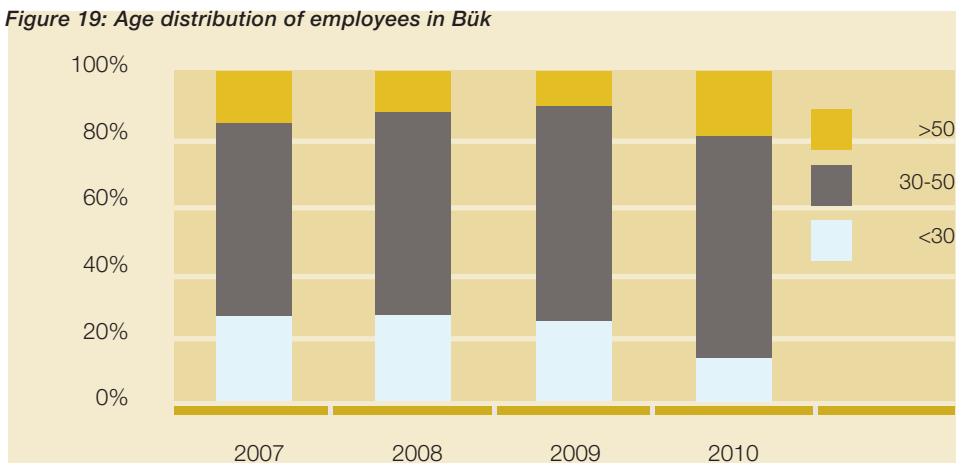


Figure 20: Gender distribution of employees in Bük

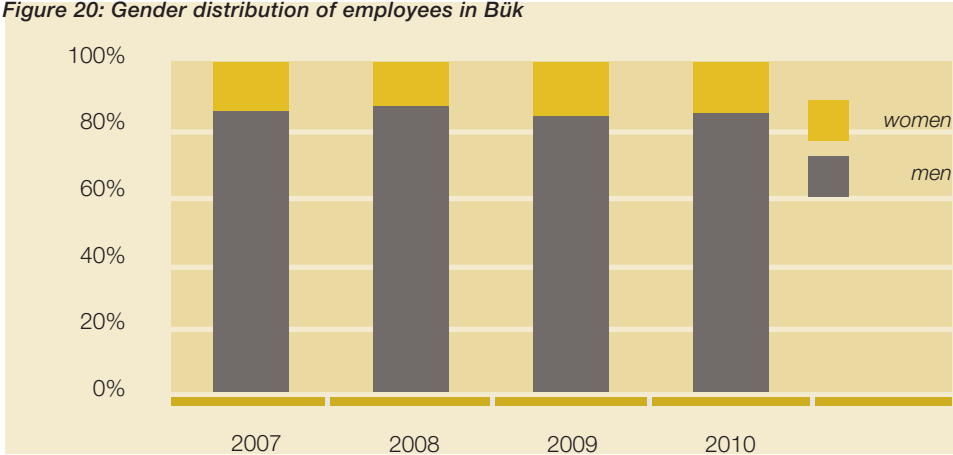
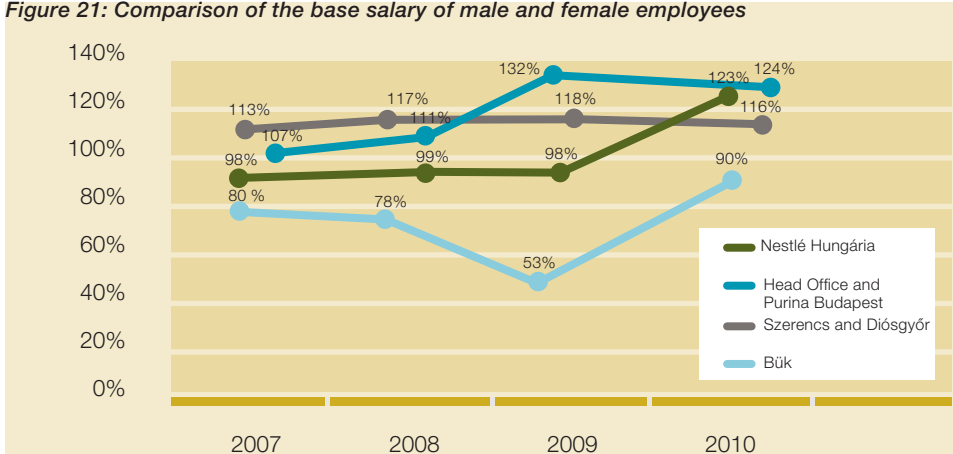
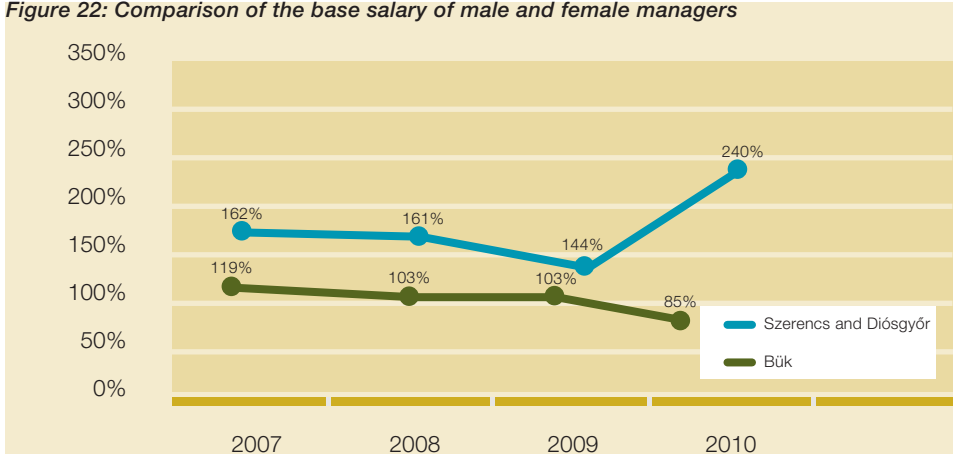


Figure 21: Comparison of the base salary of male and female employees



This is not a comparison of individual positions; rather, a comparison of total wages. This includes all the gross payments made to the employees in the given year.

Figure 22: Comparison of the base salary of male and female managers



Employment of Persons with Reduced Work Capacities in the Diósgyőr Factory

The employment company Prima-Soft has been working with Nestlé's Diósgyőr factory since the spring of 2007.

(They rent a site within the factory.) The company is focused on employing people with reduced work capacities – about 60 to 80 persons on Nestlé's site, usually in two shifts depending on the requirements.

Nestlé has assigned manual packaging activities to them that used to be carried out by leased workforce.

In 2010, there were no incidents of discrimination at Nestlé Hungária Kft.

9.6. Employment Data

Figure 23: Total number of workforce by type of employment, work contract and region

	2006	2007	2008	2009	2010
Total number	1,323	1,329	1,345	1,308	1,320
Head Office and Purina Budapest	394	402	407	399	376
Szerencs and Diósgyőr	638	632	596	586	562
White-collar	104	101	97	105	100
Blue-collar	534	531	499	481	462
Bük	291	295	342	323	382
White-collar	63	67	71	82	98
Blue-collar	228	228	271	241	284
Full-time	1,308	1,325	1,335	1,297	1,307
Head Office and Purina Budapest	379	398	398	389	364
Szerencs and Diósgyőr	638	632	595	585	562
Bük	291	295	342	323	381
Part-time	15	4	10	11	13
Head Office and Purina Budapest	15	4	9	10	12
Szerencs and Diósgyőr	0	0	1	1	0
Bük	0	0	0	0	1
Fixed-term contract	71	40	37	29	28
Head Office and Purina Budapest	20	12	11	7	5
Szerencs and Diósgyőr	0	0	0	0	0
Bük	51	28	26	22	23
Indefinite term contract	1,252	1,289	1,308	1,279	1,292
Head Office and Purina Budapest	374	390	396	392	371
Szerencs and Diósgyőr	638	632	596	586	562
Bük	240	267	316	301	359
Leased employees and agency contracts	382	128	116	110	234
Head Office and Purina Budapest	1	6	10	7	3
Szerencs and Diósgyőr	377	112	98	101	231
Bük	4	10	8	2	0

Figure 24: Number of persons who quit the organization, 2006-2010



Fluctuation

Figure 25: Fluctuation 2006-2010

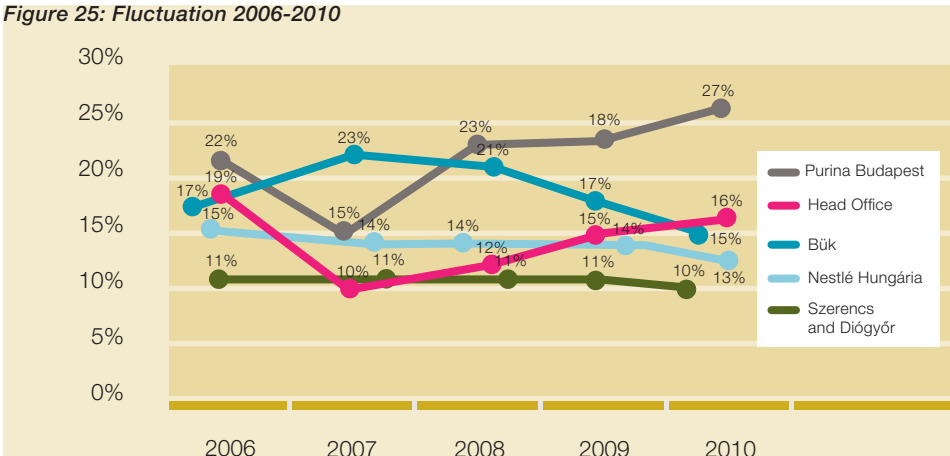


Figure 26: Age distribution of persons who quit

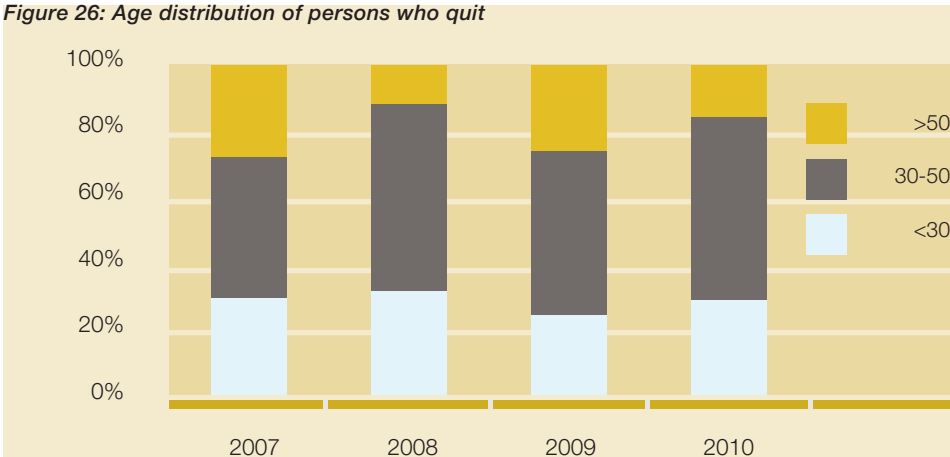
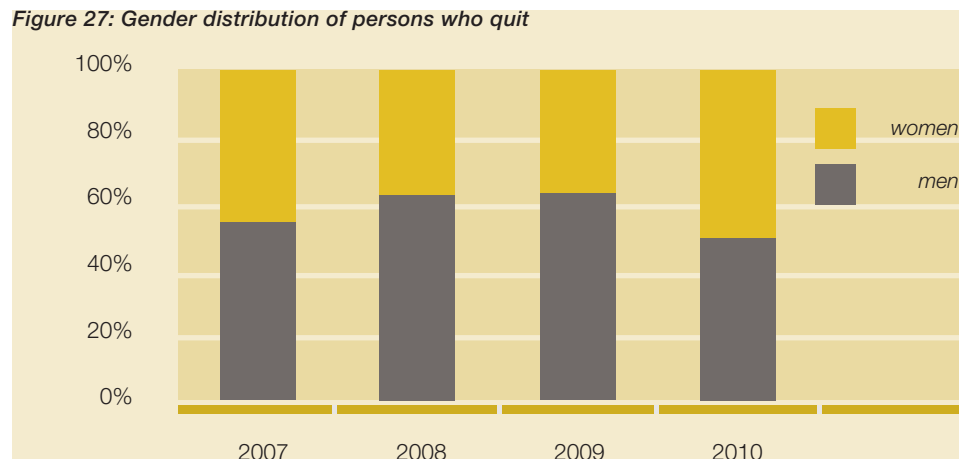


Figure 27: Gender distribution of persons who quit**Job Fairs**

In 2010, Nestlé took part in the job fairs of the Budapest University of Technology and Economics, HVG job fair, the University of Miskolc, and, on two occasions, in the CareerExpo event organized by Corvinus University.



10. Suppliers, Ingredients



Nestlé's sourcing policy in Hungary is regulated by the local application of Nestlé Group's Code of Ethics and Business Conduct and Nestlé Corporate Business Principles.

Accordingly, uniform conditions are provided to suppliers. The data in Figure 28-29 clearly shows that our local business partners also meet the requirements and are competitive.

The main criteria for choosing suppliers are: quality, compliance with applicable legislation, reliability and price. The choice of suppliers is regulated by NIMS (Nestlé Integrated Management System).

Responsible Sourcing

Nestlé is paying increasing attention to improving environmental and social performance not only

in its own offices and plants, but also in those of its suppliers. In this spirit, a new Supplier Code entered into force in July 2008 (www.nestle.com/suppliers). The Code is binding to all suppliers; compliance is verified by self-checks carried out by suppliers and third-party audits.

Supplier audits

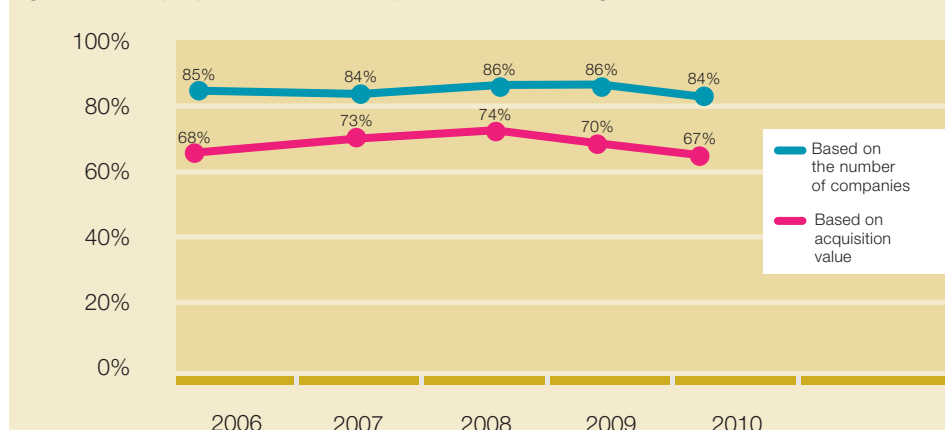
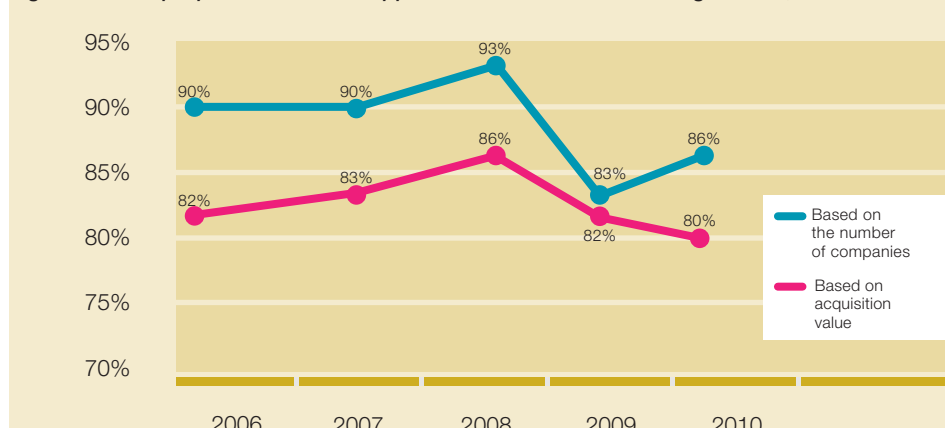
Before a raw material or packaging supplier, a contract manufacturer or a contract packer enters into any business relationship with Nestlé, they must undergo an audit process. The outcome of this process determines whether or not the given company may work for Nestlé in the future. However, not only new partners are subjected to a supplier audit. The degree of hazard of the materials supplied determines how often the partners must be audited (for example, suppliers of highly hazardous products must be audited once every three years).

In most cases, the audit is carried out by Nestlé instead of being outsourced to third parties, and

Hungarian suppliers of a foreign Nestlé company are also quite often audited by local Nestlé experts. Another part of supplier assessment is the questionnaire sent by the purchase department to factories, which provides feedback on the partner's business activity and reliability. The annual audit list is drawn up on the basis of feedback as well as the degree of hazard of the supplied products. In 2010, Nestlé carried out 34 supplier audits in Hungary (in the Food business line).

Contract Manufacturers

Contract manufacturers are expected to comply with the same requirements applied at Nestlé's own plants (food safety, quality, occupational safety, environmental protection, fair business practices, and employment policy). Compliance is verified through approval audits.

Figure 28: The proportion of local suppliers at Nestlé Hungária Kft., 2006-2010**Figure 29: The proportion of local suppliers at Cereal Partners Hungária Kft., 2006-2010**

Companies with at least one site in Hungary and employing Hungarian workforce are considered local suppliers.

International Outlook: Coffee and Cocoa

Coffee

The coffee supplier chain is very complex – 80% of producers are small-scale producers. The livelihood of about 25 million farmers depends directly on coffee production, and

another 100 million people work in the coffee industry as a whole. Nestlé is the world's largest direct coffee buyer.

Our Approach

Our direct coffee sourcing system allows tens of thousands of small-scale producers and intermediaries to sell coffee directly to our facilities. This way, they receive a better price and free technical help by which they can improve the quality of their crop and diversify their activities. This provides them with extra income and Nestlé receives a secure supply of coffee.

Results

In 2010, Nestlé bought 82,000 tonnes of green coffee beans directly from the producers and intermediaries in Ivory Coast, the Philippines, Indonesia, China, Mexico, Thailand and Vietnam. About 10% of the coffee used for Nescafé products is sourced directly.

We have been using spent coffee grounds as a source of renewable energy for many years now – this also helps reduce the quantity of waste produced. Currently, 21 Nestlé factories around the world use spent coffee grounds to generate energy. One of them is the Cagayan de Oro Nescafé factory in the Philippines, where a new investment project took place recently: thanks to the state-of-the-art boiler, the factory's fossil fuel emissions were reduced by 62%. The factory also has a solid waste management programme and a communal eco-garden.

Nescafé Plan

Within the framework of the Nescafé Plan programme, started in 2010, Nestlé will

- double the quantity of coffee beans used for Nescafé bought directly from the producers by 2015. This means buying 180,000 tonnes a year from 170,000 producers.
- Thanks to the support of the Rainforest Alliance and the technical assistance of the 4C Association (set up to make and keep coffee growing sustainable), the directly procured green coffee will comply with the internationally recognized 4C sustainability regulations by 2015.

- Besides all this, by 2020 the procurement process of 90,000 tonnes of coffee used for *Nescafé* production will comply with the provisions of the Rainforest Alliance and the Sustainable Agriculture Network.
- Through collaborating with public and private institutions, Nestlé sent more than 16 million coffee plants to numerous countries in the past ten years, among them to producers in Mexico, Thailand, the Philippines and Indonesia. As a continuation of this effort and as part of the *Nescafé* Plan, Nestlé will distribute 220 million high-yield infection-resistant coffee plants to farmers. This will allow producers to refresh their plant stock. This will ensure a multiplication of the current production and higher income for them.
- Furthermore, the company is also expanding its technologi-

cal support programs within the framework of which the company provides producers with agricultural production- and crop rotation consultancy. More than 10 thousand farmers receive such expert advice each year.

In addition to the 200 million Swiss Francs invested in the past 10 years, the company will put a further 500 million towards coffee related investments by 2020 (350 million as part of the *Nescafé* Plan and the remaining 150 million related to *Nespresso*).

"The Nescafé Plan projects coffee production of the future. This collaboration is a wonderful opportunity to provide sustainable tools for thousands of producers, including those who previously didn't take part in any training and didn't receive technical aid"

– added Tensie Whelan, president of the Rainforest Alliance.

In 2010, 60% of the green coffee beans bought for *Nespresso* were bought within the framework of the *Nespresso* AAA Sustainable Quality Programme, in accordance with the Programme's criteria.

Further information on the ***Nespresso Ecolaboration™*** sustainability programme is available in last year's report, and at www.nespresso.com/ecolaboration (among other things, about the role of consumers in the programme).

Cocoa

The Cocoa Plan is aimed at solving or relieving the problems faced by cocoa producers and their families and communities. The Cocoa Plan, started in 2009 is described in detail in last year's report, and further information is available at www.thecocoaplan.com.



11. Community Links

Core activities of our community links:

- The Nutrikid programme aimed at teaching children about nutrition (page 22);
- The Nestlé Lifestyle Centre online portal where we strive to provide objective information to consumers (page 24).

The area of community links also encompasses communication with our consumers, which we detailed in Chapter 8 (page 26).

In this chapter we report on our additional professional links and charitable activities.

11.1. Professional Links

Nestlé Hungária is a member of the following professional organizations and interest groups:

- Hungarian Pet Food Association
- Association of Hungarian Confectionery Manufacturers
- Federation of Hungarian Food Industries
- Hungarian European Business Council (HEBC)

- Hungarian Brand Association
- National Association of Human Resources
- Swisscham Hungary
- TÉT Platform
- The International Chamber of Commerce (ICC Hungary)
- The infant formula department of MAGYOSZ (the Hungarian Pharmaceutical Manufacturers Association)
- Advertising Self-regulation Organization
- Öko-Pannon Nonprofit Kft.
- MNÉTP (Hungarian National Food Technology Platform)
- MÉTE (Hungarian Association of Food Science and Technology)
- TFK (Club for Informed Consumers)

Professional collaborations

We gave a presentation at the Nutrition Marketing Conference at Kaposvár University. The audience was comprised mainly of university lecturers, government officials, nutrition experts, dieticians, and university students.

In addition, we gave a presentation on the invitation of the Association of Hungarian Nutritional Supplement Manufacturers on the fortification of food using vitamins and minerals. The audience included experts from the nutritional supplement and pharmaceutical industries, supervisory and licensing authorities, and the government.

The Henri Nestlé Award

Nestlé founded the Henri Nestlé Award in Hungary in 2003, which since then has become a significant professional recognition. The three best first-time authors under the age of 40 are awarded this prize at the annual Scientific Meeting of the Hungarian Paediatrics Association and the Paediatric Gastroenterology Section of the Hungarian Society of Gastroenterology, through which Nestlé supports the development of talented young professionals. The prize is awarded by the scientific committee of the section. In 2010, Dr. Noémi Koncz-Kovács earned 1st place (a study trip to the annual congress of the Nestlé Research Center and a commemorative plaque).

Figure 30: Professional collaborations in 2010

Organization	
MDOSZ (Hungarian Dietetic Association)	Professional support provided to Nestlé Lifestyle Centre and the Nutrikid programme
National Institute for Food and Nutrition Science (NIFNS)	Continuous dialogue regarding the application of the food labelling system of the Confederation of the Food and Drink Industries of the EU (CIAA) on Nestlé products.
National Institute for Health Development (NIHD)	We held presentations at conferences for teachers and school nurses on the Nutrikid programme on the topic of health development in schools.
Hungarian Chamber of Health Care Workers (HCHCW)	Cooperation with a workgroup of school nurses within the framework of the Nutrikid programme.
TÉT Platform	Support for the propagation of the use of the GDA (Guideline Daily Amounts); dialogue on physical activity and educational programmes; dialogue with the government, NGOs and the industry
Cordi K+F Nonprofit Zrt.	Research and Development: environmental and energy efficiency projects
Central European University (CEU)	We gave a presentation on Nestlé's operation and specifically on its social responsibility model. The students were then given the task of drawing up proposals for developing this area. As a result, there was genuinely interactive communication based on involvement and dialogue.

Public Policy Standpoint, Participation in Public Policy Formation and Lobbying Activities

Nestlé engages in lobbying activity in Hungary and in the European Union on three levels. First level: Nestlé's head office in Brussels offers its views on EU legislative proposals, and establishes contact and consults with relevant employees and officials of the European Commission and members of the European Parliament or their assistants. It does so in certain cases with the involvement of a lobbying agency. In 2010, Nestlé was active in the areas of consumer information and product communication.

Second level: The company submits its opinion to or contacts the above mentioned persons/organizations through European industry associations (CIAA: food products, Caobisco: confectionery, Fediaf: pet food industry, IDACE: nutritional product manufacturers, Euroglaces: ice-cream, Ceereal: cereals, EVA: vending etc.).

Third level: In Hungary, Nestlé submits its opinion and comments in connection with the legislative proposals to members of the Hungarian Government, the National Assembly, and the Hungarian members of the EP directly, or through lobbying agencies or industry associations (Federation of Hungarian Food Industries, Association of Hungarian Confectionery Manufacturers, Hungarian Pet Food Association etc.). In 2010 Nestlé, in conjunction with the FHFI and the Association of the Hungarian Confectionery Manufacturers, took an active role on the following issues: nutritional value labelling, the nutritional profiling of food, and, upon the initiative of the FHFI, the regulation of unfair distributor conduct.

In addition to offering its views on legislative drafts, Nestlé Hungária is a party to dialogue involving society and the economy. The venue and the instruments for this are as follows: Nestlé Hungária is directly or indirectly a member of several chambers and business forums (e.g. Swisscham, Hungarian European Business Council, MGYOSZ etc.), which are active opinion makers in questions regarding public and economic policy issues. The company is directly involved in the drafting and revision of recommendations, reports, and proposals issued by these organizations. The Managing Director and the Corporate Affairs and Public Communications Manager participate actively in this dialogue.

11.2. Donations, Charity

Donations

The value of the donations made to NGOs in 2010 is 42,600,000 HUF,

mainly in the form of product donations (calculated at cost price). The donations reached those in need through Nestlé's strategic partners: the Hungarian Food Bank Association and the Hungarian Red Cross.

World Food Day Donation Convoy

In 2010, we continued our tradition of participating in the donation convoy organized on the occasion of World Food Day. The convoy was organized by Nestlé's key partner in product donations: the Hungarian Food Bank Association, and the FAO (the Food and Agriculture Organization of the United Nations) in order to raise awareness of the serious food supply problems afflicting a large part of humanity. Nestlé joined the convoy with HUF 2,700,000 HUF (cost price) in product donations.

Financial support for victims of the May flood

In the Szerencs and Diósgyőr factories, a total of 11 employees were



in a situation where they had to ask for help in repairing the damage they suffered. One of them had their house collapse due to the flood; several employees had their houses completely flooded, causing damage not only to the building but also to the furniture and personal belongings. Employees donated a part of their salary to the victims of the May floods. The amount donated by employees was 148,000 forints. Nestlé Hungária added 1,590,000 forints to this, thus, the total amount of support provided to the employees who suffered flood damage was 1,740,000 forints.

Donations to four-legged victims of the sludge catastrophe

After the sludge accident that mainly affected the villages of Devecser and Kolontár, numerous organizations, companies and private persons sent donations. Just like the human population, local animals needed help as well. From the Purina factory in Bük, more than 60,000 cans of dog and cat food were sent to animals through the Rescue Center in Kádárta as well as through disaster management professionals organizing the rescue of animals.

The total value of the donations sent to the troubled pets of the two villages in Veszprém county was more than 20 million HUF. Beside that, at the time of the floods in Borsod county, Purina sent a donation of animal food worth 4.4 million HUF to the region, and it supports pet shelters on a regular basis.

Red Cross – Nestlé Fund

An open-ended charity fund was set up by Nestlé in 2008 to subsidize the medical treatment costs of children and aged 0-18.



To ensure the transparent operation of the Charity Fund, a three-member committee was set up with the following members: employees of Nestlé Hungária Kft. and the Hungarian Red Cross who deal with social issues, including a legal advisor from the Child Guardian's Office and a paediatrician. 13 sick children and their families received in-kind support from the Charity Fund in 2010, with values between 50,000 and 100,000 HUF. Depending on the nature of their illness and their needs, medicines, toiletries, clothes, and food were purchased for them. In light of the initiative's success and its social importance, Nestlé decided to top up the depleted Charity Fund with another donation, so that we can give hope to desperate families in 2011 as well. The 700,000 HUF donation made available to the Red Cross will be utilized in 2011.

Blood Donation

We have been organizing regular voluntary blood donations at several of our sites for years. The Nestlé unit with the greatest tradition in this respect is the plant in Szerencs, where workers have had the opportunity to join the initiative for 20 years. The plant in Bük launched its blood donation campaign in 2003, with 4 blood drawings a year. Since 2004, employees at the head office in Budapest have been granted the opportunity to donate blood as well.

Nestlé does not support any political parties, politicians, or related institutions financially or via contributions in kind. This is prohibited by the chapter on Bribery and Corruption of Nestlé's Code of Ethics and Business Conduct.

12. Environment

Our aim is to produce products that, apart from being tasty and nutritious, are as environmentally friendly as possible. In order to achieve this, we continuously work on improving our environmental performance.

We continuously work on reducing our water consumption, our consumption of non-renewable energy and our greenhouse gas emissions, on preventing waste generation and on reducing the environmental impact of product packagings.

We published the Nestlé Policy on Environmental Sustainability for the first time in 1991. This basic document lays down Nestlé's environmental principles and commitment.

The environmentally friendly operation of Nestlé Hungária Kft. is governed, in addition to its Environmental Policy, by the Nestlé Quality Management System (NQMS). In 2009 Nestlé Hungária's plants and Budapest office obtained the ISO 14001 certification for their environmental management systems.

Climate change

Nestlé takes several kinds of action for reducing greenhouse gas emissions:

- at our own plants and other sites;
- through supporting our suppliers, primarily as part of the Nestlé Sustainable Agriculture initiative;
- through innovative solutions aimed at consumers, such as the energy-efficient Nespresso and Nescafé Dolce Gusto coffee machines.



Our main aim is to make our products the most environmentally friendly on the market in their respective categories.

In 2010, a 120 million HUF investment was carried out in the Szerencs factory to adapt the cooling system and steam boiler, built in the 1990s, to present production needs. The modernization is expected to save 5182 GJ of energy and 18 million HUF each year from 2011.

Green Office Competition in the Head Office

One of the central elements of the Creating Shared Value programme is for environmentally friendly measures to define the company's way of thinking and be integrated into its operation, even on the level of small, everyday decisions. It is important to Nestlé to actively involve its employees in its efforts directed towards reaching this goal. Participation in the Green Office competition proved to be an excellent tool in this endeavour.

In the framework of the competition, the company once again took major steps toward environmentally friendly operation.

As one of the first steps of our Green Office project, employees pay special





attention to **water usage**. As a result, we managed to reduce yearly water usage by 13%; this means we use 1,000 litres less water a day than before. The conversion of large toilet cisterns to flush stop valves played a major role in the reduction. At the same time, a **comprehensive system of selective waste collection** was introduced in the office building.

The company’s steps to save **electricity** have also proven successful. The daily electricity savings, which were at three per cent in May 2010, increased to ten per cent by June, and the yearly total saving was 8%. The savings were realized among

other things by placing great emphasis on switching off unused equipment, for example by discontinuing unnecessary lighting in refrigerators. Employees are paying more attention to saving electricity; for instance, in a few departments they warn each other with post-it messages if someone leaves their monitor on at night. Nestlé’s headquarters have literally become greener, thanks to the one hundred **new plants** which were placed in the office building as part of the programme.

Figure 31: Carbon dioxide emission from natural gas use (direct) (t CO₂eq)

	2007	2008	2009	2010
Total	12,567	12,157	10,618	10,427
Szerencs	1,570	1,256	1,341	1,425
Diósgyőr	298	312	323	349
Bük	10,699	10,589	8,954	8,653

Figure 32: Carbon dioxide emission of production caused by natural gas use per tonne of product (kg CO₂/t)

	2007	2008	2009	2010
Szerencs	48.48	38.72	44.47	48.09
Diósgyőr	97.45	121.43	103.02	117.84
Bük	76.78	75.69	75.47	74.17

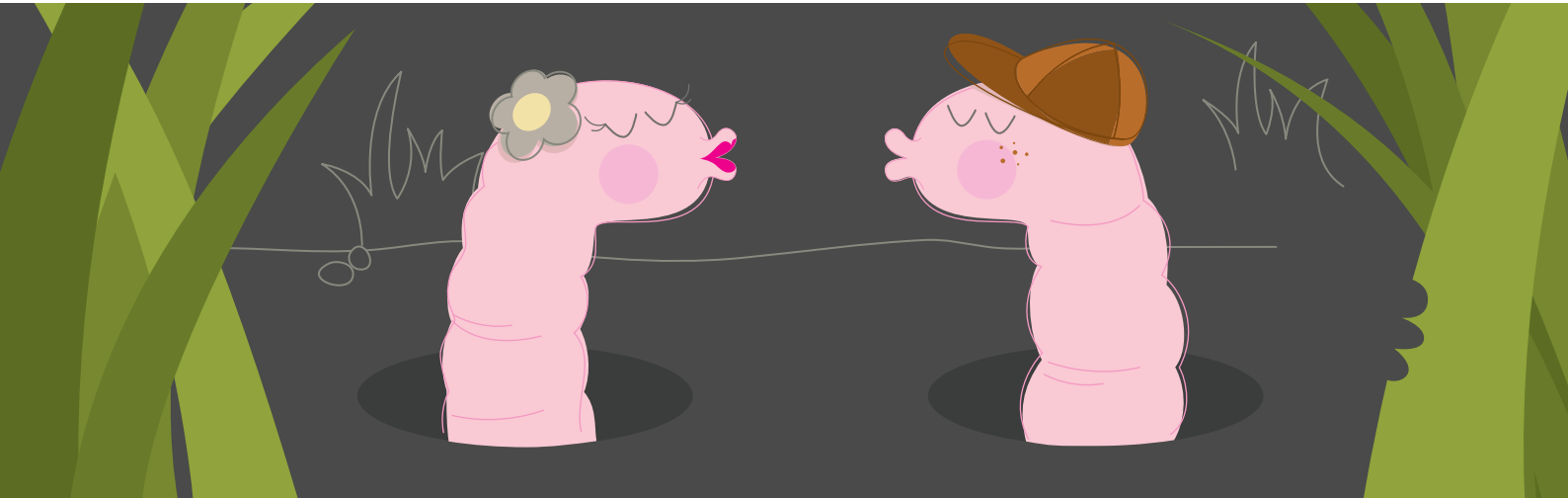
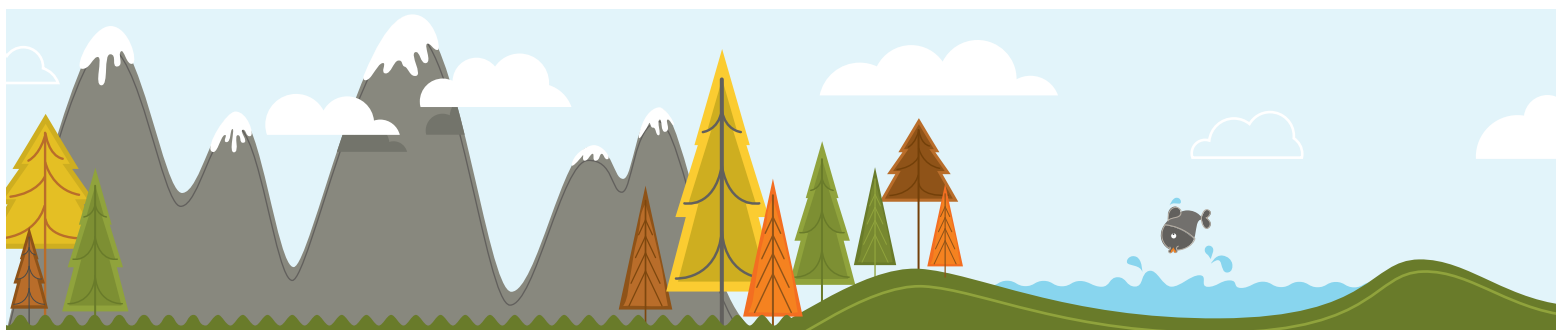


Figure 33: Carbon dioxide emission caused by electricity use (t CO₂eq)

	2007	2008	2009	2010
Total	9,231	9,058	8,150	8,030
Szerencs	1,971	1,717	1,605	1,612
Diósgyőr	825	723	709	755
Bük	6,435	6,618	5,836	5,663

**Figure 34: Carbon dioxide emission caused by electricity use per tonne of product (kg CO₂/t)**

	2007	2008	2009	2010
Szerencs	60.88	52.92	53.24	54.41
Diósgyőr	270.19	281.62	225.82	254.78
Bük	46.18	47.31	49.19	48.53

Figure 35: Energy use of the facility per tonne of product (GJ/t)

	2007	2008	2009	2010
Szerencs	1.5	1.24	1.35	1.43
Diósgyőr	4.57	5.11	4.2	4.77
Bük	1.85	1.84	1.86	1.83

Figure 36: Natural gas use in the factories (GJ)

	2007	2008	2009	2010
Total	224,010	216,694	189,281	185,871
Szerencs	27,982	22,391	23,900	25,397
Diósgyőr	5,307	5,554	5,768	6,224
Bük	190,721	188,749	159,615	154,250

We currently have no aggregate data on the use of petrol and diesel or the natural gas use of offices in Budapest.

Figure 37: Electricity use (GJ)

	2007	2008	2009	2010
Total	96,627	94,814	86,409	85,062
Budapest	NA	NA	1,095	1,011
Szerencs	20,631	17,972	16,804	16,875
Diósgyőr	8,640	7,564	7,422	7,902
Bük	67,356	69,278	61,088	59,274



Figure 38: Water extraction by source (m³)

Water extraction	2006	2007	2008	2009	2010
Total	246,704*	232,032*	222,658	178,864	168,595
Piped drinking water	192,785*	59,544*	20,074	15,010	110,475
Head Office and Purina Budapest (Budapest)	NA	NA	1,764**	1,884***	1,648
Szerencs	0	0	0	0	0
Diósgyőr	11,894	11,936	10,041	11,576	9,991
Bük	180,891	47,608	8,269	1,550	98,836
Groundwater	53,919	172,488	202,584	163,854	58,120
Szerencs	34,278	34,660	26,004	22,062	19,446
Bük	19,641	137,828	176,580	141,792	38,674

* Does not include the water consumption of the Budapest offices.

** Only the consumption of the site at Ybl Miklós Square.

*** Yearly consumption estimate based on monthly data.

Figure 39: Water use at sites per tonne of product (m³/t)

	2006	2007	2008	2009	2010
Szerencs	1.20	1.07	0.8	0.73	0.66
Diósgyőr	4.19	3.93	4.01	3.69	3.37
Bük	1.40	1.33	1.32	1.21	1.18

Figure 40: Total released and reused water in cubic metres and percentage

Reused and released water	M.e.	2006	2007	2008	2009	2010
Bük	m ³	0	10,800	13,200	5,200	5,576
	%	0%	5%	6%	3%	3%

Figure 41: Total water release by receptor (m³)

	Water release	2006	2007	2008	2009	2010
Factories total	Released into public sewer system	194,328	154,326	129,682	89,278	94,091
	untreated	113,793	75,978	45,063	38,847	38,091
	treated	80,535	78,289	84,619	50,431	56,000
Szerencs	Released into public sewer system, untreated	34,278	34,660	26,004	21,007	15,461
Diósgyőr	Released into public sewer system, untreated	11,894	11,936	10,041	7,764	6,030
Bük	Released into public sewer system	148,156	107,671	93,637	60,507	72,600
	untreated	67,621	29,382	9018	10,076	16,600
	treated	80,535	78,289	84,619	50,431	56,000
Head Office and Purina Budapest	Released into public sewer system, untreated	NA	NA	1764	1884	1648

Figure 42: Water release at sites per tonne of product (m³/t)

	2006	2007	2008	2009	2010
Szerencs	1.09	1.00	0.96	0.70	0.52
Diósgyőr	3.25	2.70	2.71	2.48	2.02
Bük	1.04	0.77	0.67	0.51	0.62

Conscious water management in Kékkút

The Hungarian subsidiary of Nestlé Waters, Kékkúti Ásványvíz Zrt. uses 35% less water for bottling 1 litre of mineral water in its plant in Kékkút than 5 years ago. In the past 7 years, 394,000 cubic meters of water were saved, enough to fill more than 150 Olympic swimming pools.



Packaging

Packaging reduces waste generation, as it protects food during shipment, storage, on the store shelves and in consumers' homes as well. Contrary to popular belief, the environmental and financial benefits of packaging outweigh the damages and costs.

Packaging is indispensable for food safety purposes, and for keeping food fresh. It also provides consumers with information on nutritional issues and portioning.

Even though the packaging is only responsible for a small part of the environmental footprint of food products, Nestlé is constantly developing its packagings in order to reduce environmental effects. We apply an integrated approach made up of the following elements:

- reduction of the volume and mass of packaging material;
- taking a leading role in the research and use of sustainable, renewable packaging materials (e.g. plant-based plastics);

- joining initiatives for recycling packaging materials or using them to generate energy, informing consumers with the appropriate symbols, encouraging selective waste collection (where available);
- use of recycled materials where it is reasonable.

"In the category of culinary products, a new internal initiative was introduced in the second half of 2009 for MAGGI products, which involved changing the paper displays participating in the display programme with plastic. The expected life of the plastic displays is 4-5 years, compared to one month for paper versions. Another advantage is that the plastic display is modular, and thus, in case of damage or wear, parts can be replaced. According to our calculations, we have so far managed to replace at least 4800 paper displays with 1200 plastic displays, which, apart from the financial savings, significantly reduces the environmental impact."

Krisztina Sebestyén, category manager (Culinary products), Nestlé Hungária Kft.

90% of the paper used to make corrugated outers and trays for products made in the plant in Szerencs is recycled paper; the annual quantity in question is approximately 11 million pieces.



Figure 43: Quantity of materials used (tonnes)

	2006	2007	2008	2009	2010
Total	156,982	165,051	167,001	143,900	146,680
Szerencs	29,970	33,000	32,731	31,039	35,427
Raw materials	29,970	33,000	32,731	31,039	30,278
Packaging materials	NA	NA	NA	NA	5,149
Diósgyőr	2,835	2,854	2,334	2,211	2,903
Raw materials	2,835	2,854	2,334	2,211	2,481
Packaging materials	NA	NA	NA	NA	422
Bük	124,177	129,197	131,936	110,650	108,350
Raw materials	111,304	118,880	122,108	103,591	102,351
Packaging materials	12,873	10,317	9,828	7,059	5,999

Figure 44: Total waste quantity (t)

Hazardous waste	2006	2007	2008	2009	2010
Total	45.9	28.93	11.4	15.0	11.7
Szerencs	39	13	5.4	8	5
Diósgyőr	0	0	1	1	0
Bük	6.9	15.93	5	6	6.7
Non-hazardous waste					
Total	6996.3	7474	10,595.7	7359	6083
Szerencs	2,024	1,681	1,258	939	1,139
Diósgyőr	183	192	116	192	115
Bük	4,789.3	5,601	9,221.7	6,228	4,829

Noise, smell, air

In the Szerencs factory, there is an air filter to reduce dust emission, and the factory also has a noise reduction system. Thanks to the smell reduction investments made in previous years, no

complaint was filed by local inhabitants in this regard in 2010. The installed biofilter works with a 96% per cent efficiency, and has a maintenance cost of 100,000 EUR for a five year period.

Figure 45: Sulfur dioxide emissions (total sulphur dioxide equivalent (t))

	Limit	2006	2007	2008	2009	2010
Szerencs	35	1.2	3.1	0.9	0.9	0
Diósgyőr	35	0.1	0.6	0.2	0.2	0
Bük (energy production)	35	6.2	18.5	18.3	14.28	0.01

Figure 46: Dust emissions (mg/m³)

	Limit	2006	2007	2008	2009	2010
Szerencs	150	no data	no data	no data	0.887	0.887
Diósgyőr	no data	no data	no data	no data	no data	0
Bük (energy production)	5	0	0	0	0	0
Bük (dry pet food production)	150	2.6	1.4	20	36	9.35
Bük (odour elimination of dry plant gases)	150	0	0	0	0	0

Figure 47: Nitrogen dioxide emissions (mg/m³)

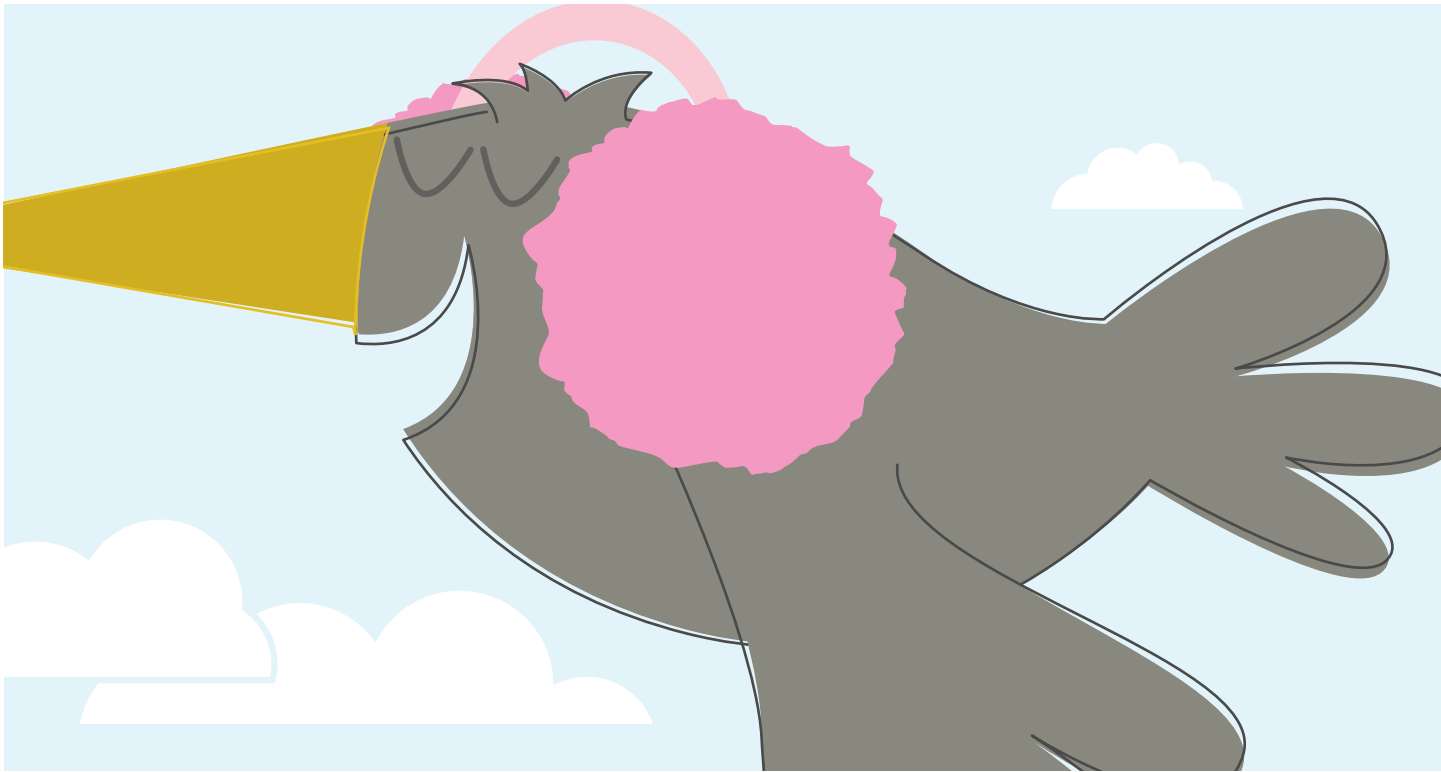
	Limit	2006	2007	2008	2009	2010
Szerencs	700	no data	no data	no data	74.5	97.5
Diósgyőr	350	no data	no data	no data	55.4	54.4
Bük (energy production)	350	224	229	213	235	92.3
Bük (odour elimination of dry plant gases)	500	72	51	75	52	3.1

Fine

An environmental fine of 100,000 HUF was accidentally left out of the 2009 report; this is remedied here. Nestlé paid the fine.

Figure 48: Environmental fines

Procedure no.	Site involved	Law violated	Measures to remedy the exposed deficiency	Amount of fine
1301-8/4/2009	Bük	No appropriate permit procured for the oil contamination monitoring wells	Modification of permit	100,000 HUF



13. Economic Performance

The GDP of the European Union as a whole grew by 1.8% over the previous year.

The GDP growth of Hungary was somewhat below that of the EU at 1.2%.

The rate of unemployment rose to 10.8%. The inflation rate was 4.9%, but the prices of consumer prices for food products rose more than average prices: 6.7%*.

2010 data show the yearly results of traditional Nestlé products and pet food. The company managed to maintain or increase its market share in most product categories – on the coffee, chocolate and culinary product markets –, which provides a solid foundation for future development. The market share of the pet food business unit decreased somewhat, but we expect moderate growth in the future, especially in the premium and superpremium segments.

Figure 49: Revenues and Operating costs (thousand HUF)

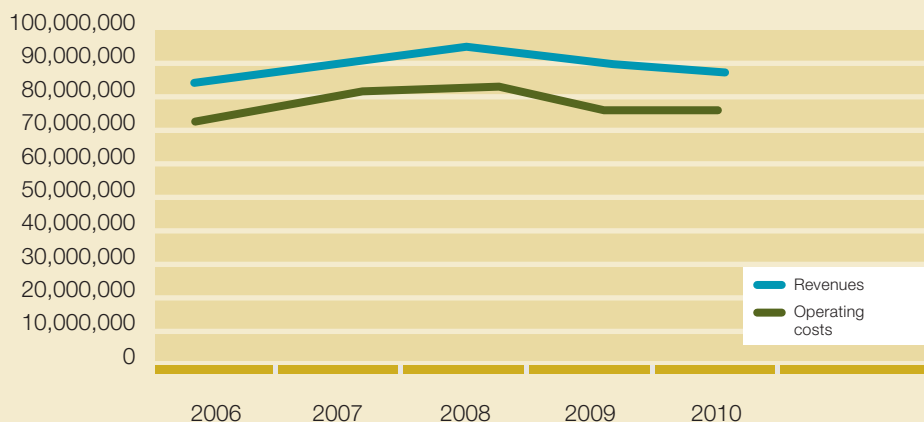
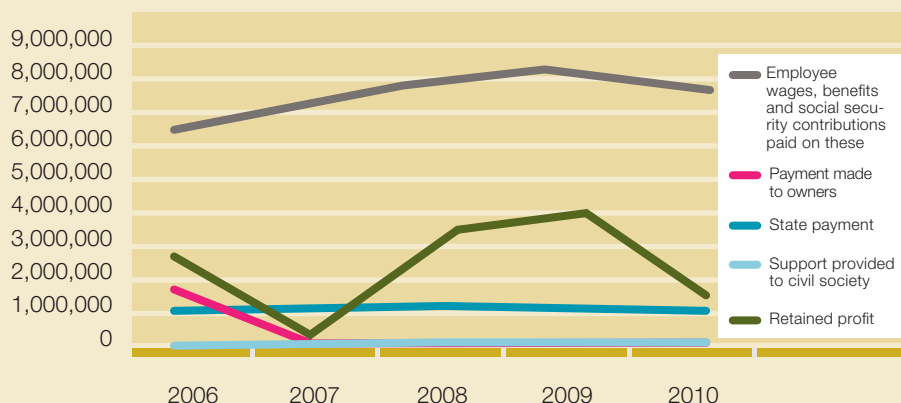


Figure 50: Direct economic value and distributed (thousand HUF)



*Source: KSH
(Hungarian Central Statistical Office)

Figure 51: Direct economic value generated and distributed (thousand HUF)

	Unit	Nestlé Hungária Kft.			Cereal Partners Hungária Kft.*			Total **		
		2008	2009	2010	2008	2009	2010	2008	2009	2010
Revenue	thousand HUF	91,565,835	86,999,068	84,680,458	3,149,265	3,031,191	3,130,443	94,715,100	90,030,259	87,810,901
Net sales revenue	thousand HUF	85,938,080	81,632,736	80,428,591	3,057,336	3,007,281	3,089,740	88,995,416	84,640,017	83,518,331
Domestic net sales revenue	thousand HUF	38,345,164	40,013,115	37,731,114	3,057,336	3,007,281	3,089,740	41,402,500	43,020,396	40,820,854
Foreign net sales revenue	thousand HUF	47,592,916	40,013,115	42,697,477	-	-	-	47,592,916	41,619,621	42,697,477
Value of activated own performance	thousand HUF	-581,484	-47,116	-51,456	0	0	0	-581,484	-47,116	-51,456
Other revenue	thousand HUF	1,047,046	936,710	1,216,385	13,257	0	0	1,060,303	936,710	1,216,385
Revenue from financial transactions	thousand HUF	5,162,193	4,476,738	3,086,938	78,672	23,910	40,703	5,240,865	4,500,648	3,127,641
Operating costs	thousand HUF	78,794,760	73,887,430	73,855,052	3,078,319	3,038,405	3,011,933	81,873,079	76,925,835	76,866,985
Material costs	thousand HUF	68,730,471	66,282,622	66,304,390	2,944,371	2,926,744	2,950,817	71,674,842	69,209,366	69,255,207
Other costs	thousand HUF	2,786,902	2,007,320	3,208,180	43,665	42,629	6,948	2,830,567	2,049,949	3,215,128
Costs of financial transactions	thousand HUF	7,277,387	5,597,488	4,342,482	90,283	69,032	54,168	7,367,670	5,666,520	4,396,650
Employee wages, benefits and the social security contributions paid on these	thousand HUF	7,970,007	8,096,779	7,903,464	0	959	734	7,970,007	8,097,738	7,904,198
Payments made to owners	thousand HUF	0	0	0	0	0	0	0	0	0
State payments	thousand HUF	1,260,128	1,047,496	1,033,935	42,274	43,838	65,158	1,302,402	1,091,334	1,099,093
Corporate tax	thousand HUF	45,059	74,187	58,028	1,195	0	468	46,254	74,187	58,496
Other taxes	thousand HUF	1,215,069	973,309	975,907	41,079	43,838	64,690	1,256,148	1,017,147	1,040,597
Support provided to civil society	thousand HUF	64,003	81,339	42,604	0	0	0	64,003	81,339	42,604
Retained profit (profit reserve and depreciation)	thousand HUF	3,476,938	3,886,024	1,844,784	28,672	-52,011	52,618	3,505,610	3,834,013	1,897,402

*Containing the data of the Statutory report of Cereal Partners Hungária Kft.

**Containing the overall data of Nestlé Hungária Kft. and Cereal Partners Hungária Kft. without considering the proprietary ratio. This data does not correspond with consolidated data.

14. Nestlé around the World in Numbers

Nestlé is the world's largest food company. The company's headquarters are located in Switzerland.

280,000 – the number of employees
443 – the number of factories, half of them located in developing countries.

Healthier Products

6502 – products that underwent developments based on nutritional and health criteria.

73,2% of products calculated as part of total sales comply with the Nestlé Development Principles (ND) in terms of composition

Reducing the Environmental Footprint

5% water savings per tonne of product since 2009

12.3% of energy derived from renewable sources at our sites

Development of Employees

145,922 employees have participated in a healthy nutrition training

48% of local citizens in Management

Committees in developing countries
27% of managers are women
102,292 employees are receiving formal education in developing countries

Research and Development

29 research institutes are operated by Nestlé

Source of the data presented in this chapter: Nestlé Creating Shared Value Report 2010.




15. GRI index

Report Application Level: B.

What is GRI?

GRI (Global Reporting Initiative) is a reporting methodology operating under the aegis of the UN and established by a Netherlands-based independent NGO, which is rapidly spreading throughout the world. Its aim is for the practice of sustainability reporting to rise to the level of financial reporting, thus ensuring that the information conveyed in the reports is comparable, credible, exact, timely, and verifiable.

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared			Report Externally Assured		Report Externally Assured		Report Externally Assured
	Third Party Checked							
	GRI Checked							

The following index contains the indicators, grouped by topics, based on the codes in the GRI G3 Guide.

The description of the indicators is available at: www.globalreporting.org.

	Indicator	Page/Comment
Strategy and Analysis		
	1.1	2
	1.2	12
Organizational Profile		
	2.1	3
	2.2	8
	2.3	3,10
	2.4	6
	2.5	8
	2.6	6
	2.7	10
	2.8	8, 37, 55
	2.9	6
	2.10	10
Report parameters		
Report Profile	3.1	3
	3.2	Not relevant.
	3.3	3
	3.4	3
Report Scope and Boundary	3.5	3
	3.6	3
	3.7	3
	3.8	3

	Indicator	Page/Comment
Report Scope and Boundary	3.9	3
	3.10	Not relevant.
	3.11	Not relevant.
GRI Content Index	3.12	57
Assurance	3.13	3
Governance, Commitments and Engagement		
Governance	4.1	10
	4.2	10
	4.3	Not relevant.
	4.4	32
	4.5	30
	4.6	30
	4.7	30
	4.8	11
	4.9	11, 12
	4.10	30
Commitment to External Initiatives	4.11	25
	4.12	11
	4.13	43
Stakeholder Engagement	4.14	13
	4.15	13
	4.16	13
	4.17	13
Economic		
Economic Performance	EC1	55
Market Presence	EC5	30
	EC6	41
	EC7	33
Environmental		
Materials	EN1	51
Energy	EN3	48
	EN4	49
Water	EN8	49
	EN10	50
Biodiversity	EN11	Not relevant. There are no habitats of rich biodiversity in the direct neighbourhood of our premises.
	EN12	
	EN13	
	EN14	
	EN15	

	Indicator	Page/Comment
Greenhouse gas emissions	EN16	47
	EN20	52
Emissions, Effluents and Waste	EN21	50
	EN22	52 (partly)
	EN23	There was no significant spillage in 2010.
Compliance with legislation	EN28	53
Social		
Labour Practices and Decent Work		
	LA1	37
Employment	LA2	38
	LA3	29
Labour/Management Relations	LA4	32
	LA5	32
	LA6	31
Occupational Health and Safety	LA7	32
	LA8	20
	LA9	31
	LA10	28
Training and Education	LA11	29
	LA12	30
	LA13	30, 34
Diversity and Equal Opportunity	LA14	36
Human Rights		
Non-discrimination	HR4	37
Freedom of Association and Collective Bargaining	HR5	32
Indigenous Rights	HR9	Not relevant.
Society		
Community	SO1	22 (partly)
	SO2	29
Corruption	SO4	29
	SO5	44
Public Policy	SO6	45
Anti-competitive Behavior	SO7	In 2010 there was no case of legal procedure associated with anti-competitive conduct, or violation of anti-trust and anti-monopoly regulations.
Compliance	SO8	In 2010 there was no case of violation of any laws or legislation.

		Indicator	Page/Comment
Product Responsibility			
Customer Health and Safety		PR2	In 2010 there was no case of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services.
		PR3	18
Product and Service Labelling		PR4	19
		PR5	27
		PR6	26
Marketing Communication		PR7	In 2010 there was no case of non-compliance with legislation or violation of voluntarily undertaken norms in the area of marketing communication, including advertising, promotions and sponsorships.
Customer Privacy		PR8	In 2010 there was no case of abuse of personal data of Consumers Compliance.
Compliance		PR9	In 2010 there was no case of non-compliance with legislation or other regulations associated with care and use of the products.
Nature, scope and effectiveness of any programs and practices that promote access to healthy lifestyles		FP4	15, 20, 22, 44

Legal disclaimer

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We are looking forward to your feedbacks, comments. Please let us know what kind of topics we should go into details in our next report.

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Nestlé Consumer Service
40/214-200 (food)
40/20-40-20 (pet food)



