Nestlé in Oceania
Creating Shared Value Report 2014
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Creating Shared Value is the approach we take for our business to achieve superior shareholder value while helping people improve their nutrition, health and wellness. Besides nutrition, we focus on water resource efficiency and conservation, and rural and community development, given their critical importance to our business as well as to our employees, farmers, suppliers, distributors and communities.

We recognise that being the world’s largest food and beverage company brings both opportunities and responsibilities. For this reason, Nestlé has made 38 global commitments, each with specific objectives against which we track and report each year. These commitments, and our progress against them, are detailed in the global Nestlé in Society report which can be found online, giving stakeholders the opportunity to scrutinise our progress as we actively manage our commitments to environmental, social and economic sustainability.

These commitments guide all of us at Nestlé, wherever we are, in a collective effort to meet our objectives. In this we are also guided by our Code of Business Conduct, Corporate Business Principles and Management and Leadership Principles.

Our Nestlé in Society Oceania Report articulates how we live out those commitments and our responsibilities in Oceania.

We’ve been in Oceania for well over 100 years. This means we understand the importance of taking a long term view, framed in a robust set of principles and values, with respect for people, respect for cultures and respect for the future of the world we live in at its core.

We welcome your feedback on our performance.

We believe that for a company to be successful over the long term and create value for our shareholders, it must create value for society. At Nestlé, this means creating superior, long term value by offering the finest products for our consumers, their families and pets to improve their nutrition, health and wellness.

We aim to enhance the lives of people and pets by offering healthier and tastier food and beverage choices for all stages of life and to focus on ways we can develop our business while at the same time improving environmental conservation and social stewardship.”

Trevor Clayton
CEO, Nestlé Oceania
Highlights 2014

Global

1.7 million
We provided more than 1.7 million women in Asia and Africa with fundamental businesses skills.

73
Our Healthy Kids Global Programme reached more than 7.6 million children in 73 countries.

FTSE4Good
We remain the only infant formula manufacturer included in FTSE’s responsible investment index, based on our performance in human rights, labour rights, responsible marketing of breast milk substitutes, and more.

Leader
We were ranked number one by the charity Oxfam in its annual score card, ‘Behind the Brands’. The survey scores 10 food and beverage companies on their efforts to improve food security.

376,000
We trained 376,000 farmers.

11.4%
We’ve reduced Greenhouse Gas emissions by 11.4% since 2005.

Oceania

2 tonnes
Introduced a paperless invoice system, saving two tonnes of paper each year.

16.2%
Reduced waste-to-landfill by 16.2%.

100%
All products designed for children met Nestlé Nutritional Foundation criteria.

640 million
Provided around 640 million serves of micronutrient fortified foods to people living in the Pacific Islands.

497,527 kg
Provided 497,527kg of food to support national food relief charity, Foodbank.
Nestlé in Oceania

Nestlé Oceania is part of the Swiss-based global food and beverage Nestlé group.

Nestlé Oceania serves consumers across Australia, New Zealand, and countries throughout the Pacific including Fiji and Papua New Guinea. Regional headquarters are located in Sydney, Australia.

Our operations include:

- 12 Factories
- 16 Nespresso Retail boutiques
- 5 Distribution centres
- 20 Office locations
- 5,496 employees
- 3,671 product lines
- 270,032 tonnes of product in 2014
Nestlé in Oceania

Key Locations

AUSTRALIA

- Melbourne
- Sydney
- Brisbane
- Perth
- Darwin

PACIFIC ISLANDS

- Port Moresby
- Suva
- Noumea

NEW ZEALAND

- Auckland
- Christchurch
- Wellington

Nestlé in Oceania *Cereal Partners Worldwide is a joint venture between Nestlé and General Mills
Our Brands
Stakeholder Engagement

A fundamental aspect of Creating Shared Value is effective communication and dialogue with our stakeholders.

In Oceania, we have a wide network of people, organisations, communities and influencers whose input helps us to understand the issues important to our business. We identify the following groups as important to our continuing business success.

**Key External Stakeholders**

- Academia
- Communities
- Consumers
- Customers
- Governments
- Industry and trade associations
- International organisations
- Nutritionists and dietitians
- Non-governmental organisations
- Suppliers

As we continue to grow and develop as a business, it is vital that we keep open lines of communication with our stakeholders. For this reason, we meet regularly with NGOs, academics, governments and others to listen and learn from their criticisms and encouragement. This dialogue strengthens and informs our efforts in understanding and acting on relevant topics that are specific to each of the countries we operate in throughout Oceania.

Investments & Divestments

We completed significant investment projects at a number of our sites in 2014. These included:

- Commissioning a new noodle line at the Lae factory – the first of its kind in the Nestlé world.
- Finalising the $40 million move of Nescafé Café Menu from South Korea to the Smithtown factory.
- Completing a $65m upgrade and building a new facility to produce wet cat food at the Nestlé Purina factory in Blayney, creating an extra 100 jobs.
- Relocating manufacture of Butter Menthols and Soothers Liquid Centre from the Czech Republic to the Blacktown factory.

In February we announced the sale of the performance nutrition business, under the PowerBar and Musashi brands, to USA based company Post Holdings.

The *Nestlé Purina* Factory at Blayney underwent a $65 million upgrade.
Nestlé’s mission is to lead the industry in nutrition, health and wellness. Our mission of “Good Food, Good Life” demonstrates our commitment to supporting healthy living and enhancing quality of life every day and at every stage for our consumers, their families and their pets.

In Oceania we are continually striving to improve the nutritional profiles of our products and to reduce added sugars, sodium and fat. We work to provide easy-to-understand nutritional information to help everyone make smart choices. We are working to address issues such as obesity in children and adults through education, research and creative partnerships.

Providing nutritionally sound products is one of our key objectives as a nutrition, health and wellness company.

In Oceania, dietitians work across our businesses to ensure that these values are embedded in our company, and that nutrition is a key element of planning new products and reviewing older ones, and ensuring effective implementation of our commitments.

All of our products are reviewed as part of a healthy balanced diet. At the core of this review is the Nestlé Nutritional Foundation criteria, which is based on nutrition science and public health dietary recommendations from leading organisations such as the World Health Organization and the Institute of Medicine. The criteria is regularly reviewed by nutrition experts and product specialists to incorporate the latest developments in public health and science. 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 Status.

The system drives renovation of existing products and development of new ones, with a focus on nutrients such as sodium, trans fat, saturated fat, sugar and energy.

- In 2013, 65% of our products (by sales) and 73% of children’s products met Nutritional Foundation criteria.
- In 2014, 75% of products and 100% of children’s products met Nutritional Foundation criteria, achieving our target.

At the end of 2014, 100% of our children’s products met Nutritional Foundation criteria following a rigorous two year project to improve our products.

This required an individual solution for each product, involving, as appropriate, reducing fat, sugar or sodium or adjusting portion sizes suitable for children.

Where a children’s product could not be adjusted to meet the Nutritional Foundation criteria for children, we removed it from sale.
Reducing sodium, sugar and saturated fat

Nestlé has made global commitments to reduce sodium, sugar and saturated fats in our products which do not meet Nutritional Foundation criteria, and to remove trans fats.

In Oceania, we have long had a commitment to renovate our products. It is our experience that for change to be successful, it must be made slowly to allow consumers to adjust to the new taste; dramatic changes may be rejected.

Over the years we have gradually reduced the sodium in our Maggi noodle and recipe mix ranges. In 2014 we reduced sodium in Maggi 2 Minute Chicken Noodles by 10%, with further reductions planned across the range in 2015.

During the year we reduced sodium by 30% for those confectionery and snacks products which did not meet Nutritional Foundation criteria, well ahead of the global goal of 10% over three years. We also reduced sugar by 19%, and saturated fat by 23%.

Nestlé adopted a policy early in 2014 to remove trans fat from our products by 2015, and only naturally occurring partially hydrogenated vegetable oils would be excluded. We began working with the CSIRO to help us remove trans fat from Le Snak, with a target set down for 2016.

UNCLE TOBYS Muesli Bars

Recognising the preference of schools and parents for products made without nuts, we removed nuts from the recipes of the entire range of Uncle Tobys muesli bars, and from the snacks factory. This followed an extensive project, including consulting closely with Allergy and Anaphylaxis Australia, to understand the needs and expectations of those managing allergies. The removal of nuts involved shutting down our snacks factory for a week to clean out any traces of nuts from the production line.
Research has shown that controlling portion size can be a powerful and effective tool in helping people maintain a balanced diet.

Consumers’ perceptions of appropriate serving sizes for food have slowly increased, and as a result, many people are eating more and more.

In 2014 we introduced an on-pack Portion Guidance device, a simple visual tool to help consumers know exactly how much of a product constitutes a recommended serve. The consumer friendly icon is tailored to each product; illustrating exactly how much of that product represents a recommended portion size in line with the Australian Dietary Guidelines serve sizes.

Introduced initially to confectionery, the Portion Guidance device will be rolled out more widely across our range.

Recognising the importance of portion size in treat consumption, we reviewed the size of a number of confectionery products to align with Australian Dietary Guidelines which state that a discretionary food serve should make up no more than 7% (600kJ) of the daily energy intake of an average healthy adult. We used lower kilojoule limits for products typically consumed by children.

A range of approaches was taken to resize the confectionery products to more appropriate serving sizes. These included:

### King Sizes say goodbye
We deleted King size bars in the Kit Kat Chunky range in September, replacing them with the Kit Kat Chunky Share Bar, down from 78 grams to 70 grams per bar. We also introduced a less rich 55 gram Kit Kat Chunky Caramel bar in October, reducing it from three fillings to one filling.

### Reshaping our chocolate blocks
Recognising that consumers have multiple cues that tell them what an appropriate portion size is, we reshaped our chocolate blocks, without changing their total weight. Now one row – the amount typically eaten by a consumer in one sitting – is an appropriate portion size.

### Reducing Killer Pythons
To much media fanfare we reduced the size of the Allen’s Killer Python from 47g to 24g each. It also became one of the first products in our range to include the Portion Guidance device.

### Resealable Packaging
In support of sensible confectionery consumption, we also began rolling out resealable packs together with on-pack messages encouraging sharing. New packaging keeps products fresh and reminds consumers that packs are multiserve.
In July we announced that we would introduce the Health Star Rating system (HSR) on our packaging, following approval of the scheme by governments in Australia and New Zealand. The HSR system is a government-led labelling initiative introduced to help people compare the healthiness of similar packaged foods. The system scores the overall nutritional value of packaged foods, taking into account a wide range of nutrients to help consumers compare foods so they can make healthier choices. Nestlé also commenced rolling out its own program of consumer education on the HSR system through a range of channels. By 2015 all relevant products will carry a Health Star Rating on pack.

In April, Maggi led the launch of Beyond the Label QR codes on pack providing consumers with detailed product information relating to nutrition, consumption and environmental impact. By the end of 2014, 200 of our products featured the QR codes on pack.
Marketing to children

Responsibly, clear and ethical marketing is an ongoing commitment for Nestlé globally. It is underpinned by our global policy, and supported by local initiatives around marketing to children.

In 2014, there were two instances where complaints about advertising of Nestlé products were made to the Australian Advertising Standards Bureau (ASB) claiming they were marketing to children. In both instances, the ASB determined that Nestlé had not marketed to children.

The audit program of the Responsible Marketing to Children Initiative (RCMI), to which Nestlé is a signatory, found five instances of non-compliance under this code relating to a Wonka television commercial being aired in inappropriate time slots. This was a result of network action (bonus spot allocation) or agencies not complying with our directives regarding placement.

We will continue to provide instructions to our media buying agencies to ensure compliance with Nestlé’s RCMI commitment along with the company’s policies and external commitments around advertising to children. We will continue to strive for zero non-compliance and to focus on broader initiatives relating to children, such as product renovations and nutritional educational initiatives.

Early childhood nutrition

The benefits of proper nutrition during the critical first 1000 days of a child’s life on their growth and development are well established. Good nutrition during pregnancy and breastfeeding, and appropriate complementary foods, can set a child on the right path to lead a healthy life in the future.

While breastfeeding is best for babies, when it is not available, scientifically developed infant formulas are the only appropriate alternative. Nestlé’s expertise means we have a unique opportunity to help healthcare professionals and parents ensure infants receive appropriate nutrition during this critical window of life.

Our active support of breastfeeding includes providing information materials to healthcare professionals and mums, and supporting our own employees who are breastfeeding. During Breastfeeding Week, we provided additional lactation education for employees from a qualified lactation consultant.

In 2014 we supported a follow-up of the Feeding Queensland Babies study conducted by the Children’s Nutrition Research Centre in Brisbane. This is an important Australian study looking at trends in infant feeding practice compared with current guidelines.

The global Nestlé Nutrition Institute (NNI) continues to help develop the next wave of researchers in the field of early nutrition in our region. In Australia and New Zealand, NNI recognised emerging researchers from the Dietitians Association of Australia, the Nutrition Society of Australia, the DOHaD Society of Australia-New Zealand and the Perinatal Society of Australia-New Zealand.

During the year, Australia also hosted the 4th South-East Asian NNI Regional Symposium which focused on the importance of protein nutrition during the first 1000 days of life. More than 80 health professional delegates from nine countries attended the two day symposium.

Continuing Education:
Professor Maria Makrides,
Executive Director
Women’s and Children’s Research Institute in Adelaide.
Following a successful pilot early in the year, Nestlé held ‘Choose Wellness’ events to showcase our products and the expertise we have to help people adopt a healthy, active lifestyle at six major shopping centres in September in Sydney, Melbourne and Brisbane.

The events offered free cooking demonstrations, interactive education activities on how to read food labels, healthy eating advice from Accredited Practicing Dietitians and diabetes testing from nurses from the Diabetes Council. As well, Olympic medallists together with Uncle Tobys Ambassadors, Cate and Bronte Campbell, helped children navigate a climbing wall and other activities.

Nearly 200 Nestlé employees volunteered their time to talk to consumers about our products and hand out product samples. Together with 52,000 sample bags, Nestlé handed out more than 100,000 portion plates which demonstrate what a balanced meal looks like, and a range of educational materials on topics such as the Health Star Rating system, Australian Dietary Guidelines and Glycemic Index.

In September we invited some of Australia and New Zealand’s leading nutritionists to hear our nutrition, health and wellness journey and the work behind the scenes on our continuous product improvement program.

In New Zealand, we welcomed 21 public health dietitians and academics to our inaugural Open House while in Australia, 13 nutritionists and key opinion leaders attended our second Sydney event.
Healthy Active Kids

The Nestlé Healthy Kids Program is in 73 countries and continues to grow. In each country, we work with government, health institutes and other partners to ensure that the program is locally relevant and will make a difference, allowing kids to live healthier lives now and in the future.

In 2014 in Australia, we rolled out a number of initiatives:

**Healthy Active Kids website**
We relaunched the website in January as a more comprehensive resource for parents and teachers. As a result, we achieved:
- 340% increase in views
- 194% increase in teachers accessing the site

**Healthy Active Kids school grants**
More than 1000 schools applied to win one of five grants worth $5000. The winning schools used the grants to support a program or activity that would help their students be healthier and more active.

**IAAF Nestlé Healthy Active Kids Program**
As part of our global partnership with the International Association of Athletics Federation, we worked with Athletics Australia to introduce athletics to the Australian Government’s Active After-Schools program from May 2014. The program gives children in after school programs access to a professionally designed athletics program aimed at building skills and encouraging participation.

**Nestlé Healthy Kids Club**
We launched the Nestlé Healthy Kids Club to support the children in our employees’ lives, whether they are their kids, grandchildren, godchildren or family friends. The Club is designed to promote a healthy lifestyle for children over the age of six.
Healthy Active Kids

In New Zealand, our programs included:

**Be Healthy Be Active**
This free teaching tool and student resource focuses on teaching the benefits of good nutrition and regular physical activity for students in years 7 and 8.

The program, developed in partnership with the Millennium Institute of Sport and Health and the New Zealand Nutrition Foundation, features lesson guides, nutrition posters, online journals, interactive activities and downloadable healthy nutrition booklets.

In 2014 the program reached 45,000 students.

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**Cook for Life**
More than 600 young people from South Auckland took part in Cook for Life, a program which teaches teenagers and young people aged 13 to 18 how to make affordable, healthy food and improve their cooking skills. In 2015 the program will launch a cookbook.

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**Be Healthy Be Active:**
The Nestlé Healthy Kids partnership with the IAAF in New Zealand is building skills in athletics – here with the support of British gold medallist and vice chairman of the International Association of Athletics Federations, Lord Sebastian Coe.
Nutrition in Indigenous communities

The Nestlé Aboriginal Youth Development Program (AYDP) was conceived to make a contribution to close the gap in Australia between Indigenous and Non-indigenous Australians. With communities facing social and health problems, life expectancy is below the rest of the general population, and health conditions such as diabetes and heart disease are wide spread.

We believe our knowledge and expertise in nutrition, health and wellness can contribute to helping Australia’s indigenous people improve their diet and lifestyle.

During 2014 we continued to support Role Models and Leaders Australia (RMLA), a not-for-profit organisation which operate Girls’ Academies across the nation and is the largest provider of educational initiatives that empower girls through leadership, sport and education. We extended our Mother Daughter Nutrition Program to operate in all Girls’ Academies to help educate girls and young women to make healthy meals with the resources available to them.

We formed a new partnership with Tamworth Local Aboriginal Land Council to run school holiday programs for at-risk youth in the region. During 2014 more than 40 Nestlé employees spent a week in the community volunteering at the school holiday camps.

We also piloted the Maggi Pop-Up Kitchen in Coonamble, NSW. A team of our nutritionists and culinary experts gave 150 students aged 12 to 17 two days of hands-on cooking demonstrations and nutrition tips during the August event.

Improving nutrition in the Pacific Islands

Healthy and nutritious food is often not readily available or affordable to many people in the Pacific, and many do not get the vitamins and minerals they need for good health.

For this reason, Nestlé offers affordable nutrition through a range of fortified products that help to reduce the occurrence of micronutrient deficiencies.

Foods such as Maggi 2 Minute Noodles and Maggi Chicken Bouillon cubes, as well as Milo, Bear Brand and Sunshine milk powders are fortified with essential vitamins, calcium, iodine, iron and zinc which are recognised as deficient in the local population. As a result, more than 60% of our products sold in Pacific region countries are now fortified.

In 2014, we provided more than 640 million serves of fortified food to the population of 9.6 million in the Pacific region, an increase of 28% from 500 million serves in 2013. In association with these programs, we also work with regional governments to reduce macronutrients of public health concern.

640 million
In 2014, we provided more than 640 million serves of fortified food to people in the South Pacific.
In addition, over the past three years we have progressively reduced sodium in *Maggi* noodles sold and made in Fiji to meet the targets of the Fijian Government and World Health Organization. This initiative has removed 33 tonnes of salt from the Fijian diet.

In Papua New Guinea, new machinery installed at our factory helped reduce the fat content in *Maggi* noodles. This resulted in a reduction of 330 tonnes of saturated fat from the local diet over a two year period.

In partnership with initiatives to improve the recipes of our products, we also run cooking and healthy nutrition programs for local communities.

In Papua New Guinea, the Nestlé Hamamas Day interactive roadshows have been operating successfully since 2010. The roadshows help villagers learn the basics of nutrition, healthy diet, lifestyle and hygiene, giving those living in even the most remote parts of the country the opportunity to learn how to cook healthy meals that complement the local diet and palate. In 2014, we ran roadshows in 388 villages.

In Fiji, the focus of the Khana Vinaka village roadshow program moved to secondary school students. The program had previously travelled to villages demonstrating how to cook healthy meals with the ingredients available to them. In the revised version of the program, more than 1110 students took part in hands-on cooking classes, which also incorporated advice on exercise and strategies to adopt a healthy lifestyle.

In line with our ambition to be the world’s leading Nutrition, Health and Wellness company, we believe nutrition is everyone’s business at Nestlé.

For this reason, we now train all our employees using our internally developed Nutrition Quotient programme (NQ) which is designed to ensure everyone has a strong foundation of nutritional knowledge. An interactive e-learning program covering subjects such as carbohydrates, vitamins, antioxidants and protein was developed, with other in-depth modules delivered face-to-face by the nutrition team.

Following the launch of the online program for office-based employees in 2013, we completed training for all English speaking employees with computer access in 2014, excluding those who work for *Purina* PetCare.

For those without computer access, we rolled out a series of nutrition posters at factories in Australia, New Zealand and Papua New Guinea.

From 2015 all new employees will participate in NQ training as part of their induction.

**Improving nutrition in the Pacific Islands continued**

**Training employees in nutrition**
Environmental Sustainability

Our goal is that Nestlé products will not only be tastier and healthier but also better for the environment. In Oceania, we continually aim to reduce our water and energy use and our waste as part of lessening the environmental impact of our operations.

Environment management and protection is embedded in our Corporate Business Principles, and we look to exceed regulatory standards wherever possible. Each manufacturing site has individual plans, called Eco-Reduction Plans, that identify site-specific improvement opportunities and become a key focus for each site in identifying and implementing efficiency measures.

Over the past five years Oceania has made significant progress in key environmental indicators.

### Environmental indicators 2010-2015

- **Energy**: ↓10%
- **Water**: ↓4.1%
- **Greenhouse Gas Emissions**: ↓5.1%
- **Waste for disposal**: ↓5.1%

### Oceania 2014

- **Reducing our environmental footprint in 2014:**
  - **3.3%**: We’ve reduced Greenhouse Gas emissions by 3.3% in 2014.
  - **16.2%**: Our waste management programs have reduced waste-to-landfill by 16.2%.
  - **2 tonnes**: A paperless invoice system is saving two tonnes of paper a year.
Waste and recycling

We are on track to achieve zero waste-to-landfill by 2017 in Oceania – three years ahead of the global target.

In 2014 we reduced waste-to-landfill by 16.2%, exceeding our target of a 10% reduction and bringing waste to 3,906 tonnes. Nine sites within our region exceeded the previous year’s targets for reducing waste.

Since 2008 we have reduced waste-to-landfill by almost 30%.

We moved to paperless invoicing, saving more than two tonnes of paper annually. This system eliminates the need for paper invoices as well as the need to print faxes or emails.

Cutting down on waste

The cereal and snacks factory at Wahgunyah, in Victoria, one of our largest manufacturing sites, was also the biggest contributor of waste to landfill in 2013, producing 130 tonnes a month.

After a waste survey and audit, an on-site recycling education program was introduced, together with colour coded bins, an initiative to compact waste, and a new program to collect excess food waste to sell as stockfeed.

By May, the factory had halved the amount of waste for landfill it generated, and set a 2015 target of keeping waste to 45 tonnes a month, which it is on track to achieve.

Turning waste into wares

We formed a partnership with TerraCycle, a company specialising in difficult-to-recycle items, to recycle Nescafé Dolce Gusto used coffee capsules into new products and materials.

The capsules are recycled into two streams; residual coffee grounds are sent to an industrial composting facility while the plastic capsules are melted down and made into a range of sustainable products such as park benches, pavers and a range of home accessories. The partnership has reduced the number of used pods going to landfill and a percentage goes to a not-for-profit organisation.

TerraCycle also provides a route for recycling Nespresso Coffee capsules.
Our energy reduction strategy has two core activities: improving how we use energy across our operations, and expanding the use of renewable energy.

In 2014, our energy use per tonne of product increased by 0.7%, against a target of a 2% reduction. This reflected changes in product mix, trials linked to new product lines and some planned reduction products not fully complete by year end.

Around 29% of the energy used in our factories in 2014 came from renewable sources, exceeding the global renewable energy target of 20% by 2020. Most of our renewable energy comes from sawdust and spent coffee grounds.

Percentage of energy that is renewable at our sites:
- Smithtown – 84%
- Gympie – 68%
- Cambria Park – 33%
- Marton – 10%

As we work towards cementing Eco Reduction plans into our sites in 2015, Oceania is targeting an energy reduction of 0.3% per tonne of product.

Nestlé Oceania has a complex and diverse supply chain and depends on its suppliers in order to produce and deliver high quality goods.

Manufacturing across a range of food and beverage categories means we procure a large variety of commodities from diverse locations. We work in collaboration both with regional agencies and our global head office to manage procurement in an efficient, effective and ethical manner.

Nestlé Oceania moved more than 270,032 tonnes of product, and the raw materials that made it, in 2014. For this reason, improving the efficiency and performance of our distribution network can reduce costs, improve delivery to customers and reduce environmental impacts.
Improving flow of containers

The business faced a backlog of shipping containers at its distribution site in Lae, Papua New Guinea, with empty containers sitting in the yard for up to three months. The team needed to find a way to reduce the number of containers from 250 to 80 while addressing double handling, reducing storage costs, improving the flow of containers around the supply chain network and boosting the freshness of the product to consumers. The challenges of transport in Papua New Guinea, such as poor road infrastructure and landslides which can block the only route for up to three weeks, heightened the challenge.

The team worked with suppliers to understand and address the challenges and developed a new container tracking tool for the yard. This resulted in substantial cost savings and a dramatic drop in idle containers.

Water

The availability and quality of water is critical to producing the agricultural commodities that are our raw ingredients, to manufacturing quality products for our consumers and to maintaining safe operations of our sites. For this reason, water is a key focus for Nestlé.

In 2014, the amount of water used at our factories increased by 1.3% per tonne of product, against a targeted 2% reduction. The major contributors to the increase included changes in product mix, trials relating to new product lines, and some reduction projects not completed by the end of the year.

Despite the overall increase in water usage, a number of sites reduced water consumption as a result of their Eco Reduction Plans. In particular, Blayney, which produces pet food for Nestlé Purina, reduced water consumption by 18.2% during the year, while the factory in Lae, Papua New Guinea reduced water usage by 28.2% over the same period.

Rainwater runs the factory

While Papua New Guinea enjoys good annual rainfall, the factory at Lae was not leveraging the resource. At the same time, poor local infrastructure and frequent disruption to water supply made it difficult for the site to rely on town-water.

A team from the factory developed a plan to allow the site to operate almost entirely on treated rainwater. The site’s water tanks were increased to capture 1748kj of water, which is then treated onsite and used throughout the factory.

By the end of 2014, 90% of the water used at the factory was treated rainwater. The factory is on target to use treated rainwater for 100% of its needs by 2015.
Nestlé partners with Planet Ark

We were the first company in Australia to sign up to a new online tool created by Planet Ark to help evaluate the recycling criteria of our existing and future packaging.

The Packaging Recyclability Evaluation Portal (PREP) is able to identify the impacts of combinations of different packaging materials in the recycling stream early in the design phase. The tool will also assist in developing disposal messages on pack.

Since 2007 every pack Nestlé has designed has been through the rigorous PIQET program to assess its lifecycle. In late 2014 we replaced PIQET with EcodEX (Ecodesign for Sustainable Product Development and Introduction) to expand the scope of our packaging assessment. This new tool enables us to assess the overall environmental performance of packed food products throughout the entire life cycle, from ingredient sourcing to consumer use and disposal.

As part of our ongoing packaging assessment program we undertook 10 projects to improve the packaging design and as a result, reduced the amount of material we used by 203 tonnes in 2014.

These projects included:

**Nescafé Blend 43 & Nescafé Gold compact pouches**

The new compact pouch allows nearly 30% more packs to be stacked on each pallet, reducing truck movements, and greenhouse gas emissions compared with the glass jar.

**Carnation resealable plastic can design**

A new resealable plastic can design for Carnation light cooking cream resulted in lower environmental impacts.

**Nescafé Short Black**

Removing the dark tint from Nescafé Short Black glass jars, allowing the jars to be recycled.

During the year, our ongoing partnership with Arthritis Australia continued; we work with them to improve the accessibility of our products, making them easier to open for those with limited hand function. Butter Menthol, Soothers and Anticol introduced an easy opening re-sealable pouch and special design features to make the packs more accessible.

**203 tonnes**

We reduced the amount of material we used in our packaging by 203 tonnes in 2014.

Product packaging is crucial to prevent food waste, guarantee quality and inform consumers. Improving the way we design our packaging, the type of materials we use and the impact on the environment can make an important contribution to environmental performance across the product life cycle, and is an ongoing focus across our businesses.

Environmental Sustainability
**Responsible Sourcing**

Our Responsible Sourcing Guidelines focus on critical social and environmental challenges, with specific requirements for high priority ingredients, including cocoa, coffee, palm oil, sugar, paper and dairy. It also provides a framework for us to work with suppliers to improve sustainability performance.

**Nestlé Cocoa Plan**

The Nestlé Cocoa Plan aims to encourage farmers to enter cocoa farming as a livelihood of choice, to improve the lives of cocoa farmers and the quality of cocoa we purchase, and for cocoa-growing communities to thrive.

This is done by enabling farmers to run profitable farms, through providing higher yielding cocoa plants, training farmers and rewarding them financially for good quality cocoa.

It’s also about improving social conditions by eliminating child labour and facilitating school attendance and by sourcing sustainable, good quality cocoa in a way that ensures long term supply, respects the environment and provides traceability down to farmer groups.

Globally, Nestlé purchased 400,000 tonnes of cocoa in 2014 with about a fifth sourced through the Nestlé Cocoa Plan. We also distributed around 1.6 million plantlets and trained 45,833 farmers.

By 2017 we expect to source around 150,000 tonnes of cocoa through the Nestlé Cocoa Plan.

In Oceania, we sourced 3953 tonnes of UTZ Certified cocoa during the year. As a result, we are able to claim that all our Australian-made retail chocolate bars and blocks and all our baking chocolates are made from UTZ Certified cocoa.

**Nescafé Plan**

The Nescafé Plan was launched globally in 2010 to bring together Nestlé’s commitments on coffee farming, production and consumption.

Over the 10 years of the Nescafé Plan, we are investing more than CHF500 million ($AU620 million) globally to help farmers produce sustainable coffee and improve their lives at the same time.

The plan includes:

- Doubling the amount of Nescafé coffee bought directly from farmers and their associations.
- Purchasing 180,000 tonnes of coffee from farmers every year.
- Bringing Nescafé supplier farms up to at least a basic level of externally recognised compliance 4C by 2015.
- Distributing 220 million high-yield disease resistant plantlets.
- Reducing the amount of water used in our coffee operations by 30% and energy by 20% by 2020.
**The Nescafé Plan:** Support of coffee farmers and their families in Papua New Guinea is leading to higher quality, sustainably produced coffee beans.

**Nescafé Plan in Oceania**

We have been implementing the Nescafé Plan in Papua New Guinea since 2012, identifying and assisting coffee farmers to grow 4C sustainable coffee.

In 2014 we continued to work with local partners to help coffee farming groups grow high quality 4C verified coffee, and as a result, improve the living conditions of their communities. A key component of this is our agronomist who provides on the ground support and advice. Together with a coffee exporting group, we are helping to establish farmer training schools and employ field officers who visit farms, teaching growers how to produce higher coffee yields and run productive farms.

We are also supporting education through university scholarships, and working with a farmer cluster to encourage schooling of younger children.

An important part of our work in Papua New Guinea is supporting women’s farming co-operatives in the Western Highlands to grow high quality and sustainable coffee.

We sourced around 4,000 tonnes of 4C verified Arabica coffee beans from Papua New Guinea in 2014, and a further 16,000 tonnes of of 4C verified Robusta beans from various coffee producing countries. This resulted in around 90% of all the coffee used to go into the production of Nescafé Blend 43 at our Gympie factory being 4C verified in 2014.

In 2015 we are on target to ensure that 100% of the coffee is 4C verified, up from 75% in 2013.

**What is 4C?**

4C is the baseline standard for sustainability in the coffee sector. The 4C Code, administered by the 4C Association includes 28 social, environmental and economic principles for sustainable production, processing and trading of green coffee. The 4C Code also includes 10 Unacceptable Practices that all 4C Members and producer groups must eliminate before they join the Association or before claiming their coffee is 4C compliant.

**90%**

In 2014, 90% of the beans used to produce Nescafé Blend 43 at our Gympie factory were 4C verified.
In 2014 Nestlé Oceania purchased 6414 tonnes of palm oil. This was made up of:

- 4,615 tonnes – RSPO Segregated
- 866 tonnes – Segregated and traceable back to the plantation
- 598 tonnes – RSPO Mass Balance
- 335 tonnes – GreenPalm certificates

In 2015 we will continue to move from palm oil covered by GreenPalm certificates to more sustainably sourced palm oil. We are on target to transition 97 tonnes of this palm oil to RSPO Mass Balance, and a further 197 tonnes of the Book and Claim to RSPO Segregated.

Palm Oil

Globally, Nestlé has made a commitment that its products will not be associated with deforestation.

In February we announced that all the chocolate manufactured at the Campbellfield factory had transitioned to Roundtable on Sustainable Palm Oil (RSPO) segregated, certified sustainable palm oil.

The use of segregated sustainable palm oil ensures that it has been kept within a system where it is isolated from other palm oil – from the mill and through the supply chain until it leaves the factory.

This initiative is part of a larger global commitment we have made to ensure our products are not associated with deforestation.

100%

All chocolate made at our factory in Australia uses segregated, certified sustainable palm oil.
Farmers create their own breakfast cereal

For the last three years we have invited oats farmers to the Uncle Tobys factory at Wahgunyah as part of the annual Farmer Field Day.

The Farmer Field Day aims to build strong and enduring relationships with farmers and give them insights into the entire value chain. For most of the 20 farmers who attended, it was the first time they had seen how oats are milled and processed into snack and breakfast cereal products.

To be sustainable we need to empower our employees to help us. This year we created the Sustainability Champions Network, groups of employees in corporate functions and in factories and tasked them with supporting the company in its mission to achieve zero waste to landfill.

Since its inception, the Champions have run a number of initiatives aimed at improving environmental indicators. This is helping extend environmental initiatives into offices as well factories such as improved paper use and recycling practices.

Oats

Oats are one of our most sourced commodities by volume, and are used primarily in our Uncle Tobys breakfast cereals and snack products.

As oats is a niche crop, it is critical to ensure we offer farmers a competitive price at sowing time to encourage them to include oats in their crop rotation.

For us to source oats that meet our specifications for milling, nutrient levels and taste, we work closely with the National Oat Breeding Program run by the South Australian Research Development Institute (SARDI) – a partnership spanning nearly two decades. The National Oat Breeding program co-ordinates scientists and breeders to help them develop oat varieties to meet the needs of farmers and millers. These include producing oats with higher yields, disease resistance and certain milling characteristics.

In 2014 we sourced 26,649 tonnes of oats, with nearly 11,000 tonnes sourced within 100km of the Uncle Tobys factory at Wahgunyah on the NSW and Victorian border. The projected oat harvest for 2015 is expected to be significantly lower because of poor yields in NSW and Victoria which will require us to source some oats from Western Australia.

Environmental Sustainability

11,000 tonnes of oats were sourced within 100km of the Uncle Tobys factory in Wahgunyah.
Social Impact: Creating Shared Value in our communities

Our community partnerships, related programs and sponsorship activities, which come together under the Nestlé Good Life Program, aim to have the greatest possible impact by focusing on areas where we believe we can add the most value; food, nutrition and health and wellness. These are areas where we can contribute our expertise, scientific insight and experience to greatest effect. We also support a range of environmental initiatives in our communities.

Nestlé Community Environment Program

The Nestlé Community Environment Program (NCEP), established in 2003 as part of the Nestlé Good Life Program, aims to have a positive impact on the environment in the communities in which we operate. All Oceania factories are encouraged to undertake an annual community project focusing on improving the local environment. In the last 11 years the NCEP program has supported community-based programs such as planting trees, water conservation, environmental learning, walking tracks and school sustainable gardens and environmental education.

Projects at some of our factories included:

**Broadford**
We partnered with Broadford Primary School in Victoria to establish a sustainable grassed playing area with drought tolerant grass supported by a computerised watering system.

**Blacktown**
We partnered with Conservation Volunteers Australia to conduct ‘Green Health’ bush care activities at Nurragingy reserve at Blacktown that involved bush regeneration and planting drought resistant plants.

**Smithtown**
We worked with Kempsey Shire Council to upgrade a local park with new play equipment, electric BBQ and seating area.

**Cambria Park**
Our factory in New Zealand provided funding to develop the gardens at Tangoroa and Papatoetoe schools. This project is encouraging schools to become more environmentally sustainable through growing their own vegetables and learning about healthy eating.

**Gympie**
The factory in Gympie donated more than $15,000 to help the Jones Hill State school build a sensory garden that included water features, native bees, an ant farm, a fish pond and array of foliage. The students can study the lifecycle of plants and insects and improve understanding of the environment through water conservation, recycling and environmental protection.
The number of young chefs entering the Nestlé Golden Chef’s Hat Award has increased by 30%.

For more than 30 years, Milo Sports Development Programs have inspired children to get out and enjoy the benefits of physical activity early in life.

And for most of that time, Nestlé Australia has partnered with Cricket Australia through our Milo brands to support junior cricket development.

In 2014, total participation rates were up 23%, with a 30% increase in schools participation driven by entry level programs include Milo in2Cricket, Milo T20 Blast and Active After School Care.

Australian cricket captain Michael Clarke was joined as Milo Ambassadors by two rising cricket stars. James Faulkner and Holly Ferling, both graduates of the Milo in2Cricket program, were chosen as ambassadors to help support the Milo T20 Blast and Milo in2Cricket programs in partnership with Cricket Australia.

Nestlé Professional continued its support for Australia’s longest running culinary competition, the Nestlé Golden Chef’s Hat Award.

The competition is dedicated to helping junior and apprentice chefs develop their cooking skills. With the first event held in 1965, the Nestlé Golden Chef’s Hat Award, run in partnership with the Australian Culinary Federation, has produced many great chefs.

2014 saw the highest number of entries in the competition’s history, with a 30% increase in the number of young chefs taking part.
Our commitment to feed every dog and cat in Animal Welfare League Australia’s (AWLA) shelters around the country continues.

The donation by Nestlé Purina PetCare provides enough food to feed around 30,000 dogs and cats in eight affiliated AWLA shelters. While the animals wait to be re-homed they are fed a diet of premium pet food Purina Pro Plan.

Partnering with Animal Welfare League is just part of Nestlé Purina’s broader commitment to ensuring that animals in shelters, as well as homes, receive quality nutrition and care.

In New Zealand we partner with animal welfare organisations across the North and South Island, and in 2014 we donated $100,000 worth of Purina Pro Plan and Purina One to feed the cats and dogs in these shelters.

In Australia, Nestlé continued its long association with Foodbank, an organisation which distributes food to a network of charities and schools, which take it to those in need.

During the year we donated nearly 500,000 kilograms of food – enough to make up 6,663,370 meals.

As well, we supplied 3.8 million serves of Uncle Tobys oats and Vita Brits as part of Foodbank’s Key Staples Program to help satisfy the growing number of Australians who don’t have enough to eat.

We also step up in times of crisis, providing food to Foodbank to help communities affected by fire, floor and natural disasters.

In New Zealand, we donated product to the value of $382,815 to the Salvation Army to help in the charity’s relief efforts.

Donating food to those in crisis

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Supporting Red Frogs Australia

Nestlé has supported the Red Frogs Australia youth network since 1997.

Red Frogs safeguards young people at major events such as Schoolies Week, festivals and university parties through harm minimisation educational campaigns.

Red Frogs Australia was established after its founder, Andy Gourley, saw a need to help young people stay safe during Schoolies Week on Queensland’s Gold Coast. He soon discovered that offering Allen’s Frogs Alive to teenagers helped him make connections that enabled him to make sure kids stayed safe and out of trouble. Since then, Red Frogs has grown to an army of 1700 volunteers and is spreading around the world.

In 2014, Nestlé Australia donated 16 tonnes of Allen’s Frogs Alive to the program.

New home: Our employees get the chance to volunteer at Animal Welfare League shelters around the country.

Feeding homeless dogs and cats

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3.8 million
We provided 3.8 million serves of Uncle Tobys oats to Foodbank.

Hopping help: Red Frogs Australia helps keep kids safe.
Nestlé Oceania is committed to providing our people with a work environment that supports their wellbeing and development, where they are engaged by their work and enabled to perform at their best.

In 2014, Nestlé Australia was recognised as one of Australia’s most attractive employers in the Randstad Awards for Australia’s Most Attractive Employers, placing eighth overall and second in the FMCG category.

Creating an ethical, inclusive work environment that builds trust is not only about how we interact with our employees, but also about how our employees conduct themselves inside and outside of the business. We are both driven and supported in this goal by our Corporate Business Principles, Management and Leadership Principles, and various policies and codes of conduct which guide consistent expectations and performance.

Nestlé Oceania ensures compliance with external standards, such as the UN Global Compact, through our CARE Program (Compliance Assessment of Human Resources, Occupational Safety, Health, Environment and Business Integrity). This is supported by regular external auditing by an independent certification body.

Our strategy includes:

**People**
- attracting and retaining the right people for current and future business needs

**Performance**
- achieving the full potential of our business and our people

**Culture**
- creating an ethical, responsible and high-performance culture

### Our workforce

**Workforce - Full Time Equivalent Employees**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian based employees</td>
<td>4,385</td>
<td>4,237</td>
<td>4,154</td>
</tr>
<tr>
<td>New Zealand based employees</td>
<td>636</td>
<td>678</td>
<td>697</td>
</tr>
<tr>
<td>Pacific Island based employees</td>
<td>557</td>
<td>694</td>
<td>645</td>
</tr>
<tr>
<td>Total number of employees</td>
<td>5,578</td>
<td>5,578</td>
<td>5,496</td>
</tr>
<tr>
<td>Full time employees (%)</td>
<td>78%</td>
<td>80%</td>
<td>82%</td>
</tr>
<tr>
<td>Part time employees (%)</td>
<td>11%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Casual employees (%)</td>
<td>12%</td>
<td>14%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Note: These numbers take into account the divestments of Peters Ice Cream (2012) and Jenny Craig (2013). Nestlé Pacific Island employees are included in the breakdown into full time, part time and casual employees from 2014 only.
Nestlé Oceania aims for diversity, supported by an inclusive work environment and equal opportunities for all employees. Since its launch in 2009, our gender balance initiative has raised awareness of gender issues and increased the number of women in our talent pipeline.

Initiatives include:

**Gender Balance Champions Network** where employee ambassadors actively identify and roll out gender balance activities across the business.

**Women in Nestlé** supports women to build and broaden their networks, and creates forums with inspiring speakers and topical discussions, providing opportunities to share experiences, challenges and successes.

Of those employees accessing flexible work arrangements in 2014, 29% were men and 71% were women compared with 13% men and 87% women the previous year.

### Nestlé Oceania Diversity

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender profile (total) - % Female</td>
<td>51%</td>
<td>48%</td>
<td>48%</td>
</tr>
<tr>
<td>Gender profile (total) - % Male</td>
<td>49%</td>
<td>52%</td>
<td>52%</td>
</tr>
<tr>
<td>Leadership positions held by women (%)</td>
<td>34%</td>
<td>34%</td>
<td>38%</td>
</tr>
</tbody>
</table>

### Employee engagement

‘Win with and through our People’ is Nestlé Oceania’s strategy to inspire our people and deliver high performance through the way we organise our business and ways of working, building capability, and engagement.

Through this we aim to inspire employees and foster a depth of connection to Nestlé that translates into a competitive advantage and drives business performance.

Employees have the opportunity to have their say about what it’s like working at Nestlé through the Nestlé and I employee survey, and HR priorities are reviewed based on this feedback.

In February 2014, Nestlé Oceania conducted a local Nestlé & I Pulse Survey to track focus areas identified from the 2012 global survey. The results indicated progress in areas such as company commitments, recognition, and coaching for performance and development.

The global Nestlé & I Survey conducted in November 2014 covered themes such as strategy and alignment, leadership, innovation, engagement, and enablement. Results will be available in early 2015.

### Employee turnover

In 2014, our turnover rate was 15.6%.

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee turnover</td>
<td>14.5%</td>
<td>13.3%</td>
<td>15.6%</td>
</tr>
</tbody>
</table>

Note: Employee turnover figures represent employee turnover for all reasons, in alignment with the GRI definition. This applies to Nestlé Oceania monthly paid employees in 2012 and to all Nestlé businesses in Oceania in 2013 and 2014.
With the aim of creating a pipeline of future leaders across our business, we recruited 15 talented people into our 2014 Next Gen Nestlé graduate program in Australia, New Zealand and Papua New Guinea.

In the program, graduates rotate through a number of roles and gain valuable experience, knowledge, training to develop their business acumen and leadership skills. Since 2010, we have retained over 85% of program participants.

Nestlé Oceania is committed to training and developing our employees. Our training and development strategy and programs align with the 70:20:10 approach, where employees ideally gain:

- **70%** development through career experiences and on-the-job opportunities
- **20%** coaching, networks and feedback
- **10%** formal training

We have designed a range of tools, initiatives and training programs based on this model and believe it offers the greatest development opportunities for our employees.

Our GreatNes recognition program continues to provide a consistent framework and approach that helps employees deliver recognition and reward in a way that is specific, authentic and timely.

In 2014, we relaunched the GreatNes program to strengthen and align with our evolving leadership framework. Feedback from employees has been very positive and engagement surveys show continued improvement.
Our efforts to implement regular safety reviews and embed employee ownership of safety within the business has generated positive results.

**Frameworks include:**

The Recordable Injury Frequency Rate (RIFR) dropped from 86 in 2013 to 66 in 2014, representing a 23% decrease in the number of recordable injuries. Around 65% of these incidents were recorded at four sites; Cambria Park, Campbellfield, Wahgunyah and Broadford.

We also experienced a 6% decrease in the Lost Time Injury Frequency Rate from 2013.

**Wellness**

Our WellNes4Life program provides health and wellbeing support to employees through initiatives aimed at positively influencing day-to-day activities and achieving sustainable change for better long term health outcomes.

**Working smarter**

The roll-out of the Working Smarter initiative, launched in late 2013 and aimed at changing entrenched working behaviours and helping everyone manage their working time effectively, continued in 2014 with a focus on email and meeting behaviours and PowerPoint effectiveness. We also launched a dedicated meeting-free time each week for office-based employees.

*Getting healthy at work:* the New Caledonia team adopted the Global Corporate Challenge for the first time as part of their Wellness program.