

Creating Shared Value

Nestlé Russia Social Report

2016–2017



Nestlé

Good Food Good Life



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Address of Nestle CEO in Russia and Eurasia



Dear friends,

Every day, Nestlé touches the lives of billions of people worldwide: from our employees to the farmers who grow our ingredients and the families who enjoy our products; to the communities where we live and work; as well as the natural environment upon which we all depend. Guided by our values rooted in respect, we work alongside partners to create shared value—contributing to society while ensuring the long-term success of our business.

I am pleased to present you the fifth Creating Shared Value report of Nestlé Russia. This document covers the most important events and achievements of the company in 2016–2017.

For the past ten years, we have been building our business on the basis of the Creating Shared Value approach. By this, we mean working not only to serve the interests of our shareholders, but for the benefit of the whole society. We have set ambitious targets for ourselves, which we are going to achieve by 2030 in three key areas: family, communities, and the planet. Particularly, to help 50 million children lead healthier lives; improve 30 million livelihoods in communities directly connected to our business activities; strive for zero environmental impact in our operations. These plans and our corporate social policy aptly comply with the United Nations Sustainable development goals approved two years ago.

The company priorities include healthy nutrition, stewarding water for future generations and rural development together with a strong approach to compliance, human rights and our people. All this as a whole ensures Nestlé's long-term sustainability and the trust of our consumers.

There is a good reason for this report to have a "150 years with Nestlé. Creating Shared Value" mentioning. Our company celebrated its 150-year anniversary in 2016, and almost as many—145 years of presence in Russia. For the past 20 years, total investments of Nestlé in the Russian economy amounted to about 2 billion US dollars. In 2016, we opened a new breakfast cereals line at our factory in Perm with 4.1 billion rubles investment, and have recently announced investments to build a new line for our pet food factory in the Kaluga region. Our factory in Vorsino is one of the largest investment projects of Nestlé in Russia, demonstrating the commitment of the company to the Russian market. By expanding of our production we will be able to satisfy the growing demand and strengthen our leading positions at the Russian and CIS pet food market.

In Vologda, Nestlé has been successfully developing its manufacturing base since 2003. In October 2017, the first stone for the construction of a factory for infant formula production was laid. This will lead by 2019 to a doubling of our local production enabling us to offer quality products for the youngest consumers of Nestlé.

In Russia and Eurasia, we closely cooperate with many local companies which provide us with raw materials. This means that we support rural development in the regions where we are present, which is beneficial both for the local communities and for us.

For more than 20 years Nestlé has been involved in social projects in Russia. The biggest of them is the Nestlé Good Nutrition program, which the company has been implementing in Russian schools since 1999. During all these years 7.5 million school children from 58 regions of Russia participated in the program.

Several years ago we launched the Nestlé needs YOUTh program. Young people get to know the company and its brands, expand their knowledge and practical skills, and may receive an offer for apprenticeship and traineeship with the opportunity for future employment. From January 2014 to June 2017, more than 1.5 thousand people participated in the program.

Any industrial enterprise has an effect on the environment, to a greater or lesser degree. Our business—food processing—is no different. Only in Russia and Eurasia, Nestlé has 10 factories. Whilst we cannot fully eliminate all impact on the environment, we deeply care for the environment and hence do our best to minimize it. Striving to implement our environmental program, we upgrade our factories, reduce waste and water consumption as well as promote a caring attitude towards the environment, especially to water resources, by conducting extensive awareness campaigns in local communities.

We highly appreciate our partnership with non-profit organizations helping people with deprived backgrounds, veterans, disabled people, orphaned children, and we are pleased to support projects of cultural importance in Russia.

We hope you will enjoy reading our report and that it will help you understand what Nestlé does in Creating Shared Value in Russia as our way of delivering a long-term positive impact for shareholders and society, through everything that we do as a company.

Sincerely yours,

Martial Rolland
CEO of Nestlé in Russia and Eurasia



1

Nestlé in the World and in Russia



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Nestlé: What Do We Work For?

Nestlé's goal is to enhance the quality of life and contribute to a healthier future.

Our values guiding us towards this goal:

- Respect for ourselves,
- Respect for others,
- Respect for diversity,
- Respect for the future.

1.1 150 Years of Nestlé

In 2016, Nestlé celebrated an important event in its history—150 years since the date of its foundation in Switzerland. Respecting our traditions, we still produce the highest quality products and continuously develop our portfolio of brands.

During the years of its operation, the company has survived two world wars, as well as a number of local and international economic and political crises. Not many companies manage to withstand such difficult times. Yet every time Nestlé passed the test coming out of tough situations even stronger, with new ideas and new targets, which later were successfully achieved. To a great extent, it was possible due to the efforts of several generations of employees that boosted the company with their labor and enthusiasm.

1.2 Key Figures and Facts

Nestlé is the world's biggest company producing food products and beverages. It operates in 191 countries and owns 418 factories in 86 countries. In 2016, the total sales of the Nestlé Group's companies amounted to 89.5 billion CHF. The total number of employees is 328 thousand people.

The Nestlé business is based on a leadership strategy in food products manufacturing and the company's positioning itself as an expert in healthy nutrition and lifestyle. Its product portfolio includes over two thousand brands—from brands that are legendary and well-known around the world, like Nescafé or Nespresso, to such popular local brands as Bon Pari and Bistროff.

Nestlé has a wide network of research and development centers, which provides it with a competitive advantage over other food manufacturers. Such approach is determined by our commitment to creating products that are not only excellent in taste, but also healthy.

Nestlé's Headquarters is situated in Vevey, Switzerland, where the company's history began 150 years ago.

All company's businesses and brands, all its functional departments and employees make their contribution to achieve Nestlé's global objective to enhance the quality of life and contribute to a healthier future. We all rely on our values based on respect: respect for ourselves, respect for others, respect for diversity, and respect for the future.



In 2016, Nestlé celebrated its anniversary. See a corporate video about this event online at www.nestle.ru



50

brands in the Nestlé portfolio in Russia

600

products

The complete list of Nestlé's products is available at www.nestle.ru

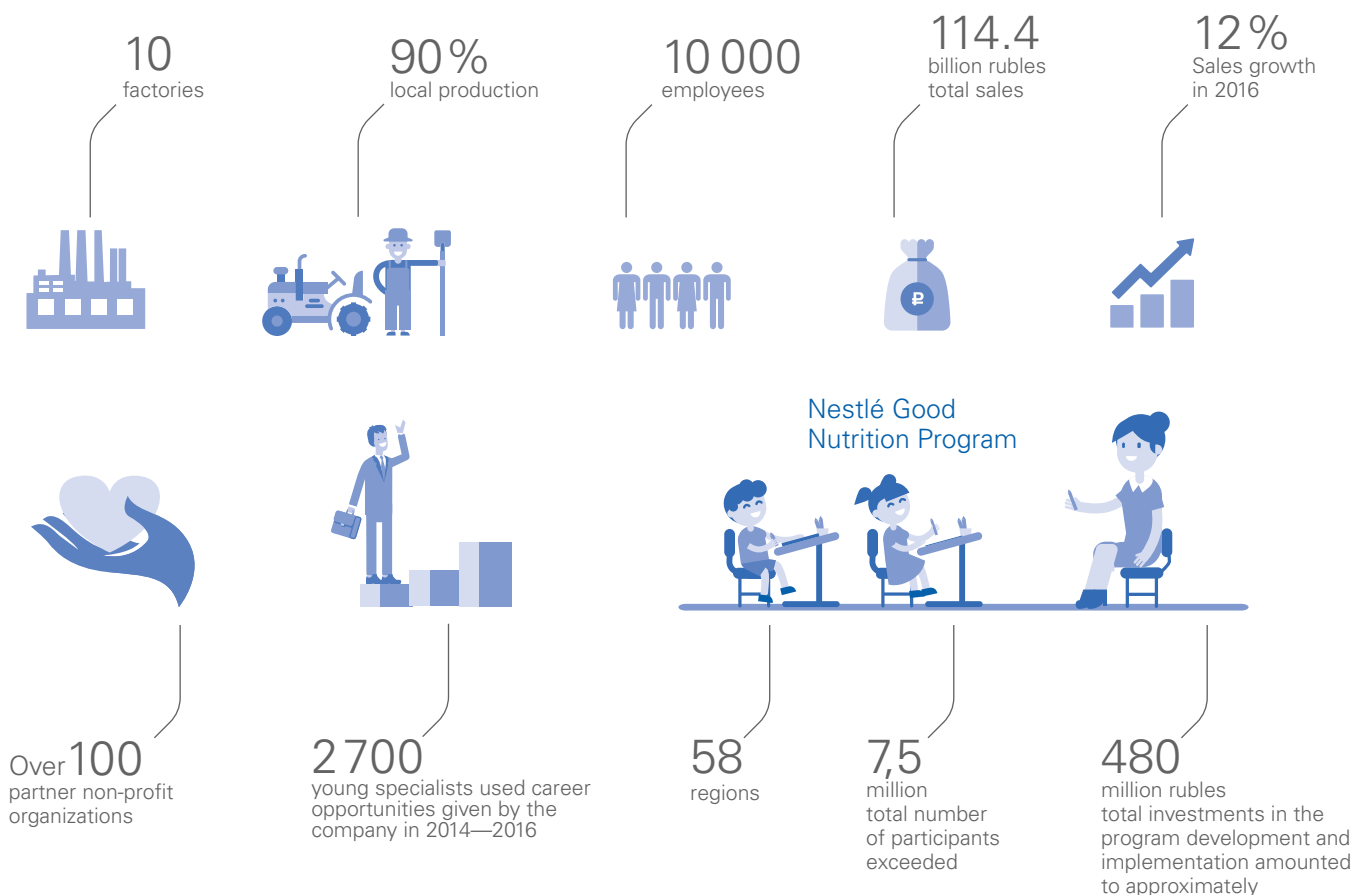
1.3 Nestlé in Russia and Eurasia

Nestlé's relationship with Russia has a very deep history. It began at the end of the 19th century, when Alexander Venzel, a merchant from St. Petersburg, entered into an exclusive contact with Henri Nestlé for supplying the Farine Lactée milk powder to the Russian Empire.

The region of Eurasia in Nestlé's geographic scope includes such countries as Uzbekistan, Kazakhstan, Belarus, Azerbaijan, Georgia, Mongolia, Turkmenistan, Armenia, Kyrgyzstan, and Tajikistan.

The company has 10 factories that operate in Russia and Eurasia, with 8 of them located in Russia. In 2016, the number of Nestlé's employees in the region amounted to 10 thousand people.

Today, Nestlé is one of leaders in the Russian market in the majority of food products categories, where the company's products are represented: instant coffee, coffee solutions and coffee-capsules, culinary products, breakfast and instant cereals, and infant nutrition. Besides, the company holds strong positions in the confectionary and pet food markets. Currently, there are over 50 brands and over 600 products in Nestlé's portfolio in Russia. The complete list of Nestlé's products is available on the corporate website at <http://www.nestle.ru/brands>.



Nestlé in Russia



Nestlé

Good Food, Good Life

1. Vologda

production branch of Nestlé Rossiya, LLC

- production of Nestlé infant nutrition
- BISTROFF factory: production of breakfast and instant cereals

2. Vyazniki district, Vladimir region

Production branch of Nestlé Rossiya, LLC

- MAGGI culinary products factory

3. Samara

Rossiya confectionary union, JSC (branch of Nestlé Rossiya, LLC)

- Confectionary factory: chocolate tablets, assorted chocolate sweets, chocolate bars, NESQUIK cacao drink

4. Perm

Production branch of Nestlé Rossiya, LLC

- Production branch of Nestlé Rossiya: production of chocolate bars, caramel, chocolate sweets, cakes etc.

5. Perm

Cereal Partners Rus, LLC

- Production of breakfast cereals NESTLÉ FITNESS, NESQUIK, GOLD, KHRUTKA etc.

6. Zhukovsky, Moscow region

JV Froneri Rus, LLC

- Ice-cream factory

7. Timashevsk, Krasnodar kray

Nestlé Kuban, LLC

- Full-cycle factory for production of instant and freeze-dried coffee under the NESCAFÉ brand

8. Vorsino, Kaluga region

Production branch of Nestlé Rossiya, LLC

- production of dry and wet pet food Nestlé Purina PetCare under the FRISKIES, FELIX, PRO PLAN and other brands.

1.91

Billion US dollars
The total amount of Nestlé's
investments in 1996–2016

Nestlé remains one of the key investors in the Russian economy among companies producing consumer goods.

1.4 Production and Business Development

The region of Russia and Eurasia plays the most important role in Nestlé's global business. It is one of the company's biggest markets in the world and in the EMENA zone (Europe, Middle East and North Africa).

In 2016, Nestlé actively modernized all its factories in Russia and Eurasia, as well as opened new ones.

In April, Cereal Partners Rus, a joint venture of Nestlé and General Mills, put into operation a new breakfast cereal line at the Perm factory.

In August, the Nestlé Kuban factory launched a new filling and packaging line for natural instant Nescafe coffee to ensure a more environmental friendly packaging and improved product shelf life. The use of ultrasonic technology allows optimizing the package size and reducing laminate consumption to the maximum extent possible; moreover, an improved air supply system ensures perfect sealing of packets. Within the framework of this project, the tasting laboratory was upgraded and an off-market coffee canning line was dismantled.

Together with the British ice-cream manufacturer R&R, Nestlé created a new joint venture—Froneri Rus LLC, which started its operations in Russia on October 1, 2016.

In April, the Digital Acceleration Team Center was opened at the company's Head Office in Moscow—Nestlé's first and only digital center in Russia, which supports its digital innovations projects. The center's key objective is to develop internal expertise and interaction with partners based on the use of digital technology. Now, it is possible to follow up on the most widely discussed topics in social networks and Nestlé brands websites in real time, define engagement indicators, and get other useful information.

Nestlé Purina PetCare expands its production of pet food in Russia by investing 10 billion rubles in completing a new construction stage of its factory in the Kaluga Region.



The relevant agreement of intent for the implementation of the investment project was signed at the 21st International Economic Forum in St. Petersburg on June 2, 2017, by Vladimir Igorevich Popov, Deputy Governor of the Kaluga Region, and Martial Rolland, Head of Nestlé in Russia and Eurasia.

Paul Bulcke, CEO of Nestlé S.A., and Alexey Vladimirovich Gruzdev, Deputy Minister for Economic Development of the Russian Federation, Vladimir Vasilievich Potyomkin, Deputy Governor of the Kaluga Region, Livia Loy, Authorized Representative of the Swiss Federal Council for Trade Agreements, Board Member of the Swiss State Secretariat for Economic Affairs, Alessandro Zanelli, Regional Director at Nestlé Purina PetCare in Russia, the CIS, Turkey, and Israel, participated in the official signing ceremony at the 21st International Economic Forum in St. Petersburg.

1.5 Company's Results in 2016

Nestlé's development strategy involves maintaining the company's competitive performance. In 2016, we managed to significantly increase production efficiency at all our factories. This became possible due to cost optimization, removal of non-used production lines from the technological process, and what is most important, due to each employee's continuously striving for achieve zero losses.

Despite the difficult economic situation, the company achieved a 12 % sales increase compared to 2015, and Nestlé's total sales in Russia and Eurasia amounted to 114.4 billion rubles.

In the reported year, Nestlé strengthened its positions in the region for most categories of its products, above all due to its customer-first attitude, as well as its smart innovations policy and effective marketing support of the company's strategic brands.

In 2016, Nestlé significantly increased its market share in such categories as coffee capsules, instant coffee, culinary products, infant nutrition, instant cereals, pet food, and confectionary.

In the Russian market, the company enjoyed a double-digit growth of such businesses as Nescafé, breakfast cereals (CPW), Nestlé Health Science, and Purina. The Nestlé Purina pet food business became a global growth leader in Russia with its cat food brand Felix.

In 2016, our coffee and beverages business was focused on innovations; thanks to the launch of Nescafé Gold Barista, Nescafé Espresso, and Nescafé Classic Crema,





The launch of Nescafé Gold Cappuccino was an innovation in the premium coffee with milk segment, which has a positive impact on all Nescafé Premium & Super Premium categories.

we demonstrated great progress in the instant coffee segment. The launch of Nescafé Gold Cappuccino was an innovation in the premium coffee with milk segment, which had a positive impact on all Nescafé Premium & Super Premium categories.

The confectionary business growth was driven by the KitKat and Rossiya-Generous Soul brands. Bon Pari retained its leading position in the gummies segment, and Rodniye Prostory strengthened its position in the popular boxed chocolate segment due to the launch of a new flavor and the expansion of the core assortment. In 2016, the business launched a unique limited edition of KitKat tablets and dark chocolate bars.

The Nestlé Purina PetCare business demonstrated an impressive growth in the eastern region and continues to drive growth in the EMENA zone. Such new products as Gourmet Mon Petit and Felix Doubly Delicious, Pro Plan Junior Delicate, and an updated Cat Chow line brought innovations to the category. Within the Purina business, we officially announced 10 social commitments as social initiatives aimed at improving pets' health and quality of life. Special emphasis was placed on responsible pet keeping and helping our four legged friends from shelters find new owners.

Our infant nutrition business also demonstrated a good growth rate, achieved the leading position in Kazakhstan and Uzbekistan, and managed to increase its market share in Russia and Belarus. The innovation package of the Gerber brand (Project Green) emphasized the product's naturalness, which allowed increasing the market share in the premium segment in Russia. The launch of Nan Triple Comfort for infants with digestive disorders strengthened our specialized products line. Our core products also demonstrated high performance levels, with Nestogen becoming the #1 brand in Russia. The sales rate of our infant mixes and cereals exceeded the market's average figures by a factor of five.



The official ceremony of laying the foundation stone for a new integrated plant terminating the cycle of baby food production took place October 12, 2017 in Vologda.

Martial Rolland, CEO of Nestlé Russia and Eurasia, Oleg Kuvshinnikov, Governor of the Vologda Region, Sergey Voroponov, acting Mayor of Vologda, Oksana Yakovleva, General Director of the Corporation for the Vologda Region Development, and Eddy Dauphin, Manager at the Nestlé baby food factory, participated in the event.

The factory in Vologda is a strategic plant for Nestlé in Russia and the CIS, as the only factory producing Nestlé baby food in Russia and Eurasia. Building this new plant for baby food production will allow us to grow our capacities both in supplying products in the domestic market and in exporting them to other countries, as well as in strengthening the company's leading position in the Russian baby food market.



We continued to update our Maggi products line, with a special emphasis on our portfolio becoming more natural. We launched such new products as Maggi for Juicy Curry Chicken and Maggi for Creamy Pasta in the market. Also, we updated the recipes of all-family breakfast cereals of our Bistrot brand, which in 2016 became the #1 brand in the instant cereal category. A number of innovations and breakthrough in digital communications placed our Russian Maggi website in the second place among all the Nestlé culinary brands' websites in the world in terms of the website traffic.

An increase of the Nesquik chocolate powder drink's market share was supported by consistent brand building, product tasting sessions, and the launch of a digital Nesquik Studios platform.

The Nestlé Professional business demonstrated excellent results in the beverage category with a focus on the key distribution channels: gas stations, hotels, offices, and fast-food restaurants. One of the key success factors was the installation of 2500 innovative Allegria coffee machines. The strengthening of Nescafé's positions in the market also had a great impact on the increase of sales.

A sound pricing policy in the breakfast cereals business (CPW) in combination with an effective brand promotion strategy allowed increasing these products' market share. The launch of the world-famous CiniMinis breakfast cereals brand and Nestlé Fitness Yogurt in the Russian market was last year's biggest innovation.

The Nespresso business demonstrated an increased share in the coffee machine market despite the unstable market situation. New boutiques were opened in the most attractive places of Moscow, and the Nespresso online boutique demonstrated a significant growth in the 4th quarter as compared to 2015. In 2016, the brand announced its partnership with Bork, a premium home appliances producer.

The Nestlé Health Science business demonstrated a high growth level in Russia and the CIS due to its new approach to sales and cycle activities, as well as new listings, the expansion of distribution in the key infant nutrition networks, and the creation of its own tender department. The highest level of growth was demonstrated by the Alfare and Clinutren Junior brands.



2

Our Business and Our Values



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2.1 Creating Shared Value

Ten years ago, we adopted the Creating Shared Value approach as fundamental for our business. This approach is based on our strong belief that to ensure long-term success and well-being a business must create value not only for the shareholders, but also for the benefit of the entire society.

Generally speaking, Creating Shared Value is a way to achieve Nestlé's global objective: to enhance quality of life and contribute to a healthier future of consumers around the world.

Though the Creating Shared Value approach was only recently formulated, the principles it is based on have been guiding Nestlé for over 150 years, i.e. from the moment the company was founded.

// Our Creating Shared Value priorities are those areas of closest intersection between Nestlé's business and the society, where we can create the most value and make the most difference. They include the following: nutrition, where we have refined our commitments to ensure healthier and happier lives for individuals and families, with a strong focus on infants and children; rural development, to help develop thriving and resilient communities, and support better livelihoods for those we live and work with; and water, an issue of critical concern for the planet and the lynchpin of food security. We have strengthened our commitments in the areas of water and environmental sustainability to underline our determination to steward natural resources for future generations.

Peter Brabeck-Letmathe

Chairman

Paul Bulcke

Chief Executive Officer

Address to the CSV Report

Nestlé S.A. 2016

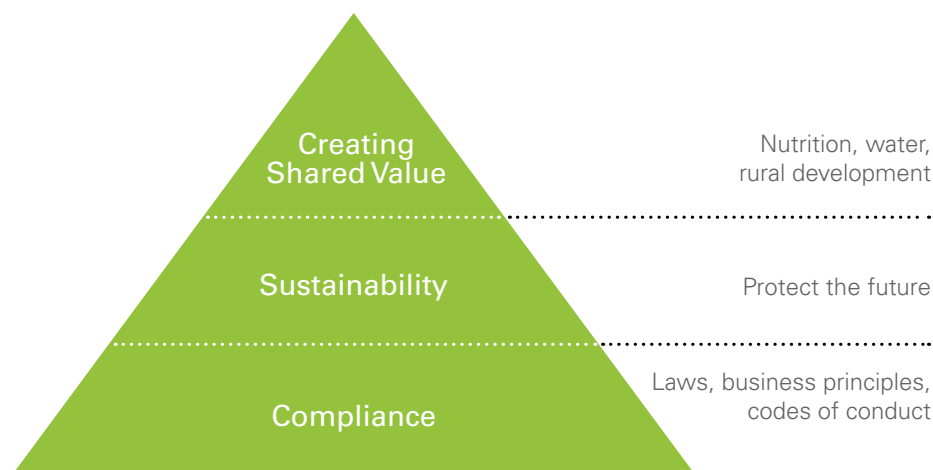
Key Priorities of the Creating Shared Value Approach



I am very close to those immutable values of Nestlé that have been the foundation of all the company's activities over the past 150 years. Undoubtedly, these principles will further define all our activities. Our global aim—enhancing quality of life and contributing to a healthy future—is very important for me. Moreover, this idea is a true source of my inspiration!

Mark Schneider
CEO of Nestlé, 2017

Today, we are ready to make the next step towards the implementation of our initiative on the way to achieve the ambitious target that we have declared. As always, we intend to pay particular attention to enhancing quality of life and health of our consumers and their families, and to developing environmentally sustainable and thriving rural communities, and finally, to preserving the natural resources of our planet (first and foremost, water) for the future generations.



2.2 Our Contribution to Global Agenda

In November 2015, the 70th Session of the UN General Assembly dedicated to sustainable development took place in New York, where the Transforming Our World: United Nations 2030 Agenda for Sustainable Development was approved, and the key goals and the action plan to execute the global development strategy were defined. All 193 UN member-countries agreed to achieve the 17 key goals by 2030. This will make a great contribution to reducing poverty, relieving hunger, fighting social inequality, and preserving our planet's natural resources.

All of the UN17 SDGs have clear quantitative criteria and assume that the private sector will be actively engaged in solving the most critical social issues of today's world. Private companies took active participation in the development and objective statements of the Sustainable Development Goals and declared their commitment to achieving them. Our key priorities of the Creating Shared Value approach are directly linked with the UN SDGs.

Our Purpose

Enhancing quality of life and contributing to a healthier future

Our Ambitions

For individuals and families

Enabling healthier and happier lives

For our communities

Helping develop thriving, resilient communities

For the planet

Stewarding resources for future generations

Our CSV Impact Areas

**Nutrition, health,
and wellness**

Rural development
**Our people, human rights,
and compliance**

Water
**Environmental
sustainability**

UN Sustainable Development Goals

- 1 No Poverty
- 2 Zero Hunger
- 3 Good Health and Well-Being
- 4 Quality Education
- 5 Gender Equality
- 6 Clean Water and Sanitation
- 7 Affordable and Clean Energy
- 8 Decent Work and Economic Growth
- 9 Industry, Innovation and Infrastructure
- 10 Reduced Inequalities
- 11 Sustainable Cities and Communities
- 12 Responsible Consumption and Production
- 13 Climate change
- 14 Life Below Water
- 15 Life on Land
- 16 Peace, Justice and Strong Institutions
- 17 Partnerships for the Goals

// Nestlé's second milestone in 2016 was the first anniversary of the United Nations Sustainable Development Goals (SDGs), with the definition of a clear indicator framework and a specific recognition of the private sector's role and its contribution in the spirit of the Creating Shared Value approach.

The goals set out a vision for ending poverty, hunger, and inequality, as well as protecting the Earth's natural resources by 2030. The 17 goals are closely interlinked and are being integrated into our Creating Shared Value approach, with an emphasis on those where we can make the most meaningful and positive impact.

To mirror the SDG timescale, we have introduced a set of overarching ambitions for 2030, which will guide our actions and provide direction for our 2020 commitments. To effectively align our strategy with the SDGs, we intend to solve a number of high priority tasks by 2030, which, in turn, will globally define our policy and the specifics of all our social commitments until 2020.

Nestlé actively plays its part in meeting the SDGs not only through our Creating Shared Value approach to doing business, but also through partnerships, collaboration, and stakeholder engagement. For example, through the Consumer Goods Forum we help shape the global collective agenda through resolutions and commitments on health and wellness, social sustainability, climate change, and environmental sustainability.

Peter Brabeck-Letmathe
Chairman

*Address to the CSV report
Nestlé S.A. 2016*

Paul Bulcke
Chief Executive Officer



Nestlé has fully integrated the UN Sustainable Development Goals into its social agenda related to the implementation of the Creating Shared Value approach.



Thus, implementation of the Good Nutrition programme, the most important social programme of Nestlé Russia, in equal measure corresponds to these two UN Sustainable Development Goals: Good Health and Well-Being and Quality Education (SDGs 3 and 4). The programme is being implemented at schools and kindergartens, where children study it for three years. Thanks to systematic and continuous learning, they not only receive knowledge about good nutrition, but also develop good eating habits. 7.5 million children have already been trained within this programme. It is part of the global Nestlé Healthy Kids project implemented in all countries where Nestlé operates.



To achieve the goal of Zero Hunger (SDG 2), Nestlé has launched its Food Program, whose essence is to provide the company's products to the people in need. In Russia, we work together with the Foodbank Rus to guarantee that the food provided will be transferred to satisfy the needs of the most vulnerable social groups.



Our Nestlé needs the YOUth programme aimed at supporting young professionals and the Alliance for Youth Support founded with its help simplify job search and employment process, thus contributing to achieving SDG 8: Decent Work and Economic Growth.



Nestlé continuously improves its products' recipes and quality, providing detailed and authentic information on the packaging and facilitating consumer education on good nutrition and healthy lifestyle. This is definitely aimed at the achievement of SDG 12: Responsible Consumption and Production.

Our objective towards 2030—to achieve zero environmental impact—is also a contribution to the achievement of the UN global Sustainable Development Goals.

Almost all of the UN17 goals find their way into the Nestlé operation. Moreover, striving to enhance quality of life and a healthier future for our consumers worldwide, we have defined three global goals to support the realization of our social commitments by 2020 and facilitate the achievement of the UN Sustainable Development Goals:

- 1) Ensure healthier and happier lives for our consumers: this will include helping 50 million children lead healthier lives;
- 2) Help develop thriving, resilient communities: this will include helping to improve 30 million livelihoods in communities directly connected to our business activities;
- 3) Steward resources for future generations: this will include striving to achieve zero environmental impact in our operations.

We will leverage our scale to help meet these ambitious goals. However, achieving the SDGs will only be possible through more effective and dynamic partnerships at local, national, and international levels. We strive to do our part and urge others to join us in this collective effort. We look forward to working with civil society, governments, and others in making this a reality.

80 %

of packaging materials are produced in Russia

65 %

of raw materials are produced in Russia

90 %

of products sold in the Russian market are produced in Russia

Orientation towards local production allows satisfying consumers' needs in any given country in the best way and quickly adapting to the changing environment.

2.3 Nestlé Corporate Business Principles

Nestlé's worldwide strategy includes long-term investments in local production, development of products suitable for local choices and traditions, and use of local raw materials. Orientation towards local production allows satisfying consumers' needs in any given country in the best way and quickly adapting to the changing environment.

In the Russian market, Nestlé has been a leader in the field of food and beverage production and recognized as an expert in good nutrition and healthy lifestyle for many years. This success was possible due to long-term investments in the local production, development of products according to traditional consumer choices, active brand promotion, continuous distribution network development, and the use of local raw materials and components. The company uses 80% of packaging materials and about 65% of raw materials produced in Russia. It allows Nestlé to manufacture 90% of its products sold in the local market in Russia and to take into account consumers' preferences and needs to the maximum extent possible.

Nestlé implements high quality and safety standards in its operation and requires the same from its suppliers. It is possible to significantly expand the portfolio of food products that can compete with imported products in terms of quality and pricing on condition that the quality and safety of the local agricultural raw materials improves, and there exists extensive storage and transportation infrastructure. Taking this into account, Nestlé believes that despite substantial localization there are still further opportunities to attract Russian suppliers, and we continue to work with potential partners in this direction.



Functional Area	Principle	Links
Consumers	1 Nutrition, Health and Wellness. Our core aim is to enhance the quality of consumers' lives every day, everywhere by offering tastier and healthier food and beverage choices and encouraging a healthy lifestyle. We express this via our corporate proposition Good Food, Good Life.	<ul style="list-style-type: none"> Nestlé Principles on Nutrition, Health and Wellness
	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.	<ul style="list-style-type: none"> Nestlé Quality Policy Nestlé Nutritional Profiling System
	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.	<ul style="list-style-type: none"> Nestlé Consumer Communication Principles Nestlé Policy on Nutrition and Health Claims
Human rights and labour practices	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.	<ul style="list-style-type: none"> UN Global Compact Conventions 87, 138, 182 of the International Labour Organization (ILO) United Nations Convention of the Rights of the Child: article 32 OECD Guidelines for Multinational Enterprises of June 2000 Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO) of March 2006
Our people	5 Leadership and personal responsibility. Our success is based on our people. We treat each other with respect and dignity and expect everyone to promote a sense of personal responsibility. We recruit competent and motivated people who respect our values, provide equal opportunities for their development and advancement, protect their privacy and do not tolerate any form of harassment or discrimination.	<ul style="list-style-type: none"> Nestlé Management and Leadership Principles Nestlé Code of Business Conduct Nestlé Human Resources Policy
	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.	<ul style="list-style-type: none"> Nestlé Policy on Safety and Health at Work
Suppliers and customers	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 to our own customers.	<ul style="list-style-type: none"> Nestlé Supplier Code
	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.	<ul style="list-style-type: none"> Nestlé Policy on Environmental Sustainability
The environment	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.	<ul style="list-style-type: none"> Nestlé Policy on Environmental Sustainability
	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.	<ul style="list-style-type: none"> Nestlé Policy on Environmental Sustainability Nestlé Commitments on Water (Nestlé Water Plan)

2.4 Introducing our Commitments Worldwide and in Russia

List of Nestlé's social commitments

During 2016, we conducted an extensive internal review of our commitments and, in line with our ambitions, we introduced some new commitments to go further and deeper than previously. All 42 commitments are directly aligned with our business and the majority are now supported by objectives towards 2020. Nestlé in Society report communicates the social commitments of the company and the results achieved to the wider public.



Nutrition, Health and Wellness

- Launch more nutritious foods and beverages, especially for mothers-to-be, new mothers and children
- Further decrease sugars, sodium and saturated fat
- Increase vegetables, fibre-rich grains, pulses, nuts and seeds in our foods and beverages
- Address undernutrition through micronutrient fortification
- Simplify our ingredient lists and remove artificial colours
- Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly
- Empower parents, caregivers and teachers to foster healthy behaviours in children
- Market to children only choices that help them achieve a nutritious diet
- Advocate for water as a top choice for healthier hydration
- Leverage our marketing efforts to promote healthy cooking, eating and lifestyles
- Apply and explain nutrition information on packs, at point of sale and online
- Offer guidance on portions for our products
- Partner for promoting healthy food environments
- Build and share nutrition knowledge from the first 1000 days through to healthy ageing
- Build biomedical science leading to health-promoting products, personalised nutrition and digital solutions



Rural development

- Roll out rural development baseline assessments to understand the needs of farmers
- Improve farm economics among the farmers who supply us
- Improve food availability and dietary diversity among the farmers who supply us
- Implement responsible sourcing in our supply chain and promote animal welfare
- Roll out the Nestlé Cocoa Plan with cocoa farmers
- Continuously improve our green coffee supply chain



Water

- Work to achieve water efficiency and sustainability across our operations
- Advocate for effective water policies and stewardship
- Treat the water we discharge effectively
- Engage with suppliers, especially those in agriculture
- Raise awareness on water conservation, and improve access to water and sanitation across our value chain

Environmental sustainability

- Provide climate change leadership
- Promote transparency and proactive, long-term engagement in climate policy
- Reduce food loss and waste Improve the environmental performance of our packaging
- Assess and optimise the environmental impact of our products
- Provide meaningful and accurate environmental information and dialogue
- Preserve natural capital, including forests

Our people, human rights and compliance

- Assess and address human rights impacts across our business activities
- Improve workers' livelihoods and protect children in our agricultural supply chain
- Enhance a culture of integrity across the organisation
- Ensure that all Nestlé employees are covered by a certified safety and health management system
- Enhance gender balance in our workforce and empower women across the entire value chain
- Provide effective grievance mechanisms to employees and stakeholders
- Roll out the Global Youth Initiative across all our operations
- Provide training on Corporate Business Principles, Nutrition and Environmental Sustainability
- Advocate for healthy workplaces and healthier employees

Stakeholder engagement is the key element in the implementation of our Creating Shared Value initiative. Moreover, we build our business and align our social investments projects according to the recommendations provided by our key stakeholders.

2.5 Stakeholder Engagement

Nestlé's meetings with stakeholders are usually organized and conducted by independent representatives from the expert community. At these events, we traditionally cover the most acute social issues and questions related to the functioning of our production and supply chain in the areas where Nestlé can significantly improve the current situation.

In 2016, such a meeting took place in Geneva. Its participants exchanged their opinions on Nestlé's social activities and provided their comments and recommendations on how to improve its efficiency. These recommendations, together with our own comments, have been added to the Global Nestlé in Society report.

The Creating Shared Value Forum is Nestlé's biggest event allowing us to interact with the stakeholders, which is held every other year both globally and locally. Usually, the role of the business in addressing the current key social and economic challenges is discussed, as well as the contribution that our company can make to fight the growing deficiency of natural resources and global climate change.

In 2016, the 7th Creating Shared Value Global Forum took place in Abidjan, the largest city of Côte D'Ivoire. It was dedicated to the topic of Investments in Sustainable Development of Africa. Politicians, businessmen, and representatives of civil society from African countries and other regions participated in the forum. The Nestlé prize went to Agro-Hub, a socially oriented company from Cameroon, which supports small farms specialized in growing manioc, thus enabling them to enter the global agricultural market.

In Russia, Nestlé uses the largest expert platforms for such meetings. In 2016, Nestlé's representatives headed by Peter Brabeck-Letmathe, Chairman of Nestlé S.A., and Maurizio Patarnello, Head of Nestlé Russia and Eurasia, participated in the 20th International Economic Forum in St. Petersburg. Besides, the company acted as a partner engaged in helping with the organization of the event.



The stakeholders directly influencing the Nestlé business or being impacted by us, interaction with whom is particularly important for the long-term success of our business, can be united into the following groups:

- shareholders and the finance community
- business partners—clients and suppliers (including farmers and smallholders)
- governments
- communities
- intergovernmental organizations
- non-governmental organizations (NGOs)
- industry and trade associations
- consumers and the general public
- academia
- reporting agencies
- employees of the company.



*С даты основания компании в Швейцарии

Information about Nestlé's products and interesting stories from the company's and its brands' rich history were published within the social networking community 'Nestlé. Healthy Choice!' in the Vkontakte and Odnoklassniki social networks, as well as on the corporate website every week.

- @NestleRussia
- facebook.com/nestlerussia
- vk.com/nestlerussia
- youtube.com/NestleRussia



In his statement during the Upgrade—Reload of the Agricultural Sector panel session, Peter Brabeck-Letmathe pointed out Russia's two competitive advantages in the agricultural business—the world's best soils and unlimited water resources holding enormous potential for the country's further development. Nestlé's managers also participated in the Russia and Switzerland: New Opportunities in the New Conditions round table, and representatives of our Nestlé Kuban factory took part in the South of Russia: New Points of Growth field session at the St. Petersburg Economic Forum hosted by Krasnodar. Eric Heusler, Factory Manager, shared the experience of a large-scale international company working in the Krasnodar region and Nestlé Rossiya in general during his speech at the plenary meeting with the government officials and federal level organizations attracting investments. Nestlé Kuban also participated in the Sochi—2016 International Investment Forum.

In turn, Nestlé Russia was a partner of the 4th Moscow International Forum Corporate Volunteering: Business and Society hosted by the press center of the International News Agency Russia Today on December 8, 2016 and of the 4th International Forum Socially Responsible Business as the Foundation of Sustainable Economic Development: Experience and Prospects of Collaboration between Successful Corporations and Business Schools (MIRBIS, Moscow International Higher Business School, December 8–9, 2016).

Nestlé's 150-year anniversary is a significant date for the company and yet another occasion to share our success and achievements. To involve as many people as possible in the celebration and give them an opportunity to learn about the company and its products, we developed a special communication strategy. During year 2016, we used different media to inform our stakeholders of our anniversary.

In March 2016, the Creating Shared Value round table took place in Moscow, involving the scientific community and experts in the fields of baby nutrition and corporate social responsibility. They discussed nutrition and health issues pertaining to young children in Russia, as well as the latest scientific theories on how children's nutrition in the first years of life impacts their health in the future.

The company's representative shared the result of a new research on young children's nutrition in Russia. The discussion was moderated by Andrey Bader, Corporate Affairs Director, Board Member of Nestlé Russia.

2.6 Creating Shared Value Forum — 2016

In 2016, the 4th All-Russia Creating Shared Value Forum, which is organized and held by Nestlé Russia once every two years since 2010, took place in Moscow.

The Forum was sponsored by the Union of Pediatricians of Russia and dedicated to the role of infant nutrition in the health of the nation. It gathered over one hundred participants: pediatricians, dietitians, nutrition specialists, as well as government officials, representatives of businesses and non-profit organizations, as well as mass media.

Maurizio Patarnello, Head of Nestlé Russia and Eurasia, spoke to the participants about the company's contribution to the enhancement of people's health and Nestlé's programmes in the field of children's nutrition. In their speeches, various specialists touched upon such topics as preventive pediatrics, influence of young children's unbalanced nutrition on the development of chronic diseases of adults, raising awareness among doctors, parents, and the entire society of the role of nutrition during childhood age, improving outreach and awareness-raising activities in Russia based on the international experience, and many other topics.

The forum's participants were united and firm in their opinion that dealing with problems of young children's nutrition and health should become a strategic priority for different social institutes: the government, the business sector, healthcare system, non-profit organizations, and, ultimately, the society as a whole. The health of future generations directly depends on how successfully these problems are addressed today.

2.7 Nestlé's performance in leading international indices



1st

We were the first breast-milk substitute manufacturer to be included in the FTSE4Good Index, and have retained our place for five years.



2nd

We were ranked second out of 22 global food and beverage manufacturers in the 2016 Access to Nutrition Index™ (ATNI).



1st

With an overall score of 92 out of 100, we received industry-best scores in all three dimensions (economic, environmental and social) of the 2016 Dow Jones Sustainability Index (DJSI). The DJSI is a globally recognized independent benchmark that measures the performance of the largest 2500 companies.



5th

We were ranked fifth in Fortune magazine's 2016 Change the World list, an annual ranking of 50 companies that are 'doing well by doing good'.



A–

In October 2016, we received a 'Leadership' score of A– in the CDP Water Programme.

100A

In November 2016, we achieved a score of 100A in the Climate Disclosure Leadership Index from environmental sustainability ratings agency CDP.



2nd

Nestlé ranked second on Oxfam's Behind the Brands scorecard in April 2016.

3

Nutrition, Health and Wellness



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Our global objective

to help 50 million children around the world lead healthier lives by 2030.

3.1 Nestlé's Global Approach to Nutrition

Good nutrition plays a key role in people's life from the moment they are born, that is why a balanced diet full of the most important and often deficit micronutrients, consisting of tasty and healthy products is so important to support our health.

Unbalanced diet leads to nutritional deficiency and lack of nutrients necessary for health and development of both children and adults.

The core of Nestlé business is production of food products. We produce high quality products and offer services that globally make a real contribution to improvement of the quality of life and promotion of health of our consumers. Realizing the acuteness of issues in the field of nutrition, Nestlé continuously improves the recipes of its products, initiates scientific research in this area, and pays particular attention to informing consumers, helping them to make a conscious choice in favor of a balanced ration.

What is the NHW-strategy?

It was demonstrated that Nestlé products developed based on our NHW-strategy (Nutrition, Health and Wellness) and fully compliant with Nestlé Nutritional Foundation and 60/40+ criteria receive more consumer trust around the world

and, accordingly, demonstrate better financial results. Moreover, social activity of Nestlé helps us comply with national and international legislation, breach of which could lead to significant material costs. In the end, it has to be mentioned

that nowadays the market of natural and healthy food products and beverages is dynamically growing and developing, which, in turn, offers great opportunities for financing and investment.



3.2 Production of Balanced Food Products and Beverages

To improve recipe and taste of food products and beverages we use a special Nestlé Nutritional Profiling System (NNPS).

A product that fully complies with all relevant criteria of Nestlé Nutritional Foundation and can be treated as part of a healthy and balanced diet is given NF-status.

In Russia, by the end of 2016, 95 % of our products had NF-status and products designed for children and family consumption complied with all relevant criteria of Nestlé Nutritional Foundation by 100 %. This includes popular and non-expensive consumer goods, due to which millions of families with low income around the world have access to high quality, tasty and nutritive food and beverages.

Decrease of Sugars, Sodium and Saturated Fats in Nestlé Products



8 %

sugar reduction in our products recipe



23 %

salt reduction in meals cooked with Maggi



6.5 %

saturated fats reduction in our products recipe

As of the end of 2016, we have decreased content of sugar in our products by 8 % (or 39 thousand tons), and content of sodium—by 10.5 % (2700 tons of salt). By this the company overachieved its initial target to reduce sodium content by 10 % and intends to keep this upward trend.

In Russia by end of 2016 we decreased content of sodium in meals cooked with Maggi by 23 % (33 tons), which is nearly equivalent to two trucks. Amount of salt in our product is calculated in a way to ensure that the meals are moderately salted, that is why we recommend our consumer to taste them and possibly to avoid putting additional salt into them.

Nestlé together with other companies—members of International Food and Beverage Alliance initiated change of recipes of its products to remove dangerous to health partially hydrogenated oils from them and increase levels of healthy mono- and polyunsaturated fatty acids. This decision complies with recommendation of World Health Organization (WHO) to reduce level of trans-fatty acids to less than 1 g per 100g of product by the end of 2018.

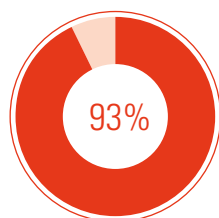
According to expert opinion, increase of trans fat consumption by 1 % from the daily ration increases risk of cardiovascular diseases by 10 %, increases risk of cancer, infertility, and even cognitive deterioration.

By the end of 2016, we significantly decreased content of saturated fats in our products (by 6.5 %, or 6200 tons). Further decrease of saturated fats in all variety of our products while keeping their excellent taste requires active implementation of new technologies, carrying out a research campaign, and major investments in new equipment. All this needs time, that is why the company has decided to extend the deadline for this specific commitment.

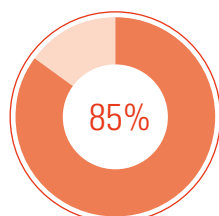
Another important achievement of our company is that since the 1st of January 2017 more than 99.8 % of all fats and oils used by us during production of food products and beverages do not contain trans fats from partially hydrogenated oils (PHOs). In Russia, this commitment has been executed in full: PHOs have been removed from all our products.

Another important achievement of our company is that since the 1st of January 2017 more than 99.8 % of all fats and oils used by us during production of food products and beverages do not contain trans fats from partially hydrogenated oils (PHOs). In Russia this commitment has been executed in full: PHOs have been removed from all our products.

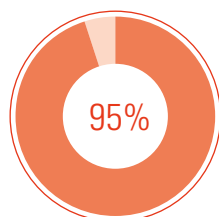
More whole grain than any other
ingredient in any serving of children's
or teenagers' breakfast cereals



2016



2015*



2014

* In 2015, Nestlé adopted a more stringent tracking methodology for whole grains.

Our Objectives Towards 2020

- Reduce the sugars we add in our products by 5 % and sodium by 10 % to support individuals and families in meeting global dietary recommendations of international health organizations and different medical associations.
- In order to fulfill commitment taken in 2014, reduce saturated fats in all relevant products that do not meet the Nestlé Nutritional Foundation (NF) criteria.

Increase vegetables, fibre-rich grains, pulses, nuts and seeds in our foods and beverages

Vegetables, grains, pulses, nuts and seeds are excellent sources of fibre, vitamins, minerals and other essential nutrients. Dietary intake studies around the world indicate that these nutrient-dense foods are lacking in the daily food choices of both children and adults.

We have set whole grain requirements for all of our cereal brands intended for children and teenagers. All Nestlé breakfast cereals that carry the Whole Grain Tick contain at least 8 g of whole grains per serving and display the Green Banner for easy identification on the shelf.

In 2015 we applied a stricter technological standard to ensure that there are more whole grains than any other ingredient in our children's and teenagers' breakfast cereals. Today 93 % of Nestlé products for children and teenagers have now achieved the objective set under this standard. However, increasing the levels of whole grains seriously affects texture, taste and shelf life of the cereals. For this reason, we have worked carefully to ensure that execution of this commitment has not adversely affected consumer preference.

Besides breakfast cereals, Russian market also offers a variety of whole-grain Bistrot porridge.

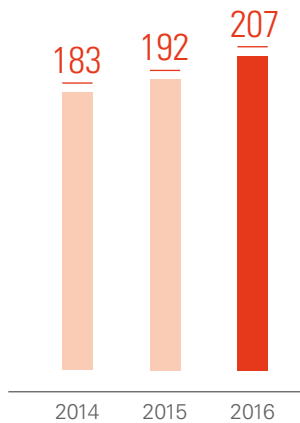
Besides, we constantly draw attention of our consumers to importance of adding more vegetables, fruit and other healthy products to their diet. Relevant information is placed on the Internet, and on Maggi and cacao drink Nesquik and cereals packaging consumers can read suggestions on how to add vegetables, fruit and milk products to the eating occasion.

Our Objectives Towards 2020

- Add to our products at least 750 million portions of vegetables, 300 million portions of nutrient-rich grains, pulses and bran, and more nuts and seeds.
- In addition to whole grain already being the number one ingredient in our ready-to-eat breakfast cereals for children and teenagers, all our cereals will be a source of fibre, with as much fibre as possible coming from whole grain.



Total number of micronutrient-fortified servings of foods and beverages worldwide (billion)



83.5 %

of affordable Popularly Positioned Products (PPPs) for lower-income consumers were fortified with at least one of the 'Big 4'.

Address undernutrition through vitamins and micronutrient fortification

Even moderate deficit of nutrients can have a negative impact to people's health. But at present time around 2 billion people, i. e. more than 30 % of the world's population suffer from deficiencies in essential vitamins and minerals, especially iodine, iron, zinc and vitamin A.

Ideally, these nutrients should come from a balanced, varied diet but this is not always possible, particularly in developing countries. To improve quality of nutrition of the most vulnerable population groups, Nestlé adds relevant micronutrients to its foods and beverages.

By 2016, total number of micronutrient-fortified servings of foods and beverages worldwide not only reached the target of 200 billion portions, but increased this number.

We continue to enhance the micronutrient profile of our foods and beverages, and adapt their level of fortification to address the nutritional status and deficiencies prevalent in specific markets. For example, the global popularity and market reach of our Maggi product range give us a solid platform for helping address micronutrient deficiencies at scale. In particular, almost 103 billion individual servings of Nestlé soups, noodles and seasonings were fortified in 2016, of which the major part—59 billion—were fortified with iron. In Russia, Maggi bouillon cubes and soups have been fortified with iron, and each serving of ready bouillon or soup satisfies 15 % of recommended daily norm of iron.

At the same time, we also decided to fortify cereals and milk to provide additional nourishment for vulnerable social groups, such as school-age children and expectant mothers. Overall, 83.5 % of affordable Popularly Positioned Products (PPPs) for lower-income consumers were fortified with at least one of the 'Big 4' (iron, iodine, vitamin A and zinc). In Russia, all ready-to-eat breakfasts have been fortified with different vitamins and/or minerals: Nesquik, Kosmostars, Fitness, CiniMinis, GOLD and Khrutka. Cacao drink Nesquik has been fortified with Opti-Start vitamin and mineral complex.

Our Objectives Towards 2020

- Reach millions of children and families with high quality foods and beverages fortified with essential nutrients.
- Initiate collective actions to reduce micronutrient deficiencies in 10 countries.
- Continue to develop the supply chain for biofortified crops and expand our fortified portfolio of foods and beverages.

302

breast feeding rooms have been
arranged at our production
facilities



Simplify our ingredient lists and remove artificial colours

New generations of consumers are increasingly seeking reassurance about the composition of the food they buy. New world health trends prompt Nestlé to provide transparent and authentic information about the ingredients used in its products.

To do this, we have launched the “Kitchen Cupboard” approach aimed at a step-by-step change of ingredients of our products. It is based on a wider usage of natural ingredients: vegetables, spices, herbs and flavors, as well as provision of information about them to consumers.

Our products in Russia are already completely free from artificial colors, most of the products do not contain artificial flavors. For the past several years we have improved and simplified ingredients lists of many Bistrot and Maggi products, and there is still some job to be done.

3.3 Support of Breastfeeding

Nestlé believes that breast-milk is the ideal nutrition for babies. This is why we promote the WHO Code to exclusively breastfeed infants for the first six months of life.

Nestlé Global Maternity Protection Policy supports labor conditions promoting breastfeeding, e.g. the right to extend maternity leave up to six months and flexible work arrangements for our female employees. We have already arranged 302 breastfeeding areas and will equip all premises with more than 50 female employees with breastfeeding rooms by 2018.

We encourage other companies and our stakeholders to follow this example, and share our responsible approach to marketing of breast-milk substitutes (see details in the Ethical marketing section).

Our objectives

- **By 2018** — Ensure that all provisions supporting breastfeeding in our Global Maternity Protection Policy are implemented.
- **By 2020** — Advocate for a breastfeeding-friendly environment by supporting the set-up of breastfeeding rooms in communities where we operate.

3.4 Foster Healthy Lifestyle among Children and Parents

Nestlé aims to foster healthy nutrition for children and their mothers through three key programmes, each with a specific focus, scale and target audience:

- Start Healthy Stay Healthy programme;
- Nestlé Healthy Kids Global programme;
- United for Healthier Kids programme.

Correct breastfeeding and good nutrition and feeding practices during the first 1000 days of life (from conception to a child's second birthday) lay the foundations for lifelong health and well-being.

It is therefore important for pregnant women to adhere to healthy nutrition, and for mothers to establish healthy eating habits for themselves and their children.

We constantly provide nutrition education for parents and caregivers on the benefits of breastfeeding and importance of good and balanced nutrition in the first 1000 days of life. Besides, we pay particular attention to maternal nutrition during pregnancy.

Nestlé Start Healthy Stay Healthy programme

Start Healthy Stay Healthy programme educates parents, including communication of information about the importance of good and balanced nutrition, especially in the first 1000 days of life. This is an exciting e-learning course created by nutrition scientists and based on the latest scientific findings and public health data. By the end of 2016, the programme was live in more than 40 markets, where Nestlé operates, and had reached 55 million people.

Nestlé Healthy Kids Global Programme

We believe that good and balanced nutrition combined with an active lifestyle and health care is the most important condition for harmonious development of the younger generation. This is why we actively implement social initiatives promoting good nutrition and healthy lifestyle among children.

At all countries where Nestlé operates, including Russia, we partner with governmental and non-governmental organizations to implement our Nestlé Healthy Kids Global Programme aimed at teachers to help them explain good nutrition and active lifestyle practices. Through entertainment children learn good eating habits, features of products, learn to follow a meal plan and hygiene rules, grasp traditions of national cuisines.



Nestlé Good Nutrition Programme

School educational Good Nutrition Programme initiated by Nestlé was developed by the Institute of Developmental Physiology of the Russian Academy of Education with support of the Ministry of Education and Science of the Russian Federation and regional departments for education. Russian Culinary Association, Scientific and Research Center for Nutrition and Biotechnologies of the Russian Academy of Medical Sciences and Peoples' Friendship University of Russia are also partners of the programme.

Nestlé Good Nutrition Programme has been implemented in Russian educational institutions since 1999, with customized implementation model for each region that participates in the programme. A three-module learning package has been created for the programme: for students of the first and the second, the third and the fourth and the fifth and the sixth years. All materials are distributed free of charge.

Nestlé Good Nutrition Programme is communicated by the school teachers during homerooms and electives. The programme is interactive and consists of game problems, competitions and events that help easily master secrets of good nutrition. Children learn about basic nutrients, healthy products and meals, key principles of ration formulation, hygiene rules, how to lay the table and obey courtesy rules. Overall duration of training for each child during three years amounts to average 120 hours.

Teachers participating in the programme receive special instructions. In 2016 35 regional seminars and 15 conferences were conducted. In June annual international conference "Raising healthy generation" took place in Moscow with more than 150 participants from the regions of Russia and CIS, where the Nestlé Healthy Kids Global Programme is also implemented.

Within the framework of the Good Nutrition Programme Nestlé Russia leads several national competitions for teachers, parents and children. In 2016/17 school year third international competition took place with participation of students from Russia and the Republic of Belarus. Two classes became winners—one from the Belorussian Mogilev, the other from the Russian city of Lipetsk.



8.3 million people from 84 countries have participated in the Nestlé Healthy Kids Global Programme in 2016. Russian Nestlé Good Nutrition Programme has been recognized as one of the leaders of the global programme



1.2

million schoolchildren

58

regions of Russia participated in the programme in 2016 (56 regions in 2015).

7.5 mln

million Russian children have participated in Nestlé Good Nutrition Programme for the years of its implementation.

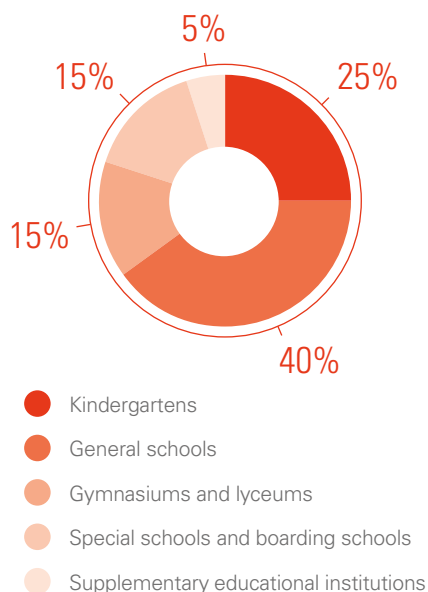
487 mln rub

million rubles were invested by Nestlé Russia to develop the Nestlé Good Nutrition Programme for 17 years.

Good Nutrition Programme



Participants of Nestlé Good Nutrition Programme



At the end of September 2016 an updated programme website www.prav-pit.ru was launched. The teachers received a new resource to their possession: a special electronic construction kit opening access to educational materials and helping to organize the programme in the classroom. Online tools (games, quizzes) available on the website help to make the good nutrition classes more interesting and effective.

Also in 2016 a virtual culinary studio was launched on the website. During the year five online classes were conducted, where children learnt to cook tasty and healthy meals under supervision of a chef. What is more, children could not only see and hear their mentor, but also ask questions using the Comments section. Video records of all classes are available on the website. Every student who participated at least in three of five culinary classes received a chef diploma at the end of the year. In total, 45 thousand students from 1500 classes have participated in the culinary studios during the year.

In December an orientation workshop dedicated to joining of the Ryazan region to the Good Nutrition Programme took place hosted by the Ryazan institute of educational development. Teachers got introduced to scientific notations about good nutrition, learnt the history of teaching of healthy culture and good nutrition, and the methodology of the programme implementation.

Nestlé employees also joined the implementation of the Good Nutrition Programme. In Moscow Head Office, as well as at factories in Zhukovsky, Timashevsk, Vyazniki, Samara, Perm and Vorsino, stands with leaflets about the programme were installed. Every employee could give the leaflet with educational materials sample to the classroom teacher or kindergarten teacher of their children. If the teacher was interested and decided to participate in the programme, a set of colorful workbooks for all class was sent to the school. Due to such awareness raising campaign 50 new schools and kindergartens, which children of Nestlé Russia employees attend, joined the Good Nutrition Programme during one month and a half.

In June 2017, the culinary master class of the programme took place during the IV International conference "Raising healthy generation". Journalists and bloggers were invited to the event together with their children, as well as students of the Moscow school Nr. 460, who participate in the Good Nutrition Programme. Hosts of the master class shared their pedagogical secrets and told the participant about how to teach children to lead a healthy life and promote the love to healthy and tasty food.

Regular research within the programme conclusively prove its effectiveness. Participation in the programme helps children not only to learn more about good nutrition and healthy lifestyle, but to adopt healthy habits that help to stay in good health. Programme website: www.prav-pit.ru.

Our Objective Towards 2020

- By end of 2017 bring the number of regions participating in the programme up to 60, investing in the programme more than 60 million rubles.

Unites for Healthier Kids Programme

Unites for Healthier Kids Programme is aimed at developing food culture, promotion of good nutrition habits and healthy lifestyle for children under 12 and their parents. This comprehensive experimental initiative is implemented on a scientific base with active involvement of social media, third-party private companies and general public. Over the last two years the total number of the United for Healthier Kids programme participants, that is being implemented at the territories of 10 countries, amounted to 170 million people.



Russian Good Nutrition Programme was recognized as the best programme in the EMENA zone (Europe, Middle East, Northern Africa) among the similar programmes.

Our objectives

- **By 2018** — maintain existing Nestlé Healthy Kids global programme, while measuring its impact on children based on five globally defined goals: eat nutritious and various meals; manage portions; choose water; play and be active; and maintain good hygiene habits.
- **By 2020** — Support 50 million children through our nutrition education and behaviour change programmes; an important milestone towards our wider 2030 ambition.

Advocate for water as a top choice for healthier hydration

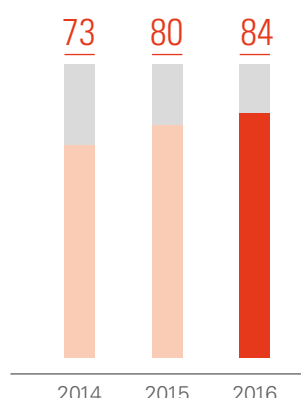
Nestlé seeks to strengthen health and improve well-being of its consumers, and one of the aspects of our work towards this is promoting plain water as top choice for healthier hydration. Our Healthy Hydration Roadmap is the key document driving all our activity in this direction.

Results of numerous scientific experiments assured us that the idea of plain water being the top choice for the most effective hydration needs to be actively promoted. To achieve this, Nestlé regularly interacts with a number of medical associations and international health organizations, as well as with the academic community, non-governmental organizations and private companies.

For example, our Nestlé Waters Mexico business teamed up with the country's Federal Ministry of Health to create a National Family Hydration Programme. Nestlé Waters North America supports the Drink Up initiative with participation of Partnership for a Healthier America. Its objective is to urge Americans to drink water.



Maggi product portfolio worldwide that promotes home cooking and meals with vegetables (% of sold worldwide)



The Maggi Cooking Lessons programme (for adults, children and teenagers) also helps to cook delicious and healthy meals at home. In 2016 it was significantly expanded and now successfully reaches 35 countries around the world.

Promotion of Healthy Cooking, Eating and Lifestyles

With our global reach, Nestlé is well positioned to leverage brand communications through different media channels, promoting good eating habits and healthy lifestyle.

In particular, consumers can read about exceptional importance of a healthy and balanced diet that includes a lot of vegetables, and rules for cooking healthy and tasty food at home on packages of more than 84 % products of our Maggi portfolio.

Our Objective Towards 2020

- Double the outreach of our social efforts to promote healthy cooking and eating, and healthy lifestyles for individuals, families and their pets.



3.5 Nutrition Quotient Programme for Employees

Nestlé employees should be aware of nutritional qualities of these or that products to make a conscious choice about their own ration and use this knowledge in their professional activity.

Nutrition Quotient programme (NQ) and special educational training are dedicated to interactively introduce employees during one working day to basics of healthy nutrition, impact of proteins, fats, carbohydrates, vitamins and minerals to human health. At the end of training a group game helps employees to apply the knowledge they received to create a balanced diet.

By 2016, as part of Nestlé commitment on training of staff on the Nutrition Quotient (NQ) programme, all our employees were trained based on the basic NQ e-module. NQ e-module is part of the obligatory courses in the new employee orientation programme.

3.6 Inform Consumers about Nutritional Information of Nestlé Products and Offer Guidance on Portions

We are convinced that it is necessary to provide consumers with exhaustive information about the product, so that they can make conscious and rational choice when buying a product. This information must be absolutely credible and scientifically proved.

This is exactly the type of information we put on packages of all our products: detailed and easy to understand ingredients list, nutrition facts, health benefits and guidance on portions.

We strive to ensure that our labelling is fully accurate and compliant with requirements and expectations of our consumers. We pay consumer's attention to the absence of a nutrient, ingredient or substance that they might wish to avoid from the point of view of a healthy diet, such as sugar or saturated fats.

Labels with Guideline Daily Amount (GDA) contain key information about nutrition qualities and facts of this or that product, and compare its energy value and nutritional content (sugars, fats etc.) with relevant recommendations of international health organizations and Russian consumption norms. By the end of 2016, 92.3 % of all Nestlé products had GDA-labels in those countries, where it is allowed by local regulations. In Russia number of products with such labels amounted to 89 %.

Even if local regulations do not allow placement of GDA-labels on package, we still try to make the relevant information visible and accessible for consumers.

Also, packages of our products have Nestlé Nutritional Compass on them, that presents a variety of information including at least the nutritional composition of each product, contact details for more information and, whenever possible, lifestyle and nutrition tips. The Nestlé Nutritional Compass was displayed on 96.4 % of our foods and beverages at the end of 2016. In Russia Nestlé Nutritional Compass is placed on all products where package size allows to do so.

We have decided to expand usage of QR-codes that provide consumers with additional information about the products when scanned with smartphones. QR-code opens a website with nutritional facts and ingredients, and additional information about the brand and Nestlé. In 2016 more than 4400 such websites in 50 countries were launched. In Russia QR-codes are displayed at all products for families, and overall number of products with such label amounted to 86 % as of December 2016.

89 %

of products in Russia have the GDA information on their package.



By the end of 2016, 96.4 % of our products had Nestlé Nutritional Compass on their package.

Our Objectives Towards 2020

- Continue providing detailed product nutrition facts and ingredients of Nestlé products (including daily value percentages).
- Provide information about allergens, and add special diet information, nutrition labelling explanations and healthy eating tips on all our relevant packs, as well as on our websites and retailer sites.

66.7 %

of products for children and families have guidance on portions on their package.



80.5 %

of particularly important products for children nutrition have guidance on portions on their package.

Inappropriate definition of portion sizes during eating may lead to adverse health outcomes. That is why Nestlé committed to share the responsibility for guiding consumers towards a healthy diet in terms of consumption quantity and frequency. This policy is aimed at creation of healthy eating habits, which is particularly important when it comes to food products and beverages rich in calories.

Nestlé makes this information available visually and easy to understand through product clear illustrations and graphics on the package of our products, and, when possible, a serving device or dispensing machine. Around two-thirds (66.7 %) of our children's and family products currently offer specific Portion Guidance. On products that have a more significant impact on the overall diet of children, 80.5 % provided Portion Guidance. In Russia Portion Guidance is available on 100 % of relevant products.

We also continue to make our brands websites more accessible and user friendly, and integrate information on age-appropriate portion sizes.

3.7 Partner with Stakeholders for Promoting Healthy Food Environments

Extending the efficiency of NHW-strategy (Nutrition, Health and Wellness), we aim to scale up our partnerships with retailers and food professionals in different regions of the world.

We want to scale up our current in-store knowledge and practices inspiring our strategic retailer partners to fit their own strategies and environments, and continuously help consumers make healthier choices. Besides, we actively implement joint initiatives together with our retail partners helping them to improve their socially oriented activities and promote healthy nutrition among their customers, inspiring them to choose healthy food products, including online shopping. At the same time, we try to build marketing communications with parents and caregivers of children, because children's health promotion is one of the most important priorities in all we do.

Together with health nutrition culture promotion by implementation of joint initiatives with our retail partners, we strive to widely share information about good eating habits and active lifestyle. To achieve this ambitious target, Nestlé intends to develop a large-scale project for attracting a number of its third-party partners to fulfill this commitment.

3.8 Build and Share Knowledge about Good Nutrition

Nestlé believes food is the largest single influence on our health. That is why we spend much effort to get a deeper understanding of the dietary intake, lifestyle and health status of infants, children and older adults.

The findings from our large-scale research projects help define our product ingredients and recipes, communication with consumers and scientific and medical communities, and create educational programmes dedicated to nutrition issues.

In 2016, we continued to analyze results from the United States, Mexico and China, and led new studies in Russia, Australia and the Philippines. In Russia The Feeding Infants and Toddlers Study (FITS) and The Kids Nutrition and Health Study (KNHS) were conducted by experts from Federal Research Center for Nutrition and Biotechnology (ex-Nutrition Research Institute) together with nutrition specialists from Nestlé Russia and our colleagues from Nestlé Science Center in Lausanne. The analysis was based on the data received by Rosstat in 2013 during a large-scale interview of 45 thousand families in all regions of Russia. Nutrition of adults and children was studied using the 24-hour nutrition record, i.e. information about all food products and beverages was collected—what, where, when and how much a person ate and drank. So, we aggregated enormous amount of information: the selection included data of 41 550 children aged 0 to 19.

According to the FITS, not all recommendations of National Programme for optimization of infants feeding during their first year of life were fulfilled, and some violations of supplementary food introduction require both additional training for mothers and activities to prevent violations during feeding of infants during their first year of life.

Initial findings of the KNHS reveal negative tendencies: 1) more children are skipping meals in favor of snacks; 2) fibre and vegetable consumption is much lower than recommended levels; 3) deficiencies in calcium and vitamin D have grown into a worldwide issue.



Our research network includes the Nestlé Institute of Health Sciences (NIHS), which specializes in metabolic, gastrointestinal and brain health, and healthy ageing. Many results of its research have helped in new product and services development. In the first place, this is research into the interaction between diet, lifestyle, inherited genetic factors and individual metabolism among certain groups—including the elderly, mothers, infants and young children.

Education of medical workers is an important part of Nestlé Institute of Health Sciences strategy based on promotion of knowledge and global understanding of how nutrition influences health in any age. Nestlé Institute of Health Sciences promotes the most recent theories based on the latest research and cutting-edge technologies among the medical professionals. Nestlé Institute of Health Sciences concepts are dedicated to the importance of good nutrition in the first 1 000 days of life, including nutrition during pregnancy and before, influence of the epigenetic mechanisms on metabolic programming, importance of breast feeding, growth and cognitive development and many other things. Influence of negative factors during prenatal development and in the first 24 months of post-natal life of an infant leads to increased risk of “diseases of civilization” in the future (obesity, cardiovascular diseases, diabetes mellitus type II, metabolic syndrome). We focus doctors’ efforts to support normal gestation course and breast feeding. If breast feeding is impossible, it is necessary to use infant formulas with reduced content of proteins and probiotics to reduce risk of children obesity.

Together with nutrition of mothers during pregnancy and breast feeding, supplementary food introduction may influence baby’s health in the future. Supplementary food products must be easily digested and have optimal nutritive and energy value in a small portion. From this point of view, porridge is an ideal product for supplementary

Iron+

In the period of supplementary food introduction, a lot of functions and systems in an infant's body are being generated, including the brain.

Nestlé's porridges contain the special Iron+ vitamin and mineral complex to help prevent iron deficiency during the supplementary food introduction. This is important, because iron deficiency may negatively impact the brain building and an infant's behavior.

feeding of healthy babies. Energy value of industrially produced porridge is higher than that of homemade porridge. This allows to reduce number of feeding during the day, makes it easier to establish dietary regime and prevents snacking.

To improve solubility of cereals in liquids and facilitate digestion of complex carbohydrates we fully or partially remove sugars from Nestlé's porridges. Sugars are replaced with cereal flour to increase content of vegetable protein, vitamins and microelements, at the same time preserving appearance and taste of the product.

Supplementary food introduction is also accompanied by reduction of bifidobacteria, which may lead to functional digestion disorders. Nestlé's porridges are enriched with B. Lactis probiotics to support optimal structure of intestinal microbiota.

Nestlé Institute of Health Sciences is also the world's largest private publisher of nutritional information, sharing science-based data and research findings with healthcare professionals, scientists and nutrition communities. Approximately 302000 registered members from 194 countries now have access to a global website and 13 country-specific sites with extensive scientific and research and published materials, helping us meet our 2017 objective a year earlier.



Building and sharing biomedical science leading to health and personalised nutrition

Today Nestlé Health Science (NHSc) is a kind of start-up, not only in Russia, but worldwide, which produces medical and preventive food specially created for different ages—from infants to adults.

Medical food, as well as modern medical products, create a “bridge” between illness and well-being, allowing to save lives, maintain force, and speed up restoration to health and strength. As numerous research and existing practice demonstrate, products of this segment help to solve a lot of medical problems. Among them are preparation of a patient to any surgeries, patients' nutrition after the surgery, recovery from an illness and support during high load.



Combining medical and nutritional functions, medical food contains vitamins, minerals, proteins, carbohydrates and other nutrients in the required proportions, which helps the body to digest them quickly and easily, even if it is weakened by an illness. Obviously, Nestlé Health Science products are not a panacea, and they cannot replace all medicines. But it has been proved that medical food reduces the number of post-surgery complications, and in some cases allows the sick people live full life without obligatory take-in of medicines and side effects. For example, usage of Impact oral ready-to-drink once or twice per day during one week before and after the surgery improves immunity and significantly fastens recovery.

Nestlé's medical food is also recommended to patients with oncology diseases, people who suffered a stroke or underwent a serious surgery. Specially for such categories of consumers we created Resource 2.0+Fiber rich in energy and proteins.

Development and implementation of products for children of all ages, including those critically ill or recovering after serious illnesses or surgeries, is a key priority for Nestlé Health Science.

Products for infants with the cow's milk protein allergy (CMPA) are worth mentioning as a separate point. Alfaré, Alfaré Allergy and Alfaré Amino medical mixes are designed to help the little patients to enjoy a wholefood diet and grow healthy. Modulen, another product unique for Russia, is intended for children above five and adults with serious intestinal diseases—Crohn's disease and nonspecific ulcerative colitis. During exacerbation of such chronic diseases, the Nestle Health Science solution becomes, indeed, the sole nutrient source for them.

Currently Nestlé Health Science is preparing to launch the Strategy for Health and Active life for people over 40. In Russia this is planned to start in 2018.

3.9 Ethical Marketing and Advertising

Issues related to responsible marketing and advertising are among social, management and environmental issues arousing the biggest interest or concerns in our stakeholders.

We strive to lead marketing and advertising initiatives fully compliant with needs of our target audience.

Acting like that we try to shape our consumers' behavior towards health improvement and environment benefit.

Responsible marketing of products for children is especially important. Beginning 2011 we strictly follow all international requirements to marketing of breast milk substitutes. Our company successfully passed attestation confirming compliance of the Nestlé corporate policy with requirements of responsible marketing of breast milk substitutes and according to the results in 2016 won the first place in additional index of Global Access to Nutrition Index.

We globally trained our people employed in production and distribution of infant formulas. The training was primarily aimed at promotion of responsible approach to marketing of breast milk substitutes among our employees. 100 % of employees working in infant formulas marketing in countries with increased hazard rate* were introduced to WHO Code and participate in relevant training events.

Nestlé also advocates for responsible marketing and advertising promotion of products among children. Our position on this is stated in the Nestlé Marketing Communication to Children Policy. This document strictly limits the list of food products and beverages



* We follow the FTSE4Good breast-milk substitute marketing criteria, which classify countries as 'higher-risk' if they have mortality rates for under-fives of more than 10 per 1 000, or more than 2% acute malnutrition among under-fives. All other countries are 'lower-risk'

98.7 %

of television advertising to children under 12 fully complied with the responsible marketing policy in 2016.

with specific nutritional properties that are subjected to marketing to children audience. For example, direct advertising for target audience under 6 years old is prohibited, confectionary products containing sugar, biscuits and chocolate are not advertised to children. This advertising approach is applied to all mass media and advertising.

Nestlé also strictly follows requirements of the International Food and Beverage Association's (IFBA) Global Policy on Marketing and Advertising to Children.

Based on similar projects implemented by a number of our brands, we created a special web application intended to communicate key statements of the above mentioned Nestlé's Policy to our marketing specialists and all our external partners. This application was first piloted at six Nestlé markets, and at the end of 2016, after the innovation was recognized as successful, its roll-out started globally to the whole company.

At the same time, we established close cooperation with our industry partners to promote responsible marketing and advertising to children, especially in those countries, where the current situation in this area leaves much to be desired. In 2016 we made some new commitments about marketing expanding our existing social initiatives. Therefore, currently we lead different projects promoting responsible marketing to children in 51 countries, including Russia.



Awards and prizes to Nestlé Russia in the field of nutrition



Our "Cooking together" Culinary classes joined the ranks of winners of the Prize for outstanding corporate volunteering and won the second place in the Champions of good deeds competition in nomination of "Skilled based volunteering". The competition was organized by the Russian Managers Association and National Council for Corporate Volunteering. The awards ceremony took place within the frame of the V International Forum "Corporate Volunteering: business and society".



The Russian Good Nutrition programme was recognized as the best social project in nomination of "Best social project in education" in 2016.

A large photograph of a green field with white and purple flowers under a cloudy sky. The field is filled with various plants, including tall white flowers and purple lupines. In the background, there is a line of trees and a cloudy sky.

4

Environmental Protection

4.1 Water Stewardship

43

4.2 Environmental Sustainability

48

38 %

of our production facilities are located in water-stressed regions of the world

21 enterprises

were included in the water-saving program in 2016

1.8 mln

cubic meters of water were saved as a result of implementation of projects

In 2016, Nestlé received the highest score in the 'Water Resources Saving' category in Oxfam's Behind the Brands scorecard

4.1 Water Stewardship

The right of accessing water resources is a natural and essential human right. Water plays a vital role in the entire supply chain of Nestlé. All our employees, suppliers, clients and consumers, without exception, need an unlimited access to clean and safe drinking water and sanitation. It also applies to the farmers we closely work with and to representatives of the local communities in the territories where the company operates.

We aim to be responsible water users and utilize this most valuable resource in the most efficient way possible, and we promote such approach in our supply chains. We carry out educational activities aimed at teaching people to use water reasonably and struggle to improve their access to water and the sanitary conditions they live in.

Nestlé is pleased to note the growing attention paid by the global community in respect of the problems related to provision of people with water resources. We are still convinced that an open discussion of the global consequences of water shortage and of sustainable use of water resources by manufacturing enterprises will encourage adoption of important collective measures for improvement of the current situation.

38 % of our production facilities are located in water-stressed regions of the world; therefore, in the interests of our business and our stakeholders, responsible management of water resources remains a top priority for Nestlé. In our activities in this sphere, we are guided by the Strategy for the observance of rights of local communities for accessing water resources and sanitary services. The issues related to observance of such rights are also included into our corporate human rights protection program. Researches on rational use of water resources help us to assess the degree of the impact made by our operations on the water situation in the regions we carry out our business in.

Work to achieve water efficiency and sustainability across our operations

Nestlé actively seeks new solutions that will make it possible to reduce water withdrawal, as well as new methods of water processing and reuse. At the global level, a Master Plan for water resources management is applied, and similar local documents are being developed in the key markets, determining the goals and dates of the events aimed at improvement of the situation in the sphere of water use.

In 2015, 28 factories were included in the list of Nestlé manufacturing facilities that represent a significant portion of our annual water withdrawals or that are located in areas of severe water stress. Water saving projects were implemented in 16 of them. In 2016, 24 such factories were included in the list, and, by the end of the year, the water saving projects implemented in 21 factories made it possible to save 1.8 mln. m³ of water.

In 2015, we reduced the general volume of direct water withdrawal per tonne of product in comparison to 2010 by 10 %, and by the end of 2015 we reduced it by 25 %.

In Russia, manufacturing facilities of Nestlé are not located in water-stressed regions, but active work for improvement of efficiency in the sphere of rational use of water resources is also carried out here. From 2007 until the first half of 2017, inclusively, corresponding projects were implemented in our factories in Russia, which made it possible to reduce the water withdrawal by 87 %.

Water savings: Samara



In a factory in Samara, a cocoa oil deodorizing line has been renovated. Earlier, the factory used a cooling system for the condensate of a vacuum pump included in the process chain, which required up to 500 m³ of circulating water per day. Subsequently, by the efforts of the factory's technical service, a closed circuit with a cooling tower was created, but constant contamination of the circuit with fatty acids reduced the efficiency of the system and prevented significant water economy. On the average, 300–350 m³ of water per day was used.

In the beginning of 2015, the following events were implemented in this site

within the framework of a water withdrawal reduction project:

- a new circulating pump was installed;
- the cooling tower was cleaned up to its basis state, and a schedule of periodic cleanings of the heat-exchange equipment was developed;
- the city water circuit make-up process was automated.

As a result, water withdrawal was reduced by more than 100 m³ per day and, on the average, currently amounts to 150 m³.

Our objectives towards 2020

- Implement detailed guidelines on human rights to water and sanitation due diligence in all Nestlé markets and key agricultural supply chains.
- Carry out 40 new Water Resource Reviews (WRRs) in selected manufacturing facilities and all greenfield sites.
- Implement 10 new water stewardship initiatives in selected locations, with specific focus on high-priority manufacturing facilities.

Advocate for effective water policies and stewardship

The problem of provision of the ever-increasing population of the planet with drinking water and food products may be solved only by joint efforts of the state, business and community. We believe that national governments must be guided by a systematic approach to water resources management and must strengthen social institutions and especially those of them, the activities of which are aimed at solving the problem at the level of local communities. Authorities should act as water supply and water use regulators for both government institutions and private organizations.

We are ready for any cooperation in this sphere and have already established close cooperation within the framework of public-private partnership, established contacts with sectoral organizations, non-governmental organizations and research institutions for the purposes of accumulation of knowledge and exchange of best practices in the sphere of rational use of water resources. The results of such cooperation are reported to the wide public through our web-site.

Nestlé actively participates in development of a policy of rational use of water resources and in every possible way promotes further improvement of advanced technologies in this sphere. Important organizations and initiatives supported by the company include:

- 2030 Water Resources Group, WRG;
- UN Global Compact (UNGC) CEO Water Mandate;
- World Business Council for Sustainable Development (WBCSD) Pledge;
- Alliance for Water Stewardship's (AWS), at the initiative of which the International Water Stewardship Standard was developed.

Our objectives towards 2020

- Continue to build the 2030 Water Resources Group Public-Private Partnership by adding one more country per year.
- Actively support the development of CEO Water Mandate local networks in at least three Nestlé markets.
- Continue supporting the Alliance for Water Stewardship (AWS) Standard by implementing it in five new locations.
- Apply the new Farm and Catchment Level Assessment tool prepared by the Sustainable Agriculture Initiative Platform (SAI Platform) in at least five agricultural supply sourcing locations.

Treat the water we discharge effectively

We are committed to such approach to our business development, which promotes conservation of biodiversity and is beneficial to ecosystems. Nestlé sets ambitious goals in respect of the wastewater quality standard that is subject to strict compliance, starting from 2016. To achieve such goals, we perform monthly monitoring of the water withdrawal, discharge and quality control situation and use the received data for long-term analysis of the trends and finding opportunities for improvements.

Where possible, we try to use public wastewater treatment plants, but in cases when they are absent or insufficiently effective, Nestlé invests significant funds in construction of its own waste treatment facilities to bring the wastewater treatment index up to the level corresponding to the requirements of the local laws and/or to our internal corporate standards (depending on which of them are stricter).

As of the end of 2016, we have reduced the total volume of water discharge to 1.4 m³ per tonne of product and significantly improved the wastewater quality in comparison to 2015.

Simultaneously, we aim to minimize generation of liquid production waste and, whenever possible, recover value from by-products. In particular, in 2016, as much as 96 % of our sludge was recovered or reused.

107 mln

CHF were invested in purification and processing of the potable water

96 %

of sludge is recovered or reused

Our objective towards 2017

- Monitor the implementation of the new and strengthened Nestlé Environmental Requirements (NER) for water quality and effluent discharge in all factories, in order to help protect the environment.

Engage with suppliers, especially those in agriculture

Nestlé believes that in some cases it is possible to significantly improve the situation in the sphere of management of water resources by investing funds not in the company's own enterprises, but in implementation of external social initiatives, thereby promoting introduction of improved agricultural methods at the level of separate agricultural producers.

Through the Sustainable Agriculture Initiative at Nestlé (SAIN), we hold broad-scale regional workshops for farmers on farm intensification methods, as well as key water-management challenges, including drought and flooding resilience, and wastewater and organic waste treatment. Our R&D teams actively support the selection and propagation of drought-resistant cocoa and coffee trees.

Our objective towards 2020

Implement all action plans defined for improved water management in our upstream supply chain for coffee, sugar, dairy and cereals in high-priority locations.

Raise awareness on water conservation, and improve access to water and sanitation across our value chain

According to the estimates of the World Health Organization, each person needs from 50 to 100 liters of fresh water per day to satisfy his basic material needs. However, today, according to the data of the World Business Council for Sustainable Development (WBCSD), more than 1.8 bln. people have to consume dirty and unsafe for drinking water, and 4 bln. people are deprived of full access to the basic sanitary services.

Currently, we closely work with representatives of the global expert community in the sphere of improvement of accessibility of clean drinking water and sanitation for the population. We also support large-scale educational projects aimed at helping our employees, suppliers, consumers and local residents to save water resources of our planet.

In partnership with the International Federation of Red Cross and Red Crescent Societies (IFRC), Nestlé participates in projects aimed at improving of water access in cocoa-growing regions of Côte d'Ivoire and Ghana. We have already reached the water supply goal set for 2016 and established a new goal for 2017.

We continue the work related to provision of support to the World Business Council for Sustainable Development (WBCSD) pledge to achieve access to clean and safe drinking water, sanitation and hygiene (WASH) for all employees.

In 2015, more than 90 % of Nestlé employees had access to clean drinking water and sanitation, and in 2016 this figure grew up to 100 %. We have developed a self-assessment tool and will adopt the required corrective measures, in order to fulfill all the obligations undertaken by us in full.

We also continue to raise awareness of the water resources saving problems, supporting the WET project and annually celebrating the international Water Day.

Our Objective Towards 2020

600 000 beneficiaries in local communities have access to water, sanitation or hygiene projects around our manufacturing facilities and key agricultural supply chains.

100 %

of Nestlé employees had access to clean drinking water and sanitation in 2016

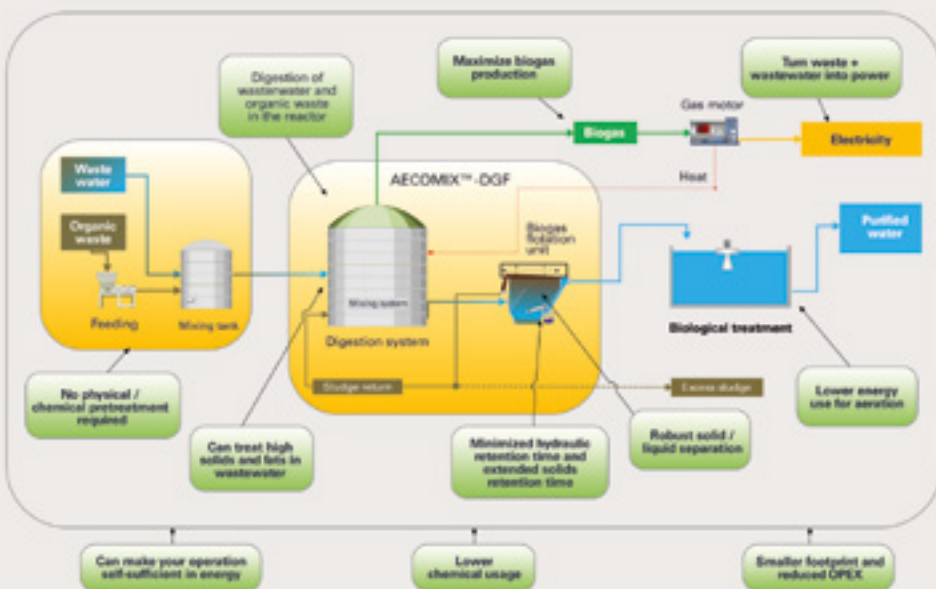
Construction of wastewater treatment facilities at Nestlé factories in Perm

In Perm, there are two Nestlé plants: a confectionery factory producing chocolate bars, sugar candies and gummies and a cereal factory. Industrial wastewater from both the production sites is planned to be cleaned in waste treatment facilities with the average capacity of 220 m³ per day.

The project provides for several stages of wastewater treatment with the use of advanced technologies. The technological process is based on biological treatment,

when activated sludge microorganisms use the dissolved organic substances of wastewater in their life process. Start-up and adjustment works will be started in autumn of 2018, and by the end of that period, reaching of the projected production capacity and achievement of the required level of waste removal are planned. Treated wastewater is planned to be discharged to the municipal sewage system (with its subsequent entry to the municipal wastewater treatment facilities).

The technological wastewater treatment process at the treatment facilities of Nestlé factories in Perm



Integrated strategy for water resources management at a factory of Nestlé Kuban LLC



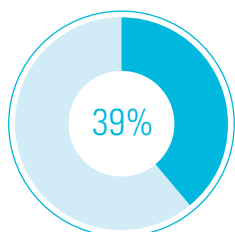
In 2015–2017, a project on additional industrial wastewater purification is being implemented at a factory in Timashevsk. As a result, it will be possible to discharge wastewater in a natural body of water and use it in a circulation water supply system for cooling towers make-up. It will make it possible to reduce the discharge of water by 90 m³ per year.

By the middle of 2017, the civil-engineering design was completed, and equipment installation was commenced. Its completion is planned for 2018.

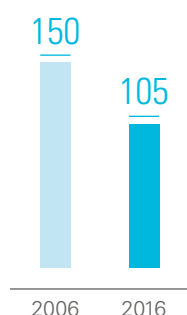
In 2016, the factory reused 19800 m³ of water from the cooling towers and the cascade refrigerating plant for cooling the steam boiler blowdown tanks.

Nestlé Kuban LLC was the first Nestlé factory in Russia, which developed a road map with key projects, aimed at reduction of water withdrawal by 40 % by 2023. According to the plan, withdrawal of water at the factory in 2017 will be reduced by more than 24000 m³.

Number of factories with a zero waste level



Total industrial waste volume, kilotonnes



4.2 Environmental Sustainability

Supporting environmental sustainability, we preserve our common future. The environment with its non-renewable water resources and decreasing biodiversity—the problems that may be exacerbated by the global climate change—needs our protection.

We not only want to make Nestlé products as tasty and healthy as possible, but also aim for our raw material resources and goods to become even safer for the environment in the whole value chain.

Producing mainly food products and promoting a healthy lifestyle, we strive for sustainable consumption and allocation of resources with due consideration of the interests of the future generations. Due to the efficiency improvement and new technologies, the company aims at reducing of its impact on environment to a minimum by 2030. It will take time, but we know that it is possible.

Reduce food loss and waste

We try to produce more products, using less resources and generating minimum waste by improvement of quality, efficiency and productivity. Our common goal is a zero level of waste for burial or burning without recuperation of heat, as well as maximum efficient use of the remaining byproducts.

In 2015, 105 our factories achieved a minimum level of waste, and in the end of 2016 the number of such factories was 182, or 39 % from their total number. In comparison to 2006, we have reduced the total volume of our industrial waste for disposal by 77 % (105 kilotonnes), and waste for disposal per tonne of product has fallen by 82 %

In Russia, four manufacturing facilities (in Samara, Vyazniki, Vorsino and Perm) undertook a similar obligation, and the factory in Vorsino was the first to achieve a zero level of waste for disposal.

According to the latest estimates of the Food and Agriculture Organization of the United Nations, about one-third of all food products produced on a world-wide scale is wasted. That is why we actively support international initiatives and undertake extensive social obligations aimed at a maximum reduction of the food loss and waste level. For example, being an active participant of the Consumer Goods Forum (CGF), Nestlé proposed to all members of this organization to reduce the general volume of food waste twofold by 2025.

Use of raw and other materials at Nestlé factories in Russia

Indicator	2013	2014	2015	2016	January—August, 2017
Total production volume, mln. tonnes	0.296	0.313	0.342	0.371	0.258
Total volume of raw materials used, mln. tonnes	0.288	0.307	0.337	0.340	
Total volume of packaging materials, mln. tonnes	0.070	0.071	0.071	0.073	
Total volume of waste for recycling, use, burning with recuperation of heat and composting (kg per tonne of product)	149.79	159.91	149.95	162.22	163.34
Total volume of waste for disposal (kg per tonne of product)	56.10	52.14	42.61	31.52	9.28
Total volume of waste for recycling (kg per tonne of product)	26.42	28.27	28.53	30.46	27.83

Reduction of office paper use in the Moscow office of Nestlé

Reduction of office waste is facilitated by refusal from use of stationary paper in the document flow, which has an immediate environmental effect. Since 2011, the Moscow office of Nestlé has been implementing a Safe Com project aimed at economy of paper during printing of documents. Due to that, during the period from 2011 through 2015, 6.5 tonnes CO₂ were not released to the atmosphere, and it was possible to save 14 trees and 2336 m³ of water, which would otherwise

be required for production of the saved volume of paper.

Currently, the share of renewable energy used at our factories is 17 % from the total consumption volume, and, in general, since 2010, the share of renewable energy sources has been increased by 42 %. In addition, we are increasingly focused on the use of renewable fuels: 22 Nestlé factories use coffee pulp as such fuel, and 24 factories use sawdust.

Use of processed raw materials for generation of energy

Steam is used in many technological processes at the Nestle Kuban factory. It is obtained by burning of coffee pulp in special boilers; it makes it possible to spare such traditional energy sources as gas and electricity. Today, such technology is used in our operations with increasing frequency.



Secondary use of heat energy at a factory in Perm



At a Cereal Partners Rus Factory producing breakfast cereals, as a result of reconstruction of the heat supply station, significant economy of energy was achieved due to secondary use of the condensate heat. As a result of implementation of the project, consumption of steam for production of hot water for economic needs was reduced five-fold (from 5 tonnes of steam per month to 8–9 tonnes). It was possible to reduce consumption of steam for heating of buildings during winter months to 25–30 % and, during the mid-season, even three-fold or four-fold. Consumption of commercial steam was also reduced due to automatic regulation of temperature in the heating system, taking into account the outside temperature. As a result of

the reconstruction, due to condensate collection centralization, the volume of equipment and the time required for its maintenance were reduced.

The second reconstruction stage planned for the period until May 2018 involves recovery of flash steam. Since during summer months the heating system where it is used is not operating, an absorption refrigerating machine will be installed at the factory. It is designed for cooling the incoming air during hot months of the year, which will make it possible to optimize the microclimate in the department and to avoid using of traditional air cooling systems consuming significant volumes of power.

Our objectives towards 2020

- Achieve zero waste for disposal in all our sites.
- Make date labels understandable to our consumers in order to reduce food waste at consumption stage.

Use of packaging materials at the global level

	2015	2016
Nestlé, kilotonnes	5200	5000

Packaging optimisation at Nestlé Rossiya LLC

	2015	2016
Nestlé Russia, tonnes	889	712

We annually reduce the use of packaging material at the global level in average by 5 %. In 2016, 22.5 kilotonnes of packaging were saved

Improvement of the environmental performance of our packaging

Our packaging is crucial to prevent food waste, guarantee our high-quality standards and inform our consumers about the nutritional characteristics and ingredients of Nestlé products. Our task is to create the best packaging design that will make it possible, on the one hand, to achieve economy of packaging materials and, on the other hand, to guarantee preservation and food safety of products.

Being guided by our corporate road maps on environmental sustainability of packaging, we try:

- to optimize the weight and volume of packaging;
- when developing packaging, to be guided by a rational approach to the use of renewable resources with due consideration of the requirements to the packaging materials and the product specifications;
- to support packaging recycling initiatives and initiatives aimed at recuperation of energy from used packaging;
- whenever possible, to use recycled materials.

Nestlé tries to use the minimum adequate quantity of packaging for its projects. Through our efficient eco-design process we have almost reached our packaging optimisation objective planned for the end of 2017. In 2016, we were able to save 22525 tonnes of packaging, which equates to a saving of 430893 tonnes of CO₂.



Nespresso Ecolaboration Program



Within the framework of the Ecolaboration program involving a responsible selection of suppliers of coffee grains, improvement of energy-saving properties of coffee machines and development of a coffee capsules gathering system, the company made everything possible in order to reduce the influence of production on the environment. Besides, the Nespresso brand has launched a new sustainable development strategy—The Positive Cup—for the period from 2014 through 2020. It continues the Ecolaboration initiative and is aimed at improvement of well-being of farmers and protection of nature. Its important components are preservation of natural resources, protection from climatic changes and rational utilization of waste.

In order to provide the conditions required for utilization of capsules, Nespresso created its own gathering systems in 36 countries, including more than 100000 specialized units around the world. Used capsules are sent to recycling centers, where coffee grounds are separated from aluminum, and it is remelted for production of new products.

In Russia, clients of Nespresso also have a chance to bring capsules for recycling. Everyone who uses coffee capsules for making coffee may bring them for recycling in any boutique of Moscow, Yekaterinburg and Saint Petersburg, simply by putting used capsules to a special container. In any part of the country, a client may hand over the used capsules to a courier when receiving a new order.

In 2016, about 55 tonnes of capsules (or 6.1 mln. capsules) were brought for recycling. Every month, we gather about 4–5 tonnes of capsules from all over the country.

In 2017, a new initiative for recycling of professional line coffee capsules was launched; home collection capsules and professional collection capsules may be gathered and recycled by us separately. During 3 months of operation of the program of recycling of professional line capsules, we were already able to gather and send for recycling 280 kg capsules.

Besides, we continue to optimize all our packaging in line with our corporate Policy on Environmental Sustainability. Today, more than 34.9 % of the total volume of the packaging materials used by us are made from renewable materials, and one of our top priority tasks is construction of production facilities for their recycling. We also actively encourage consumers via packaging labels to recycle plastics and other non-degradable materials.

Our objectives towards 2020

- Continue to systematically analyse and optimise our packaging portfolio, avoiding the use of at least 140000 tonnes of packaging material.
- Drive alliances with relevant stakeholders to address packaging waste management and marine littering in 10 relevant markets.

Assess and optimise the environmental impact of our products

Quality of packaging is essential for preservation of the taste and freshness of our products. Besides, packaging contains important factual and legal information about the relevant product. But it is also important for us and our consumers that our products, including our packages, are not harmful for environment.

To improve the environmental characteristics of packaging during its whole life circle, more and more our subdivisions in various countries of the world use a new packaging development tool—EcodEX. Currently, we have already evaluated 6,641 projects and 19,297 scenarios.

To improve the efficiency of our packaging recycling, we have launched throughout the whole Europe a number of projects aimed at searching for the sources of renewable resources and development of an innovative technology of use of renewable bioplastics.

Besides, we work in close cooperation with external organizations to further develop the databases behind EcodEX, particularly for raw materials.

Our objective towards 2020

Identify, update and address the sustainability 'hotspots' for 20 product categories.

Participation of Nestlé in solving climate change problems

Our business success is predicated upon a sustainable supply of safe raw materials, and shifting weather patterns change how and where our ingredients are farmed, affecting food security.

Nestlé seeks to become a leader in combating global climatic changes beyond simple reduction of hydrocarbon emissions to the atmosphere. For us, it's also responsible management of water resources, striving for achievement of zero waste, efficient use of energy and resources, switching to cleaner fuels, searching for renewable energy sources, distribution networks optimization, as well as assistance in adaptation of the agricultural and producing sectors for the changing climatic conditions.

Over the last 10 years, we have reduced direct GHG emissions per tonne of product by 39 % while increasing production by 46 %. It was possible primarily due to a focused saving of energy, improvement of operations efficiency and switching to cleaner fuels, including to renewable energy. Specifically, renewable energy currently accounts for 17 % of our factories' total energy use, and 29.6 % of our electricity purchased is renewable.

In Russia, from 2007 through 2017, the total volume of our direct GHG emissions per tonne of product was reduced by 14 %. We strive to minimize the number of transport journeys and ensure that 'no vehicle leaves empty'. We also redesigned our local distribution network to improve efficiency. As a result, we were able to make good progress in reaching our objectives planned till 2020 and reduce GHG emissions in our distribution operations and the energy consumption in all our warehouses.

We are phasing out synthetic refrigerants with high global warming and ozone-depleting potential, such as HFCs, and replacing them with natural alternatives in our industrial refrigeration systems.

When solving climate change problems, Nestlé attempts to establish closer and more active cooperation with all the interested parties and supports a number of industry-based and initiatives. This year, we have joined the technical working group of the Climate Disclosure Standards Board.

The total energy use at production facilities of Nestlé per tonne of product was reduced by 29 % in comparison to 2005

17 % of the energy we use is from renewable sources



Activities of Nestlé are fully aligned with the six key initiatives of the Carbon Disclosure Project (CDP), which are focused on science-based GHG reduction targets, renewable electricity, deforestation, reporting on climate change, engagement on climate change policy and carbon pricing.

By participating in these projects, as well as within the framework of the World Economic Forum, we will continue supporting implementation of the global agreements reached at UN world climate change conferences in Paris and Marrakesh.



Conducting educational events in the sphere of environment and natural resources management

Annually, on the fifth of June, Nestlé Russia runs environmental campaigns coinciding with the Earth Day, when volunteers from among the company's employees and local residents wishing to join them make a personal contribution to the preservation of nature.

Every summer, representatives of our factories in Perm, Vyazniki, Vologda, Vorsino, etc. conduct environmental lessons and excursions, during which they explain to

local schoolchildren, why it is important to maintain environmental balance on the planet and how children may participate in protection of environment.

Volunteers of Nestlé clean the territories around their factories, in city gardens and forest parks, as well as on banks of rivers and lakes. In 2017, in Vyazniki, the company's employees were joined by forestry workers and pupils from the local school in the "Make It Cleaner!" campaign.



The company's environmental events include installation of additional containers for various kinds of digestible waste, individual and team competitions in separate waste collection among employees, as well as crafts competitions with the use of old useless things among children.

In the Moscow office of Nestlé, the period from June 6 through June 10, 2017 was an Environment Week. Its major event was the "Paper Boom" environ-

mental campaign, with about 500 kg of waste paper collected during 5 hours. The employees also actively answered the questions of an environmental quiz that helped them not only to test their knowledge in the sphere of environmental protection, but also to obtain interesting and useful information. The most active employees supported the flashmob of Nestlé and added a plea for saving of natural resources to their email signatures.

Preserve natural capital, including forests

We acknowledge that sustainable future for our business relies on high quality of the products and services offered by Nestlé, and such quality, in its turn, is ensured by natural resources, the source of which are agricultural lands, forests and oceans. That is why we make everything possible in order to save natural capital and, in particular, water resources, fertile soils and biological diversity, as well as to stop intensive deforestation.

The growth of consumer demand for palm oil triggers destruction of tropical forests and associated peatlands, and building of roads for plantations results in greenhouse gas emissions and land erosion, contamination of water and loss of biodiversity. In 2010, Nestlé made a no deforestation commitment, and, together with our partners, we continue the work on detecting the regions with massive deforestation.

Taking into consideration the local agricultural specifics, similar activity is also carried over with regard to meat, dairy products, cereals, cocoa and coffee supply chains. We continue to support the principles of the Responsible Sourcing Guideline for all the 12 priority categories of our agricultural ingredients. Besides, we develop a map of the main sources of water resources located in close proximity to the areas where Nestlé carries out its operations and has its factories.

Our objective towards 2020

70 % of the volume of our 12 priority categories of raw materials has been assessed against our RSG (Responsible Sourcing Guideline) requirements and is compliant, or improvement plans to preserve natural capital are ongoing.

Provide meaningful and accurate environmental information and dialogue

We believe that by provision of meaningful, accurate and reliable environmental information about its products along their life cycles, Nestlé improves the environmental awareness of millions of consumers, helping them to make informed choices and, therefore, promoting consumption of environmentally sound and safe products.

The list of the latest consumer informing methods is constantly growing. We use electronic and digital data and place information on the package or at points of sale to inform the buyers about both our successes and achievements and the problems and difficulties that may emerge. We widely use mobile technologies, placing on the package QR codes giving consumers with smartphones easy access to additional online resources.

Nestlé also believes that it is important to popularize the environmental sustainability idea. We tell our consumers about the utmost importance of recycling and lowering their use of energy and natural resources and provide them with advice on how to avoid food waste and how to reuse, recycle or dispose of packaging. In 2016, the relevant information was provided to our consumers and other interested stakeholders on packaging, brand websites and corporate websites in 131 countries.

To understand, how our initiatives are accepted, we analyze the responses and feedback of our consumers, conduct brand quality researches and try to stay informed of all the latest scientific developments outside our company.

We still use NESECA: the internal web-based tool improving the quality of our external environmental and social communications. With the help of this tool, primarily due to the reliable and documented information provided by it, we were able to significantly reinforce our internal validation of environmental and social communications.

In close cooperation with a number of industry and government organizations, Nestlé continues supporting the development of communications best practice through the European Food Sustainable Consumption and Production Round Table and the European 'Product Environmental Footprint' initiative.

In Russia, 10 % of all manufacturing facilities, as well as the head office, sales offices, distribution centers and the central laboratory of Nestlé achieved ISO 14001 and OHSAS18001 certification.

Our objective towards 2020

Improve the availability and consistency of fact-based environmental information for consumers on our digital and other channels.

Compliance with principles of sustainable development in our supply chain



Establishing partnership relations with suppliers, Nestlé, in its turn, requires from them readiness to work according to the rules established by the company. It involves compliance with stringent security and quality standards and requirements of tax and labour protection laws, as well as the capacity to provide stable supplies of products of the expected quality at the expected prices. We also depend on the participation of our partners in creating shared values uniting various business in the interests of the whole community.

The principles of mutual relations with suppliers are established by the Nestlé Supplier Code. This document contains a set of standards to be observed at all stages of the supply chain in the course of the business conducted together with Nestlé. By signing of the Nestlé Supplier Code, the partner company confirms its readiness to work according to the general principles and undertakes to observe the international standards set out in the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the principal conventions of the International Labour Organization (ILO) and the Ten Principles of the United Nations Global Compact, which are supported by us.

The Code is also the basis for our Responsible Sourcing and Supplier Audit Program involving carrying out social responsibility audits in the context of work with suppliers.

We audited 10,000 suppliers and remedied 61 % of the non-compliances revealed in the process of the audit. Besides, around 95 % of the vanilla procured by Nestlé is traceable. For meat, poultry, eggs and fish, the supply chains analysis is more complex, and for this reason we have made new commitments for improvement of their traceability for the future period.

5

Our People



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1020

employees have been trained
on human rights in 2016

including 876

people taking the electronic
course individually

144

people studying
in groups

Top priorities in Human Resource management

Remain the employer of choice:
continue to support high
performance and diversity in the
organisation with regard to external
environment

- To improve organizational efficiency by implementing NBE (Nestlé Business Excellence)
- To strengthen the flexible and highly efficient culture, supporting the main objective of the company at the regional level (MiM)
- To unlock the potential of our employees by having structured succession planning process and pool of HiPos (high-potential employees)
- To make Nestlé even more attractive employer by offering more opportunities for growth and development

5.1 Human Rights and Compliance

Human rights protection is one of the most important social responsibilities of our business. Nestlé monitors situation in this area on a constant basis and strives to minimize any threats to human rights respect within the frame of its business operations.

NESTLÉ has taken responsibility to respect human rights by making them part of NESTLÉ Corporate Business Principles. The company considers the following amongst the fundamental rights:

- Right to just and favorable working conditions
- Right to freedom of association
- Right to health (consumer health)
- Right to health (occupational health and safety)
- Right to non-usage of child labor
- Right to have access to clean water
- Right to education

One of our key tools to improve the situation in the social sphere is Nestlé Human Rights Due Diligence Programme aimed at solving the most salient problems in this area.

An electronic course "Human rights in NESTLÉ operations" has been developed to train employees of the company. This course has six modules. Modules 1-2 explain what human rights are and how they are related to operation of companies. Modules 3-6 provide examples of how Nestlé employees, as well as suppliers and contractors of the company, can respect human rights in their activity, including real-world examples. The electronic system allows to pause the training at any moment and resume it from the same moment later.

The company is doing its business under the laws of country in force and according to provisions of convention of International Labor Organization (ILO). We also fully support the guiding principles of the United Nations Global Compact on Human Rights and Labor, and strive to become an example of strict adherence to this principles in our operation. The relevant approaches can be found not only in Nestlé Corporate Business Principles, but also in the Nestlé Employee Relations Policy, Nestlé Human Resources Policy and Nestlé Management and Leadership Principles. Candidates for the open vacancies are selected based on their professional skills and knowledge.

Our Objectives Towards 2020

- **By 2019**—Have a functioning governance structure in place in all markets that looks after human rights risks and opportunities.
- **By 2020**—Train all Nestlé employees on human rights.



Awards and prizes of Nestlé Russia

Nestlé Russia was recognized as the best employer in Russia in 2017 among the FMCG companies producing food products according to the Randstand award.

5.2 Remuneration and Motivation of Employees

Current remuneration system in the company is based on the Nestlé Total Rewards policy, which allows Nestlé to attract, keep and motivate employees.

Remuneration at production sites is generally guided by the principles stated in the policy, but can have local trends related with situation on the regional labor markets.

The total reward is based on fixed payments: salary, supplements, including statutory required, and relocation compensation in case of movement of employees and their families to a new place of work. The grading system applied in Nestlé allows to ensure comparable level of salaries to the employees with similar positions within the company and a competitive level of salaries at the market. It is closely related to the company strategy and corresponds to employees needs to see the link between their performance and remuneration.

Variable payments—yearly bonus and sales incentive scheme, as well as different types of bonuses, are aimed to motivation of employees for high performance. There are Long-Term Incentives in place for senior managers. Besides, the social benefits package includes medical insurance, sick leaves compensation, provision of additional vacation days, material aid for employees and their families and a number of other benefits.

Remuneration system for employees of Head Office and Nestlé regional sales offices includes, along with the salary, a wide range of incentives, benefits and opportunities for professional growth and career development.

5.3 Employees Health and Safety

Nestlé considers safety and medical care issues among the key risks and threats.

In 2016 we improved and updated our Safety and Health Roadmap. High-level priorities until 2018 are as follows:

- Everyone engaged;
- Key risks managed;
- Full alignment of our Roadmap with key points of our corporate strategy for nutrition, health and wellness;
- Effective and efficient management of safety processes.

Nestlé factories in Russia have everything necessary for safe work. Effective system for occupational health and safety management applied in the company in the first place is aimed at elimination of causes that may lead to an employee injury. That is why we pay particular attention to identification of risks, risk assessment and implementation of best practices of risk management. Focused audits, ergonomics of workplace and zero access of employees to dangerous parts of equipment, safe transportation of loads are there to help achieve this.

Integrated safety and environment management system applied at all Nestlé factories complies with international standards ISO 14001:2004, OHSAS18001:2007. We strive for expansion of our activities to ensure safety and medical care for our employees and spread it not only to production and distribution sites, but also to the office employees of Nestlé and to our colleagues in sales.

All departments of the Head Office, three factories (Timashevsk, Samara and Vorsino), three regional sales offices, two distribution centers and two Nespresso boutiques in Moscow successfully passed certification audits in 2016. Russia and Eurasia became the only market of Nestlé, where group certification was conducted.

0.67

is the total number of injuries and illnesses with lost time (per million hours worked)*

At the heart of our approach to labor safety is our principle: "Achieve zero loss, work as one team, ensure 100 % engagement". This means that we will be able to achieve zero work-related injuries only with participation of each and every employee. It is their preparation, competency, attention and initiative that labor safety depends on.



Factories, in their turn, actively contribute to development of knowledge and skills of their employees, conduct trainings and dialogues on safe behavior.

In addition to prevention of incidents, factories conduct comprehensive emergency training exercises. In July such exercises were conducted at our factory in Vyazniki. Members of the voluntary fire guard in the branch could practice fire extinguishing and get practical skills in cooperation with the crew of the 3rd unit of Federal Fire-Fighting Service in the Vladimir region. Other emergency services of the city and the region also participated in the training exercises. The participants mentioned the alignment of actions of all involved services, as well as effective system of evacuation and people count.

Our objective for 2017

To confirm compliance with OHSAS18001 and ISO 14001 standards.

5.4 Employee Training and Development

We believe that with a due preparation and support every employee of the company can make a strong contribution to implementation of our "Creating Share Value" social initiative.

That is why professional development is an important part of our corporate culture. Training programmes for different groups of employees have been created, including both in-class learning and electronic courses for individual study. Electronic platforms are used for training, storage and update of the training history of every employee. Internal training system includes three key areas: new employees adaptation, professional development, personal performance enhancement. Besides, we develop and implement a number of programmes aimed at raising of environmental awareness of our employees.

Training programmes developing functional and leadership skills are combined within the catalogue, where employees can select the course that is required at the moment.

* Recordable Injury Rate, RIR



Key areas for employees training

New employees adaptation

- Information about Nestlé and its key brands
- Nestlé Corporate Business Principles
- People Development and Performance management process (PDP)
- Workplace safety

Professional skills development

- Negotiating skills
- Sales management and key accounts management
- Line management training
- Finance
- Project management
- Marketing
- Nestlé Continuous Excellence (NCE)

Personal performance enhancement

- Effective communication skills
- Presentation skills
- Time Management. Personal performance basics.
- Conflict management
- Coaching
- Career development
- Change management
- Team management
- Project management

On average there were 6 days of training per employee in 2016.

In 2016, training of marketing, sales and commercial departments employees was focused at marketing and key accounts management. A number of special trainings focused at key accounts managers appeared.

Training programmes for employees include courses led by Nestlé Russia trainers and external training agencies. The company extends its cooperation with leading higher education institutions. Branches and factories of the company actively support regional universities and build relations with different universities and secondary specialized colleges (see more details in "Attracting young people to work in the company").

To ensure concerted and aligned work of employees in different regions, Nestlé introduces a new approach to human resource management in all countries where Nestlé is present since 2017—People Development & Performance (PDP). Now employees performance evaluation and planning of their training and development are united into one process.

Not only professional tasks, by which performance will be evaluated, are set during the yearly target setting meeting with the manager, but also key areas for employee development are identified. Development targets are now not limited in time, but are planned both short- and long-term. Instead of half-year performance evaluation sessions there are regular meetings of employees and their managers for interim results review. Check-in function in the upgraded system helps to record all tasks and topics for discussion.

Expected results from transition to PDP—increase of individual, team and organizational effectiveness, engagement and people motivation due to clarity, alignment and focus on company objectives, use of coaching and provision of feedback.



In 2014, the company started the «Nestlé needs YOUth» programme to support young specialists and founded "Alliance for YOUth" that united efforts of global and local partner companies.

5.5 Youth Employment

Lack of professional background often becomes a block for young specialists in the beginning of their career.

In order to assist young people in their job search, Nestlé organizes apprenticeships and traineeships that serve as a source of useful experience and important skills required for career development.

For several years the Alliance has grown from a social initiative of one company into a massive movement. Now companies from 23 European countries have already joined the Alliance, not only opening vacancies for employment and apprenticeship,

Usually, it takes quite a lot of time for graduates to find an appropriate job, as companies prefer candidates with some professional backgrounds. That is why offering apprenticeship for the young people, we contribute to solving one of the main problems on the way of employment of young specialists. Working in such a big company as Nestlé is a good base for successful career building.

Victoria Sidyakina,

Nestlé Human Resource Director in
Russia and Eurasia



Young people can directly get more detailed information about open vacancies and opportunity for apprenticeship or traineeship in the Careers section of Nestlé website in Russia and Eurasia www.nestle.ru.

Also, the company tells about the Programme on its pages in social networks

but actively interacting with authorities and educational institutions in this area. Giving young specialists an opportunity to obtain professional experience, private companies make an important contribution to fight against unemployment and solve the main problem of young specialists on their way to get the job.

At the event that took place November 15, 2016 in European Parliament representatives of the "Alliance for YOUth" committed to enhance their activity and create 230 thousand new working places for young specialists across Europe in 2017–2020.

In 2017 number of Nestlé partners in the Alliance amounted in Russia and Eurasia to 30 companies. In March 2017 eight partners of the Alliance for the first time conducted joint individual consultations on employment and career launch during youth forum "Professional growth" that took place March 15 in Moscow.

Between January 2014 and June 2017, 1 551 young specialists got the opportunity for apprenticeship or traineeship, including 192 students that got practical skills for the first 6 months of 2017. 60 % of all apprenticeships and traineeships were offered to the youth in the regions where factories of the company are located. 14 joint apprenticeships were arranged due to successful interaction between the partner companies of the "Alliance for YOUth".

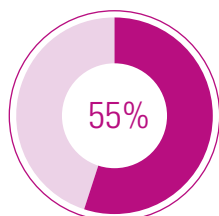
Apprenticeships and traineeships for young specialists were arranged in all regions of Russia, where branches and offices of Nestlé are present, as well as in Eurasia, including Kazakhstan and Uzbekistan. In total 332 events with participation of 913 company employees were organized, including 67 career fairs and 20 career days. From January 2014 to June 2017 3 670 people used the opportunities offered by the programme, and were employed permanently and temporary in the company.

Since 2015, Nestlé together with non-profit organization "Perspektiva" have been implementing initiative for employment of disabled people. In 2016, 9 people with disabilities were employed or took apprenticeship in the company. Geography of the initiative is expanding: if in the beginning it covered only the Moscow office, in 2016 it was applied in Saint Petersburg and Novosibirsk. Also under this project training sessions for line managers are conducted, additional options for more comfortable adaptation of people with different types of disabilities in our offices are identified.

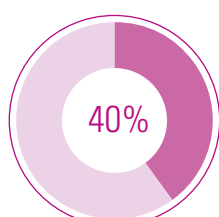
The company plans further development of the Nestlé Needs YOUth programme. During four years (2017–2020) more than 1 600 vacancies for apprenticeships and 1 400 work places for young specialists under 30 will be opened in Russia and Eurasia. Work places will be created in all businesses, including production, engineering, marketing, sales, finance etc.



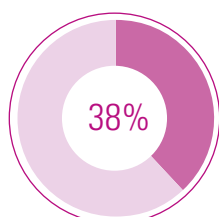
Leadership positions in our company held by women (%)



2017



2016



2015

Survey objectives

Feedback

hear opinions of thousands of employees

Understanding

increase engagement and other key performance indicators

Changes

develop a high-performing corporate culture

5.6 Gender Balance in the Company

Nestlé firmly believes that cultural and gender diversity is a really important asset of our company, that certainly needs to be supported and recognized.

Our social obligations include facilitation of gender balance among the company employees and empowering women in their work and career progression.

Our Diversity and Inclusion Framework launched last year incorporates all areas of our business, and ensuring of gender balance is one of its key priorities.

Besides, the Framework includes empowerment of people with disabilities and cross-generational working; support of cultural diversity, and, eventually, active facilitation of multiculturalism and pluralism.

At a number of Nestlé markets trainings on gender awareness have been successfully conducted.

Gender balance is also supported by such initiatives as our global “Flexible working environment” programme, which allows employees to achieve their work-life balance, special rooms for breast feeding created at factories, provision of paternity leaves etc.

And certainly, we actively support various festive events dedicated to International Women’s Day celebrated on March 8. On July 23, Nestlé celebrates one of the most favorite corporate events—Family day. Traditionally it takes place at all factories and in all countries of the Russia and Eurasia Region. In 2016, the event coincided with the celebration of 150-year anniversary of the company. Nestlé Head Office in Moscow and branches did their best to create truly warm and festive atmosphere for the employees and their families.

Our Objective Towards 2018

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 (market management members and key roles at the centre)

5.7 Nestlé & I Survey

Objective assessment of the current situation from the point of view of employees, their expectations from the future from the side of personnel are important for elaboration and implementation of the company development strategy. Global Nestlé & I survey allows the employees to openly share their opinion about the employer and make improvement suggestions.

During team work we identify areas for improvement and develop action plans aimed at Nestlé continuous excellence. The survey is strictly confidential. No one except for external provider processing the results of the survey has access to individual answers of employees.

In September 2016, the survey was for the first time simultaneously conducted at all 52 markets covering 260 thousand employees (89 % participation) around the world. Nestlé in Russia and Eurasia participated in the global survey for the fourth time. 7392 participants or 92 % of employees evaluated their work by 15 categories and shared their opinion on how to make the company better and more successful. This is the highest participation rate of the region for the whole history of the survey. New indicator of “Equal opportunities” was introduced.



Results of the Nestlé & I survey in Russia and Eurasia

7 392

participants

Engagement

85 % of employees are engaged

Enablement

84 % are enabled

Employee retention

74 % are willing to stay in the company

In 10 out of 15 categories number of positive answers increased, and most effective improvements were done in the “Reward,” “Culture and Recognition” and “Working environment” categories.

In 11 categories number of positive answers is higher compared to other high-performing companies in the world.

Results of 2016 survey in Russia and Eurasia are for the most categories higher than in 2014.

Employee satisfaction level increased. Employees highly ranked the working environment and absence of difficulties caused by cultural, gender or way-of-life differences. Employees have more understanding of strategy and objectives, trust to the quality of products and services. Managers inform employees on relevant issues more fully and timely.

At the same time areas for improvement were also identified. Key priorities: innovations, engagement and line management.

In spring 2017 managers of functions and businesses communicated the survey results to their teams and updated the plans for the next 3 years with actions for selected priorities.

5.8 Responsible Resource Management. NCE Initiative

Continuous Improvement Ideas programme has been working at Nestlé Kuban factory for 10 years already. Every employee can, if desired, bring to life the most challenging initiatives aimed to elimination of losses.

Ideas are welcome to improve lines availability, workplace safety, quality of the products, environmental indicators, everything that positively impacts on-time plan fulfillment. It can be ideas to improve the equipment design, work processes and tools, implement new technologies or material.

Every year Nestlé Kuban employees suggest more than 200 ideas to improve the processes. A contest is held twice per year to identify the best of them and recognize the initiators. They prepare presentations and defense their ideas. Due to the programme the factory achieved not only a more efficient utilization of resources, but also created a group of engaged and experienced innovators facilitating technical progress.

5.9 Quality of Products and Supplier Development

Nestlé Quality Management System is a foundation for the company’s production activity, fundamental set of its internal rules related to all the products produced.

During its sesquicentennial history the system has been constantly evolving, adapting to the innovations in the production processes. Today each project of the company above all undergoes an assessment from the experts and cannot be approved, if there are any doubts that the quality standards can be fully met.

Suppliers are an important element in the Nestlé business. It is them who provide the factories of the company with all necessary raw materials. Setting the highest requirements to the quality of its own products, Nestlé requires the same from its partners. Nestlé conducts checks of suppliers working with the company on the contractual basis to find out if their operation complies with requirements of environmental legislation and employment and labor laws, as well as with the guiding principles and standards adopted by the company.

Development programmes for local suppliers for the company is a unique opportunity for our partners to obtain comprehensive information about Nestlé quality standards. For them the company arranges special seminars under common name of the Nestlé Supplier day. Representatives of suppliers can find out more about key elements of production processes, see what happens to the raw materials after they have arrived

at the factory, how daily monitoring is performed and how personnel is aware of the quality of the product. Within the frame of such seminars specific methods to improve quality of raw materials, prevent foreign bodies, train the staff are discussed. As a result of the seminars, participants suggest their own quality improvement programmes for different production stages, modify production processes with the aim to improve quality of the product.

The Nestlé Supplier Code is an important supplement to the quality management system.

5.10 Combating Potential Breaches of Legislation

CARE, our global external audit programme, verifies that all employees and sites we own or operate comply with local legislation, our Corporate Business Principles and Code of Business Conduct.

The audits take place every 3 years. Internal control was executed by in-house auditors.

Our mechanisms to ensure regulatory and legal compliance are constantly improving. Some time ago we optimized our internal and external systems of feedback from consumers and all stakeholders and, in particular, our special “Tell us” service intended for investigation of complaints and consideration of proposals, including those related to statutory non-compliance.

Our commitment:

Provide effective grievance mechanisms to employees and stakeholders



In 2017 we conducted several trainings and training events among our employees dedicated to anti-bribery and anti-corruption

5.11 Anti-Bribery and Anti-Corruption Programmes

Nestlé actively combats all manifestations of corruption within the frame of its business operations. Our clear and sound position for this issue is detailed in the Nestlé Code of Business Conduct and our Corporate Anti-corruption Policy.

Currently we are implementing the anti-corruption action plan across all the business of our company. In parallel, we conduct training sessions for Nestlé employees on statutory and legal compliance using online training tools.

Our objectives

- **By 2017**—Employees with computers completing the compliance e-learning process started in 2015. Markets confirming that key corporate compliance practices are in place and improvement areas defined.
- **By 2018**—Markets launching a compliance communication plan further reinforcing tone at the top and speaking up. CARE audit enhanced on human rights and schedules defined for Nestlé sites with the new protocol.

50 000

teams around the world

350 000

participants

More than 100

«Nestle Professional» teams



- **By 2019**—Markets reinforcing compliance as a leadership responsibility based on corporate tool kit for training managers on business integrity.
- **By 2020**—A proactive review is conducted for our compliance activities and policies in light of our evolving product portfolio.

5.12 Sports and Healthy Lifestyle

As a nutrition, health and wellness company, Nestlé supports sports activities among its employees. For many years representatives of Nestlé together with teams of other big companies participate in international Global Corporate Challenge (GCC) programme for office employees.

Participants of the programme control on a daily basis their physical activity, nutrition and emotional state. Web site and apps for smartphones allow the participant to measure the distance walked (target is no less than 10000 steps), count the calories, follow-up their weight online and get personalized nutrition advice, assess quality of their sleep, and take advantage of other useful functions.

Participants of the programme take part in mini-competitions and receive rewards for their achievements. Among the participants there are three teams from Nestlé Russia. Russia ranks third among the «Nestle Professional» teams around the world.

Nestlé employees from Yekaterinburg successfully took part in the Heroes Race—a team competition in which sportspeople overcome obstacles designed for training of special units of the Armed Forces of the Russian Federation.

Sportspeople of the Nestlé team from Timashevsk have won a series of impressive victories and took the team second place in the all-city Spartakiad (School Olympics). In the majority of 15 disciplines they successfully fought for the medals and joined the ranks of winners. However, in a number of disciplines they proved to be stronger than their rivals and deserved the right to climb to the top tier.

6

Our Contribution to Social Development



6.1 Support of Culture

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6.3 Volunteering in Nestlé Russia

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For more than 10 years the company has been a partner of the Bolshoi Theatre and official sponsor of its world-famous ballet. Following the yearly tradition, Nestlé invites its friends to the Bolshoi Theatre to a reception called “Nestlé’s Russian Seasons”. In 2016 the festive programme with participation of opera and ballet performers coincided with 150-year anniversary of Nestlé.



**Nestlé Russia supported
more than 50 funds
in 2016**

In 2016 the company helped 84 organizations to conduct more than 150 events involving nearly 90 thousand people.

6.1 Support of Culture

For more than 20 years Nestlé Russia makes an important contribution not only to solving of key social issues, but also to support the most important cultural projects in Russia.

Nestlé also cooperates with Valeriy Gergiev, the outstanding musician, artistic director and head of the Mariinsky Theatre. In May 2016 the company sponsored the concert of the Mariinsky Theatre’s symphonic orchestra directed by maestro Gergiev at the XV Moscow Easter Festival in Krasnodar. The programme of the anniversary season was dedicated to the 125-year anniversary from the birthday of composer Sergey Prokofiev.

Upon an initiative of Valeriy Gergiev, and with support from Nestlé Russia the musical festival “To Mstislav Rostropovich” is annually held in Samara. At the beginning of October, following the established tradition, the Mariinsky Theatre’s symphonic orchestra gave three concerts with participation of world-famous stars on the stage of Samara Academic Opera and Ballet Theatre. In memory of Mstislav Rostropovich, the outstanding Russian violoncellist and director, the best-known compositions of Maurice Ravel, Hector Berlioz, Georges Bizet and Rodion Shchedrin were performed, and Pyotr Ilyich Tchaikovsky’s Eugene Onegin opera was played live.

Various cultural initiatives find support in the branches of Nestlé. Samara branch has been sponsoring the Samara View photo contest since 2012. In 2016 almost 200 photo artists participated in the contest. Beside Samara natives, authors from 21 regions of Russia, and from Kazakhstan and Israel sent their photos to the contest. The company established its own “Everything is in chocolate” nomination for artworks representing positive moments in everyday life, causing the audience to feel smiley and uplift.

6.2 Support of Local Communities and Charity

Nestlé Russia continuously supports various charity organizations, acts as partner in projects aimed at development of education, sports and promotion of healthy lifestyle.

In the first place, we try to help those who need it most—people with deprived backgrounds, veterans, disabled people and orphaned children.

We pay a lot of attention to projects focused at strengthening the children’s health, development of healthy eating habits.

In 2016, Nestlé Russia supported more than 50 funds with whom we have been working together for many years. Among the beneficiaries of Nestlé Russia are:

- Sheredar Charity fund (help to children having suffered from oncology diseases);
- Perspektiva (Prospects), Regional Society of Disabled People (help to people with disabilities);
- Liniya Zhizni (Life Line) Charity fund (programme for saving seriously ill children);
- SOS Children villages (prevention of social orphanhood);
- DownsideUp Charity fund (help to families with children suffering from Down’s syndrome)
- Spravedlivaya Pomoshch (Fair Help) Charity fund (help to the homeless, dying sick children, children suffered during military operations);
- Vremya Dobra (Time for kindness) Charity fund (development and social integration of children with disabilities);
- Arifmetika dobra (Kindness Arithmetic) Charity fund (help to orphaned children and foster families);
- Khraniteli Detstva (Kidsave) Charity fund (help to foster children and little mothers);
- Doroga vmeste (United way) Charity fund (help to children at risk, people with disabilities and elderly people).



Awards and prizes of Nestlé Russia

- In 2016 Nestlé Russia was included into the annual top-15 ranking of Leaders of corporate charity taking the third place in the “Best programme facilitating development of non-profit organizations infrastructure, charity and volunteering in the regions of company presence” nomination with its programme “Care for the older generation” (Rostov-on-Don)
- The company won the special prize of the Leaders of corporate charity initiative for informational transparency. Purpose of the joint project of the Donors’ Forum, PwC, the international auditing and consulting companies, and Vedomosti, business newspaper, is to collect best charity practices of the socially responsible companies.

- Musora.Bolshe.Net (No. More.Garbage) (environmental NGO);
- Starost v radost (Hold pleasure of old) Charity fund (help to lonely elderly people in nursing homes).

Nestlé Russia actively helps boarding schools and orphanages supporting their initiatives and events with its products and personal participation of employees. In 2016 the company help 84 organizations to conduct more than 150 events involving nearly 90 thousand people.

Our recipients:

- Redkinskaya boarding school and Ermolinskiy residential care home (Kaluga region);
- Boarding school № 102 (Moscow);
- Petrovskiy orphanage (Yaroslavl region);
- Gavrilin Orphanage named after (Vologda).

Production branches of the company are also actively involved into social life of those regions where they are located. They sponsor a lot of social and cultural initiatives, including help to the non-profit organizations and sports societies, cooperate with educational institutions to solve social problems of the local communities.

In 2016 all big and small initiatives of Nestlé were implemented within the frame of our ambitious programme “150 good deeds” on the occasion of the 150-year anniversary of the company. Environmental and charity events were conducted as part of the initiative across Russia from Kaliningrad to Vladivostok. Trainings for children in orphanages, waste collection initiatives, charity fairs and many other events became part of the corporate programme. Besides, extensive support was provided to already existing environmental initiatives in the regions. And certainly, the programme was not limited by 150 good deeds, their total number amounted to 230.

Charity Events of Nestlé Russia

In 2016 the Moscow Head Office of Nestlé Russia hosted 2 big charity markets—Easter (in April) and New Year (in November) coinciding with the World Charity Day #GenerousTuesday. Crafts from Vremya Dobra (Time for Kindness), AIF. Dobroye Serdtse (Kind Heart), Pilgrim (Pilgrim), Khraniteli Detstva (Childhood Guardians), the 102nd Moscow residential care home, Petrovskiy residential care home and Association of oncology patients were presented for sale. As a result, total sales of Easter and New Year gifts amounted to 116 and 90 thousand rubles accordingly, which were then given to implementation of charity programmes of the participants.



In addition to the #GenerousTuesday, Nestlé Russia arranged three more events:

- Within the frame of joint New Year initiative of Nestlé and “Starost v radost” (Hold pleasure of old) fund employees of the company took part in collection of gifts for elderly people living in care homes of the Tver region;
- in the month preceding the New Year, our employees prepared sports inventory, winter clothes and shoes, stationery, books and other things necessary in everyday life as gifts for children from special boarding school #102 and the Solnechniy orphanage;
- we gave food products for 10 thousand people in five cities through the Foodbank Rus, including the elderly and low-income people, families with multiple children and children with disabilities. Totally, in the frame of the Nestlé Russia food programme we gave 3.3 tons of food products for 6540 recipients in 2016.



For all the years the initiative is alive the fund collected more than 17 million rubles and save lives of 76 seriously ill children

“Somebody’s life is not the small change!”—the initiative of the Liniya Zhizni (Life Line) fund aimed not only at collection of money, but also at changing the attitude towards charity in the society. Employees of the Nestlé Russia Head Office in Moscow joined the initiative and demonstrated a good result taking the second place among the other participating companies: more than 48 thousand rubles were collected. For all the years the initiative is alive the fund collected more than 17 million rubles and save lives of 76 seriously ill children.

Nestlé Russia sponsored the IV “Midday” charity ball for children from orphanages, and charity runs organized by the Arifmetika dobra (Kindness Arithmetic) fund and accompanied by collection of funds to provide quality education to the orphaned children, and delighted the participants of these big charity events.

In September 2016 the Nestlé Kuban branch became the title partner of the Day of Timashevsk. The city celebrated 50 years and the Nescafé brand organized cafeteria on the central square and presented the show of MakSim, a popular singer, as its main gift for the citizens. We also support children and youth creativity. In May 2016 the factory partnered the fifth regional competition of youth correspondents under the name of “Creative initiative”. About 400 young people aged 13 to 18 took part in the anniversary competition, presenting more than 500 artworks in 13 nominations. Nestlé Kuban provided the Timashevsk cultural center with computer equipment for their robotics club, and the Timashevsk technical school #17 with electrical parts for training of students studying machine set up in food production.

Children’s Day with Nestlé

On the International Children’s Day the company traditionally holds various events and holidays for children and supports the relevant initiatives of the partner non-profit organizations. For example, in 2016 they included “The Sun Children”, Russian Children Fund and the Northern Crown fund.

Supervisees of the Vremya Dobra (Time for kindness) charity fund visited the planetarium and then took part in the “Cooking together” culinary session.

Employees of the Nestlé branch in Zhukovsky treated the school children in the city summer camps with free ice-cream.

Since 2012 Nestlé branch in Rostov-on-Don actively supports “Ogonyok nadezhdy” (Hope Light), city non-profit organization of families raising children with disabilities. About 400 children with various illnesses are under the patronage of this organization. Participation of the company in the annual “Fairytale races” celebration dedicated to the Children’s day has become a tradition. Together with the Nestlé volunteers, the children participated in competitions, ceramic paintings master classes, games for motility enhancement.

For many years employees of the “Rossiya” factory in Samara have been helping the city branch of the All-Russia Society of the Disabled. About 300 children suffering from serious illnesses received tasty gifts from Nestlé Russia. Gifts from the sweetest factory also went to the young performers—also children with disabilities who appeared before the footlights on the stage of the Zarya culture center during the event organized by the Samara branch of the Society.

Traditional holiday event for children of the factory employees took place in Perm. To be more precise, there were two events: for the smallest ones and for those a bit older. All of them received sweet gifts from Nestlé.

Nestlé factory in Vologda has been supporting the Crawlers championship for several years already. The competition for infants has tremendous sway, and this time more than 300 children from 8 months to 3 years. The factory provided gifts for the young champions. Also, on the Children’s day the factory invited students of the city mathematical lyceum. During the factory tour that is said to “have knocked the eyes out,” the students were introduced to the manufacturing process of Nestlé’s baby porridges and Bistroff breakfast porridges. The children also attended the Environmental class shortly before the World Environment Day.



From May 30 to June 5 festive events took place in 6 cities where Nestlé operates



Purina together with the biggest charity funds and shelters organizes and supports charitable shows (Home!), festivals (Yuna-Fest, Woof) and runs (The Fluffy Run) aimed at finding a home for the homeless pets and collect funds to help the animals from shelters. Since the end of 2014 we have found a home for more than 1 500 pets in Russia and CIS.

Better with Pets

In 2016 Purina launched the “Purina in Society” initiative and made 10 commitments to enrich the life for pets and those who love them. These commitments include promoting adoption for homeless pets, educational programmes for children about responsible pet ownership, promotion of the Pets in the workplace initiative, leadership in pet nutrition and health research.

Help to the homeless pets is one of the top priorities of PURINA activity in Russia. The brand regularly helps charity funds, animal shelters, organizes and supports adoption events to help find home for pets, and raises this hot topic at various discussion forums to bring it to the public eye.

So, in autumn of 2016 two big events took place uniting the key experts to discuss the issue of the homeless pets in Russia. These are the Homeless pets in the city environment forum (organized by the Agency for Strategic initiatives and the Put Do-moi (Way Home) pet fund with general partnership of PURINA), and the first Russian Better with Pets forum organized by PURINA.

Work with the younger generation is another important activity for Purina. Responsible pet ownership starts from an early age that is why Purina conducts the Kindness school interactive classes. Children learn about habits and manners of their four legged friends, get to know how to treat them and how to interact with them. Knowledge and skills received in the Kindness school help to create the right attitude towards pets and, in the first place, sense of responsibility towards their pets.

The On the way with Husky initiative organized by Dmitriy and Matvey Shparo, the famous Russian polar explorers, and supported by Purina is worth mentioning as a separate point. Every winter the team of the Adventure camp together with 30 husky dogs comes from Karelia to Moscow to give the children with disabilities and special needs to enjoy interaction with friendly huskies and ride the true northern sledge dog team. Due to this close association with the dogs, children feel better and have better mood, their stress level decreases, they become more active and sociable, make contacts easier and find friends.

Purina sincerely believes that pets make our life better and we, in our turn, can make the world more friendly and comfortable for them. In 2016 we launched the international #WeAreBetterWithPets movement within the frame of the “Purina in Society” initiative with the aim to prove that life is much more brighter and happier with a four legged friend.

6.3 Volunteering in Nestlé Russia

Corporate volunteering is an important part of the Nestlé social policy and promotes the principles of corporate social responsibility.

Participation of our employees in the volunteering events influences their system of values and attitude towards life, boosts their self-esteem and enhances the team spirit at the workplace, creating a credible and responsible team that the company can rely on when implementing its social initiatives.

Our key priorities in volunteering—environmental care and help to children—were defined after the employee survey. The Nestlé volunteers regularly participate in environmental campaigns, events to support children orphanages and boarding schools, the Cooking together culinary sessions, and other company initiatives conducted within the Creating Shared Value approach.

Every such event attracts from 15 to 40 employees. The company, in its turn, covers the transportation costs, creation or buying of materials for the event, and, naturally, provides the food products.

Nestlé is a part of the National Council for Corporate Volunteering which unites the efforts of the Russian business to maximize the spread of the corporate volunteering best practices.



Volunteering events take place under the “Nestlé: Let’s make life better!” slogan.

360 minutes for the Baikal

9

regions of
Russia

14

big companies

12 000

volunteers

27 000

bags full of garbage

Volunteers from big companies that actively promote corporate social responsibility participated in cleaning up the Baikal shores. Totally, in one day the volunteers collected enough garbage to fully load 114 KAMAZ trucks. Trip to the famous lake became an award for best volunteers of Nestlé for their active volunteering during the year.



On the Garden Day children from the Redkinskaya boarding school together with their teachers and nurses improved the school territory. Guests from Moscow enthusiastically helped to create a beautiful landscape.

For several years best volunteers of Nestlé are not only recognized by the company and their colleagues, but also receive honorary diplomas and memorable gifts from the directors of the company and its factories. At the beginning of 2016 ceremonies took place in Moscow and at our factories in Perm, Samara, Timashevsk, Vologda, Vyazniki, and in the sales offices in Pskov and St. Petersburg to reward the best volunteers of the year.

Participation of our volunteers in environmental campaigns

Environmental initiatives are an important part of our Creating Shared Value corporate social responsibility strategy. In particular, every year employees of the head office go to clean the banks of ponds in Moscow and the Moscow region within the frame of the Clean Bank initiative implemented since 2010.

In August, more than 20 volunteers from the Nestlé Russia Moscow head office cleaned the territory of the Luberetskiy open-cast and put up signs appealing to the people resting there to clean up after themselves. The event in the popular recreation zone of the Moscow region was organized together with the “Doroga Vmeste” (United Way) charity fund, and specialists from the “Bumazhniy Bum” (The Paper Boom) initiative consulted about the segregation of waste and also participated in the event. 68 bags with garbage were collected by our combined efforts. Plastics, iron and glass were sent for recycling.

In response to the invitation, Nestlé was overly eager to participate in the 360 Minutes All-Russia voluntary eco marathon. In September the group of volunteers from Nestlé joined the broad-scale event “360 minutes for the Baikal” to clean the shores of the deepest lake on the planet and refine the territories of the local reserved areas. The event was organized by the En+Group industrial group with the help of the “Volnoye Delo” (Free Deed) fund and the “Strana Zapovednaya” (The Sacred Country) national fund.

In April 2016, on the All-Russia Clean-Up Day, volunteers from several Russian and international companies, including Nestlé Russia, participated in beautification of the Novoslobodskiy Park in Moscow upon the appeal of the National Council for Corporate Volunteering. The volunteers planted flowers and bushes, cleaned up the territory, painted the children’s playgrounds and participated in the sports events. Interactive games for children and master classes for adults were organized. Almost 150 thousand people took part in this campaign. The most active of them got memorable gifts and diplomas.

In October, volunteers from Nestlé together with their colleagues from the “Bumazhniy Boom” (The Paper Boom) partner organization participate in the “Million trees for the city” environmental campaign supported by employees of the Moscow city Department for Environmental Management. Bird cherry trees, lindens, apple trees, maple trees, lilacs and other trees and bushes were planted. The early snow was not even a disturbance: the volunteers armed with garden tools and good spirits worked quickly and closely together.

Employees of the Nestlé branch in Perm and Cereal Partners Rus participated in the yearly Environmental inspection within the frame of the All-Russia Green Spring-2016 Environmental Clean-up Day. The event was initiated by the Perm regional department of the All-Russia public organization “Center for the Environmental policy and culture”. The group of 100 volunteers from the two factories cleaned the Lipovaya Gora ecological trail 3.3 kilometers long, three resting places and the route to the right bank of the Egoshiha river.

Within the frame of the clean-up day the nearby Heroes of Hasan street was cleaned, the garbage was removed, the public transports stop was fixed, grass plots and other infrastructure were brushed up. For the three hours of the environmental initiative the participant collected over 3 tons of garbage, which was sent to landfill. Another ton of sorted waste (plastics) was sent for recycling.

Since 2013 volunteers from Nestlé Russia in Samara participate in the clean-up day within the framework of the “Our children will live here!” environmental programme. In

Since 2014 the company awards its best volunteers. The award ceremonies take place in every Nestlé office. Pictured: best volunteers from the Nestlé Russia Head Office.



All the branches of Nestlé Russia regularly hold various events dedicated to the World Environment Day celebrated on the 5th of June. In 2016 volunteers from the Vyazniki factory selected the shores of Komzyaki forest park reservoirs for cleaning. Employees of the factory, their children, employees of the forestry department and students from the Novovyaznikovskaya school participated in the Let's make it cleaner initiative. They not only collected the garbage, but also sorted it by types. Overall, they collected more than 40 bags of garbage.



Long-term environmental initiative "Clean Bank Operation" is conducted in many cities, where Nestlé employees live and work.

Since 2014 the Perm factory has been implementing the Paper Heart initiative. In the first week of every month the volunteers save trees by bringing the paper waste to the collection point at their factory. For 2014–2016, more than 6 tons of paper waste were collected. If 100 kilograms of paper waste allow saving one tree, then the factory employees have already saved 60 trees.

Building of environmental awareness and respect for environment in the youth and children is an important element of the Creating Shared Value concept shared by all employees of the company. In May 2016 and 2017, volunteers from the Nestlé head office in Moscow visited the Redkinskaya boarding school in the Kaluga region.

In May 2016, volunteers from the breakfast cereals factory in Perm conducted an environmental class on the subject of "People and waste—a zero-sum game" for the first year students of gymnasium #2. The factory also supported the environmental initiative of its partner, the Perm Pulp and Paper company, to collect paper waste with the help of the PaperWaste Descent consisting of the Perm and Perm region students. On the awarding ceremony the winners received the Nestlé breakfast cereals among other gifts.

In September, employees from the Nestlé branch in Vyazniki and their families together with children from the special general education boarding school cleaned up the school territory.

The Nestlé branch in Vologda joined the Clean Games environmental movement and supported the GORSOM 35 youth center in organization of an environmental quest. 32 teams, including the volunteers from the Vologda factory, participated in the quest. Each team had a task to collect the maximum quantity of garbage. At the end of the event, 140 bags of garbage were removed from the Vologda Central Park.

Krasnodar also participated in the Clean Games, and about 100 citizens competed in cleaning up the Kuban river banks. During 2 hours 34 teams collected 275 bags of garbage. The winners were awarded with gifts from Nestlé Kuban.

more than 140

participants

35

cooked meals

More than 300

colorful photos

The Cook together culinary sessions programme won an award on the All-Russia competition of corporate volunteering initiatives “Champions of good deeds”

Such events are not only for fun, they also bring value facilitating the social integration of children into the adult life and desire to plan their future.

Marina Adamova,

social counselor.

Guests of the culinary sessions—children from boarding schools in Moscow, Ermolino (the Kaluga region) and Petrovsk (the Yaroslavl region), supervisees of the “Vremya Dobra” (Time for Kindness), Kidsave (the Little Mother programme), Here and Now and other funds.

Cooking together culinary sessions

Promotion of good nutrition and healthy lifestyle has been one of the signature features of Nestlé from the moment it was created. Programme of culinary classes for children has been active in the company since 2009. For all this time children supervisees of charity funds, children from orphanages and boarding schools from Moscow and other cities became guests of Nestlé. Cooking together culinary classes are conducted 1–2 times per month in the Moscow head office of the company on the kitchen of the Nestlé Innovation Center fitted with the cutting-edge equipment. Volunteering employees tell children about the company history and its brands, conduct quizzes on good nutrition topics, and then group the guests to cook various meals together. During these sessions the volunteers not only teach children to take good care about their health and cook simple, healthy and tasty food. Culinary classes also act as social integration classes. Cooking together, children make new friends, and then, at the festive dinner, share their impressions from their first culinary experience.

In March 2017 another culinary session took place in the Nestlé Innovation Center. This time the participants were supervisees of the National fund for rehabilitation development.

In May the company arranged a great holiday for children from the Moscow boarding school #102. First, the children went to the Experimentarium, a museum of amusing science, and then visited the Moscow head office of Nestlé to participate in the Cook together culinary class. Another culinary class for the boarders took place at the beginning of 2017.

Culinary sessions are part of the partner programme of Nestlé Russia and Russian representation office of the Kidsave international organization for social integration of orphanage leavers. In November volunteers of Nestlé Russia hosted 15 children from 3 institutions—participants of the Kidsave programme (Mentorship).

Two culinary classes were conducted in the Vyaznikovskaya special (correction) general education boarding school. Having learned that the school is going to create a social integration class, technical specialists of the Nestlé branch helped to arrange all the necessary utilities to organize a fully-featured kitchen. The “Good nutrition experts” culinary classes were started there.





Each family in SOS children villages received a tasty gift for the New Year.

Volunteers of Nestlé Russia and their help to children

Every spring children from the sponsored boarding school from Ermolino (the Kaluga region) go on a tour to Moscow. This time the company prepared a varied programme of entertainment, including visit to the State Darwin Museum, visit to the cinema to see the Zootopia movie, and the traditional culinary session in the Nestlé Russia Innovation Center.

Volunteers from the head office painted in bright colors the hall of the city children clinical hospital named after Bashlyaeva in Tushino. The Funny Hall is a voluntary movement for improvement of the appearance of the hospitals. Diseases step back faster if the space around the young patients become bright and positive. Employees of Nestlé Russia, Leroy Merlin and RUSAL helped the Preodoleniye-L (Overcoming-L) fund to arrange stables for hippotherapy.

Since 2011 volunteers of the Nestlé Russia branch in Perm almost every quarter attend the Interdepartmental center for children deprived of parental care. There is always something to do: clean up the premises and the territory of the center, paint the gaming equipment... In April and May 2016, employees of the Nestlé Russia Perm branch conducted individual Math and English classes for the minors in the city social rehabilitation center.

In June, employees of the Nestlé Kuban factory visited social rehabilitation center Topolek in the Sovetskiy village, where 30 children from troubled homes live. The volunteers created a vivid event with relay races, competitions and drawing. A football match was organized for elder children. Each child received a sweet gift.

Shortly before the start of a new school year, the factory joined the charitable campaign "Prepare a child for school" organized by the "Solntse v ladoshkakh" (The Sun in the hands), Timashevsk charity fund for children. During the week, everybody could buy stationery or clothes for school children, and on August 31 the volunteers brought the gifts to the children. Before that, employees of Nestlé Kuban provided their hand made products for sale on the charitable Easter market organized by the fund.

In summer, volunteers from the Nestlé branch in Vyzniki conducted safety classes for children in the summer camp of Novovyaznikovskaya general school. Classes for the junior students were conducted in a conversational manner showing a presentation and animation films on how to act in case of fire, on the road and at school.

A similar safety class was conducted by the employees of the Vyzniki branch in December for children of the second grade of the Vyznikovskaya special boarding school. And just before the school year began, monetary funds for buying school uniform and school kits for first year students were collected.

New Year with Nestlé

It is by now a good tradition for Nestlé Russia employees to arrange various events before the New Year. Volunteers not only render material aid to children in boarding schools and in hospitals, but give them the gifts that they really eager to receive.

In 2016, the yearly Angels' Christmas Tree was held in Moscow. Several dozens of letters to Grandfather Frost (Russian analogue of Santa Claus) from the supervisees of the "Vremya Dobra" (Time for Kindness) fund and from the children in Redkinskiy and Petrovskiy boarding schools were sent to the Moscow head office of the company, and our employees again fulfilled the New Year wishes of children with disabilities.

Christmas Tree of Wishes was conducted for the fourth time in Timashevsk. During two weeks, cards from 30 supervisees of "Miloserdie" (the Mercy) and "Solntse v ladoshkakh" (the Sun in the hands) charity funds hung on the main Christmas tree of the Nestlé Kuban factory. In these cards children asked Grandfather Frost to bring specific gifts for them. On the New Year's Eve Grandfather Frost and the Snow Maiden visited the children and made their wishes come true.

Volunteers from the Nestlé branch in Vorsino congratulated children from the supervisee boarding school in Ermolino and the Skazka kindergarten, as well as children in Miloserdie (the Mercy) help center in Obninsk on the New Year.



For 20 years our organization has been implementing programmes helping people with disabilities live a full life, work, engage in sports activities, find new friends. We are happy that Nestlé is our partner and supports our initiatives.

Denis Rosa,

chairman of Perspektiva (Prospects),
regional public organization of the disabled.



Every year the team of Nestlé Russia participates in the charitable volleyball game organized by the Perspektiva (Prospects), regional public organization of the disabled, in favor of its supervisees.



Children from the Downside Up fund for the first time attended the culinary session in Nestlé and liked everything very much.

Employees of the breakfast cereals factory in Perm visited the New Year children's matinee in the Interdepartmental center for children deprived of parental care. The event with participation of Grandfather Frost, the Snow Maiden and other fairy-tale characters finished with traditional gifts giving. The employees of the center received Nestlé breakfast cereals and the children got colorful books and development games.

Since 2009 the factory in Perm also provides its breakfast cereals for the New Year charitable campaign "Grandfather Frost's train to children" organized by the Perm regional fund of social support for the citizens. Employees of the Vyazniki branch prepared sweet gifts for 30 children with disabilities from the Vyazniki district and 40 supervisees of the social support center: these are children from troubled families and deprived backgrounds.

Christmas trees were organized for children and grandchildren of the employees at the Zhukovsky branch.

A number of charitable events were also conducted by our employees in Perm, Vologda, and Vyazniki in the run-up to the New Year.

Support of people with disabilities

Support of people with disabilities is one of the key priorities of charitable activities of Nestlé Russia. Together with partner charitable organizations the company engages its employees into the charitable initiatives giving everyone an opportunity to make a difference.

For many years Nestlé Russia has been cooperating with Perspektiva (Prospects), regional public organization of the disabled.

In February, Nestlé Russia together with Perspektiva (Prospects) conducted a training in its Moscow head office on development of communication skills for the future employees of the interactive sensory display "Walking in the dark." The purpose of this entertaining and educational initiative that was launched in Moscow in April 2016, is to allow the visitors to enjoy a unique experience of interaction with the world without their vision sense, and learn how the blind people feel the world, hence facilitating the tolerance towards them in society.

In July 2016 a team of the Moscow head office employees together with teams from other big Russian and international companies participated in the charitable volleyball game organized by Perspektiva (Prospects), regional public organization of the disabled. The collected funds were sent to support young people with disabilities: employment, inclusive education, leadership development in teenagers with disabilities (summer camp), inclusive sports. Such initiatives promote the concept of healthy lifestyle and, therefore, reflect the company's mission.

Also, in 2016, the company traditionally supported other initiatives of Perspektiva (Prospects): the Best Friends dancing marathon, the Breaking Down Barriers film festival, charitable fundraising ball.

Nestlé also cooperates with the Sheredar charity fund, which organizes rehabilitation programmes for children recovering from oncological, hematological and other serious diseases. The company provided its products for basic nutrition in two shifts of the fund's rehabilitation camp, and for the entertaining children fair, evening tea parties for the volunteers etc.

Regional branches also help people with disabilities. Nestlé Kuban provides products for various festive and memorable days to the supervisees of the Timashevsk branches of the All-Russia Association of the Blind and the All-Russia Society of the Disabled. Yearly charitable subscription to the local newspapers is provided to 350 veterans and disabled people of the city and the district. The Association of the Blind also received 17 laptops. "Miloserdie" (The Mercy), a charitable organization in Timashevsk, every year receives monetary funds for medical treatment of the disabled children.

Our Samara branch has been sponsoring DeaFILE, the festival of fashion theatres created by children with hearing disabilities, for eight years already. The contest is aimed at social adaptation and integration of the children.



Stanislav Wiebe, factory manager of the Nestlé factory in Vyazniki, personally congratulated the veterans on the Victory Day.



Awards and prizes of Nestlé Russia

- Nestlé Russia received an award from the State Duma of the Federal Assembly of Russian Federation for charitable support of the veterans
- Nestlé Kuban received a letter of gratitude from the Social Protection Department of the Timashevsk district for active support of the disabled and elderly citizens of the city and the district.
- Nestlé Kuban factory received the Patron of the Year diploma from the Timashevsk city administration during celebration of the City Day of Timashevsk and the Timashevsk district.

Veterans and the elderly

A lot of volunteering events, in which employees of the company participate, are traditionally linked to the Victory Day. The Moscow head office of Nestlé took part in the "Products to the villages" initiative for people living in the Tver region, in particular, for the veterans of war, organized by the Rus Charitable Fund. For two weeks employees of Nestlé prepared parcels with the essential food products. 127 food packages were sent to villages together with letters of gratitude and support to the veterans. The company also provided food presents (Nestlé cakes and Nescafé coffee) for the veterans and needy families in the region.

It has been the third year, when shortly before the Victory Day employees of the Nestlé-CPW branch in Perm bought presents for the veterans. Funds collected in 2016 were spent on memorable gifts for inhabitants of the Iliinskiy residential facility for the elderly and the disabled. Complementary to the individual gifts for the tea party, dedicated to the 9th of May, the Perm center of geriatric psychiatry received various sweets. This initiative was implemented with input from the Perm regional center for social support of the citizens. In May 2017 on the eve of the Victory Day the veterans' chorus "Nadezhda" (Hope) performed in the administration of the Sverdlovskiy district of Perm with support from our Perm branch. The volunteers from Nestlé organized a trip to the military cemetery, where the Sorrowing Mother memorial is installed, and brushed up the monuments to the soldiers fallen in the Great Patriotic War. Employees of the Perm branch participated in the wreath-laying ceremony.

Volunteers from Nestlé Kuban congratulated 58 veterans living in the Timashevsk district on the holiday. 87 participants of the Great Patriotic War from the Vyaznikovskiy district received greetings and memorable gifts from the Nestlé branch in Vyazniki. Employees of the factory and their family members marched in rank and file with participants of the Immortal Regiment on the central city street to the Alley of Military Glory and the Great Patriotic War memorial.

For several years volunteers from our regional office in Rostov-on-Don have been co-operating with the Rostov regional group of the Starost v Radost (Hold pleasure of old) charity fund, Aid fund for the disabled and pensioners living in the regional homes for elderly people. 13 residential social service institutions (homes for elderly people, social and rehabilitation departments, nursing care wards, special care facility for people after service of term in custodies) and more than 1000 old people are in their eye. In 2016 60 trips to the supervisees with concerts and gifts were organized by the efforts of volunteers.



Creating Shared Value

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