



Jó étellel teljes az élet

Nestlé in Hungary **Sustainability** **and Creating Shared** **Value Report** **2014/2015**



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Welcome

Dear Reader,

2016 is a special year for Nestlé as we celebrate the 150th anniversary of Nestlé and the 25th jubilee of Nestlé Hungária Kft.

Nestle was founded 150 years ago by Henri Nestlé who invented the first infant formula product, saving the lives of thousands of children. Since that time, Nestle has grown into the largest food company in the world built on the principles high quality, safe and nutritious food with innovations adapting to the changing needs and lifestyle of our consumers.

We believe that we can only be successful today and during the next 150 years if create value for our shareholders, for the communities in which we operate and for the whole society.

This report shares with you the Nestle approach to doing business which we call Creating share Value and how we apply it in our daily operations. It is our aim to present you our progress across all dimensions of our business, our commitments and also our new initiatives in a transparent way.

In line with the global approach, in Hungary we also went beyond compliance, and made specific and forward-looking commitments for product development, information and education. We hope this can serve as an example for other food industry stakeholders as we believe that by joining our forces we can do even more for the society.



Nestlé is committed to its long term presence in Hungary. One example is the development of our Bük pet food factory in which we have invested in total more than HUF 100 billion after the new HUF 20 billion development project launched this year. This new investment will make the Bük facility the largest pet food production of Nestlé in Europe. We all can be proud of Nestle choosing Hungary for this new investment, because of the excellent quality of local agricultural products and the highly qualified Hungarian labour.

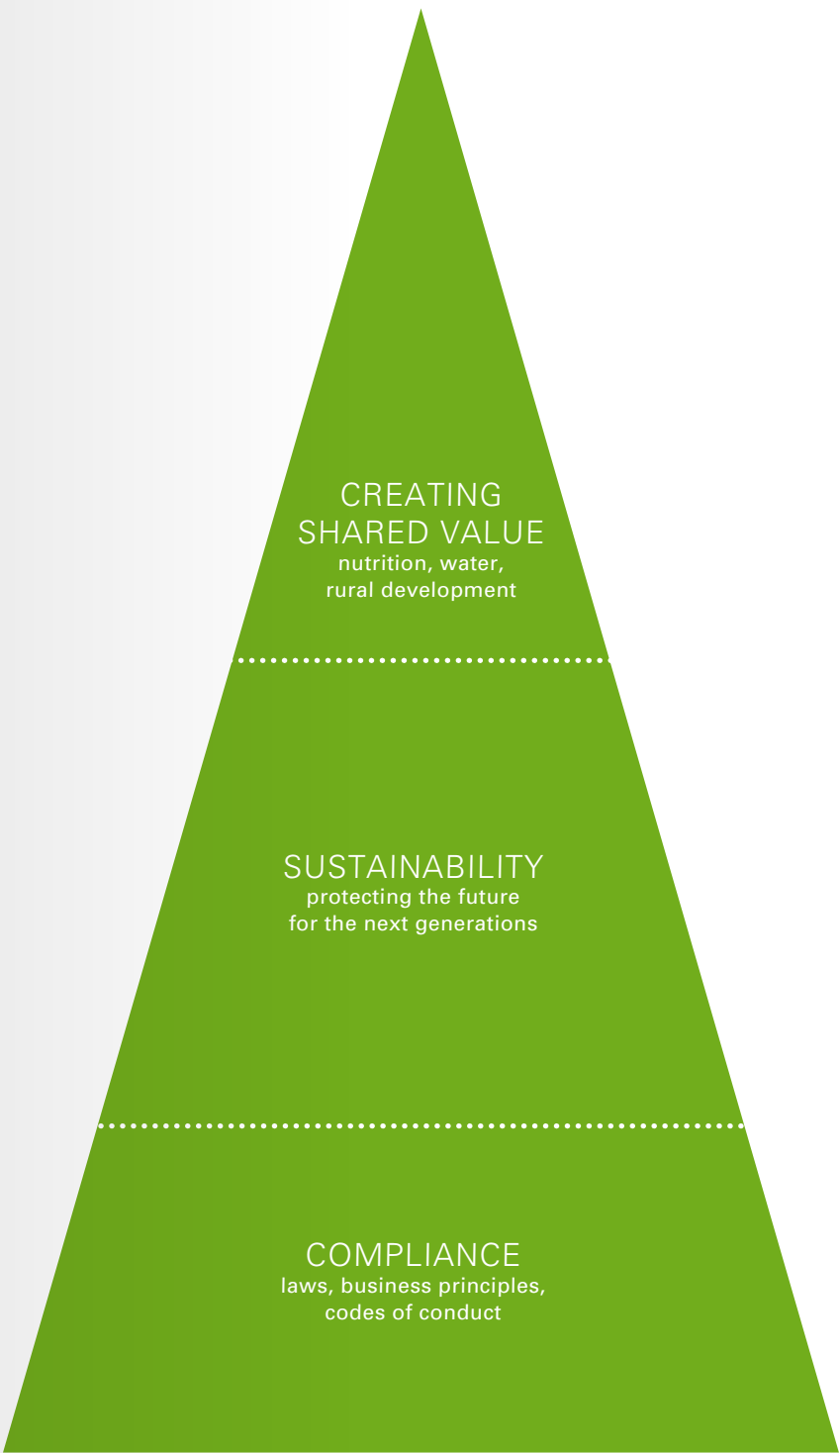
I hope that our sixth report on Creating Shared Value provides a comprehensive insight into the efforts we make to Create Value for the Hungarian society through investments, improving nutritional habits and youth employment.

Thank you for your trust. These achievements are our joint success. We are looking forward to the next 150 years.

Jean Grunenwald
Managing Director

Nestlé is committed to its long term presence in Hungary: this is proven, among others, by the fact that the total value of our investments will soon reach HUF 100 billion.

Major Achievements



Nutrition Index membership: Nestlé was ranked second on the Y2015 Global Access To Nutrition Index. This Index includes the world’s largest food and soft drink manufacturers based on their nutrition related commitments, practices and performance.

Silver Medal on the Dow Jones Sustainability Index in 2015, No. 1 in the industry in 2016

In 2015, we only used 1.6m³ of water on average to manufacture 1 tonne of product, as opposed to 1.7m³ in 2013.

The ratio of Hungarian third party suppliers above 80 per cent.

3 production plants in Hungary, almost 2200 jobs combined.

100 jobs added in 2015 relative to 2014.

Over HUF 80 billion invested since 1991.

Unique research conducted with the Hungarian Dietetic Association (MDOSZ) and the Association of Hungarian Paediatricians (MGYT).

Our Alliance for Youth Employment programme won the Best Responsible Employment Solution in 2015 Award at CSR MarketPlace 2015.

Our Approach to Doing Business

Today, success in business is no longer sufficient for success in the long term. We are convinced that companies must also create value for society in order to be successful in the long run and create value for their shareholders.



Our business strategy is based on the Creating Shared Value approach to doing business, and it equally defines our business operations and the relationship we have with society. Nestlé has undertaken 39 global commitments in corporate citizenship related areas like nutrition, water management, rural development and sustainability. We take care to protect our environment, which is why we are reducing our factories’ environmental burden, in terms of water use and water discharge, as well as our environmental pollutant discharge. Various programmes to help local farmers have been instituted around the world, in order to provide them the opportunity to produce our products’ raw materials locally, in a cost-efficient and sustainable way. Implementing this demands significant investments in the education and training of Nestlé employees and partners, and also in using technologies to reduce our environmental burden.

Nestlé’s global commitments are available at the following URL:
<http://www.nestle.com/csv/what-is-csv/commitments>

Nestlé’s Hungarian units also actively contribute to the achievement of global objectives. This report highlights the commitments that are the most relevant for the Hungarian market.

Focus areas, business principles

Consistently with the global focus areas and business principles, Nestlé Hungary has identified five relevant focus areas covering our activity.

Our 10 business principles can likewise be categorised per the 5 focus areas:

| Focus area | Business principle |
|------------------------|---|
| Consumers | Nutrition, health and wellness |
| | Quality assurance and product safety |
| | Consumer communication |
| Human Rights | Human rights in our business activities |
| Employees | Leadership and personal responsibility |
| | Safety and health at work |
| Suppliers and Partners | Supplier and customer relations |
| | Agriculture and rural development |
| Environment | Environmental sustainability |
| | Water |

Nestlé is committed towards the following business principles in every country where it is present, taking local regulations, cultural and religious custom into consideration. The requirements, standards and guidelines linked to the basic principles serve to facilitate the more in-depth understanding of applying the basic principles, also offering guidance for application:

Consumers

1. Nutrition, health and wellness

Our core aim is to enhance the quality of consumers lives every day, everywhere by offering tastier and healthier food and beverage choices and encouraging a healthy lifestyle. We express this via our corporate proposition, “Good Food, Good Life”.

2. Quality assurance and product safety

All over the world, the Nestlé name represents a promise to the consumer that the product is safe and of high standard.

3. Consumer communication

We are committed to responsible, reliable consumer communication that empowers consumers to exercise their right to informed choice and promotes healthier diets.

Human Rights

4. Human rights in our business activities

We fully support the United Nations Global Compact’s (UNGC) guiding principles on human rights and labour, and aim to provide an example of good human rights’ and labour practices throughout our business activities.

Employees

5. Leadership and personal responsibility

Our success is based on our people. We treat each other with respect and dignity and expect everyone to promote a sense of personal responsibility. We recruit competent and motivated people who respect our values, provide equal opportunities for their development and advancement, protect their privacy and do not tolerate any form of harassment or discrimination.

6. Safety and health at work

We are committed to preventing accidents, injuries and illness related to work, and to protect employees, contractors and others involved along the value chain.

Suppliers and Partners

7. Supplier and customer relations

We require our suppliers, agents, subcontractors and their employees to demonstrate honesty, integrity and fairness, and to adhere to our non-negotiable standards. We likewise share this same commitment towards our own customers.

8. Agriculture and rural development

We contribute to improvements in agricultural production, the social and economic status of farmers, rural communities and in production systems to make them more environmentally sustainable.

Environment

9. Environmental sustainability

Our commitment towards environmentally sustainable business practices is one of the key areas among our commitments. This is why we seek to utilise natural resources efficiently regarding the full lifespan of our products, prefer using sustainably-managed renewable resources, and target zero waste across every stage of the product life cycle.

10. Water

We are committed to the sustainable use of water reserves and to continuous improvement in water management. We recognise that the world faces a growing water challenge and that responsible management of the world’s resources by all water users is an absolute necessity.

Precautionary action

Precaution is essentially important for a food company that focuses on the balanced nutrition of children and families. This is reflected in the selection of our raw materials, through their processing and packaging to transportation and storage. In addition to the effective statutory

requirements, we also operate a very stringent internal quality control system, so that our company always produces foods of appropriate quality, as our consumers expect. Work safety is also a part of precaution, since we believe that we can only expect responsible and reliable work from employees who themselves feel safe at the company, and who have appropriate work conditions. In addition to the maintenance of equipment and machines used at our factories and applying the latest technologies, our employees’ recreation is also important to us.

Equal opportunities

It is one of our core principles to provide every one of our employees with the necessary opportunities and support to foster the development of their abilities, in a secure and fair workplace where workers are involved in the life of the company, and where respect is shown for equal opportunity. We have signed up to the UN Women’s Empowerment Principles and are ensuring men and women at management level have equal development opportunity. We are proud that owing to these measures, no negative discrimination occurred during the reporting period.

Responsible marketing

As a food company where a good part of our products are intended for children and families, responsible marketing communication is a fundamental expectation, indeed, an obligation. This is exactly why we undertake commitments focusing on the health of children and upcoming generations, even beyond mandatory legal requirements. So, we consider the WHO recommendation on breastfeeding, which recommends mother’s milk for infants until the age of 6 months, to be mandatory for ourselves. We also adhere to the European Food Safety Authority’s (EFSA) unusually stringent expectations, only making claims in our materials for professionals and the general public that are EFSA compliant.

As of December 2014, Nestlé has considered the provisions of the EU Pledge Nutrition Criteria White Paper to be binding for itself. Pursuant to that, every product advertised during TV shows targeting 12 year old and younger children in a proportion of at least 35 per cent or more must comply with the EU’s general nutrition criteria. Further to the EU Pledge White Paper, we have not advertised confectionery to children under 12 since 1 January 2015. Product advertising was likewise consistent with the continuously developed EU Pledge provisions, and this is monitored during 2016 by independent bodies.

EFSA, meaning the European Food Safety Authority, is tasked with providing independent scientific consultation and technical assistance across the EU Member States regarding all areas that directly or indirectly affect food and feed safety. It is also responsible for communicating all matters these areas encompass or any risks related to the food chain, but it’s mandate likewise extends to scientific advice concerning human nutrition and people’s diets. It delivers scientific expert opinions in the animal health and animal welfare, phytosanitation and genetically modified organisms domains, even though these areas are not connected to food safety.

Sustainability

Our activities to protect the environment

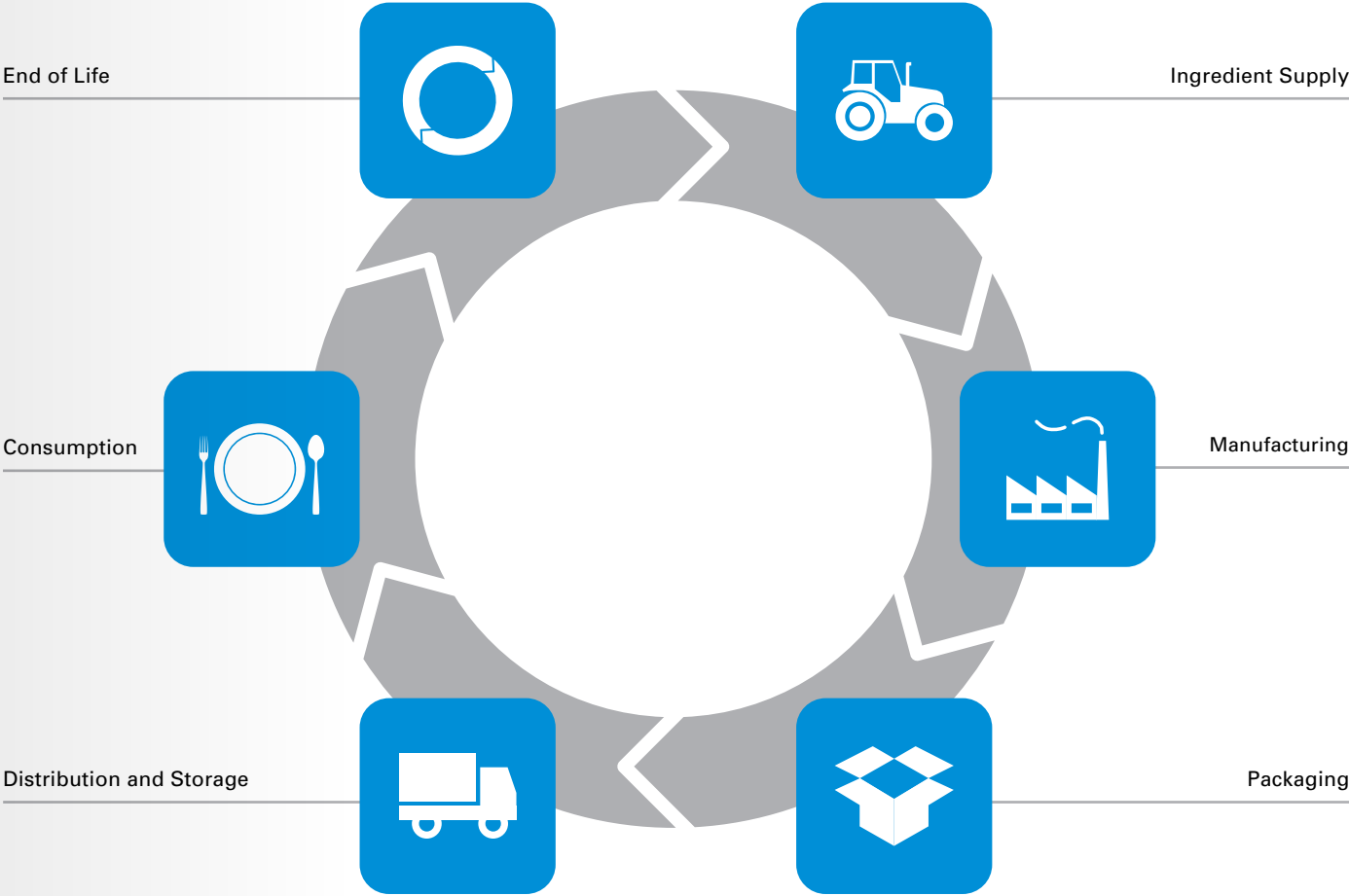
At Nestlé, we consider children and their healthy future to be core values, which is why we seek to protect children’s health and the natural environment in developing our products, and also do everything we can to protect our planet and the environment. Clean water and air are treasures we must protect accordingly, we are reducing our water consumption, CO2 emissions and the amount of waste we generate year-by-year. We are increasing the proportion of local suppliers in the spirit of sustainable development, and they fully comply with our guidelines thanks to our stringent Supplier Code.

Product lifecycle approach = supply chain (G4-12)

We use the product lifecycle approach to survey the impacts of our own operation and the broader value chain.

In practice:

- Every one of Nestlé’s product development teams uses the EcodEX eco-design tool developed by Nestlé for product development,
- Taking sustainability criteria into consideration is mandatory when products are designed, and an environment impact analysis must be conducted before the development phase.



Quantity of manufactured products and used materials (G4-EN1)

| | 2013 | 2014 | 2015 |
|-----------------------------|---------|---------|---------|
| Szerencs | | | |
| Manufactured products (t) | 30,154 | 29,013 | 29,607 |
| Raw material used (t) | 30,520 | 30,423 | 30,028 |
| Packaging material used (t) | 5,659 | 5,621 | 5,686 |
| Diósgyőr | | | |
| Manufactured products (t) | 3,882 | 3,888 | 4,001 |
| Raw material used (t) | 3,881 | 4,082 | 4,091 |
| Packaging material used (t) | 521 | 581 | 631 |
| Bük | | | |
| Manufactured products (t) | 166,673 | 199,786 | 198,313 |
| Raw material used (t) | 128,117 | 140,421 | 140,771 |
| Packaging material used (t) | 12,744 | 15,150 | 14,878 |

Our environmental footprint:

Water management

Its water supply is one of the greatest treasures our Earth has, and its preservation is compulsory for every one of us. At Nestlé, we are continuously reducing our mains water consumption, and now use some 16,000m³ less from mains water sources relative to 2014, meaning a reduction of 8.5 per cent.

Sub-surface water is primarily used at our factories in Bük and Szerencs, but we are reducing even these volumes, so in 2015 we used just 1.6m³ of water on average at company level to manufacture 1 tonne of our products, as opposed to 1.7m³ in 2013. At the same time, the reason why consumption went up at our Bük factory is that the new technology used there demands this, since manufactured products also include wet pet foods. Even so, we are seeking to reduce the volume of used water at the plant in Bük. In addition to water withdrawal, i.e. water use, what we do with discharged water is another important matter.



An average Hungarian family uses 1,200m³ of water over 12 years, yet that is the amount by which the volume of discharged water went down at the Diósgyőr factory in 2 years.

Water consumption (G4-EN8)

| | 2013 | 2014 | 2015 |
|--|---------|---------|---------|
| Szerencs | | | |
| tap water (m³) | 0 | 0 | 0 |
| sub-surface water (m³) | 11,513 | 10,043 | 9,660 |
| water withdrawal per tonne of product (m³/t) | 0.38 | 0.35 | 0.33 |
| Diósgyőr | | | |
| tap water (m³) | 12,271 | 11,554 | 11,184 |
| sub-surface water (m³) | 0 | 0 | 0 |
| water withdrawal per tonne of product (m³/t) | 3.16 | 2.97 | 2.80 |
| Bük | | | |
| tap water (m³) | 104,216 | 109,616 | 93,255 |
| sub-surface water (m³) | 216,773 | 214,339 | 260,289 |
| water withdrawal per tonne of product (m³/t) | 1.93 | 1.62 | 1.78 |

Dow Jones Sustainability Index

The Dow Jones Sustainability Index (DJSI) evaluates companies’ sustainability efforts and achievements along economic, environmental and social dimensions each year. Nestlé achieved an outstanding score of 89 points out of 100 in the food production companies category in 2015, finishing third on the list with a silver category rating*. It topped the environment category with a total of 99 points. In 2016, it became No. 1 in the industry, taking first place after 14 years.

CO₂ emission

Replacing and substituting petroleum based energy is an important issue today. This is because our crude oil and natural gas reserves are also finite, and using renewable energy sources instead of them is increasingly necessary. In line with our commitments, we are continuously decreasing our natural gas consumption, which also reduces our CO₂ emissions from that, by close to 200 tonnes over 2 years. This corresponds to the average yearly CO₂ emissions of 60 Hungarian households.

Greenhouse gas emissions (G4-EN16)

| | 2013 | 2014 | 2015 |
|--|--------|--------|--------|
| Szerencs | | | |
| Carbon dioxide emission from natural gas consumption (kg) per tonne of product | 32.88 | 27.11 | 25.21 |
| Carbon dioxide emission from electric power (kg) per tonne of product | 57.78 | 56.91 | 57.89 |
| Diósgyőr | | | |
| Carbon dioxide emission from natural gas consumption (kg) per tonne of product | 91.90 | 83.46 | 86.23 |
| Carbon dioxide emission from electric power (kg) per tonne of product | 223.70 | 210.34 | 222.39 |
| Bük | | | |
| Carbon dioxide emission from natural gas consumption (kg) per tonne of product | 83.46 | 84.45 | 83.55 |
| Carbon dioxide emission from electric power (kg) per tonne of product | 55.58 | 53.08 | 55.52 |

Nutrition, health and wellness



150 years of working for healthier generations.

In mid-19th century Switzerland, when an infant formula as a substitute for mother’s milk with an appropriate composition was not available, mortality was high among babies that could not be breast-fed by their mothers. Henri Nestlé, who was working as a pharmacist at the time, also heard about this grave problem, and developed the precursor to today’s baby formula, which even newborns could digest. This is how Nestlé set out from a small Swiss research and development lab, and by today, it helps in the balanced diet of not only infants and mothers, but that of the whole family. Nestlé is celebrating its 150th anniversary this year, and its product development continues to feature innovation efforts aimed at meeting consumer demands and social needs. By now, everyone can clearly see that nutrition and health are hand-in-hand concepts, since every little element we ingest affects the “bigger picture”,

i.e. how our body functions and our bodily health. This is why the example set by Henri Nestlé is still a guiding light for the company, and our specialists continue to work in order to learn more and more about how nutrition influences the functioning of the human body every day. Nestlé’s goal is to be recognised as a food industry company that is a worldwide leader in nutrition, health and wellness, which is why our people are committed to improving consumers’ eating habits – and thereby their health and wellness – with the help of our products, services, research and educational programmes.



Henri Nestlé developed the first infant formula in 1867, and thus saved the lives of thousands of babies who could not be fed mother’s milk. The Nestlé product first appeared on the Hungarian market in 1871.

Steps taken for children are steps taken for the future, as our company professes, and we have formulated its commitments for the promotion of a balanced diet in 10 points.

At the same time, our commitments have changed compared to previous years; today, reducing sugar intake and satisfying special nutritional needs are separate commitments. In addition, research has been identified as a new area, because we place great emphasis on research driven product development. These changes have made our commitments even more transparent, and they now cover the full spectrum of our company’s efforts, providing a true reflection of our accomplishments, at once an even more comprehensive picture for our stakeholders.







| Area | Commitment |
|---------------|---|
| Reformulation | 1. Micronutrient fortification |
| | 2. Sugar reduction |
| | 3. Meeting special dietary needs |
| | 4. Salt reduction |
| | 5. Saturated fatty acid and TFA reduction |
| Information | 6. Nutritional education on products |
| | 7. Marketing to children |
| Education | 8. Promoting a healthy diet and exercise |
| | 9. Promoting a balanced lifestyle among employees |
| Research | 10. Research on lifestyle habits in Hungarian society |

Nestlé regularly conducts research to examine lifestyle habits in society. Our training and information dissemination programmes aim to promote a healthy diet and regular exercise in

order to encourage a balanced lifestyle. As a responsible company and the world’s largest food producer, the company has launched the Nestlé Healthy Kids Programme in Hungary as well, with an eye to providing significant support to Hungarian families in their achieving a balanced lifestyle. As part of reformulation, our products are fortified with minerals and vitamins, the proportion of sugar, salt, saturated fatty acids and trans fat in our products is reduced, and we also meet special dietary needs. In providing information to our consumers, we engage in nutrition related education on our product packaging, and set strict limits on marketing to children.

1. Micronutrient fortification

Our products are further fortified with minerals and vitamins in the light of the latest dietary survey results, in order to help consumers in the adequate intake of micronutrients.

| Commitments | Results |
|--|---|
|  In 2014, the Nesquik cocoa drink recipe (OptiStart) was reformulated to have a new vitamin and mineral composition, including Vitamin D and iron. |  |
|  By the end of 2014, all our children’s breakfast cereals will be fortified with Vitamin D as well. |  |
|  By the end of 2014, as a result of the additional fortification, our children’s breakfast cereal portfolio and Nesquik cocoa drink powder will be additionally fortified (with a total of 9 and 6 vitamins and minerals, respectively). |  |

Developing products for a healthier society











In the spirit of this commitment, Nestlé has continued taking significant steps to support the balanced diet of younger and older children over recent years. As part of our commitment to reformulation, we have fortified our products intended for six month and older infants and babies, and the composition of these products, including the quantity of added probiotics, was formulated in line with the needs of infants. Additionally, we have placed more than 200 million servings of fortified food products on consumers’ tables in recent years, including children’s products like Nesquik cocoa drink powder and Nestlé breakfast cereals. The calcium content of these latter was boosted by over 70 per cent, once realised that children’s calcium intake falls behind the recommended daily intake. During reformulation, a new recipe for Nesquik cocoa drink (OptiStart) was created to also include vitamin D, zinc and iron last year, and by the end of the year, we fortified children’s breakfast cereals with vitamin D, because their vitamin D intake is far behind the recommended amounts. Between 2011-2013, we reduced the amount of sugar in kids breakfast cereals by 22% on average, while increasing their whole grain content, which now reaches 30%. By the end of 2014, Nestlé fortified all of its children’s breakfast cereals with vitamin D and another 9 vitamins and minerals, while Nesquik cocoa drink powder was also enriched with important ingredients, 6 vitamins and minerals.

2. Sugar reduction

Our products for children aged 3–12 were reformulated in the interest of helping them achieve a balanced diet. We seek to help our consumers achieve international recommendations on the consumption of sugars through our continued product development.

Less sugar in products



The sugar content of a number of children’s products has gone down significantly for the sake of achieving a more balanced diet. The sugar

| Commitments | Results |
|---|---|
|  We will continue to ensure that the sugar content of our children’s breakfast cereals stays below 9g/serving. |  |
|  The suggested serving size of children’s confectionery products will contain a maximum of 120 calories and 11g of added sugar. |  |
|  We reduced the added sugar content of our Nesquik cocoa drink powder so that it complies with Nestlé’s internal nutrient profile requirements, which are based on the World Health Organization’s (WHO) recommendation specified for main meals. |  |
| New Commitments | |
|  The suggested serving size of our children’s confectionery products will contain a maximum of 110 calories. | |
|  In autumn 2016, we will extend our product portfolio with a new, reduced sugar content Nesquik cocoa drink powder, whose added sugar content will be cut by more than 50% * (*compared to the original recipe). | |
|  During 2018, our Balaton BUMM product is going to be renewed thanks to innovative development, and will contain at least 5% less sugar. | |
|  In 2017, our Kit Kat Finger product will be given resealable packaging to promote the consumption of sweets in moderate quantities. | |


content of breakfast cereals for younger children was reduced to 9 grams per serving by the end of 2014. The added sugar content of Nesquik cocoa drink powder now complies with Nestlé’s internal nutrient profile requirements, which are based on the World Health Organization’s (WHO) recommendation specified for main meals. We are committed to continue reductions in order to help consumers reach the daily intake amounts recommended for added sugars.

3. Meeting special dietary and consumer needs

We are continuously expanding and improving our product portfolio in order to help our consumers with special dietary needs achieve a balanced diet, as well.

| Commitments | Results |
|---|---|
|  We are also going to offer gluten free breakfast cereal in our product range with the aim of meeting our consumers’ special needs. |  |





At the beginning of 2015, gluten free Nestlé Corn Flakes came out with unchanged nutritional value and the same flavour, adding to a versatile and balanced diet without gluten.



Nestlé Hungária Kft.’s cereal business has been present on the Hungarian market since 1996.

4. Salt reduction

We are going to reduce our products’ salt content even more to help our consumers gradually reach the salt intake laid down in international nutritional recommendations.







| Commitments | Results |
|--|--|
|  The salt content of Maggi fix bases went down by an average of 30% before the reporting period, while that of our cook soups by 5% on average. We will continue gradual salt reduction across our culinary portfolio in the coming years. |  The salt content of Maggi products will decrease by an average of 5,6%* until the end of 2016. After fix and cook soup products, significant reformulation will also be completed for cubes, so the salt content of Maggi cubes will go down by 6% on average relative to 2013. * considering sales volumes |
|  By the end of 2015 15 new, salt-reduced culinary products will be provided to public caterers. |  A new culinary product line (with no added NaCl) called Nestlé Professional Friss Ízek (Fresh Flavours) will be introduced, so currently 9 products are available in line with market needs. |

Decreasing salt content

In 2014, Nestlé Professional launched a new culinary product line with reduced salt content (containing no added salt) called Nestlé Professional Friss Ízek in alignment with the provisions of the public catering decree, which included 7 products until the end of that year. The year after, 2 products were added to the range, so now we have a reduced salt content assortment containing 9 products on the market.

5. Saturated fatty acid and TFA reduction

Trans fats from partially hydrogenated vegetable oils will be removed from our products until the end of 2016. We will continue reducing the amount of saturated fats in our products to help consumers gradually achieve daily SFA intake corresponding to Hungarian and international nutritional recommendations.

| Commitments | Results |
|--|--|
|  We will remove trans-fat from partially hydrogenated oils from all food and beverage products by the end of 2016. |  By the end of 2016, the saturated fatty acid content of Maggi products will be cut by an average of 12.4% compared to 2014. |
|  From 2015, we will solely introduce new products meeting the criteria specified for saturated fatty acids in Nestlé’s internal Nutritional Profiling System. |  Currently over 90% of our relevant products meet the criteria applicable to SFAs under the nutritional base values specified in Nestlé’s internal Nutritional Profiling System. Two new products—Thomy Light mayonnaise and Combiflex oil, which will contain canola oil, known for its favourable fatty acid composition—will also be introduced on top of that. |
|  By the end of 2015 more than 90% of our relevant products meet the criteria applicable to SFAs under the nutritional base values specified in Nestlé’s internal Nutritional Profiling System. |  |

Saturated fatty acid and TFA reduction

Nestlé is going to remove trans-fat from partially hydrogenated oils from all food and beverage products by the end of 2016. Thanks to reformulation, today we can state that all of the company’s coffee and cocoa products, all relevant sweets, as well as condiments, bases, cook soups and instant noodle soups among our culinary products are completely free of partially hydrogenated vegetable fats. By the end of 2016, the entire portfolio will meet our commitment.











Nestlé’s cutting edge product development helps public catering businesses in providing more versatile diets with more favourable ingredients. Thomy Light Mayonnaise and Combiflex oil, containing canola oil, known for its favourable composition of fatty acids, could be important elements in a low-fat diet.

6. Nutritional education on products

We seek to find innovative ways to show the right amounts for consumption on our products’ packaging, and also provide our consumers useful tips and advice for achieving a balanced diet.

Accurate information for consumers

Nestlé puts great emphasis on providing accurate information for consumers. Product packaging serves as the most important interface for this. In addition to product information, recommended serving size communication has been displayed on all of our multi-serve children’s Easter and Christmas products since the end of 2014, and the weight of some of these products has also been reduced. As a result, the suggested serving size of children’s confectionery products will contain a maximum of 120 calories and 11g of added sugar. Apart from the figures, we also indicate “Useful information” and “Did you know?” type recommendations on our packaging, again to help consumers stick to a balanced diet. By the end of 2015, the QR code on 40% of Nestlé confectionery products, almost 100% of our coffee products and 70% of our Nesquik cocoa drink powder products (considering sales volumes).

| Commitments | Results |
|--|--|
|  By the end of 2014, all of our relevant products, including seasonal chocolates, will have serving size suggestions on their packaging. |  Our innovative serving size guides can be found on not just seasonal chocolate products, but also on Boci chocolate bar product and candy packages. |
|  Our culinary fix products provide portion guidance regarding full meals, assisting consumers in eating five servings of vegetables every day. |  Currently over 90% of our relevant products meet the criteria applicable to SFAs under the nutritional base values specified in Nestlé’s internal Nutritional Profiling System. Two new products—Thomy Light mayonnaise and Combiflex oil, which will contain canola oil, known for its favourable fatty acid composition—will also be introduced on top of that. |
|  Beyond the regulation on mandatory nutrition declaration, we will give the reference intake value of energy and macronutrients for 100g/100ml product as well as for one portion on back of pack, while we will also feature the reference intake value for energy on front of pack for one portion by all our all year products, where there is sufficient pack surface. We have already achieved the above commitments regarding 100% of our relevant* products by now. |  |
|  Where packaging size allows, we provide nutritional information and recommendations in our “Good to know” and “Did you know?” frames to help our consumers achieve a balanced diet. |  |
|  By the end of 2015 we will place QR codes on 40% of our sweets, almost 100% of our coffee products and 70% of our Nesquik cocoa drink powder products (considering sales volumes). |  |











7. Marketing to children

We promote our products with responsibility, consistently with our voluntary in-house and EU level commitments.

| Commitments | Results |
|---|---|
|  As of December 2014 we have implemented the provisions of the EU Pledge Nutritional Criteria White Paper. |  |
|  All products advertised in programmes with an audience of 35% or more of children under 12 will need to comply with the EU Pledge Common Nutritional Criteria. |  |
|  Further to the EU Pledge White Paper, we have not advertised confectionery to children under 12 since 1 January 2015. |  |

8. Promoting a healthy diet and exercise

We seek to deliver the message of a healthy lifestyle to as many people as we can with the help of our educational programmes and communication campaigns, and also to call people’s attention to the importance of a balanced diet and regular exercise.

| Commitments | Results |
|---|---|
|  We will continue with our Start Healthy, Stay Healthy educational programme leveraging the latest know-how. |  |
|  Education will be rolled-out to expecting mothers, in order to expand, in good time, what they know about feeding babies during their first 1000 days, which actually starts at conception. The importance of breastfeeding and preventing the long term consequences of improper nutrition are the topics that are most emphasised. | <div><div></div></div> Currently our knowledge base has close to 120 articles edited by experts, and it is continuously being expanded and improved with an eye to helping expecting moms. |
|  We continue to cooperate with the Association of Hungarian Paediatricians (MGYT), with the purpose of raising paediatricians’ awareness about scientific evidence applicable to feeding infants. | <div><div></div></div> In addition to our cooperation with MGYT, we propagate the importance of primary prevention among medical professionals involved in infant nutrition. We support feeding with mother’s milk in full compliance with the guidelines formulated by WHO. |
|  Our NUTRIKID programme will be continued to keep promoting the principles of a healthy diet. |  |
|  Within the promotion of healthy nutrition we will highlight the significance of having breakfast every day and the ideal composition of a balanced breakfast. |  |
|  We have set the goal to appear on the FTSE4Good Index in the future, as well. |  |

Education for the sake of children’s health

The “Start Healthy, Stay Healthy” educational programme will continue to run relying on continuously renewed knowledge, and on every possible channel where there is a chance for dialogue with specialists and consumers. In the age of the digital revolution, this dialogue will be continued on the “mobile first platform” from 2016.

Nestlé aims to extend education to expecting mothers, so that they can expand, in good time, their knowledge about feeding babies during their first 1000 days, which actually starts at conception. As part of this information provision, the programme mostly focuses on the importance of breastfeeding and preventing the long term consequences of improper nutrition. The NUTRIKID Programme is intended to disseminate the idea of a healthy diet, and in the scope of the Nestlé Healthy Kids Programme, we will pay greater attention than ever before to the promotion of exercise as part of a healthy lifestyle.

Joining forces professionally for common goals

As an industry leader, Nestlé joins forces with other manufacturers from the food and beverage industry, as well as trade organisations in order to fight and improve unfavourable healthcare indicators. To that end, it was among the first to join the Federation of Hungarian Food Industries (ÉFOSZ) “Food Industry for Consumers’ Health – Taking Action Together” initiative. ÉFOSZ has issued pledges for Hungarian food industry companies concerning the most critical matters associated with healthy nutrition, i.e. salt, fat, calorie, trans fat and responsible advertising. The Federation also called upon the organisations with a priority focus at an industrial level on the diverse and balance nutrition and the improvement of the health condition of Hungarian consumers, encouraging them to lead an active life to join the effort. The best known professional organisations for paediatrics and disease prevention in Hungary, i.e. the Association of Hungarian Paediatricians, the Hungarian Children’s Gastroenterological Society, the Association of Family Paediatricians, the Association of Hungarian Health Visitors and

the National Institute for Health Development embarked upon cooperation in the scope of an initiative called “Joining Forces for Children’s Health”, with the aim of calling attention to the epidemic spread and severe consequences of childhood obesity, and developing educational programmes for paediatricians, health visitors and other specialists. The initiative’s creators have set-up a child prevention centre that currently operates as a pilot project, and depending on experiences, the initiative may well be rolled-out to the whole of Hungary going forward. As the Initiative’s supporter, Nestlé considers this pilot project to be of critical importance.

Nestlé Healthy Kids

The company launched its Nestlé Healthy Kids Programme consistently with professional organisations’ position, and has issued specific

“At Nestlé, which is celebrating its 150th anniversary, we believe that one of our most important jobs is to achieve a shift in perspective among growing generations and their parents, so as to prevent incorrect patterns being inherited in families dietary habits. This is another reason why we support the »Joining Forces for Children’s Health« initiative in the scope of the Nestlé Healthy Kids Programme.”



Mónika Szilva
Communication and
Marketing Director

pledges as part of it in response to local needs and challenges. These initiatives include product development and reformulation to support children’s balanced diet, like micronutrient fortification, and reducing sugar content in products. Children’s education is another priority area, and additionally it is key to inform parents constantly and clearly, because it is important that they make conscious decisions about their family diet. We believe that one of our most important jobs is to achieve a shift in perspective among growing generations and their parents, and thus to prevent incorrect patterns being inherited in families dietary habits.





In this framework, we continued the Nutrikid Programme – launched in 2013 – through 2014–2015. It aims to promote the principles of a healthy and wholesome diet among schoolchildren. Nestlé has joined the EPODE International Network, which seeks to support childhood obesity-prevention programmes. In the scope of this programme, the “GYERE – Children’s Health Programme” will also be launched in Szerencs, as the second location in Hungary, under the leadership of the Hungarian Dietetic Association. The goal is to develop a health conscious lifestyle in children, with an eye to preventing childhood obesity. All of the town’s residents between the age of 0 and 18, a total of 2259 children, will participate in the three-year programme. We are going to support the implementation of the programme in the scope of the Nestlé Healthy Kids initiative.

A balanced breakfast for healthy life

As part of our communication concerning the importance of a healthy diet, we place particular emphasis on raising awareness extensively about the significance of daily balanced breakfasts, and the ideal composition of a balanced breakfast. An educational mini movie intended to engage families, print and digital press materials, and press events garnering substantial interest and achieving significant reach were used to communicate the importance of breakfast as a shared family meal, that of minerals, vitamins and dietary fibre, as well as how crucial diet is during the first one thousand.

9. Promoting a balanced lifestyle among employees

We continue providing theoretical and practical nutrition education and healthy lifestyle education programmes to our employees.

| Commitments | Results |
|--|--|
|  <p>By the end of 2015, all Nestlé employees will receive updated NQ training in the form of a series of posters and flyers, workshops, e-learning sessions and presentations.</p> |  |
|  <p>In 2014 we launched the implementation of our internal engagement programme, which comprises 4 pillars:</p> <ul style="list-style-type: none">• training about a balanced diet• practices in line with that• education about the significance of exercise and intellectual activity• and putting all that into practice. |  <p>Currently our knowledge base has close to 120 articles edited by experts, and it is continuously being expanded and improved with an eye to helping expecting moms.</p> |


Corporate values – Employee programmes

The values we hold important and Nestlé’s corporate social responsibility programmes are not only communicated externally, but also to our employees, on an on-going basis. All Nestlé employees received updated NQ training until the end of 2015, which the company provided in the form of a series of posters and flyers, workshops, e-learning sessions and presentations. Our internal engagement programme was launched in 2014, and it has 4 pillars: training about a balanced diet; practices in line with that; education about the significance of exercise and intellectual activity; and putting all that into practice. The multilevel programme was developed taking employees’ different levels of knowledge into consideration. Several employees have joined the Global Corporate Challenge, in the scope of which they receive help in daily exercise through step counters intended to increase their walking distances.

10. Research on lifestyle habits in Hungarian society

In order to continuously improve our product development and reformulation efforts, as well as our educational programmes, we believe that knowing Hungarians’ dietary and lifestyle habits is indispensable.

Results



We conducted a nutrient intake study among 0–3 and 4–10 year olds with professional help from the Hungarian Dietetic Association. The results of the study were presented to Hungarians in the scope of an 18-month campaign.

Research, information and education for shaping attitudes in society

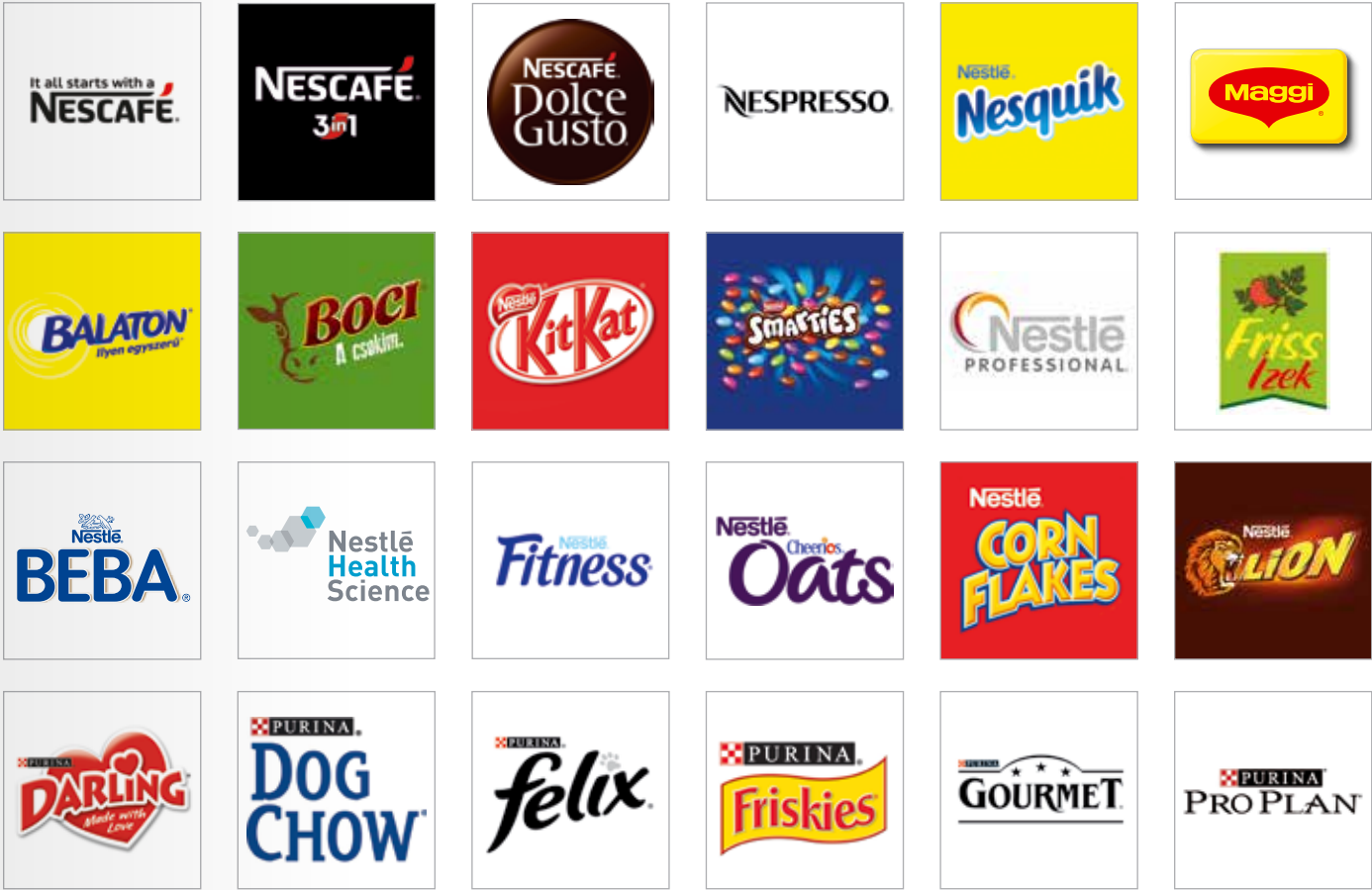
In collaboration with a number of professional partners, such as the Hungarian Dietetic Association (MDOSZ) and the Hungarian Paediatric Association (MGYT), Nestlé continuously studies children’s eating habits. With professional support provided by the Hungarian Dietetic Association, we conducted a



food intake study in 2014, and as part of it, we surveyed the nutrition and physical activities of children aged 4 to 10 years using eating diaries and questionnaires. We disclosed the results of and lessons learnt from the study at a number of domestic and international conferences, and in specialised papers, thereby assisting professionals in their efforts aimed at the prevention of childhood obesity and diseases. The study demonstrated that, in addition to early overweight and obesity, the insufficient or excessive intake of certain nutrients is equally typical in this age group. This is liable to significantly worsen the health perspectives of the upcoming generation, moreover, it may cause the increasingly early occurrence of certain diseases. The research continued in 2015 with the survey of the nutrition of babies and infants aged 0 to 3 years, and breastfeeding mothers. The results of the study considered representative for big towns were communicated to professionals specialising in prevention or specifically infant nutrition promoting the creation of new nutrition guidelines and recommendations, and the development of of education at early ages.

Brands and products

Our main brands



For more information, please, visit our websites.

- www.nestle.hu
- www.igyteljesazelet.hu
- Nestlé Magyarország (<https://www.facebook.com/Nestle.HU>)
- Egy teljes élet hozzávalói (<https://www.facebook.com/egyteljeselethozzavaloi>)
- Kit Kat Magyarország (<https://www.facebook.com/KitKatMagyarország>)
- BALATON szelet (<https://www.facebook.com/BALATONszelet>)
- Boci csokoládé (<https://www.facebook.com/Bocicsokolade>)
- NESCAFÉ (<https://www.facebook.com/Nescafe.HU>)
- Nesquik (<https://www.facebook.com/Nesquik.HU>)
- Gondos Gazdik (<https://www.facebook.com/GondosGazdik>)
- Mindenem a macskám (<https://www.facebook.com/friskies.hu>)
- Gabonakör (<https://www.facebook.com/Gabonakor>)
- Maggi Okoskonyha (<https://www.facebook.com/MaggiOkoskonyha>)
- NESCAFÉ Dolce Gusto Magyarország (<https://www.facebook.com/NESCAFEdolcegustoHungary>)
- Nestlé Fitness (<https://www.facebook.com/NestleFitnessMagyarország>)
- Nestlé baba (<https://www.facebook.com/nestlebaba>)
- Purina Dog Chow (<https://www.facebook.com/DogChow>)
- Nespresso (<https://www.facebook.com/Nespresso.HU>)

Raw materials from sustainable sources

For us, sustainability includes the purchasing of our raw materials. We endeavour to use raw materials purchased from local producers primarily. For example, about 60% of the 140 thousand tonnes of raw materials supplied to the Bük facility every year come from Hungary. The factory processed 600 thousand tonnes of Hungarian corn in 10 years. Thereby, our aim is to reduce the environmental impact of our transport activity while supporting the local community that we are a part of. Our supplier code applies to all of our suppliers ensuring that they fully comply with the company's guidelines. Certainly, there are raw materials (such as coffee, cocoa) that cannot be purchased for local producers, due to climate factors, however, we obtain these from justifiably sustainable sources as well.

Nescafé Plan

As a company feeling responsible for the environment and the future, Nestlé puts great emphasis on purchasing raw materials for its



In 2015, Nescafé launched a unique campaign to raise awareness that the current coffee production volume cannot keep pace with the continuously growing demand, and if the trend continues, coffee may become a luxury. On 12 April, the International Day of Human Space Flight, the Hungarian Puli Space Technologies and representatives of Nescafé sent a coffee plant in a Nescafé can into space. <http://www.youtube.com/watch?v=qI4b3NCyLrw>

products from suppliers that have produced the same in a responsible and sustainable manner. The "Farmer Connect" program of the global Nescafé Plan ensures that we can purchase coffee directly from the producers. Nestlé provides technological assistance to the farmers to ensure that the coffee produced will meet the highest quality expectations even. Nestlé is the world's largest direct coffee buyer, and its system enables tens of thousands of small-scale producers and intermediaries to supply coffee directly to its receiving facilities. Thus, they may receive a better price for coffee, and also free technical assistance enabling them to improve the quality of their crop and diversify their activities. This may provide them with extra income, while Nestlé can secure the supply of high quality coffee. In the next few years, Nestlé will double the quantity of coffee bean purchased directly from producers for the production of Nescafé that means buying 150,000 tonnes of coffee per year from 180,000 producers. Until 2020, Nestlé will invest an amount equivalent to HUF 122 billion in the Nescafé Plan.

Upon request of the Brazilian Government, NESCAFÉ was created by Max Morgenthau in 1938, in order to make use of the coffee accumulated in Brazil.

The sale of NESCAFÉ canned in Hungary started in 1978. Thanks to NESCAFÉ DOLCE GUSTO launched in 2006, anyone can make a perfect cup of coffee now, just like a barista.



Cocoa Plan

Besides coffee, the company is also committed to promoting professional cocoa production. This is why we launched the Cocoa Plan aimed to enable farmers to become profitable, improve their living standards and ensure proper education for their children. The Cocoa Plan aims to relieve and find a solution to some of the main problems of cocoa producers, their families and communities. The Plan is already launched in the largest cocoa producing country, Côte d'Ivoire, and the sources of the highest quality cocoa, Ecuador and Venezuela. As part of it, Nestlé will invest 110 million Swiss Francs in cocoa value driver initiatives during the next decade, which is nearly twice as much as the amount invested during the past 15 years. In Ecuador and Côte d'Ivoire, trainings are organised for the farmers,

in order to promote the increase of the average yield, the restriction of diseases, the protection of the environment and the achievement of more profitable, higher quality production. Nestlé's new R&D centre in Côte d'Ivoire has provided one million high-yield cocoa plants to the farmer every year since 2012. The programs of the centre focus on the achievement of higher quality and quantity with local raw materials, as well as the improvement of agricultural productivity and food safety. We are co-founders of the World Cocoa Foundation (WCF), whose purpose is to improve inefficient farming techniques and environmental practices. Until the end of year 2010, nearly 340,000 children took part in educational programs supported by the WCF that also organised trainings for 8800 teachers.

2009

Nestlé Cocoa Plan launched.

2012

We provide training to 27,000 cocoa producer farmers on agricultural practices and techniques, farm management, as well as social and environmental issues relevant for them.

2013

We purchased 62,299 tonnes of cocoa, in line with the base concept of the Cocoa Plan. We deployed the system supporting the prevention of child labour at 8 co-operatives, built or renovated 13 schools, and provided training to 33,885 small-scale

2015

producers. Exceeding our target, we purchased 121,481 tonnes of cocoa instead of 100,000 tonnes through the Cocoa Plan in 2015. We also achieved our goal with building 40 schools enabling the education of 44,617 producers altogether.

2020

We distribute 12 million disease resistant plantlets among the producers.

Nespresso Ecolaboration

Nespresso's comprehensive program driving sustainability and innovation has been active since 2009 under the name Ecolaboration. It encompasses the achievement of sustainable coffee purchasing, the recycling of capsules and the development of energy efficient coffee machines. As of 2013, 80 percent of the coffee used originates from producers participating in Nespresso's AAA Sustainable Quality Program and certified by Rainforest Alliance. The aim of the AAA Sustainable Quality Program is to ensure the availability of adequate quality coffee while promoting sustainable agricultural practices and improving the producers' living standards.



Nespresso was born in 1986.

Nestlé Youth Employment Initiative

In Hungary, the unemployment rate among young people below 25 years of age was 27 percent in 2013, which was higher than the European average. Therefore, Nestlé offered 20 000 job opportunities and apprenticeships to young people below 30 years of age between 2014 and 2016, from factory workers through sales assistants and leadership positions.

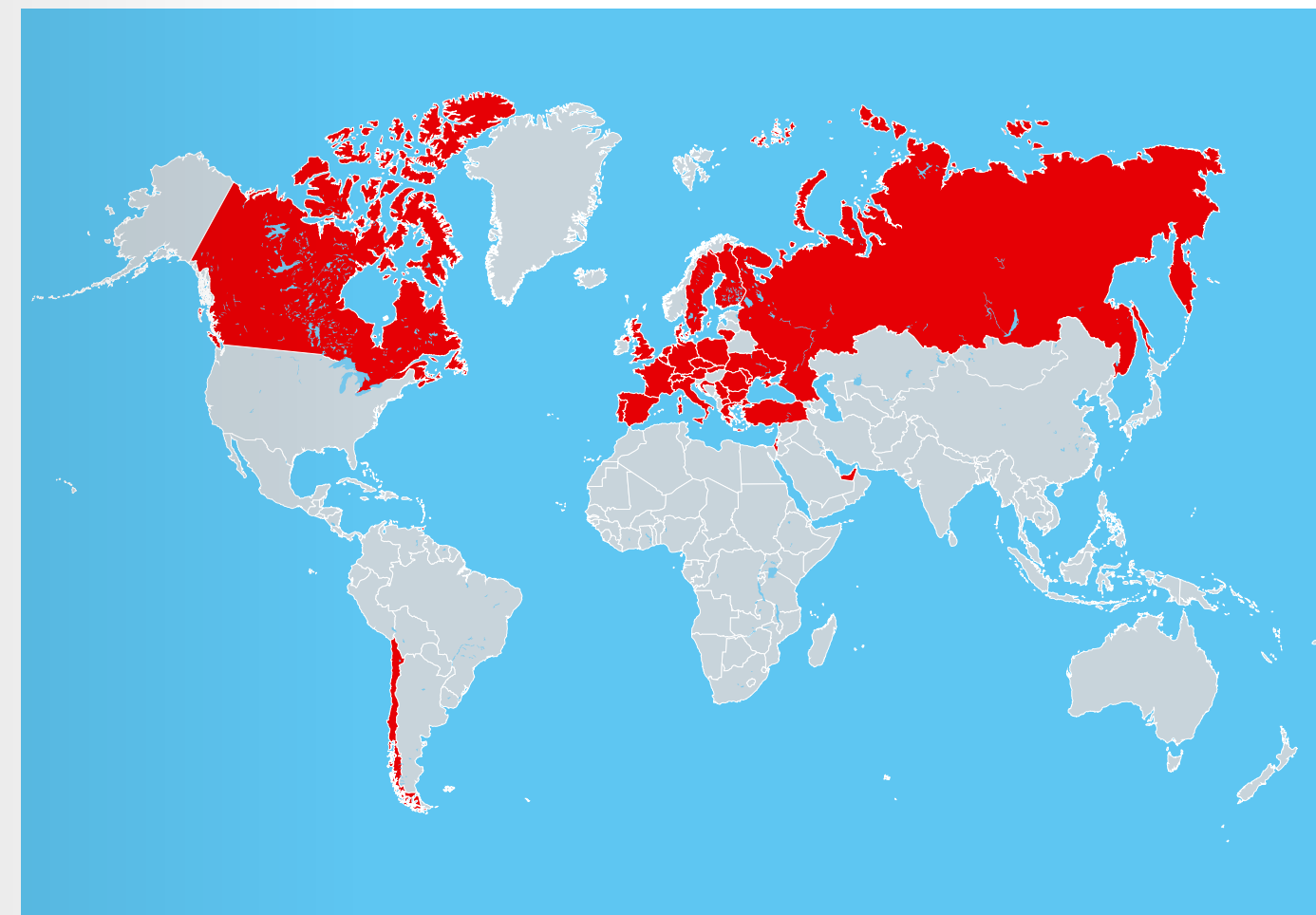
As part of the “Nestlé Youth Employment” initiative, the company launched the “Alliance 4 YOUth” partner programme in 2014. European companies joined the programme that recognised the social and economic importance of youth unemployment in the continental Europe, and were committed to finding a solution to it. As the first Hungarian result of the Nestlé Youth Employment program launched in the winter of 2013, the company enabled 122 apprentices to gain job experience, thereby meeting 50 percent of the target undertaken in Hungary by the end of 2016, and also provided jobs to more than 200 young people below thirty years of age.

The promotion of young people and the extension of their skills form part of other programmes as well. Nestlé and the Faculty of Health Sciences, Semmelweis University launched a separate program aimed at transferring, through the involvement of experienced food engineers, researchers, lawyers, dieticians and communications experts, such professional skills to students participating in the dietetics programme that may enable them to contribute to consumer consciousness. During the programme, students may get better insights into the special features of food industry: skills required for the development of foodstuffs and the provision of professionally adequate advice, the research and development areas supporting these, consumers' behaviours, as well as the requirements and regulatory environment applicable to responsible communication.

Nestlé in local communities

Our factories

The three domestic Nestlé factories – in Szerencs, Diósgyőr and Bük – export products to 33 countries and have a total of 2200 employees by now. Therefore, our company has an active role in the lives of local communities.



All of our factories in Hungary have the FSC 22000 certificate.

Nestlé Hungária Kft was established in 1991.



European manufacturing centre in Szerencs

On 11 April 1991, Nestlé acquired the plants in Szerencs and Diósgyőr, and then founded Nestlé Hungária Kft. As a result of production development efforts, the factory in Szerencs became our centre for the production and packaging of powdered beverages in Central-Europe. This is where we make, amongst others, Nesquik, which is available on the Hungarian market too, and the increasingly popular Nescafé 3in1 products.

In summer 2015, we started up our new production line in the Szerencs factory: as a result of the 180 million Forints investment, the employee headcount increased by 100 persons to 480.

The investment brought about a 10 percent increase of the packaging capacity of the production unit. Products made here are available in shops in 26 countries by now. The annual production reaches 30 thousand tonnes, of which 80% is produced for export. Our company has a key economic role in the Szerencs sub-region: besides employing nearly half thousand people, the majority of our suppliers is also Hungarian, and they provide products and services to the Szerencs factory at a value of more than 6.5 billion Forints. In addition to Canada and the European countries, people in the United Arab Emirates also consumed soluble coffee produced in Hungary in the past few years. Our people's health and safety form priorities for Nestlé not in Hungary only, but all over the

world. In 2012, we launched a new program new programme in collaboration with Bocskai István Grammar School of Szerencs based on the principle of "Nestlé in local communities", whose aim was to promote safety awareness. We also shared our experiences with schools in the Diósgyőr area.



The first milk chocolate tablet was made in Szerencs in 1927, and it soon gain popularity among consumers under the name "BOCI-csoki". Szerencsi cocoa powder was born in 1930.

Diósgyőr plant

The factory in Diósgyőr is the only plant within the Nestlé Group that specialises solely in the production of chocolate figurines. Their products are available in 23 countries, in addition to Hungary. 88% of the plant's production is for export. Nestlé currently employs over 600 people in the Diósgyőr factory: in 2015, we produced a record 4 thousand tonnes of chocolate figurines, which is nearly 67 million pieces altogether. This year may bring about further growth, since there is a growing interest in the United States toward figurines, besides Brazil, Ecuador and Japan; by winter 2016, these countries may also become the factory's partners. Overseas customers require special shipping procedures. From Miskolc, the chocolates are first transported to the port of Bremerhaven, Germany, and afterwards they travel nearly one month in special cooling containers to reach the shores of Australia and New Zealand. This is how chocolate eggs, bunnies and chickens made in Diósgyőr finally reach Canada or Chile even.

As regards exports, the Easter season is even more important than year-end holidays: in 2014,



for example, Nestlé's Diósgyőr factory shipped four times more chocolate bunnies (46 tonnes) to African countries, than chocolate Santa figures (12 tonnes). The ratio was similar in Canada, where 118 tonnes of Easter sweets were sold from this town in North Hungary.

Nestlé's Diósgyőr factory produced 31 million hollow chocolate figures during last year's Christmas season, which were marketed in 23 countries of 5 continents. During the past five years, the company invested more than one billion Forints in the Diósgyőr factory, and Christmas exports increased by 80 percent.

A number of innovations start their global career from Hungary, such as enriched hollow figures, whose chocolate base contains biscuits, peanuts or cereals. The varying taste of consumers in different countries, as well as the international trends equally impact product development in Diósgyőr. Our products are all made of genuine dark and milk chocolate, however, we supply more mint dark chocolate to the German market, while people in the United Kingdom appear to love white chocolate.

To support a balanced diet among the customers in the process of product development, we have harmonized the weight of single portion figures and introduced recommended consumption guidelines on the packaging of multi portion chocolates.

The factory entered into a partnership with a local company employing people with reduced capacity to work in 2007, which provides packaging work for another 100 people in the factory.



The first Balaton bars were produced in 1950 in Diósgyőr.

Bük petfood factory

In 1998, we acquired Jupiter Állateledel Gyártó Kft along with the rights to use the Darling brand name and the Bük factory. Following this acquisition, an additional pet food factory was established in Bük, the very first facility in Hungary to produce both dry and wet (canned) pet food. Now, we are making the largest investment – of over 20 billion Forints in value – to date in the



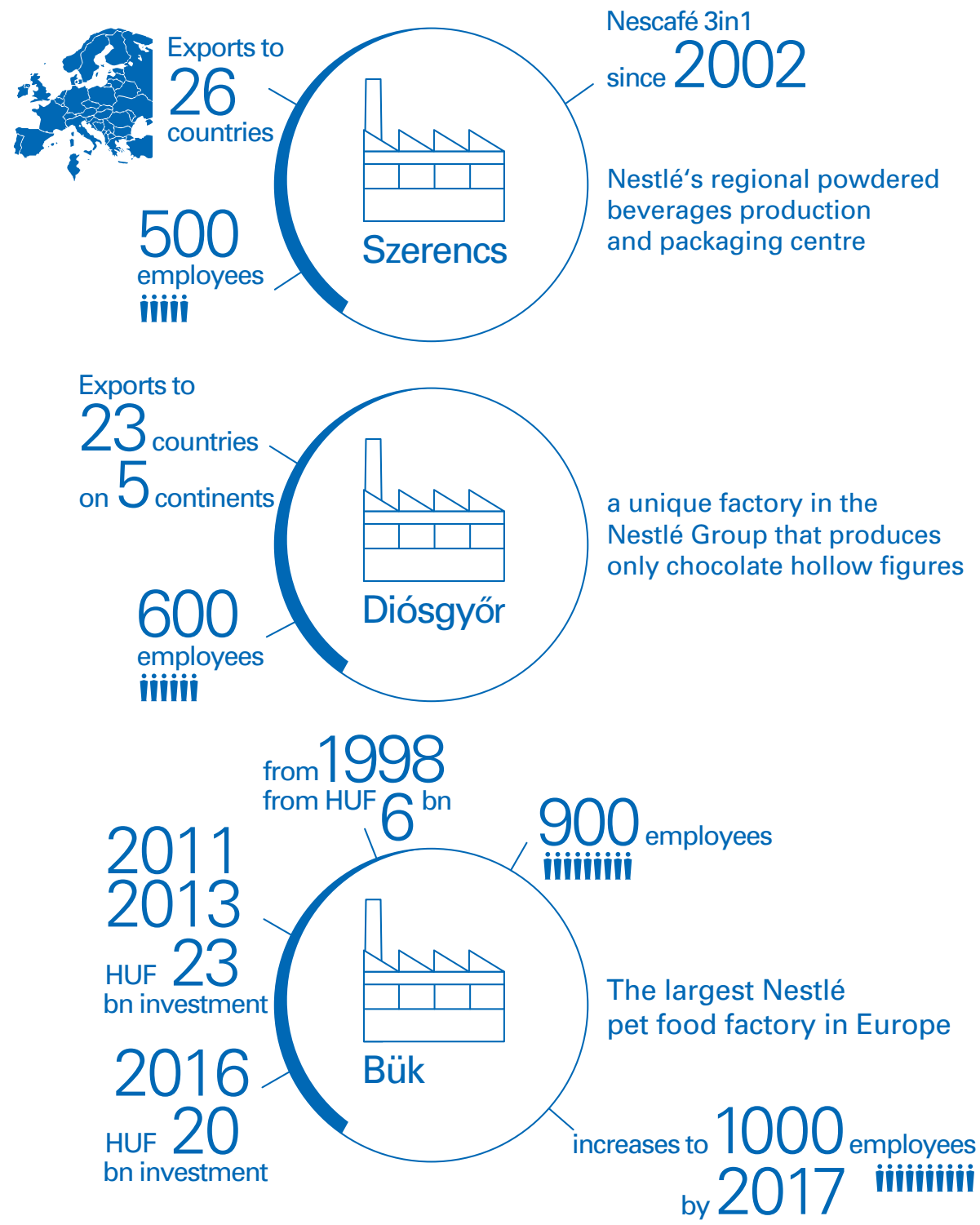
company's history in the Bük pet food factory turning the facility into Nestlé's largest and most important pet food production centre in Europe. Nestlé has completed investments of nearly HUF 80 billion throughout its presence in Hungary, more than half of which comprised the developments in Bük. The investment is scheduled to be completed by the end of 2017. The extension - required by the change of market demands - will include two new production lines with four fillers and an automated multipack packaging unit. In addition to the transformation of the plant that produces canned pet food at the moment, a new 5000 m² production hall will be erected. The investment creates 70 new jobs directly, which will result in a total employee headcount of almost 1,000. Our company has pet food factories in nine countries in Europe, with only one production unit in Poland in the CEE region besides Hungary. 20% of the total 1 million tons of pet food produced in Europe comes from Hungary.

Access to high quality Hungarian agricultural raw materials was a key point for the Bük facility extension. Some 60% of the 140 thousand tonnes of raw materials supplied to the Bük facility comes from Hungary. Our factory has processed 600 thousand tonnes of Hungarian corn during the past 10 years. 90% of the products made in Bük is for export. After the investment, Germany, Ukraine, Romania, the Czech Republic, Austria, Italy and Poland will continue to be important markets.



The Bük pet food (later PURINA) factory was acquired in 1998.

Creating Shared Value in numbers



Our people

Training, health and safety

Nestlé emphasizes the principle of lifelong learning both at both international and the local level; thus, the employees of Nestlé Hungária Kft. have access to trainings aimed at improving professional skills, as well as to conferences and trainings aimed at improving individual competences.

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

We believe that most of the responsibility for an employee’s development – about 70% – lies with the employee, and the greatest source of experience is daily work and involvement in new tasks and new projects. This is followed by managerial guidance and support by mentors. Finally, formal trainings contribute 10% to the development of the individual. This approach serves as the basis for defining annual training plans and long-term individual development plans.

Motivated workforce

As an employer, Nestlé Hungária Kft. provides various allowances to its employees, in order to help them maintain their health, improve their

“We believe that a workplace must reflect actual demographic trends and must be able to attract and retain a strongly motivated and committed workforce. We want to turn our challenges into opportunities by giving timely and appropriate responses to issues such as the need for opening new avenues into career progression, allowing couples to build their careers together, looking after the needs of single parent families, allowing married couples and generations to share childcare obligations, and dealing with disabilities”

well-being and increase their motivation. Besides the traditional health fund (available as part of the cafeteria system), occupational health service and group life and accident insurance options, the company contributes to employees’ healthy lifestyle by offering fresh fruits and unlimited amount of mineral water, and it ensures various sporting opportunities for them. Office workers may choose flexible works schedule.

Healthier employees

Raising awareness of healthy nutrition continues to be one of the key goals at Nestlé, in respect of both the Hungarian society in general and our employees in a narrower sense. The company launched the NQ (Nutritional Quotient) nutrition training programme for employees in 2007. The primary aim of the programme was to enable our people to apply the knowledge obtained in the lives of their own families.

A further aim was to allow customers via consumer communication to get clear and valuable insights from Nestlé’s employees, and our employees to use the knowledge obtained promptly, directly and with confidence in their everyday work routine improving the quality of their work. In 2010, we introduced an interactive e-learning program, as well as new tools (a series of posters highlighting key messages) for employees that are hard to reach, such as physical workers.



Barbara Verő
Director of HR

Occupational safety and security

Compliance with the health and occupational safety laid down in our Business Principles and the effective Hungarian laws were successfully reviewed in 2011 by the certification agency SGS. Our commitment to a “zero accident” working environment is supported by Nestlé’s Occupational Health and Safety Management System (compliant with OHSAS 18001). All of our factories run a behaviour-based occupational safety programme with so-called safety talks (SUSA), which has had a major contribution to the reduction of the number of accidents. The essence of SUSA is to ensure that we are mindful of our work environment and colleagues by involving every single employee. Our employees take measures for the investigation of every incident (quasi accidents, minor injuries) to ensure the prevention of subsequent, and possibly more serious consequences. Ergonomics are also addressed, and as part of this, the working conditions are surveyed and improved in every factory and office alike. We continuously work to enhance the safety of the machinery too (Zero Access project). One of the company’s objectives is to improve driving safety. Therefore, theoretical and practical driving techniques training is provided to all employees driving company cars. At the central office, voluntary safety ambassadors assist in the conduct of safety and health relevant



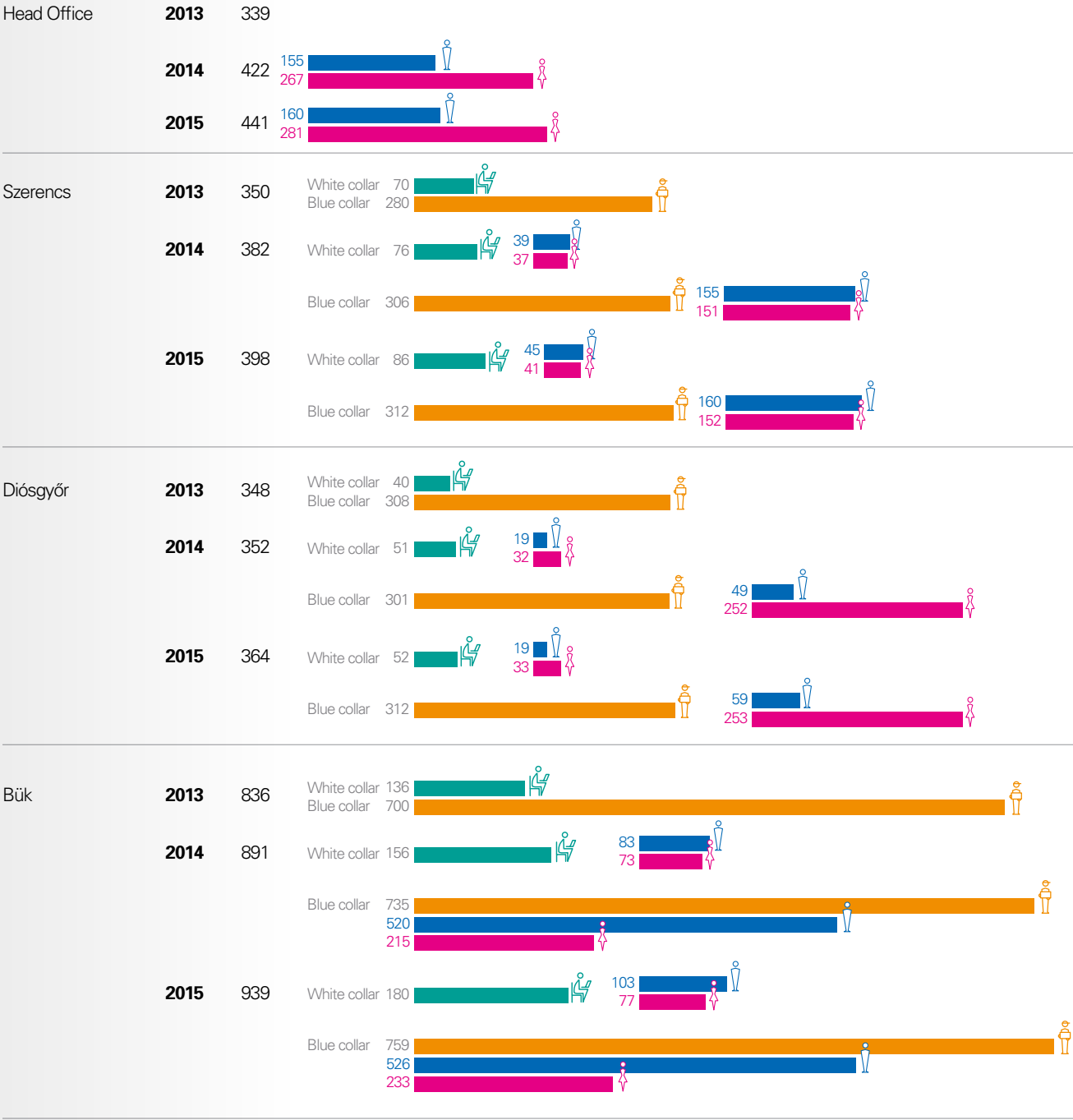
programs, as well as any communication related to these. Furthermore, the annually held Health&Safety day provides opportunities to all employees to actively participate in programs related to this topic, thereby improving their knowledge and company culture.

Accidents at the workplace and working days lost
(at Nestlé units in Hungary, number, days)

| | 2013 | 2014 | 2015 |
|---------------------------------|------|------|------|
| Central office, Budapest | | | |
| Number of workplace accidents | 1 | 1 | 1 |
| Working days lost | 130 | 122 | 85 |
| Szerencs | | | |
| Number of workplace accidents | 0 | 0 | 1 |
| Working days lost | 0 | 0 | 12 |
| Diósgyőr | | | |
| Number of workplace accidents | 1 | 1 | 1 |
| Working days lost | 69 | 25 | 86 |
| Bük | | | |
| Number of workplace accidents | 2 | 1 | 0 |
| Working days lost | 74 | 113 | 0 |

* no lost work hours occurred for other reasons

| | | |
|-----------------|------|------|
| Total headcount | 2013 | 1873 |
| | 2014 | 2047 |
| | 2015 | 2142 |



| | | | | |
|-------------|------|------|------------|--|
| Full time | 2013 | 1873 | | |
| | 2014 | 2024 | | |
| | 2015 | 2123 | | |
| Head Office | 2013 | 284 | | |
| | 2014 | 400 | 151 249 | |
| | 2015 | 424 | 159 265 | |
| Szerencs | 2013 | 349 | | |
| | 2014 | 382 | 194 188 | |
| | 2015 | 397 | 205 192 | |
| Diósgyőr | 2013 | 355 | | |
| | 2014 | 352 | 68 284 | |
| | 2015 | 364 | 78 286 | |
| Bük | 2013 | 834 | | |
| | 2014 | 890 | 603 287 | |
| | 2015 | 938 | 629 309 | |

| | | | | |
|-------------|------|----|---------|--|
| Part time | 2013 | 22 | | |
| | 2014 | 23 | | |
| | 2015 | 19 | | |
| Head Office | 2013 | 19 | | |
| | 2014 | 22 | 4 18 | |
| | 2015 | 17 | 1 16 | |
| Szerencs | 2013 | 1 | | |
| | 2014 | 0 | | |
| | 2015 | 1 | 1 | |
| Diósgyőr | 2013 | 0 | | |
| | 2014 | 0 | | |
| | 2015 | 0 | | |
| Bük | 2013 | 2 | | |
| | 2014 | 1 | 1 | |
| | 2015 | 1 | 1 | |

| | | | | |
|---------------------|------|-----|---------|--|
| Fixed term contract | 2013 | 120 | | |
| | 2014 | 66 | | |
| | 2015 | 34 | | |
| Head Office | 2013 | 4 | | |
| | 2014 | 3 | 1 2 | |
| | 2015 | 10 | 4 6 | |
| Szerencs | 2013 | 1 | | |
| | 2014 | 2 | 1 1 | |
| | 2015 | 4 | 2 2 | |
| Diósgyőr | 2013 | 103 | | |
| | 2014 | 42 | 3 39 | |
| | 2015 | 1 | 1 | |
| Bük | 2013 | 12 | | |
| | 2014 | 19 | 6 13 | |
| | 2015 | 19 | 6 13 | |

| | | | |
|--------------------------|------|------|--|
| Indefinite term contract | 2013 | 1760 | |
| | 2014 | 1981 | |
| | 2015 | 2108 | |
| Head Office | 2013 | 335 | |
| | 2014 | 419 | <div> <div>153</div> <div>266</div> </div> |
| | 2015 | 431 | <div> <div>156</div> <div>274</div> </div> |
| Szerencs | 2013 | 349 | |
| | 2014 | 380 | <div> <div>193</div> <div>187</div> </div> |
| | 2015 | 394 | <div> <div>203</div> <div>191</div> </div> |
| Diósgyőr | 2013 | 252 | |
| | 2014 | 310 | <div> <div>65</div> <div>245</div> </div> |
| | 2015 | 363 | <div> <div>77</div> <div>286</div> </div> |
| Bük | 2013 | 824 | |
| | 2014 | 872 | <div> <div>597</div> <div>275</div> </div> |
| | 2015 | 920 | <div> <div>623</div> <div>297</div> </div> |

| | | | |
|---------------------------------------|------|-----|--|
| Leased employees and agency contracts | 2013 | 142 | |
| | 2014 | 100 | |
| | 2015 | 95 | |
| Head Office | 2013 | 41 | |
| | 2014 | 37 | <div> <div>15</div> <div>22</div> </div> |
| | 2015 | 43 | <div> <div>18</div> <div>25</div> </div> |
| Szerencs | 2013 | 45 | |
| | 2014 | 27 | <div> <div>20</div> <div>7</div> </div> |
| | 2015 | 19 | <div> <div>12</div> <div>7</div> </div> |
| Diósgyőr | 2013 | 38 | |
| | 2014 | 29 | <div> <div>21</div> <div>8</div> </div> |
| | 2015 | 26 | <div> <div>18</div> <div>8</div> </div> |
| Bük | 2013 | 18 | |
| | 2014 | 7 | <div> <div>4</div> <div>3</div> </div> |
| | 2015 | 7 | <div> <div>3</div> <div>4</div> </div> |
| Retired employees | 2013 | 12 | |
| | 2014 | 7 | <div> <div>7</div> </div> |
| | 2015 | 10 | <div> <div>10</div> </div> |

Human rights

Nestlé fully supports the United Nations Global Compact's (UNGC) guiding principles on human rights and labour, and aims to set an example in terms of proper human rights and labour practices throughout our business activities.

Nestlé's Corporate Business Principles, as well as the Code of Business Conduct contain the minimum requirements that are kept by Nestlé worldwide in addition to compliance with local laws. Nestlé's internal audit program called CARE (Compliance Assessment of Human Resources, Safety & Health, Environment and Business Integrity) is responsible for verifying if the company's operations comply with Nestlé's Corporate Business Principles.

In order to ensure that our entities comply with the same high standards all over the world, we have harmonized our corporate principles that with international best practices. We observe, in particular, the following global principles:

- United Nations Global Compact;
- UN Framework and Guiding Principles on Business and Human Rights;
- International Bill of Human Rights;
- Eight Core International Labour organisation Conventions; and
- World Health Organisation's (WHO's) International Code of Marketing of Breast-milk Substitutes.



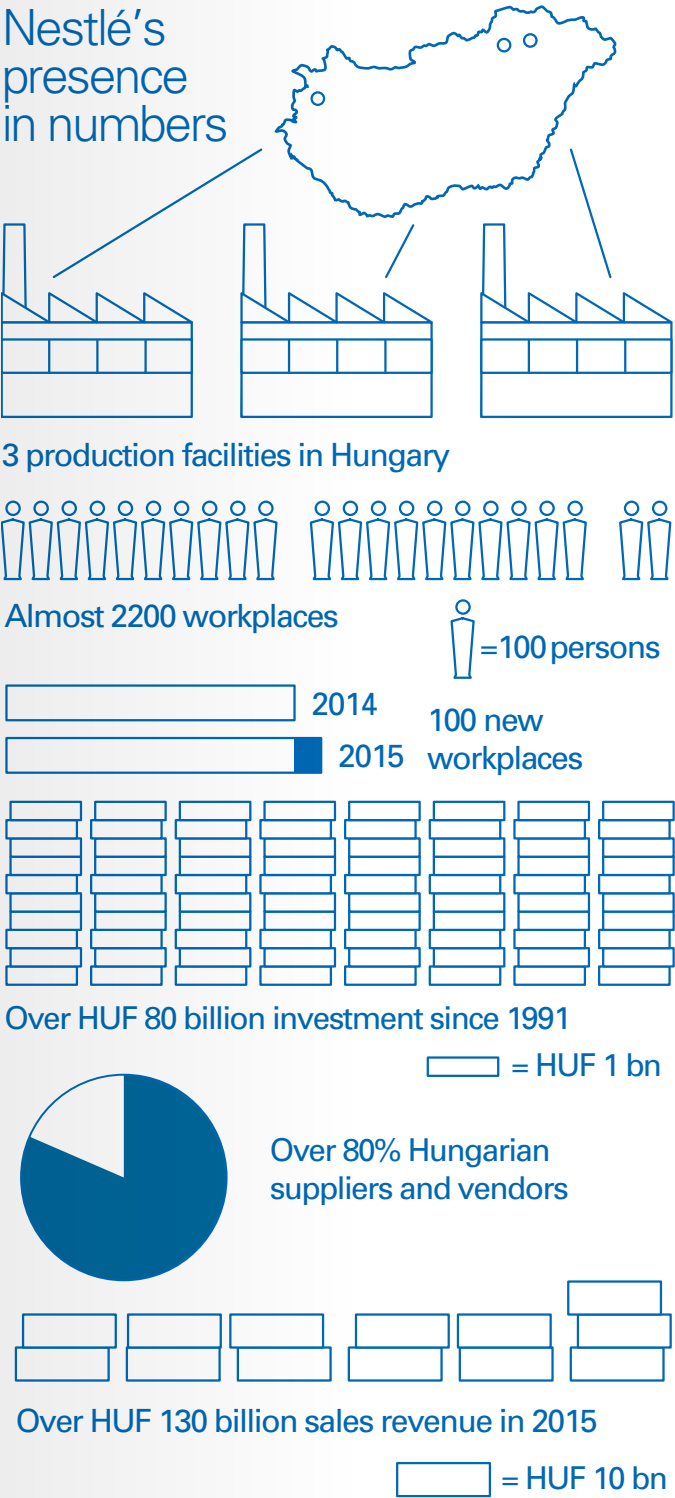
Business ethics

Nestlé's Corporate Business Principles form the basis of our corporate culture developed during the past 150 years. Our business principles have continuously evolved and adjusted to our changing world. However, a few things have remained unchanged since the beginning: fairness, honesty, and a general concern for people.

To promote the application of the business principles in the everyday routine, Nestlé's Code of Business Conduct lays down clear and unmistakable basic requirements in key areas. The code was drawn up to provide a general reference framework for the assessment of activities and situations occurring in practice. If an employee has doubts in a given situation as to what to do, he or she should review the provisions of the code, for it is the given employee's individual, non-transferable responsibility to make the right decision in all situations, so far as possible.

In all cases, employees should refrain from any conduct that could cause harms or risks to Nestlé or Nestlé's reputation. Moreover, it is essential to demonstrate a lawful and honest conduct in all circumstances giving priority to the company's interests over one's own or other interests.

Our economic achievements



Nestlé Hungária Kft. operated in an improving economic environment in Hungary between 2014 and 2015. The Hungarian economy produced very attractive indicators last year: A foreign trade surplus of EUR 8.1 billion generated with 2.9 percent GDP growth and a low budget deficit conforming to the objectives. Industrial production increased by 7.5 percent in Hungary, while the unemployment rate was 6.8 percent.

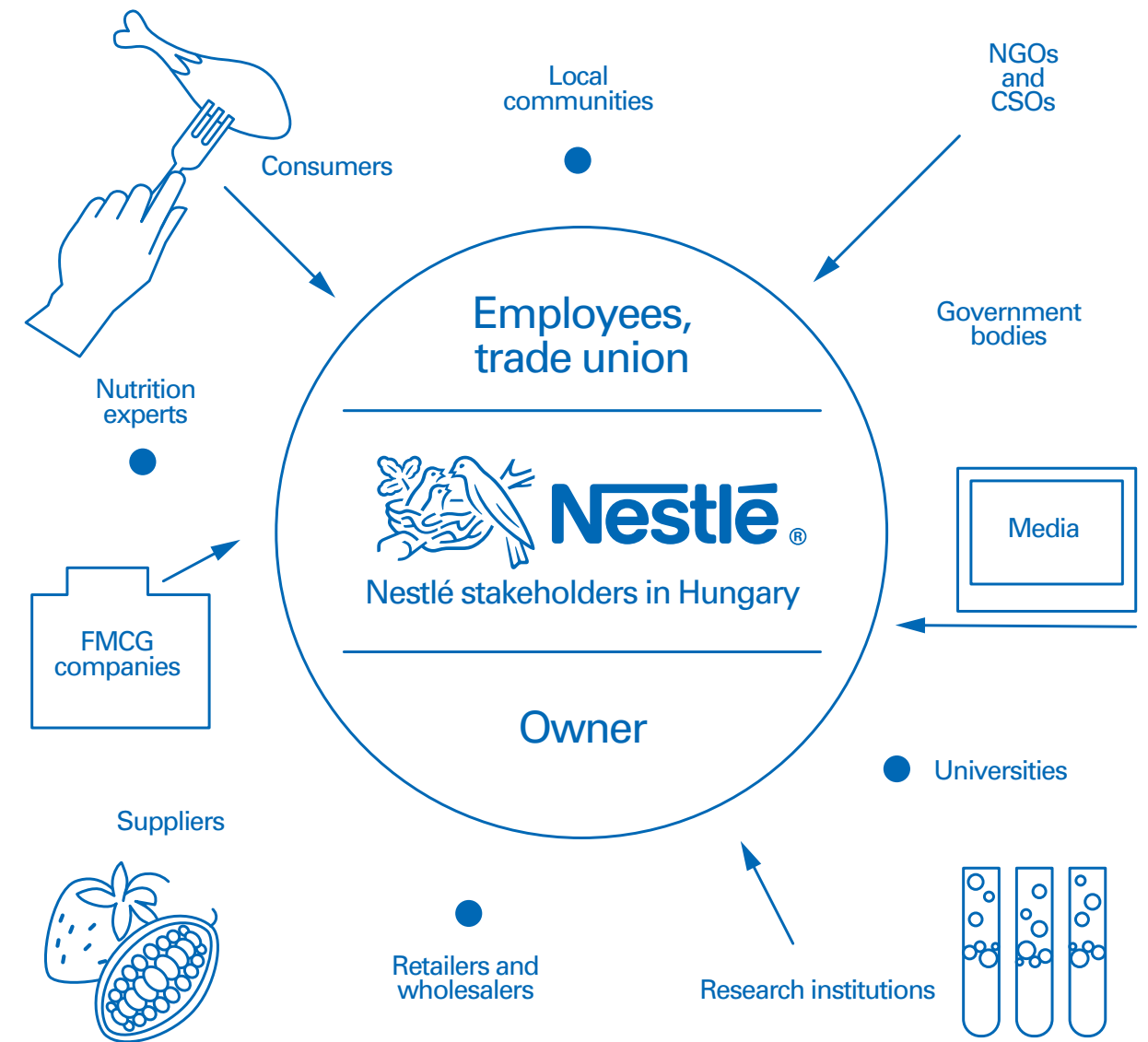
Enjoying the external environment seen favourable we continued our development efforts in Hungary: In 2015, a new production line was installed in Szerencs as part of a 180 million Forints investment, and as a result, 100 new jobs were created and the headcount increased to 480. The production keeps increasing every year in the Diósgyőr plant producing chocolate figurines, and in the Bük petfood factory too. For the latter, following extensions in 2011 and 2013, a new HUF 20 billion investment was announced in the spring of 2016 making the Bük plant Nestlé's largest and most important European petfood manufacturing centre.

Ongoing investments are reflected by our key indicators: In 2015, our revenue on sales increased by 7.4 percent again reaching over HUF 130 billion. Besides, we offer jobs to nearly 2200 people in Hungary, and the headcount is expected to increase in forthcoming periods.

Our stakeholders, professional collaborations

As a leading food industry player, we feel obliged to do what we can to facilitate the progress of the industry as a whole. Our aim is to work together with all food industry stakeholders to refine a self-regulatory code that would allow the industry to raise food safety and food quality to a next level in Hungary, reduce the environmental impact of our manufacturing and distribution operations to the minimum, and to provide better and cheaper

services to the consumers and customers. The increasing integration of the value chain requires harmonised industry practices and standards between industry players, trading partners to achieve better efficiency and greater success. We continuously make efforts to develop dialog and cooperation with stakeholder groups considered as most relevant in terms of nutrition and balanced lifestyle. The involvement of the governmental, professional and civil sectors is also inevitable besides the business one, since this is about a social challenge, whose resolution requires active participation on all parties' behalf.



Cooperating partners:

MDOSZ (Hungarian Dietetic Association)
NEFI (National Institute for Health Development)
MESZK
 (Chamber of Hungarian Health Care Professionals)
TÉT Platform
ÉFOSZ (Federation of Hungarian Food Industries)
MGYT (Hungarian Paediatric Association)
MET (Hungarian Society for the Study of Obesity)
OGYEI (National Institute of Child Health)
HGYE (Association of Family Paediatricians)
MAVE (Association of Hungarian Health Visitors)
MGGYT
 (Hungarian Society for Paediatric Gastroenterology)
 Department of Dietetics and Nutrition Sciences,
 Semmelweis University
 European Parliament
 Ministry of Public Administration and Justice
 Hungarian Pet Food Association
 Association of Hungarian Confectionery Manufacturers
 Hungarian European Business Council (HEBC)
 Hungarian Pharmaceutical Manufacturers Association
 (MAGYOSZ)
 Hungarian Brand Association
 Business Council for Sustainable Development
 in Hungary (BCSDH)
 Ministry for the National Economy
 Ministry of National Resources
 Hungarian Authority for Consumer Protection
 National Association for Consumer Protection
 in Hungary
 Öko-Pannon Nonprofit Kft
 Advertising Self-regulation Organisation (ÖRT)
 Embassy of Switzerland
 Ministry of Agriculture
 National Food Chain Safety Office (NÉBIH)

Industry pledge scheme

In addition to making and fulfilling its own commitments, Nestlé played an active role in the establishment of an industrial pledge scheme (<http://egyuttafogyasztokert.hu>), given that we consider it of utmost importance that, in connection with these social issues, companies should not operate in isolation, but act jointly and contribute to the solution, thereby improving the reputation of the industry. Upon the initiative of the Federation of Hungarian Food Industries (ÉFOSZ), 25 companies have joined the program and made 75 pledges by now.

Joining Action 2020

In 2014, Nestlé joined the Action 2020 Hungary programme started by BCSDH, which is the local adaptation of the global Action 2020 framework connected with the Vision 2050 programme introduced in 2010 by the World Business Council for Sustainable Development (WBCSD). The company joined the Business Council for Sustainable Development in Hungary (BCSDH) in 2012. The organisation wishes to actively promote the implementation in practice and application of the principles related to the three pillars of sustainable development, i.e. economic performance, ecological balance and social welfare among its members, and thereby, to enhance their competitiveness by offering new and innovative solutions, and in the meantime, to contribute to the sustainable development of the Hungarian economy and society.

Consultation forums

Since 2014, we have organised 4 consultation forums. The consultation forum was launched with the aim of discussing with the representatives of the profession the current results in nutrition science relevant for children, and the steps to take in this respect, in the form of an informal dialogue. Nutrition experts, dietitians, specialists and experts from the food industry attend the consultation forums, and they support the achievement of Nestlé's goals related to the change of dietary habits by offering their opinions and knowledge. One of the most important results of these consultation forums was the launch of the first nutrition research program concerning children from 0 to 3 years of age as part of an all-industry collaboration.



Our conferences

Nestlé is both organiser and participant of nutrition science and health forums, conferences with the aim to share the results of our research activities, discuss the key nutrition trends with representatives of the profession, and provide assistance by presenting our position to the stakeholders, professional organisations and decision makers. One of our series of programs with the longest history comprises conferences and forums organised by Nestlé Nutrition Institute (NNI) concerning key issues related to the early nutrition of infants, but other significant events include the annual conferences of the Hungarian Society for the Study of Obesity and the dietitian profession.



Volunteering, partnership, donation

The company keeps supporting the civil sector through donations and voluntary work. Our donations are delivered to those in need by Nestlé’s strategic partners: the Hungarian Food Bank Association, the Hungarian Red Cross and the Ecumenical Aid Organisation.

The Red Cross – Nestlé Fund

An open-ended charity fund was set up by Nestlé in 2008 to subsidize the medical treatment costs of children and youngsters aged 0-18. To ensure the transparent operation of the Charity Fund, a three-member steering committee was set up with the following members: employees of Nestlé Hungária Kft. and social officers at the Hungarian Red Cross, including a legal advisor from the Child Guardian’s Office and a paediatrician. As of 2009, and up to the end of December, 2015 we supported a total of 69 children in a value of HUF 4.761 million. Furthermore, we supported certain events organised by the Red Cross, such as the International Day of the Hungarian Red Cross, the “Hétsoda” Adventure Camp, the Lake

Balaton First Aid Service or the National Higher Education Blood Donation Competition.

Our cooperation with the Hungarian Food Bank

Nestlé started its cooperation with the Hungarian Food Bank in August 2008. This partnership ensures that our products will be transported and stored professionally, and that, thanks to the existence of a well-developed logistical network, they will be delivered to the neediest of recipients in Hungary as quickly as possible. Last year, supplied food donations to people in need in a value of HUF 10.298 million. Similarly to previous years, we participated in the donation convoy organised as part of World Food Day in 2015 again. The convoy was organised by Nestlé’s key partner in product donations, the Hungarian Food Bank Association, and the FAO (the Food and Agriculture organisation of the United Nations) in order to raise awareness of the serious food supply problems afflicting a large part of humanity.

Cooperation for responsible pet ownership

HEROSZ’s Budapest shelter for animals became Purina’s main partner in 2011. By launching a joint

program, our primary aim was to improve animal rescue work and support the animal shelter. Our mutual aim during our co-operation with HEROSZ was to use all possible means to draw attention to the importance of the responsible keeping of pets.

Awards, recognitions

CSR Market 2015

Nestlé’s program, Alliance 4 YOUth won the Best Responsible Employment Solution award at CSR Market 2015, the most prestigious event in the field of social responsibility in Hungary. The aim of the winning program is to start a dialogue among key players of the business sector, governmental bodies and educational sector, and to support young people below 25 years of age that are in their active ages, still they are marginalized from employment aspects. “For Nestlé, Creating Shared Value is not a mere program, but an operational principle. However, this award cannot be attributed to the companies only, given that the essence of the Alliance lies in the close and efficient collaboration between organisations wanting to take steps for youth employment” – said Jean Grunenwald, Managing Director of Nestlé Hungária.

The most attractive employer

Randstad has conducted the world’s most extensive labour market survey, “Randstad Award” for years by now. It is based on feedbacks from 225 thousand employees, who nominated Nestlé the



most attractive employer in the FMCG category in 2014 and 2015.

Exemplary CSR practice, 2015

As part of the CSR Best Practice program, awards have been given since 2007 to companies fully implementing the principle of responsible conduct, where the daily operation also reflects an ethical, socially sensitive and sustainable development oriented approach. Last year, the company won



the “Exemplary CSR practice 2015” award for implementing its program, “Creating Shared Value for a healthier Society”.

Content Marketing Award 2015

Our representative survey conducted jointly with the Hungarian Dietetic Association demonstrates that the vast majority of parents are aware of the importance of having breakfast, still every third child goes to nursery or primary school with empty stomach. We wanted to do something about this by launching our campaign “Good Food,Good Life”: we used various marketing tools to address Hungarian families, so that our children can start every day with sufficient amount of energy. The campaign won bronze medal at the Content Marketing Award 2015 ceremony.

Organisational structure and management



You can find detailed information about our three Hungarian factories on page 25.

| Name and description of committee, organisation | | | | |
|--|---------|------|------|------|
| Percentage of workforce represented | | | | |
| | Unit | 2013 | 2014 | 2015 |
| Head office | | | | |
| Safety officer | persons | 0 | 4 | 4 |
| Percentage of employees represented by the officer | % | 0 | 1.3 | 1.3 |
| Szerencs | | | | |
| Safety officer | persons | 9 | 9 | 9 |
| Percentage of employees represented by the officer | % | 1.96 | 1.92 | 1.8 |
| Diósgyőr | | | | |
| Safety officer | persons | 5 | 5 | 5 |
| Percentage of employees represented by the officer | % | 0.94 | 0.91 | 0.98 |
| Bük | | | | |
| Safety officer | persons | 7 | 7 | 7* |
| Percentage of employees represented by the officer | % | 0.88 | 0.84 | 0.82 |

* In addition to the 7 persons indicated, there are 14 additional executives.

Governing bodies

The NiM (Nestlé in the Market) Committee is the main managing body overseeing business activity. It holds sessions on a monthly basis, and makes decisions in group-level strategic issues. The NiM Committee is led by the Managing Director of Nestlé Hungária Kft., who has the role of “custodian” in the Hungarian market, i.e. acts as Nestlé’s representative to the outside world. As of 1 January, 2015 the Managing Director is Jean Grunenwald. The joint management board for food business units and service departments, the so-called Management Committee (MANCOM) makes all strategic and tactical decisions regarding food business units (beverages, culinary products, and confectionery products) falling under the Managing Director’s direct responsibilities. Most other business units also have their own management bodies, which are responsible for business decisions affecting the unit in question. Pursuant to Act IV

of 2006 on Business Associations, Nestlé has a Supervisory Board overseeing the management of the company. The Supervisory Board has six members; two of them are appointed by the Works Council. The highest authority of the business association may only make decisions on the financial statement required under the Act on Accounting after receiving a written report of the Supervisory Board. Nestlé’s Management and Leadership Principles, the company’s expectations from its top management, the assessment of their performance and the procedures used to avoid any conflict of interests have not changed compared to those of the previous year, and these are presented in more detail on page 30. of our report for year 2010.

Occupational safety executives work at all units of the company, whose duty is to represent the workforce in security and occupational safety matters.

Parameters of the report

You are reading the joint Sustainability and Creating Shared Value Report of Nestlé Hungária Kft. The report and the information contained pertain to the calendar years 2014 / 2015, unless indicated otherwise. The GRI indicators refer to year 2015. Previous reports are available at www.nestle.hu.

Scope of the report

In compiling the contents of the report, the guidelines and indicators of GRI (Global Reporting Initiative, the most widely adopted sustainability reporting standard in the world) were taken into consideration on one hand, and on the other, the important results and critical issues that the organization’s managers believed Nestlé should report on in a sustainability report. The report for Hungary was drawn up based on the focus areas identified in Nestlé’s global report. Several colleagues took part in the collection of the data and information included in the report (see the last page).

Boundaries of the report

Business units and factories included in the report all belong to Nestlé Hungária Kft. (Szerencs, Diósgyőr, Bük). The only exception to this is Cereal Partners Hungária Kft. (CPH Kft.), which is a joint venture of Nestlé Hungária Kft. and General Mills Inc. As CPH Kft. has no employees, its product distribution and related activities are carried out by Nestlé Hungária Kft. The report also covers CPH Kft. At the end of the reporting period, i.e. on 31 December, 2015, Kékkúti Ásványvíz Zrt is no longer member of the Nestlé Group.

As of this year, Nestlé Hungária Kft. draws up its Sustainability and Creating Shared Value Reports biyearly, in line with the GRI4 guidelines. This document discloses sufficient data to reach the GRI4 core level. 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. In case of conflicting interpretations of the Hungarian and the English versions of this report, the Hungarian version is to be considered authoritative. The data originate from Nestlé’s internal information system and databases, and Nestlé’s global “Nestlé in society” report. For data calculation methods (where relevant), and any methods applied for measurement and estimation, please refer to the relevant topics. The brand names in the report are registered trademarks of Nestlé Group. We welcome any questions, comments or suggestions you may have regarding the report. Please direct any such inquiries to Andrea Nagy, Corporate Communication and Creating Shared Value Manager, Nestlé Hungária using one of the means of contact listed on the back cover.

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| Organisational profile | G4-9 | 21, 28, 37 | Our net sales revenue was HUF 130,345,201 in 2015. |
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| | G4-29 | | Previous draft report closed on 1 August, 2014 |
| | G4-30 | 45 | |
| | G4-31 | | kozosertekteremtes@hu.nestle.com, nestle.hu |
| | G4-32 | 46 | |
| | G4-33 | This report was not audited by an independent organization. | |
| Governance | G4-34 | 43 | |
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| | G4-EC4 | In the reporting period, Nestlé Hungária Kft received no state subsidy. | |
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| Biodiversity | G4-EN11 | | Not relevant. |
| | G4-EN13 | | Not relevant. |
| Safety | FP3 | 30 | |
| Animal protection | FP9 | | Not relevant. |
| | FP10 | | Not relevant. |
| | FP11 | | Not relevant. |
| | FP12 | | Not relevant. |
| | FP13 | | Not relevant. |
| | G4-PR1 | 12 | |
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Jó étellel teljes az élet

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The manuscript is closed on 30th September, 2016.
We would like to thank the support of all Nestlé colleagues who contributed to the completion of the Report.

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

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Jó étellel teljes az élet