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Nestlé Hungária Sustainability and Welcome

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Nestlé Hungária Sustainability and About the Report
Creating Shared Value Report 2009

1. Welcome



Dear consumers, partners and colleagues,

It is a great pleasure for me to be able to greet you for the second time on the opening pages of Nestlé Hungária Kft.'s Sustainability and Creating Shared Value Report. In our second report we cover the year 2009, our activities, and our results.

I am proud of the fact that amidst truly difficult economic circumstances we increased our turnover and also succeeded in strengthening market shares in the focus product categories. Naturally the main focus of our sustainability and Creating Shared Value activities is, and will continue to be to offer more delicious and healthier products to Hungarian consumers.

In 2009 we achieved significant results in this field; to cite just two examples from our plethora of results: we now offer the majority of our *Maggi* products with reduced salt content and have begun the withdrawal of flavour enhancers as well; *Nesquik* chocolate bars for example are now made only from natural ingredients.

In 2009 our *Nutrikid* programme, aimed at promoting the education of healthy eating and lifestyle, reached at least 57 000 students at 1 090 schools. The Internet portal of the Nestlé Lifestyle Centre targeted at adults was visited nearly 400 000 times.

As a result of hard work we are able to demonstrate improvement over 2008 in quite a few key indicators, especially with regard to the environment. We consider the reduction of water used per one tonne of product an important achievement.

Safety is a key focus point for us: we believe that sustainable success can only be reached through people, therefore first of all we devote all the necessary energy and attention to protect them. A great achievement that shows our commitment to this point is the regular safety talks in our factories.

We regard continuous dialogue with our partners and external stakeholders to be of increasing importance. In 2009 we organized stakeholder forums on two topics (food safety and quality foods, as well as nutrition, health and wellness) in which we invited comments from 26 government agencies, businesses, and NGOs regarding our operation and our products. The first stakeholder dialogue of its kind in the region within the Nestlé Group was held in Hungary. Our aim is to continue these dialogues in the years to come.

What we do, we don't do for awards, but I am glad that our efforts have been acknowledged on several fronts. The Hungarian Innovation Foundation, the PR Association (CSR Best Practice), and the Food Bank, among others, have awarded our initiatives.

I would like to express my gratitude to my colleagues, who participated in the preparation of this report. We thank you for our success and our results. We continue to welcome your recommendations and opinions regarding our products and sustainability programmes alike.

Andrea Zambelli
Managing Director



2. About the Report

You are holding the second Sustainability Report of Nestlé Hungária. The report and the information contained pertain to the calendar year 2009, except where otherwise indicated. Our first report, the annual report for 2008 is 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 the framework of a sustainability report. The management of Nestlé Hungária compiled the list of these latter issues in 2008; the most important matters have not changed since then.

Several of our colleagues participated in the collection of data and information contained in the report. Consulting firm B&P CSR Management helped in planning the process and composing the report.

The Structure of the Report:

Chapter 3 summarizes the development of our key sustainability and Creating Shared Value indicators.
Chapter 4 presents Nestlé Hungária Kft. and its activities.

Chapter 5 describes which institutions and procedures ensure that the

company grows according to plans, and that the company's sustainability and Creating Shared Value performance has a strategic approach, as well as the support of senior management.

Chapter 6 outlines our activities and results in the field of healthy eating. Chapter 7 details our food safety and quality control systems and initiatives. Chapter 8 contains a presentation of our activities aimed at responsible communication.

Chapter 9 reports on our employee related activities and accompanying indicators.

Chapter 10 focuses on suppliers, and Chapter 11 provides an overview of our community links.

Chapter 12 covers the company's environmental indicators and performance.
Chapter 13 contains a brief summary of our economic performance in 2009.
Chapter 14 provides a broad overview of the Nestlé Group.

The Scope of the Report

Business units and production plants included in the report all belong to Nestlé Hungária Kft. with one exception, this being Cereal Partners Hungária Kft. (CPH Kft.), which is a joint venture of Nestlé and General Mills Int. Ltd. (see Figure 1). As CPH Kft. has no employees, distribution of its products 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, therefore it is not a subject of this report. Nestlé Ice Cream Hungária Kft., which has been in liquidation since 1 October 2008, does not constitute a part of 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 organisation, but the involvement of an independent audit is planned for later reports.

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 Report 2009. For data calculation methods (where relevant), and any methods applied for measurement and estimation, please refer to the relevant topics.

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

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

Nestlé Hungária Sustainability and Key Performance Indicators 4
Creating Shared Value Report 2009

3. Key Performance Indicators •

Our Key Performance Indicators enable measurement of the most important aspects of our Creating Shared Value and sustainability performance.

	GRI	2008	2009
Economic			
Net Sales Revenue (M HUF)	EC1	88 995	84 640
Net Local Sales Revenue (M HUF)		38 345	40 013
Net Profit (M HUF)	EC1	3 505	3 834
Nutrition			
Product meeting or exceeding Nutritional Foundation profiling criteria*		48.2%	51.1%
Renovated products for nutrition or health considerations**		NA	57
Products with reduction of sodium, sugars, trans fatty acids, total fat or artificial colourings**		NA	37
Products analysed and improved via 60/40+ programme (based on Top50 products % of sales)**		53%	60%
Products featuring Nestlé Nutritional Compass labelling (in relevant categories)***	PR3	100%	100%
Products featuring GDA labelling (in relevant categories)****	PR3	100%	100%
Products featuring front of pack claims*		21.3%	20.7%
Nestlé television advertising to children under six in compliance with policies on responsible marketing		100%	100%
Water and environmental sustainability			
Materials			
Total raw materials used (tonnes)	EN1	157 173	136 841
Waste for final disposals (non-hazardous)	EN22	10 595.7	7 359
Energy			
Direct energy consumption (GJ)	EN3	216 694	189 281
Total on site energy consumption (GJ/t of product)	EN3	1.78	1.81
Indirect energy consumption (GJ)	EN4	94 813	85 314
Greenhouse gases (GHGs)			
Direct GHG emissions (t CO ₂ eq)	EN16	12 157	10 618
Direct GHG emissions (kg CO ₂ /t of product)	EN16	69.5	69.89
Indirect GHG emissions (t CO ₂ eq)	EN16	9 058	8 150
Indirect GHG emissions (kg CO ₂ /t of product)	EN16	51.79	53.64

Nestlé Hungária Sustainability and Key Performance Indicators
Creating Shared Value Report 2009

	Water			
	Total water withdrawal (m³)	EN8	222 658	178 864
	Water withdrawal in the factories (m³/t of product)	EN8	1.26	1.16
	Total water discharge in the factories (m³)	EN21	129 692	89 278
	Safety, health and environment governance			
	ISO 14001/OHSAS 18001 certified sites		1	4
•	Suppliers			
	Suppliers audited for food safety, quality and processing		30	31
	Our people			
	Total workforce (number of employees)	LA1	1 345	1 308
	CARE gaps identified related to Business Integrity and HR		-	0
	Fatalities of employees and contractors	LA7	0	0
	Leadership position held by women (%)	(LA13)	0	11

^{*} With the exception of nutrition products and breakfast cereals, proportional to our products distributed in Hungary.

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

^{***} Hollow figures and pet food comprise an exception to displaying the Nutritional Compass.

^{****} Exceptions to displaying the Guideline Daily Amounts: infant and clinical enteral formulas, baby food, pet food, unflavoured mineral water, coffees, and desserts.

Nestlé Hungária Sustainability and About Nestlé
Creating Shared Value Report 2009

About Nestlé
Creating Shared Value Report 2009

4. About Nestlé

Nestlé Hungária Kft. was formed in 1991. During the years since then the company has been continuously developing its product range. Currently the company is present in the Hungarian market with confectionery products, instant beverages, breakfast cereals, pet food, infant formulas, culinary and professional foodservice culinary products, coffee products as well as clinical enteral nutrition products. It is estimated that Nestlé products are consumed in 99% of Hungarian households.

The factories in Szerencs and Diósgyőr

Manufacturing of chocolate and chocolate-based products began at Szerencs in 1923. Prior to World War II this was the largest chocolate factory in the country. The Diósgyőr plant began producing chocolate and wafers in 1962, later due to increased demand a different profile was required. This resulted in the establishment of a modernized factory in 1978 only producing chocolate.

Nestlé acquired the Szerencs and Diósgyőr plants on 11 April 1991 and established Nestlé Hungária Kft. As a result of improvements, the Szerencs factory has become Nestlé's regional powdered beverages manufacturing and filling plant, while the factory in Diósgyőr is the only plant of Nestlé in Europe specialised in the manufacturing of chocolate hollow figures.

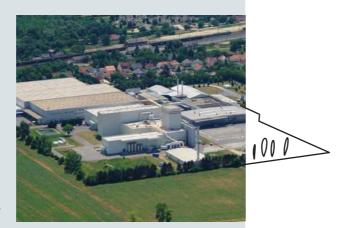
The pet food plant in Bük

In 1998 we acquired the Jupiter Állateledelgyártó Kft. together with the right of use of the *Darling* brand and also the factory in Bük. Following this, an additional pet food factory was established in Bük with a 6 billion HUF investment, which, the first in Hungary, is able to produce both dry and wet pet food. Over the years, the plant became Nestlé's Central and Eastern European centre of pet food manufacturing.

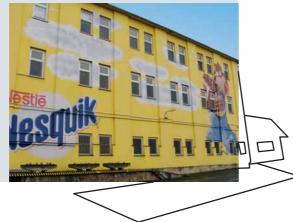
Further information about the history of Nestlé: http://www.nestle.com

Nestlé Hungária Kft. is a single member limited liability company. Since June 2009, Nestlé Hungária Kft. is directly owned by Nestlé S.A a stock exchange listed company. Cereal Partners Hungária Kft. (CPH Kft.) is a joint venture of Nestlé Hungária Kft. and General Mills Int. Ltd. The latter is the world's sixth largest food company.

The liquidation process of Nestlé Ice Cream Hungária Kft. which commenced on 15 September 2008 was still underway in 2009. Nestlé did not withdraw from the ice cream market; its products are still available, but distribution is carried out by legal entities independent of Nestlé.







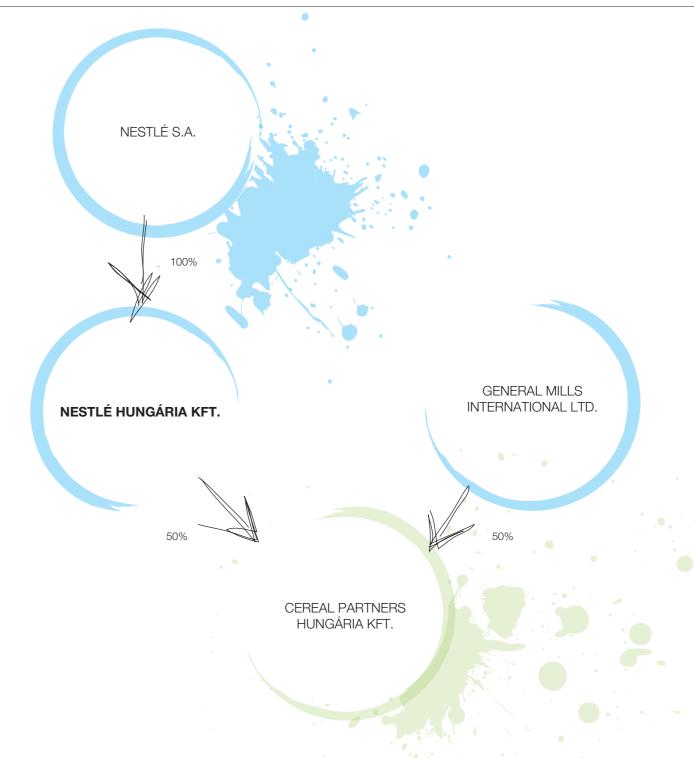


Figure 1: The ownership structure of Nestlé Hungária Kft. and Cereal Partners Hungária Kft. in 2009

Nestlé Hungária Sustainability and About Nestlé
Creating Shared Value Report 2009

About Nestlé
Creating Shared Value Report 2009

4.1. Mission and Values

The main purpose of Nestlé is to provide the consumers with the best and most relevant products, wherever they might live and whatever needs they might have through their lives.

Nestlé is committed in every country to the following business principles, with considerations to local legislation as well as cultural and religious customs:

- The business aim of Nestlé is to create values that are sustainable in the long-term for the shareholders, the employees, consumers and business partners.
- Nestlé does not favour short-term profit making over successful longterm business development.
- Nestlé recognises that its consumers, who are vital to its existence, are rightly and sincerely interested in the behaviour presented by and the convictions of the manufacturer of the products appreciated by them.
- Nestlé believes that legislation in general is the most effective way to ensure responsible management, although in certain areas further guidance that is based on voluntary business principles could be beneficial for the labour force in order to ensure the highest standards within the entire organisation.
- Nestlé is aware that the success of the company reflects the responsibility and professionalism as well as behaviour of the management and the employees.
 Therefore the selection and continuous training of appropriate individuals is important.

 Nestlé maintains its commitment to follow and comply with all relevant local laws and regulations. The amount of products manufactured in 2009 in Hungary was 151 938 tonnes in total.

4.2. Brands and products

Nestlé Hungária Kft. is present in the Hungarian market with the following products:

- beverages (Nescafé[®], Nescafé[®]
 Dolce Gusto[®], Nesquik[®], Ricoré[®],
 Nespresso[®]),
- culinary products (Maggi®),
- professional foodservice products (Maggi[®], Chef[®], Buitoni[®]),
- confectionery products (Boci®, Balaton®, Kit Kat®, Smarties®, After Eight®),
- cereals (Nestlé Fitness[®], Nesquik[®], Chocapic[®], Cini Minis[®], Cookie Crisp[®]),
- infant formula, baby food and drinks (Beba®, Sinlac®, Nestlé®, Alete®),
- clinical enteral nutrition products (Isosource®, Resource®, Novasource®, Modulen®)
- pet food (Pro Plan®, Darling®, Frieskies®, Gourmet®, Purina One®, Dog Chow®, Cat Chow®)

Further information on the brands and products are at the following websites (mostly in Hungarian):

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







NESPRESSO



















Az Ön Kedvence, a mi Szenvedélyünk.™

4.3. Presence in Hungary

The products of Nestlé are available throughout Hungary. The head office of the company is in Budapest (H-1095 Budapest, Lechner Ödön fasor 7.) There are factories in Bük (pet food), in Szerencs (instant beverages) and Diósgyőr (chocolate hollow figures).

One of the major logistical undertakings of 2009 was the relocation of Nestlé's Budapest offices and their consolidation to one location. Nestlé moved from the Buda side of the Danube to the Pest side, to the vicinity of the National Theatre. As of spring 2009 the Budapest offices of all of Nestlé's business units (with the exception of *Nespresso*) operate in one office building.

Nearly half of the net sales revenue comes from domestic commercial activities and sales to institutional clients. The other part is represented by revenue from commercial transactions with foreign Nestlé subsidiaries, which is made possible by the activity of factories operating in Hungary and serving the CEE region.

4.4. Organisational Chart and Scopes of Responsibility

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 Boards

The NiM (Nestlé in the Market) Committee is the highest management board of the organisation. The NiM Committee holds its meetings

bimonthly and decides on group-wide strategic matters. The NiM Committee is led by the Managing Director of Nestlé Hungária Kft., who has a "custodian" role in the Hungarian market, entrusted with representing Nestlé to the outside world. The managing director from 1 September 2009 is Andrea Zambelli.

The joint management board for food business units, the Management Committee (Mancom) makes all strategic and tactical decisions regarding business units (beverages, culinary products, and confectionery products) falling under the direct scope of authority of the Managing Director. The remaining businesses all have their own managing boards responsible for their respective business units.

In compliance with Act IV of 2006 on Business Associations, there is a Supervisory Board responsible for overseeing the company's management. The Supervisory Board has six members of which two are appointed by the Works Council. The highest authority of the business association may only bring resolutions on the financial statement required by the Act on Accounting after receiving the written report of the Supervisory Board.







Nestlé Hungária Sustainability and About Nestlé
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Nestlé Hungária Sustainability and Sustainability Institutions
Creating Shared Value Report 2009

4.5. Awards and Recognitions

We are proud of the fact that in 2009 we received numerous awards. These are:

- The wastewater related project of Nestlé's plant in Bük was awarded special recognition in this year's Hungarian Innovation Foundation competition. The company received the certificates for its results in the area of improving wastewater treatment processes and was included in the "Description of 21 Successful, Award Winning Innovations Realized in the Year 2009" chapter of the volume entitled Innovation Grand Prize 2009.
- Nestlé Hungária Kft. participated in the KÖVET Association's competition entitled "Money Back through the Window", and was listed in the volume for the year 2009 in which companies who achieve the greatest environmental savings are included. For further information: www.ablakonbedobottpenz.hu
- Nestlé won the title for CSR "Best Practice" in the 2009 competition of the Hungarian Public Relations Association. Nestlé received this prestigious award for its educational activity conducted in the field of balanced and healthy lifestyle through operation of the following programmes: the Nutrikid programme aimed at children, the Nestlé Lifestyle Centre website which promotes public health awareness, and its internal nutrition training programme (NQ) targeted at emp-
- http://csr.mprsz.hu

loyees. More information:

 Nestlé's sales team received the Partnership of the Year award (Progressive Professional Award).

- Based on research conducted by Figyelő-Hewitt, Nestlé Hungária Kft. ranked among the companies of the CareerStart TOP30 in 2010.
- In the 2009 "Most Attractive Company" survey carried out by student organization AIESEC, Nestlé retained its solid 3rd place within the FMCG sector and took 12th place overall.
- Nestlé received a Gold Level Sponsor certificate from the Hungarian Food Bank Association.

Nestlé Hungária Kft. took 4th place in the Reputation Rating survey and achieved the honourable ranking of 1st place among food companies. Furthermore, in 2009 the company took place in the Good CSR programme for the first time. Via the Good CSR initiative established by Braun & Partners Network both international companies and SMEs can present their corporate social responsibility activity in a comparable manner according to a standard approach. www.goodcsr.com







5. Sustainability Institutions

The Creating Shared Value business principle followed by Nestlé is grounded on the belief that long-term business success is only possible if there is harmony between the interests of stakeholders and society.

We believe that we are able to carry out more than just an environmentally, socially and economically sustainable operation: we can create value for society, while also creating value for our shareholders.

What do we mean by Creating Shared Value?

- With our business strategy and operation we create value for shareholders.
- We offer our consumers delicious and nutrient-dense products which contribute to their health and well-being.
- We act to improve the economic and social situation of those involved in the entire value chain,

farmers who produce raw materials, inhabitants of the vicinity in which our plants are located, and our supplier and commercial partners.

The Nestlé Corporate Business Principles and the Code of Business Conduct contain the minimum supplier and commercial partners.

5.1. Sustainability Policies and Procedures

The values, behavioural norms and policies of Nestlé and its employees are regulated by corporate documents. These are:

- Nestlé Corporate Business Principles: http://www.nestle.com/CSV/Compliance and the Hungarian strategic plans for all business units,
- Local application of the Code of Business Conduct of the Nestlé Group,
- The Nestlé Management and Leadership Principles: www.nestle.com/ AllAbout/Governance,
- Nestlé Consumer Communication Principles: www.nestle.com/CSV/ Compliance/MarkAndComm,
- The Nestlé Supplier Code, www.nestle.com/suppliers.

Principles and the Code of Business Conduct contain the minimum standards, which are non-negotiable worldwide in addition to complying with locally applicable legislation. We shall carry on continuously developing and adopting the Corporate Business Principles of Nestlé (which contains our commitment to the ten principles of the initiative by the UN named Global Compact) to the requirements of the changing world. The Business Principles and the Management and Leadership Principles of Nestlé express our commitment to

correctness, honesty and caring for

people. These are accompanied by

cations.

several other regulations and specifi-

The role of Nestlé's own internal audit programme, the CARE (Compliance Assessment of Human Resources, Health & Safety, Environment and Business Integrity) is to monitor whether the operation of the company is in compliance with the Corporate Business Principles of Nestlé.

Sustainability agreements, initiatives

Nestlé is a member and contributor at an international level of several conventions and initiatives containing economic, environmental or social norms. The list of these is contained on page 14 of our 2008 annual report.



Sustainability Institutions Nestlé Hungária Sustainability and Creating Shared Value Report 2009 Nestlé Hungária Sustainability and Sustainability Institutions Creating Shared Value Report 2009

5.2. Creating Shared Value Committee

The aims and composition of the Creating Shared Value Committee formed in 2008 remain unchanged in 2009 (see our 2008 annual report). In 2009 the committee held two meetings. In the first meeting the committee approved the CSV action plan for 2009 and decided on the issue of the 2009 stakeholder dialogues on the basis of the opinion of management and the results of the preliminary surveys. In the second meeting the committee reviewed the results from 2009 and discussed action items for 2010.

5.3. Creating Shared **Value Strategy**

The aim of Nestlé Hungária is to become the leading company in the field of sustainability within its sector in Hungary and to develop into a knowledge centre within the Nestlé

In order to meet this aim, in 2008 we vetted the CSR activities of the company and made proposals for the directions and schedule of the developments.

Based on the results a four-year development plan was drawn up, which does not simply involve the representatives of the external and internal environment of Nestlé, but also makes provisions for transparency and more accurate assessment. Key elements of the plan for 2009-2012 include:

- the development of regular dialogue with the stakeholders,

- increased transparency of operation, among others, through annual reports on environmental and social performance,
- the operation of the Creating Shared Value Committee.
- the use of GRI as a tool for performance management and planning.

The main focuses of our social responsibility activity:

- Healthy nutrition and continuous development of our products'
- Promoting awareness of healthy lifestyle
- Food safety
- Reduction of the specific environmental footprint of Hungarian production

In the field of Creating Shared Value, Nestlé operates with a four-vear 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 the areas of sustainability and Creating Shared Value, as well as for the implementation of related projects, reporting directly to the Managing Director and the Creating Shared Value Committee.

In 2009 we continued development and expansion of our GRI database which was created in 2008, as well as our data collection, and measurement of our sustainability performance. Our aim is to make increasing use of the database as a planning and performance management tool as well.







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. The GRI database aggregates all metrics demonstrating the social and environmental impact exercised by operation, thus ensuring a foundation for the report.

In 2009, we released our first Sustainability and Creating Shared Value Report by using the data contained in the GRI database. A multitude of our colleagues took part in the work involving virtually every department in the company, and thus contributed to making our activity more transparent and to communicating our results.

5.5. Internal Organisation for the Support of the Nutrition, Health and **Wellness Strategy**

The corporate communication department is responsible for implementing Nestlé's Nutrition, Health and Wellness strategy. In addition, the Nutritional Compass Workgroup and a full-time dietetic consultant work on the topic.

The dietician supports the strategic objectives of the company; on this basis they make recommendations for product development and communication, monitor and apply the regulations and policies associated

with the products, and participate in the training of employees and the development of the population's health consciousness.

The Nutritional Compass Team is involved with creating and continuously updating the messages of the Nutritional Compass on the products enabling a more conscious choice for the consumer. In addition to the dietician, regulatory affairs specialist and the legal counsel of the company take part in the workgroup.

5.6. Stakeholders

In 2008, Nestlé systematically mapped its stakeholders and the social and environmental issues most significant for the company (details on page 16 of the 2008 annual report). We assumed that the company's main issues and stakeholders did not change in 2009.

Nestlé's most important stakeholders:

Internal stakeholders

- employees
- trade unions
- owner





Nestlé Hungária Sustainability and Creating Shared Value Report 2009 Nestlé Hungária Sustainability and Sustainability Institutions Healthy Nutrition Creating Shared Value Report 2009

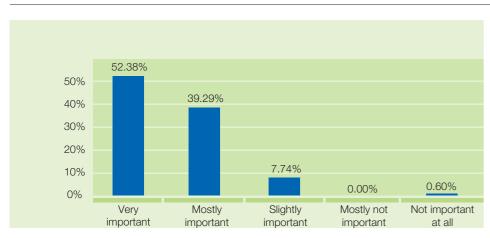


Figure 2: The importance of work-life balance to surveyed final year students

External stakeholders

- consumers (including the special consumers, e.g. children, elderly, hotels, restaurants)
- local communities, especially around factories
- social organizations and NGOs
- governmental authorities
- media
- universities and research institutes (primarily food industry)
- experts, e.g. gastroenterologists, dieticians
- schools, teachers
- suppliers
- retailers (e.g. supermarket chains)
- wholesalers
- FMCG companies

In 2009 Nestlé, for the second time, organized a forum to get acquainted with the opinions of key stakeholders on selected issues. The topic of the dialogue held in June was "Food Safety and Quality Food"; in November Nestlé invited stakeholder comment on matters concerning "Nutrition, Health and Wellness".

In 2009, Nestlé Hungária Kft. conducted varying dialogues with the following organisations concerned:

European Parliament, Ministry of Agriculture, Ministry of Environment, Central Agricultural Office, Hungarian Dietetic Association, National Association for Consumer Protection in Hungary, National Institute for Food and Nutrition Science, Ministry of Education, Hungarian National Assembly, National Institute for Health Development, Ministry of Local Government.

Dialogue with the stakeholders referred to above was ad hoc, its frequency was determined by the joint activities as well as external circumstances.

Research among Recent Graduates

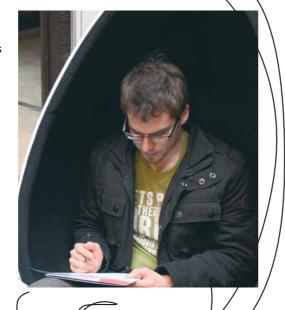
We conducted a survey of university and college students at job fairs held in Budapest, which sought answers to the question of what kind of role employers' corporate responsibility activities play in the preferences of final year students and recent graduates concerning workplace selection.

On the basis of the questionnaires, it is clear that responsible business conduct is important to the vast majority of the young people surveyed; the social-environmental commitment of potential employers is highly important to nearly a fifth (18.8%) of them, while it is of general importance to more than half of respondents (51.7%).

The demand for work-life balance is strong; according to Balázs Fekete, Nestlé resourcing specialist, recent graduates are more conscious in their choice of workplace. They make a tangibly greater effort to achieve work-life balance than in years past. The survey confirmed this. Surprisingly, this was nearly as important to men as it was to women.

The survey also highlighted the key role that company websites play in presenting companies' responsible conduct to career starters: this is the primary source of information for more than 60 percent of applicants.

The results of the survey reaffirmed the importance of continuing to develop and expand on our sustainability programmes, as well as the necessity of developing our website in this regard.

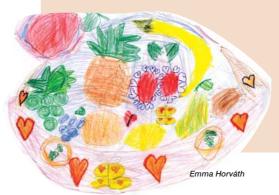


6. Healthy Nutrition

Our aim is by using science-based solutions to seek to improve quality of life through food and diet, contributing to the health and wellbeing of consumers. We also aim to generate greater awareness, knowledge and understanding among consumers through clear, responsible communication.

What we do?

- We invest in continuous development and improvement in the nutrition profile of products in all categories.
- In our recipe registration system we keep track of products to be developed, recipes, and 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 components and useful micronutrients.
- We provide appropriate and easyto-understand guides regarding the recommended amount of consumption.



- We only advertise such products to children where the composition complies with internal development policies which are based on domestic and international dietary recommendations. We implemented new rules on the display of health. environmental, and sustainability claims and labels on our products.
- Our nutrition training programme for children, under the name of Nutrikid, has been in place for years. We also help our employees to master the art of healthy living. Furthermore, we more, raising awareness regarding endeavour to turn them into ambassadors of our company as well as of healthy living.
- Dialogue with stakeholders, as well as 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 Stakeholder Dialogue on Healthy Nutrition

In November 2009 we organized a stakeholder forum on the topic of "Nutrition, Health and Wellness", Through the forum we sought answers to the question of which areas or issues leading experts in the field consider the most pressing in Hungary, furthermore, where the responsibility of the food industry, the government, and NGOs lies.

Of the 19 invited agencies, educational and research institutions. advocacy groups, NGOs, market players, vendors, industry associations, and media the delegates of 14 organizations participated in the

forum. The discussion was not just about listening, but provided an opportunity for the debate of differing points of view and exchange of opinion.

The invited experts agreed that to boost health conscious nutrition and living, it is necessary to simultaneously exert an influence in the fields of responsible information, marketing communication, education, and product development alike. Furtherhealth consciousness and healthy living is not the sole responsibility of the business sector. It is the onus of all professional organizations, managing authorities and NGOs, as well as schools and the media alike. Some of our participants' suggestions:

- Companies engaged in public catering should only be permitted to work with food that is already labelled with comprehensive product information.
- The Nutrikid programme has demonstrated significant results in the school education of health conscious nutrition and living. However, in practice, corporate initiatives cannot reach everyone; therefore even greater government involvement is necessary. Furthermore, at present, specific policies and programmes are lacking which would orient high school students on the subject of health conscious nutrition.
- Implementation of a broad programme encompassing manufacturers and vendors which would gradually transform the nutritional composition of products would be desirable. For example, initially it would achieve a reduction of salt content in a wide range of distributed foods, complemented by

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support programmes and communication, eventually followed by a moderation of sugar content. In the course of this process it is important to keep in mind the principle of gradualism, as it is necessary for consumers' taste to change accordingly.

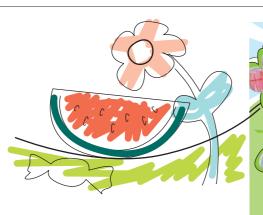
Participants in the stakeholder forum*:

- Lajos Bárdos Primary School (Dunakeszi)
- Co-op Hungary Zrt.
- CORDI Research-Development Kht.
- Hungarian Dietetic Association
- Chamber of Hungarian Health Professionals
- Hungarian Association of Food Science and Technology
- Hungarian National Heart Foundation
- Népszabadság [Hungarian daily]Nők Lapja Egészség [Hungarian
- women's health magazine]
- National Institute for Health Development
- National Institute for Food and Nutrition Science
- Dietetics and Nutritional Science
 Department, Semmelweis University
 [Hungarian medical school]
- SPAR Hungary Kft.
- TÉT Platform

*This is a list of the organizations who participated in the forum. The organizations did not comment on or approve the content of the report.

6.2. Product Development

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



Standard Recipe Registration System

We analyze 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 develop the criteria in accordance with the latest nutritional science recommendations of authorities (e.g. the WHO or the EU).

We evaluated the products according to four basic principles:

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

Products that comply to all recommendations 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:



We display our results achieved in terms of salt reduction on the backside of the soup packets.



On the Fix products packed together with cooking bags, the role of the bag in modern cooking is communicated.

Our quantified 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% percent by 2011.
Saturated fats	A 3% reduction in total fat content and a 1% reduction in saturated fats by 2012.

Fiigure 3: Nestlé's nutritional content related targets.

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

Since 2003 Nestlé has targeted the reduction of quantities of components deemed harmful to health in case of excessive consumption. We were the

first in the food industry to implement comprehensive measures to reduce quantities of these nutrients in our products; we set the target of reducing trans fatty acids in 2003, salt in 2005, sugar in 2007, and saturated fats in 2009.

Results of the Entire Portfolio

In 2009 we evaluated the composition of virtually 100% of relevant categories (we did not evaluate strictly regulated infant formulas, clinical enteral products,

and products of joint ventures). This counts as a very high rate when compared to the global result of 83%. 51.1% of the evaluated products meet NF requirements (NF: see page 16) as a percentage of sales. This is slightly below the global average of 59%, but almost a 3% improvement compared to 2008.

Sensory Tests

The sensory laboratory in Szerencs is Nestlé's sensory testing centre of its

	2008	2009
	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%
Claim located on the front of the product packaging related to the health impact of the product's composition	21.3%	20.7%

Figure 4: Results in development of nutritional composition and labelling communication

* With the exception of infant formulas and breakfast cereals

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	Nestlé global	Nestlé Hungary	
	As a percentage	e of total net sales*	
The part of the portfolio the nutritional composition of which was evaluated on the basis of its health impact	83%	nearly 100%	
The part of the portfolio the nutritional composition of which is in accordance with internal development policies and international dietary recommendations (NF)	59%	51.1%	
Claim located on the front of the product packaging related to the health impact of the product's composition	28%	20.7%	

Figure 5: Results as part of an international comparison

"I would recount the Maggi novelty launched in 2009, Maggi "Omlós fortélyok" (Tender Smartness) fried chicken fix accompanied by a cooking bag, as the success story of 2009. This facilitates preparation of the food without adding fat, thus supporting the realization of a modern diet. In 2009, the garlic fried chicken fix – member of a product range consisting of three flavours – performed well in the 60/40 taste test as well."

Zsuzsanna Szűcs – Dietician of Nestlé Hungária Kft.

The direction of development	Product – specific steps	How many product types are affected?
	Maggi fixes: development of recipe free of flavour enhancers (monosodium glutamate). The natural taste of spices and vegetables becomes more palpable once flavour enhancers are removed.	6
	Smarties, Frutti: removal of artificial colouring, in the future we will only use natural plant extracts.	19
More natural components	Nesquik bar: all natural recipe, only natural ingredients.	1
on portonic	Boci dark chocolate hollow figure with natural orange chunks: natural orange powder and dried orange chunks were added to the mass of the orange dark chocolate hollow figures.	1
	After Eight: removal of artificial flavour, in the future we will only use natural mint extract.	4
Reduction of salt content	Maggi fixes and soups: the added salt content of soups decreased by 7-34%, and in case of food bases a 4.7-27% reduction was achieved depending on the recipe.	6
More mo- dern recipe or	"Maggi omlós fortélyok" (Tender Smartness) fried chicken fixes: a cooking bag is included in the product packet; the cooking bag facilitates preparation of the food without adding fat.	3
oreparation	Boci 50 g tablets: made with sweetener (maltitol) instead of sugar, can be consumed by diabetics as well.	2
Packaging that s lighter or more	"Balaton falatok" (Balaton bites), Boci Aero Mini, Kit Kat Mini: portions can be divided, the packaging contains separate bits in smaller sizes. As a result, the quantity of sweets consumed can be easily regulated.	4
conducive to cortioning	Balaton Snack, Kit Kat Senses: wafer based, thus the sweets are lighter in weight and consistency. We highlight the energy content (69 kcal/bar) of Balaton snack bars on the packaging.	2
Elovour profile	"Maggi Zöldséges Ízvarázs": richer vegetable flavour	4
Flavour profile	Nescafé Classic: even more intensive coffee flavour, scent, and taste.	5
	Total	57

Figure 6: Development of product taste and composition in 2009*

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











Central-Eastern-European region in the category of instant beverages. 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 2009, 35 research projects were conducted in the lab

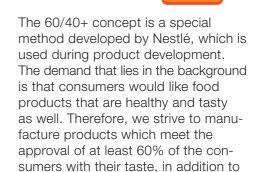
Continuous quality control is extremely important in production; for this reason a group of trained taste experts works in our plant in Szerencs. Every day begins with a taste exploration; products manufactured on the previous day are put into the test and are only transferred to "saleable" status in case of compliance.

On an international level

using 20 sensory assessors.

The Nestlé Group operates the world's largest privately owned food industry research and development network, employing approximately 5,000 people. The heart of the development activity is in 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



also having 'extra' dietary advantages.

6040+

In addition to assessing the taste, another important element of the process is assessing the nutritional composition of the Nestlé products. In the course of doing so, we examine the nutritional content and quality of the main ingredients of our products and compare them with Hungarian and international dietary recommendations, as well as with the data of competitors' products. The evaluation sheds light on the strengths and shortcomings of the given product, and sets the direction for further improvement of the product.

In 2009, a total of six 60/40+ test projects were underway. We are plan-

ning 10 test projects for 2010. The TOP50 (the 50 goods with the highest turnover) products participating in the 60/40+ development process comprised 60% of the turnover of this category.

Outlook: Nestlé on an international level

Nestlé invested around CHF 2 billion in research and development last year. This included the opening of the Abidjan Research & Development Centre in Cőte d'Ivoire in April 2009 and the CHF 25 million Chocolate Centre of Excellence in Broc, Switzerland, our most recent demonstrations of our commitment to R&D. Through the Nestlé Growth Fund, we have also invested CHF 742 million in promising new Nutrition. Health and Wellness businesses. We also continue to foster innovation partnerships with business partners and have 385 collaborations with universities.



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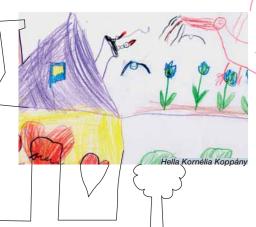
Outlook: Nestlé on an international level

The Nestlé Nutrition Institute is the world's largest private publisher of nutritional information, and its website provides access to an online medical and scientific library, educational tools, online workshops and information on forthcoming events. The Nestlé Nutrition Institute site has more than 65 000 registered members who can access increasingly customised information through chat rooms, newsletters and forums. Read more at www.nestlenutrition-institute.org

The Promotion of Conscious Food Consumption

Proper portion sizing of products, as well as providing portion recommendations, rank very high in Nestlé's efforts to become the preferred nutritional partner to consumers. Making diets healthier and more balanced may call for reducing portion sizes in some cases, or increasing size or frequency of consumption in others. The correct portion size and consumption frequency are increasingly considered to be a key public health consideration among nutrition stakeholders, as populations worldwide are struggling with rising obesity problems as well as deficient intake of some essential nutrients.

For several years now, Nestlé has been actively working on this impor-



tant public health priority. Our nutritional profiling system, for example, is based on appropriate portion sizes for the intended consumer, and all criteria thresholds have been established on each product's role in a balanced diet.

For example we use appropriate portion sizes in the above-mentioned component 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. In order to promote the moderate consumption of sweets, we introduced tablets with resealable packaging and our small-sized Balaton Falatok ("Balaton Bites"), Balaton Snack, Kit Kat Mini, and Boci Aero Mini products.

Outlook: Nestlé on an international level

In 2008 and 2009, we have accelerated our research initiatives in the area of portion guidance and will continue reaching out to consumers in more and more relevant ways to support their efforts to balance their diets.

6.3. Product Labelling

Numerous studies and professional 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 – compass for creating a balanced diet

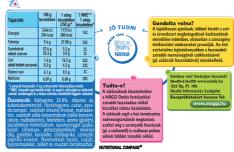
The Nestlé Nutritional Compass provides easy-to-follow and clear information on the nutritional composition (the energy, protein, fat, saturated fat, carbohydrate, sugar,



Nóra Kanczler

dietary fibre and sodium content of 100 grams or 1 portion of food) of a given product, on different dietary recommendations, the physiological traits and composition of the specific basic ingredients, or sometimes on the culinary curiosities related to the product.

(Further details on page 18-19 of our annual report from 2008).



Nestlé Nutritional Compass and Guideline Daily Amounts labelling



Guideline Daily Amounts, GDA

The GDA food labelling system shows the full daily amount of the energy, protein, carbohydrate, sugar, fat, saturated fat, dietary fibre and sodium requirements of the diet with a balanced nutritional composition for an adult, in addition it also indicates the proportion of GDA that one portion of the given food represents. International, industrial initiative: the result

of the joint work of scientific experts, government, NGOs and companies. (Further details on page 19 of our annual report from 2008).

Compass and GDA on Products

In 2009 both the Compass and GDA were displayed on the packaging of all of our relevant products.

The Compass is not displayed on the hollow figures (there is no place for it on the label) or on pet food (not relevant). The GDA is not displayed on infant and clinical enteral formulas, on baby food (the differing requirements of the ill and the infants do not allow the development of a common reference), on pet food (not relevant),

on desserts (not relevant), and on products containing only coffee (their energy content is negligible).

Nestlé complies in every product category with the data provision requirements listed (in part voluntarily) in figure 7 below.

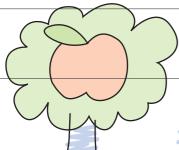
Type of information	Food products	Nespresso products	Pet food
The origin of the components or the product or service	The source of the products is mostly displayed on packaging. There is no legal obligation for displaying the origins of the ingredients.	Yes	No
Ingredients, with special consideration to materials with a potential environmental or social impact.	Yes (on 100% of the products) Displaying allergens, voluntarily undertaken	Yes	No
Method for safe use of the product or service	Yes, where it is relevant, e.g. culinary products, making coffee and cocoa	Yes	Yes, if relevant
Managing the product as waste and its environmental/social impacts	Yes (100% of the products)	No	Yes

Figure 7: Data provision on Nestlé products

Fine or penalty	Amount (Ft) and the reason for the penalty
i inc or penalty	Amount (i if and the reason for the penalty
Beverages	200 000: As a result of a production error the drained net weight of the 800 g Nesquik product was less than the value displayed on the packaging.
	60 000: Dating error, the day was unnecessarily displayed on the 80 g <i>Maggi</i> Hungarian Fish Soup cube.
Culinary products	100 000: As a result of production fluctuation the salt content of the 200 g "Maggi İzvarázs" was 1% higher than that of
	the prescribed quality parameter.
Confectionery	200 000: According to the relevant authority the cocoa solids content of the "Boci Bársony" product did not meet the value displayed on the packaging (due to a production error).
Warning	The reason for the warning
Beverages	Letter size on packaging too small: Coffee Mate 170 g

Figure 8: Fine or penalty with regard to the information providing and labelling associated with the products and services.

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6.4. Healthier Employees

Fruit tree planting in Bük

One day, I was holding a safety inspection in the Bük plant, and I happened upon an apple tree next to the fence full of tasty apples. That's when the idea was born: why not plant some fruit trees? (A long time ago, a cool chamber full of apples operated on the site of our factory, and there used to be scores of apple farms in the area). From that point on, only two enthusiastic helpers were needed in the persons of Alíz Sátori (Quality Assurance Manager) and László Horváth (Factory Engineer). After a little further brainstorming, the "Apple Avenue" project was born. In total secrecy, we bought 28 fruit trees (10 apple, 4 sour cherry, 3 cherry, 4 plum, 4 nut, and 3 pear trees) and announced a two hour team building

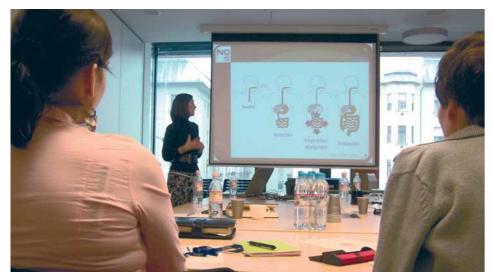
In total secrecy, we bought 28 fruit trees (10 apple, 4 sour cherry, 3 cherry, 4 plum, 4 nut, and 3 pear trees) and announced a two hour team building exercise. We designated the hill next to the bio filter as the location for the fruit trees. It's an area that can't be used for anything else as its "removal" would cost tonnes of money. In other words, if construction of some kind later comes to pass, the trees won't have to be harmed.

We designated the exact location of the trees ahead of time and got the shovels, manure, and potting compost.

As we have no experience in the planting of fruit trees, we looked on the internet for information on how to do it. At 10 o'clock on Friday morning, our enthusiastic group – about 30 employees – appeared at the hill referred to by us simply as "Himalaya", and realized with surprise what the task actually was. There was a lot of construction debris left in the area from previous work, so first we had to clean it up. To that end, we ordered a large container. As the task at hand was about team building, we designated pairs who were "known" not to be "fond of" one another, and they had to plant the trees together. People participated from nearly every department, members of management, office workers, foremen, group leaders etc. Everyone was extremely enthusiastic, worked cheerfully, and in an hour and a half, 28 trees stood in their place. The GMP (Good Manufacturing Practice) group agreed in the future to look after, prune, and spray them so that in a few years' time there will be a flavourful harvest. We created shared value...

Áanas Marl

Ágnes Markócs HR Manager



Increasing nutritional knowledge in the workplace

The health of our colleagues is essential for high level corporate operations, at the same time the rapid spread of non-contagious diseases (e.g., cardio vascular diseases, diabetes and obesity) attributed to bad eating habits, lack of exercise and smoking, damages productivity and generates additional costs.

The workplace is an ideal place for taking preventive steps, due to both the number of people and the time spent there. Though there are no quick solutions, and everybody has to take responsibility for their own lifestyle, with the appropriate tools and motivation, the employer can play a significant role in raising awareness.

NQ training

Healthy nutrition is everybody's business at Nestlé and the continuous learning connected with it is essential for being a leading nutrition, health and wellness company.

In 2009, 163 colleagues in the head office and in the plants in Szerencs or Diósgyőr, including colleagues working next to the conveyor belts, took part in the global NQ training (Nutritional Quotient) programme (details on page 33 of our 2008 annual report) introduced in Hungary in 2007. Since 2007 a total of 821 people have taken part in NQ trainings. Our aim is for all of our employees to complete the Foundation module by the end of 2010.

NQ training modules

The key to the success of the training is the interactive and tailor-made modules, which encourage the participants to take practical action:

Foundation module: an independent programme for the training of Nestlé employees who in the

 Advanced module: a further stepping stone for employees who regularly communicate with clients or consumers:

course of their work typically do

not have direct consumer contact:

 Specialist module: we place special emphasis on understanding the consumers and on applying the dietary and lifestyle strategy of Nestlé in each of the product categories. To complement "classroom" training in 2010, we are introducing an interactive e-learning programme and tools (series of posters highlighting key messages) aimed at harder to reach (e.g. physical) workers.

Screening Tests

Healthy Nutrition

Every year since 2006, we have organized screening tests in Budapest for employees. In 2009 the topic of workplace stress management was at the forefront; colleagues were given the chance to assess the pre-

vailing risk specific to them and consult with a psychologist. Furthermore, the opportunity was provided to complete various tests (body composition, blood pressure, blood sugar, cholesterol level) and take part in consultations related to nutrition and physical activity.

23



				4
Programme description	2006	2007	2008	2009
	Number	of participan	ts/employees	reached
Head office				
NQ training (foundation, advanced, specialist)	-	155	117	61
Health survey (+ diet programmes and office massage in certain years)		Announced to	all employees	3
Health weeks (information via e-mail regarding healthy nutrition and lifestyle, poster campaign, alternative tools: armrest, screensaver; product packages)		Announced to	all employees	3
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	-	Provi	ded to all empl	oyees
Health survey (+ massage in certain years)	-	-	36	12
Health weeks (information via e-mail regarding healthy nutrition and lifestyle, poster campaign, alternative tools: armrest, screensaver; product packages)	-	Annou	nced to all emp	oloyees
Szerencs				
NQ training (foundation)	-	-	229	93
Health weeks (information via e-mail regarding healthy nutrition and lifestyle, poster campaign)	-		ced to all oyees	-
Diósgyőr				
NQ training (foundation)	-	-	169	-
Health weeks (information via e-mail regarding healthy nutrition and lifestyle, poster campaign)	-		ced to all oyees	-
Bük				
Health weeks (information via e-mail regarding healthy nutrition and lifestyle, poster campaign)	-		ced to all oyees	-
Unlimited fitness facility through contracted partner	-	Provi	ded to all empl	oyees
Figure 0. Additional internal programmes of auto related to healthy living				

Figure 9: Additional internal programmes of ours related to healthy living

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In addition to those listed in the table:

- Nestlé's internal monthly newsletter (including WellNes section) is sent to employees in Szerencs, Diósgyőr, and Bük as well.
- In Bük the company also provides the opportunity to play football.
- Also in Bük we set up a first aid spot at the summer party for educational purposes, with particular emphasis on home safety (especially for children).
- 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 representative.

6.5. Healthier Population: Our Education and Information Programmes

In Hungary, Nestlé contributes with several programmes to the development of health consciousness and to the promotion of a balanced diet and a better way of life. The flagship of these programmes is Nutrikid.

Nutrikid

The Nutrikid Programme, developed for the 10-12 year old age group, was launched in conjunction with the Hungarian Dietetic Association in 2003. Any primary schools in Hungary may join the free programme. The Nutrikid programme package is an advertisement free exercise book for children, rich in playful elements, containing a film with cartoons and a teacher's manual to assist educational work.

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 the children are awaited by interesting readings, the film entitled "Secret of the Pyramid", and games as well. A separate menu option aimed at adults is also available on the website. From November 2008 to May 2009, registered visitors to the site were given the chance to win Nutrikid gifts and sport supplies.

Since 2003, more than 260 000 pupils from 2 800 primary schools have learned using the Nutrikid programme. In the 2009/2010 school year, 1 090 schools ordered 57 000 Nutrikid exercise books.

Nutrikid School Competition Nutrinews - Lifestyle journalists of the future

Nestlé's headquarters turned into an editorial office on account of the competition announced for the 2009-2010 school year. In the Nutrinews final, the children dealt with the topics of healthy lifestyle and nutrition. Nutrikid Magazin, the first national publication in which students write about healthy

lifestyle and nutrition in student lingo, directed at their own age group, was compiled using their writings.

Out of the 99 participating primary schools and 152 teams, the four best teams made it to the finals of the 2009-2010 national competition. The Budapest Diadal úti Primary School's Ökodiadal team and the VitaminKids team of the Magyarnándori Primary School came through in the blog category of the semi-finals, while Sándor Petőfi Primary School's Megazsír team from Túrkeve and the team of Egészségtudorok from the Ferenc Kölcsey Primary School in Törökszentmiklós made the semi-finals of the printed magazine category.

In the final the children wrote among other things about the problems of teenage diets; they prepared an interview about vegetarianism with Nestlé Dietician Zsuzsanna Szűcs; they conducted a survey of their classmates' breakfast habits. In fact, worthy of a real lifestyle magazine they covered

the topic of celebrity diets as well. Deputy Editor of ELLE Leonóra Mörk and page setters poured the prepared text into magazine form. Their work was evaluated by an expert panel: President of the Hungarian Dietetic Association Emese Antal, lifestyle-journalist and Editor of Metropol Levente Z. Szabó, Chief Editor of DUE Tallozó magazine Orsolya Zala, and Corporate Communication Manager of Nestlé Krisztina Suhajda.

"As a dietician I am very glad that children are preparing a student magazine about healthy living, as children learn most easily about balanced nutrition from each other," said President of the Hungarian Dietetic Association Emese Antal.

Nestlé Lifestyle Centre

"Showing the way in the labyrinth of dietary trends"

Link: www.eletmodkozpont.hu, www.nestle.hu/eletmod

The experts of the Nestlé Lifestyle Centre who provide individually tailored responses to the incoming letters:

- Family GP
- Dietician
- Personal trainer
- Psychologist

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. In addition to the advice of the experts, the website also offers useful articles, videos, tests, and calculators on numerous topics such as healthy living, diet, health prevention, beauty care, relationships, family, or child care. The patron of the Nestlé Lifestyle Centre is the Hungarian Dietetic Association.

In 2009 nearly 400 000 visits were on the lifestyle portal; throughout the year the experts fielded more than 1 600 questions related to health and balanced living.

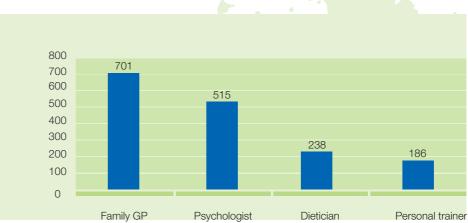
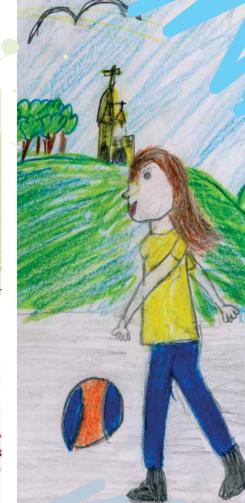


Figure 10: Questions directed at experts of the Nestlé Lifestyle Centre





anni Melanie Gönczi

Nestlé Hungária Sustainability and Food Safety

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7. Food Safety

7.1. Dialogue with Stakeholders on Food Safety

The stakeholder forum organized in June 2009 in line with international methodology dealt with the topics of food safety and quality food, especially with regard to the ability to track products and product components, product labelling, and the support of conscious consumer conduct. The first stakeholder dialogue of its kind in the region within the Nestlé Group was held in Hungary.

Attendees of the forum not only shared their own opinions with Nestlé, but engaged in lively professional discourse amongst themselves. Participants unanimously considered access to more detailed information concerning products and product origin and reinforcement of market trust among participants in the value chain issues of importance. In addition, the enhancement of links between the business sector and academia emerged as a key topic.



Participants of the forum*:

- Campden and Chorleywood Food Industry Development Institute Hungary Kht.
- Hungarian Technological Platform
- Federation of Hungarian Food Industries
- Hungarian Branch of Eurosugar S.A.S.
- Ministry of Agriculture and Regional Development
- Waste Management Working Group
- Central Food Research Institute
- Hungarian Food Safety Office
- Central Agricultural Office Food Chain Safety and Animal Health Directorate
- National Consumer Protection Authority
- National Institute for Food and Nutrition Science
- National Association for Consumer Protection in Hungary
- Dietetics and Nutritional Science
 Department at the College of Health
 Care, Semmelweis University
- College of Food Engineering at the University of Szeged
- Wessling Hungary Ltd.

*This is a list of the organizations who participated in the forum. The organizations did not comment on or approve the content of the report.

According to MARD State Secretary for Food Chain Control Dr. Miklós Süth: "Transparency, openness, and the establishment and maintenance of mutual trust is the joint social responsibility of market players. Furthermore, whenever possible, fulfillment of the principle of proximity is important through local production and procurement. In addition. I believe that the development of an environmentally conscious approach with respect to food products is important. In closing, it is worth identifying more specifically what NGOs, who represent the consumer, are concerned about, and what kind of expectations hev voice."

Dr. Ferenc Mohos, Professor of the College of Food Engineering, University of Szeged explained: "The scope of knowledge related to nutrition is rife with charlatanism. For this reason I count on Nestlé. the flagship of scientific research, in the field of raising public awareness in a credible manner. Furthermore, the company should seek those solutions which are the most relevant. Nestlé communicates useful product features to consumers in a more effective way than the current market does as a whole. Thirdly, SMEs are able to achieve greater market success through special food products than through imitation, as is often the case. It would be worth it for Nestlé to provide professional support to those companies, for instance through the transfer of proven best practices."

7.2 Precautionary Principles

Events that could have a negative impact on either Nestlé, the environment or society are continuously monitored by different groups, crisis committees both at international and local level. Their task is the prevention of crises and crisis management. Within the framework of the Nestlé international crises management system, strict internal reporting systems and in-company regulations govern what actions to take. In addition, rapid response is enabled by international telephone conferences, information directly originating from international organisations, e.g. WHO of the UN, as well as from the Nestlé Research Centre.

Nestlé operates a comprehensive product recall process at every distribution centre, including in Hungary. This process includes all necessary information to carry out a safe, timely, accurate and cost effective product recall

7.3 Quality Policies and Quality Management

Nestlé and Quality

Under no circumstances do we make any compromise as far as safety of our products is concerned; we have to do everything 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. Appropriate human resources, equipment, and tools are at our disposal in order to ensure the safety of Nestlé products and their compliance with requirements.

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 by the name of 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.

Institutional and regulatory system Nestlé has an extensive institutional and regulatory system in the field of food safety and quality. The elements

of this are:

safety, environmental management policies, which briefly and comprehensively summarise the principles and commitments of Nestlé Hungária Kft. in these fields. (The document is available on the www.nestle.hu website in Hungarian.)

Quality, occupational health and

Quality management system

Nestlé Hungária Kft. is continuously developing its quality management system. In April 2009, SGS Hungária Kft. certified the company's processbased. Nestlé-specific Integrated Management System (NIMS). It covers everything from product development to consumption and activity associated with customers and consumers. The essence of the system unique by Hungarian standards is that it includes the internationally recognized quality (ISO 9001), food safety (ISO 22000), environmental (ISO 14001) and health/work safety (OHSAS 18001) standards and Nestlé's own quality management system (NQMS). The certification is valid until 2012 for the following activities: production, distribution and sales of chocolate and other confectionery products, semifinished products, instant cocoa powder, and coffee specialities, marketing and development, and maintaining contact with consumers. It also applies to the development, distribution, and sales of culinary products. infant formulas and baby food, and other food and wellness products. Our pet food plant in Bük also obtained certification for its processes according to the same standards.



Figure 11: NIMS: one system - five international standards

The NIMS system:

- Management tool which facilitates management in the areas of quality, food safety, health, and the environment.
- Results in a conscious approach and continuously improved performance in these areas.
- Ensures full compliance with standards.

The integrated management system operates within the framework of the company's own global quality management system, the Nestlé Quality Management System (NQMS). (Detailed account on page 17 of our annual report from 2008).



In 2009, our most significant task and achievement was the improvement of our quality management system by implementing and successfully obtaining certification for our integrated management system at every site of Nestlé Hungária Kft.

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

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Department of Quality Assurance

Two persons carry out the tasks associated with the operation of the quality management system in the centre of Nestlé Hungária under the direction of the regional quality assurance manager, as well as the management of the quality issues of partner departments, consumers, customers, suppliers and authorities.

Separate quality assurance organisation operates in the factories under the direction of a local manager, which include amongst others the operation of the laboratories, the quality

tasks necessary for ensuring production, the in-process controls and the internal audits.

Quality performance objectives

The regional and specific local objectives are set in accordance with the quality policy, following the central directive of the company.

Management Review of Quality (MRQ)

This takes place at least annually. Within its framework any data associated with the quality assurance activities and originating from the

entire organisation (including the data of business partners) is analysed; any decisions, activities and training necessary for the development of the quality specifications are determined: short-term and strategic opportunities are identified and an action plan is prepared.



8. Communication with Consumers

8.1. Responsible Marketing 2009, examining consumer under-

Responsible communication with consumers has been a part of Nestlé's business principles since 1999. Consumer Communication Principles:

- encourage moderation, healthy eating habits and physical activity and, in the case of children, without undermining the authority of parents or creating unrealistic expectations of popularity or suc-
- are required reference points for all marketing staff and advertising
- children are a specific part of these Principles, including two important provisions, preventing advertising or marketing activity directed at children under six years old, and restricting advertising for children aged 6–12 to only those products that help them to achieve a healthy balanced diet, including clear limits for sugar, salt and fat.

The above rules have been enforced in all countries, thus also in Hungary by the end of 2008.

Nestlé has developed a set of "Implementation Guidelines" and a monitoring system to ensure compliance with the Consumer Communication Principles.

In light of regulatory developments worldwide and increasing consumer interest, Nestlé has reviewed and reinforced its internal approach to the development and validation of nutrition and health claims. A 'General Instruction' document describing all mandatory procedures was published and promoted across the Company in late 2008. A detailed Claim Development Standard was then issued in

standing issues, rigorous scientific validation procedures, and multifunctional teamwork and responsibilities. Deployment of more comprehensive tools and training for all marketing staff is ongoing.

International Outlook: Advertising to Children

Nestlé had, by the end of November 2009, joined eight voluntary industry initiatives covering 34 countries on responsible food and beverages advertising at a national and regional level. One of these is the EU Pledge (the EU commitment extending to all 27 member states), the aim of which is to support and promote healthy living, and achieve the voluntary restriction of advertising aimed at children under the age of 12.

All of the initiatives are audited by third parties independent of their implementation. Results from the first independent monitoring report of the EU Pledge show a 93% decline in advertising of products that do not meet companies' nutritional criteria in programmes targeted at children. Compliance across the industry was consistently high.

The legal department of Nestlé Hungária Kft. continuously monitors compliance with the following legislation and voluntary norms associated with marketing communication:

- Act XLV of 2008 on the Prohibition of Unfair Commercial Practices against Consumers
- Act XLVIII of 2008 on the Basic Requirements and Certain Restrictions of Commercial Advert-
- Act LVIII of 1997 on Business Advertising Activity (effective until 1 March 2009)

- Amendment to Act CLV of 1997 on Consumer Protection
- Amendment to Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices (Competition Act)

In 2009, no cases of non compliance with the above were registered by the department.

Besides all this, our voluntary undertaking is that prior to release, based on the decision of the marketing brand groups, the adverts are sent to the Self-Regulating Advertisement Association for opinion.

8.2. Consumer Service

Getting to know the requirements of the consumers of Nestlé products or even staying ahead of their requirements is very important for the company. In addition, Nestlé considers it essential to provide opportunities for the consumers to express their opinions and ideas. The Consumer Service was established to fulfil this purpose.

We inform those interested of Nestlé's newest brands, products, and the use and availability thereof. With the assistance of our nutritional science experts we are able to offer professional information regarding nutritional auestions.

Our consumers express great interest in Nestlé's latest contests. Our colleagues are glad to provide information regarding the terms of participation, drawings, and list of winners.

The Consumer Service, in addition to ising Activity (New Advertising Act) providing advice and information, by utilising the comments and ideas received from the consumers, also makes proposals for product devel-



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opment, thus representing consumer interests within the company. The reasons for consumer complaints are thoroughly investigated in order to be able to make the necessary corrections as well as providing rapid and precise feedback to the consumer.

The Service keeps detailed statistics on all the incoming requests. We are precisely aware of and monitor the requests, in particular the number and subjects of the complaints, the number of resolved complaints and the methods of resolutions.

In 2009, 31 095 requests were received by Nestlé's Consumer Service. The vast majority of these were queries, as well as requests for information regarding mainly contests, promotions, and products. A mere 257 were complaints; that represents a total of 0.8% of all requests.

For 2010 our aim is to continue to manage consumer requests at a high level.

In 2009, an independent firm conducted a survey to compare the consumer services of food companies. According to the result of the survey:

- The performance rating of Nestlé telephone Consumer Service is 94% (the average was 74%).
 The firm examined whether the operators answered the phone, they also evaluated the tone of the response, helpfulness, the operators' creativity, and their handling of product complaints.
- The performance rating of Nestlé's e-mail Consumer Service is 93% (the average was 60%). Response speed, the appearance and style of the messages, and the precision of their wording were evaluated.

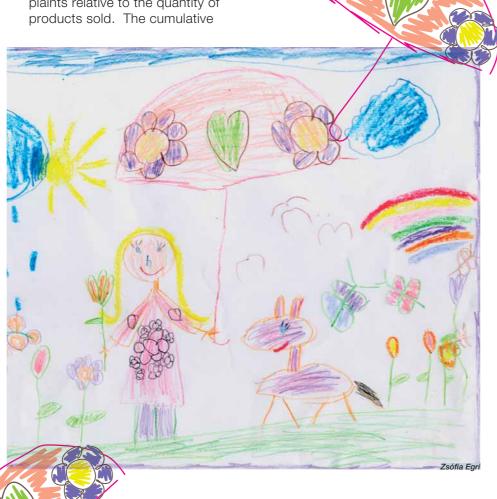
 The strengths of Nestlé's Consumer Service include qualified and consumer friendly service, as well as the ability to safeguard the company's image and build consumer loyalty toward the company and its products.

8.3. Consumer Satisfaction Measurement

Nestlé conducts numerous consumer satisfaction tests 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 2009 was 0.25; in other words, there were 0.25 complaints for every 1 million products

- 60/40+ tests.
- Brand Health Tracking: annual survey which examines the brand awareness and image of Nestlé and its competitors. It facilitates 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. Our colleagues

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

Our main principle is for us to provide every one of our employees with the necessary opportunity and support to foster the development of their abilities, all this 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 2009 as well. In fact, in a few sites there was even a substantial increase in the number of training hours. Our health and safety performance demonstrated continued improvement; the number of accidents decreased. Relations between employees, management, and trade unions are sound, and communication is constant.

9.1. Main Targets, Projects, Results

Career Advising

Our career advising project was prompted by the results of our organizational culture development programme. We took the self-fulfillment of employees and the company's need for successors seriously and sought the best ways for individual employees, managers, and Nestlé to profit from their development.

We offered employees in Budapest a career consulting session. Approximately 90 colleagues availed of the opportunity.

Our colleagues

"A career path doesn't always mean a higher position. There are cases in which the position remains, but the role is enriched. For the sake of example, let's look at a case when there's a change in position as well.

Now, if you'd like the person in question to work out in his or her new position, then the basis for the promotion shouldn't be the success achieved in the original position, but some level of maturation in respect of the next position. If that's what you choose, then it's true that it involves extra work for the manager, as first you have to help identify the ambition and pay heed to what skills have to be tried out and proven in practice, as well as give extra tasks to match. So the manager plays an important role in maturation.

This, however, is amply reciprocated by the subordinates through enhanced motivation. strategic participation, and intra-departmental cooperation, which save time for the manager's strategic activities. At the same time, the other subordinates also strive to be increasingly useful members of the team. As to how this pays off for Nestlé, the answer is obvious, more independent and professionally developed projects are launched, and the organization begins to tap its internal reserves. This can be translated into profit. As a result, career development means either real advancement or a move to another position on the same level, or possible role-enhancement. The return - although it may not come immediately – is virtually assured for all three interest groups."

Barbara Verő, Nestlé Hungária Personal Development and Training Manager



As the result of the conversations, transfers and project-like collaborations were initiated. It is a positive sign that, in case of many colleagues, the organization reacted to needs that arose within a relatively short span of time

"Of course the discussions are guarded by serious confidentiality. I can't even say anything about the participants by name. What we are proud of is that in most cases we succeeded in setting development in motion and fostering awareness in terms of career development. In more than one instance, in case someone identified more closely with another area in which his or her skills could be better utilized, this was followed by an announcement in the company newsletter. There were no glaring failures to speak of, but instances did occur in which for lack of opportunity or alternatives offered by the organizational unit, we did not succeed in dissolving someone's frustration that they felt about their non-effectiveness. Unfortunately. there is no guarantee that Nestlé's investments to date are not going to be utilized at another company."

Barbara Verő, Nestlé Hungária Personal Development and Training Manager

9.2. Training

Nestlé places great emphasis on the principle of lifelong learning at both international and local levels. Thus the training and conferences (some of which are coordinated by the training centre in Switzerland) targeting specialist skills as well as the training promoting the development of individual competencies are equally accessible for the employees of Nestlé Hungária Kft.

The areas to develop and the associated action plans are established jointly by the employees and their ma-

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Our colleagues

nager at the annual coaching in the light of next year's objectives and the potential career steps.

Nestlé believes that it is the employee who has the greatest – 70% - responsibility for their development and that the best way for them to gain experience is through their daily work or by getting involved in new tasks and projects. Instruction and mentoring support from the manager is next in line. Formal training and education contribute 10% to individual development. This concept is the basis for

the design of the training plan as well as for the longterm individual development plan.

Internship opportunities and the COMEX Programme

In 2009 we hired 23 career starters for various areas at Nestlé's head office. We developed our COMEX (Commercial Executive Management Trainee) recent graduate programme expressly for them, during the course of which we train mainly marketing/sales oriented professionals. 5 people took part

in the COMEX programme in 2009. Nestlé's aim is to provide insight into the everyday reality of each area of activity, in order to enrich the students with practical knowledge. In the framework of the professional internship nearly 20 students gained experience in the areas of marketing, supply chain, controlling, and technology.

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Prevention of corruption

For prevention purposes in 2008, we had the Code of Ethics and Business Conduct published in the Hungarian

	2009		
	Total number of training hours	Training hours/ person	
Nestlé Hungária	26 659	20.3	
Head Office and Purina Budapest	12 968	32.8	
Szerencs	4 566	12.2	
non-manual	2 506	32.5	
manual	2 060	6.9	
Diósgyőr	2 750	13.0	
non-manual	221	7.9	
manual	2 529	13.8	
3ük	6 375	19.3	
non-manual	1 636	22.1	
manual	4 739	20.1	

Figure 12: Number of training hours

Training types / Person	Nestlé Hungária	Head Office and Purina Budapest	Szerencs and Diósgyőr	Bük	
Compulsory education	1 930	656	944	330	
Skill development	289	146	119	24	
Professional training	1 759	112	1 610	37	
Team building	442	366	41	35	
English language course	89	59	24	6	
Vocational training (with learning agreement)	10	9	1	0	

Figure 13: Training types and the number of participants in 2009

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market for local employees, with the addition of local applications.

Moreover, all Nestlé employees completed declaration "A" which concerns any existing employment or any other type of working relationship in addition to the existing employment at Nestlé Hungária Kft. In declaration "B" it shall be stated, whether the employee wishes to have further employment or other type of working relationship (either free of charge or remunerated) in addition to the existing employment at Nestlé Hungária Kft.

This is continuously monitored by the company. There was no corruption related event in 2009.

9.3. Benefits

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

- 13th month salary
- Flexible working hours
- Cafeteria system
- Voluntary pension fund
- Infant formula gift pack for the employees' babies
- Christmas and Easter presents for the employees
- Supporting sporting activities
- Group life and accident insurance
- Occupational health service
- Loyalty bonus

- Employer voluntary pension fund contribution
- Retirement bonus
- School start benefit
- Other employee benefits at participating partners (travel, clothing allowances)

All Nestlé employees (either on a fixed-term or on a temporary basis, full or part-time) are entitled to the same benefits.

At Nestlé Hungária Kft., practically all employees regularly receive a performance evaluation, as well as an overview of their career building and individual development opportunities. The evaluation system for non-manual employees is more complex than that of manual workers, however the evaluation has an impact on the level of the salary increase in both cases.

Managers •

The Nestlé Management and Leadership Principles detail the company's expectations of its senior managers.

An incentive scheme ensures the connection between the remuneration of senior managers and the performance of the organisation. There are two types of incentives at Nestlé.

Within the framework of short-term incentives, the bonus received by ma-

targets. The targets are usually made up of three parts: group or corporate level objectives, departmental objectives and personal objectives. The proportion of these vary dependent on jobs. Long-term incentives encourage senior executives to improve the company's stock value. The amount of severance pay is included in the Collective Agreement and depends on the length of service at the company.

nagers depends on meeting the annual

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The amount of severance pay increases after five years of employment. After ten years it is double the amount prescribed by the Labour Code.

The performance of executive management is evaluated on the basis of the fulfillment of bonus targets, which include individual, department and company level targets, as well as business strategy aims. This encompasses financial, social and environmental targets that are dependent mainly on the position and activity in question.

Name of the premises	Position	Average starting salary in the position (thousand HUF)	Minimum wage (thousand HUF)	Ratio (%)
Head Office	Department assistant	162	71,5	227%
Purina Budapest	Management assistant	196	71,5	275%
Szerencs	Operator	72	71,5	101%
Diósgyőr	Operator	72	71,5	101%
Bük	Packer	74	71,5	104%

Figure 14: Average starting salary compared with the local minimum wage at the more significant premises of the organisation

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Conflict of interest

The Nestlé Code of Business Conducts contains the requirements which are mandatory for all Nestlé employees. In addition therto. Declaration "A" or "B". detailed in the section on the prevention of (see page 32) corruption topic is completed by all employees.

9.4. Health and Safety

The Nestlé Occupational Health and Safety Management System supports our work culture, which is committed to the "zero accident" policy. In 2009. we obtained certification for the OHSAS 18001 occupational health and safety management system.

Compliance with the Rules

Our independent audit programme CARE also controls compliance with occupational health and safety rules as set forth in our business principles and prescribed by Hungarian law. CARE operates in the areas of human resources, occupational health and safety, and business ethics and the environment. Under its auspices, three different independent third-party certification bodies monitor compliance.

Based on Act 93 of 1993 on Labour Safety and its amendment, as well as Act 161 of 2007, health and safety officers were elected in the plants (jointly in Szerencs and Diósgyőr, separately in Bük). There were 9 work safety representatives in Szerencs. 5 in Diósgyőr, and 4 in Bük (there were no work safety representatives in the head office or in Purina Budapest).

The work safety representatives hold meetings on the first Monday of every month with managers regarding work safety and environmental issues of current importance.

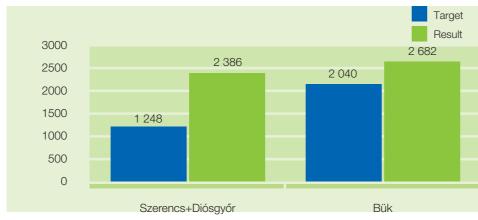


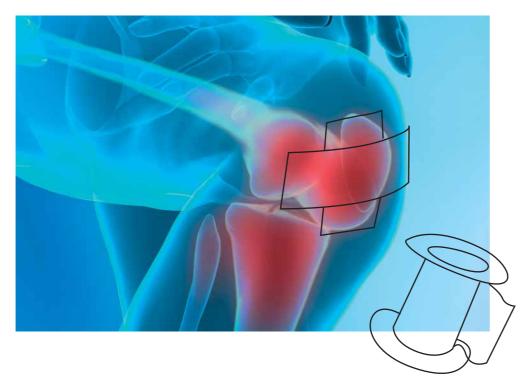
Figure 15: The number of safety talks by plant in 2009

Safety Talks

The behaviour-based work safety programme - the system of so-called safety talks - which contributed greatly to the reduction in the number of accidents, will continue in all Nestlé production units (detailed description of the Safety Talks programme on page 38 of our 2008 annual report). An example worth mentioning is the improvement of results for the plant in Bük, as in 2006 10 reportable

accidents occurred of which 6 involved downtime. By 2009, this figure dropped to 2 reportable accidents, and for the first time in the history of the plant, in 2009, no accident happened involving downtime. From 2008 to 2009, the number of accidents in the plants in Szerencs and Diósgyőr involving downtime decreased by half.

As people are our greatest value, we remain committed to safety. We are aware



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		•			
	2006	2007	2008	2009	
Nestlé Hungária					
number of accidents	17	11	13*	7	
total number of non-productive day	473*	606*	621*	363	
non-productive days as a % of the working hours	0.14%*	0.18%*	0.18%*	0.11%	
Head Office and Purina Budapest					
number of accidents	2	2	2*	1	
total number of non-productive day	30	7	60*	47	
non-productive days as a % of the working hours	0.03%	0.01%	0.06%*	0.05%	
Szerencs and Diósgyőr					
number of accidents	9	7	9	6	
total number of non-productive day	252	186	286	316	
non-productive days as a % of the working hours	0.17%	0.13%	0.19%*	0.21%	
Bük					
number of accidents	6	2	2	0	
total number of non-productive day	109	331	193	0	
non-productive days as a % of the working hours	0.15%	0.45%*	0.22%*	0%	
Figure 16: Number of accidents causing loss of working hours between 2006 and 2008					

Figure 16: Number of accidents causing loss of working hours between 2006 and 2008

*In these cells erroneous data was published in the 2008 report due to a calculation error. Here the correct data is listed

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

Accidents

There was no accident causing death or permanent injury in 2009. There is no data on accidents at work requiring first aid measures.

9.5. Employee Dialogue

Trade union

At Nestlé, according to the Labour Code of Hungary, all employees, with the exception of the managing director, fall within the scope of the Collective Agreement.

Nestlé Hungária Kft. communicates to the employees and the employee representations any operational changes and measures that have significant impacts on the employees in a manner and within the time limits specified in the Labour Code of Hungary. (The deadlines and rules of procedures are different for each case.)

In addition, the collective agreement of the company also includes specific rules for the case of reorganisation. According to this, 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 draft measure.

No case occurred in 2009 that caused potential violation to the right of association and to the collective agreement. Nestlé continuously informs the employees about questions that affect a larger group of the workers.

Works Council

There is a Works Council at Nestlé Hungária Kft (Central Works Council in the head office, Local Works Council in the factories), which operates in the manner and under the conditions specified in the Labour Code of Hungary. In accordance with the procedure that developed, the management of the company holds a formal presentation for the Works Council on two occasions a year, also offering a venue for formulating opinions. As numerous questions and subjects to be

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resolved arise in addition to the formal presentation, consultation in e-mails and in person between the representatives of the employees and the senior management are rather active.

Approximately 60% of the representatives of the Works Council are also members of the Confectionery Workers'.

We have a cooperation agreement with the Central Works Council, which contains more beneficial terms than those specified in the Labour Code of Hungary.

Other ways of employee dialogue

Besides continuous communication with the union, one information meeting per year serve the involvement of colleagues in addition to personal dialogues with them. In addition the intranet sites and the monthly published newsletter provides written information for colleagues.

9.6. 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 treatment of and career opportunities for employees. As such, we are devoting special attention among others to the conditions of women, for example to the process of reintegrating women into the labour force after maternity leave.

Women with Children

At Nestlé, the proportion of women with children is relatively high. Consequently, we have begun to deal systematically with this group. 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. If a job opening arises, the first step we take is to check and 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 alternative solu-

tions such as telecommuting.

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. Mancom employees not transferred by the Nestlé Centre are considered local.

Employment of people with disabilities in the factory in Diósgyőr

The separate employer Prima-Soft has been cooperating with the Diósgyőr factory of Nestlé since the spring of 2007. (It has rented premises

	Local pro	portion (%)	
	2008	2009	
Mancom	73	67	
Head Office and Purina Budapest	64	64	
Szerencs and Diósgyőr employees	99	99	
Bük employees	92	91	

Figure 17: Proportion of local employees in senior management

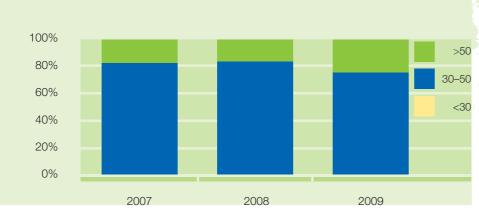


Figure 18: Distribution of the management committee by age (Mancom)

In 2007-2008 all managers were men; in 2009 there was one female member of management.

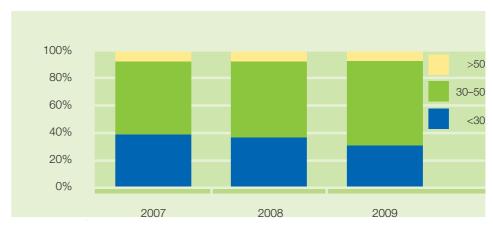


Figure 19: Distribution of employees at the Head Office and Purina Budapest by age

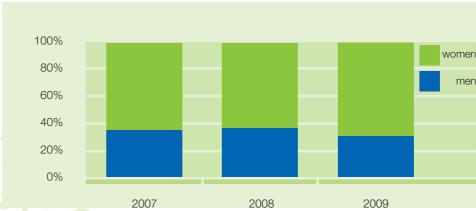


Figure 20: Distribution of employees at the Head Office and Purina Budapest by gender

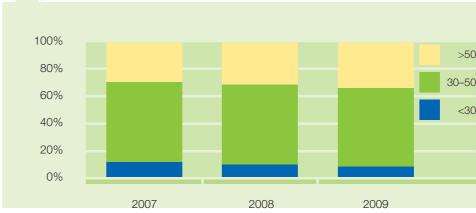


Figure 21: Distribution of employees of Szerencs and Diósgyőr by age



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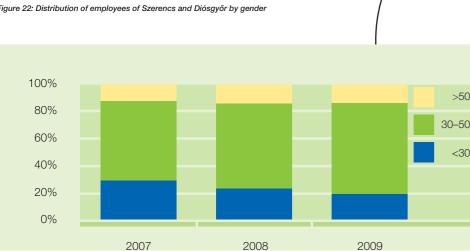


Figure 23: Distribution of employees of Bük by age

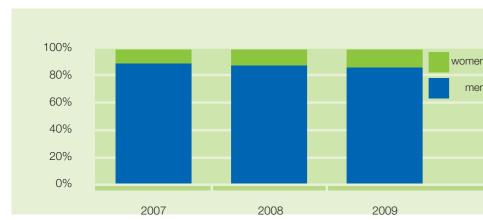


Figure 24: Distribution of employees of Bük by gender

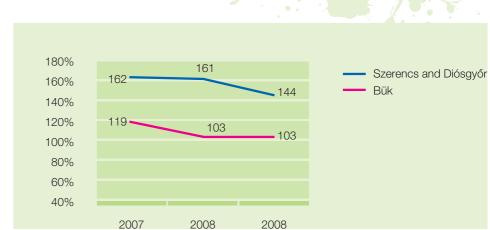


Figure 26: Basic salary of men and women of the management of the factories compared

within the factory.) The company is an Nestlé has regrouped the manual employer of disabled people. Approximately 60-80 persons are employed at the premises of Nestlé, who usually work in two shifts dependent on work requirements.

packaging tasks for them, for which previously they used contingent labour force. In 2009, there was no case of discrimination at Nestlé Hungária Kft.

Nestlé Hungária Sustainability and Creating Shared Value Report 2009 Our colleagues Nestlé Hungária Sustainability and Creating Shared Value Report 2009 Our colleagues 40

9.7. Employment Data

	- 0 0 1			•	
	2006	2007	2008	2009	
Total employees	1 323	1 329	1 345	1 308	
Head Office and Purina Budapest	394	402	407	399	
Szerencs and Diósgyőr	638	632	596	586	
non-manual	104	101	97	105	
manual	534	531	499	481	
Bük	291	295	342	323	
non-manual	63	67	71	82	
manual	228	228	271	241	
	1 308	1 325	1335	1 297	
Head Office and Purina Budapest	379	398	398	389	
Szerencs and Diósgyőr	638	632	595	585	
Bük	291	295	342	323	
Part-time	15	4	10	11	
Head Office and Purina Budapest	15	4	9	10	
Szerencs and Diósgyőr	0	0	1	1	
Bük	0	0	0	0	
Fixed-term contract	71	40	37	29	
Head Office and Purina Budapest	20	12	11	7	
Szerencs and Diósgyőr	0	0	0	0	
Bük	51	28	26	22	
Open ended contract	1 252	1 289	1 308	1 279	
Head Office and Purina Budapest	374	390	396	392	
Szerencs and Diósgyőr	638	632	596	586	
Bük	240	267	316	301	
Hired and agency contract	382	128	116	110	
Head Office and Purina Budapest	1	6	10	7	
Szerencs and Diósgyőr	377	112	98	101	
Bük	4	10	8	2	
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Figure 27: Total workforce by employment types, work contract and regions (person)



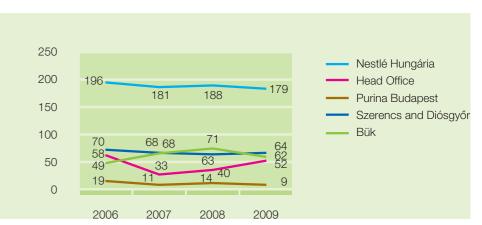


Figure 28: The number of those leaving the organisation between 2006 and 2009

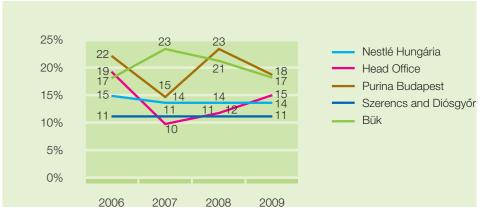


Figure 29: Fluctuations between 2006-2009

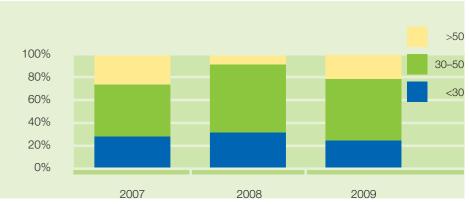


Figure 30: Distribution of leavers by age







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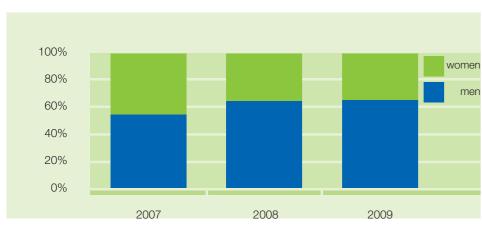


Figure 31: Distribution of leavers by gender



Job Fairs

In 2009, Nestlé took part in the HVG Job Fair, the Technical University Job Fair, the Fair at the University of Miskolc, and on two occasions the CareerExpo event organized by Corvinus University. The CEMS (Community of European Management Schools) international job fair held in autumn, hosted in 2009 in Budapest, was of particular importance, and the team in charge of selection at Nestlé's headquarters in Switzerland also attended.



10. Suppliers and Raw Materials

Suppliers and Raw Materials

The procurement policy of Nestlé in Hungary is governed by the local application of the Code of Business Conduct of the Nestlé Group, as well as Nestlé's Corporate Business Principles.

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Accordingly, identical conditions apply to the suppliers. The data in figure 32 demonstrate clearly that our local business partners also meet the requirements and do well amongst the competition. The main criteria for selecting suppliers are quality, reliability and price. The selection of the suppliers is governed by NIMS (Nestlé Integrated Management System).

Responsible procurement

Nestlé pays more and more attention to the improvement of the environmental and social performance not only its own offices and factories but also in case of its suppliers. For this, in July 2008 a new Supplier Code was introduced (www.nestle.com/suppliers). The code is valid for all suppliers, compliance with it is monitored through self-inspection of the suppliers and audits carried out by third parties.

Supplier audit

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 will determine whether or not the given company may work for Nestlé in the future. On the other hand, supplier audit does not only concern new partners. The degree of danger of the

materials supplied determines how often the partners must be inspected (for example, suppliers of highly dangerous products must be audited in every three years).

In most cases, the audit is carried out by Nestlé instead of being outsourced to third parties; besides, it occurs quite often that a Hungarian supplier of a foreign Nestlé company is also audited by local Nestlé experts. Another part of supplier assessment is the questionnaire sent by the purchase department to factories, on which it is possible to give a feedback on the partner's business activity or reliability. The annual au-

dit list is drawn up on the basis of feedbacks as well as of the degree of danger the supplied products pose. In 2009, Nestlé carried out 25 supplier audits in Hungary (in the Food business line).

Manufacturers

Contract manufacturers are expected to comply with the same requirements applied at Nestlé's own plants (food safety, quality, work safety, environment, honest practices, labour employment policy). Compliance is verified in the course of approval audits. Local supplier is a company, which has premises in Hungary and employs a Hungarian labour force.

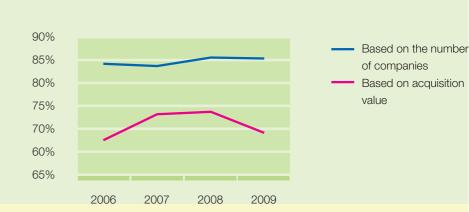


Figure 32: The proportion of local suppliers between 2006 and 2009



Szabolcs Krajnyál

Nestlé Hungária Sustainability and Suppliers and Raw Materials

Creating Shared Value Report 2009

Suppliers and Raw Materials

Creating Shared Value Report 2009

International outlook: coffee, cocoa és palmoil

Coffee

The coffee supply chain is extremely complex, with 80% of farmers operating as smallholders. Around 25 million smallholders depend directly on coffee farming for their livelihoods, and a further 100 million people are involved in the industry as a whole.

In 2009, Nestlé purchased 780 000 tonnes of green coffee, from 25 markets. More than 93 700 tonnes was procured directly from farmers and small-scale intermediaries in Vietnam, Thailand, China, Indonesia, the Philippines, Cőte d'Ivoire and Mexico; this represents an increase of 9% from 2008, and makes us the world's largest direct purchaser.

We currently purchase 10% of the coffee beans used in Nescafé through direct procurement, but through a greater focus on direct procurement, we will double this by 2015 (approximately 160 000 tonnes a year).

Our approach

Our direct buying system allows tens of thousands of farmers and intermediaries to deliver coffee directly to our buying stations, giving them a higher price and access to free technical assistance. This helps them to improve the quality of their yields and to diversify their activities, giving them higher incomes and helping Nestlé to secure a sustainable supply. Over the last 10 years, Nestlé has supported the training of 100 000 cocoa and coffee farmers, and aims to support the training of a further 130 000 farmers over the next 10.

Nestlé will also invest a minimum of CHF 460 million in its plant science and sustainability initiatives for coffee

and cocoa by 2020. This builds on the CHF 200 million invested in coffee over the past 15 years.

Our strategy is now being communicated in a consolidated, strategic way to consumers through a new sustainability website (www.nescafe.com/sustainability).

Sustainable coffee platforms

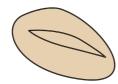
Nestlé is a co-founder of two international sustainable coffee platforms to coordinate non-competitive, multistakeholder action:

- Through the Coffee Working Group of the Sustainable Agriculture Initiative of the Food Industry (SAI-Platform), Nestlé has been involved in three sustainable coffee pilot projects.
- As one of the founding members of The Common Code for the Coffee Community (4C) Association, we follow a voluntary code of conduct to improve efficiency, profitability, transparency and sustainability in the production, processing and trading of coffee through training and verification.

Nestlé is also involved with other significant sustainable coffee verification and certification schemes, such as Fairtrade, UTZ Certified and Rainforest Alliance.

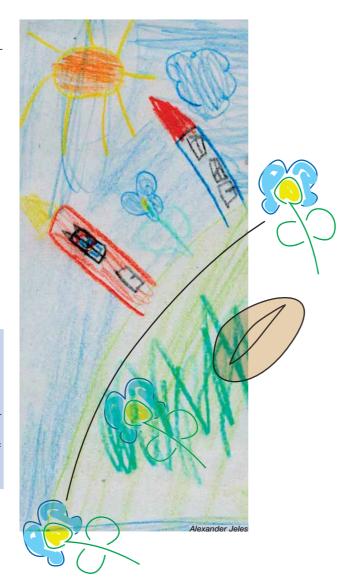
SAI-Platform projects - example

NKG in Vietnam: Since 2005, Nestlé has been helping to improve agricultural practices and raise awareness about sustainable coffee production in Vietnam. In particular, water use for irrigation was halved, the use of fertilisers reduced, and both the quality of the coffee and the accurate measurement of production costs improved.



Volcafé in Guatemala:

Nestlé has invested US\$ 290 000 in a sustainable coffee project with Volcafé, set up in 2004 in Guatemala. This has brought many benefits, including filters for safe drinking water, the building of two classrooms, wood-burning stoves with chimneys (to reduce the incidence of burns and lung disease, with about 60% less wood used), the control of soil erosion and technical assistance by an agronomist from Volcafé's local subsidiary to improve farming practices.



Nestlé Nespresso SA: Ecolaboration™

Ecolaboration™, launched in June 2009, is the *Nespresso* platform for sustainable innovation, and our latest example of Creating Shared Value throughout the value chain. Through Ecolaboration™, *Nespresso* has consolidated all its sustainability efforts in coffee sourcing, capsule recycling and energy-efficient machines into one concerted programme, and committed itself to meet three targets by 2013:

- to source 80% of its coffee from its AAA Sustainable Quality™
 Program and Rainforest Alliance Certified™ farms:
- to put systems in place to triple its capacity to recycle used capsules to 75%;
- to reduce the carbon footprint required to produce a cup of Nespresso by 20%.

Nespresso launched the AAA Sustainable Quality Programme in 2003, in

collaboration with the Rainforest Alliance. In 2009, almost 50% of the total green coffee beans *Nespresso* purchased came from its AAA Sustainable QualityTM Program.

Further information (among others about the role of consumers in the programme, in English for the time being): www.nespresso.com/ecolaboration



Agriculture and rural development In Guatemala, representatives of the Rainforest Alliance and Nespresso assess the quality of the coffee crop.

Value to society:

- Improved farm management through tools, training and technical know-how supplied to farmers
- Quality and biodiversity fostered on coffee farms
- Highest-quality coffee for consumers
- Higher incomes and living standards

Value to Nespresso:

- Secure supply of premium-grade coffee
- Motivated, empowered farmers



Environmental sustainability Consumers can bring their used capsules back to the store, and Nespresso will ensure that they are recycled (soon in Hungary too).

Value to society:

- Reduced impact of bauxite extraction and aluminium production
- Supporting and contributing to sustainable use of aluminium
- Less waste
- Better recycling and reuse of used capsules

Value to Nespresso:

- Better management of valuable raw materials
- Club Members even more engaged with their brand



Products and consumers
Award-winning CitiZ range has
eco-timers and stand-by switches
on all machines

Value to society:

- Significant reduction in carbon footprint
- Saving in electricity consumption

Value to Nespresso:

Significant reduction in carbon footprint



Cocoa

Cocoa, the main ingredient of chocolate, is grown in small, family-run farms often in remote locations. Cocoa farming provides an income to more than 4.5 million farmers, a third of whom live in West Africa. However, cocoa supply is becoming increasingly critical. Low prices have caused a lack of investment in the sector, resulting in declining cocoa quality, worldwide supply deficits and small farms with ageing trees that are vulnerable to disease.

Nestlé is striving to extend its initiatives and supported projects to date in its supplier chain. The sum of these efforts is referred to as the "Cocoa Plan", www.thecocoaplan.com

The Cocoa Plan

Our vision is to help to professionalise cocoa farming, so that cocoa farmers run profitable farms, respect the environment, have a good quality of life and their children benefit from education. The Cocoa Plan is Nestlé's way of helping to tackle key issues facing cocoa farmers, their families and communities to create a better future for cocoa farming.

The Cocoa Plan – already active in the world's largest cocoa origin,

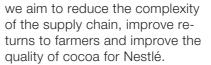
Cốte d'Ivoire, and the world's largest fine cocoa origins, Ecuador and Venezuela – covers the following aspects:

- Overall investment: Nestlé intends to invest CHF 110 million on cocoa creating shared value initiatives over the next decade, almost twice as much as was spent over the past 15 years (CHF 60 million).
- Helping farmers: We are training farmers in Ecuador and Cőte d'Ivoire to help them to increase yields, reduce disease, respect the environment and produce a better-quality crop which attracts higher prices.
- Plant expertise: As part of a wider remit, our new R&D Centre in Abidjan, Cőte d'Ivoire will provide farmers with 1 million highpotential cocoa trees each year from 2012. The Centre's programmes will focus on improving the quality and quantity of locally sourced raw materials, developing products that meet the nutritional needs and tastes of West African consumers, and helping to increase both agricultural productivity and food safety. We are also training plant scientists in accelerated propagation techniques in other cocoa-producing countries. Over the past 15 years, Nestlé



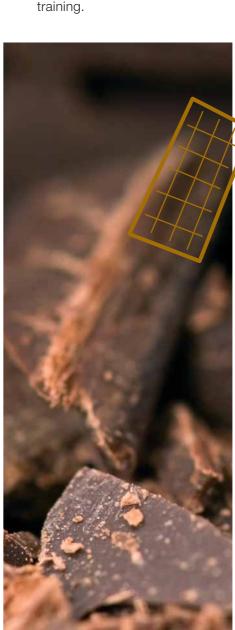
has provided 17 million coffee and cocoa tree plantlets to producer countries, and over the next decade, we will provide at least 38 million more. These develop into high-yield, disease-tolerant trees providing farmers with a foundation for increased farm productivity and potential income. Although results varv. studies show Nestléproduced trees can achieve an increase in productivity of 50%-200%. The protection and propagation of superior "fine cocoa" varieties for use in our premium chocolate brands is also ongoing in Ecuador and Venezuela.

 The supply chain: By working closely with farming cooperatives and paying a premium for quality,



- Better social conditions: Cocoa farming is the major emplover, the main source of income and the focus of activity for millions of people. But many cocoa communities do not enjoy clean water or access to education, and as a result, labour practices on cocoa farms are not always what they should be. We will work to improve access to education, water and sanitation. As a founding participant in the International Cocoa Initiative (ICI), set up specifically to eradicate the worst forms of child labour, Nestlé and other industry players are improving access to education and addressing all forms of exploitation of children, forced labour and its underlying causes. We are partnering with the International Federation of The Red Cross/Red Crescent to fund a clean water and sanitation project in schools in the Gagnoa region of Cőte d'Ivoire.
- Working with partners: In addition to supporting the ICI, we:
- co-founded The World Cocoa
 Foundation (WCF) to deal
 with issues such as ineffective
 farming techniques and poor
 environmental management.
 By the end of 2010, some 340 000
 children will have benefited from
 WCF-supported education prog rammes and 8800 teachers will
 have been trained;
- partner government organisations such as the Centre National Ivoirien de Recherche Agronomique to improve the sustainability of cocoa farming;
- co-founded the UTZ Certified Cocoa programme;

support industry-wide organisations such as The Sustainable
 Tree Crops Programme, which has increased income by over 20% for nearly 80 000 West
 African families through farmer training.



Palm oil

Palm oil is not a major raw ingredient for us – Nestlé uses 320 000 metric tonnes of the world's global production of 42 million metric tonnes (0,7%) – but we share the concern about the serious environmental threat to rainforests and peat fields in South East Asia caused by the planting of palm oil plantations, and remain keen to participate in effective multi-stakeholder solutions to this.

To date actions taken in this issue are as follows (as of May 2010):

- We joined a coalition which is calling for a moratorium on rain forest destruction stemming from palm oil production in Indonesia.
- We became active members of the Round Table on Sustainable Palm Oil (RSPO).
- We suspended our purchases from a supplier who admitted to deforestation oversights. We made it clear to our suppliers that we do not tolerate oil derived from non-sustainable sources in consignments purchased by us.
- We made a pledge that by 2015, all of the palm oil procured by us is going to derive from sources that are certified as sustainable. In this respect we have achieved rapid progress. In 2010, 18% of our purchases are expected to be certified, and by the end of 2011 that figure should reach 50%.
- We entered into a partnership with The Forest Trust, an organization which promotes the establishment of responsible supply chains.
 With their help, we are assessing the performance of our suppliers in order to identify high risk plantations, and providing technical assistance to support the implementation of sustainability standards.



Nestlé Hungária Sustainability and Community Links Creating Shared Value Report 2009

11. Community Links

Core activities of our community links: 11.1. Professional links

- Our Nutrikid programme aimed at teaching children about nutrition (page 24).
- The Nestlé Lifestyle Centre online portal where we strive to inform consumers in an objective manner (page 25).
- Our stakeholder dialogues which we held this year on the topics of healthy nutrition (page 15) and food safety (page 26).

The area of community links also encompasses communication with our consumers, which we detailed in Chapter 8 (page 29). In this chapter we report on our additional professional links and charitable activities.

Nestlé Hungária Kft is a member of the following professional and advocacy organisations:

- Hungarian Pet Food Association
- Association of Confectionery Manufacturers
- Federation of Hungarian Food Industries
- Hungarian European Business Council (HEBC)
- Hungarian Brands Association
- National Human Resources Association
- Swiss-Hungarian Chamber of Commerce

- Hungarian Platform on Diet, Physical Activity and Health (in Hungarian: TÉT Platform)
- International Chamber of Commerce (ICC Hungary)
- Hungarian Pharmaceutical Manufacturers Association, Formula Section
- Self-Regulating Advertising Body
- Öko-Pannon
- Hungarian National Food Technology Platform
- Hungarian Association of Food Science and Technology
- Club for Informed Consumers (TFK)

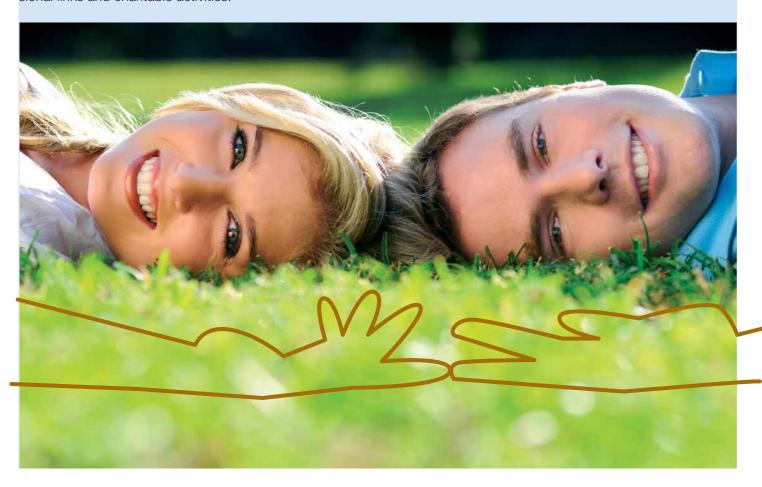






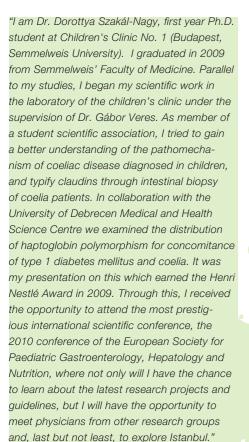
Figure 34: Professional cooperation in 2009

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 at the invitation of the Association of Hungarian Nutritional Supplement Manufacturers on the fortification of food using vitamins and minerals. Nutritional supplement, pharmaceutical, supervisory and licensing authority, and government experts were in attendance.

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 2009, Dr. Dorottya Szakál-Nagy earned 1st place (support to attend annual congress of the European Society for Paediatric Gastroenterology, Hepatology and Nutrition; commemorative plaque).





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

Nestlé engages in lobbying activity in Hungary and in the European Union In addition to offering its views on draft on three levels.

First level: The office of Nestlé's centre in Brussels offers its views on EU legislative drafts, and establishes contact and consults with relevant employees and officials of the EU Commission, or European Parliament representatives and their assistants. It does so in certain cases with the involvement of a lobbying agency. In 2009, the company actively took part in the issue of the so-called environmental labelling of food.

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

Third level: In Hungary, Nestlé submits its opinion and comments in connection with the draft provisions to representatives of the Hungarian government, of the National Assembly, and the Hungarian representatives of the EP directly, or with the involvement of a lobbying agency, or through professional associations (Federation of Hungarian Food Industries, Association of the Hungarian Confectionery Manufacturers, Hungarian Pet Food Association). In 2009 Nestlé, in conjunction with FHFI and the Association of the Hungarian Confectionery Manufacturers, took an active role in the following topics: nutritional value labelling, the nutritional profiling of food, and upon the initiative of FHFI, the regulation of dishonest distributor conduct.

provisions, 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 wording and revision of recommendations, reports, and proposals issued by these organizations.

The Managing Director and the Corporate Affairs Manager are active parties to these dialogues.

11.2. Donations, Charity

Donations

The value of the donations made to NGOs in 2009 comes out to more than HUF 81 million, mainly in the form of product donations (calculated at cost price). This represents a 27% increase over 2008, which is due primarily to the company's closer strategic partnership with the Red Cross and the Hungarian Food Bank Asso-

World Food Day Donation Convoy

On 16 October, on the occasion of World Food Day, a caravan of 17 lorries cut through Budapest. The convov was organized by Nestlé's key partner in product donations the Hungarian



Food Bank Association and 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 1.2 million (cost price) in product donations.



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We encouraged all employees to raise donations on the occasion of World Food Day. A total of 13 employees signed up for the gifts-in-kind programme of the Hungarian Food Bank Association: each of these colleagues performed their duties on 16-17 October in a Tesco hypermarket where they enthusiastically collected donations. In two days, 38 tonnes of nonperishable food was gathered and was distributed by the Food Bank to those in need.

"I had some very touching moments which I am very grateful for. I am especially happy to see that there are a number of people within Nestlé as well who find it important to facilitate the positive outcome of these efforts through their attendance. I can only recommend that everybody volunteer at such events even if they are not able to contribute in any other way. Every little step is precious, as we also set an example, and it only depends on us what this example will be."

> Bíró Ottília, Export Sales Specialist, Nestlé Hungária



Judit Gubinyi-Tunigoldné and Böbe Hoffmann were showered with praise by Dr. Irina Brandtné-Mányai who headed up the collection of donations at the Tesco in Budaörs: "As the store-level manager of Food Bank's

fundraising at the Tesco in Budaörs, I would like to thank vour colleagues Judit and Böbe for their effective participation in the collection of gifts, thanks to which the Budaörs team gathered the highest amount of donations! Let me thank you again for your participation in the fundraising efforts." Judit's response:

"On behalf of both of us, thank you for your kind words. I can say without hesitation that most people still generously help their fellow human beings, especially when it comes to children. We had many wonderful moments, and we are happy about the result we achieved."

The Red Cross - Nestlé Fund

The open-ended fund was set up by Nestlé in 2008 to subsidize the medical treatment costs of children and youth ages 0-18.

To ensure transparent distribution of the Charity Fund, a committee made up of three people was formed, the members of whom are: officers of Nestlé Hungária Kft, and of the Hungarian Red Cross, including a legal advisor from the Child Guardian's Office and a paediatrician.

The committee continuously evaluated the incoming applications and supported the individual applicants in the amount of HUF 50 000-100 000.

11 sick children and their families received in-kind support from the Charity Fund. Depending on the nature of their illness, the necessary medicine. toiletries, clothes, and food were purchased for them.

In light of the initiative's success and societal importance, Nestlé has decided to top up the depleted Charity Fund with another donation, so that

we can give hope to desperate families in 2010 as well. The HUF 700 000 donation made available to the Red Cross shall be utilized in 2010.

Blood Donation

We have regularly been organizing voluntary blood donation at several of our sites for years. The Nestlé unit with the greatest tradition in this respect is the plant in Szerencs, where colleagues have had the opportunity to join the initiative for 20 years. The plant in Bük launched its blood donation campaign in 2003, which it holds 4 times a year. Since 2004 colleagues at the head office in Budapest have been granted the opportunity to voluntarily donate blood. According to our calculations, to date we have assisted the work of the National Blood Supply Service, with whom the plant in Bük works directly. on more than 1 700 occasions. At the other sites we organize the event jointly with the Hungarian Red Cross.



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 in Nestlé's Code of Business Conduct.



12. Environment

Our ambition is to produce tasty and nutritious food and beverages that also have the lowest environmental footprint, so we strive to continuously improve our operational efficiency and environmental performance.

We apply a life cycle approach to assess the impacts of our own operations and those associated with the wider value chain.

We continue to identify and implement projects to reduce our use of water, non-renewable energy and other natural resources, to reduce emissions of greenhouse gases (GHGs), to eliminate waste and to improve the environmental perform-

ance of our packaging.

Szerencs

Diósgyőr

Figure 37: Indirect GHG emission (t CO₂eq)

We published the Nestlé Policy on Environmental Sustainability for the first time in 1991; in English: www.nestle.com/CSV/ EnvironmentalSustainability

This basic document lays down Nestlé's environmental principles and commitment.

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

Climate change

We are committed to reduce our greenhouse gas emissions even further:

in our own directly controlled operations;

- by helping those in our supply chain, mainly through Nestlé's Sustainable Agriculture Initiative;
- by helping our consumers, through innovative solutions such as Nespresso and Nescafé Dolce Gusto energy-saving machines, to achieve similar reductions.

Our ultimate ambition is to offer products with the lowest environmental impact compared to alternative products including those made in the home.

1 717

723

6 618

1 605

5 836

709

1 971

825

6 435



	2007	2008	2009	
Total	12 567	12 157	10 618	
Szerencs	1 570	1 256	1 341	
Diósgyőr	298	312	323	
Bük	10 699	10 589	8 954	
Figure 35: Direct GHG emission- GHG protocol (t CO ₂ eg)				
	2007	2008	2009	
Szerencs	48.48	38.72	44.47	
Diósgyőr	97.45	121.43	103.02	
Bük	76.78	75.69	75.47	
Figure 36: Direct GHG emission (kg CO _z /t of product)				
	2007	2008	2009	
Total	9 231	9 058	8 150	

		2007	2008	2009
`	Szerencs	60.88	52.92	53.24
	Diósgyőr	270.19	281.62	225.82
	Bük	46.18	47.31	49.19

Figure 38: Indirect GHG emission - GHG protocol (kg CO,/t of product)

We removed the R22 coolant from the air conditioning equipment in the plant in Bük, thus reducing the use of greenhouse gas HFC by 0.045 tonnes, that is, by 46%.

	2007	2008	2009
Szerencs	1.5	1.24	1.35
Diósgyőr	4.57	5.11	4.2
Bük	1.85	1.84	1.86

Figure 39: On-site energy consumption (GJ/t of product)

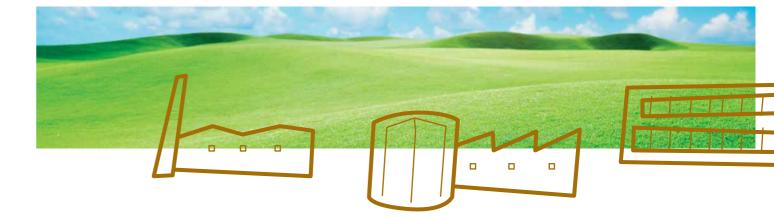
	2007	2008	2009
Szerencs	27 982	22 391	23 900
Diósgyőr	5 307	5 554	5 768
Bük	190 721	188 749	159 615

Figure 40: Natural gas consumption in the factories (GJ)

For now, no summarised data is available on the petrol and diesel consumption of the organisation and on the natural gas consumption of the offices in Budapest.

	2007	2008	2009
Budapest	NA	NA	1 095
Szerencs	20 631	17 972	16 804
Diósgyőr	8 640	7 564	7 422
Bük	67 356	69 278	61 088

Figure 41: Electricity consumption (GJ)



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Water

In our 2008 report, we covered the new technology used in our plant in Bük thanks to which the phosphorus content of wastewater decreased by 85%. This development of ours was awarded special recognition in the 2009 Hungarian Innovation Foundation competition.



Water withdrawal		2006	2007	2008	2009	
Total		246 704*	232 091*	222 658	178 864	
Tap-water		192 785*	59 544*	20 074	15 010	
	Head Office and Purina Budapest	NA	NA	1 764**	1 884***	
	Szerencs	0	0	0	0	
	Diósgyőr	11 894	11 936	10 041	11 576	
	Bük	180 891	47 608	8 269	1 550	
Subsurface water		53 919	172 488	202 584	163 854	
	Szerencs	34 278	34 660	26 004	22 062	
	Bük	19 641	137 828	176 580	141 792	

Figure 42: Water withdrawal by sources (m3)

^{***}Estimated annual amount based on monthly consumption.

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

Figure 43: Water consumption (m³/t or product)

Reused / recycled water	M. e.	2006	2007	2008	2009	
Bük	m^3	0	10 800	13 200	5 200	
Bük	%	0%	5%	6%	3%	

Figure 44: Percentage and total volume of water recycled and reused



	Water discharge	2006	2007	2008	2009
Factories total	Discharged into public sewer	194 328	154 326	129 682	89 278
	untreated	113 793	75 978	45 063	38 847
	treated	80 535	78 289	84 619	50 431
Szerencs	Discharged into public sewer, untreated	34 278	34 660	26 004	21 007
Diósgyőr	Discharged into public sewer, untreated	11 894	11 936	10 041	7 764
Bük	Discharged into public sewer*	148 156	107 671	93 637	60 507
	untreated*	67 621	29 382	9 018	10 076
	treated*	80 535	78 289	84 619	50 431
Head Office and	Discharged into public sewer,	NA	NA	1764	1884

Figure 45: Total water discharged by quality and receiver (m3)

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

Figure 46: Water consumption in the factories (m³/t of product)

Packaging

Packaging reduces waste by protecting food products during transportation and storage, in the retail environment and at home, and contrary to some preconceived ideas, it saves more than it costs, in both financial and environmental terms. Packaging is also essential for food safety and freshness, and provides consumers with nutritional information and portion guidance at the point of purchase. Packaging represents a small part of the total environmental footprint of food products, but Nestlé has adopted an integrated approach on packaging in its continuous improvement policy. This involves what we call a "4R" approach:

- reducing the weight and volume of packaging materials;
 leading in the development and use of packaging materials made from sustainably managed renewable resources such as bioplastics;
- aligning with and supporting initiatives to recycle or recover energy from used packaging, and helping to inform consumers through the use of accepted material identification and recycling symbols, and by encouraging consumers to recycle where programmes are available;
- using recycled materials wherever it makes sense.



^{*}Does not include the water consumption of the Budapest offices.

^{**}Only the consumption of the site at Ybl Miklós Square.

^{*}In these rows erroneous data was published in the 2008 report. Here the correct data is listed.

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					•
	2006	2007	2008	2009	
Total	156 982	165 051	167 001	143 900	
Szerencs*	29 970	33 000	32 731	31 039	
Raw materials	29 970	33 000	32 731	31 039	
Diósgyőr*	2 835	2 854	2 334	2 211	
Raw materials	2 835	2 854	2 334	2 211	
Bük	124 177	129 197	131 936	110 650	
Raw materials	111 304	118 880	122 108	103 591	
Packaging materials	12 873	10 317	9 828	7 059	

Figure 47: Quantity of materials used (t)

*There is no data for quantity of packaging materials.

90% of the paper used to make corrugated outers and trays for products produced in the plant in Szerencs is recycled paper; the annual quantity in question is 10 million pieces.



Hazardous waste	2006	2007	2008	2009	
Total	45.9	28.93	11.4	15.0	
Szerencs	39	13	5.4	8	
Diósgyőr	0	0	1	1	
Bük	6.9	15.93	5	6	
Non-hazardous waste					
Total*	6 996.3	7 474	10 595.7	7 359	
Szerencs*	2 024	1 681	1 258	939	
Diósgyőr*	183	192	116	192	
Bük*	4 789.3	5 601	9 221.7	6 228	

Figure 48: Quantity of total waste (t)

*In these rows erroneous data was published in the 2008 report.

Here the correct data is listed.

Outlook: In 2009, Nestlé Group's Kékkúti Ásványvíz Zrt. further reduced the amount of packaging material

Since 2003, Kékkúti Zrt. has steadily reduced the weight of its bottles while at the same time improving their sturdiness and stiffness. In April 2009, the company introduced lighter bot-

tles for Theodora and Nestlé Aguarel. As a result, in 2009 the amount of PET plastic used decreased by approx. 235 tonnes.

From September 2009, the use of other packaging materials (pallet film, cardboard trays used on pallets, and stretch film used to hold pallets together) was also reduced. As a result, in 2009 the amount of film used

decreased by 24 tonnes. By means of investment in technology, the quantity of plastic film used to secure pallets for one particular product was lowered from 1 250 g to 280 g in such a way that the stability and appearance of the pallet did not suffer; in fact it actually improved while the amount of energy used was reduced.

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Noise, odour and air

On the production line in the Szerencs factory an air filter is in operation for reducing dust emission. The factory also has a noise reduction system.

Due to the odour filter investment of previous years in Bük, no complaints were received in 2009 in this matter from the inhabitants of the surrounding area. The installed biofilter oper-

Environment

ates with a 96% efficiency and has a maintenance cost of 100 000 EUR per every five years.

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

Figure 49: Sulphur dioxide emissions (total sulphur dioxide equivalent, t)

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

Figure 50: Dust emissions (mg/m³)

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

Figure 51: Nitrogen oxide emissions (mg/m³)

Fine

In 2009, on one occasion our plant in Bük had to pay an environmental fine which the authority imposed for exceeding the prescribed noise limit. In response, the plant implemented noise reduction measures; we replaced the steam tunnel fan on the roof of the

canning plant with a "quieter" model and equipped the autoclave vents and labelling fans with sound insulation. On account of the investment the plant's noise emissions fell below the limit.



Procedure no.	Site involved	Law violated	Measures to remedy the exposed deficiency	Amount of fine
1301-7/2/2009	Bük	Exceeded noise limit	Noise reduction measures	2 080 000

Figure 52: Environmental fines

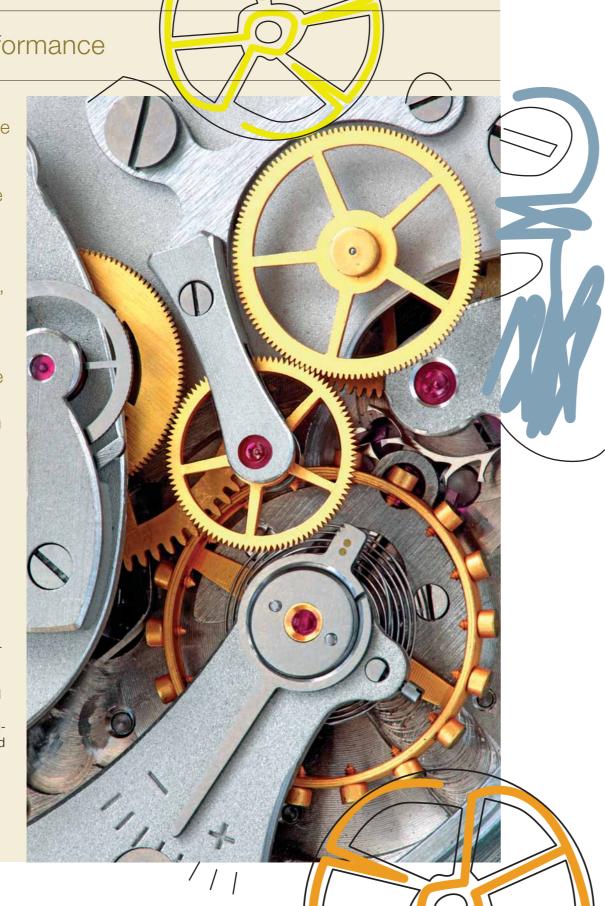
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13. Economic Performance

In 2009 there was a decline in the performance of economically developed regions. GDP for the European Union as a whole dropped off by more than 4% over the previous year. The decline in the Hungarian economy was even greater, more than 6.3%.

The number of those employed dropped by 2.5%, and the unemployment rate rose to 10.5%. The real value of wages - against an inflation rate of 4.2% - was 2.4% lower than in 2008. Retail turnover decreased by 5.4%; consumer prices of food products rose by 4.4%.

In spite of the general economic crisis, which resulted in a change in the consumption behaviour, Nestlé Hungária managed to increase its local turnover and also succeeded in strengthening market shares in the focus product categories. Continued effort has been and is being put on developing our local production facilities to be competitive in Hungary and in the region as well. Further focus is turning the portfolio into Nutrition, Health and Wellness.



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					* •	** *	The second		
	N	lestlé Hungári	a Kft.	Cerea	l Partners Hu	ngária Kft.		Total	
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Income	86 604 643	91 565 835	86 999 068	2 756 910	3 149 265	3 031 191	89 361 553	94 715 100	90 030 259
Net sales revenue	83 882 373	85 938 080	81 632 736	2 735 849	3 057 336	3 007 281	86 618 222	88 995 416	84 640 017
Capitalised value and own performance	586 108	-581 484	-47 116	0	0	0	586 108	-581 484	-47 116
Other income	555 736	1 047 046	936 710	411	13 257	0	556 147	1 060 303	936 710
Income on financial operations	1 580 426	5 162 193	4 476 738	20 650	78 672	23 910	1 601 076	5 240 865	4 500 648
Operational costs	78 139 456	78 794 760	73 887 430	2 730 542	3 078 319	3 038 405	80 869 998	81 873 079	76 925 835
Material costs	68 499 615	68 730 471	66 282 622	2 649 727	2 944 371	2 926 744	71 149 342	71 674 842	69 209 366
Other costs	2 550 436	2 786 902	2 007 320	47 737	43 665	42 629	2 598 173	2 830 567	2 049 949
Expenditures of financial operations	7 089 405	7 277 387	5 597 488	33 078	90 283	69 032	7 122 483	7 367 670	5 666 520
Employee wages, allowances and their contributions	7 135 399	7 970 007	8 096 779	0	0	959	7 135 399	7 970 007	8 097 738
Payments to owners (Dividend)	0	0	0	0	0	0	0	0	0
Direct taxation	868 272	1 260 128	1 047 496	39 300	42 274	43 838	907 572	1 302 402	1 091 334
Corporate taxation	0	45 059	74 187	0	1 195	0	0	46 254	74 187
Other taxes	868 272	1 215 069	973 309	39 300	41 079	43 838	907 572	1 256 148	1 017 147
Community investments	5 767	64 003	81 339	2 805	0	0	8 572	64 003	81 339
Profits retained (profit reserve and depreciation)	455 749	3 476 938	3 886 024	-15 736	28 672	-52 011	440 013	3 505 610	3 834 013

Figure 53: Direct economic value generated and distributed (HUF K)

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14. Nestlé around the World in Numbers

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

Nestlé employs 278 000 people worldwide.

The company has 449 plants, half of them in developing countries.

Our products are sold and distributed in 130 countries.

In 2009, Nestlé financed environmental projects worldwide to a value in excess of 220 million CHF.

Healthier Products

7 252 – Number of products innovated on the basis of nutritional and health criteria.

71% – The proportion of products relative to total sales the nutritional composition of which complies with the Nestlé Nutritional Foundation (NF).

Reducing the Environmental Footprint

59% - Water savings per tonne of product since 2000.

48% - Decrease in greenhouse gas emission per tonne of product since 2000.

12.2% – The proportion of energy derived from renewable sources at our sites.

Supporting Income Growth of Small Producers and Ensuring High Quality Raw Materials

165 553 – Number of small producers and suppliers participating in capacity building programmes.

Development of Employees

42% – The proportion of local citizens in the Management Committees operating in developing countries.
27% – The proportion of female managers.

93 146 – The number of employees receiving formal education in developing countries.

Research and Development

5 200 – The number of colleagues working in Nestlé research centres and product technology centres around the world.

Source of data in this chapter: Nestlé Creating Shared Value Report 2009 (link: http://www.nestle.com)



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15. GRI-index

Report Application Level: B

		2002 In Accordance	С	C+	В	B+	Α	A+
Mandatory	Self Declared			Assured	GRI REPORT	Assured		Assured
Optional	Third Party Checked			Externally A		Externally ,		Report Externally A
Opti	GRI Checked			Report		Report		Report

GRI-index



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	2
Organizational Profile		
	2.1	3
	2.2	8
	2.3	3 and 9
	2.4	9
	2.5	9
	2.6	6
	2.7	9
	2.8	8, 40 and 59
	2.9	6
	2.10	10
Report parameters		
	3.1	3
Discot Duefle	3.2	Not relevant.
Riport Profile	3.3	3
	3.4	3

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	Indicator	Page/Comment
	3.5	3
	3.6	3
	3.7	3
Report Scope and Boundary	3.8	3
	3.9	3
	3.10	3
	3.11	3
GRI Content Index	3.12	61
Assurance	3.13	3
Governance, Commitments and Engagement		
	4.1	9
	4.2	9
	4.3	Not relevant.
	4.4	35
0	4.5	33
Governance	4.6	33
	4.7	33
	4.8	11
	4.9	12
	4.10	33
	4.11	26
Commitment to External Initiatives	4.12	11
	4.13	48
	4.14	13
Old shelds Faccount	4.15	13
Stakeholder Engagement	4.16	13
	4.17	13
Economic		
Economic Performance	EC1	58
	EC5	33
Market Presence	EC6	53
	EC7	54

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	In dia ch	Page / Organisas	
Fundamental	Indicator	Page/Comment	
Environmental			
Materials	EN1	56 (partially)	
Energy	EN3	53	
- 35	EN4	53	
Water	EN8	54	
	EN10	54	
	EN11		
	EN12	N	
Biodiversity	EN13	Not relevant. There are no habitats of rich biodiversity in the direct neighbourhood of our premises.	
	EN14	in the direct heighbourhood of our promises.	
	EN15		
O see the see see section is	EN16	52	
Greenhouse gas emissions	EN18	53	
	EN20	57	
Facinities Fiftherste and Wests	EN21	55	
Emissions, Effluents and Waste	EN22	56 (partially)	
	EN23	There was no significant spillage in 2009.	
Compliance with legislation	EN28	57	
Social			
Labour Practices and Decent Work			
	LA1	40	
Employment	LA2	41	
	LA3	33	
Labour/Management Relations	LA4	35	
	LA5	34	
Occupational Health and Safety	LA6	34	
	LA7	35	
	LA8	22	
	LA9	34	
Training and Education	LA10	32	
	 LA11	32	
	 LA12	33	
	LA13	36	
Diversity and Equal Opportunity	 LA14	39	

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	Indicator	Page/Comment		
Human Rights				
Non-discrimation	HR4	39		
Freedom of Association and Collective Bargaining	HR5	35		
Indigenous Rights	HR9	Not relevant.		
Society				
Community	SO1	24 (partially)		
Corruption	SO2	32		
	SO4	33		
Public Policy	SO5	50		
	SO6	51		
Anti-competitive Behavior	S07	In 2009 there was no case of legal procedure associated with anti-competitive conduct, or violation of anti-trust and anti-monopoly regulations.		
Compliance	SO8	In 2009 there was no case of violation of any laws or legislation.		
Product Responsibility				
Customer Health and Safety	PR2	In 2009 there was no case of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services.		
Product and Service Labelling	PR3	20		
	PR4	21		
	PR5	30		
Marketing Communication	PR6	29		
	PR7	In 2009 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 2009 there was no case of abuse of personal data of Consumers Compliance.		
Compliance	PR9	In 2009 there was no case of non-compliance with legislation or other regulations associated with care and use of the products.		

















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We would like to hear your opinions and suggestions!

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

