

Nestlé
Sustainability and
Creating Shared Value
Report 2011



**Bea and
Dominik**

an employee of
Nestlé Hungary
and her son
on the cover

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Welcome

Dear Reader!

We are pleased to present you the information concerning our achievements in 2011.

The following pages report on Nestlé's activity and results to date, as well as on the challenges faced in Hungary last year.

This year's report is special for two reasons. On the one hand, this is the first year when Kékkúti Ásványvíz Zrt. (a subsidiary of Nestlé Waters) also joined in and shared their domestic achievements in the field of sustainability and Creating Shared Value. And on the other hand Nestlé Hungária Kft. celebrated its 20th anniversary in 2011.

Many things have happened during these twenty years: we have developed and launched new products, renewed our formulas, opened production units and created workplaces. Since 1991, our investments amounted to more than 50 billion HUF, and our factories in Hungary have become regional centres. Products manufactured in the country are exported to 50 countries and their value added up to 272 billion HUF during the past six years.

The factories in Szerencs and Diósgyőr, which have been operating since 1991, have gained prominence within the Nestlé Group. In Szerencs, we produce and package powdered beverages for the whole region with an annual volume of nearly 30,000 tons, out of which 80% is produced for export to supply the majority of Europe.

The factory in Diósgyőr is Nestlé's single plant in the world specializing in

the manufacturing of hollow chocolate figurines, producing them mainly for the Christmas and Easter holidays, which were exported to 20 countries in 3 continents.

During the years, our factory in Bük became the centre of Nestlé's pet food production in Central and Eastern Europe, and on 8 July 2011, a unit producing pet food in alupouch was opened.

I am very proud that our factories are characterised both by products of outstanding quality and a high level of safety at work, which is one of our main priorities. Szerencs and Diósgyőr factories celebrated the second anniversary of accident-free operations in 2011, and the plant in Kékkút is accident-free for the third year in a row. We continue our behaviour-based safety programme. Naturally, our most important goal remains to provide products that contribute to a healthy lifestyle and a balanced diet. During the past three years we renewed the recipes of 121 products, so that they may meet the strictest internal and international requirements. We have also continued our niche-filling *Nutrikid* education programme that has instructed nearly 320,000 pupils from almost 3100 primary schools on healthy and balanced nutrition.

Besides making tasty and nutritious products, our aim is to produce them in a manner that is as environmentally



friendly as possible. In order to achieve this, we continuously work on improving our environmental performance. By switching to railroad transportation instead of the road with respect to cocoa, Nestlé's related CO₂ emissions have been reduced by 59% in 2011. Our factories' water and energy consumption per ton of products produced in Szerencs and Diósgyőr have also been further reduced.

I am convinced that all of us can be proud of the results of the past years, as well as of the values created together in Szerencs, Diósgyőr, Bük, Kékkút and Budapest.

I am confident that the next twenty years will bring similar success for both Nestlé and Hungary. Hopefully this short summary has made all of you interested to read on! Your enquiries or proposals are more than welcome.

Andrea Zambelli
Managing Director

Major achievements in 2011

Economic contribution

- In spite of the prolonged economic crisis, we have managed to maintain our work force: more than 1600 people were employed in our head office in Budapest and in the four factories in 2011.
- 80% of our suppliers are Hungarian companies (considering the number of suppliers).
- During the past 20 years, our investments in the country amounted to more than 50 billion HUF.
- Thanks to our regional factories, more than 80% of products manufactured are exported to almost forty countries.
- The sum total of Nestlé's payments to the state budget amounts to 9 billion HUF.

Nutrition, health and wellness

- During the last 3 years, the formulas of 121 Nestlé products were renewed in order to meet modern nutritional needs and expectations.
- 100% of our products indicate the recommended portion (Guideline Daily Amounts - GDA) and use the so called Nestlé Nutritional Compass to inform consumers.
- The Nutrition Quotient (NQ) training material was amplified by an e-learning module.
- *Nestlé Lifestyle Centre* online portal was visited on 328,000 occasions.
- Since 2003, nearly 320,000 pupils from almost 3100 primary schools have been trained using the *Nutrikid* programme. For the last nine years, we have spent over 170 million forints on this novel educational programme.

Factories

- By expanding our production plant in Bük, 200 new jobs were created.
- Szerencs and Diósgyőr factories celebrated the second anniversary of accident-free operations in 2011, and the plant in Kékkút is accident-free for the third year in a row.
- Thanks to our technological investments in Kékkút, 481,000 cubic meters of water have been saved during the past eight years, enough to fill more than 180 Olympic swimming pools.
- Our factory in Diósgyőr produced almost 3,000 tons of hollow chocolate figurines, which were exported to 20 countries in 3 continents.

Environmental protection

- As a result of modernizing our factory in Szerencs, more than 5,000 GJ of energy shall be saved each year.
- Water consumption in Nestlé head offices has been reduced by 9%.
- 93% of the boxes and trays of products manufactured in the Szerencs factory are made of recycled paper.
- Fuel consumption of our car fleet has been reduced by 6.9%.
- Nestlé's employees have ridden 1814 kilometres during the 5 weeks of the campaign called "Cycle to work".
- By switching to railroad transportation instead of the road with respect to cocoa, Nestlé's related CO₂ emissions have been reduced by 59%.

About Nestlé

1867:

Henri Nestlé developed the first infant formula to substitute breast-feeding.

Today, Nestlé is a global leader in the field of food industry, nutrition, health and lifestyle. The company's centre is located in Vevey, Switzerland. The number of people employed by the company globally is 328,000; its products are manufactured in 461 factories and are delivered to 130 countries of the world.

In 1867, Henri Nestlé, a pharmacist, developed the first infant formula for mothers unable to breast-feed their babies. Thereby, he saved the life of a baby born prematurely in the neighbourhood. Few people know that the world's biggest food and beverages company was founded in a small Swiss research laboratory. Although this home laboratory proved to be too small within a short time, one thing remained unchanged: closeness to people and respect for basic human values. These have been the foundations of our company's philosophy ever since.

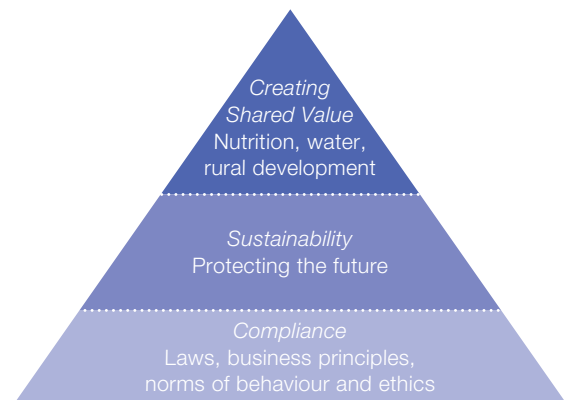
Since the establishment of Nestlé Hungária Kft. in 1991, we have been developing our product portfolio. Nestlé Hungária Kft. has three factories in Hungary, and the company is present in the Hungarian market with confectionery products, instant beverages, breakfast cereals, pet food, infant formulas, baby food, culinary products for home cooking and professional kitchens, coffee products and clinical enteral nutritional products. The fourth Nestlé factory operating in Hungary is the plant of Kékkúti Ásványvíz Zrt. owned by Nestlé Waters, which is bottling mineral waters for the Hungarian market. It is estimated that Nestlé products are consumed in 99% of Hungarian households.

1991:

Nestlé Hungária Kft. is established.

The business strategy of our company is based on the principle of *Creating Shared Value*, namely on the firm belief that long term business success can only be achieved if the interests of the company and society converge.

- We create value for our shareholders through our business strategy and operation: innovations and renewals make our products capable of ensuring business growth.
- As another important aspect, we never sacrifice long-term opportunities for the sake of short-term results.
- We lay great emphasis on providing consumers with the highest quality food products at all times. We offer our consumers delicious products with a high nutritional value, which contribute to their health and well-being.
- We take steps to improve the economic and social situation of our stakeholders through the entire value chain: farmers who produce raw materials, people who live near our plants, as well as our suppliers and commercial partners.



Nestlé Corporate Business Principles as well as Management and Leadership Principles establish a commitment to fair behaviour, integrity and care for people. There are numerous internal documents regulating the values, behavioural norms and basic principles to be followed by Nestlé and its employees.

These include:

- *The Nestlé Corporate Business Principles,*
- *The Nestlé Codes of Business Conduct,*
- *The Nestlé Management and Leadership Principles,*
- *The Nestlé Consumer Communications Principles,*
- *The Nestlé Supplier Code*

The Nestlé Corporate Business Principles as well as the Code of Ethics and Business Conduct contain the minimum requirements with which Nestlé complies beyond local regulation. We have an internal audit programme called CARE (Compliance Assessment of Human Resources, Safety & Health, Environment and Business Integrity), designed to verify compliance with the Nestlé Corporate Business Principles.

Areas of focus in Creating Shared Value

The goal of Nestlé Hungária Kft. is to become a leader in sustainability within the sector in Hungary. In order to reach this goal, in 2008 we reviewed our activities and examined the possible directions and schedules for development.

Major responsibility areas in our focus:

- 1. Healthy eating and continuous development of our product formulas**
- 2. Promoting awareness of a healthy lifestyle**
- 3. Food safety**
- 4. Reduction of the specific environmental footprint of our production in Hungary**

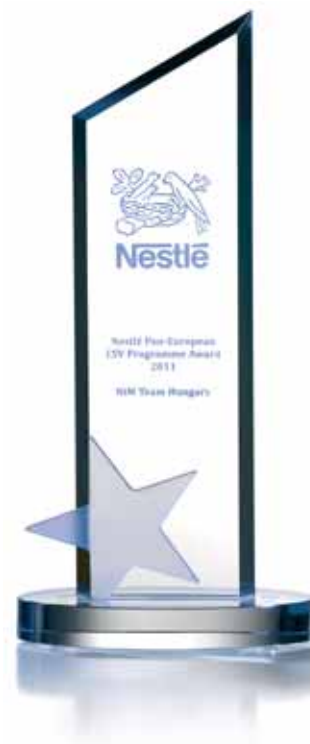
Based on the results, a four-year development plan was drawn up, establishing cooperation and dialogue with players within and outside Nestlé, as well as ensuring transparency and accuracy of assessment.

Key elements of the plan for 2009-2012 include:

- establishing regular communication with stakeholders,
- increasing transparency of operation through, among others, annual reports on environmental and social performance,
- using GRI as a tool for performance management and planning.

The Corporate Communication Manager is responsible for sustainability and Creating Shared Value, and for the implementation of projects in these areas, reporting on the results directly to the managing director.

(For more information on our sustainability measures please refer to pages 11-12 of the 2010 Sustainability and Creating Shared Value Report.)



Our activities for Creating Shared Value are among the best practices in Europe

In 2011 we received Nestlé's European Award for Creating Shared Value:

"The Hungarian market focused on a systematically structured CSV strategy, with special emphasis on communication with every stakeholder."

Brands and products

Our main brands



Major events of 2011 related to product categories:

- The *Nescafé Green blend* product range was successfully introduced on the Hungarian market, creating a separate category for consumers taking special interest in healthy lifestyle within the coffee segment.
- In September, Agatha Ruiz de la Prada presented personally her limited series *Nescafé Dolce Gusto* design with great success at a café in Andrásy út that had been opened for 5 days in her honour. Not only the machine, but also the range of capsules improved dynamically, providing access to 15 types of capsules on the Hungarian market.
- In August 2011, the retail space of the *Nespresso Boutique* in Buda-

pest was doubled to 180 sqm, thereby becoming the flagship of *Nespresso Boutiques* in Central Eastern Europe. For new Club members, the Club Desk provides a new registration area, and the capsules are sold in front of 4.3 meter tall capsule walls. In the Piano Bar, those interested may try the latest coffee machines in a stylish and comfortable environment, and *professional models* are presented at a separate machine wall.

- In the category of breakfast cereals, 5 new products were launched: *Nestlé* musli bars in four flavours and *Nestlé Fitness* cereal bar with Tiramisu flavouring. Education concerning the role of whole grains and breakfast was also given high priority.

- *Maggi* started the “*Maggi Okoskonyha*” portal where consumers may find not only product descriptions, but also tips and tricks concerning cooking and healthy nutrition, as well as exciting recipes, budget-friendly ideas and nutritional advice.
- 2011 was the year of *Balaton szelet* in the chocolate segment. The renewal of the popular brand started in the autumn season with a new ad and consumer promotion campaign, the product also got a renewed packaging. What is more, Nestlé hollow chocolate figures managed to strengthen their leading position further on the market as well.
- Alongside its well-known *Beba* brand, Nestlé introduced another range of infant formulas

in Hungary, called *Lactogen*, which is already known and appreciated by millions of consumers throughout the world offered at favourable price. These formulas contain all the nutrients, minerals and vitamins needed for babies for proper development in case they cannot be breast-fed.

- In 2011 *Purina* launched a new initiative to provide continuous help for the HEROSZ animal shelter in Budapest. This is also the way to call people's attention to the importance of keeping animals in a responsible manner.
- In the autumn, *S.Pellegrino*'s legendary bottle was adorned by a label designed on the basis of Bvlgari's 1965 Vintage collection, which were seen in the best restaurants of Budapest as well as during a two-day exclusive fashion event, around the catwalk of Absolute Mode.



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

www.nestle.hu
www.nescafe.hu
www.nesquik.hu
www.dolce-gusto.hu
www.nespresso.com
www.maggi.hu
www.boci.hu
www.mitegyenababa.hu
www.beba.hu

www.nestleprofessional.hu
www.purina-one.hu
www.purina-proplan.hu
www.kekkuti.hu
www.theodora-info.hu
www.nestle-aquarel.hu
www.nestle-gabonapelyhek.hu
www.balatonszelet.hu



Look for us on Facebook too:

- Nescafé Hungary
- Nescafé Dolce Gusto Magyarország
- Balaton szelet
- Boci csokoládé
- Okoskonyha (Maggi - Smartkitchen)
- Gondos Gazdik (Pro Plan - Careful Owners)
- Mindenem a macskám (Friskies - My Cat is my everything)
- Dog Chow Disc Cup



Nestlé products are sold throughout the entire territory of Hungary. Almost half of the net sales revenue is from domestic retail and institutional sales. The rest of sales comes from business with Nestlé partner companies abroad, mostly generated by factories operating in Hungary and serving the markets of Central and Eastern Europe. The amount of products produced for export is seven times higher than that of the total imports of the company. The products manufactured in the four regional factories were exported to almost 40 countries of the world in 2011, with a value of more than 53 billion HUF.

For the past 20 years:

at least 960,000 tons of products have been exported, amounting to 360 billion HUF in value.

Nutrition, health and wellness

Our goal is to contribute to an improvement of the quality of life, health and wellbeing of consumers through solutions and continuous product development based on scientific research carried out by Nestlé in the field of food and nutrition. Also, we aim to enhance consumers' knowledge on food and nutrition through clear and responsible communication.

What do we do?

- We spend significant amounts of money on continuously improving the nutritional composition and taste of our products.
- In our recipe management system, we keep track of products and recipes to be developed and monitor our results to date.
- We keep lowering the content of salt, sugar, trans fats, saturated fats and artificial colourings in our products, increasing at the same time the proportion of nutritious ingredients and useful micronutrients.
- We provide appropriate and easy-to-understand guides regarding the recommended amount of consumption.
- The composition of products advertised by Nestlé to children always complies with our internal development policies defined on the basis of domestic and international dietary recommendations.
- Dialogue with stakeholders, as well as cooperation with governmental and other organizations in the field of nutrition and health care is an integral part of our work.
- *Nutrikid*, our nutritional training programme for children has been in place for 9 years.
- We help our employees master the art of healthy living, so that they may become its ambassadors and the ambassadors of Nestlé at the same time.
- The quality of our products is ensured by Nestlé's comprehensive system of appropriate institutions.



	2009	2010	2011
Part of the portfolio that meets the criteria of "Nestlé Nutritional Foundation" (NF)*	51.1%	47.5%	68%
Number of products renewed for nutritional or health care reasons**	57	38	26
Number of products (out of the above) with reduced content of salt, sugar, trans fatty acid, fat or artificial colouring, using natural ingredients**	37	13	8
Products that have gone through the 60/40+ development process (as a % of the 50 products with the highest sales revenue)*/**	60%	69%	35%
Products that feature the Nestlé Nutritional Compass (% of relevant products)***	100%	100%	100%
Products that feature the GDA (Guideline Daily Amounts), in % of relevant categories****	100%	100%	100%
Observing the ban on TV advertisements aimed at children under the age of 6 in line with the principles of self-restraint	100%	100%	100%

* With the exception of infant formulas and breakfast cereals, the results are calculated in proportion to our products distributed in Hungary. Since this is a totally new method, the results cannot be compared to those of the previous years.

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

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

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

During the last 3 years we renewed the recipes of 121 Nestlé products in accordance with the strictest nutritional recommendations.

Product development goals in the area of nutritional content

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



Promoting conscious food consumption

Due to the increasing percentage of obese people and the insufficient intake of certain basic nutrients, the appropriate portion size and the frequency of consumption are increasingly important

dietary considerations. Nestlé has been actively working on researching and solving these problems for years.

For example in our system of evaluating ingredients mentioned above, we use appropriate portion sizes.

One of the main drivers behind the establishment and application of the Nestlé Nutritional Compass (currently displayed on all of our relevant products) is to communicate healthy portions to consumers.

2005:

The Nestlé Nutritional Compass was displayed on Nestlé products at the first time

The Nestlé Nutritional Compass provides information about the following:

- the nutrient content of the product (per 100 grams or 1 portion of food, listing energy, protein, fats, saturated fats, carbohydrates, sugar, dietary fibre and sodium),
- various nutritional recommendations,
- the composition of the product and the physiological effects of its basic ingredients,
- and in some cases, specific gastronomic background information related to the product in an easy-to-follow, clear format.



100% of our products
indicate the Nestlé Nutritional Compass.

For the measurement of customer satisfaction we use several methods:

- **Brand Health Tracking:** An annual survey which examines the brand awareness and image of Nestlé and its competitors. It facilitates the analysis of the efficiency of communication during the given year, and the setting of objectives for the following year. We have been conducting the survey since 2002.
- **Consumer complaints:** Monthly reports are prepared pertaining to all product lines on the number of consumer complaints relative to the quantity of products sold. The cumulative figure in 2011 was 0.44; in other words, there were 0.44 complaints for every 1 million products sold. With respect to the Kékkút business, this number was 0.26.
- **60/40+ tests:** A special method elaborated by Nestlé used in product development. Consumers look for tasty foods with up-to-date ingredients; therefore, our aim is to create products with a taste that is appreciated by at least 60% of consumers, and that also have an "extra" nutritional advantage compared to similar products on the market. In 2011, ten 60/40+ projects were under completion.

NUTRIKID®

In Hungary, Nestlé has been proposing health-conscious living and balanced nutrition through several programmes, the flagship among these being *Nutrikid* (www.nutrikid.hu).

The *Nutrikid* programme is aimed at 10-12-year-old children and was launched in 2003 in cooperation with the Hungarian Dietetic Association. It is completely free and any primary school in the country is welcome to join. The package is free of product advertisements, and includes a fun workbook for children, a cartoon video cassette/DVD, as well as a teacher's handbook to aid instruction. For the last nine years, we have spent over 170 million forints on this niche-filling educational programme.

2003:

*Launching
the Nutrikid
programme*



NUTRIKID PROGRAMME: HEALTH DAY WITH ALEXANDRA BÉRES

As part of the *Nutrikid* programme, our tenders are open for primary schools every year since 2004.

During the 2010-11 school year we carried out a research to explore the areas that represent the greatest challenges in domestic primary schools. Based on the answers of

4700 pupils and 600 teachers it turned out that conscious eating, as well as finding the balance between nutrition and exercise, and involving parents are the hardest things to do.

In the second round of the tender we asked the teams to prepare a health day plan and a poster answering the challenges identified

by the survey. From among the 164 tenders, the first prize was awarded by the jury to the Bikkmakk team. These pupils from Magyaratád received a contribution of 300,000 HUF to carry out their plan, which came to life on May 6. The programme of the health day was enhanced by the activities led by Alexandra Béres, a Hungarian, European and World Fitness Champion.

By the autumn of 2012, Nutrikid's website will be renewed by adding specific contents for parents, teachers and children so that everyone may find topics interesting for them. Our goal is to provide useful advice on balanced and healthy living that is applicable every day, whether at school or at home.

Since 2003,
*at least 320,000 pupils
from 3100 primary schools
have been instructed with
the help of the Nutrikid
programme.*

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



protection, beauty care, relationships, family issues and raising children. Since October 2011, the renewed website contains all of Nestlé's current competitions; visitors may find interesting

information as well as useful pieces of advice concerning each product category. Through our Lifestyle Club loyalty program, we draw valuable prizes each month and consumers may post their comments.

The portal was visited on 328,000 occasions in 2011.



Food safety

Under no circumstances do we make any compromise as far as the safety of our products is concerned; we do our utmost to offer products of the highest quality to consumers. Accordingly, it is our duty to comply with relevant legislation and provisions; this is an issue not subject to negotiation. Since the keys to the successful implementation of high quality requirements are training and teamwork, we provide regular training to our employees so that everyone clearly understands their tasks and possesses the necessary skills to carry them out.

Regarding the health and safety impact of Nestlé's products, no complaints were made in 2011, either.

In the pet food business unit, competent authorities carried out 116 samplings and 428 laboratory tests in 2011.

The products manufactured in our factory in Bük were always found to be faultless.

Similarly, no fine was imposed on Nestlé in the food business either. In 2011, authorities carried out 64 samplings, and our company was not even warned for anything.

Precautionary action

Various specialized organizational bodies and crisis committees monitor local and international events that could have a negative impact on Nestlé, the environment or society. They are responsible for crisis prevention and crisis management. Nestlé's international crisis management system includes a strict internal reporting system, and there are companywide regulations in place for action to be taken in case of crises as well. In order to ensure short response times, Nestlé also uses international conference calls and information received directly from international organizations such as the UN's World Health Organization and Nestlé's own research centre. Nestlé operates a comprehensive product recall process at every distribution centre, including Hungary. This contains all the information necessary for safe, timely, precise and cost-effective recalls.

Our quality, health and safety, as well as environmental management policy is available at www.nestle.hu.

Creating Shared Value in Hungary by focusing on sustainability

4 factories

20 years of stable presence

1,600 employees

272 billion

HUF export from Hungary
during the past 6 years

214 million HUF spent in support
of the civil sphere during the past 6 years

46 billion

HUF tax payment during the past 7 years

50 billion HUF investment
during the past 20 years

**Around
1900:**

*the first Nestlé products
appeared on the
Hungarian market*

In 2011:

10 billion HUF investment,

10 thousand square meters
of new manufacturing area,

200 new jobs in Bük

80% of our suppliers are Hungarian
(considering the number of partner companies)

53 billion HUF export
from Hungarian factories

9 billion HUF payment
to the Hungarian state budget



FACTORIES IN HUNGARY

In 2011, the production of our factories in Hungary increased by 20% (to 179,764 tons) as compared to the previous year.



PRODUCTION OF HOLLOW FIGURES

For this year's season, approximately 1,300 Easter chocolate figurines were manufactured in Nestlé's plant in Diósgyőr. 80% of that, with a value exceeding 2 billion HUF, was specifically produced for export. In spring 2012, consumers saw the seasonal products made in Hungary in 20 countries of three continents. Special chocolate figures are hand-packaged, and the average age of local women on the team is 55 years.



HUNGARIAN PAPRIKA

In 2012, more than 100 tons of domestic seasoning paprika shall be purchased by Nestlé's European network in a value of about 400,000 euros. Paprika is supplied for the culinary division by Rubin Szegedi Paprikafeldolgozó Kft., a paprika-processing company 100% in Hungarian ownership. *Maggi* products prepared with Hungarian paprika are exported to eight European countries, and domestic stores are expected to purchase and offer about 800 tons of products prepared with it (seasonings, soup cubes and other culinary products).

Suppliers, subcontractors, raw materials

Nestlé's sourcing policy in Hungary is regulated by the local application of Nestlé Code of Business Conduct, as well as Nestlé Corporate Business Principles. Accordingly, uniform conditions are provided to suppliers. The main criteria for selecting suppliers are: quality, compliance with applicable legislation, reliability and price. The selection of suppliers is regulated by NIMS (Nestlé Integrated Management System).

Nestlé is paying increasing attention to improving environmental and social performance not only in its own offices and plants, but also in those of its suppliers. In this spirit, a new Supplier Code entered into force in August 2010 (www.nestle.com/suppliers). The Code is binding upon all suppliers; compliance is verified by self-checks carried out by suppliers and third-party audits.

However, not only new partners are subjected to a supplier audit. The degree of hazard of the materials supplied determines how often partners must be audited (for example, suppliers of highly hazardous products must be audited once every three years). In 2011, Nestlé carried out 30 supplier audits in Hungary (in the Food business unit).

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

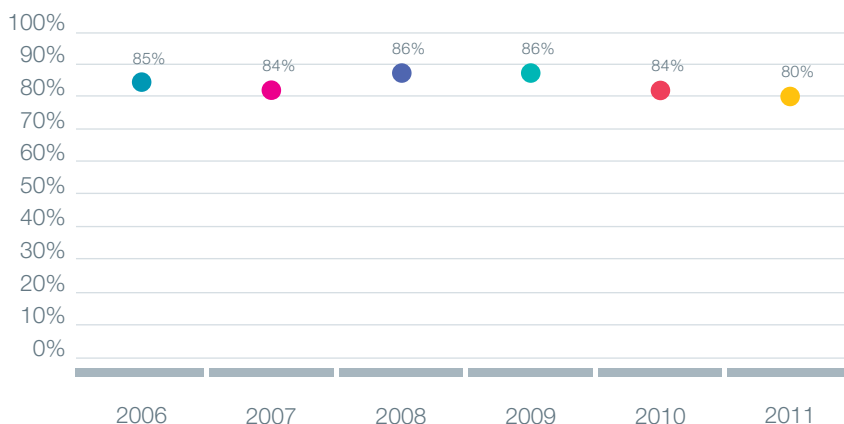
2005:

*Opening of the
sensory laboratory
in Szerencs.*

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

Nestlé's organoleptic testing laboratory for the Central Eastern European region in the field of instant powdered beverages operates in Szerencs. The independent assessors working in the laboratory carry out sensory tests for the relevant 60/40+ research and other tests related to product development and product quality tracking.

Proportion of local suppliers (based on the number of companies)





The Cocoa Plan

The Cocoa Plan is aimed at solving or mitigating the problems faced by cocoa producers and their families and communities. Our goal is to support high quality cocoa production in order to enable profitable farming, the improvement of the quality of life of farmers and the education of their children. The Cocoa Plan is in operation in the world's largest cocoa producing country, Ivory Coast, as well as the countries of origin of the finest quality cocoa, Ecuador and Venezuela.

For more information, please scan the QR code with your mobile phone:



Nescafé Plan

Nestlé is the largest direct buyer of coffee, and our sourcing system allows tens of thousands of small-scale producers and intermediaries to deliver coffee right to our receiving facilities. This way, they get a higher price and free technical help through which they can improve the quality of their crops as well as diversify their activities. As a result, their income increases and Nestlé is provided with high quality coffee.

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

For more information, please scan the QR code with your mobile phone:



Employment data

	2009	2010	2011
Total number	1,429	1,437	1,614
Budapest	435	415	405
Szerencs and Diósgyőr	586	562	605
White-collar	105	100	106
Blue-collar	481	462	499
Bük	323	382	525
White-collar	82	98	113
Blue-collar	241	284	412
Kékkút	85	78	79
White-collar	26	22	23
Blue-collar	59	56	56
Full-time	1,418	1,424	1,600
Budapest	425	403	393
Szerencs and Diósgyőr	585	562	605
Bük	323	381	524
Kékkút	85	78	78
Part-time	11	13	14
Budapest	10	12	12
Szerencs and Diósgyőr	1	0	0
Bük	0	1	1
Kékkút	0	0	1
Fixed-term contract	40	34	52
Budapest	7	5	4
Szerencs and Diósgyőr	0	0	6
Bük	22	23	34
Kékkút	11	6	8
Indefinite term contract	1,389	1,403	1,562
Budapest	428	410	401
Szerencs and Diósgyőr	586	562	599
Bük	301	359	491
Kékkút	74	72	71
Leased employees and agency contracts	119	234	246
Budapest	7	3	14
Szerencs and Diósgyőr	101	231	214
Bük	2	0	18
Kékkút	9	0	0

Nestlé Hungária Kft. has a Central Works Council and the factories have their own local Works Councils, in accordance with the conditions set forth in the Labour Code. The established practice is that the management formally provides information to the Central Works Council twice a year, also offering the Works Council the opportunity to voice its opinion. As there are numerous issues to be resolved that cannot be handled within this framework, there is a very active process of e-mail and personal discussions between employee representatives and senior management. Approximately 60% of Works Council representatives are members of the Trade Union of Confectionery Workers.

Trade union activity at Kékkúti Ásványvíz Zrt. has been present since 2002. The current number of union members is 21, who are all workers of the Kékkút plant.

Economic results

The year 2011 was characterised by adverse macroeconomic conditions and, as a result, decreasing household consumption. This was amplified by the impact of new taxes introduced for the fourth quarter and the weakening of the Forint.

Although there was a clear set-back in the market of several traditional Nestlé products, other categories witnessed an increase in the market share. In order to counterbalance growing purchase prices (commodity prices, exchange rate effects) as well as the increasing pressure from the commercial environment, our company responded primarily by improving efficacy and examining fixed corporate costs.

Through structural transformations and continuously adapting the product portfolio to consumer needs, the strengthening of the company's market position is ensured for the years ahead.

In the pet food division, our domestic revenue has slightly decreased (by 0.1%) in comparison to the 2010 level. Several product groups witnessed stagnation on the basis of their 2011 revenues, which tendency was offset by increased sales in other groups, primarily that of aluminium packed products.

For Cereal Partners Hungária Kft., the year 2011 proved to be hard again: they had to face and battle many hardships incurred by the economic crisis. The market presence of private

label products slightly fell back, their share decreasing from 28.0% to 27.3% by the end of the period. Two new players appeared in the category by the end of the year achieving a share of 7,4%.

Kékkúti Ásványvíz Zrt. sold 102 million bottles from its unique product portfolio last year. In this wide portfolio there are water products from the Kali basin such as *Theodora* and *Nestlé Aquarel*, and also international brands such as *S. Pellegrino*, *Acqua Panna* and *Perrier*. With this result our company kept its leading position in the mineral water segment in 2011 as well reaching a 5,5 billion revenue. In spite of the challenging economic situation, this is a 1,2% volume growth versus the previous year.



PRODUCTION LINE IN SZERENCS

		Nestlé Hungária Kft.			Cereal Partners Hungária Kft.*			Kékkúti Ásványvíz Zrt.		
	Unit	2009	2010	2011	2009	2010	2011	2009	2010	2011
Revenues	thHUF	86,999,068	84,680,458	100,772,797	3,031,191	3,130,443	3,337,871	6,604,538	5,905,838	5,582,303
Net sales revenue	thHUF	81,632,736	80,428,591	93,143,474	3,007,281	3,089,740	3,294,965	6,426,910	5,819,289	5,445,880
Net domestic sales revenue	thHUF	40,013,115	37,731,114	39,284,832	3,007,281	3,089,740	3,294,965	6,419,133	5,809,566	5,447,214
Net international sales revenue	thHUF	41,619,621	42,697,477	53,858,642	-	-	0	7,777	9,723	8,666
Capitalised value of self-manufactured assets	thHUF	-47,116	-51,456	25,457	0	0	0	11,428	-31,239	-11,657
Other revenues	thHUF	936,710	1,216,385	1,774,957	0	0	0	86,859	77,841	91,704
Revenues from financial transactions	thHUF	4,476,738	3,086,938	5,828,909	23,910	40,703	42,906	79,521	39,947	46,376
Operating costs	thHUF	73,887,430	73,855,052	90,742,481	3,038,405	3,011,933	3,229,478	6,445,005	5,232,861	5,092,135
Material expenditures	thHUF	66,282,622	66,304,390	7,8732,870	2,926,744	2,950,817	3,126,796	4,639,588	4,214,891	4,400,109
Other expenditures		2,007,320	3,208,180	3,707,536	42,629	6,948	55,224	1,225,215	750,782	401,640
Expenditures of financial transactions	thHUF	5,597,488	4,342,482	8,302,075	69,032	54,168	47,458	580,202	267,188	290,386
Employees' wages, benefits and related contributions	thHUF	8,096,779	7,903,464	8,752,595	959	734	2,713	892,809	842,891	812,478
Payments to owners	thHUF	0	0	0	0	0	0	0	0	0
Payments to state budget	thHUF	1,047,496	1,033,935	1,010,143	43,838	65,158	65,967	98,697	91,834	81,870
Corporate tax	thHUF	74,187	58,028	0	0	468	11,378	0	0	0
Other taxes	thHUF	973,309	975,907	1,010,143	43,838	64,690	54,589	98,697	91,834	81,710
Support provided to the civil sphere	thHUF	81,339	42,604	22,010	0	0	0	0	0	0
Retained earnings	thHUF	3,886,024	1,845,403	-1,136,341	-52,011	52,618	94,302	-843,575	-285,115	-405,778

*Contains the data of the report published concerning Cereal Partners Hungária Kft.

Donations and volunteering

The value of donations made to NGOs in 2011 is 22,000,000 HUF, mainly in the form of product donations (calculated at cost price).

The donations reached those in need through Nestlé's strategic partners: the Hungarian Food Bank Association and the Hungarian Red Cross.

The Red Cross–Nestlé Fund

An open-ended charity fund was set up by Nestlé in 2008 to subsidize the medical treatment of children and young people aged 0-18. To ensure the transparent operation of the organisation, a three-member committee was set up, whose members are officers of Nestlé Hungária Kft. and the Hungarian Red Cross responsible for social issues, including a legal advisor from the Child Guardian Office and a paediatrician. In 2011, 11 sick children and their families received support in kind from the Charity Fund.

World Food Day Donation Convoy

In 2011, we continued our tradition of participating in the donation convoy organized on the occasion of World Food Day. The convoy was organized by Nestlé's key partner in product donations, the Hungarian Food Bank Association, and the FAO (the Food and Agriculture Organization of the United Nations) in order to raise awareness of the serious food supply problems afflicting a large part of humanity.



214 million
HUF
*spent in support of
the civil sphere during
the last 6 years*

In July 2011, as part of a team building training, the employees of the Budapest office of Purina had the opportunity to visit the Budapest animal shelter of the association HEROSZ to offer help in the form of voluntary work.

The timing of the visit was perfect: the following day was a 'doors open day' at the animal shelter, during which two rows of kennels, renovated during the spring, were put into use. Our group of almost 30 workers were received warmly, and they were enthusiastic about being involved in the tasks. The participants worked for almost 3 hours: some raked, some painted the fence and some walked the dogs. Everyone found a job they were happy to do.

In March 2012 Purina concluded a sponsorship agreement with the Budapest animal shelter of HEROSZ (Herman Ottó Magyar Országos Állat és Természetvédő Egyesület). In the framework of this comprehensive sponsorship, we cover the annual food demand (from Darling and Friskies products) of all the dogs and cats living in the shelter, as well as other equipment (feeding bowls for both dogs and cats, leashes, collars, blankets for cats, and working clothes for the staff). Above that, with every dog and cat adopted, we provide a so-called starter kit, which is given to the adopters free of charge. Purina's team shall pay regular visits to the shelter, 3-4 times every year, and we also plan to improve the shelter's communication with the help of a professional agency (Avantgarde).





SZERENCs FACTORY



DIÓSGYŐR FACTORY

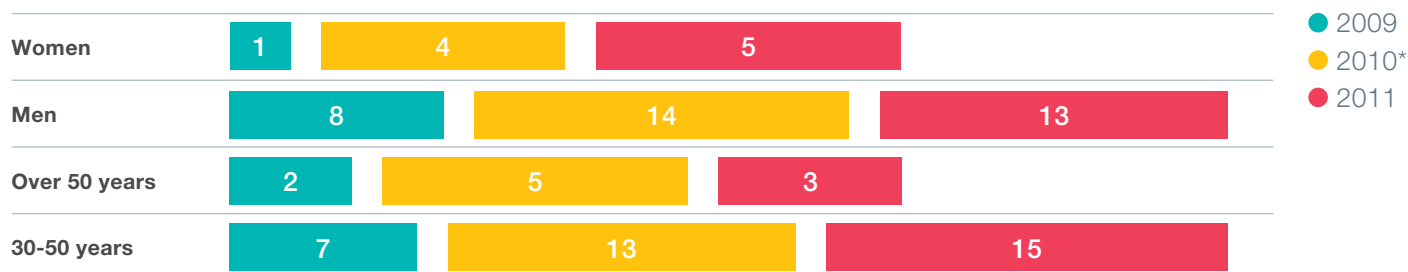
Employees

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



Based on the benchmark survey of mtd Tanácsadó Közösség, Nestlé received the TOP 10 Diverse Organization award. This award is granted to 10 companies that evidence their results in the field of equal opportunities and diversity through both the survey and personal assessment. In order to improve our performance in these fields, we have introduced a program for young mothers (to help them reintegrate into work); we also carry out an audit of the whole company every three years to see if the Code of Business Conduct and our Corporate Business Principles are observed (CARE program); and one of the major elements of our strategy is Creating Shared Value.

Age and gender ratios in management bodies



*The definition of senior management was expanded for 2010 on NiM (Nestlé in the Market) level

Training, health and safety

2007:

*NQ nutritional trainings
were introduced
in Hungary as well.*



*Nutrition Quotient
(NQ) training
Healthy nutrition
is a basic issue
for everyone at
Nestlé, and it is*

indispensable to maintain the attitude of constant learning in this field, so that we can play a leading role in the food, health and lifestyle sector. NQ training provides help for our employees to create a healthy lifestyle, and in 2011 the program was extended with an e-learning module.

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

Employees and their managers determine the areas of development and decide on the related action plans together at annual 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. And finally, formal trainings provide a contribution of 10% to the development of the individual. This approach serves as the basis for annual training plans and for the long-term plan of individual development.

	2009		2010		2011	
	Total training hours	Training hours per person	Total training hours	Training hours per person	Total training hours	Training hours per person
Nestlé Hungária	26,659	20.3	18,185	13.7	21,977	14.67
Budapest	12,968	32.8	2,045	6.1	2,972	8.1
Szerencs	4,566	12.2	9,424	26.7	9,906	27.4
white-collar	2,506	32.5	3,769	52.3	3,605	49.4
blue-collar	2,060	6.9	5,655	20.1	6,301	21.9
Diósgyőr	2,750	13.0	2,144	10.2	3,917	16.1
white-collar	221	7.9	858	30.6	687	20.8
blue-collar	2,529	13.8	1,286	7.1	3,230	15.3
Bük	6,375	19.3	4,571	12.2	5,182	12.2
white-collar	1,636	22.1	945	11.1	1,340	15.8
blue-collar	4,739	20.1	3,626	12.5	3,841	13.3



Investment

...where everyone is made better off by a ...

...able to buy ... compensation ... 10% or less ... is ... unusually large ... Banks ... after paying ... within a ... absolutely ... checks ... the bank ... \$1000 will ... decline by ... by ... for its

Compliance with the health and safety rules laid down in our Business Principles as well as in Hungarian legal regulations went through a successful audit again in 2011, carried out by the certification agency SGS. Our work culture committed to a “zero accident” policy is supported by Nestlé’s Occupational Health and Safety Management System (compliant with OHSAS 18001).

At our factories in Szerencs, Diósgyőr, Bük and Kékkút we have elected representatives of occupational safety, who hold meetings with managers at least once a month or every three months, discussing current issues of safety and environmental protection.

All Nestlé factories run a so-called behaviour-based occupational safety programme involving conversations on safety (SUSA), which have had a major role in reducing the number of accidents.

The rationale is that we take care of our working environment and colleagues by involving each and every employee.

Lost time injuries

	2009	2010	2011
Total			
number of accidents	7	2	1
total days lost	363	35	33
ratio of lost days to total work time	0.11%	0.01%	0.01%
Budapest			
number of accidents	1	1	0
total days lost	47	17	0
ratio of lost days to total work time	0.05%	0.02%	0%
Szerencs and Diósgyőr			
number of accidents	6	0	0
total days lost	316	0	0
ratio of lost days to total work time	0.21%	0%	0%
Bük			
number of accidents	0	1	1
total days lost	0	18	33
ratio of lost days to total work time	0%	0.02%	0.02%
Kékkút			
number of accidents	0	0	0
total days lost	0	0	0
ratio of lost days to total work time	0%	0%	0%

(No fatal accidents or accidents resulting in lasting damage occurred in 2011, either.)

Nestlé factories in Hungary

Factories in Szerencs and Diósgyőr

On 11 April 1991, Nestlé acquired the factories in Szerencs and Diósgyőr, and subsequently founded Nestlé Hungária Kft.

2003:

The factory in Szerencs became the regional centre for the production of powdered beverages.

As a result of production developments, the factory in Szerencs became Nestlé's regional centre for the production and packaging of powdered beverages.

This is the place where the well-known Nesquik and Nescafé 3in1 products are manufactured. At present about 80% of

the 30,000 tons of powdered beverages packaged here is produced for export.

Nestlé's organoleptic testing laboratory for the Central Eastern European region in the field of instant, powdered beverages operates in Szerencs. The independent assessors working in the laboratory carry out sensory tests for the 60/40+ studies and other tests related to product development.

Since continuous quality control is extremely important in production, a group of trained taste experts works at the plant. Every day begins with a tasting; products manufactured on the previous day are put to the test and are only marked as "saleable" in case of compliance.

More
than **800**
jobs

Sensory
laboratory



JEAN-PIERRE POLANEN, FACTORY MANAGER

The 60/40+ concept is a special method elaborated by Nestlé for product development. Consumers look for tasty foods with up-to-date ingredients; therefore, our aim is to create products with a taste that is appreciated by at least 60% of consumers, and that also have an "extra" nutritional advantage. Thus, apart from evaluating taste, we also assess the nutritional composition of products. After examination, we compare the nutritional content and composition of our products with Hungarian and international dietary recommendations, as well as with the data of competitors' products. The evaluation exposes the product's dietary strengths and weaknesses, and also marks out the direction of further development.

The factory in Diósgyőr is Nestlé's single plant in the world specializing in the manufacturing of hollow chocolate figurines, producing them mainly for the Christmas and Easter holidays. These products are present in almost all countries of Europe, with an annual amount of nearly 3,000 tons produced in Diósgyőr. The proportion of export production is about 80-85%, and in 2011 a total of 73.5 million chocolate figurines left the factory.

Considering our markets and business lines, the Diósgyőr site witnessed strong growth: we produced more than 3,300 tons of hollow figurines, which is about 15% more than the amount produced in 2010. This was achieved primarily through our exports to the Czech Republic and the United Kingdom, as well as through expansion to South Africa, New-Zealand and South America. As a result, the number of our employees also increased by 10%.

*73.5 million
chocolate figurines*

Independent employment company Prima-Soft has been cooperating with Nestlé's Diósgyőr factory since the spring of 2007. Their activity is focused on people with reduced work capacities, and they have provided Nestlé with about 60 to 80 employees, who usually work in two shifts at the factory site, depending on the workload.



PRODUCTION OF SANTA HOLLOW FIGURES

**2 years, 4 million working hours and
0 accidents in Szerencs and Diósgyőr**

Safety is not a matter of chance at the factories of Szerencs and Diósgyőr. This is also shown by the fact that the factories celebrated the second anniversary of accident-free operations in 2011. The 730th accident-free day was celebrated, appropriately, with a chocolate bottle of champagne. In 2010 and 2011 no injury was reported in the Szerencs and Diósgyőr factories that would have required the injured person to stay away from work. During this time our colleagues spent 4 million working hours at the sites without accident, producing nearly 400 types of products. This was the reason for the celebration – with a chocolate champagne bottle, specifically designed for this occasion and manufactured at the factory in Diósgyőr. Each employee received a chocolate champagne bottle from the management of the plant.

“These two years of accident-free operation are due to rational technical development and to the fact that our colleagues have never lost sight of the importance of safety at work for even a single second,” said Mrs. Maszler, safety manager working at the factory for 34 years. Concerning the event, Jean-Pierre Polanen, manager of both factories said that the “health and safety of employees are high priorities for Nestlé not only in Hungary, but in every country of its operation.”

0
accidents





Activities in local communities

The factories of Nestlé in Szerencs and Diósgyőr provide regular support to local schools and kindergartens, mainly through seasonal products. For the past years, we had several opportunities to make the children smile at the Miskolc School for Autists, the Children's Health Care Centre and the Gyárkert Kindergarten. Beside that, regular support is provided to Péter Juhász powerlifter.



EASTER SUPRISES

The HR department visited the Mátyás Életes Primary Member School and Kindergarten for Autists in Miskolc, as well as the Children's Health Care Centre (GYEK) of the County Hospital to present the children with chocolate bunnies and eggs for the Easter holiday and so make them smile. Our staff distributed several hundreds of chocolate figurines among the children.

Environmental protection

- In 2010, a 120 million HUF investment was carried out in the Szerencs factory to adapt the cooling system and steam boiler, built in the 1990s, to present production needs. The modernization is expected to save 5,182 GJ of energy and 8 million HUF each year from 2011 on.
- 93% of the boxes and trays of products manufactured in

the Szerencs factory are made of recycled paper; the annual amount is approximately 50 million pieces. At the Diósgyőr site, this proportion is 50%, and the annual amount is 3.4 million pieces.

- In the Szerencs factory, an air filter is in place to reduce dust emission, and the factory also has a noise reduction system.

In 2011, the energy consumption of the Szerencs factory per ton of product was reduced by 12%, and water use decreased by 27%.

In 2011, the energy consumption of the Diósgyőr factory per ton of product was reduced by 4%, and water use decreased by 5%.

Environmental impacts

	Szerencs			Diósgyőr		
	2009	2010	2011	2009	2010	2011
Energy consumption (GJ/ton of product)	1.35	1.43	1.26	4.20	4.77	4.55
Water use (m ³ /ton of product)	0.73	0.66	0.48	3.69	3.37	3.19
Waste (non-hazardous) (t)	939	1139	1030	192	115	134
CO ₂ emission (from electricity consumption) (kg CO ₂ /ton of product)	53.24	54.41	54.6	225.82	254.78	255.15
CO ₂ emissions (from natural gas consumption) (kg CO ₂ /ton of product)	44.47	48.09	38.34	103.02	117.84	105.58
Quantity of raw materials used (t)	31,039	30,278	30,434	2,211	2,481	2,731
Quantity of packaging materials used (t)	NA	5,149	5,546	435	422	474

Pet food factory in Bük

1998:

Nestlé purchased the factory in Bük

In 1998, Nestlé acquired Jupiter Állateledel-gyártó Kft., a pet food factory along with its facilities in Bük, as well as the rights to use the *Darling* brand name. Following this acquisition, an additional pet food factory was established in the town, by an investment of nearly 6 billion HUF – the very first facility in Hungary to produce both dry and wet (canned) pet food. Over the years, the plant became the Central and Eastern European centre of Nestlé's pet food manufacturing, providing job opportunities for more than 540 people.

On 8 July 2011, the plant producing alu-pouch products was opened at the same site. By a 10 billion HUF investment, a new production unit of ten thousand square meters and two hundred new jobs was created. Prior to the expansion, the factory in

Bük with 360 employees produced 100,000 tons of pet food, 80% of which was exported to countries of Central Europe and the Balkans.

"We have worked for two years on this investment. We prepared the impact studies and all the necessary plans, and then it took a year to build the new plant. This was a lot of work since we needed to demolish the old buildings and build a special wall to absorb noise. Construction works were completed in January, then we installed the machinery and in June we started production", said Andrew Ethell, factory manager.

Currently, the factory in Bük produces both dry and wet food (cans and alu-pouches) for both dogs and cats, for which there is an increasing demand in the market. In Hungary, for example, every second family has a pet, which are fed not only with leftover food, but more and more often with pet food specifically manufactured for them.



ANDREW ETHELL, FACTORY MANAGER

Our factory manager, Andrew Ethell, received the Award for Promoting the Economy of Bük, voted for him by the board of representatives of the town. The award was handed over on 19 August 2011 at the town's community centre, where mayor Sándor Németh commended the many years of Andy's devoted work.



8th July, 2011: FACTORY INAUGURATION

10 billion HUF
investment

Environmental protection:

- At the factory, the following types of waste are collected selectively:
 - waste paper: office paper, cardboard, corrugated cardboard and newspapers
 - plastic: foils, bags, fastening tapes, bottles
 - metals from packaging: clean cans
 - other metals
 - wood: pallets
- Thanks to the smell reduction investments made in previous years, no complaint was filed by local inhabitants in this regard in 2011. The installed biofilter works with a 96% percent efficiency, and has a maintenance cost of 100,000 EUR for a five-year period.
- In the construction of the new plant, special emphasis was laid on noise reduction, so noise damping cases were installed. This was a preventive measure, since as we mentioned above, no complaints from the part of local residents had been filed in this regard.

Environmental impacts	2009	2010	2011*
Energy consumption (GJ/ton of product)	1.86	1.83	1.93
Water use (m³/ton of product)	1.21	1.18	1.51
Recycled and reused water	3.6%	4%	6%
Waste (non-hazardous) (t)	6,228	4,829	9,639
CO ₂ emission (from electricity consumption) (kg CO ₂ /ton of product)	49.19	48.53	47.03
CO ₂ emission (from natural gas consumption) (kg CO ₂ /ton of product)	75.47	74.17	80.55
Quantity of raw materials used (t)	103,591	102,351	115,500
Quantity of packaging materials used (t)	7,059	5,999	10,816

*The production of pet food in the new plant uses wet technology to make the aluminium packed products, requiring more water and energy. This is the reason for the increase in the values per ton of product. Also, before putting into operation, the plant was running in test mode for 2-3 months, producing a very small amount of pet food in tons, but using the same amount of water and energy as normal.



Kékkúti Ásványvíz Zrt.



HENRIK GOTTERBARM, CEO

The springs of our mineral waters are located in the untouched, most beautiful natural environment of the Káli basin, in the territory of the National Park north of Lake Balaton. Therefore preserving the environment, sustainability and Creating Shared Value have been basic pillars of operation for Kékkúti Ásványvíz Zrt. ever since it was established.

I am proud that, having joined Nestlé Hungária, this year we also may report on our achievements in the field of sustainability and Creating Shared Value for the first time.

Since the focus of our operation is water, we need to pay special attention to economical water management and to the protection of natural resources of mineral water. In 2011, thanks to the introduction of new technologies, we managed to further reduce our water

Kékkúti Ásványvíz Zrt. is one of Hungary's oldest and largest companies producing and distributing mineral water, and was acquired 100% by Nestlé Waters in 2003. They are the producers of the *Theodora* and *Nestlé Aquarel* mineral waters for the Hungarian market, as well as the importers and distributors of the *Perrier*, *Acqua Panna* and *San Pellegrino* brands. The products of the subsidiary are sold almost exclusively in Hungary.

2003:

100% of Kékkúti Ásványvíz Zrt. acquired by Nestlé.

use per ton of product, and during the past eight years 481,000 cubic meters of water have been saved.

Through our educational programme titled "Every drop counts" we strive to call the attention of younger generations to the importance of preserving our water resources. In 2011 nearly 200 pupils visited Kékkút in order to learn, in a playful manner, about the significance of saving water.

A major part of the environmental impact of producing mineral water is linked to the production of PET bottles. In order to moderate these impacts, the amount of PET as well as energy used for each bottle is continuously reduced.

We continue to support the three times Olympic champion Hungarian water polo team, and organised the 3. Hungarian Theodora Water Polo Cup in 2011 as well.

On the following pages you may find further details concerning the operation of our plant, as well as of our programs and results.

Your remarks, enquiries or proposals are welcome!

Henrik Gotterbarm
CEO



Kékkúti plant is 105 years old in 2012

- The springs of Kékkút were already known to ancient Romans, as proven by the remnants of “villa rustica”, a Roman building found between the plant and the village.
- In the 1700's they were marked on maps as “sour water” springs.
- Bottling started in the plant built in 1907, under the name “Kékkúti Anna forrásvíz” (Water from the Anna spring in Kékkút).
- The water won the gold prize at the London health care exhibition in 1912.
- The name Theodora (Gift from God) was used first in 1921.
- Since 2000 when the company was acquired by Nestlé Waters, 6 billion forints have been invested in its development.

During the six months of the Hungarian EU presidency, Theodora mineral waters were served at its official locations.

Since 2008, our company is a committed supporter of the three times Olympic champion Hungarian water polo team and the Hungarian Water Polo Association, and it was the third time in 2011 that we organised the Hungarian Theodora Water Polo Cup. Just like *Theodora* waters, water polo has a long tradition in Hungary, so we are very proud that we may support a deservedly popular sport. As a result of our cooperation, the life and success stories of six Olympic

athletes as well as those of the three times Olympic champion and manager of the national team, Dénes Kemény, are displayed on the packaging of *Theodora Kékkúti* and *Theodora Kereki* products.

Other sponsorships include the world-class Hungarian kayak and canoe sport, as well as the globally acknowledged handball team of MKB-Veszprém, whose participation in competitions is supported both financially and in kind.

We are very proud that our *Theodora* brand received the “Superbrand” award in 2011 as well.

The quality of our mineral waters is continuously controlled by quality assurance experts under the supervision of competent authorities, and we too check the products at our own chemical-microbiological laboratory before release. The environmental (ISO 14001:2004), food safety (ISO 22000:2005), as well as occupational health and safety (OHSAS 18001:2007) systems of Kékkúti Ásványvíz Zrt. are certified by Bureau Veritas Certification.



KÁLI BASIN

3 years
without accidents

On 14 May 2011, an important milestone was reached by the plant in Kékkút employing 79 people: on this day we celebrated the third anniversary of being accident-free, which is a record in the company's operation. In order to be able to celebrate more of such days, we regularly organise programmes and days devoted to safety at work, providing also continuous training opportunities and carrying out risk analyses alongside investments and developments.



Activities in local communities

We consider it a major responsibility of ours to make young generations understand the importance of preserving our water resources. In that spirit, we started the WET educational programme (Water Education for Teachers – “Every

2005:

*The WET programme
was launched
in Hungary*

Drop Counts”) in Hungary in 2005. Our aim is to deliver the message to children concerning water through teachers, using a novel, experience-based educational method.

In cooperation with the WET programme, we organised a festival entitled “Taking Care of Water” for the third time last year, on the

World Water Day. 22 March 2011 was loud with 170 enthusiastic pupils in the Káli basin who visited Kékkút on that occasion in order to learn, in a playful manner, about the significance of saving water.

Representatives of one of the most popular water sport also joined our programmes. Ágnes Valkai, Péter Biros, Gábor Kiss and Norbert Hosnyánszky, members of the Hungarian national water polo team did not only speak about the love of water, but also got actively involved in games. Among others, they acted like live storm simulators to make the sounds of thunder, wind and rain together with the kids.



*Every drop
of water
counts*

At the end of the day, the pupils left messages in a box for future generations about saving water. They wanted to express that not only those living today, but also those coming after us shall protect one of our greatest natural resources, water.

We create Shared Value:

- In February 2005 we established the Non-profit Fund for the Káli basin. The mission of the fund is to support initiatives encouraging educational, environmental and cultural development and contributing to the preservation of and to the improvement of the quality of life of the people living in the basin.
- In cooperation with the National Park of the North Balaton region,

we built two circular educational paths in the countryside, 8 km each and interlinked with each other by the “Time path” symbolizing the development of the Earth.

- We have been committed supporters of Wink Marathon run in Siófok, which was held for the 8th time in 2011.
- To protect the water resources and the environment, within a cooperation we supported the

neighbouring Kővágóörs with 30,000,000 HUF and Kékkút with 100,000,000 in waste water treatment investment and road reconstruction, and further 10,000,000 HUF were set aside for the future sewage construction works of the five settlements of the Káli basin.

Environmental protection

Environmental protection is a basic pillar of the operation of Kékkúti Ásványvíz Zrt.; our experts pay special attention to the environmentally friendly management of packaging materials and selective waste disposal. Thanks to today’s development tools and procedures we may declare that we are forerunners of eco-conscious bottling and recycling.

As a result of the significant investments made in recent years, a new manufacturing plant was created and a new bottling technology was developed, and now the plant in Kékkút uses 35% less water in the production process than 5 years ago. During the past 7 years, 481,000 cubic meters of water have been saved, enough to fill more than 180 Olympic swimming pools.

*35% less
water consumption*

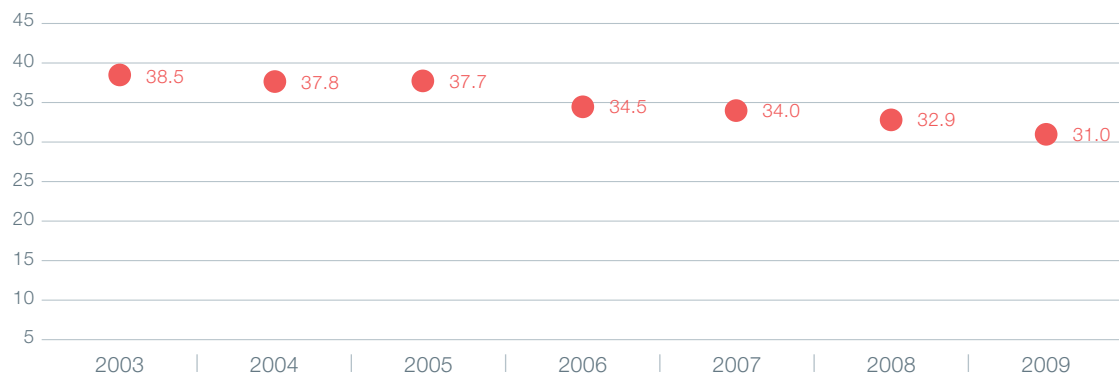
Since several years, Kékkúti Ásványvíz Zrt. works on developing and protecting water resources in the Káli basin. The protection of the quality and quantity of mineral water production is done through an observer system that consists of 50 wells and monitoring wells. Through regular checkup of the wells, complex analysis of the data and continuous contact with authorities, the route of the mineral water can be monitored in space and time.



THEODORA WALL FOUNTAIN

To date, we have used 2500 tons less PET, which is 70% of the annual amount.

Average weight of 1.5 l PET bottles (for both carbonated and noncarbonated)



Environmental impacts	2009	2010	2011
Energy consumption (GJ/ton of product)	0.19	0.16	0.16
Water use (m ³ /ton of product)	1.38	1.39	1.37
Waste (non-hazardous) (t)	65	51	36
CO ₂ emission (from electricity consumption) (kg CO ₂ /ton of product)	13.80	11.68	11.75
CO ₂ emission (from natural gas consumption) (kg CO ₂ /ton of product)	2.52	2.31	1.93
Quantity of raw materials used (t)	179,782	153,984	155,911
Quantity of packaging materials used (t)	5,502	4,746	4,575

55% less waste

Environmental policy of Kékkúti Ásványvíz Zrt.:

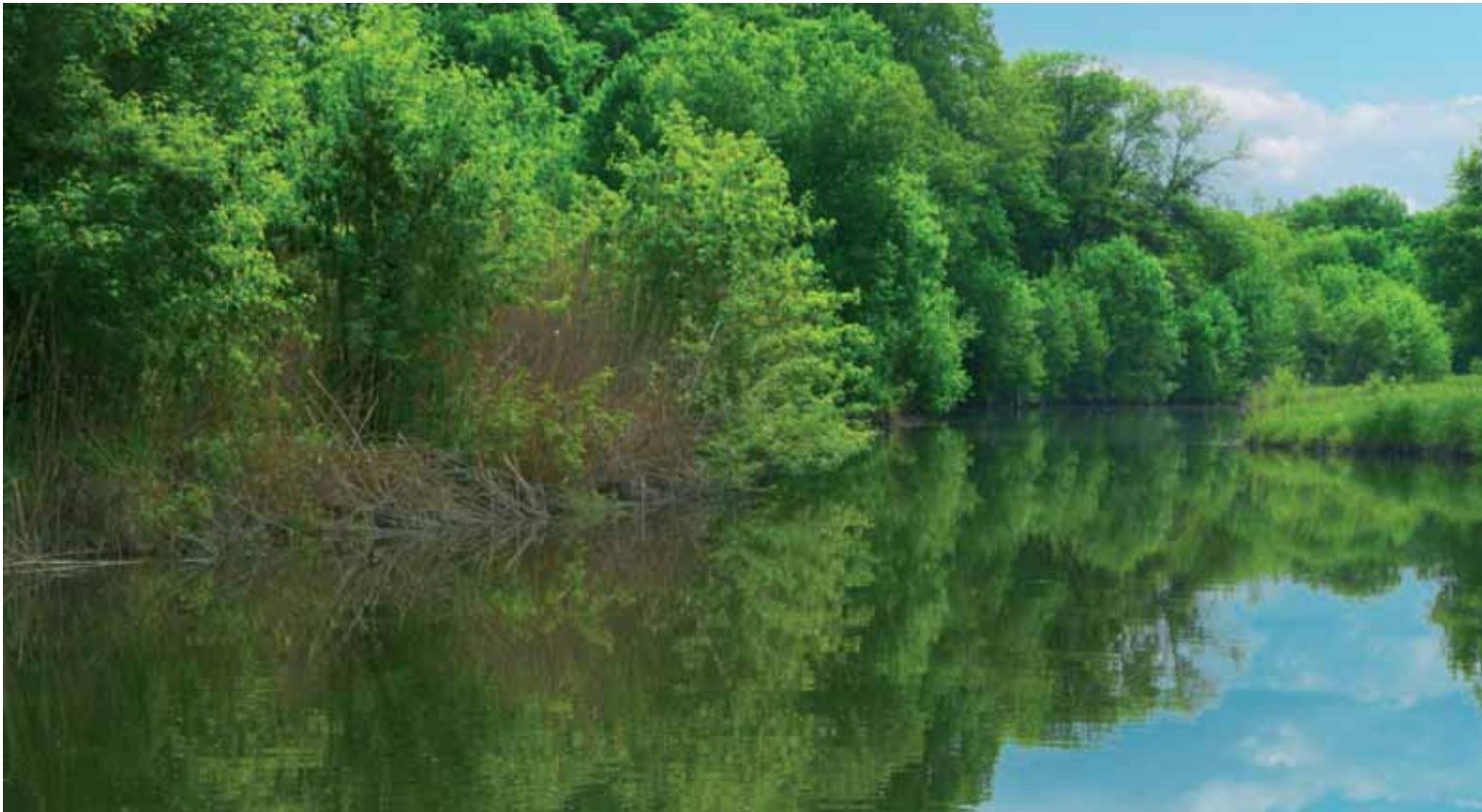
- Our company is committed to compliance with applicable environmental regulations and decrees.
- We continuously improve our activities with the help of Nestlé's Environmental Management System (NKIR).
- As provided for by Nestlé's water policy, we pay special attention to economical water management, and strive to protect the values of the unique resources related to our activity.
- In bottling and distributing mineral water, we take steps to reduce the use of natural resources and energy.
- By introducing new, environmentally friendly technologies and equipment, we protect our water resources
- The green dot sign also displayed on *Theodora* products calls attention to the fact that the packaging materials are recycled after use.
- We carry out various environmental management programs, with special emphasis on the following areas:
 - Reduction of raw materials and energy used
 - Driving down amounts of waste released, pollution prevention, recycling
- Accordingly, all of our employees and partners are encouraged to actively participate in good environmental practices. We are convinced that this guarantees our contribution to sustainable development.

Environmental protection

1991:

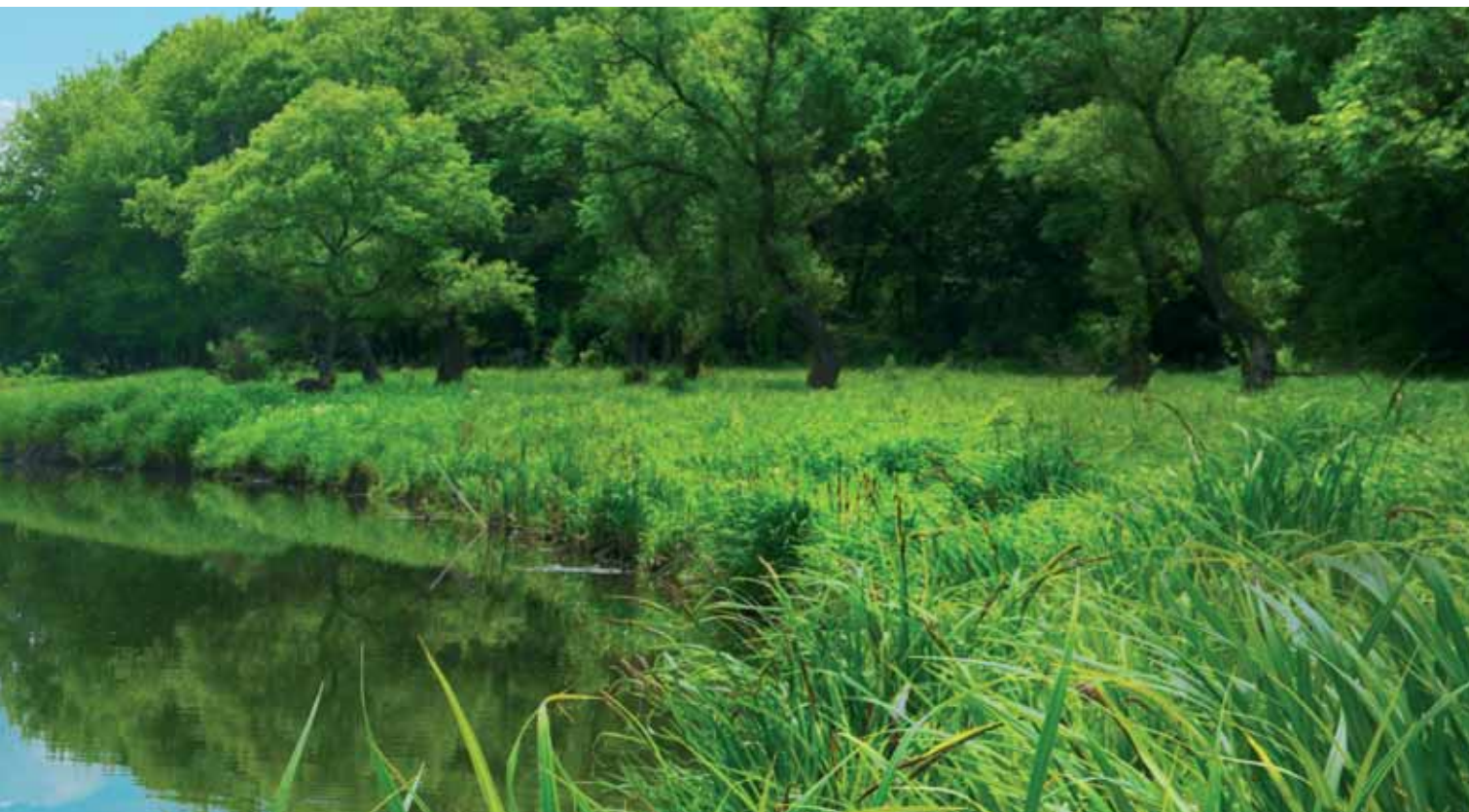
publication of
Nestlé's Environmental
Sustainability Policy

Besides making tasty and nutritious products, our aim is to produce them in a manner that is as friendly on the environment as possible. In order to achieve this, we continuously work on improving our environmental performance, and use a “product life cycle approach” to assess the impact of our own operation as well as that of the wider value chain. We continuously work on reducing our water consumption, our consumption of non-renewable energy and our greenhouse gas emissions, on preventing waste generation and on reducing the environmental impact of product packaging.



Nestlé's Policy on Environmental Sustainability was first published in 1991. This basic document lays down our 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, our factories as well as our office in Budapest obtained the ISO 14001 certification for their environmental management systems.

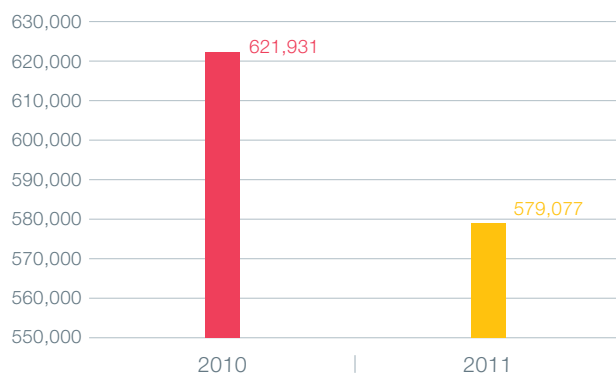


Water withdrawal (m³)	2009	2010	2011
Running drinking water, total	15,010	110,475	138,215
Budapest	1,884	1,648	1,495
Szerencs	0	0	0
Diósgyőr	11,576	9,991	10,526
Bük	1,550	98,836	126,194
Kékkút	9,703	17,783	17,362
Underground waters, total	343,636	212,104	264,996
Szerencs	22,062	19,446	14,090
Bük	141,792	38,674	94,995
Kékkút	179,782	153,984	155,911



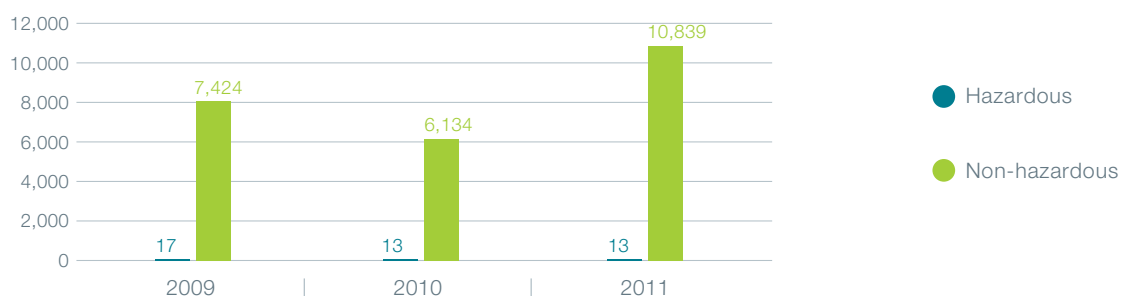
In 2011, we reduced the water use in our head office by a further 9%.

Total gasoline and diesel consumption (l)
(without Kékkúti Ásványvíz Zrt.)



The fuel consumption of Nestlé Hungária Kft.'s fleet was reduced by 6.9% as compared to 2010, even surpassing the planned 5% target. This nice result was mainly due to a rationalisation of the fleet as well as the use of diesel vehicles instead of gasoline, but also to using engines with better efficacy and a general reduction in cubic capacity. For 2012 we have set a target of reducing our fuel consumption further by 3%.

Quantity of waste: factories, total (t)



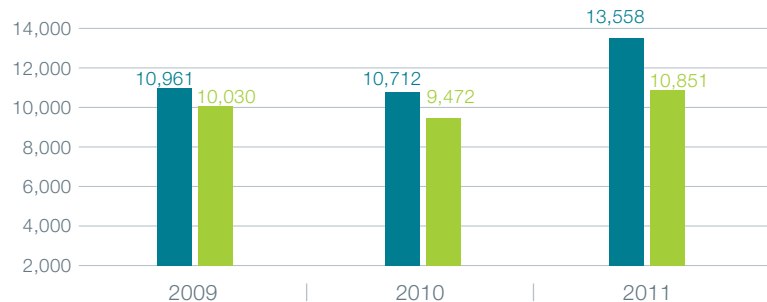


CYCLE TO WORK!

3 teams, 12 dedicated people,
99 days of cycling

The 'Cycle to Work!' campaign was launched again in Spring, 2011 by the Hungarian Cyclists' Club, with the aim of promoting cycling as a means of transport. Countrywide, 10,200 enthusiastic bikers joined the initiative, who rode 1.8 million kilometres altogether. The contribution of Nestlé's teams to this result was 1814 km. Cycling, however, did not stop after the campaign: during the past year our cyclists have accumulated more than 3600 kilometres riding to work.

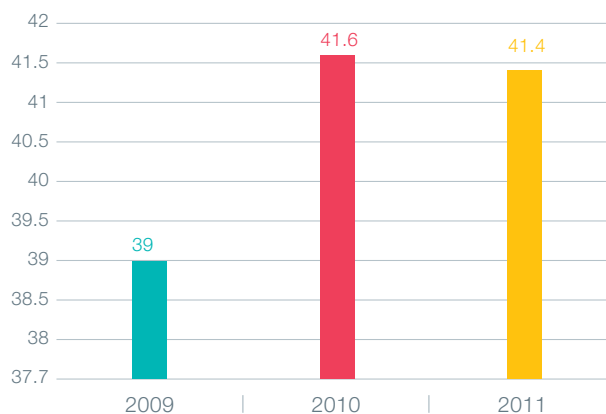
Total CO₂ emission (t CO₂eq)



- CO₂ emissions from natural gas used
- CO₂ emissions from electricity used

CO₂ emissions from product deliveries
(kg CO₂/ton of product)

**without the data of the Bük factory*



By switching to railroad transportation instead of the road with respect to cocoa transport, Nestlé's related CO₂ emission has been reduced by 59%.

	2009	2010	2011
Use of natural gas in factories (GJ)	195,389	190,947	241,681
Szerencs	23,900	25,397	20,223
Diósgyőr	5,766	6,224	6,201
Bük	159,615	154,250	210,895
Kékkút	6,108	5,076	4,362

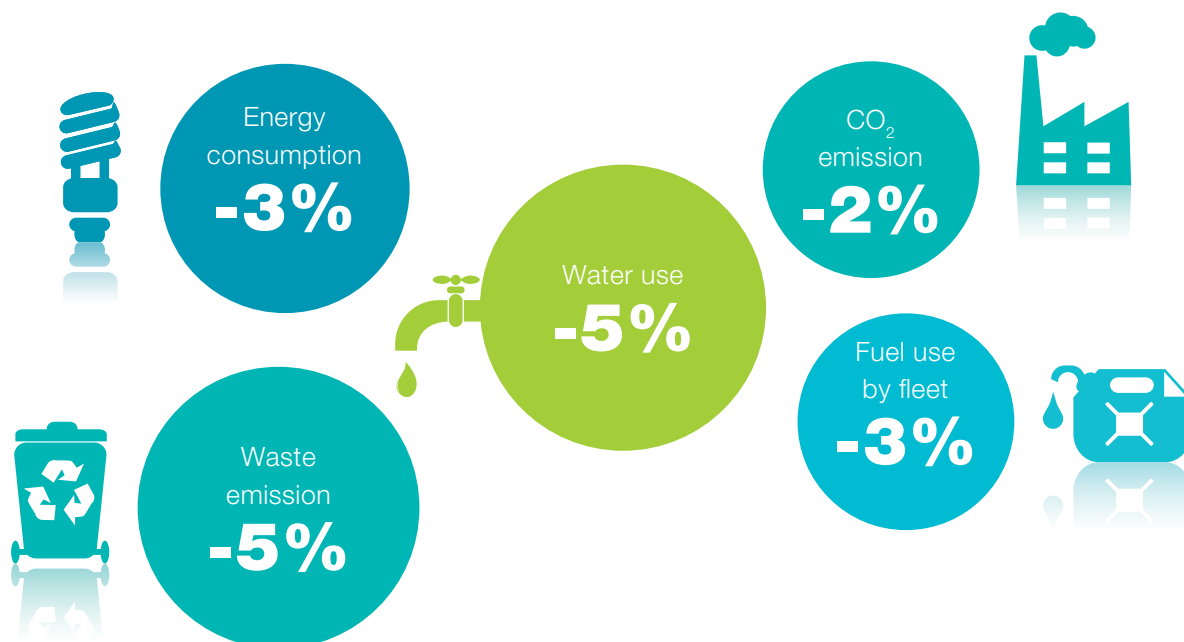
	2009	2010	2011
Total electricity used (GJ)	106,084	100,153	114,491
Budapest	2,730	1,011	909
Szerencs	16,804	16,875	16,911
Diósgyőr	7,422	7,902	8,800
Bük	61,088	59,274	72,299
Kékkút	19,675	15,091	15,572



Similarly to the previous year, we joined the *Earth Hour* initiative in 2011 again, and the operator of our head office building, Trigránit, switched all of the lights off for an hour upon our request.

Water release		2009	2010	2011
Factories, total	Into public sewage system	91,662	99,570	135,190
	untreated	43,115	45,218	40,672
	treated	50,431	56,000	100,259
Budapest	Into public sewage system, untreated	1,884	1,648	1,495

Environmental objectives for 2012





Social and professional relationships

In 2008, Nestlé systematically mapped out its stakeholders as well as the social and environmental issues of greatest importance for the company (see the details on page 16 of the 2008 report).

Stakeholders:



For information on the forms and channels of communication with our stakeholders, please refer to page 14 of the 2010 report.

In 2011, our communication was regular with the following organisations:

Nestlé Hungária Kft.:

The European Parliament, the Ministry of Rural Development, the Central Agricultural Office, the Hungarian Dietetic Association, the Hungarian Authority for Consumer Protection, the National Association for Consumer Protection, the National Institute for Food and Nutrition Science (OÉTI), the Ministry of Human Resources, the Hungarian Parliament, the National Institute for Health Development (OEFI), the Ministry of Public Administration and Justice, and the Ministry of National Economy.

Kékkúti Ásványvíz Zrt.:

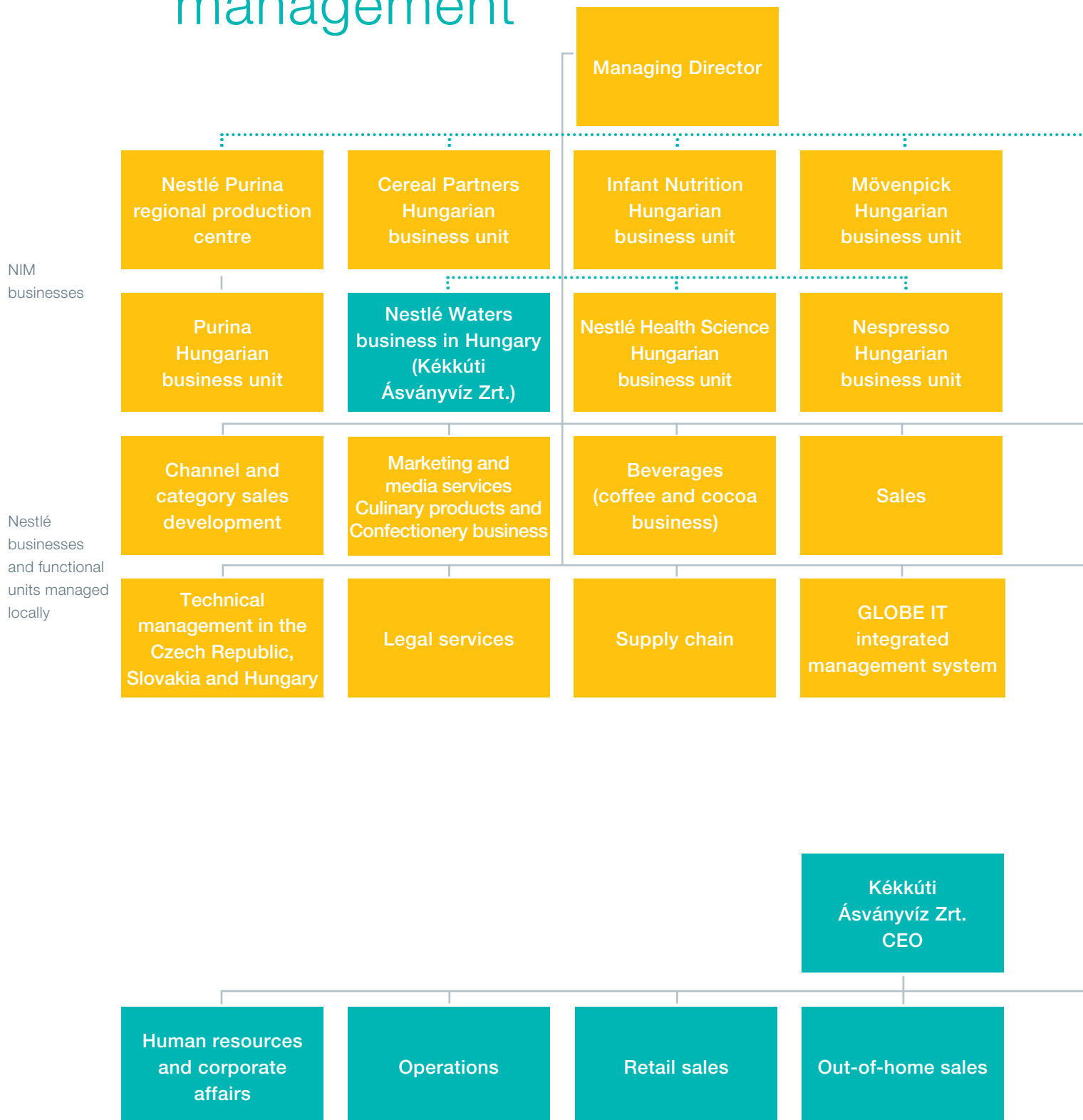
The municipalities of 8 settlements of the Káli basin (Kékkút, Mindszentkál, Szentbékál, Kővágóörs, Köveskál, Salföld, Balatonhenye, Monoszló), local NGOs and associations, the management of the National Park of the North Balaton region, the Advertising Self-regulation Organization (Önszabályozó Reklám Testület), BCSDH (Hungarian Business Council for Sustainable Development), the Hungarian Mineral Water Association and Product Council (Magyar Ásványvíz Szövetség és Terméktanács), the Central Trans-Danubian Water Directorate (Közép-dunántúli Vízügyi Igazgatóság), and the Special Olympic Alliance of Hungary (Magyar Speciális Olimpia Szövetség, MSOSZ).

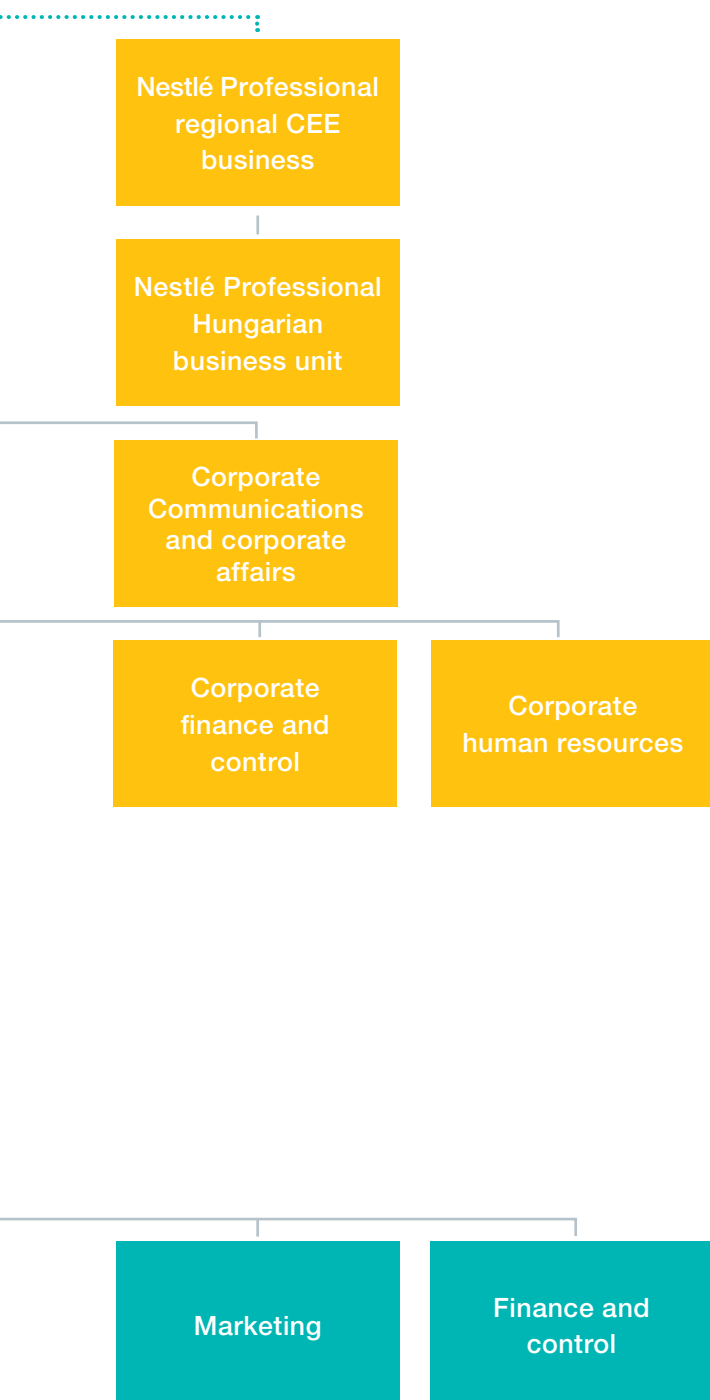
Nestlé Hungária is a member of the following professional organizations and interest groups:

- Hungarian Pet Food Association
- Association of Hungarian Confectionery Manufacturers
- Federation of Hungarian Food Industries (FHFI)
- Hungarian European Business Council (HEBC)
- Hungarian Brand Association
- National Association of Human Resources
- Swisscham Hungary
- TÉT Platform
- The International Chamber of Commerce (ICC Hungary)
- The infant formula department of MAGYOSZ (the Hungarian Pharmaceutical Manufacturers Association)
- Advertising Self-regulation Organization
- Öko-Pannon Nonprofit Kft.
- MNÉTP (Hungarian National Food Technology Platform)



Organisational structure and management





Management bodies

The NiM (Nestlé in the Market) Committee is the main managing body overseeing business activity. It holds sessions every two months, and makes decisions in group-level strategic issues. The NiM Committee is led by the Managing Director of Nestlé Hungária Kft., who has the role of "custodian" in the Hungarian market, entrusted with representing Nestlé to the outside world. As of 1 September 2009, the Managing Director is Andrea Zambelli.

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

In accordance with Act IV of 2006 on Business Associations, Nestlé has a Supervisory Board overseeing the management of the company. The Supervisory Board has six members; two of them are appointed by the Works Council. The highest authority of the business association may only make decisions on the financial statement required by the Act on Accounting after receiving the written report of the Supervisory Board.

Nestlé's Management and Leadership Principles, the company's expectations from top management, the assessment of their performance and the procedures used to avoid any conflicts of interests have not changed as compared to those of the previous year, and these are presented in more detail on page 30 of the 2010 report.

Parameters of the report

You are reading the joint Sustainability Report of Nestlé Hungária Kft. and Kékkúti Ásványvíz Zrt. The report and the information contained within pertain to the calendar year 2011 (state of 31st December), except where otherwise indicated.

Previous reports are available at www.nestle.hu.

Contents of the Report

In compiling the content 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 the one hand, and on the other, the important results and critical issues that the organization's managers feel Nestlé should report on in a sustainability report. The management of Nestlé Hungária Kft. compiled the list of these latter issues in 2008; we assumed that the most important matters have not changed since then. For the first time this year, the report also includes the data of Kékkúti Ásványvíz Zrt., a separate legal entity publishing a GRI report of level C compliance, integrated into the level B report of Nestlé Hungária Kft.

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





Scope of the Report

Business units and production plants included in the report (Szerencs, Diósgyőr, Bük) all belong to Nestlé Hungária Kft. and Kékkúti Ásványvíz Zrt. (plant in Kékkút), respectively.

The only exception 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. Nestlé Hungária Kft. has provided an appropriate amount of information to reach level B in GRI, whereas Kékkúti Ásványvíz Zrt. met the conditions for level C.

Nestlé Ice Cream Hungária Kft., which ceased to exist on 6 December 2011 due to liquidation, is not covered by this report either.

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

In case of differing 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 Creating Shared Value and Rural Development Report 2011. For data calculation methods (where relevant), and any methods applied for measurement and estimation, please refer to the relevant topics.

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

We welcome any questions, comments, or suggestions you may have regarding the report. Please direct any such queries to Corporate Communication Manager Krisztina Suhajda using one of the means of contact listed on the back cover.

GRI index

	Indicator	Page / Note	
		Nestlé Hungária Kft. GRI B	Kékkúti Ásványvíz Zrt. GRI C
Strategy and analysis			
	1.1	2	33
	1.2	5	
Organisational profile			
	2.1	4, 49	33, 49
	2.2	4, 6	6, 33
	2.3	46, 49	
	2.4	1095 Budapest, Lechner Ödön fasor 7.	
	2.5	4	33
	2.6	Nestlé Hungária Kft. is a single member limited liability company. Its ownership structure did not change in 2010 (for further information, please see the 2009 report).	Kékkúti Ásványvíz Zártkörűen Működő Részvénytársaság has two shareholders, and is owned 100% by Nestlé Waters.
	2.7	4, 7	33
	2.8	14, 17, 19	
	2.9	No significant change occurred	
	2.10	5	34
Parameters of the report			
Report profile	3.1	48	
	3.2	31 October 2011	not relevant
	3.3	48	
	3.4	central e-mail address: kekkuti@kekkut.hu; info line: +36-40-200-329	
Report scope and boundary	3.5	48	
	3.6	49	
	3.7	49	
	3.8	49	
	3.9	49	
	3.10	not relevant	
	3.11	not relevant	
GRI content index	3.12	50	
Assurance	3.13	This report was not audited by an independent organization.	
Governance, commitments and engagement			
Governance	4.1	47	
	4.2	47	
	4.3	not relevant	
	4.4	17	

	Indicator	Page / Note
		Nestlé Hungária Kft. GRI B Kékkúti Ásványvíz Zrt. GRI C
Governance	4.5	47
	4.6	47
	4.7	47
	4.8	5
	4.9	5, 47
	4.10	47
Commitment to external initiatives	4.11	12
	4.12	Nestlé is a signatory or supporter of numerous international agreements and initiatives establishing economic, environmental and social norms. The list is available on page 14 of our 2008 annual report.
	4.13	45
Stakeholder engagement	4.14	44, 45
	4.15	44
	4.16	45
	4.17	45
	Economy	
Economic performance	EC1	19
Environmental protection		
Materials	EN1	39
Energy	EN3	42
	EN4	42
Water	EN8	40
	EN9	36
Emissions and waste	EN16	41
	EN21	42
	EN22	40 (partly)
	EN23	No significant discharge in 2011
Legal compliance	EN28	Bük plant: Sum: 200,000 HUF Reason: Non-compliance with regulations related to wastes, lack of plan Consequence: Submission of a proprietary waste management plan
Social		
<i>Employment practice and fair labour</i>		
Employment	LA1	17

	Indicator	Page / Note	
		Nestlé Hungária Kft. GRI B	Kékkúti Ásványvíz Zrt. GRI C
Health and safety at work	LA6		25
	LA7		25
	LA8	23, 25	
Training and education	LA10	23	
	LA12	All employees receive regular performance evaluations, and most employees also receive an overview of their career-building and individual development opportunities. The evaluation system for white-collar workers is more complicated than that of physical workers, but the evaluation has an impact on the rate of pay rises for both groups.	
Diversity and equal opportunities	LA13		22
Human rights			
Non-discrimination	HR4	In 2011, no incidents of negative discrimination were reported.	
Society			
Local communities	SO1	10	35
Anti-competitive behaviour	SO6	Nestlé does not support any political parties, politicians, or related institutions financially or via contributions in kind. This is prohibited by the chapter on Bribery and Corruption of Nestlé's Code of Ethics and Business Conduct.	
	SO7	In 2011, no legal proceedings were instituted due to anti-competitive behaviour or for violation of anti-trust or anti-monopoly regulations.	
	SO8	In 2011, no violation of laws or legal regulations occurred.	
Product liability			
Customer health and safety	PR2	In 2011, there were no instances of failure to comply with legal regulations or voluntary commitments to norms in terms of the health and safety impact of products and services.	
Product and service labelling	PR4	12	Official warnings: Nestlé Aquarel: "Suitable for maintaining a low-sodium diet" - this could not have been shown Oral official warnings: Nestlé Vera - the calibre mark (2l) was of incorrect size Official fine: San Pellegrino 0.25 - Illegible letter size, 120,000 HUF
	PR5		10
	PR7	In 2011, there were no instances of failure to comply with legal regulations or voluntary commitments to norms in terms of marketing communication, including advertisements, promotions and sponsorships.	
Protection of personal data	PR8	In 2011, there no instances were reported of abuse concerning consumers' personal information.	
Legal compliance	PR9	In 2011, there were no instances of failure to comply with legislation or other rules on product care and use.	
Programmes and activities promoting the access of healthy lifestyle	FP4	8, 10	

Creating Shared Value

Nutrition | Water | Rural Development



Nestlé

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dr. Gábor Tompa.

The B&P Consulting company
provided professional help in
assembling 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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