

Nestlé in Hungary

Sustainability and Creating Shared Value Report

2012/2013



Good Food, Good Life





Sustainability

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Nestlé in Society



Volunteering, partnership, donation

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Welcome

It is my pleasure to introduce the Nestlé Hungary 2012/2013 Creating Shared Value report.



This report shares with you the Nestlé approach to doing business which we call Creating Shared Value. We believe that we can only be successful today and during the next 150 years if we operate as a part of thriving, sustainable communities. Consequently the future long term success for our shareholders depends on the future long term success of the societies in which we operate.

This report aims to share with you our Creating Shared Value approach to doing business. Over and above the taxes we pay, the capital investments we make and the employment provided, we build our business on compliant operations, always striving to responsibly manage our impact on the environment and we leverage our know how to help make a difference to society in our focus areas of nutrition, water, rural development and youth employment.

I trust that by reading this report you will see how our company, our brands, our products and our people both here in Hungary and globally have, and continue to enhance the lives of our consumers through high quality, tasty and nutritious choices whilst operating this with a Creating Shared Value approach.

Michael Nixon
Managing Director

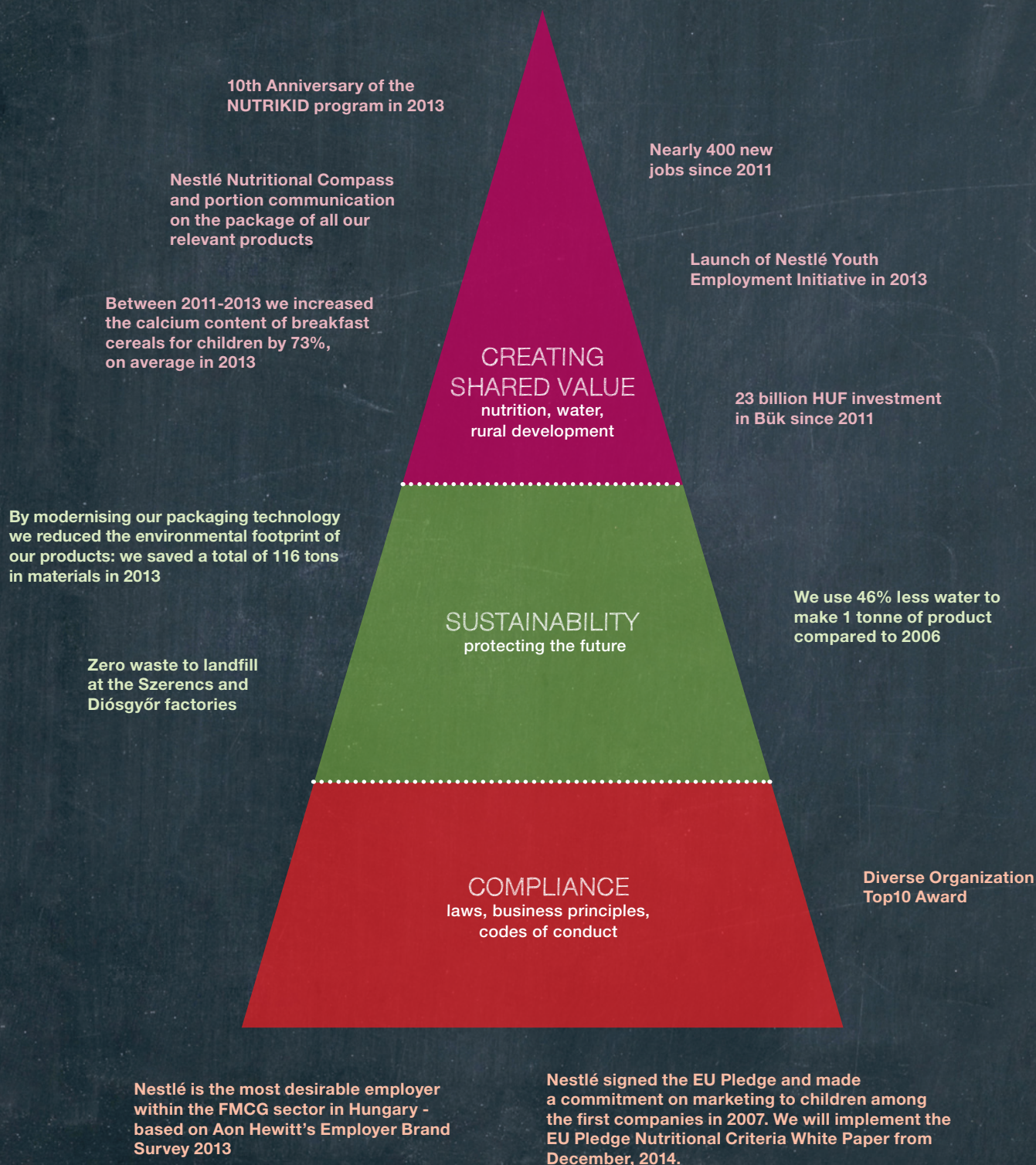
Nestlé was founded nearly 150 years ago by Henri Nestlé who invented an infant formula product to address the high infant mortality in Switzerland. Since that time Nestlé has grown into the largest food company in the world built on the principles high quality, safe and nutritious food with innovations adapting to the changing needs and lifestyle of consumers.

In recent years as global population and economic activity have grown, the world has faced new and important challenges. How to ensure adequate income, balanced nutrition and clean water for the growing global population whilst at the same time avoiding the over exploitation of the earth's finite resources.

These are complex issues and everyone has a role to play in addressing them; governments, civil society and companies need to work together in the interests of the future of all.

It is our aim in this report to present our progress across all dimensions of our business and our commitments in a transparent way. With particular focus on Hungary I draw your attention to our 10 nutritional commitments and our recently launched Nestlé Youth Employment Initiative. We believe we can make important contributions to the key issues of healthy living and youth employment respectively.

Major achievements



About Nestlé

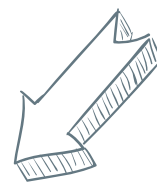
In 1867, Henri Nestlé, a pharmacist, developed the first infant formula for mothers unable to breast-feed their babies. Thereby, he saved the life of a baby born prematurely in the neighbourhood. Few people know that the world's biggest food and beverage company was founded in a small Swiss research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

Today Nestlé is the leading nutrition, health and wellness company. We enhance the quality of life by offering tastier and healthier food and beverage choices, as well as information and services, for all stages of life and any time of the day, helping consumers care for themselves and their families. As the largest food and beverage manufacturer in the world offering more than 10 000 trusted products, we are committed to consistently developing superior products. This is achieved through our unmatched research and development capability, nutrition science and a passion for quality in everything we do.

Nestlé is headquartered in Vevey (Switzerland). It employs more than 330,000 people globally, and its products are manufactured in 465 factories across 86 countries, and are delivered to 196 countries of the world.

1991

Nestlé Hungária Kft. is established.



Since the establishment of Nestlé Hungária Kft. In 1991, we have constantly developed our product portfolio for Hungary. Nestlé Hungária Kft. has three factories in Hungary. Nestlé is present on the Hungarian market with confectionery products, instant beverages, breakfast cereals, pet food, infant formulas, baby food, culinary products for home cooking, products for professional kitchens, coffee products and clinical nutritional products. Nestlé's fourth Hungarian factory is the Kékkúti Ásványvíz Zrt.'s production facility owned by Nestlé Waters, which bottles natural mineral water for the Hungarian market.

Nestlé products are sold everywhere in Hungary. Almost half of the net sales revenue is from domestic retail sales and sales to institutions. The rest of sales comes from dealings with Nestlé partner companies abroad, and is mostly generated by factories operating in Hungary and serving the markets of Central and Eastern Europe. Products of the four regional factories reached more than 40 countries around the world in 2013.



Our approach to doing business

We believe that for a company to be successful over the long term and create value for shareholders, it must create value for society. At Nestlé, this means creating superior, long-term value for shareholders by offering products and services that help people improve their nutrition, health and wellness. To build a business capable of both superior shareholder value and helping people improve their nutrition, health and wellness, Creating Shared Value is the approach we take to the business as a whole. Besides nutrition, we focus on water and rural development, given their critical importance not only to our business but also to our employees, farmers, suppliers, distributors and communities where we operate. We continue to actively manage our commitments to environmental, social and economic sustainability needed for operating our factories and for the sustainable growth and development of the communities and countries where we have operations. This involves substantial training and education of people inside and outside of Nestlé, as well as large investments in technology with lower environmental impact. Creating Shared Value requires compliance with the highest standards of business practice, including international codes and standards as well as our own Code of Business Conduct, Corporate Business Principles, and Management and Leadership Principles. Creating Shared Value is the way we do business and the way we connect with society at large.

Our commitments

At a global level Nestlé has made 35 commitments in areas of corporate responsibility, such as nutrition, water, rural development, sustainability and compliance.

„We believe that Nestlé’s 2013 Creating Shared Value report (www.nestle.com/csv) represents a significant step towards implementing open communication. These forward looking commitments covering every part of our business, in order to

provide a clear sense of the strategic direction we are heading in and the standards to which we hold ourselves accountable. They are real, they are credible, and we will do everything in our power to make sure they are deliverable. But we know that there will be challenges along the way, and these too we will share with you.”

– Paul Bulcke, CEO, Nestlé S.A.

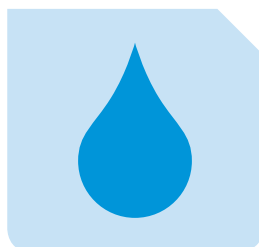
Nestlé’s Hungarian entities and factories actively contribute to the achievement of the global targets as well. In this report we highlighted those commitments which are the most relevant for the Hungarian market. You can read in great detail about our 35 global commitments here: www.nestle.com/csv.



SUSTAINABILITY



WATER



NUTRITION



HUMAN RIGHTS AND LEGAL COMPLIANCE



RURAL DEVELOPMENT AND RESPONSIBLE SOURCING





The baseline of our operations: meet the highest expectations

Nestlé's Business Principles underpin our whole corporate culture which looks back on a history of nearly 150 years. We adapt and evolve our Corporate Business Principles to a changing world continuously. However, our basic foundation remained unchanged since the beginning, and reflects the basic ideas of fairness, honesty, and a general concern for people.

The Nestlé Business Principles as well as the Code of Ethics and Business Conduct contain the minimum requirements that are kept by Nestlé worldwide in addition to compliance with local laws. The Nestlé internal audit program called CARE (Compliance Assessment of Human Resources, Safety & Health, Environment and Business Integrity) is dedicated to verify the company's compliant operations fitting the Nestlé Business Principles. Downloadable documents: www.nestle.hu/rolunk/uzletialapelvek

In order to ensure that all our entities comply with the same high standards, we have adopted company principles that are aligned with international best practice. We continue to adhere to a range of global principles, including the:

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

Food safety and quality

The safety, health and wellbeing of our consumers across the world is our top priority and we are committed to providing them with food and beverages that are safe, compliant with all relevant laws and standards, and of the highest quality. This will help us maintain consumer trust – something that is fundamental to the success of our business. Quality assurance and product safety are so important to us that they make up one of our 10 Corporate Business Principles, which form the basis of everything we do. As part of this pillar, we've made a commitment to never compromise on the safety of any product. Training and teamwork are key to the successful implementation of high quality requirements. Continuous training is provided so that everyone clearly understands their own tasks and possesses the necessary skills to carry them out.

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

Everywhere in 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. We respect consumer privacy.

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.

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

Striving for excellence is a principle which permeates every organisational level, and is present at every step of the entire value chain, from procurement to the shelf stacking of products and their home delivery. Everyone has a part to play in this. An integrated system is used to manage quality, safety, health and environmental protection issues across the Company as a whole. This system comprises various ISO international standards, Nestlé's Quality Assurance System and CARE audits.

Nestlé was ranked number one by the charity Oxfam in its 2013 scorecard, Behind the Brands. The survey scored 10 food and beverage companies on their efforts to improve food security.

Due to rapid technological advances, the food quality and safety area has been changing extremely fast too. Laboratory tests can now reveal more and more components, elements that no one had even heard of a year ago. At its own laboratory Nestlé is continuously testing food products, raw materials and materials which can impact on food safety in any way, playing a leading role in nutrition research and development.

Suppliers, contractors, commodities

Nestlé's sourcing policy in Hungary is regulated by the local application of Nestlé Group's Code of Ethics and Business Conduct and Nestlé's Business Principles. Accordingly, uniform conditions are provided to suppliers. Nestlé is committed to improve environmental and social performance not only in its own offices and production plants, but also in those of its suppliers. To support this, in December 2013 we renewed our Supplier Code effective from July 2008 (www.nestle.com/suppliers). The Code is binding upon all suppliers; its enforcement is verified by self-checks carried out by suppliers and third-party audits.

However, not only new partners are subjected to a supplier audit. It is the degree of risk assessment concerning the supplied materials that determines how often a partner must be audited (for example, suppliers of high level risk products must be audited once in every three years). In 2013, Nestlé carried out 40 supplier audits in Hungary (in the Food business unit).

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.

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. In the same way, we are committed 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.

9. Environmental sustainability

We commit ourselves to environmentally sustainable business practices. At all stages of the product life cycle we strive to use natural resources efficiently, favour the use of sustainably-managed renewable resources, and target zero waste.

10. Water

We are committed to the sustainable use of water and 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

Various specific 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 problem 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. 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 ensures traceability and contains all the information necessary for safe, timely, precise and cost-effective recalls, in the event that there is a risk of there being a problem of some kind with any of our products.

Environmental protection

Our fundamental principles relating to the environment are set out in Nestlé's Environmental Sustainability Policy. The company's environmental performance is assured by the Nestlé Environmental Policy, and by the "Nestlé Quality Management System" (NQMS). In 2009, our factories as well as our Budapest office obtained ISO 14001 certification for their environmental management systems.

Health and safety at work

Compliance with the health and safety rules laid down in our Business Principles and in Hungarian legislation was successfully reviewed again in 2011 by the certification firm SGS. The Nestlé Occupational Health and Safety Management System (an OHSAS 18001 compliant system) supports our work culture, which is committed to the "zero accident" policy.

A behaviour-based work safety programme - the system of so-called safety talks (SUSA) - which contributed greatly to the reduction in the number of accidents, is up and running in all our production units. The essence of SUSA is to ensure that we are mindful of our work environment and colleagues by involving every single employee. Our Szerencs, Diósgyőr, Bük and Kékkút factories elected work safety representatives to hold meetings with managers at least once every calendar quarter regarding work safety and current environmental issues.

Equal opportunities and equitable treatment

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.

Responsible marketing communication

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

- support moderate, healthy eating habits and physical exercise, and, in case of children, support the protection of the parents' authority and avoid creating unrealistic expectations of popularity or success;
- the observation of these principles is compulsory for all employees working in the areas of marketing and advertising and all agencies that work for Nestlé;
- these cover responsible communication and advertising aimed at children: on the one hand forbid advertising aimed at children under the age of 6; and on the other hand limit marketing activity aimed at children aged 6-12 to products in the NF category – these contribute to a balanced diet, and comply with clear sugar, salt and fat intake limits. To find out more about Nestlé's Consumer Communication Principles please visit: <http://www.nestle.hu/taplalkozasegeszsegetmod/felelosmarketing>.



We will implement the EU Pledge Nutritional Criteria White Paper from December, 2014.

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. According to the EU Pledge White Paper we are committed not to advertise confectionery products to children under 12 years of age.



In 2007 Nestlé was among the first to sign off in support of the EU Pledge regulating marketing activity directed at children, which was yet another step towards promoting appropriate dietary habits and a healthy lifestyle for children.

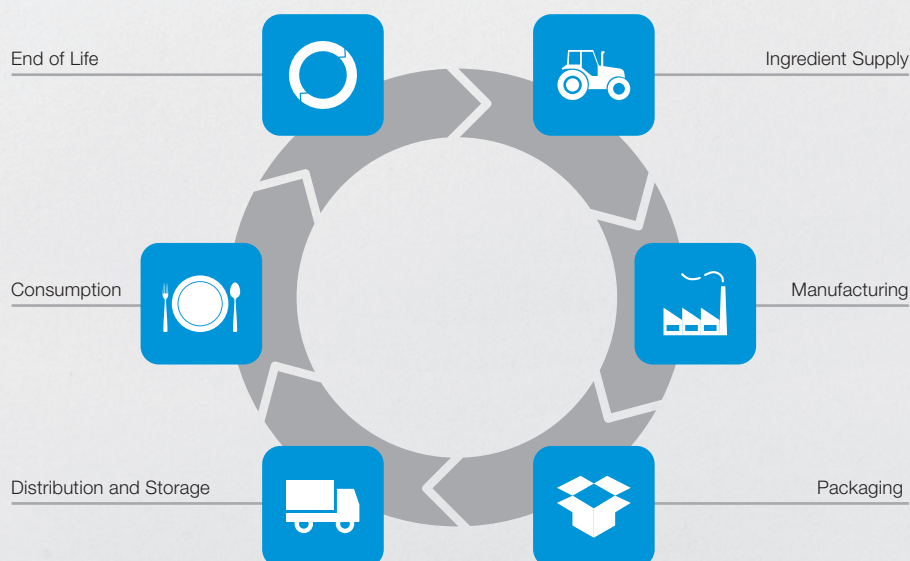
Our activities to protect the environment

Environmental sustainability means protecting the future by making the right choices, in an environment where water is increasingly scarce and biodiversity is declining, and where climate change may exacerbate these challenges. Our everyday choices have become very significant. We are committed that Nestlé products will be not only tastier and healthier but also better for the environment along their value chain.

We use a “product life cycle approach” to assess the impact of our own operation as well as that of the wider value chain.

In practice:

- We developed and rolled out EcodEX, our ecodesign tool, for use by our product development teams within all our Product Technology Centres;
- we promoted our Sustainability by Design approach, making it mandatory for all new product briefs to include sustainability, and a sustainability rating has to be completed before the development stage; and
- we led the development of the ENVIFOOD Protocol, together with the European Commission, a method for assessing the environmental performance of food and drink products.



TOTAL PRODUCTS MANUFACTURED AND TOTAL MATERIALS USED



Packaging optimisation

At our domestic production plants we have been using three different methods to enhance the packaging of our products, with a view to reducing the environmental footprint:

1. Sustainable design: during the pre-production phase we measured the environmental footprint created by the packaging of our products, 13 assessments in total were carried out during 2013.
2. Using recycled materials: whenever it makes sense from an environmental protection point of view, we use recycled materials in our packaging. At our Diósgyőr factory, for example, already 30% of all product trays are made from recycled materials.
3. Component optimisation:
 - At our Diósgyőr and Szerencs factories we cut down on the weight of our product packaging, and so we saved a total of 116 tons in materials in 2013.
 - We introduced a new PET packaging, thanks to which in future years we will probably be using 95.94 tons less unrecycled raw materials to make PET bottles.

Nowadays we are using approximately 3,000 tons less PET than in 2004. The introduction of lighter PET technology in 2009 has gone a long way to facilitate the reduction in PET intensity, making it possible to make 15 new, lighter PET bottles from the same amount of plastic that used to be enough for 12 traditional PET bottles on average.

Our environmental footprint

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.

Attainment of our set targets

On 8 July 2011, the plant producing aluminium packed portions was opened at the Bük factory site. The opening of the new, water-intensive production unit has had a significant impact on the environmental footprint of the Bük factory, rendering it incomparable with historical figures for previous years, therefore we will review the performance of the Bük factory against a set of new targets determined in 2012. We have been gathering GRI based data at the Szerencs and Diósgyőr factories since 2006, and at our Kékkút production plant since 2009. In the case of these three factories, performance is measured against the earliest available GRI data.

In 2013 Nestlé topped the food section of the Dow Jones Sustainability Index (DJSI) in terms of its efforts to disclose and cut carbon emissions, and we achieved the maximum score on the CDP „Climate Performance Leadership Index” comprising global companies who do the most for climate preservation.

(DJSI measures the stock exchange performance of the world's blue chip companies according to certain economic, environmental and social criteria. DJSI is seen as a kind of target index for investors, and a point of reference for corporations wishing to implement best practices in the area of sustainability.)



ENERGY EFFICIENCY

NESTLÉ'S GLOBAL OBJECTIVE

By 2015 we will reduce our energy consumption per product ton by 25%.
(Benchmarked against consumption in 2005, taken as the average of the aggregate performance of our factories.)

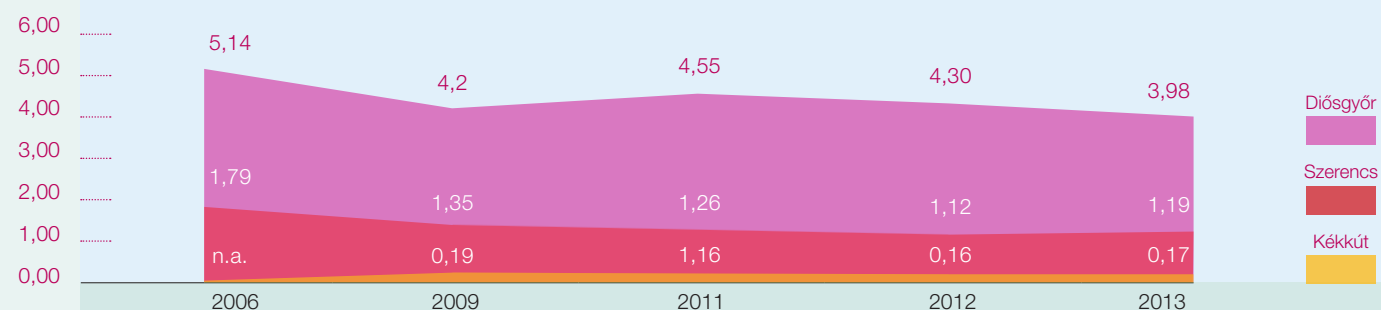
OUR LOCAL PERFORMANCE (2013)

Szerencs	34% reduction
Diósgyőr	27% reduction
Bük	7% reduction
Kékkút	11% reduction



Our Szerencs factory now uses 34% less energy to make 1 ton of produce than before, so in 2013 resulting energy savings amounted to the equivalent of the annual gas consumption of approx. 1,090 households.

ENERGY USE OF FACILITY PER TON OF PRODUCT (GJ/t)



	2011	2012	2013
Total electricity use (GJ)	114 491	124 357	140 299
Budapest	909	838	801
Szerencs	16 911	17 330	18 236
Diósgyőr	8 800	8 924	9 090
Bük	72 299	80 618	96 966
Kékkút	15 572	16 647	15 206



The electricity consumption of our Budapest office declined by 12% (compared to 2011).

	2011	2012	2013
Use of natural gas in total (GJ)	241 681	247 059	276 233
Szerencs	20 223	18 688	17 672
Diósgyőr	6 201	6 091	6 359
Bük	210 895	217 818	247 972
Kékkút	4 362	4 462	4 230



WATER CONSUMPTION

NESTLÉ'S GLOBAL OBJECTIVE

By 2015 we will reduce our water consumption per product ton by 40%.
(Benchmarked against consumption in 2005, taken as the average of the aggregate performance of our factories.)

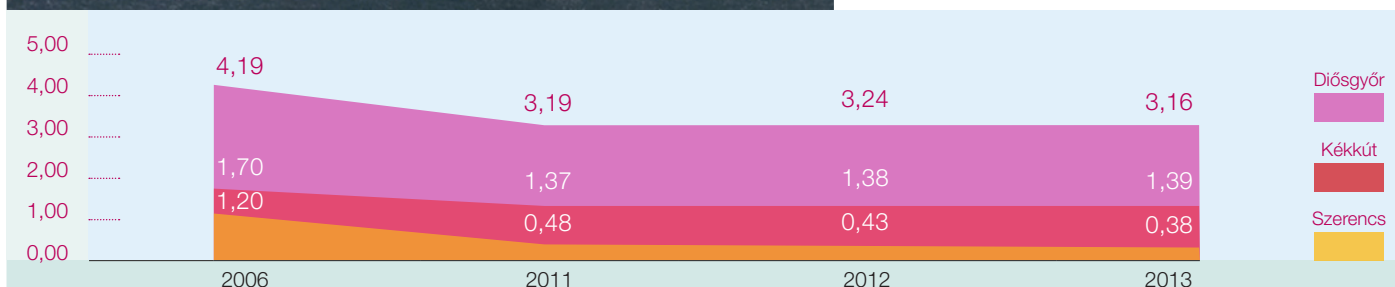
OUR LOCAL PERFORMANCE (2013)

Szerencs	68% reduction
Diósgyőr	25% reduction
Bük	12% reduction
Kékkút	21% reduction



Our factories use 46% less water in total to make 1 ton of produce, so in 2013 we saved enough water to fill approx. 174 Olympic-size swimming pools.

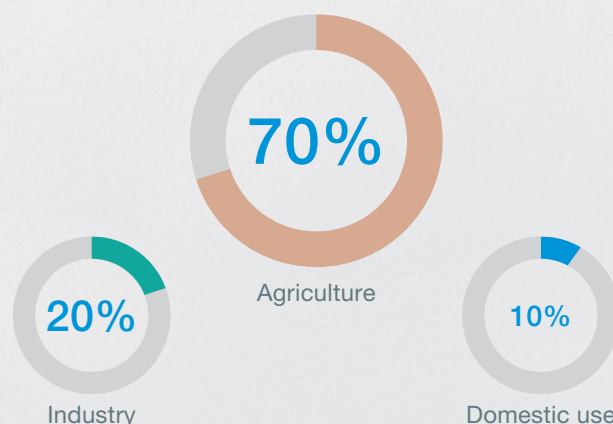
WATER CONSUMPTION PER PRODUCT TON (m³/t)



In the space of the previous decade, water use by our production plants has decreased by approximately 1/3 worldwide, even though our production output has increased by 53% at the same time. Consumption by the entire Nestlé Group accounts for only 0.005% of the total fresh water consumption of the world's population. Nestlé Waters uses no more than 0.0009% of the world's fresh water output in contrast with a 70% share of agriculture, 20% share of industry and 10% share of households from fresh water consumption.

Nestlé also took part in the Water Summit held between 8 and 11 October, 2013. The world summit for water which was hosted by the Hungarian government in cooperation with United Nations organisations and the World

Freshwater withdraw of the world



Total water consumption of Nestlé: 0.005%
Water consumption of Nestlé Waters: 0.0009%

Water Council was one of the most prominent events held that year about water and hygiene. During the four days of the Summit governments (of both highly developed and developing countries), international organisations, financial institutions, business enterprises, representatives of the private sector and academics all met in Budapest to debate the most pressing challenges associated with water and hygiene. Nestlé was also represented among exhibitors, with the intention of drawing attention to the importance of water resources. Visitors to our booth set up in the Millenium Park could find out more about our role in protecting water resources at global level, and what steps we have been taking at local level for implementing responsible water management practices. Herbert Oberhänsli, Nestlé S.A.'s Vice President was a keynote speaker at the World Summit, and his speech was entitled: „Water shortage as a global food safety risk factor – why we need efficient water management”.



WATER DISCHARGE (m³)

		2011	2012	2013
Factories, total	Into public sewage system	135 190	176 674	254 101
	untreated	40 672	41 825	68 889
	treated	100 259	135 939	185 212
Budapest	Into public sewage system, untreated	1 495	1 090	1 369

WATER WITHDRAWAL (m³)

	2011	2012	2013
Tapwater, total	138 215	75 499	120 017
Budapest	1 495	1 090	1 369
Szerencs	0	0	0
Diósgyőr	10 526	11 331	12 271
Bük	126 194	45 656	104 215
Kékkút	17 362	17 422	2 162
Underground waters, total	264 996	409 121	389 657
Szerencs	14 090	13 890	11 513
Bük	94 995	230 480	216 773
Kékkút	155 911	164 751	161 371



CO₂ EMISSIONS

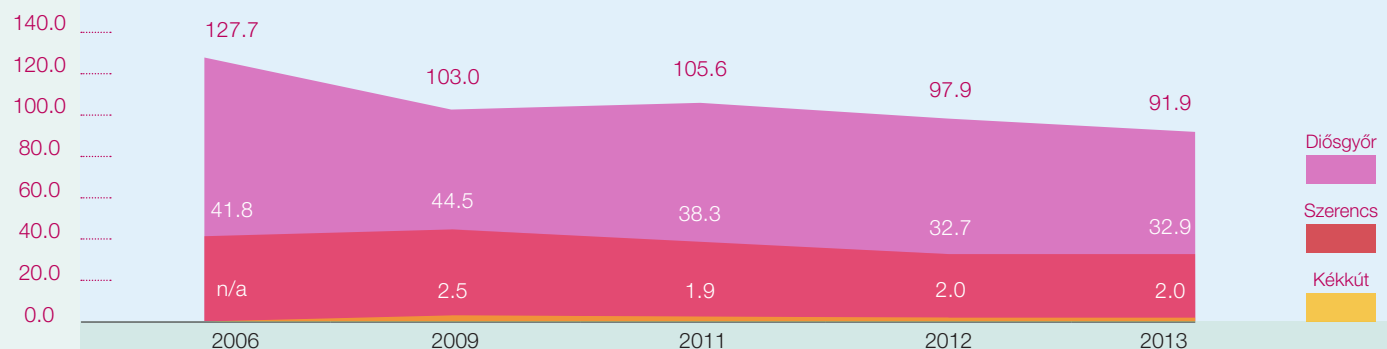
NESTLÉ'S GLOBAL OBJECTIVE

By 2015 we will reduce our CO₂ emissions per product ton by 35%.
(Benchmarked against consumption in 2005, taken as the average of the aggregate performance of our factories.)

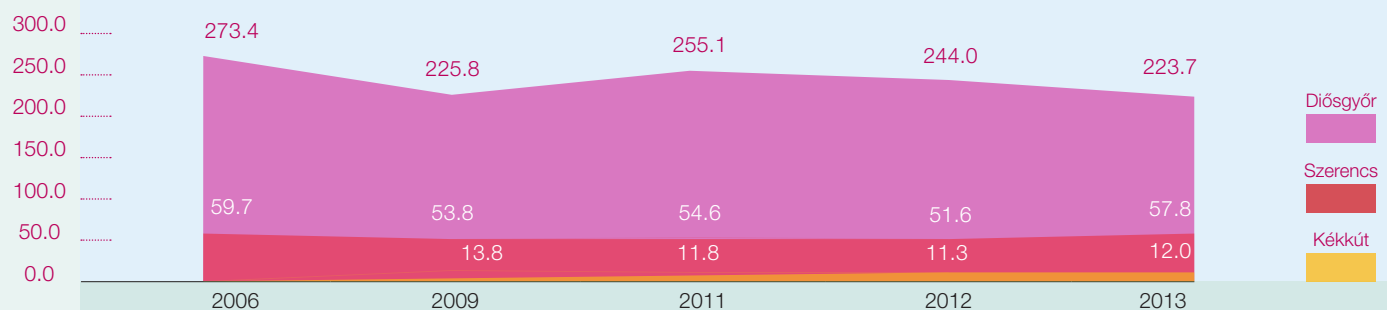
OUR LOCAL PERFORMANCE (2013)

Szerencs	21% reduction
Diósgyőr	28% reduction
Bük	2% increase
Kékkút	22% reduction

CO₂ EMISSIONS FROM NATURAL GAS USED PER PRODUCT TON (kg CO₂/t)



CO₂ EMISSIONS FROM ELECTRICITY USED PER PRODUCT TON (kg CO₂/t)



AGGREGATED CO₂ EMISSIONS (t)



WASTE

NESTLÉ'S GLOBAL OBJECTIVE

By 2020 we will reduce our production waste sent to landfill to zero at every European Nestlé factory.

OUR LOCAL PERFORMANCE (2013)

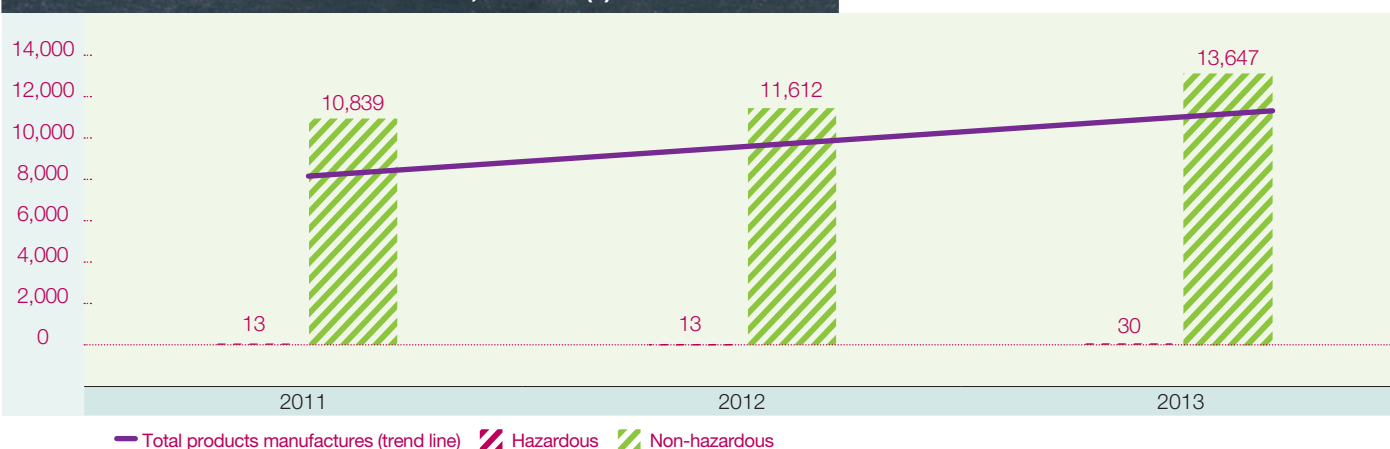
Szerencs
 Diósgyőr
 Bük
 Kékkút

there is no waste sent to landfill
 there is no waste sent to landfill
 8% reduction
 40% reduction

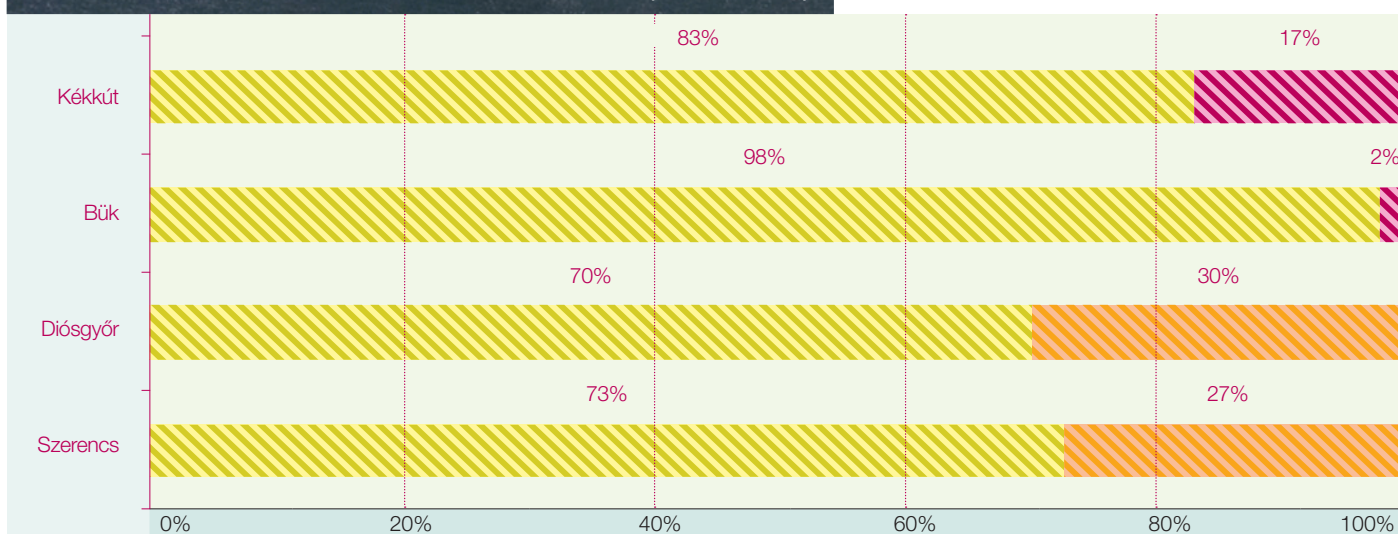
By 2020 Nestlé factories will treat their waste that was previously sent to landfill either by recycling it as raw material or by incineration to generate thermal energy. In 25 out of 150 European factories, among them the Szerencs and Diósgyőr Nestlé facilities, this commitment has already been fulfilled, in other words the amount of waste sent to landfill has been reduced to zero.

Since 2006 waste is being selectively collected both at the Szerencs instant coffee and cocoa, and at the Diósgyőr chocolate figurine production plants, and so more than 70% of that waste can be recycled. Since 2012 the non-recyclable waste of the Nestlé factories operating in Borsod county are used to produce thermal energy with the involvement of an accredited incineration partner. Thanks to the new measures 100% of waste previously sent to landfill is now recycled at the Szerencs and Diósgyőr factories.

QUANTITY OF WASTE: FACTORIES, TOTAL (t)



WASTE STREAMS IN BREAKDOWN BY TREATMENT METHOD (IN 2013, TONS)



- recycled or composted
- reused
- sent to landfill



Nutrition, health and wellness

Health is inseparable from diet. Every tiny particle we consume has an effect on the working and health of the 'larger whole': it impacts on our general well-being.

We are endeavouring to learn more about the vital role nutrition plays at every stage of life. It is also recognised that nutrition plays a role in reducing the risk of diseases, allergies and obesity, and in the treatment of specific health conditions. In line with our ambition to be recognised as the world's leading nutrition, health and wellness Company, we are committed to improving the nutrition – and therefore the health and wellness – of people around the world through the foods, beverages and services we provide, applying the research we carry out and the informed choices we promote.

Product development

The Nestlé Group operates the world's largest privately owned food industry research and development network, employing approximately 5,000 people. The heart of the development activity is the Nestlé Research Centre in Lausanne. 300 scientists of 50 nationalities work at the Research Centre on continuous developments. Globally 34 additional R+D and Product Technology centres are linked to the Research Centre, and are together integrated into a global network.

We put all our products through nutritional profiling based on a complex set of criteria called the Nestlé Nutritional Foundation criteria („NF"). These criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation. We constantly adapt the „NF" set of criteria in accordance with the latest nutritional recommendations of the authorities.

Nestlé was named as one of the top three performers in the "Access to Nutrition Index, which rates how effectively some of the world's largest food and beverage manufacturers provide consumers with access to nutritious products.

(This ranking which is set up by the non-profit organisation „Global Alliance for Improved Nutrition" rates the world's food and beverage manufacturers in terms of their efforts to combat obesity and malnutrition.)

We evaluate products according to four basic principles:

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

Products meeting all of the above criteria are placed in the „NF" (i.e. compliant with Nestlé Nutritional Foundation standards) category. In 2013 76% of our products achieved compliance or exceeded NF criteria at global level.



Results and Commitments – Reformulation

1. MICRONUTRIENT FORTIFICATION

Through further fortification we help consumers in the adequate intake of certain micronutrients in the light of the results of the up to date dietary surveys.

OUR PROGRESS TILL 2013

- In 2013 we provided over 200 million servings of fortified foods and beverages with a special focus on children products, such as Nesquik cocoa drink and Nestlé breakfast cereals for children.
- Between 2011-2013 the amount of calcium increased by an average of 73% in our breakfast cereals for children.
- In 2013 we provided over 9 million servings of fortified infant products, such as fortified growing up milks, infant cereals and baby desserts for children above the age of 6 months. The mineral and vitamin composition as well as the added probiotics have been developed according to the needs of the infants.

2014 AND BEYOND

- In 2014 a Nesquik recipe (OptiStart) has been launched with a new vitamin and mineral composition, including Vitamin D and iron.
- By the end of 2014 all our breakfast cereals for children will be fortified with Vitamin D as well.
- By the end of 2014, as a result of the additional fortification, our kids breakfast cereal portfolio will be altogether fortified with 9, while our Nesquik cocoa drink powder with 6 vitamins and minerals.
- By the end of 2015 a nutritional benefit upgrade will be performed for the total infant cereal portfolio.

2. REFORMULATION OF CHILDREN PRODUCTS

We further develop our children products between the age of 3 and 12 in order to help them achieve a balanced diet.

OUR PROGRESS TILL 2013

- Between 2011-2013 we reduced the amount of sugar in kids breakfast cereals by 22% on average, while increasing their whole grain content. There is more whole grain than any other ingredient in our breakfast cereals, with a minimal content of 30% to contribute to the adequate consumption of whole grains.
- We use only natural flavours in our confectionary products for children.

2014 AND BEYOND

- We further ensure that our breakfast cereals for children will have less than 9 g sugar/1 serving of cereal. In order to fulfil the special needs of our consumers we are going to offer a gluten free cereal option in our assortment.
- By the end of 2014 we implement portion communication on pack on all our multi-serve children seasonal products and in parallel we will also perform weight reduction on some of these products. As a result one recommended portion of confectionary product, designed for children, will contain no more than 120 calories and 11 g added sugar.
- We have reduced the added sugar content of Nesquik cocoa powder to meet the Nestlé Nutritional Foundation added sugar criteria for children, which is based on the WHO daily recommendation, consumed as core of meal. We endeavour to make further reduction to help consumers achieve the total daily added sugar recommendation.

3. SODIUM/SALT REDUCTION

We continue reducing the amount of salt in our products to help consumers gradually achieve target daily salt intake corresponding to recommendations from the World Health Organization (WHO) and other leading international and national authorities.

OUR PROGRESS TILL 2013

- Between 2011-2013 the sodium content of our breakfast cereals for children decreased by 8% on average.

2014 AND BEYOND

- Due to the development process, started at the end of 2013 we have reduced the salt content of our fixes category (including the recommended additional salting) by more, than 30% on average, while the salt content of our cook up soup category by an average of 5%. We will continue the gradual salt reduction in the following years across our culinary portfolio.
- In 2014 Nestlé Professional will launch a new culinary product range with reduced salt content (no added NaCl).
- By the end of 2015 15 new, salt reduced culinary products will be provided to public caterers.

4. SATURATED FAT & TFA REDUCTION

We remove the trans fats originating from partially hydrogenated oils in our products. We continue reducing the amount of saturated fats in our products to help consumers gradually achieve target daily SFA intake corresponding to recommendations from the WHO and other leading international and national authorities.

OUR PROGRESS TILL 2013

- 100% of children's products meet the Nestlé Nutritional Foundation saturated fats criteria.
- Before the introduction of the national TFA regulation we were in line with its limits- all our products met the requirement of no more than 2g TFA/100g total fat (as a general principle).

2014 AND BEYOND

- We will remove trans-fat originating from partially hydrogenated oils from all food and beverage products by the end of 2016
- By the end of 2015 more than 90% of our relevant product portfolio (by turnover) will meet the Nestlé Nutritional Foundation for SFA as defined in the Nestlé Nutrition Profiling System.
- We will further reduce the saturated fat content in the remaining products that do not meet the Nestlé Nutritional Foundation criteria for saturated fat.



traditionally been passed down through generations is being lost. We have started seeing more people making food choices which can negatively impact upon their health. Nestlé wants to help consumers meet their nutritional needs and also to re-learn how to eat more mindfully. We believe taste and nutrition must go hand in hand, and that a healthy diet is all about variety and balance. We invest in Nutritional Compass labelling, portion guidance on products and packs, and nutrition education programmes around the world.

Promoting healthy lifestyles

Food habits around the world are changing. In many areas, people are cooking less, and eating more, often on their own, and on the go. This means that knowledge about food and nutrition that has

In Hungary life expectancy at birth is considerably lower than in neighbouring European countries. The leading causes of illnesses that cause shorter life expectancy are an unhealthy diet and not enough exercise. 40 percent of the Hungarian population is suffering from some form of chronic illness (high blood pressure,

heart disease, tumours, and diabetes). 25 percent of children aged 7-14 are obese and 2.5 percent of 15-18 year olds have a cardiovascular condition. Moreover, incorrect dietary habits present among the country's adult population can be observed also in the nutrition of 14-15 year olds³⁴.

These problems and illnesses can be significantly changed under positive influence and are largely preventable by a change of diet and more exercise.

The promotion of 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. We have been actively researching and solving these problems for years. One of the main drivers behind the establishment and application (currently displayed on all of our relevant products) of the Nestlé Nutritional Compass is the desire to advocate healthy portions to consumers.

100% of relevant Nestlé products include a Nutritional Compass.



Results and Commitments – Information

5. PORTION COMMUNICATION	
By providing portion communication we help our consumers in achieving a balanced diet.	
OUR PROGRESS TILL 2013	2014 AND BEYOND
<ul style="list-style-type: none"> In 2013 we had portion communication on 100% of our relevant* all year products. <p>* all year products with the exception of cooking or baking aids (e.g.: cake coating and decoration compounds)</p>	<ul style="list-style-type: none"> By the end of 2014 all our relevant products, including seasonals, will have portion communication in form of pack concept or practical description of proper portion. Our culinary fixes offer portion guidance for the whole meal, recommending vegetables as part of each meal. This way we would like to help consumers eat 5 portions of vegetables per day.

¹ Based on the 2012 annual survey carried out by GfK Hungary's Health Monitor service.

² OÉTI – Nutrition and Healthcare Survey among 7-14 year olds, 2010

³ Nestlé Hungária Kft. NUTRIKID® survey conducted among 10-12 year olds, 2011

⁴ OGYEI Health and lifestyle of adolescents, 2010

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 gastronomical background information related to the product
- presented in an easy-to-follow, clear format.





6. COMPREHENSIVE NUTRITION INFORMATION

We provide comprehensive nutritional information on labels.

OUR PROGRESS TILL 2013

- In 2013 100% of our relevant* all year products has the Nestlé Nutritional Compass with nutritional table and Good to talk box.

* All year products excluding cooking and baking aids (e.g.: decorating compound)

2014 AND BEYOND

- By the end of 2016, 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.**
- Furthermore we provide nutritional information and recommendations in our Good to know or Extra tip boxes to help our consumers achieve a balanced diet, where we have sufficient pack surface.
- By the end of 2015 we will have additional labelling evolution through QR code (in volumes) on 40% of our confectionary products, while almost 100% of our coffee (pure, mixtures and capsules) and 70% of our Nesquik category.

** Exceptions: Foods which are exempted from the requirement of the mandatory nutrition declaration (1169/2011/EU), listed in Annex V., furthermore products which are designed for and used by caterers, for gifting purposes as well as products for special dietary uses tailored to specific needs of a consumer group.

7. MARKETING TO CHILDREN

We promote our products with responsibility according to the EU Pledge criteria and Nestlé Marketing Communication to Children Policy.

OUR PROGRESS TILL 2013

- Nestlé Principles concerning appropriate communication with consumers have been a part of the Nestlé Corporate Business Principles since they were first published in 1999. These undergo periodic review, and a more complete and detailed set of Principles was released in 2002. They were further strengthened in regard to children in 2004, 2007 and most recently in September 2011.
- Nestlé signed the EU Pledge on marketing to children among the first companies in 2007.
- The implementation of EU Pledge commitments are monitored by independent bodies. The provisions of the EU Pledge are consistent with Nestlé's own global Policy on Marketing to Children.

2014 AND BEYOND

- We will implement the EU Pledge Nutritional Criteria White Paper from December, 2014.
- 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
- According to the EU Pledge White Paper we are committed not to advertise confectionery products to children under 12 years of age.

NUTRIKID® education program

Education can be an effective way of making children understand that eating a balanced diet and taking exercise are vital components of growing up as physically and mentally healthy adults. The Nestlé Healthy Kids Programme aims to promote healthy lifestyle choices among school children all over the world. In line with the principle of joint partnership the programmes are being implemented with the help of and in collaboration with local health authorities, institutions and nutrition experts. By the end of 2015 the Nestlé Healthy Kids Programme will have been rolled out in 80 countries whereas today it runs in 68 countries, in conjunction with the youth athletics program of the International Athletics Federation (IAAF). The NUTRIKID® programme which was launched in 1998 by Nestlé, the Swiss Nutrition Society, and the Swiss Museum of Nutrition – later joined also by the Swiss Food Alliance – is part of the Nestlé Healthy Kids Programme and currently runs in five countries.



Nestlé Hungária Kft. initiated the pioneering NUTRIKID® health education programme aimed at lower middle school aged children in 2003 with the collaboration of the Hungarian Dietetic

Association. Since then 3,100 schools in total joined the NUTRIKID® programme promoting a balanced diet and adequate exercise.

The free of charge health education programme NUTRIKID®, which is also free from all product advertising, was developed with 10-12-year-old kids in mind and it teaches its target audience in a playful way about healthy eating and lifestyle choices and the importance of doing enough exercise with the help of a colourful workbook, a cartoon film, a Teacher's Manual assisting the work of teachers and

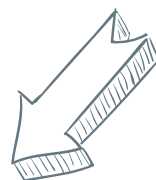


We celebrated the 10th Anniversary of the NUTRIKID® programme in 2013.

the teaching process, the <http://www.nutrikid.hu> interactive website, and a series of interactive creative competitions.

Under the positive influence of NUTRIKID® programme Hungarian children across the country are now more aware of the importance of eating a healthy and balanced diet and taking enough exercise. Thanks to the programme, nine out of ten pupils now think that following a regular diet is important. Among pupils who have taken part in the NUTRIKID® programme 10 percent more kids mentioned the importance of eating a cooked meal as opposed to kids who have not been familiar with the programme*.

85 percent of Hungarian primary schools, and so more than 420,000 school children joined the free NUTRIKID® programme since the beginning.



* Nestlé Hungária Kft. NUTRIKID® survey conducted among 10-12 year olds, 2011



Stakeholder dialogue

The first time we initiated a dialogue with our stakeholders was in 2009, which we called 'Eating a balanced diet, living a healthy lifestyle and staying healthy – making responsible choices', and we have carried on with regular dialogues ever since. In June 2013 we invited stakeholders for yet another dialogue on the occasion of celebrating the '10th Anniversary of the NUTRIKID® programme', to discuss the importance of educating children in eating a balanced diet and living a healthy lifestyle.

Participants covered three main issues:

1. What we mean by healthy lifestyle
2. What is the role of food industry stakeholders, and within that of Nestlé in educating people in healthy living
3. Collaboration opportunities, especially with schools and parents in mind, and supporting institutions

Stakeholders expressed their opinion as follows:

- The main responsibility of the food industry in this is that we manufacture the healthiest possible food products.
- The industry clearly has a role to play in health education and the NUTRIKID® programme has pioneered this mission.
- Nestlé's NUTRIKID® programme with its complexity and diverse toolkit builds up the pillars of a healthy lifestyle, on which kids can then rely on with confidence for the rest of their lives. The NUTRIKID® programme provides effective and necessary help in educating children in healthy living.

What we here at Nestlé hold most important is that all stakeholders who have a bearing on education in any way – parents, teachers, civilians, unionists, professional membership bodies, research institutions, the representatives of scientific disciplines, the government and the industry – collaborate responsibly, because educating people in making healthy life choices is a joint responsibility for all those concerned.

The following organisations took part in the roundtable talks:

- Lajos Bárdos Primary School (Dunakeszi)
- Federation of Hungarian Food Industries (FHFI)
- State Secretariat for Health at the Ministry of Human Resources
- State Secretariat for Public Education at the Ministry of Human Resources
- Galenus Publishing House
- Central Environment and Food Research Institute
- Hungarian Dietetic Association
- Hungarian Association of Food Science and Technology (MÉTÉ)
- National Parents Alliance
- Metropol
- National Institute for Health Development (NIHD)
- National Institute for Food and Nutrition Science
- Self-Regulating Advertising Board
- Szent István Square Primary School
- TÉT (Nutrition, Lifestyle, Exercise) Platform



In 2014 Nestlé became Main Sponsor of the nationwide Public Health Protection screening programme. Members of the public who want to take part in preventive screenings and lifestyle consultations are welcomed at 125 different locations across Hungary.

Start Healthy, Stay Healthy

In the life of an infant the first 1,000 days are decisive from the point of view of the child's later development and health. Our „Start Healthy, Stay Healthy” programme has been designed to help parents in providing the best possible care and nutrition for the new family member during these first thousand days. Within the framework of this programme we are offering consultancy for parents, visiting nurses and pediatricians about baby feeding; in collaboration with the Hungarian Association of Midwives we have developed a guidance book on infant nutrition; we are paying regular visits to childcare professionals to provide them with the latest information; and we are organising workshops on various aspects of baby feeding. The WHO recommends exclusive breastfeeding for the first six months of life and at Nestlé we fully support this. Based on Nestlé's continuously collected scientific knowledge about the unique and long term health benefits of breastfeeding, our aim is to develop infant products to provide effects the closest possible to Breastfeeding with clinically proven efficiency for those babies whose mother unable to breastfeed.

On September 30, 2013 we set up Hungary's largest breakfast table, which was more than 50 meters long, and so it became a new Hungarian record. Our aim was to draw attention to the fact that breakfast is part of a balanced diet and it ought not be omitted from daily meals. In one hour several hundred people breakfasted whole meal cereals, fresh fruit and dairy products.

„Skipping breakfast is a serious problem in Hungary”, as it was revealed by a recent national representative survey⁶ among other findings. According to the findings of this survey only 50 percent of parents insist on their child having

breakfast, the other half don't mind if their child skips the first meal in the day. This is dangerous to health; this is why it is important to raise awareness: everyone must find the time for eating a quick and balanced breakfast. High fibre bakery products using whole meal grains or cereals served in a variety of ways and combined with fresh fruit, dairy products and drinks can be ideal components of the family breakfast.” – noted Jolán Kubányi, President of the Hungarian Dietetic Association, during the event.

Since 2011 Nestlé has been the only baby feed formula manufacturer listed on the FTSE's responsible investment index.

The FTSE4Good Index analyses the environmental, social and corporate governance practices of more than 2,300 organisations worldwide. FTSE4 Good is an assessment framework meant primarily for institutional investors. The FTSE4Good Index Series has been designed to guide investors in finding those corporations, which meet recognised corporate responsibility standards.



⁶ The survey entitled Zesty Thoughts About Breakfast was carried out based on a questionnaire type survey made in October 2011 in Hungary by Medián Közvélemény- és Piackutató Intézet (Median Opinion & Market Research Ltd). Respondents included 500 mothers raising children aged maximum 4-14 years. The survey was sponsored by Nestlé Hungária Kft.



Results and Commitments – Education

8. START HEALTHY, STAY HEALTHY

The WHO recommends exclusive breastfeeding for the first six months of life and at Nestlé we fully support this. Based on Nestlé's continuously collected scientific knowledge about the unique and long term health benefits of breastfeeding, our aim is to develop infant products to provide effects the closest possible to Breastfeeding with clinically proven efficiency for those babies whose mother unable to breastfeed.

As a key platform of Nestlé Start Healthy, Stay Healthy we aim to educate all stakeholders on the understanding of the nutrition a baby gets in the first 1000 days, sets the foundation for better health in later life in compliance with the WHO Code.

OUR PROGRESS TILL 2013

- Within SHSH program we have educated the main stakeholders: mothers, midwives and pediatricians about infant nutrition during the last 3 years. We helped mothers through online and offline channels, involving health care professionals in the information sharing. We also developed a training book about infant nutrition together with the Hungarian Association of Midwives to help the education of midwives and started the regular visits of nurses in 2013. Nestlé Hungary regularly hold scientific seminars where we educate pediatricians on general infant nutrition topics as well as State-approved Credit point seminars for educational purposes next to the everyday visiting activity.
- From 2011, Nestlé has been included in the FTSE4Good index.

2014 AND BEYOND

- We continue the non-branded Start Healthy, Stay Healthy educational program based on the current learnings in all possible channels where both professionals and consumers are receptive to these topics.
- We plan to broaden the platform towards pregnant mothers in order to support their knowledge at an early stage about the importance of the first 1000 days feeding of the baby which starts at conception. Importance of breastfeeding and early prevention of long term health consequences of malnutrition are the most emphasised topics to educate them.
- In addition we continue the cooperation with Hungarian Pediatric Association regarding the education of pediatric society in terms of scientific evidences on the field of infant feeding.
- We aim to keep our index in FTSE4Good.

9. PROMOTE HEALTHY DIET AND PHYSICAL ACTIVITY

We continue promoting healthy diets and lifestyles, physical activity through our nation-wide education programme.

OUR PROGRESS TILL 2013

- The NUTRIKID® non-branded education programme was launched in 2003 with the partnership of the Hungarian Dietetic Association.
- Since the beginning 85% of Hungarian primary schools (3100) with 420 000 children joined the programme.
- As the effect of NUTRIKID®, children are more aware and conscious about correct nutrition and physical activities. As a result of the programme, nine out of ten primary school pupils consider regular meals important*.
- NUTRIKID® is part of a greater commitment, the Nestlé Healthy Kids Programme.

* Nestlé Hungária Kft. NUTRIKID® survey conducted among 10-12 year olds, 2011 by Hoffmann Research

2014 AND BEYOND

- In the following years we will continue the Nutrikid programme to promote healthy diet.
- Nestlé Healthy Kids initiative will put further focus on the promotion of physical activity as part of a healthy and balanced lifestyle.
- Within the promotion of healthy nutrition we will highlight the importance of every day breakfast consumption and the ideal composition of a balanced breakfast.

10. NUTRITION EDUCATION AMONG OUR EMPLOYEES

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

OUR PROGRESS TILL 2013

- In order to ensure, that the internal culture is built upon continuous nutrition training, Nestlé established the Nutrition Quotient (NQ) training. The aim of the training programme is to ensure everyone at Nestlé has a good nutrition understanding and empower them to apply NQ learnings in their professional activities and day-to-day lives.
- In 2012 NQ training was provided in form of posters, reaching the employees of head office and factories.

2014 AND BEYOND

- By the end of 2015 all Nestlé employees will receive updated NQ training in form of poster and handout series, workshop, e-learning or presentation.
- In 2014 we launch our internal engagement programme, consisting of 4 pillars: nutrition education, nutrition practice, mental & physical activity education/prevention and practice. The multilevel programme will be adapted to the different needs of knowledge of our employees, focusing on practical solutions.

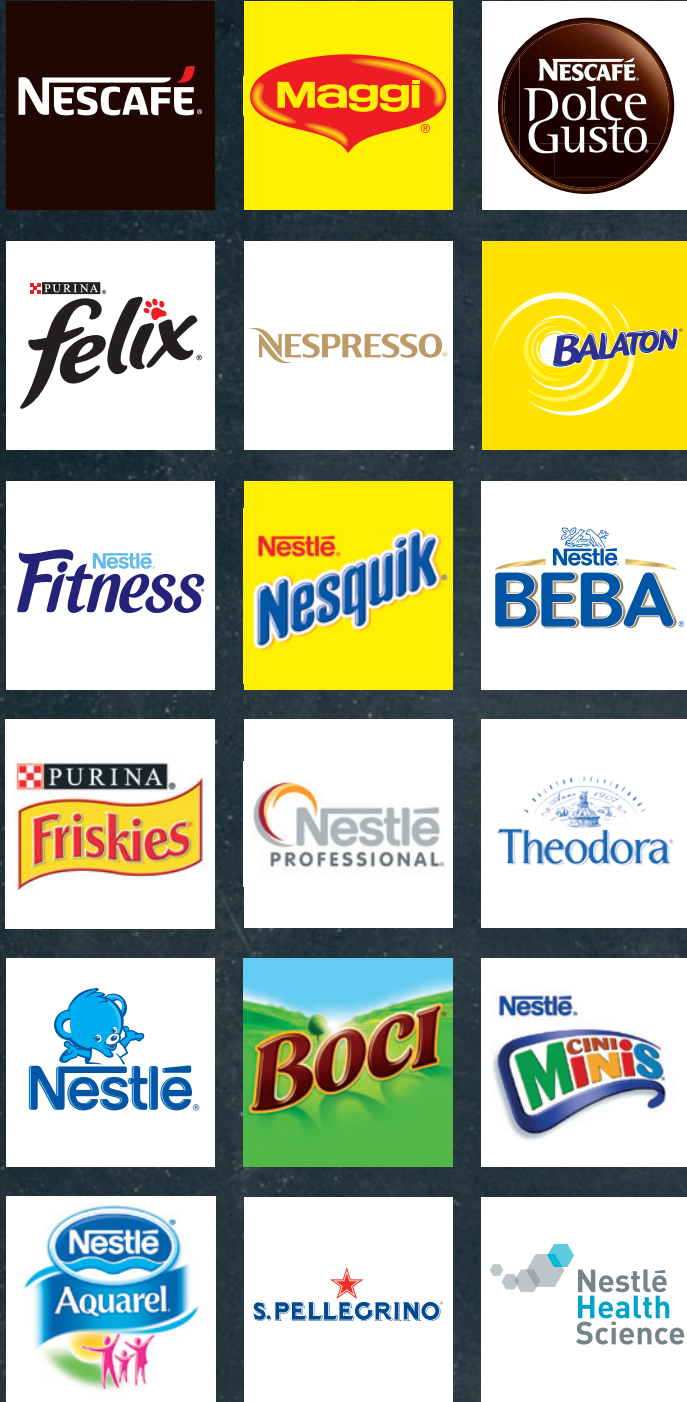
* ANNEX

* NF: The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation.

For more information please visit our website: <http://www.nestle.com/asset-library/documents/creating%20shared%20value/nutrition/nestle-research-nutritional-profiling-system-dec2010.pdf>

Brands and products

Our main brands



Key events per product category:

- As a next step in expressing our commitment to healthy eating we renewed our recipe of **Nestlé cereals** to ensure that one portion covers 15% of the recommended daily Calcium intake for adults, even without adding any milk. Between 2011 and 2013 **the amount of calcium increased by an average of 73% in our breakfast cereals for children**, and we **reduced the amount of sugar by 22% on average, while increasing wholegrain wheat content**.
- In 2014 the recipe of **Nesquik** (OptiStart) cocoa powder was renewed by adding **vitamin D and iron** resulting in a whole **new vitamin and mineral complex**.
- In 2013 we manufactured **more than 9 million units of mineral and vitamin fortified baby feed formulas**, including ready-to-drink junior nutritional supplements **for children older than 6 months**, baby puffs and baby desserts. The mineral and vitamin content of our products with added probiotics were developed with the needs of babies in mind.
- The number of Facebook followers of **Maggi Smart Cooking (Okoskonyha)** increased by nearly 30,000 in one year, so by the end of 2012 more than 37,000 customers received daily tips about cooking and following a balanced diet. Okoskonyha.hu – a webpage launched with the same aim – was visited in 2013 by nearly 250,000 people.
- Thanks to developments started at the end of 2013 the **salt content of Maggi fix basis** (including the recommended supplementary salt content) **has fallen by more than 30% on average, while the salt content of our instant soups was reduced by 5% on average**.
- In conformity with public catering standards, **Nestlé will be launching a new, reduced salt content Professional cooking product range** (not containing any added NaCl) in 2014. By the end of 2015 we will offer 15 new, reduced salt content cooking products for public catering service providers.
- All our children's products meet all Nestlé Nutritional Foundation criteria for children with regards to saturated fats.



Find us on Facebook:

- Nestlé Magyarország
- Kit Kat Magyarország
- BALATON szelet
- Boci csokoládé
- NESCAFÉ
- Gondos Gazdik
- Mindenem a macskám
- Gabonakör
- Smarties
- Okoskonyha
- NESCAFÉ Dolce Gusto Magyarország
- Nestlé Fitness
- Nestlé baba
- Dog Chow Disc Cup
- Nespresso
- Theodora Ásványvíz

Nestlé Youth Employment Initiative

The rate of youth unemployment among under 25 year olds is 24% in Europe, compared to 27% in Hungary. Youth unemployment is a major issue in Europe, with one in four young Europeans – about 5.6 million people – affected. Nestlé is growing in Europe and needs to prepare the next generation. Attracting and retaining the best talent is critical for gaining competitive advantage in a slowly recovering economy, and Nestlé will offer 20000 jobs, traineeships and apprenticeships to under-30s by 2016. The roles will be across the business and at all levels – from operators on the factory floor to sales assistants and business managers. We will capture our progress against all markets' objectives with regular monitoring across all European operations.

Within the framework of the initiative Nestlé launched the Alliance for Youth, an alliance of leading companies in Europe who recognise that youth unemployment is a major social and economic issue on the continent and are committed to helping to solve it.

„With more than 150 companies from all over Europe joining, Nestlé's „Alliance for YOUTH” is the first pan-

European business-driven movement pledging to improve the chances for our young people in a challenging job market” said Laurent Freixe, Head of Zone Europe at Nestlé.

Over recent years Nestlé has been continuously expanding its domestic production capacity, as a result of which we increased the number of our employees by 25% compared to 2011. As part of the initiative about to be launched, we are going to increase the number of apprenticeships available in Hungary by at least 50% and in the next three years we are going to provide 180 apprentices with the chance to gain work experience.



Nestlé's European commitment:

By 2016 Nestlé will hire 10 000 young people and 10 000 trainees or apprentices below 30 years of age in Europe.



Pillars of the Nestlé Youth Employment Initiative



Get support

„Ready for work” career advice service for secondary pupils and further education students (CV writing, job interview training, career advice).



Get Skilled

Our aim is to increase the number of apprenticeships available at our 4 Hungarian factories and at our Budapest Head Office by at least 50% over the next 3 years.



Get More

Opportunities: Alliance for Youth

Quite a few of our 4,000 Hungarian suppliers have already joined the initiative. We are certain that by thinking together and acting in unison we can multiply the effectiveness of the Youth Initiative several times.



Get Hired

We employ 2,000 staff in Hungary, and it is our aim to help as many young people as possible to find employment and or work experience at our 5 production facilities in Hungary whether in production, administration, marketing, sales, communication, technology or research and development.



“The problem of youth unemployment may only be solved in cooperation. The Nestlé Youth Initiative is an excellent example of business sector involvement whereby Nestlé actively contributes to manage a social issue.”

DR. PÉTER MIHALOVICS
Ministerial Commissioner for the
Coordination of Programme for the Future
of the New Generation (in November 2013)



“Corporate relations is a top priority for universities and colleges, because cooperations significantly help enhance training standards and provide an opportunity to young people to take the knowledge they acquired and utilize it in practice in the labour market.”

DR. JÁNOS RECHNITZER
Vice-rector of Széchenyi István University



We are so far the only company to join the career advice roadshow launched as part of the Hungarian government's New Generation Programme, a series of complex programmes for young people studying in the state education system which was launched to guide them in their career decisions and their smooth integration into the labour market. The roadshow stopped at the MOM Cultural Centre on 13 December, 2013 where our programme entitled „Your Nestlé carrier only a Flashlight Away” attracted a large audience of secondary school pupils from Budapest so we could assist a lot of attendees with whom the programme was a great success. We set up a photo studio imitating a real life Nestlé office environment to show young visitors what career opportunities we are offering as a multinational company and they could quickly respond by completing one of our user friendly career orientation questionnaires.

Cocoa Plan, Nescafé Plan, Nespresso Ecolaboration™

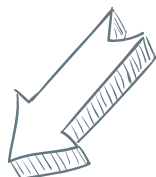
We're focused on ensuring that our raw materials are produced responsibly and sustainably – and it starts with knowing where they come from and how they're produced.

The Cocoa Plan

The Cocoa Plan is aimed at solving or relieving the problems faced by cocoa farmers 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.

To read more about the Cocoa Plan, please visit: www.nestle.hu/csv.

We work in close partnership with farmers' co-ops and pay higher price for quality to reduce supplier chain complexity, increase farmers' income and improve the quality of cocoa supplied to Nestlé.



2009

Launch of the Nestlé Cocoa Plan.

2012

Trained 27,000 cocoa farmers Good agricultural practices, farm management, social and environmental issues.

2013

We purchased 62,299 tonnes through the Nestlé Cocoa Plan, rolled out child labour monitoring and remediation at 8 co-ops, built or refurbished 13 schools and trained 33,885 cocoa farmers.

2015

By 2015 we will source 100,000 tonnes of cocoa through the Nestlé Cocoa Plan and complete our school-building programme to build 40 schools in four years.

2020

By 2020 we will distribute 12 million higher-yielding disease-resistant cocoa plants. By 2020 Nestlé is investing CHF 110 million into Cocoa Plan.

By 2020 Nestlé is investing CHF 500 million into Nescafé Plan.



Coffee

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 receive a better price and free technical help by which they can improve the quality of their crop and diversify their activities. As a result, their income increases and Nestlé has a secure supply of high quality coffee. In the next few years Nestlé will double the amount of coffee procured directly from producers and used for *Nescafé*, meaning 150,000 tons of coffee from 180,000 producers.

Nespresso Ecolaboration™

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

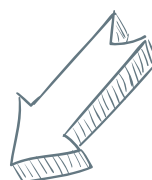
- to source 80% of its coffee from its AAA Sustainable Quality™ Program and Rainforest Alliance Certified™ farms*;
- to put systems in place to triple its capacity to recycle used capsules to 75%;
- to reduce the carbon footprint required to produce a cup of *Nespresso* by 20%.

*Launched in 2003, in collaboration with the international non-profit organisation, the Rainforest Alliance, the *Nespresso* AAA Sustainable Quality™ Program seeks to protect the highest quality coffees required for *Nespresso Grands Crus*, while improving sustainable farming practices and enhancing farmer welfare. As a result, more than 290 000 hectares of farmland were under our active sustainable management programme, helping *Nespresso* successfully meet its commitment to source 80% of its coffee through its AAA Sustainable Quality™ Program by the end of 2013. *Nespresso* is now looking to source 100% of coffee through the AAA Program.

Nescafé Plan

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

Tensie Whelan, President of the Rainforest Alliance



2010

Launch of the *Nescafé* Plan.

2013

We launched the *Nescafé* Plan in Central America too (reaching a total of 13 countries), sourced 148,198 tonnes of coffee from 176,040 Farmer Connect farmers, and distributed over 21.4 million coffee plantlets to coffee farmers.

2015

We will source 180,000 tonnes of coffee from Farmer Connect, which is 100% in line with 4C's (Common Code for the Coffee Community) baseline sustainability standard.

2020

We will source 90,000 tonnes of coffee that is compliant with the Sustainable Agriculture Network principles, and distribute 220 million coffee plantlets.

By 2020 Nestlé is investing CHF 500 million into *Nescafé* Plan.

* Farmer Connect is our programme for direct sourcing from farmers, through which we commit to the local sourcing of raw materials, offering technical assistance and ensuring co-operation to meet the highest sourcing standards.

Nestlé in Society

Factories in Szerencs and Diósgyőr

On 11 April 1991, Nestlé acquired the Szerencs and Diósgyőr plants, and subsequently founded Nestlé Hungária Kft. As a result of production developments, the factory in Szerencs became Nestlé's European centre for the production and packaging of powdered beverages. This is the place where the well-known *Nesquik* and *Nescafé 3in1* products are manufactured.

In 2013 30,154 tons of powdered beverages rolled off the conveyor belt of our Szerencs production plant. More than 80% of instant coffee mixes and cocoa products manufactured in Borsod are exported: the Hungarian factory supplies 31 countries from the United Kingdom to the Adriatic coast. Starting from 2012 the Szerencs facility employing today 392 people has been supplying Scandinavian countries too. In recent years instant coffee mixes made in Hungary started to be consumed in the United Arab Emirates after Canada and Europe. Last year 218 different products were manufactured in Szerencs.

"The health and safety of its employees is top priority for Nestlé in Hungary as in every country of its operation. I am very proud of the health and safety track record of our Szerencs and Diósgyőr factories. We are recognized within Nestlé as having very few accidents and this year Szerencs is nearing a two year accident free period. I think that in the area of health and safety we possess a unique know-how and experience, and that is a value which we would like to share also with the local community. In 2012 we therefore launched a new programme in collaboration with the Bocskai István Grammar School of Szerencs based on the principle of 'Nestlé in Society', the aim of which is to promote safety awareness. We also shared our knowledge with schools in the Diósgyőr area. This year September we will have Safety Open Days in both facilities for local schools,

companies and authorities. We aim to turn this sharing into a tradition." – said the Factory Director, Jean-Pierre Polanen.



The volume of production has been continuously rising in the past 3 years at Nestlé's only manufacturing unit specialised solely in chocolate figurines, namely the Diósgyőr factory. As a result in 2013 52 percent more premium quality chocolate figurines were manufactured at this chocolate factory (68 million pieces in total) compared to 2010.

Interesting facts about the Diósgyőr factory

The production output of the Diósgyőr factory is 68 million figurines per annum. In comparison this means that after giving the entire population of France a chocolate figure each, there would still be a couple left over.

The most complicated of figurines packaged in the manual packaging unit (Polar Bear, Smarties Hen) are wrapped up in less than a minute by employees with exceptional handcrafting skills.

71 years old Mrs Aranka Belane Szabo works in packaging and she is the longest serving employee of Nestlé Hungary with more than 46 years spent at the Diósgyőr factory.



88% of produce manufactured at the Diósgyőr facility is exported: hollow chocolate figures made here travel to 24 countries of the world.

To satisfy continuously rising demand and to support a corresponding increase in production volumes in 2013 it was decided to install a new automated packaging line, with a built in capacity to package 600 tons of produce per annum. Nearly 100 permanent jobs were created at the same time and so starting from the end of the same year 400 Nestlé employees and 200 seasonal workers are involved in manning the production process. Since 2007 the factory has been working together with a local company employing people with disabilities, and so an additional 100 people have found employment at the production plant doing various packaging jobs through this partnership.

Stakeholder dialogue

In May 2012 we organised roundtable talks to find out more about the challenges facing the region and to start thinking together with the local community about the role Nestlé plays locally at present and about further collaboration opportunities. The forum created a lot of interest: the representatives of approximately 20 local public administration bodies, authorities, education institutions, civil societies and media organs came to take part.

After the dialogue event, in early June an informal meeting of municipal representatives took place at Nestlé's Szerencs production plant, where the Mayor Ferenc Koncz said the following: The Nestlé factory could become the strongest bastion of the town Szerencs.

Participants in the stakeholder forum held in Szerencs included among others:

the Open Learning Centre of Szerencs,
the Szerencs Municipality,
the Szerencs Job Centre operating as part
of Borsod-Abaúj-Zemplén (B-A-Z) County's
Government Agency for Labour Affairs
the Szerencs Police Station
Bólyai János Primary School (Szerencs), Szerencs
Town Sport Club, Szerencs News,
Rákóczi Zsigmond Kindergarten and Primary
School (Szerencs),
Szerencs TV,
Miskolc University - Faculty of Mechanical
Engineering and Information Technology,
Miskolc Municipality,
Student Beans (Mind-Diák) Cooperative,
Get Work Hungary Kft.,
Northern Hungary,
Boon.hu



+100 workers
employed at the
Diósgyőr factory.

Cooperation

In October 2012 we launched a new programme in collaboration with the Bocskai István Grammar School of Szerencs based on the principle of 'Nestlé in Society', the aim of which is to promote safety awareness. At a series of workshops pupils could learn about the history of health and safety, about Nestlé, about the relationship between Nestlé and health and safety at work, and become proficient in basic safety rules and forms of behaviour, which they can use in their own day-to-day dealings. At the end of the programme youngsters took part in a competition to give account of their new skills and knowledge, and were of course rewarded for their efforts.



The Bük Pet Food Factory

In 1998, Nestlé acquired Jupiter Állatelel 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.

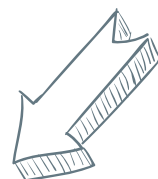
In the last 3 years and after a 23 billion HUF investment our Bük pet food factory complex has become one of the largest pet food production facilities in Europe. This expansion created 400 more new jobs at the Bük factory, and by the end of the year the number of its workforce increased to 836 people. As a result of the investment factory floor space increased by 15,000sqm. to 55,000sqm. in total, 4 new automated production lines were installed to double the plant's production capacity of Nestlé Purina aluminium foil packed pet foods such as *Felix*, *Gourmet* or *Friskies*.

Besides Hungarian domestic sales, the company exports pet food manufactured at the Bük factory to 25 countries including Germany, Poland, the Czech Republic, Slovakia, Austria, Russia, and the Ukraine.



Bük plays a crucial role in Nestlé's European operations. Through local investments during the past years we have committed ourselves not only to Bük, but also to Hungary. In the space of 15 years we have invested a total of 35 billion HUF in Bük, and we have doubled the number of local employees in the last 3 years – said Kai Herzke, Director of the Bük factory.

Over the last 3 years we have doubled both our production capacity and the number of employees.



Kékkúti Ásványvíz Zrt.

Kékkúti Ásványvíz Zrt. is one of Hungary's oldest and largest companies bottling and distributing mineral water, and was acquired 100% by Nestlé Waters in 2003. Kékkúti bottles the *Theodora Kereki*, *Theodora Kékkúti*, *Nestlé Aquarel* mineral waters for the Hungarian market, and it is the importer and distributor of the *Perrier*, *Acqua Panna*, *San Pellegrino* and *Nestlé Vera* brands. The products of the subsidiary are sold almost exclusively in Hungary.

We are publishing our results for the second time by joining to the Creating Shared Value and Sustainability Report of Nestlé Hungária Kft. By embracing Nestlé's global commitments we set some very ambitious goals for ourselves, and I think that we have every reason to be proud of what we have achieved.

2013 was the International Year of Water Cooperation, and so we paid special attention to and focused even more of our efforts on creating awareness about the importance of water management and water saving practices. Like in previous years, we invited school children from the Káli-basin to learn about the vital role of water through a range of entertaining challenges created by the Project WET program.

For the constantly outstanding quality of our mineral waters we can thank the clean, undisturbed natural environment which surrounds the mineral water wells. As we are committed to keeping up the same high quality standards, the company pays special attention to protecting the natural environment and to preserving the natural purity of its mineral waters.

In these last two years we continued the work we had started earlier to reduce our environmental footprint and to protect our mineral water bases: from 2004 to 2012 we saved more than 481,000 m3 of water as a result of the technological developments carried out. The same quantity would be enough to fill 213 Olympic size swimming pools. We have also improved our specific energy consumption by 51 percent over the last 7 years, which translates into more than 16.9GWh in energy savings since 2004. This would cover all the energy needs of 580 average Hungarian households for a whole year.

We are continuously reducing the weight of our packaging materials, as a result we have used 3000 tons less PET raw material in the past 9 years. This amount we have saved since 2004 equals a whole year's raw material demand.

Alongside with guaranteeing the highest product quality we are also treating health and safety as a top priority. Our Kékkút factory celebrated 3 years of accident free operations on 14 May, 2011, which was a new record at the time. I am particularly proud that we could keep up our impeccable record for another two years, and our factory did not have any accidents leading to loss of working time for 5 years.

On the following pages you can find out about the operations of our production plant, our programmes and results in more detail.

We look forward to hearing your comments, questions and suggestions.

Grant McKenzie, Managing Director



Protecting mineral water sources

The sources of our mineral waters are located in the untouched, 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 106 years ago.

Since several years, Kékkúti Ásványvíz Zrt. has been working on developing and protecting water resources in the Káli-basin. We protect the quality and quantity of mineral water production by operating an observation system that consists of 50 monitoring wells. By regularly measuring the water parameters of wells, the pathway of mineral water across the entire Káli-basin can be traced both spatially and through time.



The Year of Water

As 2013 was the International Year of Water Cooperation, we prepared even more vigorously for World Water Day which we celebrated on 22 March. This year Nestlé Waters celebrated World Water Day at global level for the fourth time in its history with the participation of 31 countries. Kékkúti Ásványvíz Zrt. was among the first to join the initiative and took an active part in promoting the event across Hungary. World Water Day is an excellent opportunity for us to raise awareness of the importance of water management and water saving practices, and to mobilise our own workforce and the local communities where we are present.

Like in previous years, we used this occasion to invite school children from the Káli-basin to let them learn through play about water, water resources, water management and water protection. School children from the Káli-basin gathered at the Révfülöp Primary School to discover the importance of water through a range of entertaining challenges created by the Project WET program.

Children could enhance their knowledge based on this accredited curriculum linked material consisting of eight modules in an intensive and interactive way. Not only teachers but also members of the Hungarian national water polo team took part in the event. Sport celebrities told children their own stories and brought their own real life examples to bring to life what water means for them. The highlight of the day was when every pupil read out their personal message to the future before depositing it in a time capsule.

Theodora study trail

The Theodora study trail running for 8 kilometres before returning to its starting point in the territory of the Balaton Highlands National Park was created in 2004 sponsored by Kékkúti Ásványvíz Zrt. and is open to visitors. The study trail with its 15 stations presents the botanical assets and the ways of landscape utilisation within the Káli-basin. A QR code solution was developed for the study trail in 2012, providing visitors additional interesting facts about the natural assets of the area and the importance of water. Kékkúti Ásványvíz Zrt. established another 2 study trails (Theodora Blue Stone Trail and The Time Trail), which are also very popular with hikers.

Supporting local communities

In February 2005 we founded the Pro Káli-basin Public Interest Foundation. The aim of this Foundation is to support educational, environmental protection, and cultural development initiatives capable of slowing down or stopping the outflow of the population of the Káli-basin and capable of improving the quality of local life.

In 2012 we donated 10 million HUF for connecting 5 local towns (Mindszentkál, Szentbékál, Köveskál, Balatonhenye, and Monoszló) to the sewage network.



Project WET (Water Education for Teachers) is the name of an interactive education program package, which has been used since 1984 to teach pupils about environmental awareness and the importance of protecting our water resources. Hungary was the first country in Europe to launch the education program package initially called „One droplet of knowledge about water” with Kékkúti Ásványvíz Zrt.’s sponsorship.

Supporting sports

The name of Kékkúti Ásványvíz Zrt. has been closely affiliated with the sports for several decades. As a Company we are committed to promoting a balanced, physically active lifestyle. Apart from supporting Hungarian sportsmen and women competing at top level in making successful preparations for their sporting competitions we are placing more and more emphasis on promoting everyday recreational sport activities. And we do this because everyone and anyone can get an energy boost from exercising regularly, and it is bound to have a positive effect on people’s day-to-day performance.

Since 2008 we have been committed sponsors and supporters of the triple Olympic gold medal winning Hungarian national water polo team and the Hungarian Water Polo Association. Like the *Theodora* mineral water brand, Hungarian water polo too looks back on a long history and traditions in Hungary, and we are very proud to be able to support a form of sport that is so deservedly popular.

We are also sponsors of the Special Olympics Hungary, and the handball team of MKB-Veszprém which has been competing successfully on the world stage, and whose competitions we are providing direct product support-in-kind.

Employees

„We believe that a workplace must reflect actual demographic trends and must be able to attract and to 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 and continuous professional development, 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.” – Barbara Verő, Director of HR

CARE audit

During the latest CARE (Compliance Assessment of Human Resources, Occupational Health & Safety, Environment and Business Integrity) audit which was held on 25-26 September, 2012 – like three years before – external auditors inspected our employment processes, our compliance with labour legislation, and our employees’ level of awareness of our core regulations and policies (Business Code of Ethics, Core Leadership Principles, Core Business Principles), and the compliance of our daily operations with these standards. Auditors carried out their assessment partly by inspecting employment documents and partly by interviewing employees to verify our compliance with the above requirements.

A family friendly and diverse workplace

For 2012-13 we set ourselves the target of strengthening the family friendly character of the workplace. We formed three task forces to explore realistic ways of making it easier for mothers returning to the world of labour from maternity leave and for parents of young children in general to find a better work and life balance.

We nominated a „Maternity Champion” to keep in touch with new mothers while they are still on maternity leave and to pair up vacancy openings with the plans of female colleagues wishing to return to work; we set up a Maternity Club; we held Equal Opportunities roundtable talks which decided to launch 3 task forces made up of volunteers, and created a Policy to enshrine the rules of working from home.

Our achievements so far:

- Our employees’ satisfaction improved by 11%.
- According to the findings of the survey carried out by the mtd consultation body, we are now ranked among Hungary’s 10 best employers thanks to our diversity measures and came 3rd in terms of our best practices (e.g. Maternity project).
- In 2013 Nestlé Hungária Kft. was listed among Hungary’s 5 most desirable employers – and the Most Desirable employer within the FMCG sector – according to a so-called Employer Brand Research project carried out by international consultancy firm Aon Hewitt in collaboration with an international NGO managed by young people and called AIESEC.



Similarly to previous years, in 2013 we were recognised for being an exemplary company in terms of providing equal opportunities in the workplace: Nestlé Hungária Kft. earned the Diverse and Family Friendly Organisations TOP 10 Award also this year. Like before, this year the prize went to companies employing more employees from disadvantaged backgrounds than the average, who institutionalised more equal opportunities and diversity policies than the average, and who underpinned this process by significantly more HR tools, services and benefits than the average.

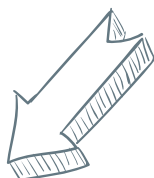




Training, health and safety

Nestlé emphasizes the principle of lifelong learning both at the international and the local level; thus, the employees of Nestlé Hungária Kft. have access to trainings aimed at improving professional skills, conferences (coordinated in part by the training centre in Switzerland) and trainings aimed at improving individual competences. Employees and their managers determine the areas of development and decide on the related action plans together at yearly development discussions based on the goals for the next year and possible career steps. Nestlé believes that most of the responsibility for an employee's development – about 70% – lies with the employee, and the greatest source of experience is daily work and involvement in new tasks and new projects. This is followed by managerial guidance and support by mentors. Finally, formal trainings contribute 10% to the development of the individual. This approach serves as the basis for defining annual training plans and long-term individual development plans.

The average number of training hours has increased by 22% compared to 2011



Equal Opportunities

As part of our diverse organisation project we took part in a job expo held on 3 December, 2013 for people with disabilities as a silver grade sponsor. Our participation allowed us to introduce ourselves to highly qualified candidates as a potential employer, we emphasised to those who expressed an interest that our central headquarters building is an easy access facility, and we collected information about what measures we could implement when employing people with disabilities.



Nestlé's global commitment:

NQ training for our employees to help them start living a healthy lifestyle. Our company-wide commitment is to have all Nestlé employees trained at least once on the NQ Foundation Module by the end of 2015.

By 2014 Creating Shared Value will be embedded in all training courses at our international training centre in Switzerland, it will also be incorporated in all our e-learning programmes made available to all employees, and in our new leadership course piloted.

By 2016 Environmental awareness training will be run in all countries where we operate.



TRAINING

	2011		2012		2013	
	Number of training hours in total	Training hours per person	Number of training hours in total	Training hours per person	Number of training hours in total	Training hours per person
Nestlé Hungária	21,977	14.67	36,182	19.7	35,654	17.9
Budapest	2,972	8.1	3,444	9.9	2,454	6.6
Szerencs	9,906	27.4	8,565	22.7	5,684	15.8
Szerencs white-collar	3,605	49.4	3,695	50.6	1,073	14.3
Szerencs blue-collar	6,301	21.9	4,870	16	4,610	15.3
Diósgyőr	3,917	16.1	9,536	34	5,903	18.8
Diósgyőr white-collar	687	20.8	2,560	106.7	1,562	55.8
Diósgyőr blue-collar	3,230	15.3	6,976	27.3	5,903	20.6
Bük	5,182	12.2	14,637	23.7	21,613	26.9
Bük white-collar	1,340	15.8	2,446	18.1	2,767	23.4
Bük blue-collar	3,841	13.3	12,191	21.4	18,846	27.5

Safety Day in the Head Office

The aim of our Safety Day in April 2013 was to bring the topic of safety closer to our employees in a playful, albeit non-flippant way, and to bring attention to the safety risks in the Head Office. Participants were challenged on their knowledge of office safety, we also launched a poster campaign, which was aimed at highlighting the most frequently occurring problems in the office, and we conducted a poll from which we learnt which areas need further development.

ACCIDENTS AT THE WORKPLACE CAUSING LOST WORKING TIME*

	2011	2012	2013
Total			
number of accidents	1	7	6
total days lost	33	657	299
ratio of lost days to total working time (%)	0.01%	0.15%	0.06%
Budapest			
number of accidents	0	0	1
total days lost	0	14	130
ratio of lost days to total working time (%)	0%	0.02%	0.15%
Szerencs és Diósgyőr			
number of accidents	0	1	2
total days lost	0	29	72
ratio of lost days to total working time (%)	0%	0.04%	0.09%
Bük			
number of accidents	1	6	2
total days lost	33	320	74
ratio of lost days to total working time (%)	0.02%	0.20%	0.04%
Kékkút			
number of accidents	0	0	1
total days lost	0	0	23
ratio of lost days to total working time (%)	0%	0%	0.24%

* Sadly several accidents took place in connection with the extension of our Bük factory. To prevent future accidents we rolled out additional hours of training and practices. Like in previous years, there were no fatal accidents in 2013 either.

EMPLOYMENT DATA

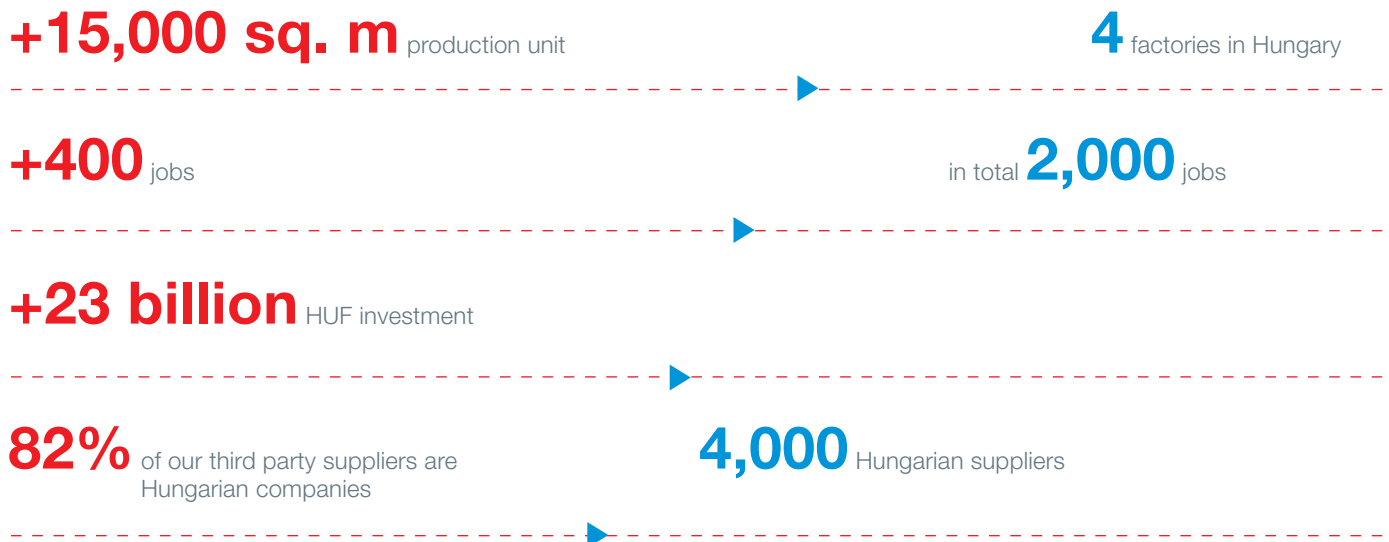
	2011	2012	2013
Total workforce	1614	1833	1987
Budapest	405	388	377
Szerencs and Diósgyőr	605	657	705
White-collar	106	97	117
Blue-collar	499	560	588
Bük	525	704	836
White-collar	113	135	136
Blue-collar	412	569	700
Kékkút	79	84	69
White-collar	23	23	11
Blue-collar	56	61	58
Full-time	1600	1819	1962
Budapest	393	377	357
Szerencs and Diósgyőr	605	657	704
Bük	524	701	834
Kékkút	78	84	67
Part-time	14	14	25
Budapest	12	11	20
Szerencs and Diósgyőr	0	0	1
Bük	1	3	2
Kékkút	1	0	2
Fixed-term contract	52	100	127
Budapest	4	7	3
Szerencs and Diósgyőr	6	44	104
Bük	34	49	12
Kékkút	8	0	8
Indefinite term contract	1562	1733	1860
Budapest	401	381	374
Szerencs and Diósgyőr	599	613	601
Bük	491	655	824
Kékkút	71	84	61
Leased employees and agency contracts	246	457	142
Budapest	14	20	41
Szerencs and Diósgyőr	214	419	83
Bük	18	18	18
Kékkút	0	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 in this framework, there is a very active process of e-mail and personal discussions between employee representatives and senior management. Approximately 60% of Works Council representatives are members of the Trade Union of Confectionery Workers. A trade union has been in operation at Kékkúti Ásványvíz Zrt. since 2002.

Financial results



Key indicators for 2012/2013



In 2013 we saw clear signs of a modest upturn in the light of macroeconomic indicators. There was an increase in industrial production, GDP, and household consumption, with a decrease in inflation and unemployment at the same time. Similarly to the previous year, the Company responded to rising procurement costs (raw material prices, foreign exchange rate volatility) and growing pressure from the trade environment primarily by further improving cost effectiveness and by reviewing company overheads.

We are continuously adapting our product portfolio in line with changing consumer needs to entrench our market position for future years; demand for chocolate Santas, Easter Bunnies and other seasonal chocolate figures is on the increase year on year. While in 2010 approximately 2,500 tons of Easter and Christmas hollow chocolate figures were produced at our Diósgyőr factory in total, by the end of 2013 more than 3,800 tons of sweets left the factory. Expanding production went hand in hand with the creation of more local jobs: between 2010 and 2013 an additional 150 employees were recruited to work at the sweets factory.

Despite the difficult macroeconomic environment in 2010 Nestlé started a major factory expansion project at its Bük facility. The investment was completed in 2 stages and was finished in 2013. After a more than 23 billion HUF investment the Bük pet food factory has become one of the largest pet

food production facilities in Europe. As a result of this investment 454 new jobs were created at the Bük factory complex. The investment involved increasing the factory floorspace by 15,000 square meters, and so production volumes increased from 99,000 tons per annum in 2010 to 173,000 tons per annum in 2013.

All in all, in 2013 Nestlé Hungária increased its sales revenues by 5.8% and saw a 43% rise in its operating profits compared to the previous year.

The unique product mix of Kékkúti Ásványvíz Zrt. drove the sales of the company, resulting in 100 million bottles of mineral water marketed in 2013 with a revenue over HUF 5 billion. *Theodora* and *Nestlé Aquarel* from the Káli-basin as well as international brands such as *S.Pellegrino*, *San Pellegrino*, *Acqua Panna* and *Perrier* remain popular with consumers even in a mineral water market suffering dwindling trends in volume and value.

FINANCIAL RESULTS

		Nestlé Hungária Kft.			Cereal Partners Hungária Kft.*			Kékkúti Ásványvíz Zrt.		
	unit	2011	2012	2013	2011	2012	2013	2011	2012	2013
Revenues	thousand HUF	100,772,797	110,273,181	114,087,796	3,337,871	3,611,547	3,559,001	5,572,303	5,607,819	5,115,024
Net sales revenue	thousand HUF	93,143,474	103,432,231	109,770,029	3,294,965	3,558,944	3,514,176	5,445,880	5,415,905	5,044,307
Domestic net sales revenue	thousand HUF	39,284,832	39,517,716	40,957,549	3,294,965	3,558,944	3,514,176	5,447,214	5,406,462	5,034,649
Overseas net sales revenue	thousand HUF	53,858,642	63,914,513	68,812,480	0	0	0	8,666	9,443	9,658
Capitalised value of own performance	thousand HUF	25,457	339,482	580,959	0	0	0	-11,657	14,933	4,808
Other income	thousand HUF	1,774,957	740,000	694,333	0	0	0	91,704	74,391	23,114
Non-operating income	thousand HUF	5,828,909	5,761,468	3,042,475	42,906	52,604	44,825	46,376	102,590	42,795
Operating expenses	thousand HUF	90,742,481	96,979,463	97,827,508	97,827,508	3,450,831	3,395,341	5,092,135	5,350,457	5,186,400
Cost of materials	thousand HUF	78,732,870	84,211,630	88,255,160	88,255,160	3,229,478	3,450,831	4,400,109	4,451,823	4,071,843
Other expenses	thousand HUF	3,707,536	4,295,854	4,089,933	4,089,933	55,224	79,231	401,640	561,836	860,595
Non-operating expenses	thousand HUF	8,302,075	8,471,977	5,482,415	5,482,415	47,458	47,353	290,386	336,798	253,962
Personnel costs (wages, fringe benefits and employer contributions)	thousand HUF	8,752,595	9,819,567	10,543,390	10,543,390	2,713	0	812,478	840,992	789,747
Payments to shareholders	thousand HUF	0	0	0	0	0	0	0	0	0
Payments to the government	thousand HUF	1,010,143	2,652,074	2,947,402	2,947,402	65,967	95,314	81,710	74,962	73,271
Corporate profit tax	thousand HUF	0	42,714	390,828	390,828	11,378	16,083	0	0	0
Other taxes	thousand HUF	1,010,143	2,609,360	2,556,574	2,556,574	79,231	51,017	81,710	74,962	73,271
Charitable donations	thousand HUF	22,010	39,899	33,738	33,738	0	117	0	0	0
Retained profit	thousand HUF	-1,136,341	-37,252	1,724,739	1,724,739	94,302	-253,229	-405,778	-650,504	-955,631

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

Sustainability and Creating Shared Value Report 2012/2013

Stakeholder engagement, 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. We aim to work together with all food industry stakeholders to refine and perfect a self-regulatory code that would allow the industry to raise food safety and food quality to the next level in Hungary, reduce the environmental impact of our manufacturing and distribution operations to the minimum, and to render customer services better and cheaper for customers.

The increasing integration of the end-to-end value chain is reinforced the need for harmonised industry practices and standards between trading partners to achieve better efficiency and greater success.

We are working together with the following professional bodies and trade organisations in order to promote the above objectives:

- European Parliament
- Ministry of Public Administration and Justice
- Hungarian Pet Food Association
- Hungarian Dietetic Association
- Association of Hungarian Confectionery Manufacturers
- Federation of Hungarian Food Industries (FHFI)
- Hungarian European Business Council (HEBC)
- The infant formula department of MAGYOSZ (the Hungarian Pharmaceutical Manufacturers Association)
- Hungarian Brand Association (BGA Hungary)
- Business Council for Sustainable Development in Hungary (BCSDH)
- Central Agricultural Office
- Ministry for the National Economy
- Ministry of National Resources
- National Consumer Protection Authority
- National Institute for Health Development (NIHD)
- National Institute for Food and Nutrition Science (NIFNS)
- National Association for Consumer Protection in Hungary
- Öko-Pannon Nonprofit Kft.
- Advertising Self-Regulation Organization (ÖRT)
- Swisscham Hungary
- TÉT (Nutrition, Lifestyle, Exercise) Platform
- Ministry of Regional Development

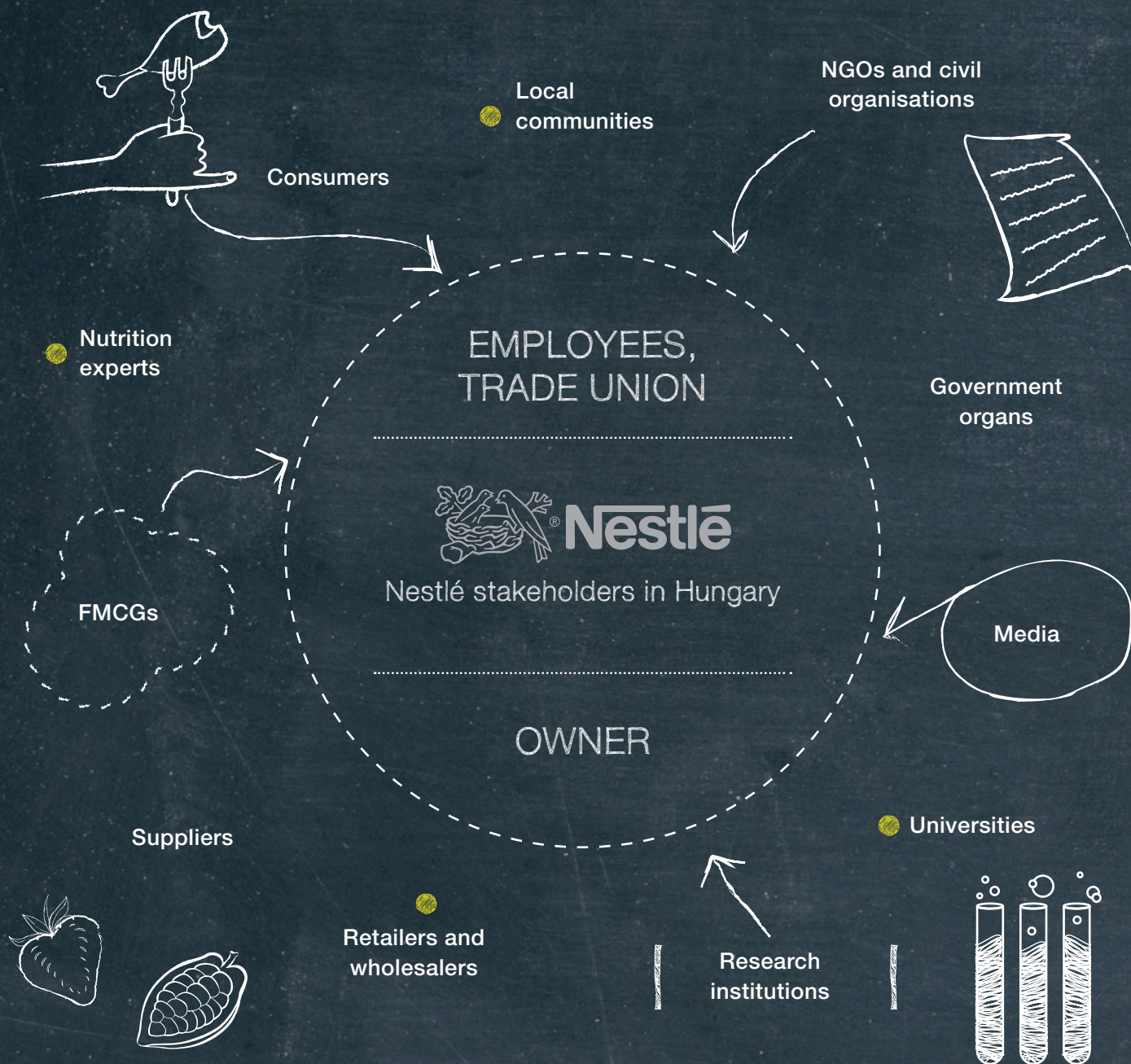
In addition to the above, Kékkúti Ásványvíz Zrt. engages in a regular dialogue with the following organisations:

- The municipalities of 8 towns and villages in the Káli-basin (Kékkút, Mindszentkál, Szentbékál, Kővágóörs, Köveskál, Salföld, Balatonhenye, and Monoszló)
- Civil organisations and alliances operating on the territory of the Káli-basin
- Directorate of the Balaton Uplands National Park
- Hungarian Mineral Water Association and Product Council
- Central Transdanubia Water Board
- MSOSZ (Hungarian Special Olympics Association).



Both Kékkúti Ásványvíz Zrt. and Nestlé Hunária Kft. signed the sustainability recommendation for business leaders issued by the Business Council for Sustainable Development in Hungary (BCSDH). The recommendation summarises in seven points what a complex interpretation of sustainability means for corporations at the start of the 21st century: strategic approach, responsible corporate governance, ethical operations, respecting core values, responsibility for the environment, partnership with stakeholders and interested parties and transparent operations.

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). For information on the forms and channels of communication with our stakeholders, please refer to page 14 of the 2010 report. In 2012 we started a dialogue with the local community of Szerencs, details of which are published in the Factories in Szerencs and Diósgyőr section of the *Nestlé in Society* chapter of the report.



Volunteering, partnership, donation

The value of our donations to NGOs amounted to approximately HUF 34 million in 2013, from which 25.5 billion HUF was handed over in the form of product donations. These 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



MAGYAR VÖRÖSKERESZT

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 committee was set up with the following members: employees of Nestlé Hungária Kft. and the Hungarian Red Cross who deal with social issues, including a legal advisor from the Child Guardian's Office and a pediatrician. In 2013 the Hungarian Red Cross Foundation helped to improve the living conditions and sponsored the medical care of 11 sick children, and purchased their medication for them.

Our cooperation with the Hungarian Food Bank

**Magyar
Élelmiszerbank
Egyesület**



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. In 2013 we donated 150 tons of produce to the Hungarian Food Bank, as a way of helping Hungarian families living in poverty.

In 2013, 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.

Cooperation for responsible pet ownership

HEROSZ's Budapest shelter for animals became Purina's main partner in the spring of 2011. By launching a joint program, our primary aim was to improve animal rescue work and to 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 responsible keeping of pets.

Within the framework of this complex support program, we undertook to provide the whole annual food supply for the cats and dogs living at the animal shelter, which comes to nearly 14 tons of pet food. We provided the shelter's residents and the people working there with various branded equipment necessary for their daily tasks (such as bowls for cats and dogs, leads, collars, cat throws, and work clothes), and we also provided new owners with a so-called starter pack completely free of charge with every adopted cat or dog. Since the start of this co-operation, together we managed to find new owners for over 350 pets.



Volunteer help during floods

A group of Nestlé volunteers was also there to help out with building flood defences on June 7, 2013: We went to Dunabogdány to build a flood defence wall from sand filled sacks to protect Main Road No.11. After being contacted by the Ecumenical Charity Organisation, with another group of volunteers from Vodafone and with the local residents, we filled sandbags and built a defence wall to help protect an area that was most at risk of being flooded. Never mind the scorching heat, our 16 strong

team resiliently pushed ahead for nearly 6 hours and we were proud to have done what we could to win extra time for the cars driving down Main Road No. 11 and to keep this road open for traffic users.

When we put out a call for donations, several of in-house product categories offered to send parcels. Our contingent of individual donations was then forwarded to the National Catastrophe Prevention Chief Constabulary who delivered it to flood victims and to those working on the flood defences.

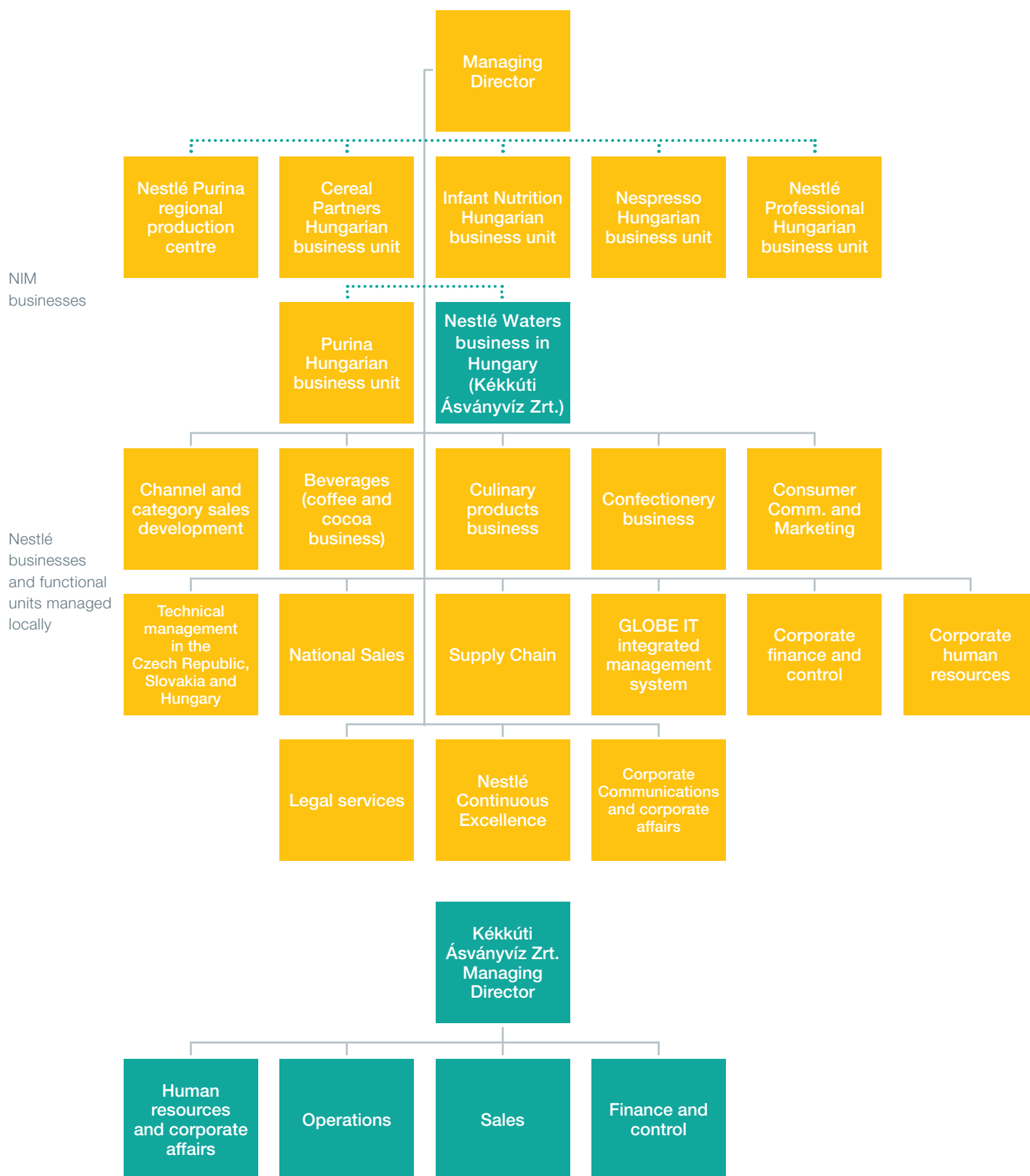


Easter and Christmas donations

This Easter, Nestlé has offered 44,000 chocolate figures to the value of nearly HUF 5,000,000. László Lehel, president of Ecumenical Aid Organisation, said in his thank you speech that they were very happy to receive Nestlé's present, which allows them to provide festive spirit and a little surprise for 10,000 children and their families during the approaching Easter, people who often live in extremely difficult circumstances.

Charity event organised by Nestlé's Diósgyőr Factory for Christmas. Guests invited by the chocolate factory, including László Sebestyén MP, Péter Pfliegler Deputy Mayor, Jean-François Paroz Swiss ambassador to Hungary, and Ilona Drótár trade union secretary, among others, were helped by Diósgyőr factory workers to foil wrap chocolate Santa figurines to be donated by the Ecumenical Aid Organisation to local children in need.

Organisational structure and management



Governing bodies

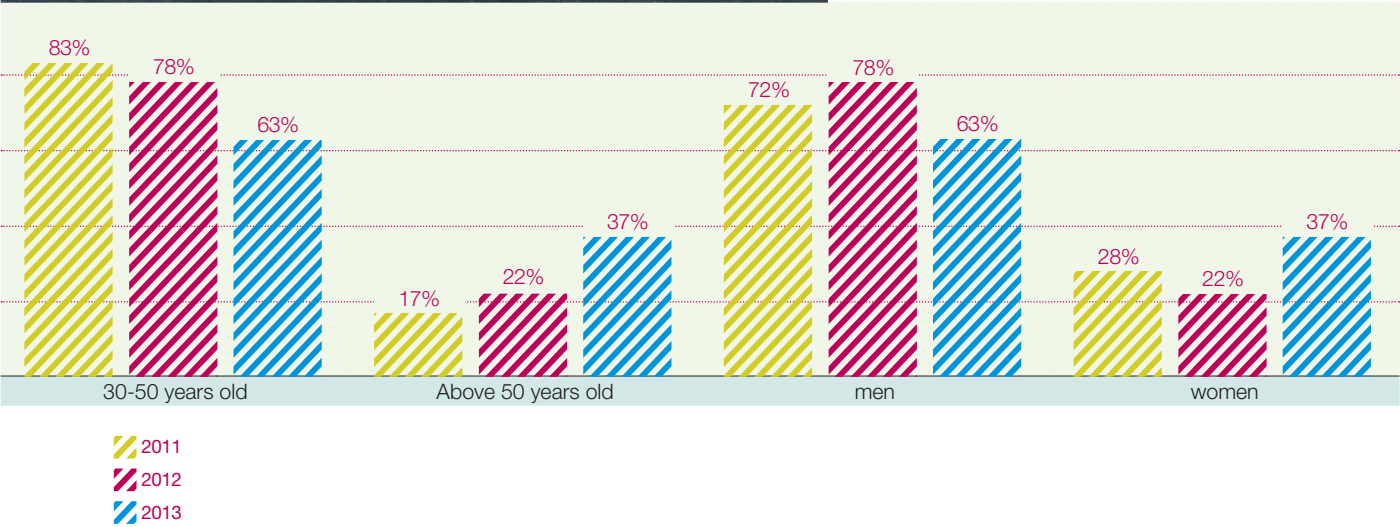
The NiM (Nestlé in the Market) Committee is the main managing body overseeing business activity. It holds sessions monthly, and makes decisions in group-level strategic issues. The NiM Committee is led by the Managing Director of Nestlé Hungária Kft., who has the role of „custodian” in the Hungarian market, entrusted with representing Nestlé to the outside world. As of 1 October, 2012 the Managing Director is Michael Nixon.

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.

THE GENDER AND AGE STRUCTURE OF OUR MANAGEMENT BOARDS



By 2018 we want to be a gender balanced company by creating the enabling conditions in our work environment to achieve annual increases in the percentage of women managers and senior leaders.

Parameters of the report



You are reading the joint Sustainability and Creating Shared Value Report of Nestlé Hungária Kft. and Kékkúti Ásványvíz Zrt. The report and the information contained within pertain to the calendar years 2012 / 2013, except where otherwise indicated. The GRI index refers to 2013. 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 compiled the list of these latter issues in 2008; we assumed that the most important matters have not changed since then.

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).

Scope of the report

Business units and factories included in the report all belong to Nestlé Hungária Kft. (Szerencs, Diósgyőr, Bük), and Kékkúti Ásványvíz Zrt. (Kékkút plant). The only exception from 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. 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.

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 originates 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 queries to Nestlé Communication Director Andrea Nagy, using one of the means of contact listed on the back cover.

	Indicator	Page/Note	
		Nestlé Hungária Kft. GRI B	Kékkúti Ásványvíz Zrt. GRI C
Strategy and analysis			
	1.1	4.	37.
	1.2	7.	7.
Organisational profile			
	2.1	6., 51.	37., 51.
	2.2	6., 29.	29., 37.
	2.3	49., 51.	49., 51.
	2.4	1095 Budapest, Lechner Ödön fasor 7.	
	2.5	6.	37.
	2.6	Nestlé Hungária Kft. is a single member limited liability company. Its ownership structure did not change in 2013 (for further information, please see the 2009 report).	Kékkúti Ásványvíz Zártkörűen Működő Részvénytársaság (Private Company Limited by Shares) has two shareholders, and is owned 100% by NW.
	2.7	6.	37.
	2.8	8., 46-47.	8., 46-47.
	2.9	no significant change occurred	
	2.10	9., 12., 19., 39.	
Report parameters			
Report profile	3.1	51.	51.
	3.2	20 August, 2012	20 August, 2012
	3.3	51.	51.
	3.4	kozoserterekteremtes@hu.nestle.com www.nestle.hu	central e-mail address: kekkuti@kekkut.hu; info line: +36-40-200-329
Report scope and boundary	3.5	51.	51.
	3.6	51.	51.
	3.7	51.	51.
	3.8	51.	51.
	3.9	51.	
	3.10	Not relevant.	
	3.11	Not relevant.	
GRI content index	3.12	52-54.	52-54.
Assurance	3.13	This report was not audited by an independent organization.	
Governance, Commitments, and Engagement			
Governance	4.1	50.	50.
	4.2	50.	50.
	4.3	Not relevant.	
	4.4	42.	42.



	Indicator	Page/Note	
		Nestlé Hungária Kft. GRI B	Kékkúti Ásványvíz Zrt. GRI C
Governance	4.5	50.	
	4.6	50.	
	4.7	50.	
	4.8	8.	
	4.9	50.	
	4.10	50.	
Commitments to external initiatives	4.11	10.	
	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	46.	46.
	4.15	46.	46.
	4.16	46.	
	4.17	46.	
Economic performance indicators			
Direct economic value generated and distributed	EC1	44.	44.
Environmental performance indicators			
Materials	EN1	12.	12.
Energy	EN3	13.	13.
	EN4	13.	13.
Water	EN8	15.	15.
	EN9		37.
Emissions and waste	EN16	16-17.	16-17.
	EN21	15.	15.
	EN22	17-18.	17-18.
	EN23	In 2013 there was no significant spillage.	
Reducing the environmental impact of products	EN26	11., 12.	11., 12.
Social			
<i>Labor Practices and Decent Work Performance Indicators</i>			
Total workforce	LA1	42.	42.
Health and safety at work	LA6	10.	
	LA7	41.	41.
		10., 34., 40.	



	Indicator	Page/Note	
		Nestlé Hungária Kft. GRI B	Kékkúti Ásványvíz Zrt. GRI C
Training and education	LA10	41.	
	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	50.	
Human rights performance indicators			
non- discrimination	HR4	In 2013 there were no cases involving negative discrimination.	
Society performance indicators			
Local communities	SO1	25., 30-33., 35.	38.
	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.	
Anti-competitive behaviour	SO7	In 2013, no legal proceedings were instituted due to anti-competitive behaviour or for violation of anti-trust or anti-monopoly regulations.	
Legal compliance	SO8	In 2013 there were no breaches of laws or statutory regulations.	
Product responsibility performance indicators			
Customer health and safety	PR2	In 2013, 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.	
	PR7	In 2013, 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 2013, there were no instances of abusing consumers' personal information.	
Legal compliance	PR9	In 2013, there were no instances of failure to comply with legislation or other rules on product care and use.	
Food processing sector supplement indicators			
Programmes and activities promoting the access to healthy lifestyles	FP4	19-28., 47.	
The percentage rate of manufactured products that were certified by an independent party based on an internationally recognised standard for food safety management systems.	FP5	All our Hungarian factories are FSSC 22000 certified, and so 100% of our products manufactured in Hungary are duly certified.	
Core principles and practices relating to consumer communication about product ingredients and nutrients above and beyond statutory obligations.	FP8	22.	

Creating Shared Value

Nutrition | Water | Rural Development



Nestlé

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

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