



Nestlé

CREATING SHARED VALUE

Social Report of Nestle Rossiya LLC



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A Word from Stefan De Loecker, General Director of Nestlé Rossiya LLC



Dear Friends!

You are holding the first issue of Nestlé Rossiya's social report in your hands. It offers an overview of what Nestlé has done in the field of corporate social responsibility in Russia since the foundation of the company over ten years ago.

A desire to introduce positive changes to the lives of people and ensure the steady development of the company in the long-term have been firmly ingrained in Nestlé's culture from the moment of the company's founding in 1866. The company's first product was a baby formula called Farine Lactée, which saved the lives of many children whose bodies rejected the milk of their mothers. For more than a century, the company's operations have been rooted in the principle laid down by its founder, Henry Nestlé, of creating value not only for the company and its shareholders, but for society as a whole.

In many countries where Nestlé conducts business, we implement various projects in support of local communities. The 2007 social report from the Nestlé Group of Companies, entitled Creating Shared Value, gives a comprehensive account of what Nestlé does internationally in the field of social responsibility, labor relations, environmental protection, farmers' aid, rural development, and within the social sphere.

When preparing our report, we used the Creating Shared Value global report as a guide and tried to highlight company work in the area of corporate social responsibility, including various programs that Nestlé manages in Russia aimed at improving people's lives, protecting the environment, developing good nutrition, and promoting a healthy lifestyle. After all, the motto of our social programs is: Nestlé – let's make life better!

Moreover, the three initiatives taken by Nestlé and announced at the Creating Shared Value forum in New York in the spring of 2009 have once again proved that Nestlé's strategy in regard of creating shared value is invariable, even during the international economic crisis. These three initiatives, namely, the launch of the Nestlé Healthy Kids Global Programme, the opening of the Abidjan Research and Development Center in Cote D'Ivoire to help rural development in Africa, and the Nestlé Prize in Creating Shared Value for innovative solutions in such problematic areas as nutritional deficiencies, access to clear water, and progress in rural development, all testify to the fundamental connection between shareholder value and community value.

In this respect, I am proud to say that the Good Nutrition programme that Nestlé has carried out for 10 years in Russia with the Ministry of Education of the Russian Federation and the Institute of Developmental Physiology of the Russian Academy of Education and Science has already been taken as the best practice in preparing the Nestlé Healthy Kids Global Programme.

Stefan De Loecker
General Director, Nestlé Rossiya LLC



"Nestlé Kuban" factory in Timashevsk of Krasnodar Krai

THE HISTORY OF NESTLÉ IN RUSSIA

Nestlé's relationship with Russia has a long history. The company used to ship its goods to Russia as far back as the end of the 19th century, when a Petersburg merchant, Alexander Ventzel, signed an exclusive contract with Henri Nestlé for the delivery of dairy products to the Russian Empire.

A new phase began in the early 1990 when Nestlé set up a network of importers and distributors, actively developing the sales of such Nestlé strategic brands as Nescafe and Nesquik.

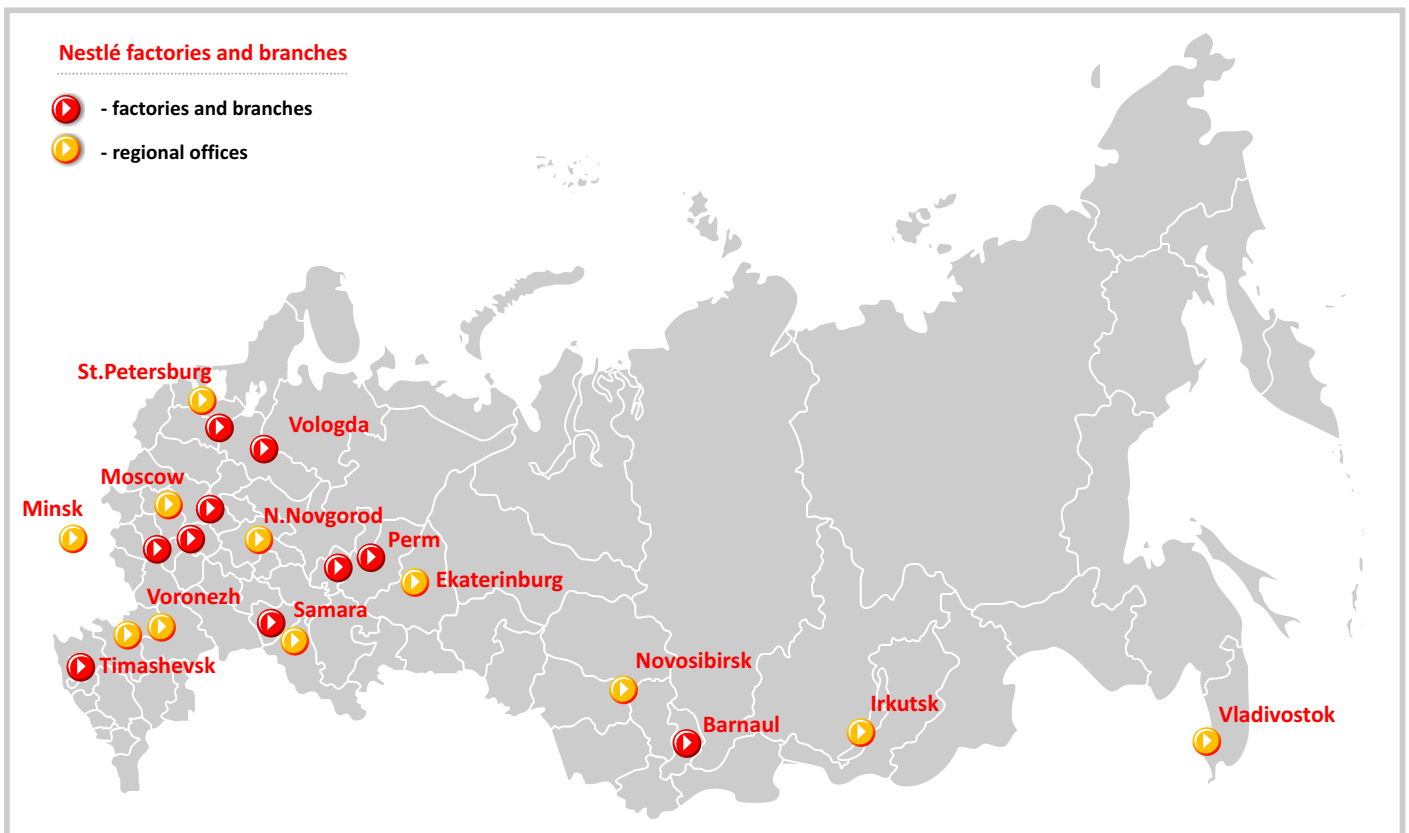
In April 1995, Nestlé opened its Moscow representative office –

“Société pour l'Exportation des Produits Nestlé S.A.” In 1996, a wholly Russian company, “Nestlé Food” LLC, was created for organizing a Nestlé sales and marketing system in the Russian market.

In 2007, the company received a new name: “Nestlé Rossiya” LLC. By allowing the use of the word “Rossiya” in the name, the Russian Government took into consideration Nestlé's large-scale investment into the Russian economy and its large contribution to social programs.



Henri Nestlé -
founder of the company



NESCAFÉ

 Nestlé
PROFESSIONAL

 Nestlé PURINA



Gerber



Since January 1, 2007, the company has been integrating all of the legal entities of the Nestlé Group of Companies into one company bearing the new name “Nestlé Rossiya”.

Nestlé's continued success on the Russian market was made possible by several key factors. Nestlé strengthened its positions and expanded its presence in Russia first by its investment in local production and manufacturing infrastructure,

then by actively promoting its brands, and then by then continuous expansion and development of its nationwide sales network.

Today, Nestlé is a leader on the coffee, baby food, and culinary, chocolate, and breakfast-cereals markets. It is also increasing its presence on the ice cream, pet care, and bottled water markets.

Three Nestlé brands have received the coveted People's Choice Award (Narodnaya marka), proving the great

popularity of these brands among Russian consumers: Nescafe (in 1998, 2000, 2002, 2004, 2006, and 2008), Maggi (1999, 2001, and 2003), and “Rossiya – Schedraya dusha” (2002, 2003, 2005, and 2008).

Nestlé

Company Profile

Nestlé is the World's leading Nutrition, Health and Wellness company



Vevey (Switzerland)

Nestlé's headquarters location

1866

Year the company was founded

109,9 billion CHF

Total Group Sales in 2008

18 billion CHF

Net Profit in 2008

More than 280000

employees

456

factories

86

countries where Nestlé operates its business

Company's brands "Rossiya – Schedraya dusha", Nescafé Gold, "Zolotaya Marka", and NUTS, have been honored with the prestigious Brand of the Year/EFFIE – the national professional award in marketing and advertising.

Nestlé's activities in Russia are also respected and recognized by industry peers and experts. In 1998, the American Chamber of Commerce in Russia named Nestlé "Company of the Year" for its commitment to the Russian market, production growth, and brand recognition. In May 2004, Alfa Bank and the Lauder Institute selected Nestlé for the prestigious Excellence in Foreign Investment in Russia award in 2004.

Investing in Production

Nestlé's global strategy consists of making long term investments. In carrying out this strategy, the company actively invests in local production, in developing products that adapt to Russian tastes and traditions, as well as in using local raw materials and components. In Russia, Nestlé has 13 production facilities in which it regularly invests. Thus, Nestlé combines international experience and leadership in the food industry with the demands and tastes of its consumers.

In 1995, Nestlé acquired a majority stake in the Confectionary Union "Rossiya" in Samara. The company's investment allowed it to set up local production of Nuts candy bars, Nestlé chocolate, and Nesquik, the globally popular chocolate drink.



Nestlé's second major investment in Russia was the acquisition in June 1996 of a majority stake in "Nestlé Zhukovsky" LLC (now – a production branch of "Nestlé Rossiya" LLC). Significant investments were made in state-of-the-art equipment to produce traditional Russian ice cream under such brand names as 48 Kopeek and KIMO, as well as international brands, including MEGA and EXTREME.

In January 1998, Nestlé acquired a controlling stake in two confectionary factories: JSC "Altai" in Barnaul, and JSC "Kamskaya" in Perm, which produce chocolates, caramel, and biscuits.

In June 1998, OJSC "Khladoprodukt" in Timashevsk (Krasnodar Krai) became a part of the Nestlé group of companies. This ice cream factory complements Nestlé ice cream outputs in the town of Zhukovsky. In June 2001, the first in Russia repackaging line of Nescafe instant coffee was launched at OJSC "Khladoprodukt".

At the end of 1999, Nestlé opened a culinary-range production plant under the Maggi brand in Zhukovsky. In 2004, production capacity of the factory was significantly expanded.

Nestlé subsidiaries are also developing local production. In 2000, a factory for production and the home- and office-delivery of bottled water under the Nestlé Pure Life brand was opened in Domodedovo. In 2001, Cereal Partners Worldwide (a Nestlé and General Mills joint venture) acquired a factory and set up Nestlé breakfast cereals production in Perm.

In 2003, the company acquired a baby food factory in Vologda. After a



series of much needed investments was made, the factory began producing infant cereals, supplying the growing baby food market. In 2004, the factory was re-organized as "Nestlé Vologda Detskoye Pitaniye" LLC (Nestlé Vologda Baby Food), which now serves as production branch of "Nestlé Rossiya" LLC in Vologda.

Maggi culinary factory in Zhukovsky town of the Moscow region



An official opening ceremony of the full-cycle Nescafe Classic coffee factory in Timashevsk took place in November 2005. The total investment for the construction of the new factory comprised close to US\$ 120 million. Today, "Nestlé Kuban" combines two factories: coffee and ice cream production facilities.

In December 2006, Nestlé signed an agreement to create a joint venture with Bystroff, a leader on the Russian market for instant cereals; at the beginning of 2009, it announced the consolidation of 100% shares of this business.

Kaluzhkaya region
Nestlé Purina PetCare is the first local
pet food production in Russia.
The production of products under the
Friskies and Darling brands
started in 2007



In November 2007, “Nestlé Rossiya” announced the acquisition of the Ruzskaya Confectionary Factory (RKF), chocolate products manufactures under the brands Komilfo and Ruzanna. The high quality of RKF products and images of Komilfo and Ruzanna brands ideally complemented the Nestlé chocolate brand portfolio in Russia, strengthening its positions in the premium segment. Nestlé also plans to invest in an expansion of RKF's production capacity in the Ruzskaya district of Moscow Region.

August 2007 witnessed the opening of a dry pet-food factory, a Russian subdivision of Nestlé Purina PetCare, part of the Nestlé Group. The new factory, located in Kaluga Region, became the first local production for Nestlé Purina PetCare. The production of dry pet-food for cats and dogs under the Friskies and Darling brands was launched in the autumn of 2007.

First-line production volume of the factory is close to 40 tons per year. Investment in construction and outfitting of the factory exceeded US\$ 30 million. In the beginning of 2009, the company announced new large-scale investment in the production expansion of the factory. Close to one billion rubles will be invested in the construction of a production unit for wet pet-food under the Friskies brand. Construction completion and production launch are planned for the summer of 2009.

In October 2008, Nestlé made an official announcement regarding its plans to invest an additional 240 million Swiss Francs in the expansion of the production capacity of the “Nestlé Kuban” Factory. This decision, made in the middle of a financial crisis, confirms yet again Nestlé’s long-term commitment to Russia. This decision was valued greatly by the general public and the Government of the Russian Federation.

Nestlé’s total investment in the Russian economy at the end of 2008 was close to US\$800 million.

Nestlé’s operations go beyond simply strengthening and modernizing production infrastructure and the implementation of new technologies. Nestlé combines international experience and leadership in the food industry with the high standards that meet the tastes of consumers. It strives to be a highly efficient manufacturer with low production costs. Nestlé invests its great resources into the education and training of personnel, passing on the company’s international experience, research, and technology knowledge.



The advertising of Nestlé brands decorates many cities of Russia. Nescafé Gold ad in Nevsky prospect in St.Peterburg

NESTLÉ IN RUSSIA – THE NUMBERS



Nestlé businesses in Russia are represented by Nestlé Rossiya LLC, Nespresso, CPW, Nestlé Purina PetCare and Nestlé Waters.

Sales of Nestlé in Russia for 2008 exceeded 50 billion Roubles. As compared to 2007, the growth increase is over 26%. The Russian market holds sixth place among all Nestlé's European markets, according to sales volumes. Last year, Nestlé strengthened its leadership positions in Russia across numerous categories in the food and beverage market segment. Nestlé's total investment into Russian economy has reached 800 million US dollars (Q4 in 2008)

Today, Nestlé in Russia – is this:

- Close to 10000 employees
- 13 production facilities located in such cities as Timashevsk (Krasnodar Krai), Zhukovsky (Moscow Oblast), Barnaul, Perm, Samara, Vologda, as well as Vorsino (Kaluga Oblast), manufacture confectionary goods, coffee and beverages, baby food, breakfasts cereals, ice cream, culinary, mineral water, and pet foods
- 10 sales offices across the country
- Over 500 trademarks, among them the following:
- Instant drinks (NESCAFÉ®, NESQUIK®, etc.)
- Ice cream (48 Kopek, Kimo, Rozochka, MEGA®, EXTREME®, etc.)
- Baby food (Nestlé®)
- Chocolate and confectionary products (Rossiya – Shedraya Dusha®, Bon Pari®, NUTS®, Nestlé Classic®, Shok, NESQUIK®, “Zolotaya Marka”®, etc.)
- Culinary (MAGGI®)
- Breakfast cereals (Bystroff® , Nestlé®)
- Bottled water (PERRIER®, VITTEL®, Clear Water®)
- Pet food (PURINA®, FRISKIES®, DARLING®, GOURMET®, DOKO®)



Nestlé's Concept of Corporate Social Responsibility Creating Shared Value

For a business to be successful in the long term it has to create value, not only for its shareholders but also for society. In Nestlé we call this Creating Shared Value.

In Nestlé we have our own vision of Corporate Social responsibility and sustainability. For Nestlé social responsibility is not something that have been taken from outside: on the opposite, corporate social responsibility is the integral part of the company's business strategy and its business principles that define and regulate the professional and commercial activity of Nestlé.

“For a business to be successful in the long term it has to create value, not only for its shareholders but also for society. We call this Creating Shared Value. It is not philanthropy or an add-on, but a fundamental part of our business strategy.

Simply stated, in order to create value for our shareholders and our Company, we need to

create value for the people in the countries where we are present.

This includes the farmers who supply us, our employees, our consumers and the communities where we operate.

As a necessary condition for Creating Shared Value, we need to demonstrate responsible behaviour – by assuring compliance and sustainability. This includes complying with Nestlé Business Principles, national laws and international norms, and ensuring that our actions are environmentally sound, socially just and economically viable”.

(Nestlé Creating Shared Value report, 2007)

Creating Shared Value – Role of Business in the Society



Henri Nestlé founded our Company in 1866 on a single product, an infant cereal, which was created to save the life of a neighbor's child. From that time onwards, the fundamental strategy of our Company has been to create value for society, and in doing so create value for our shareholders.

As a result of this strategy, over the past 141 years Nestlé has grown from a small family-owned business to become the world's foremost Nutrition, Health and Wellness Company.

However, Creating Shared Value for society and investors means going beyond consumer benefit. The very first edition of the Nestlé Corporate Business Principles stated that "Our investments must be good for the Company and for the countries where we operate".

Creating Shared Value also means bringing value to the farmers who are our suppliers, to our employees, and to other parts of society. It means examining the multiple points where we touch society and making very long-term investments that both benefit the public and benefit our shareholders, who are primarily pension savers or retirees.

Over a period of decades, we have worked with millions of milk and coffee farmers to make them better suppliers, and in so doing, have helped them to climb out of poverty and to prosper. Today, Nestlé works with about 600,000 farmers globally, providing free technical assistance, infrastructure and over CHF 29.9 million of micro-credit loans. About half our factories are in rural areas in the developing world, and have a profound impact on family income, quality of life, and the future for the next generation.

Creating Shared Value additionally means treating the environment in a way that preserves it as the basis of our business for decades, and centuries, to come.

Ending dangerous trends in air and water pollution and mismanagement is basic to our being able to sustain a growing Food and Beverages business. We all share one home – planet earth – and the future of our business is inextricably linked to the future of the planet.

Creating Shared Value means thinking long term, while at the same time delivering strong annual results.

One of the fundamental Nestlé Corporate Business Principles is that "we will not sacrifice long-term development for short-term gain".

We aim for (and have achieved) consistent improvements in annual performance through what we refer to as "The Nestlé Model": annual organic growth of 5% to 6%, combined with a sustainable annual increase in the profit (EBIT) margin. But we resist short-term temporary business and social solutions. For instance, we have purposely avoided being listed on stock exchanges which require reporting of quarterly earnings, because we believe this can lead to business thinking which is too focused on the short term.

As a result of this approach to business, independent research on the Nestlé brand indicates that globally we are rated very highly on "fulfilling our responsibilities to society", and particularly in developing countries. The strength of the Nestlé brand, including its performance in this area, is fundamental to the success of our Company. It is a result of taking our relationship with society seriously over many decades, and building a brand based on Creating Shared Value.

Nestlé Chairman Peter Brabeck-Letmathe and Nestlé CEO Paul Bulcke announced new Nestlé initiatives in Creating Shared value at the New York Conference in April 2009

New initiatives of Nestlé in the field of Creating Shared value

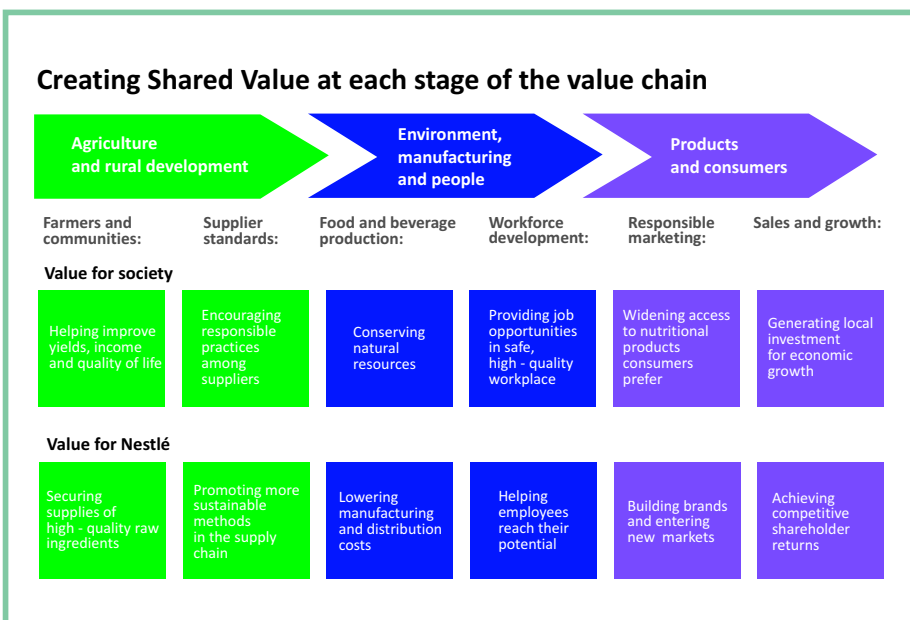
The long-term economic and social challenges the world is facing - population growth, availability of resources, particularly water, food security - cannot be solved by governments alone and corporations need to take responsibility and contribute to the solutions. To this end, Nestlé launches today a series of initiatives to further highlight its commitment to Creating Shared Value. These initiatives were announced by the Chairman of the Board Peter Brabeck-Letmathe and Nestlé CEO Paul Bulcke at the Creating Shared Value Forum in New York on 27-28 April 2009.



“The financial crisis which has resulted in the current deep recession revealed once more a basic business axiom: if you fail to work on behalf of the public interest and take shortcuts that place the public at risk, you will also fail your shareholders. We

believe that to have long-term business success you must simultaneously create value for shareholders and for the public. At Nestlé, we call this Creating Shared Value, and it is the fundamental principle behind the way we conduct business at Nestlé,” said Mr. Peter Brabeck-Letmathe, Chairman of the Board.

As a first new initiative, the Company is launching the Nestlé Healthy Kids Global Programme. Nestlé intends to double the number of countries in which it has nutrition and physical activity education projects by the end of 2011, bringing such schemes to over 100 countries where it operates. This new global programme addresses some of the world's most complex challenges today – both malnutrition and increasing obesity rates, particularly among school-age children. Nestlé currently supports education programmes that reach over 10 million children.



The second project - the opening of the Abidjan Research & Development Centre, Côte d'Ivoire, demonstrates Nestlé's commitment to rural development in Africa. The R&D Centre's new research programmes will help to increase agricultural productivity and the safety of foods by developing and improving local crops - such as manioc, corn, millet, coffee and cocoa - and cereal-based products in the West African region. The R&D Centre will also build on Nestlé's experience in tree propagation.

A third initiative, the Nestlé Prize in Creating Shared Value, provides financial support of up to CHF 500,000 (USD 461,000) to individuals,

NGOs, or small enterprises offering innovative solutions to nutritional deficiencies, access to clean water, or progress in rural development. Nestlé will award the prize every two years.

"Reducing water use, improving nutrition and helping rural communities grow in the ways they want to develop are as essential to the company's business strategy as they are to creating a healthier world. These new initiatives will benefit the people we touch and are essential building blocks for Nestlé to become the world's recognised leading nutrition, health and wellness company," said Mr. Paul Bulcke, CEO of Nestlé.

These new initiatives in nutrition, water, and rural development come against a backdrop of a deep economic recession, with destruction of value for both shareholders and the public of historic proportions. They are related to Nestlé's basic business strategy of nutrition, health, and wellness. Creating value for the public in terms of better nutrition, water, and food production is key to Nestlé building a sustainable business in the long-term. It makes a fundamental connection between shareholder value and community value.



Following its strategy to promote wellness and healthy life style Nestlé is supporting the National sport action "Healthy children, strong Russia" that has the purpose to develop physical training in schools and to identify talents for the 2014 Olympic games in Sochi. More information on www.ligasp.ru

About Nestlé's reports

Nestlé first explored the concept of Creating Shared Value in our 2005 report, *The Nestlé Concept of CSR*, which focused on our Latin American operations. Its authors, FSG – Social Impact Advisors, led by Managing Director Mark Kramer (also Senior Fellow at Harvard University's John F. Kennedy School of Government) then challenged Nestlé to provide further evidence. Since then, in conjunction with our business areas and advisers including SustainAbility and AccountAbility, Nestlé has identified and assessed critical issues, developed global performance indicators and engaged stakeholders in debate.

The result is this, our 2007 *Creating Shared Value Report*, a first step towards providing evidence that the successful creation of long-term shareholder value is dependent also on the creation of value for society.



Nestlé Reporting History

- Nutritional Needs and Quality Diets – 2008
- Creating Shared Value – 2007
- The Nestlé Water Management Report – 2006
- Nestlé, the Community and the UN Millennium Development Goals – 2006
- The Nestlé Concept of CSR as Implemented in Latin America – 2005
- The Nestlé Commitment to Africa – 2004
- Faces of Coffee – 2003
- Nestlé and Water: Sustainability, Protection, Stewardship – 2003
- The Nestlé People Development Review – 2002
- Sustainability Review – 2001
- Nestlé Environmental Progress Report – 2001
- Nestlé and the Environment – 1995

You can find these reports in www.nestle.com/csv/downloads, and translation of the report *Creating Shared Value (2007)* and *Nestlé Russia Creating Shared Report (2009)* in www.nestle.ru

Nestlé Rossiya – Work Safety, Worker Protection, and Environmental Impact

Nestlé has 13 factories in the territory of Russia. The investments made by Nestlé to the production modernization and training of personnel within the whole period of its activity in Russia amounts to 800 million US dollars.

Nestlé factories are a powerful engine for developing rural areas and creating new standards of quality in environmental protection, especially in developing countries. Nestlé has taken noticeable strides in reducing negative effects on the environment, which results in cost-cutting and promoting ecological sustainability in the long term.



Waste treatment system at the "Nestlé Kuban" factory in Timashevsk (Krasnodar Krai)

Industrial Health and Safety

Nestlé always had and continues to dedicate its time and efforts to health and workplace-safety issues of employees and contractors, since it is our human resources who create the value that Nestlé is proud of. The position of Nestlé's top management is reflected in, "Even one accident is one too many!" and it is precisely from this position that we set our goals on safety in the workplace and develop plans for their realization. It is important to note that the Nestlé Russia and Eurasia market holds a leading position in matters of industrial work safety.

The LTIFR (lost time injury frequency rate) indicator reflects lost time injury frequency rate per million work hours and includes data from our company employees and contractors. For several years now, the company LTIFR indicator has been one of the lowest, and last year it was at 1.14.

However, realizing the importance of workplace safety and the value of life and good health of individuals, we are always striving to increase safety and bring the LTIFR indicator down to zero. This is realistic: several factories in our market have completed 2008 without a single lost time injury.

Such a result became possible thanks to many factors. The company management in practice supports the culture of workplace safety, while companies in the Nestlé Russia and Eurasia market have organized SH&E programs (safety, health and environment) that employ competent and skilled professionals.



Work is being done in the area of professional safety and environment, which is made possible due to strong technical support services and company engineers, as well as environmental specialists.

The SH&E services are very active at many factories on the market. They organize training and audits on safety behavior (the behavioral-based safety audits), work safety days, incident emergency risk team exercises, and comprehensive tests for civil defense at the workplace, safe driving days, and other.

The "Nestlé Kuban" factory in Timashevsk was inaugurated in November 2005 and became the first full-cycle production facility for instant coffee in Russia. The factory produces Nescafé Classic soluble coffee, Nescafé coffee mixes and other Nescafé products.

In October 2008 Nestlé announced its intention to invest CHF 240 million into the expansion of this coffee factory. The investment goes into the introduction of state-of-the-art technologies and processes which will allow a significant capacity increase in this facility. The Timashevsk factory will benefit from Nestlé's freeze-dry technology which will create coffee products of superior quality and create additional benefits to the Russian consumers. This investment will turn "Nestlé Kuban" into the largest Nestlé coffee production in the world.

* Terminology, p.21



The "Rossiya" factory in Samara is one of three largest confectionery factories in Europe and is the Nestle's flagship enterprise in Russia

We continue to improve our efforts in the area of environmental protection. The instant coffee plant in Timashevsk ("Nestlé Kuban") was outfitted with brand new equipment – a system for burning the outcoming gases waste and a filter. This allowed for a reduction in smells during the production process of instant coffee, as well as emissions into the atmosphere. Furthermore, the up-to-date waste water purification system was built at the site. The cleaning system for discharged water purification includes an anaerobic purification and waste water separation.

The facility in Zhukovsky (Nestlé Zhukovsky), located near residential areas, has installed a catalytic gas discharge system for air purification, using a Yatagan gas converter.

The factory in Samara had installed a system for purifying waste water as well as a system for monitoring the quality of waste water.

The amount of energy and water used per production unit is being constantly reduced. By the end of 2009, we have planned to reduce our consumption of energy by 3% and water by 5% per 1 ton of output product.

Due to the optimization of technological processes, not only the consumption of resources is being reduced (water and energy), but the effects on the natural environment, such as direct emissions of CO₂ into the atmosphere.

Practically every factory in Russia (with the exception of the new branch in Tuchkovo) has successfully passed Nestlé's CARE audits for compliance with internal requirements and standards and with labor laws and local laws concerning the environment and safety in the workplace. The average score for all 11 factories was very high – 89% (the general index according to blocks of labor laws, business integrity, safety

and environment); and according to SH&E – it scored 79%.

In 2009, audits will be carried out in regional sales offices and at the head office in Moscow; while in 2010, they will be conducted in the distribution centers.

Another important direction in SH&E service operations is the certification of facilities according to international ISO 14001 standards and OHSAS 18001 (Occupational Health and Safety Management Systems). Nestlé's global task for its manufacturing facilities is to complete certification by the end of 2010. Of the 13 factories belonging to various businesses and working on the Nestlé Russia and Eurasia market, four have already been certified, three of which have installed integrated management systems in the field of industrial health and safety and environmental protection.



Nestlé's factory in Perm "Kamskaya" is called a Home of Kit Kat. Kit Kat is the main product out of 75 other products produced at this factory

The leaders in our market are: Kamskaya Factory (Perm), Rossiya Factory (Samara), and Domodedovo Factory (Moscow). They've completed their certification according to both the ISO 14001 and the OHSAS 18001 standards. Altai Factory (Barnaul) was certified according to OHSAS 18001, and Perm (Cereal Partners Worldwide, or CPW) according to the ISO 14001 standard. Certification for the flowing four factories is planned for 2009: Timashevsk (Krasnodar Krai), Vologda, Zhukovsk (Moscow Oblast), Vorsino (Kaluga Oblast), and Namagan (the Republic of Uzbekistan). Concerning the market, it plans to complete certification according to both standards by the end of 2010.

and the Moscow head office have completed the NQMS system integration process (Nestlé Quality Management System) and were

successfully certified. NQMS, which includes ISO 9001 standards (quality management system), and ISO 22000 (food safety management system). The basis for introducing the integrated management system that will include quality standards, work safety, and industrial health and environmental safety, will be will be the professional experience of our colleagues in quality service. An integrated system will help to make the management process more logical and efficient, while maintaining what was already working well.

The next challenge for SH&E program will be the implementation, together with the quality service, of a Nestlé Integrated Management System (NIMS). Our colleagues responsible for quality have extensive experience in implementing integrated management systems; this year nearly all production facilities



The ecological department laboratory in "Nestlé Kuban" factory in Timashevsk

A test facility for implementing a first integrated management system in our market will be the confectionary factory in Perm. This site was not selected at random: it was this factory that was one of the first to implement the quality control system and completed both ISO 14001 and OHSAS 18001 certification.

Nestlé companies located in Russia will face many new challenges related to the unification of production capacities and expansion of Nestlé Rossiya Ltd. It will entail the introduction of work safety systems at sales rep offices, management offices, and company distribution centers, licensing of hazardous production objects, and more.



The coffee packaging line in "Nestlé Kuban" factory

TERMINOLOGY

ISO 14001 – Environmental Management System

OHSAS 18001 – Occupational health and Safety Management Systems

CARE – the CARE programme verifies Nestlé's commitments to be a socially responsible company and an environmentally sustainable company

LTIFR – lost time injuries frequency rate (Number of events related to lost time injuries per 1 million exposed man hours)

BBS – Behavior Based Safety

NIMS - Nestlé Integrated Management System

NQMS - Nestlé Quality Management System

Our Employees Nestlé – a Responsible Employer

The Success and Stability of a Large Company Largely Depends on Its Personnel

“The success of any company is determined by a few factors. These are: the product manufactured by the company, technologies required in production, and the management of the business. But the main component are the employees and the model of their work structure.

It is precisely this that separates one company from another, and what lays at the foundation of a corporate culture and creates the primary competitive advantage. Improvements in corporate culture allow for more efficient work results”.

Anna Slavnova, Personnel Director, Nestlé Rossiya



OUR EMPLOYEES

Nestlé – a Responsible Employer

Nestlé has a strong corporate culture with over 280,000 employees working in more than 100 countries. Of this total, 34.5% is located in Europe; 38.3% in the Americas; and 27.2% in Asia, Oceania, and Africa. Approximately half of our employees work in developing countries, where they were born. For example, only 3% of workers at Nestlé's African businesses were born on a different continent. Close to 10,000 people are employed in “Nestlé Rossiya” factories and offices.

The success and stability of a large company depend largely on its personnel. Long-term investments in staff training allow workers to get better jobs and regular pay raises, while providing Nestlé with quality professionals. This is precisely why the company is committed to personnel development and training.

A fundamental principle at company production facilities is work safety. All company employees undergo mandatory introductory instruction and workplace training, as well as an introduction to the Principles of Safe Behavior, which helps build lasting practices in everyday life as well as at work.

Weeks of Work Safety, carried out by the company every year, offers practical training, as well as demonstrations through various games and competitions. Children of our employees can also participate: they have a drawing contest called Safety through the Eyes of Our Children, in which not a single contestant is left without a prize.

Days of Open Doors, which take place at Nestlé factories in Russia, allow school children and adults to find out about company achievements. In the course of

educational tours conducted by factory employees, visitors are shown technological processes and the high quality of ingredients used in their favorite products, building customer loyalty. And, needless to say, not a single tour ends without a tasting of favorite treats.

It is wonderful to make high quality and delicious products and it is even better to know they're superior to similar products by competitors. Navigating through the nutritional qualities of company products is made easy with the Wellness Program, the primary goal of which is to create the basics for healthy eating habits. The program includes

company employees at all levels, and extends to their children, who embrace the contest because of a drawing contest in which they win prizes.





"Even one accident is one too many"
Award of the best auditors at
"Kamskaya" factory in Perm

Children are our future, but sometimes it is so difficult to find the right approach to their upbringing, especially when we spend the majority of our time at work. To help parents find their bearings in the fast-changing world of children's realities and adult life, there is a program called One World: Adults and Children. Company employees with children aged between one and six can now get advice from professionals about psychology and education.

A "Nestlé and I" survey of company employees helped identify company strengths and weaknesses. In 2007, the survey showed that Nestlé should pay more attention to training managers, who manage people. As a result, the Grow 2 Manage program was devised, aimed

Excursion to the "Rossiya" chocolate factory is the best time for first form school children of Samara

at developing and improving leadership qualities and management skills. Furthermore, all program participants will learn how to improve their communication skills with both their subordinates and colleagues.

The company is interested in bringing the most talented employees into their ranks, people with creative potential who are able to develop and build on hundreds of years of experience. With this objective, leading learning institutions of the capital offer lectures to students that will help them make the right choice when deciding on a place of work.



There are specially devised internship programs for college graduates, leaning in two different directions: marketing and finance. In the course of such a program, young professionals gain experience and insight into marketing, sales, delivery chains, and finance, which helps them see the full picture of how processes in various functional subdivisions are interconnected. And after completing the two-year program, Nestlé is positioned to offer the best of them full-time employment either as marketing or financial specialists.

A FAIR WORKPLACE

Nestlé has a strong management framework that guides employee relationships. The principles are laid down in the Corporate Business Principles and Human Resources Policy, with guidelines adapted according to local laws and customs. It is our policy to abide by national laws in all countries in which we have operations and to comply with the ILO conventions regarding child labor and fair employment.

Nestlé's compliance with local laws and with our Corporate Business Principles is verified by CARE, our independent audit program, which covers areas of human resources, occupational health and safety, and the environment.

Nestlé respects the right of employees to form representative organizations and to join (or not to join) trade unions, provided this right

Management of the Perm branch of "Nestlé Rossiya" LLC: the award of the OHSAS 180001:2007 (Professional health and safety management system), November 2008



is freely exercised. It is our policy to govern the relationship with unions in accordance with national laws and the practices outlined in the Nestlé Corporate Business Principles. There are Collective Bargaining Agreements in 19 developing countries, covering nearly 40,000 employees.

The basics of good nutrition is taught to all employees at the Wellness sessions. Training at the Nestlé Zhukovsky factory.



Listening and responding to employee views is a company practice. Businesses within Nestlé listen and respond to employees. Nespresso globally conducted an independent survey that provided constructive feedback from employees on a range of topics. A clear finding was that Nespresso employees wanted the business to take a fresh look at internal communications. Nespresso responded by running structured workshops to help translate desired policy into action. Various initiatives were implemented as a result, including more opportunities to meet and share ideas (for example, “mystery lunches” and monthly departmental meetings).

HIGH PERFORMANCE CULTURE PROGRAM

In 2007, the company launched its High Performance Culture program. It

was developed in accordance with research on employee satisfaction, conducted by the Boston Consulting Group in 2006. In the course of the research, it became evident that working at Nestlé would become even more attractive to those who are open to improvement and strive toward achieving high results in the workplace, provided the company has a more involved approach to such concepts as motivation, achievement recognition, team work, personnel development, and service culture.

The High Performance Culture program has been successfully implemented for two years at the company head offices and several factories. As a result, the internal climate at the company has improved: every employee now understands that Nestlé has the structure to utilize their ideas, experience, and skills, which will aid in achieving even greater results.



Work in Nestlé means a career in the largest international company, best business practices and standards since 1866, personal contribution in creation of high quality and nutritional products, professional employees that are open to share their knowledge and experience

Nutrition, Health, and Wellness

Nutrition is the core business strategy within the Nestlé project to create shared value for society.

Nestlé is a global food company, striving to provide people with food products and beverages of the highest quality. Creating shared value, today Nestlé draws special attention to three principal strategies: nutrition, management of water resources, and development of rural areas. Achievement in these fields directly influences success in business as well as the ability to satisfy the growing demands of society. Supplying products with nutritional value made the company a world leader in the fields of nutrition, health, and a healthy lifestyle. Nutrition is the core business strategy, within the scope of which Nestlé is creating shared value for society: this strategy is also the main source of value for company shareholders.



To ensure maximum impact, this program focuses on our company's best sellers. In 2007, following this program, products with a sales value of 14.6 million Swiss Francs were tested, making the 60/40+ the largest nutrition focused program in the food and beverage industry.

Under the 60/40+ program, Nestlé Rossiya improved a series of products from the Maggi assortment. This is one of the most popular fast-cooking range of products in the country, without harmful trans-fatty acids and with a reduced salt content.

The company is supported by the Nestlé Nutrition Council, established 30 years ago and composed of leading nutrition scientists. The Council aims to review nutrition-related issues, and advise senior management on Nestlé's policies and strategy. Over the last 10 years, the Council has examined issues such as diabetes and childhood obesity; on its advice, changes to Nestlé policies on the reduction of trans-fatty acids, salt and sugar levels in food, as well as iron and other nutrient fortification, were made. "Nestlé Rossiya" collaborates with the National Institute of Nutrition under the Russian Academy of Medical Science, whose specialists are conducting research on the positive effects of a range of "Nestlé Rossiya" products on the human body.



Applying Science and Technology

Nestlé applies science and technology to formulate products that address intestinal health issues, healthy ageing and sports performance.

- In the early 1990s, Nestlé was one of the first to use probiotics – beneficial bacteria that help strengthen the immune system.
- Nestlé developed technologies to replace partially hydrogenated fats with natural vegetable oils in Maggi bouillon cubes and seasonings, and supplement them with iodized salt to help prevent thyroid problems and impaired development of children.
- The PowerBar sports nutrition bar contains a supplement proven to provide endurance athletes with long-lasting mental alertness;
- A reduced fat cappuccino technology produces the creamy head for Nescafé Cappuccino, while reducing the fat content.

Nestlé research and development staff worked for over a decade to perfect Low Temperature Freezing technology (LTF), a process designed to destabilize fat droplets in ice cream, while retaining the taste and texture of conventional ice cream, but with only half the fat and a third fewer calories. LTF technology is used in Nestlé brands such as Dreyer's Slow Churned, La Laitière, La Lechera, Häagen-Dazs and Mövenpick.



Tackling Obesity

Obesity occurs when energy consumption exceeds energy expenditure over time, and the excess is stored as body fat. One of the main causes of obesity is excessive consumption of high-calorie foods, such as fatty snacks and sugary drinks.

Nestlé Response

Nestlé's strategic response consists of the following:

- Recipe innovation and renovation, seeking to optimize nutrition, for example, by removing trans-fatty acids or reducing fat, sugar or salt content;
- The 60/40+ program, delivering taste and nutritional superiority over competing products;
- Branded active ingredients, providing additional nutritional benefits;
- The Nestlé Nutritional Compass, providing comprehensive nutritional information that allows consumers to make informed choices;

- Telephone helplines, providing one-to-one advice on products, including about nutrition
- The development of special brands and technologies such as Lean Cuisine, Jenny Craig and Slow Churned ice cream

Nestlé has a responsibility to provide consumers with nutritious products regardless of where these products are sold and of their price point. To help to provide the 2.8 billion people around the world who earn less than USD 10 (CHF 11) per day with affordable food products, we have renewed our Popularity Positioned Products (PPP) initiative. Our Ideal powdered milk, sold in Brazil, is just one example of how

value is shared both by Nestlé and society. In Russia popular with low-income consumers are bulk chocolate sweets and well-known Nestlé brands sold in small packages, such as Nesquik cocoa in 100-gram pack, Nescafe coffee in soft packets, and Maggi bouillon cubes and seasonings. Economy-class products are not cheap products in terms of quality, but offers that combine an affordable price and high standards, which is achieved by reducing packaged amounts, new formats, and economic packaging.



Food piramide is an example of a balanced food diet



Responsible food labelling

While discussions continue about the best approach to food labelling, Nestlé has already introduced the Nestlé Nutritional Compass back in 2005. This is an on-pack information panel that provides consumers with relevant, easy-to-understand nutrition information. It is a global labeling scheme that translates into billions of clearer nutrition labels in the hands of consumers. Today, the Compass appears on all company products.

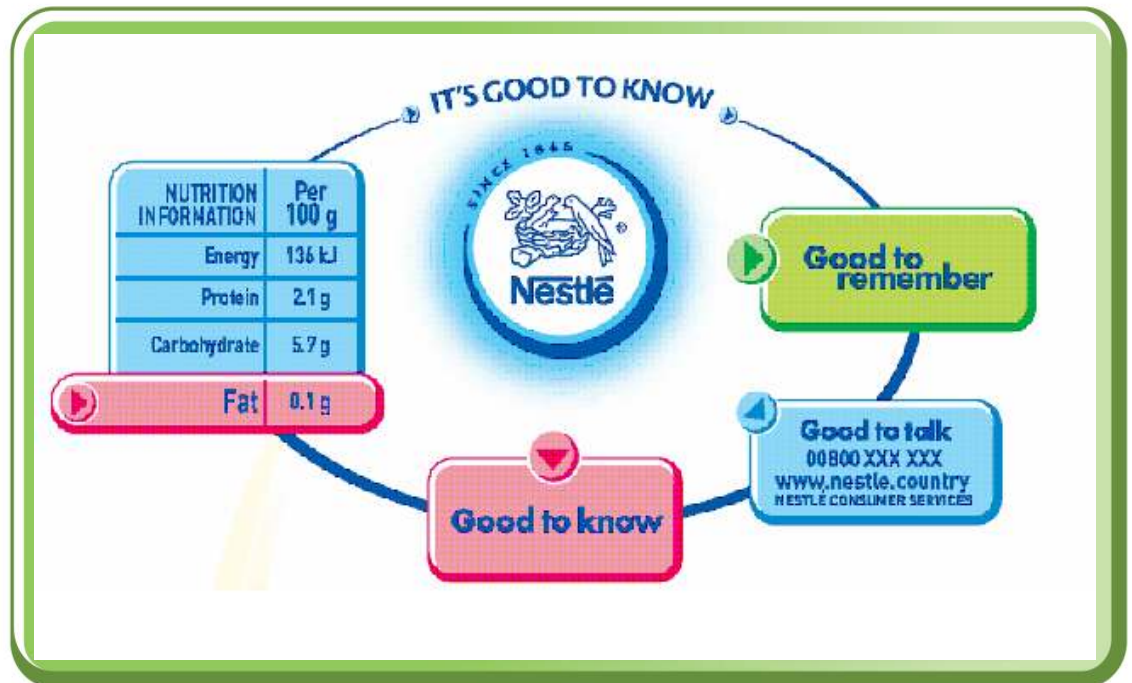
Built around a nutrition content table, the Compass includes the following information:

- *Good to know*: key nutrition information relating to ingredients or issues of public concern (for example, fat, sugar or salt content, but also iron or fiber content and its effects on our health)

- *Good to remember*: tips for healthy enjoyment of the product;
- *Good to talk*: contact information and internet links to further information on line

The on-pack contact details provide access to 96 Consumer Services teams around the world. Nearly three-quarters (73%) of the 10 million calls the Service receives each year, are requests for product information, nutritional advice or recipes. Over 40 million consumers worldwide choose to receive information and advice from Nestlé through e-mail or direct mail. In 2008, Consumer Services Team in Russia has processed more than 20,400 requests from consumers.

Nestlé nutritionists work with various stakeholders to develop the Compass and ensure its continued relevance.



You can learn more about the Compass by visiting our site:
<http://www.nestle.ru/health/compass/>

“Good Food, Good Life”

In 2008, Helpful News from Nestlé, a television campaign, was launched for a wide consumer audience. The basis of the program is the promotion of food products such as 48 Kopeek ice cream with vitamin supplements, Maggi for second course for fish, which has a catastrophically low consumption rate in Russia, Nesquik instant chocolate drink with an energy boost for kids, enriching their diets with necessary vitamins and minerals, as well as a snack for kids – Nesquik chocolates, now with one third dairy ingredients. Julia Kostyushkina, a world acrobatics champion, acted as the hostess of the campaign, whose example served as a convincing testimonial to the benefits of a healthy lifestyle.

For Nestlé employees, the television campaign was used as yet another reason to go over the principles of healthy nutrition.



The central idea conveyed by the video complemented the material learned during NQ training by employees.

Training Program NQ

Underscoring our belief in the importance of good nutrition, we also empower our own colleagues with a global nutrition training program called Nutrition Quotient (NQ). Using different modules, all employees, from the Executive Board to factory workers, can learn about the new findings of Nestlé Research Center scientists and obtain first-hand information about the science of nutrition. The total number of participants in Nestlé training programs exceeds 10 million people. At the end of 2008, approximately 2,500 employees have completed their training at Nestlé Rossiya.



A Healthy Lifestyle is Easy and Delicious

A healthy lifestyle – is it difficult? A healthy eating zone in a store – is it impossible?

Nestlé successfully answered these questions with its Get the Taste for a Healthy Life with WellNes campaign, which took place in the summer of 2007 in Moscow, Saint Petersburg, and Yekaterinburg. Each person that took part in the campaign had the opportunity not only to try Nestlé products, but to find out everything about a healthy life and good nutrition. The following Nestlé brands were involved in the campaign: “Rossiya – Schedraya dusha”, Nescafé Gold, Nestlé Fitness, Maggi, Bystroff, Saint Spring, Coffee-Mate, 48 Kopeek, and for the little ones – Nesquik, Pomogaika and Nestlé, transforming a run to the store from simple shopping into a wonderful opportunity to learn all about good nutrition, try healthy food, and start living a healthy life.



Health March

Health March is a program in which workers from “Rossiya” Factory in Samara, “Kamskaya” in Perm, “Nestlé Zhukovsky” in Zhukovsky of Moscow Region participated, and that included lectures from doctors, nutrition specialists. Lectures addressed such topics as the role of nutrition in a healthy lifestyle, problems arising from bad eating habits, and the main indicators of a healthy lifestyle. Employees were encouraged to ask nutrition specialists

questions. After the lecture, employees were asked to fill out a form that helped evaluate their basic level of knowledge of nutrition. All forms were later submitted to a contest for the right answer and winners received prizes.

Furthermore, one-on-one consultations were offered to factory workers. Professional nutritionists evaluated their diet and levels of physical activity, and gave recommendations where correction

was needed. Workers showed great interest in an offer to evaluate their main health indicators, such as body mass index, arterial blood pressure, body composition, cholesterol levels, etc.

Health Marches at “Nestlé Rossiya” factories are a large-scale company effort and took place at its regional branches under the strategic program “Good Food. Good Life”.



Nestlé and society

We believe that profit and caring for people are not only compatible, but that to be successful, we have to be viewed as adding positive value to the people in the countries where we operate.

A fundamental part of the Nestlé long-term business strategy is to create value for society while we create value for the company. This business philosophy is one of the reasons that Nestlé has been able to grow from a small company in Switzerland in 1866 into the world's largest nutrition, health and wellness company, larger than our next two food and beverage competitors combined.

We believe that profit and caring for people are not only compatible, but that to be successful, we have to be viewed as adding positive value to the people in the countries where we operate. We do that first of all through the products we produce – that they add to the nutrition, health, and sense of wellness of our consumers. We also do this through our operations themselves – through investments in factories with good

working conditions which are engines of economic development. In addition, we try to have a positive impact through following strong business principles with zero tolerance for corruption, and through investing in the skills of our people.

We also have a philosophy of sharing our knowledge and expertise with society as a whole and supporting activities that are consistent with our principles. For instance, the Nestlé Russia “Good Nutrition” program, which has reached 3 million children, is one of over 30 similar Nestlé programs around the world which help encourage healthy eating practices among children. This commitment goes back decades, long before the founding of Nestlé Russia 12 years ago, and is a part of an overall business philosophy of building a respected company name by playing a positive role in society.

While Nestlé Russia is still young, it has already gone far in creating a strong name for itself by playing a positive role in the daily life of Russians. Nestlé Russia is poised for significant long-term growth, which will be built on leveraging our products, basic business operations, and the knowledge we possess for the greater good of society.

*Niels Christiansen
Vice President of Nestle S.A.
Head of Public Affairs*

More than a Century of Social Responsibility

In the middle of the 19th century, a Swiss pharmacist, Henri Nestlé, created a revolutionary new product – an alternative to breast milk, a baby formula enriched with all of the nutritional properties of breast milk – a necessary substitute when a mother is unable to breastfeed her infant.

With time, this idea found its future in other high-quality products, which won customers' trust worldwide for their nutritional value and consumer appeal. This trust had always

given Nestlé the motivation to move further with its commercial ambitions and create shared value for the company and shareholders, and for society as a whole.

Social responsibility is a voluntarily assumed obligation of the company, reflected naturally in all aspects of its businesses. At Nestlé, corporate social responsibility is understood as the creation of shared value both for company shareholders and society.

Nestlé Supporting Arts

Nestlé values continue to live thanks to the development of innovative ideas that serve consumer interests. The company's involvement in sponsorships is proof of this. This is one of the ways for the company to express its responsibility for, and solidarity with, civil society.

Nestlé makes its contribution to Russia's cultural life and helps support great Russian art. From 1996, the company has been the general sponsor of the Moscow Symphony Orchestra, the first independent orchestra in Russia not to depend on government support.

In the world of Russian dramatic arts, Nestlé is known for its support of such major projects as the Golden Mask Theater Festival, the Chekhov International Theater Festival, the Third International Moscow Theater Olympics, as well as other theater projects. As of 1999, Nestlé has been an annual sponsor of the Mariinski Theater, performing in the Stars of White Nights Festival, dedicated to

300 years of Saint Petersburg. As of 2007, Nestlé has been a sponsor of the largest musical event in the country – the Moscow Easter Festival, under the direction of Valery Gergiev.

Another wonderful project supported by the company – for the third year in a row – is the Moscow Oratory Society. Each concert put on by this choir, made up of amateur singers, fills concert halls. Lovers of choir singing, many of whom are foreign nationals, charge the hall with so much energy and love of singing that they already have a Moscow Oratory Fan Club that does not miss a single performance.



Nestlé is proud to support such interesting projects as the We Want to Dance Festival put on by the Kalinka Center of Children's Folk Art; Christmas Meetings on Mokhovaya, a festival of the children and young-adult theater studios of the Nikolai Simonov Public Charitable Actors' Foundation of Saint Petersburg; the Moscow All-Russia Festival of School Theatres "Russian Drama" and "Maiskii Zhuk;" a contemporary youth drama competition of the M.A. Balakirev Children's School of the Arts; performance by the Academic Symphony Orchestra of the Samara State Philharmonic; the Documentary Film Festival "Salt of the Earth" of the Volga Region Public Historical and Cultural Foundation (Samara); and others.

For its active charity work and long-term support of the Russian arts, Nestlé was honored in 2003 with a Golden Mask Award and in 2004 it was a recipient of an honorary diploma and a commemorative gold mark, the Patron of Arts, awarded to Nestlé by the Board of Directors of the Patron Foundation.

The Moscow Symphony Orchestra (MSO)

For more than 10 years, Nestlé has been the general sponsor of the Moscow Symphony Orchestra (MSO), the first independent orchestra in Russia entirely independent of government support. The orchestra was founded in 1989 and is considered one of the best in the country. Conductors have included such renowned masters as Arnold Katz, Igor Golovchin, and Sergey Stadler. Performing as guest soloists were such distinguished musicians as Vadim Repin, Yuri Bashmet, Victor Tretyakov, Alexander Knyazev, Alexander Rudin, and many others. Since 2000, the orchestra has been under the direction of Vladimir Ziva, Russia's Honored Man of the Arts, Laureate of the State Prize of the RF, and multiple recipient of the "Conductor of the Year" Award.

Nestlé began its cooperation with the Orchestra in 1996 by sponsoring the "Memorable Dates in Music" project. At the time, the orchestra

was well-received abroad, but hardly known to Russian aficionados of classical music. Today, largely thanks to Nestlé's support, the MSO is rightfully considered one of the best musical ensembles in Russia, filling large halls and receiving accolades from critics in Moscow and abroad.

Since 2003, the Moscow Symphony Orchestra, in cooperation with Nestlé and the management of the Archangelskoye Estate Museum, conducts a series of open-air summer concerts in order to raise money for the reconstruction of the Archangelskoye Estate Museum. Summer festivals at the estate enjoy great success and each year attract more and more music lovers.



Educational Programs

The very first issue of the Nestlé Management and Leadership Principles had a clearly defined company position stating that “company investments must not only work for our benefit, but aid in the well-being and prosperity of countries where the company operates”.

Nestlé's commitment to Russia and its special care for Russian children is proven by the company's investment in children's educational programs. In the course of 10 years, beginning in 1996, Nestlé has been the general sponsor of a children's television program, Ulitsa Sesam, the Russian version of world's best loved

children's educational program Sesame Street. Also, together with developmental physiology specialists, Nestlé developed a nationwide school program for younger grades called Good Nutrition Program. The program adheres to Russian culinary traditions and teaches children the basics of good and healthy nutrition.

In March 2009, the company began a series of culinary workshops called “Cooking Together” for recent graduates of orphanages. The objective of these workshops is to teach adolescents to cook simple, tasty meals and to help them with assimilation and adaptation to new

environments. Nestlé volunteers participate in the program, as do teachers from Roof, a charitable organization that developed this program with Nestlé.



Culinary session "Cooking together" involve graduates from orphanages and Nestle volunteers. It is organized by Nestle together with Roof charity

NESTLÉ GAVE KIDS SESAME STREET

From 1996 to 2006, Nestlé sponsored a children's educational program Sesame Street. This is a Russian version of the international education program Sesame Street that has been making millions of children in more than 120 countries happy for forty years. In various languages – English, Hebrew, Russian or Zulu – Muppets, Sesame Street's puppet characters, help pre-school and lower grade school children learn to read, count, share with friends, work together, respect different cultures, and maintain the love of learning throughout their lives. In cooperation with producers from different countries, leading education specialists, and radio and television companies, the Sesame Workshop television program develops local versions of the program.



In October 1996, Sesame Street premiered in Russia. For several television seasons Russian children, together with the show's characters Zeliboba, Businka and Kubik, were acquiring useful knowledge and skills. With warmth and humor the show's characters discussed problems that kids may encounter in their day-to-day life, taught children to be respectful of people around them, and to be curious about all that is new. The program applied modern theories from Russian teachers and psychologists, effectively teaching preschoolers, introducing them to Russian culture, raising their awareness in art, and helping them acquire useful skills. This program anywhere in the world proves time and time again that if children are engaged and interested, they learn.

Sponsoring Sesame Street is one of the most important investments in Russia for Nestlé, together with the Good Nutrition program. By introducing children to the principles of a healthy lifestyle and helping them develop their creative abilities, Nestlé is making a contribution to the education and health of Russian children, which means – to the future of Russia.



Talking to Children about Good Nutrition

Nestlé has developed and sponsored many community education programs around the world to improve the understanding of the importance of good nutrition and physical activity. Good eating habits are formed at an early age, so much of the focus in these programs is on school children.

- France and the EU: The Nestlé-sponsored program, Together, Let's Prevent Childhood Obesity, began as a pilot project in 1992 in Northern France. It has now been adapted by 10 other French cities and several European countries, and has created the Prevent Childhood Obesity Network, funded by the EU and Nestlé.

- Switzerland and Hungary: The Nutrikid program is a joint venture between the Swiss Society of Nutrition, Nestlé Alimentarium (Food Museum) and Nestlé Switzerland and Hungary, reaching 170,000 students with classroom kits offering education in nutrition in the form of videos, game cards, and books.

- Brazil: The Nutrir program has reached out to 800,000 children, between the ages of 5 and 14, training Nestlé volunteers to creatively promote nutrition, hygiene, and health.

- Thailand: The Healthy Thai Kids wellness-in-school campaign reached 5,000 primary school children.

For a detailed overview of these programs, visit www.nestle.com/csv/education

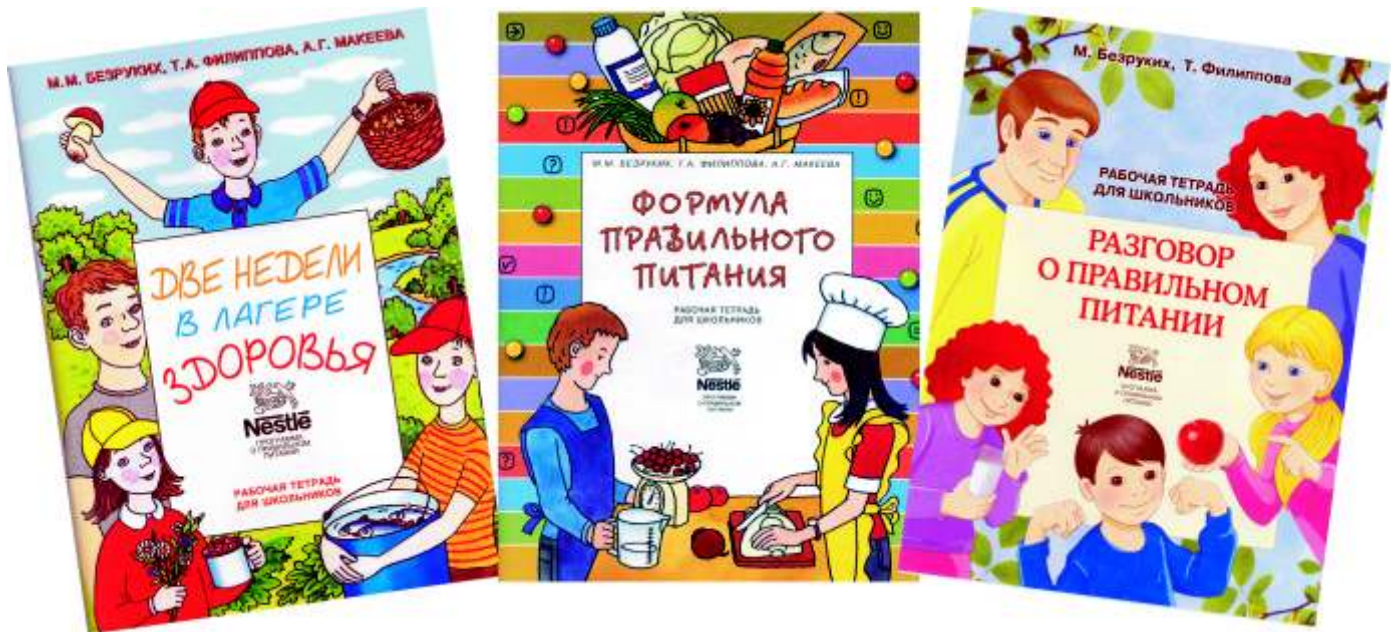
- The program reaches almost 3 mln school children
- The program has been adapted by schools in 27 regions of the Russian Federation
- Nestlé's commitment to the program exceeded 150 mln roubles over the last ten years

The first project (from an initiative announced at the Creating Shared Value forum in New York in the spring of 2009) was the launch of Nestlé's Healthy Kids program with a global reach. The objective of this initiative is to launch educational programs by 2011 to develop a culture of good nutrition and to introduce children to a healthy lifestyle in countries where Nestlé has business operations, or where this program does not yet exist. Upon completion of this project, the program will be in place in over 100 countries where Nestlé has businesses. This program will also

help to resolve such immediate problems as malnutrition and obesity in children, especially among school children. Similar projects are already underway in many countries with Nestlé's support and the total number of children who have benefitted from such programs is close to 10,000,000.



The Good Nutrition Program in Russia



Recognizing the importance of good nutrition in children's health and a healthy lifestyle, Nestlé decided in 1999 to create a special educational program for children and adolescents, called Good Nutrition program. This program was developed at the Institute of Developmental Physiology in the Russian Education Academy. M.M. Bezrukikh is the director of both the project and institute.

The goal of the program is to introduce children and adolescents to the culture of nutrition as a component of a healthy lifestyle. The program operates with support from the Ministry of Education and Science of the Russian Federation and regional education administrations and departments. Today, the program extends to 27 Russian regions and reaches more than 300,000 preschoolers and school children each

year. Over the years the program has reached close to 3 mln children and Nestlé's contribution has exceeded 150 mln roubles.

The program is made up of three modules: "Good Nutrition program" for children ages 6 – 8, "Two Weeks at a Health Camp" for ages 9 – 11, and "Formula for Good Nutrition" for kids aged from 12 to 14. Each module consists of a learning kit with vibrant and colorful notebooks for students, teaching guides for teachers, and posters and brochures for parents. The program content is based on Russian culinary traditions and is strictly grounded in science.

The program can work in various types of educational institutions. Right now it extends not only to public schools, but also to

kindergartens, continuing-education centers, clubs, and other facilities. It is also actively used in orphanages and reform schools. Thanks to Good Nutrition program, pupils receive a very useful socialization experience: they learn to design a family menu, set the table, and the rules of table etiquette.

As part of this project, "Nestlé Rossiya" organizes annual contests for teachers, children, and families.

Education within this program is designed to be entertaining for kids. It differs from regular lessons in that it is a system of games, assignments, contests, and celebrations that help children easily and successfully learn the secrets of good nutrition.

Teachers participating in the teaching contests present their teaching plans to a jury. Winners from the regions come to Moscow for the inter-regional part of the competition. The best ideas and suggestions are published each year in continuously updated teaching guides. Laureates of the inter-regional aspect of the project are awarded valuable prizes by “Nestlé Rossiya” and letters of appreciation from the Ministry of Education and Science.

Each year in June in Moscow, “Nestlé Rossiya” holds an inter-regional conference called “Raising a Healthy Generation”. Regional coordinators of the Good Nutrition program are invited to participate in the conference, including workers from regional education departments and teachers and winners of regional teaching-guide competitions. The



objective of the conference is to consolidate the most efficient ways for implementing the program, discuss problems that may arise from Good Nutrition program, and set objectives for next year. Leading specialists in the field of developmental physiology, nutrition, and teaching give lectures dedicated to new scientific research trends. As part of the conference, participants get to meet famous actors, writers, and musicians.

After 10 years of existence, the results of the program prove its effectiveness. Research conducted in the regions is proof positive that involvement in the project really does allow school children to acquire useful skills and knowledge related to nutrition. Children begin to adhere to a diet and rules of hygiene, and when selecting meals or products, they tend to favor healthier options.

More than 70% of parents notice that the program affected the family's eating habits as a whole. Adults started paying more attention to nutrition, adding healthier dishes to their menu and having regular meals.

Project results allowed the Ministry of Education and Science of the RF to recommend to all regional education management structures in Russia to draw from Nestlé's experience with the Good Nutrition program in their efforts to improve the health of the younger generation.



Strong Partnership

“Nestlé Rossiya” supports popular national and regional charitable organizations of spotless reputation whose objectives coincide with operating principles of the company. Nestlé sees its goal as developing a proactive and effective charity structure in Russia and does not wish to see its role in this field reduced to simply giving away products or funds. With this in mind, Nestlé elected to support organizations that initiate projects that work with children (rehabilitation, the development of various skills), invalids, and the elderly.

Among major long-term projects is the collaborative effort with SAMU Social Moskva* and athletic programs for children of Dmitry and Matvey Shparo's Adventure Club.

SAMU Social Moskva

For more than six years, Nestlé has been working together with a non-profit charitable foundation rendering emergency assistance to street children, called SAMU Social Moskva, by donating food products and organizing fundraising concerts. Every day from 8 p.m. to 12 a.m., mobile teams made up of a driver and security guard, consulting doctor, and a psychologist in a specially equipped automobile peruse the streets of Moscow, offering medical and psychological assistance, or simply food and conversation, to street children. SAMU Social Moskva advises on health issues, arranges hospitalization in an emergency, consults on how to prepare or reinstate documents, and offers assistance in improving social contacts. Often the SAMU team are the only adults to whom street kids

** SAMU – is an acronym for the French Service Ambulatoire Medical d'Urgence, a mobile emergency service. Together it reads: Emergency Social and Medical Help.*

will turn for help or advice. SAMU representatives look for an opportunity to radically change the life a child if that child so wishes. To respect the child or adolescent's opinion and rights, regardless of his situation, is SAMU's guiding principle.

Dmitry and Matvey Shparo's Adventure Club

Nestlé's cooperation with the charitable health foundation, Dmitry and Matvey Shparo's Adventure Club, began in 1998. Nestlé sponsored a children's expedition to the highest peak in Europe – the Elbrus Mountain – organized by the Adventure Club, to rid the mountain of garbage. Nestlé established a prize for the “Best Garbage Collector”.

In 2000, with Nestlé's support, the Adventure Club founded a children's ecological camp, the Big Adventure, which in its first year hosted 100 children who have distinguished themselves through their practical contribution to local ecology. Among them were deaf kids from Zelenograd. Nestlé supplied food products during the early years of the sanatorium, from 2000 until 2003. The sanatorium grew both in quality and numbers. In 2007, the Adventure Club received a Gran Prix of the All-Russia Contest of Scientific Research Materials on Organizing Rest and Recreation for Children. In 2008, the sanatorium hosted 2,500 children, 1,800 of whom were from troubled homes, orphanages, and Moscow shelters; and 500 children were from correctional schools in Moscow, Mordovia, Chuvashia, Karelia, and Leningrad and Yaroslavl Regions. Nestlé provides food during children's travel from Moscow to the camp, and back.





In 2005, Nestlé supported a huge undertaking that the Adventure Club organized together with the Russian Track and Field Federation: the Russian and British relay called “The Great Russian Way”, from Vladivostok to Saint Petersburg. “There was help with food for athletes who covered dozens of kilometers every day, and

treats for boys and girls who greeted official relay contestants across Russia. It was surprisingly productive and fun. And the wonderful Nestlé products, especially Shok candy bars,” club director, Dmitry Shparo, said.



In 2008, Nestlé gave presents to all participants of the regular Evening of the Adventure Club for Moscow invalids with 750 people involved.

The latest important event in the 11-year relationship between Nestlé and Adventure Club was the new program in Karelia Children Travel with Dogs. The kids, 13 to 17 year olds, get very excited about going on trips with dogs. The dog is attached by a leash to a child's belt. The child carries a backpack while the dog gets his own bag; and the “adventurer” is responsible for his four-legged friend (the groups are made up of 10 kids and two instructors). During winter excursions, children look like North Pole explorers, traveling on skis or dog-pulled sleds. From October 2008, the Adventure Club receives food for their 38 canines. “The food was well received by our dogs – they are strong and beautiful”, says Dmitry Shparo. “It should be mentioned that, starting in 2007, the sanatorium began operating year round, and in the winter of 2007-2008 and this winter, the sanatorium opened its doors to 600 kids from Moscow correctional schools, under the designated urban program of integration and rehabilitation of young invalids. We all understand that we have found a simply wonderful form for social and psychological rehabilitation for handicapped children. The triad – nature, adventure, and dogs – affects them in the best possible way. Thus, Nestlé is involved in a truly innovative educational program, Big Adventure in Karelia, aiming to develop, raise, and improve the health of children aged 13 to 17, including kids who found themselves in a difficult living situation, and handicapped children. We hope that our collaboration with Nestlé will continue in the future.”

Corporate Volunteers

The involvement in volunteer work of as many company employees as possible is one of Nestlé's recent goals. Volunteer work has become even more relevant in times of financial crisis, when funding of charities has been significantly cut. Nestlé employees all over the world are involved in various volunteer programs. In some countries these are large-scale long-term programs (Nutrir); in others it is a "volunteer day" or donations from employees toward certain programs. At "Nestlé Rossiya", corporate volunteerism has just gotten underway, but according to feedback from first volunteers, it is gaining momentum.

"Our first volunteer experience in Moscow was in improving the grounds of boarding school No. 80 in Moscow and the children's home in Fryazino," says Olga Prokhoda, SCV Manager, "Nestlé Rossiya" LLC. "Buying presents for the Angel Tree campaign that Nestlé organized together with the Salvation Army in December 2008 can also be viewed as an act of good will. This project showed that there are many kind people at Nestlé. Maybe everyone is not able to spend their weekends on volunteer work, but many are happy to buy something or make a donation. I know that many of Nestlé's employees have long been

volunteering without any help or company encouragement, and we only hope that there are more such people. At a corporate level, we plan to organize a donation day, together with the "Give the Gift of Life" Foundation, and to encourage volunteers for orphanages. And we will try to infuse our employees with our enthusiasm – after all, right now children and the elderly need our help."



The Boarding school #80 is prepared to meet school children after summer vacations. Nestlé charity action in summer of 2008

Angel Tree

The 2009 New Year's celebration will undoubtedly stay in the minds of children, those involved in the Angel Tree project, as the very best. This project was made possible by Nestlé volunteers who bought presents for the kids, and by the Salvation Army, whose officers made all the arrangements and delivered the presents. Usually children in orphanages receive identical gifts, but this year each child voiced his wish and all of them were written down on cards with a picture of an angel, provided by the Salvation Army.

A charity event was organized for children of the Maria plus Charity for invalid children who, during the winter holidays, were patients at the Reanimation and Surgical Wing at the Roshal Hospital, and for foster kids who live in school No. 4 in Moscow. They all had very different New Year

wishes, from board games to mobile phones to clothes. Salvation Army officers asked Nestlé for the presents and found the most enthusiastic response. Cards with angels were quickly distributed and by the following day the corporate affairs department, where gifts were being collected, was filled with boxes and bags with bright ribbons. Close to 200 Nestlé employees took part in this project, with some people donating three or four presents each.

Angel Tree is a project that the Salvation Army organizes all over the world for the past 30 years. In Russia, this was the first time, and Nestlé was the first company in Russia who supported this project.



Gifts for the boarding school #4 children made by Nestle employees

Regional Programs

Fundraising for regional programs

On July 13, 2007, a Nestlé Rossiya expedition consisting of 17 company members of the board conquered the highest peak in Russia and Europe, the Elbrus Mountain. Undoubtedly, climbing to the top together helps build team spirit and bring people together. However, this initiative from Nestlé Management had another, clearly defined goal: to help the needy by raising money for orphanages and children's programs in the regions where Nestlé has factories.

While planning the climb, company management appealed to their partners with an open letter, asking them to sponsor the project and help the needy. This initiative received an immediate response not only from actual participants of the expedition but from representatives of many Russian and foreign companies, such as Crown Cork Kuban LLC, Energo LLC, Dialit LLC, Fregat-S LLC, White and Case LLC (USA), CJSC Export Trade Foodline, Conditier Food LLC, Escort Service LLC, Publicis United LLC, and DLA Piper Rus Limited LLC (Great Britain). They all donated funds that made it possible to organize a series of charity projects in Russian regions where Nestlé has factories.



Ascent of Elbrus by the Nestlé Rossiya team lasted 10 days in July 2007. It was an international team, with representatives from Russia, France, Belgium, Switzerland, Germany, Great Britain, the USA, and Canada.

During the expedition, the team climbed the Cheget Mountain (3300 meters), reached glacier lakes (3350 meters), trained at Bochki Mountain Lodge (3450 meters) and Priut 11 (4200 meters), and on the seventh day of the climb, after a near 9-hour assault, conquered Elbrus.

The total grant funding came up to over 700,000 roubles. The recipients were selected by a council of experts, formed by Nestlé Rossiya together with the Russian representative office of the British charity foundation CAF Russia, which was also involved in disbursing funds to children's organizations. These organizations were selected from four regions: the Samara, Altai, Krasnodar, and Perm regions. Winners of the Climbing Elbrus competition included nine projects for orphans and foster children. Various equipment was acquired with these funds, both educational and recreational. Many of the projects laid the foundation for new aid and social adaptation programs for kids.

The very hard way to the top of the mountain turned out to be the most direct way to solve problems of those in need of real help.

Winning programs

1. Municipal Educational Institution (MOU) for orphans and foster children, Children's Home No. 1, Altai Region, city of Rubtsovsk, project "Sensory Room – Necessity, not Luxury"
2. MOU for orphans and foster children, Children's Home No. 2, Altai Region, city of Rubtsovsk, project "Sport – for Children"
3. MOU Special (Correctional) Educational Residential Facility VIII, Type No. 1, Altai Krai, city of Rubtsovsk, project – "Smart Hands – Worthy Life"
4. Chaikovsky Local Public Organization "Foster Family Council Danko", Perm Region, project "Hello, Grandfather Frost!!!"
5. Association of Educational Institutions of Perm Region for Children – Orphans and Foster Children "Renaissance", project "We Love Sport!"
6. Krasnodar City Public Charity Organization "ODA" (city of Krasnodar), project "Access to Education – a Step Toward Independent Life"
7. Aid Foundation for Children Invalids "Nadezhda", City of Krasnodar, Project "Life and Sport for All"
8. State Educational Institution (GOU) for orphaned and foster children (special (correctional) orphanage and foster home, and facility for children with learning disabilities), City of Syzan, Samara Region, Project "Sport Serpentine"
9. Samara Public Organization for Wheelchair Invalids "Desnitsa Association", (Samara), project "PhotoRainbow"

Factories and charity

Thirteen Nestlé companies, located in cities such as Timashevsk (Krasnodar Region), Zhukovsky (Moscow Region), Barnaul, Perm, Samara, Vologda, and Vorsino Township (Kaluga Region) produce confectionary goods, coffee and beverages, baby food, breakfast cereals, instant cereals, mineral water, and pet food. Investment in production capacity upgrades and personnel training over the last 12 years of company operations on the Russian market amount to more than 800 mln US dollars. In addition to these investments, Nestlé makes significant contributions to the development of regional social programs that promote education, culture, and healthy lifestyles. Active charitable deeds by the company are noticeable in every region where the company has businesses. Adhering to company strategy on creating shared value not only for shareholders but for society, Nestlé, together with local administrations, creates projects that create value for local residents. Various charity organizations in Moscow and the regions helps Nestlé in this endeavor, organizations with whom Nestlé has been working on different charitable projects over the last several years, following the company motto: “Nestlé: let's make life better!”.



The Year of the Family celebration in Krasnodar. Awarding of journalists and large families- heroes of publications



Chocolate adventure of children of Samara

“I Am a Citizen”

For over three years, as part of the I Am a Citizen program, employees of “Nestlé Kuban” offered assistance to 200 families in the Timashevsk region. First priority has been given to families of veterans and invalids of World War II, as well as families with a large number of children. Nestlé Kuban supports various projects for invalids, organized by the Timashevsk local society of invalids. Thanks to the help from the company, in the summer of 2007, 28 invalids had a chance to spend a day at the black sea. From June 2007, 500 low-income families in the Timashevsk region received a free subscription to the local paper, Znamya Truda.



“Nestlé Kuban” employees visiting people in need living in Timashevsk region within the program “I am a Citizen”

“Warming Children's Hearts”



The community charitable campaign, “Warming Children's Hearts,” has been taking place in Kuban since 2002 at the initiative of Krasnodar Region Governor, Alexander Tkachev. The campaign's aim is to help children from low income and large families, wards of correctional schools and boarding schools, and children of fallen soldiers. In the Krasnodar region, such charity campaigns occur twice a year. Nestlé Kuban is one of the most active partners in this project in the Timashevsk region. Involvement and help from the company helps kids to develop naturally and feel warmth and care from those around them. Before the start of the 2008 school

year, Nestlé Kuban, as part of the Warming Children's Heart project, gave away more than 50 certificates for clothing, footwear, and stationary to schoolchildren from low-income families in the Timashevsk region. “Our long-term partnership with the company helps us in being more efficient when it comes to resolving the numerous social problems in the region,” said the head of the department on family and childhood in Timashevsky Region, Anatoly Nesterov.

In our charity activity we are guided by the Nestlé Corporate Business principles and try to support programmes or projects that lie within the Nestle's sphere of Creating Shared value, namely: nutrition, health and wellness, wellbeing of children and youth, help to handicapped children and elderly people, donation for local needs. We appreciate and thank our partners and NGOs for helping us in accomplishing our charity endeavors in Russia. Unfortunately, because of the limited space we cannot enumerate all organizations Nestle works in the field of charity and arts support. Here are some of our partners:

In the field of Arts support:

1. The Moscow Symphony Orchestra
2. The Mariinsky theater – the Moscow Easter Festival
3. The Moscow Oratorio Society
4. The Center of the Children Folk Arts “Kalinka”
5. St. Petersburg Public Charity Fund of Actors named after Nikolai Simonov
6. The Theaterical Museum named after A.A. Bahrushin – Bahrushin charity festival
7. Children School of Arts named after M.A. Balakirev
8. The Academic Symphony orchestra of Samara State Philharmonic Society
9. Povolzhsky Public Historical and Cultural Fund – Festival “Salt of the Land”
10. The Moscow Russian Festival of school theaters “Russian Drama”

In the field of support for children educational and sports programmes

1. Charitable Wellness fund “Adventure Club” of Dmitry and Matthew Shparo
2. Children theater of the historical costume “Natali”
3. Charity Fund “Roof”
4. Regional Public charity “Tagansky Children Fund”
5. The Fund “Uchastie” (Sympathy) within the Media Union of Russia
6. Children Rehabilitation Fund “Inspiration”
7. St. Petersburg Public Fund “Winged Unicorn” for support of scout and pioneer movement
8. Charity Fund “Big Change”
9. Regional Charity Fund “Country of Childhood”
10. Regional Social-Rehabilitation center for teenagers “Solnyshko” (Barnaul)
11. Samara Regional Federation of Equestrian sport
12. The League of Social Partnership

In the field of support for handicapped children and adults

1. “Down Syndrome” Association
2. “DownSide Up” Charity Fund
3. The center of Extracurricular work “Ramenki”
4. Interregional Public Organization of disabled people “Pilligrim”
5. All-Russian Union of disabled people “Birulevo-Vostochnoe”
6. The Association of Young Handicapped People of Russia “Apparel”
7. The Regional Public Organization on Development of Artistic skills of orphans and handicapped children “Children of Maria”
8. The Regional Public Organization of Invalids “Perspectiva”
9. The Center of Invalids “Peleng”
10. Medvedkovsky psychoneurological nursing house in Timashevsk
11. Timashevsky nursing house for elderly and disabled people
12. The Timashevsk Division of Social care
13. The All-Russian Society of Disabled people, Timashevsk division
14. The Rehabilitation center for Children and Teenagers with disabilities (Samara)
15. Kirovsky Regional Public Organization within the All-Russian Society of Disabled people
16. The Municipal Special (correcting) educational institute for disabled children – boarding school 117 in Samara
17. The Perm Regional Division of All-Russian Public Organization of Disabled people “The President Programme for Support of Handicapped people”
18. The Perm Regional Federation of Physical arts, sport and creative work of handicapped people

We thank our long-term partners for sharing their expertise with us: CAF Russia, “Here and Now” Fund, “Give the Gift of Life” Fund, “United Way”, “Partners in Hope”, “Salvation Army” and many others.

Support of UN Global Compact Principles and Millennium Development Goals

Nestlé officially supports UN Global Compact and its 10 Principles developed on the initiative of the UN Secretary-General Kofi Annan. This initiative - a framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption - encourages businesses worldwide to adopt sustainable and socially responsible policies and to report on their implementation.

In our behavior in relation to all relevant stakeholders we are guided by the Nestlé’s Corporate Business Principles. They reflect the basic ideas of fairness, honesty and respect for people and the environment in all our business actions. Their ongoing evolution has seen the inclusion of the 10 UN Global Compact (UNGC) Principles on human rights, labour, the environment and corruption in 2002.

The UN Global Compact Principles	Some examples of Nestlé actions	The UN Millennium Development Goals
Human Rights Principles	Expansion of participation in International Cocoa Initiative and Nestlé specific cocoa projects in West Africa	1. Eradicate extreme poverty and hunger
Labour Principles	CARE independent audit programme covers areas of human resources, occupational health and safety, and environment	2. Achieve universal primary education
Environment related Principles	Reduced water consumption and influencing supply chain to adopt good water management practices; higher energy efficiency and lower GHG emissions; optimized packaging volumes and sustainable packaging; founding signatory, UNGC CEO Water Mandate	3. Promote gender equality and empower women
Corruption related Principle	Establishment of Nestlé Code of Business Conduct	4. Reduce child mortality
		5. Improve maternal health
		6. Combat HIV/AIDS, malaria and other diseases
		7. Ensure environmental sustainability
		8. Develop a global partnership for development

This table gives just a few examples of activities undertaken by Nestlé in implementation of its commitment as a member of UN Global Compact.

Read more in www.nestle.com/csv/downloads.

Nestlé supports the UN Millennium Development Goals (MDGs), which we regard as highly important objectives that, through partnerships which respond to local needs and harness local knowledge and capabilities, can result in positive, sustainable change. Nestlé’s creation of shared value for itself and society brings specific contributions to the UN Millennium Development Goals.

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