

Creating Shared Value

**Social report of Nestlé Russia
for 2014–2015**



Good Food, Good Life



TABLE OF CONTENTS

A MESSAGE FROM CEO OF NESTLÉ IN RUSSIA AND EURASIA MAURIZIO PATARNELLO.....	2
ABOUT THE COMPANY.....	4
OUR BUSINESS AND VALUES.....	12
GOOD NUTRITION AND HEALTH.....	24
ENVIRONMENTAL SUSTAINABILITY.....	36
NESTLÉ IS A RESPONSIBLE EMPLOYER.....	46
CONTRIBUTING TO THE PROGRESS OF SOCIETY.....	54



A MESSAGE FROM CEO OF NESTLÉ IN RUSSIA AND EURASIA MAURIZIO PATARNELLO

DEAR FRIENDS,

I am pleased to present you the fourth Creating Shared Value report of Nestlé Russia for 2014–2015.

We at Nestlé strongly believe that for a Company to prosper over the long time and create value for shareholders, it must create value for society at the same time. Therefore, we are striving to combine our efforts to raise and maintain a steady tempo of development for our Company with a solicitous attitude toward the environment and improvement of living standards. This is the foundation of Creating Shared Value.

We view it both as a socially-oriented way of doing business and as an integral part of the Company's business strategy.

We have set for ourselves those primary societal commitments that best meet the interests of our stakeholders and society. These are nutrition, water, and rural development. Nestlé is aimed at being the leading nutrition, health and wellness Company. We care about health and wellness of our consumers and are actively investing for the future through our network of research centers.

In 2014, we invested 4.6 billion rubles in production development in Russia. Last April, we opened a new baby food factory and distributor center in Vologda. Not only do we continue to take the leading position in the market for most product categories, but have also launched a series of innovative products. Despite the difficult economic situation, our sales have perceptibly increased compared to the previous period.

Our social commitments to developing ecologically sustainable rural regions envisage close cooperation with local farms and promote an increase in the quality of supply of basic raw materials for our factories.

Water, which is a key resource for the food industry, is an essential part of good nutrition. We actively promote healthy hydration at all ages, while making every effort to reduce water use in our own operations.

Nestlé is taking part in implementing a whole series of environmental and social programs. In 2014, the year of our 15th anniversary, our educational "Good Nutrition Program" was held in as many as 52 regions

of Russia. During this time, 6.5 million children took part in it. Another of our initiatives Start Healthy Stay Healthy aimed at raising awareness of parents and pediatricians about infant nutrition was also widely implemented.

In 2014, Nestlé joined other business representatives to launch an initiative aimed at providing young people with additional work opportunities. Within the framework of the Nestlé Needs YOUth program, we hired 1,503 young specialists in Russia and the Eurasia region and provided another 515 young people with apprentice opportunities.

In 2014, the Company supported a whole series of significant cultural projects, including the Annual International Chamber Music Festival "Window to Switzerland." In 2014, our Company became the official ballet sponsor for Russia's Bolshoi Theater.

You will find more information about all of this and our other projects aimed at developing business and satisfying society's growing needs in this report. We hope you will find this information worthy of your attention.

Sincerely yours,
Maurizio Patarnello,
CEO of Nestlé in Russia and Eurasia

ABOUT THE COMPANY

NESTLÉ IN THE WORLD: KEY FACTS AND FIGURES

Nestlé, the world's largest manufacturer of food and beverages, possesses great expertise in healthy nutrition and lifestyle. The Company does business in more than 197 countries all over the world, and its credo is to make life better for consumers through quality products and proper nutrition. The Nestlé Group, which employs approximately 339,000 people, has more than 442 factories in 86 countries. Today the Nestlé range comprises over 2,000 food brands.

Nestlé has the most extensive network of research centers among food producers worldwide. Collectively, the thirty-four research centers and 320 application groups located around the world – as well as the Nestlé Research Centre in Lausanne,

Switzerland – employ nearly 5,000 people. They conduct research in the field of foods, studying properties and influence on the human body. The results of that research allow the company to constantly improve the quality of its products. Such attention to research and development reflects Nestlé's desire to manufacture products that are delicious and beneficial to health.

Nestlé is among the ten largest companies in terms of capitalization, based on the global rankings of the Financial Times Global 500. The Company's growth and development have made it possible to improve the quality of life for millions of people around the world, primarily through the quality of our products and services, as well as through large num-

- 🌿 Nestlé in the world: key facts and figures
- 🌿 Highlights for 2014
- 🌿 Henri Nestlé's bicentennial
- 🌿 Nestlé in Russia – Eurasia region
- 🌿 Results for 2014 and further plans
- 🌿 Nestlé Russia's production facilities
- 🌿 Development of production
- 🌿 Expansion of the product portfolio and business development



bers of employment opportunities, the organization of the supply chain and a significant contribution to the economic development in the countries where we operate. The income of 4.1 million families is directly dependent on Nestlé, and that figure includes a large number of small landholders in developing countries. As of 2014, Nestlé supported the livelihoods of 695,000 farmers. In 2013, Nestlé's total expenditure for payment of wages and social benefits amounted to nearly 16 billion Swiss francs, and the total amount of corporate tax reached 2,589 million.

Highlights for 2014

98%

of our children's products met all of the Nestlé Nutritional Foundation criteria at the end of 2014.

Our "Healthy Kids" global program reached more than 7.6 million children in

73 countries in 2014.

Nestlé is ranked one of the top three global food and beverage manufacturers in the current Access to Nutrition Index (ATNI).

Top-3

We have audited 8,700 of our 10,000 tier-1 suppliers and have found out that

73% are fully compliant with our Supplier Code.

Nestlé remains the only infant formula manufacturer included in FTSE's "Responsible Investment" index,

FTSE4Good Leader

Nestlé was ranked first by the Oxfam charity in its 2014 "Behind the Brands" scorecard. The survey scored ten food and beverage companies on their efforts to improve food security.

The total volume of high-priority categories of raw material that are traceable by Nestlé back to the primary source amounted to

38%.

Water discharge per ton of product has been reduced by

52% since 2005.

72 Nestlé factories achieved zero disposal waste in 2014.

12,458 farmers were made more aware of child labor issues in 2014.

Nestlé Needs YOUth helped

11,832 young people in Europe find work or apprenticeship opportunities in 2014.

Energy consumption per ton of product has been reduced by

26% since 2005.

Henri Nestlé's bicentennial

In 2014, the Company celebrated the bicentennial anniversary of Henri Nestlé, a man who founded an infant cereal business.

Henri Nestlé (1814 – 1890)

was born in Frankfurt, studied to be a pharmacist's assistant and then moved to Vevey, a small Swiss town on the northeastern coast of Lake Geneva. It was in Vevey that Henri Nestlé undertook a research to create food for babies, who, for one reason or another, could not be breastfed. Thus he eventually founded a business for the production of infant nutrition.

Henri Nestlé, working closely with leading scientists and physicians, benefited from the advanced scientific experience of the time and used it to create a truly successful product that was easy to prepare.

Based on the latest scientific developments, "Farine Lactée," which appeared in 1867, became the finest baby food of its time. In fact, it was instrumental in the reduction of infant mortality due to insufficient or poor nutrition. It was first given to a premature baby who would accept neither breast milk nor the existing substitute.

After the new product had almost saved a child's life, lactic flour became widely accepted, and within just a few years it was available throughout much of Europe. Then, thanks to a merger with Anglo-Swiss Condensed Milk Co. in 1905, the Henri Nestlé Company was destined to become the world's largest manufacturer of foods and beverages.



In 2016, Nestlé will solemnly celebrate its 150th anniversary.



NESTLÉ IN RUSSIA-EURASIA REGION

It was in 1871 that Henri Nestlé entered into an exclusive agreement with Aleksandr Ventsel, a St. Petersburg merchant, for the supply of dairy products in Russia. At that time, the Company traced the dependence of human health on infant nutrition. According to the promotional materials, "Nestlé infant lactic flour. Nestlé condensed milk. The key to the future health of each person is proper, healthy nutrition during infancy."

Nestlé became active in the Russian market only in the early 1990s. The Swiss group opened its representative office in Moscow, and in 1996 it organized the Russian company Nestlé Food, LLC with its own

network of warehouses and a system for sales and marketing in order to promote and distribute its products. In 2007, the Company received a new name – Nestlé Russia – under which it operates today. In 2011, the company celebrated 140 years of its activities in Russia.

The Russian headquarters of Nestlé also run the Company's regional offices for the region of Eurasia, which includes Belarus, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan, Azerbaijan, Armenia, Georgia and Mongolia. As of 2014, the enterprises and offices in the region of Russia-Eurasia employed approximately 10,000 people. In the region of Russia-

Eurasia, Nestlé has 12 plants, 9 of which are located on the territory of the Russian Federation, which allows Nestlé to manufacture, on the local level, over 90% of the products it sells in the region.

The Company also has nine regional offices, which are located in St. Petersburg, Rostov-on-Don, Yekaterinburg, Novosibirsk, Vladivostok, Irkutsk, Voronezh, Nizhny Novgorod and Samara.

The Nestlé portfolio for the Russian market has more than 50 brands and 600 products. The full list of company products is published on the corporate website <http://www.nestle.ru/brands>.

Results for 2014 and further plans

The total revenue of the Nestlé Group companies for 2014 amounted to 91.6 billion francs (€86.5 billion). The net profit of Nestlé in 2014 increased by 44.3%, reaching 14.45 billion francs (€13.6 billion).

According to the results for 2014, despite the difficult economic situation Nestlé in the

region of Russia-Eurasia increased sales by 13.4% in comparison to 2013. Nestlé's total sales in the region amounted to 86.4 billion roubles. The Company continues to develop, despite the slowdown of the Russian economy, based on its faith in the long-term prospects for Russia, a country where Nestlé started its activities more than 144 years ago.

















The long-term success of Nestlé in Russia has been achieved through a strategy of long-term investment into local production, the development of products that meet the traditional tastes of consumers, active promotion of trademarks, continuous development of distribution networks, and the use of local raw materials and components.

Nestlé's cumulative direct investment into the Russian economy in 1996-2014 amounted to more than USD 1.8 billion.



Nestlé Factory in Samara

Nestlé Russia's production facilities

	<div>Samara: Confectionery Union Russia, OJSC (branch of Nestlé Russia, LLC)</div> <div> Confectionery: production of chocolate bars, chocolates, candy bars, NESQUIK cocoa drink</div>
	<div>Zhukovsky, Moscow Region: Manufacturing branch of Nestlé Russia, LLC</div> <div> Production of NESTLÉ ice cream</div>
	<div>Perm: Manufacturing branch Nestlé Russia, LLC; Serial Partners Rus, LLC</div> <div> Manufacturing branch of Nestlé Russia, LLC: manufacture of chocolate bars, candies, chocolate tablets, cakes, etc.</div> <div> Serial Partners Rus LLC: manufacture of breakfast cereals NESTLÉ FITNESS, NESQUIK, GOLD, KHRUTKA, etc.</div>
	<div>Timashevsk, Krasnodar Region: Nestlé Kuban, LLC</div> <div> Full cycle production of soluble and freeze-dried coffee under the NESCAFÉ trademark</div>
	<div>Vologda: Manufacturing branch Nestlé Russia, LLC</div> <div> Manufacture of NESTLÉ baby cereals</div> <div> BISTROFF factory: Production of instant cereals and cooking porridges</div>
	<div>Vyaznikovsky District, manufacturing facility Nestlé Russia, LLC</div> <div> Factory for production of culinary products under the MAGGI trademark</div>
	<div>Vorsino, Kaluga Region: manufacturing branch Nestlé Russia, LLC</div> <div> Factory for production of Nestlé Purina PetCare dry and wet pet foods under FRISKIES, FELIX, PRO PLAN and other trademarks</div>

Development of production

The Russia-Eurasia region plays an important role in Nestlé's global business as one of the largest markets worldwide.

The results for 2014 demonstrate the effectiveness of the company's strategy in the development of local production. A focus on the development of local production makes it possible to better meet the needs and demands of consumers and more quickly adapt to changing economic conditions.

The largest project implemented by Nestlé in Russia in 2014 was the opening of a new factory equipped with the latest technology for the production of baby cereals, together with a distribution center, in Volgda. The total investment volume in the implementation of the project amounted to 1.7 billion roubles. The factory, which produces 20 types of baby cereals, employs 300 people from the local community and has a total production volume of approximately 11,000 tons per year.

As part of an effort to meet the growing demand for NESCAFÉ products, at the Nestlé Kuban factory in Timashevsk (Krasnodar Region), the company launched a new line for the filling and packaging of natural instant coffee. It meets the latest technological standards for filling and packaging, setting a high level of quality and production efficiency.

The investment in the installation of the new line exceeded 130 million roubles.

Expansion of the product portfolio and business development

Nestlé managed to significantly strengthen its leading position in the Russia-Eurasia market in most product categories during 2014. This was achieved by understanding the needs and requirements of consumers and providing a wide range of new products, as well as through constant innovation and effective marketing support of strategic brands. In 2014, a number of Nestlé product categories achieved double-digit sales growth: NESTLÉ ice cream (20.6%); NESTLÉ PURINA pet food (24.3%); MAGGI culinary products (10.5%) and NESTLÉ PROFESSIONAL business (12.1%).

Nestlé is the leader in most categories where it is present, including instant coffee, professional coffee systems, culinary products, breakfast cereals and ice cream. Additionally, the company holds strong positions in the confectionery, infant food and pet food categories.

In 2014, factory continued to improve quality and expand the product range of MAGGI, the Russian market's leader in culinary products. Nestlé Russia presented a novelty: Thick stock MAGGI Dish Secret, which has no analogue in the Russian market. The new product, which has a thick consistency, contains natural vegetables and herbs, and a special pasteurization process with no preservatives makes it possible to preserve the full flavor and nutritional value of each ingredient. Thanks to convenient vacuum packaging, it's easy to store the product in the refrigerator. One pack of the product contains four servings. MAGGI has also introduced a new line for the main course MAGGI NA VTOROE with new improved recipes and pure ingredients with no taste modifiers or preservatives.

At the Nestlé Kuban factory in Timashevsk, Nestlé's largest enterprise for the production of instant coffee in Europe, presented a renewed NESCAFÉ Classic in 2014. In the production of instant coffee, only two ingredients are used: coffee beans and artesian water. Thus NESCAFÉ Classic is a completely natural product. Selected coffee beans from the best plantations of Indonesia, Vietnam, Brazil, and Peru are delivered to the factory. During the production process the roasted beans are ground in industrial coffee grinders and are treated with water, resulting in a rich coffee extract.

Then, with the removal of water under exposure to hot air, there emerge granules of instant NESCAFÉ Classic coffee, which preserve the flavor, aroma and useful properties of freshly brewed coffee. The renewed formula includes selected first-class coffee beans and special coffee roasting technology, which together achieve a product that is smoother but also more aromatic and full-bodied. The packaging design has also been updated.

The range of flavors in NESCAFÉ Dolce Gusto was differentiated by a novelty: the premium black coffee Espresso Barista. This truly Italian espresso is mostly prepared from coffee beans that are more deeply roasted. Arabica and Robusta beans are roasted separately and intensively in order to prepare Espresso Barista. That's how the coffee gets its consistent taste with a delicate, fruity aftertaste.

MAGGI was honored in 2014 as the National Trade Association's "Product of the Year" for a third consecutive time. The brand received honorary awards in two categories of culinary products: dry sauces (gravy) and bouillon cubes. The "Product of the Year" award is given annually with the support of the Chamber of Commerce of the Russian Federation and the Moscow International Business Association. The most popular Russian consumer goods receive the award.

At the end of 2013, MAGGI bouillon cubes, fortified with iron, won the prestigious international award "Innovative Product of the Year" in Russia.

NESQUIK cocoa drink has also been renewed. Now it's enriched with a special complex of vitamins and OPTI-START minerals. The formula for the complex was developed by experts from Nestlé Research Centre in Switzerland. It is composed of iron, zinc, magnesium, and vitamins A, B1, C and D. A glass of NESQUIK OPTI-START with milk provides 15-35% of the daily amount of vitamins and minerals required for a healthy child growth and development.

The BISTROFF range of instant cereals has also been fully updated. New recipes have a "home-made" composition. They use only high-quality ingredients familiar to everybody: oatmeal, whole milk, berries, fruits, salt and sugar. The packaging design has also been renewed, becoming brighter and more prominent. At the same time, BISTROFF instant cereals have become more accessible: instead of a single box containing six cereals, consumers can now buy the most popular flavors in individual bags. The BISTROFF porridges that require cooking have also been renewed, and the design and quality of the packaging has been changed. The soft, pleasant-touch packaging with a matte finish emphasizes the high quality of the product.

In March 2014, BISTROFF instant cereals won the "Test Purchase" program on Channel One Russia. BISTROFF cereals were recognized as the best, according to the people's vote and an expert laboratory.

Infant foods have also been changed. NESTLÉ baby cereals entered the Russian market in the form of powder packets. Like the cereals in standard packaging, they contain the bifidobacteria BL probiotics for the strengthening of infant immunity and providing a smooth transition to the first solid food, as well as vitamins and minerals needed for child growth and development. The new, sachet form makes it possible to provide the child with a varied menu of cereals. It's very convenient to use while visiting as a guest or on the road, as one needn't worry that the cereal will spill all over the place. The range of baby cereals has been differentiated with a range of rice-based products.

Nestlé's breakfast cereals business introduced a new category in July 2014: whole-grain bars under the NESQUIK trademark for children and NESTLÉ FITNESS for the adults who pursue a more balanced diet. The bar contains whole grains and is enriched with vitamins D, B2 and B6, niacin,



Nespresso Boutique at Atrium Shopping Center

folic acid, pantothenic acid, calcium and iron. The complex carbohydrates contained in whole grains are more slowly digested, so one feels satisfied longer.

Nestlé Purina PetCare, a Nestlé division that manufactures pet food, introduced a new product in the category of delicacies for adult cats: FELIX Party Mix. The product is not only tasty but also healthy because it contains protein, vitamins and Omega-6 fatty acids. FELIX Surprise and FRISKIES 85g have also been introduced.

A renewed line of DOG CHOW appeared on the store shelves in the summer of 2014. The new range focuses on proper nutrition for dogs of all life stages. The product was developed in accordance with the age and level of natural physical activity of dogs.

NESPRESSO Business continued to expand its presence in Russia. The fourth boutique for

connoisseurs of coffee and members of the NESPRESSO Club was opened in Moscow. The company entered a new territory of shopping and entertainment centers and launched a point of sales at Atrium Shopping Center.

NESCAFÉ DOLCE GUSTO released a limited series of coffee machines in partnership with the MINI automobile brand.

The six months of 2015 were also highlighted by the launch of several innovative products that have ultimately strengthened the status of our brands. The new line of the brand "ROSSIYA-SCHEDRAYA DUSHA" features favorite deserts, including chocolate bars with the taste of "Nut" and "Kievsky" cakes. Additionally, the range of ice cream was expanded with two new specialties from the strategic brands BON PARI Tyanuchka and EXTREME Intriga. The confectionery business also introduced a summer offering: BON PARI Berry Bears.





OUR BUSINESS AND VALUES

CREATING SHARED VALUE CONCEPT

We believe that value creation for our shareholders is a necessary condition for the success and prosperity of the Company. However, it certainly is not limited to such a description. The role of a global leader in the field of nutrition not only requires that we adhere to a socially responsible approach to business operations but also provides an opportunity to create significant long-term values for the benefit of society. This approach is called Creating Shared Value (CSV). We consider it a fundamental part of our business strategy, and consequently we apply it at all levels of corporate management.

The Nestlé Company is a recognized leader in the manufacture of food products, an expert in good nutrition and healthy lifestyle. As the population grows and health-

care challenges increase, the intrinsic value of our nutrition agenda will continue to expand. That is why Nutrition, Health and Wellness are at the heart of Creating Shared Value. Throughout its nearly 150-year history, the Company has been guided by the principles specified by its founder, Henri Nestlé, particularly the desire to improve people's lives.

The rational use of water resources and rural development are among the issues that are most vital to a modern society, and they therefore have been included among the main priorities of Nestlé social policy. The solution to these problems not only affects our production and operations activity but also opens up new prospects for business. Success in the development of these two areas significantly influences the lives of

Peter Brabeck-Letmathe (Chairman, Nestlé) welcoming guests from government, academia, civil society and business to the 6th Creating Shared Value Forum in Switzerland, which was co-hosted with the United Nations Conference on Trade and Development.

- 🌿 Creating Shared Value concept
- 🌿 Ten Nestlé corporate business principles (NCBP)
- 🌿 Summary of our commitments
- 🌿 Stakeholder engagement
- 🌿 Creating Shared Value Forum 2014
- 🌿 Nestlé Prize in Creating Shared Value
- 🌿 Stakeholder convenings
- 🌿 Awards and prizes in the area of CSR



Paul Bulcke (CEO, Nestlé) visiting Beijing in March 2014, to open the Nestlé Food Safety Institute, which works with authorities to help provide the scientific foundation for food safety policies and standards.



Our business is based on the principle of strict compliance with the existing national legislation and international conventions, particularly the Universal Declaration of Human Rights, world support of the U.N. Global Compact, and adherence to internal standards and regulations.

the people involved in the production processes. Thus it increases the general welfare of the farmers who sell their products to the Company, as well as rural communities, workers, small businesses and suppliers. Consequently, it is essential to ensure that the Company continues to implement this activity.

We have always been an environment friendly organization, and Nestlé's environmental policy is primarily intended to help preserve critical natural resources for future generations.

Our obligations to maintain social and environmental sustainability ensure the long-term role of Nestlé as an important strategic partner when solving these problems.

In order to improve the efficiency of our activity within the concept of Creating Shared Value, and solve the most urgent problems of our times, the key task is to establish close cooperation with all stakeholders in order to organize a collective fruitful activity for the good of society.

The fourth area which indicates the responsibility of our Company, despite not being contained within the strategy of Creating Shared Value, is the Nestlé program of support for young professionals. Its goal is to help young people in Europe in employment and vocational training by creating new jobs while providing opportunities for practical training and internships.

Water Management in Pakistan

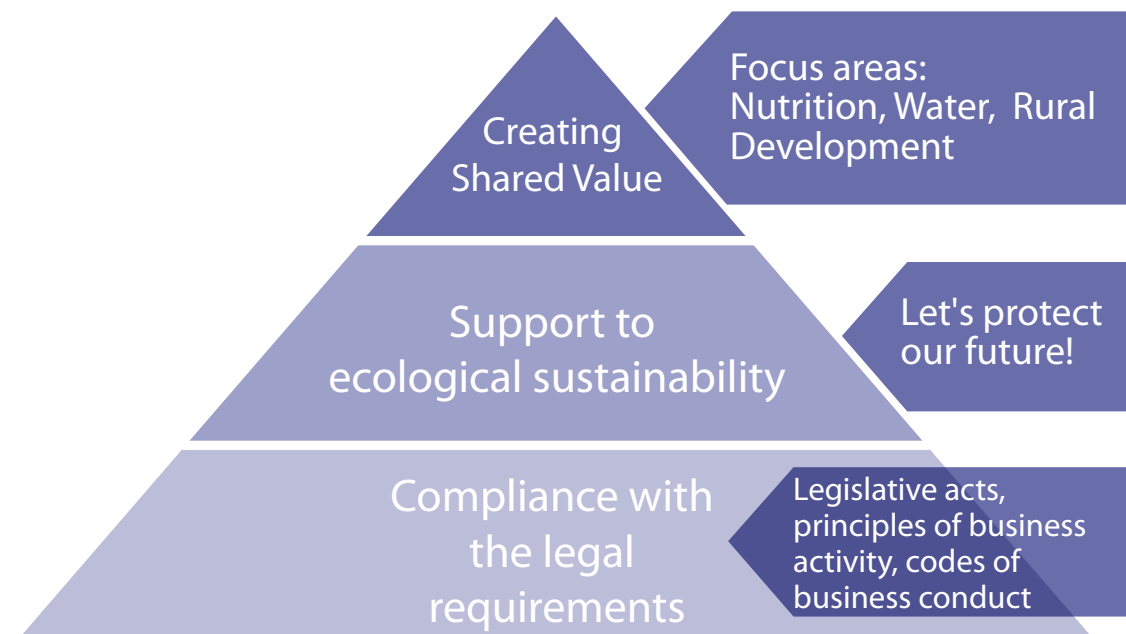
In line with our Commitment on Water Stewardship (2013), Nestlé actively seeks new opportunities to reduce, reuse and recycle water in our operations. We have introduced a global Water Stewardship Master Plan at a corporate level, and we have started to develop local master plans in key markets, beginning with Pakistan (2014). In December 2014, Nestlé Pakistan signed a partnership agreement with the World Wildlife Fund (WWF) to support the sustainable use and management of water.



Because agriculture uses roughly 70% of the planet's accessible freshwater, we promote sustainable development among the 700,000 farmers we directly work with and offer them support in addressing key challenges in water management and irrigation.

This includes resilience to drought and flooding, wastewater and organic waste treatment, and techniques to increase production.





Carbon Disclosure Leadership Index: in October 2014, Nestlé received a Climate Disclosure Leadership Index Award from the Carbon Disclosure Project (CDP) environmental sustainability rating agency, having achieved a score of

96 points out of 100

CDP Water Program: The CDP Water Program promotes corporate water stewardship. Nestlé's response was scored for the first time in 2014. We received a 'Leadership' rating,

with a maximum score of 20 and we were recognized for our water strategy and public policy commitments.

Dow Jones Sustainability Indices: the Dow Jones Sustainability Indices evaluate the performance of the world's major leaders in sustainable development. In 2014, Nestlé maintained

its score of 88 placing it second among manufacturers of food products.

FTSE4Good: Nestlé is still included in the FTSE4Good rating, measuring the performance of companies, which meet all the internationally recognized standards of corporate social responsibility.

Nestlé's position in the leading international environmental rankings and indices of social sustainability for 2014 demonstrates our success and progress on our social commitments.

Oxfam's Behind the Brands: in 2014, Nestlé again took the first line of the Behind the Brands scorecard, according to the Oxfam charitable organization, evaluating ten leading food and beverage manufacturers according to seven criteria, including the role of women in the supply chain, the level of interaction with farmers and the status of land rights.

TEN NESTLÉ CORPORATE BUSINESS PRINCIPLES (NCBP)

The Nestlé Corporate Business Principles are at the basis of our company's culture, which has developed over the span of 150 years. The corporate principles were first published as a separate document in 1998, and in 2010, an updated version of the principles became available on the Company's website. Observance of the principles of Nestlé business operation is the basis for the Company's mission to ensure environmental sustainability and create shared values.

Application area	Principle	Recognition
CONSUMERS	1 NUTRITION, HEALTH AND WELLNESS Our core aim is to enhance the quality of consumers' lives every day, everywhere by offering tastier and healthier food and beverage choices and encouraging a healthy lifestyle. We express this via our corporate proposition Good Food, Good Life.	Nestlé Nutrition, Health and Wellness Principles
	2 QUALITY ASSURANCE AND PRODUCT SAFETY Everywhere in the world, the Nestlé name represents a promise to the consumer that the product is safe and of high standard.	Nestlé Quality Policy Nestlé Nutrition Quality Policy
	3 CONSUMER COMMUNICATION We are committed to responsible, reliable consumer communication that empowers consumers to exercise their right to informed choice and promotes healthier diets. We respect consumer privacy.	Nestlé Consumer Communication Principles Nestlé Policy on Nutrition and Health Claims
HUMAN RIGHTS AND WORKING CONDITIONS	4 HUMAN RIGHTS IN OUR BUSINESS ACTIVITIES We fully support the United Nations Global Compact's (UNGC) guiding principles on human rights and labor and aim to provide an example of good human rights and labor practices throughout our business activities.	U.N. Global Compact Convention of the International Labour Organization (ILO) 87,138,182 U.N. Convention on the Rights of the Child: Article 32 OECD Guidelines for Multinational Enterprises 2000 ILO Tripartite Declaration on Multinational Enterprises and Social 2006
OUR PEOPLE	5 LEADERSHIP AND PERSONAL RESPONSIBILITY Our success is based on our people. We treat each other with respect and dignity and expect everyone to promote a sense of personal responsibility. We recruit competent and motivated people who respect our values, provide equal opportunities for their development and advancement, protect their privacy and do not tolerate any form of harassment or discrimination.	Nestlé Management and Leadership Principles Code of Business Conduct at Nestlé Nestlé Human Resources Policy
	6 SAFETY AND HEALTH AT WORK We are committed to preventing accidents, injuries and illness related to work, and to protect employees, contractors and others involved along the value chain.	Nestlé Policy of Safety and Health at Work
SUPPLIERS AND CUSTOMERS	7 SUPPLIER AND CUSTOMER RELATIONS We require our suppliers, agents, subcontractors and their employees to demonstrate honesty, integrity and fairness, and to adhere to our non-negotiable standards. In the same way, we are committed to our own customers.	Nestlé Supplier Code
	8 AGRICULTURE AND RURAL DEVELOPMENT We contribute to improvements in agricultural production, the social and economic status of farmers, rural communities and in production systems to make them more environmentally sustainable.	Nestlé Policy of Environmental Sustainability
ENVIRONMENT	9 ENVIRONMENTAL SUSTAINABILITY We commit ourselves to environmentally sustainable business practices. At all stages of the product life cycle we strive to use natural resources efficiently, favor the use of sustainably-managed renewable resources, and target zero waste.	Nestlé Policy of Environmental Sustainability
	10 WATER We are committed to the sustainable use of water and continuous improvement in water management. We recognize that the world faces a growing water challenge and that responsible management of the world's resources by all water users is an absolute necessity.	Nestlé Commitments on Water

SUMMARY OF OUR COMMITMENTS

All of Nestlé's social commitments are directly linked to the core and most burning challenges facing society. Publishing a list of social commitments assumed by Nestlé will allow our shareholders and all stakeholders to effectively monitor our Company's activities, oversee the implementation of our pledges and galvanize us to continuously improve our work. As compared to the previous year, the wording of our social commitments has been changed in order to enhance openness and transparency in the coverage of our activities. It should be noted, however, that the purport of our commitments has remained unchanged.

For more details on our approach to implementing social commitments, as well as the Company's policies and business operations, see the full version of the Report at www.nestle.com/csv/downloads.



Nutrition

Build knowledge leadership in children's nutrition

Lead the industry in nutrition and health research through collaboration

Provide nutritionally sound products designed for children

Help reduce the risk of undernutrition through micronutrient fortification

Reduce sodium (salt) in our products

Reduce sugars in our products

Reduce saturated fats and remove trans fats in our products

Encourage consumption of whole grains and vegetables

Deliver nutrition information and advice on all our labels

Provide portion guidance for consumers

Promote healthy diets and lifestyles, including physical activity

Promote healthy hydration as part of a healthy lifestyle

Provide education programmes for good nutrition and feeding practices

Ensure responsible marketing communication to children

Market breast-milk substitutes responsibly





Rural development


Roll out the Rural Development Framework to understand the needs of farmers

Implement responsible sourcing in our supply chain

Roll out the Nestlé Cocoa Plan with cocoa farmers

Roll out the Nescafé Plan with coffee farmers





Water

Work to achieve water efficiency and sustainability across our operations

Advocate for effective water policies and stewardship

Treat the water we discharge effectively

Engage with suppliers, especially those in agriculture

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





Environmental sustainability

Improve resource efficiency in our operations

Improve the environmental performance of our packaging

Assess and optimise the environmental impact of our products

Provide climate change leadership

Preserve natural capital, including forests

Provide meaningful and accurate environmental information and dialogue





Our people, human rights and compliance

Assess and address human rights impacts in our operations and supply chain

Eliminate child labour in key commodities

Ensure that all employees and stakeholders can easily report possible compliance violations

Work against corruption and bribery

Ensure all Nestlé units have basic safety and health protection systems for all employees

Enhance gender balance in our workforce

Offer 20 000 job opportunities for young people below 30 years of age at Nestlé in Europe

Provide CSV, nutrition (NQ) and environmental sustainability training for our employees



STAKEHOLDER ENGAGEMENT

Maintaining an effective dialogue with our stakeholders is central to Creating Shared Value throughout the Nestlé value chain. Delivering our commitments requires a collaborative approach, so it is essential that we listen to and understand the views of our stakeholders and address ongoing expectations.

Key groups of public representatives and external stakeholders
We have developed a global network that comprises representatives of all the stakeholders. This network brings together both the people with whom we interact on a regular basis in the course of our work, and a number of people, whose position has a significant impact on our business. We distinguish the following groups of stakeholders, cooperation with whom is extremely important for long-term success of our business (in alphabetical order):

- Academia
- Communities
- Consumers and the general public
- Customers
- Employees
- Governments
- Industry and trade associations
- Intergovernmental organisations
- NGOs
- Reporting agencies
- Shareholders and the financial community
- Suppliers (including farmers and smallholders)

CREATING SHARED VALUE FORUM 2014

The concept of Creating Shared Value is open to other companies as well. Many of them strive to unite the efforts of business and society in order to create common values on the basis of the new approach. Nestlé is working to promote these ideas at different levels, emphasizing the role of business in solving the most pressing social issues of our time, especially in the field of nutrition, water efficiency and rural development. Creating Shared Value forums are the tool designed to promote the Nestlé position. They are held every year in different countries, based upon the Company's initiative.



The largest forum was organized by Nestlé and held in Switzerland on October 9, 2014 in association with the United Nations Conference on Trade and Development. The participants discussed the issues related to the increasing role of business as a basis for the normal operation of any society. The forum was attended by more than 20 leading international experts, along with representatives of government, civil society, business, academic community and approximately 200 guests. The main topic of discussion was how to achieve the acceleration of sustainable economic development, focusing on such activities as nutrition, water conservation and rural development.

In June 2014, based on the initiative of Nestlé Russia and the Russian Federation Public Chamber Commission on Social

Policy, Labor Relations and Quality of Citizens' Life, the Public Chamber hosted the Third All-Russia Forum on Corporate Social Responsibility titled "Creating Shared Value: Joining Forces to Create a Healthy Environment." The representatives of the largest companies, as well as from the Public Chamber, nonprofit organizations, the Ministry of Education and Science of the Russian Federation, the Ministry of Public Health of the Russian Federation, the Russian Academy of Medical Science, regional structures and the media discussed the conditions required for building a culture of healthy lifestyles among the Russian people. The forum program consisted of two parts: the first part was dedicated to plenary sessions,

and within the second part there were organized two round-table conferences "Concept: Creating Shared Value and the Practices of Its Implementation in Russia" and "Health and Education."

In September 2014, Nestlé's Creating Shared Value concept was also presented at a conference co-sponsored by *The Moscow Times* and titled "Corporate Social Responsibility: The Best International Practice." During the conference Russian and foreign experts in the field of CSR discussed the latest trends in the development of social projects and shared their experiences in the implementation of social projects and charitable events.

September 2014 also brought the RBC conference "Corporate Social Responsibility: Unwanted Ballast or a Life Saver?" One of the main topics of the conference was the issue of cost reduction within the framework of CSR programs, as well as the choice of projects under the conditions of economic instability. Andrei Bader, the Director of Corporate Affairs at Nestlé Russia, told the conference

participants about the peculiarities of corporate management and the concept of sustainable business development as exemplified by the Nestlé business strategy.

December 2014 saw a round-table conference on "Creating Shared Value: Finding a Balance Between the Needs of Society and Business," with an address

by Maurizio Patarnello, CEO, Nestlé Russia. Olga Evdokimova, the head of a nonprofit organization Evolution and Philanthropy and Yury Blagov, the director of the PricewaterhouseCoopers Center for Corporate Social Responsibility, St. Petersburg University Graduate School of Management, shared their expert vision of the Creating Shared Value strategy.

NESTLÉ PRIZE IN CREATING SHARED VALUE



Nestlé S.A. awards a prize "Creating Shared Value" every two years in order to support business initiatives aimed at solving the most acute problems in the field of nutrition, water conservation and development of agricultural regions, doing so in order to increase the scale of these projects and their possible use as business models.

The prize is given to the initiatives which best meet the spirit of the concept of Creating Shared Value, the approach under

which each company can turn solving key social problems to its economic advantage. The competition considers innovative projects, programs or business models which have already been tested in pilot mode or have been implemented on a small scale, have demonstrated high efficiency in solving social and environmental problems, and need support in order to reach economic viability. In 2014, there were 757 applications from 93 countries to participate in the competition.

In 2014, the total winner of the competition and the holder of the "Creating Shared Value" prize was an East African company that sells honey under the banner "Honey Care Africa" in cooperation with 35,000 farmers in South Sudan.

STAKEHOLDER CONVENINGS

Our actions are also coordinated through the organization of regular meetings with the public representatives and all stakeholders. In 2014, such meetings at the global level were held in London with 49 participants and Jakarta with 92 participants. These events were attended by the representatives of non-governmental organizations, academic community, national governments, industry associations and international organizations.

The results of the meetings with the public representatives and stakeholders are brought to the attention of the Company's senior management and taken into account during the development of key areas of corporate policy and strategy, as well as during the planning of the activities for the next year. Moreover, the results of such meetings form a basis for the analysis of the most significant issues related to our production, operational and sales activity.

Maurizio Patarnello, CEO, Nestlé Russia, was elected vice-chairman of the Board of Directors of the non-profit partnership Rusbrand, Russia's largest association of manufacturers of consumer goods, a group that comprises more than 50 leading domestic and international companies.

Nestlé Russia took part in the establishment of the Association of Feed Manufacturers of the Eurasian Economic Community (EurAsEC AFM) in Moscow.

The key activities of the new association will include the technical, veterinary and customs regulation issues in the EurAsEC countries, the promotion of feed categories among end customers, and a campaign for responsible treatment of pets.

Nestlé Russia is a co-founder of the Russian Association of Advertisers, which aims to promote, throughout Europe, values on healthy nutrition and a pledge program designed to restrict advertisements targeting minors.

At the national level Nestlé also interacts with various community groups and industrial associations.

AWARDS AND PRIZES IN THE AREA OF CSR



The activities of Nestlé Russia and its subsidiaries in the field of corporate social responsibility are frequently praised by the public.

In 2014, Nestlé Russia won the first place in the annual ranking of "Leaders in Corporate Philanthropy" in the section "Manufacturing and Retail of Consumer Products," with the concept of corporate social responsibility "Creating Shared Value." Additionally, the children's educational program of Nestlé Russia "Good Nutrition Program" won the first prize based on its nomination as the "best program revealing the policy of corporate philanthropy and social investment principles of the Company."

In the total ranking Nestlé Russia was the seventh among 59 companies which participated in the study.

The Company has been present in the ranking since 2012.

Maurizio Patarnello, CEO of Nestlé in Russia and Eurasia, congratulated Olga Prokhoda, the head of the Department for Social Projects in Nestlé Russia, and Aleksandra Makeyeva, the head of the Department for Educational Programs, the "Healthy Kids" program of Nestlé Russia, as the winners in the 2014 ranking.



Once again in 2015, Nestlé Russia has been designated as an attractive employer for Russian students based on an annual survey conducted by the international research company Universum.

At the Randstad Awards ceremony, held in Moscow in April of 2014, Nestlé Russia was awarded as the most attractive employer in Russia in the nutrition category. The Randstad Award is given every year to the best employers based on the results of an independent study, within which are evaluated the Company's attractiveness and the potential candidates' key criteria for choosing a job, as well as their preferences and concerns.

In 2014, Nestlé Kuban was awarded the Public Recognition award established by the Public Chamber of Krasnodar Area. The winners of the Public Recognition award were ten companies and public organizations, whose contribution to the development of social business investment has been recognized as the most significant. Nestlé Kuban plays an active role in the life of Timashevsky District, Krasnodar Area. The Company implements a number of projects designed to help childcare institutions, low-income citizens, improvement and development of cultural life.

Nestlé Russia received the Captains of Russian Business award established by *Upravleniye personalom* (HR Management) magazine. The award ceremony took place on May 22, 2014 in Moscow at the Savoy Hotel, where the Company was honored in three categories: "Goodwill," "Best Employer" and "Best HR Director."



Konstantin Brykin, the chairman of the Krasnodar Area Public Chamber for economic policy hands out the "Public Recognition" award to Marina Kamardina, the representative of Nestlé Kuban LLC and the manager of corporate communications

The winners of the "Public Recognition" award were chosen by a competent jury composed of well-known Kuban public figures, journalists and scientists. According to Konstantin Brykin, the chairman of the Committee on Economic Policy of the Krasnodar Area Public Chamber, "By establishing such a worthy award we wanted to point out the merits and achievements of the organizations which develop and promote the culture of entrepreneurship, the responsible attitude of companies toward their employees, and the charitable activity of businesses and nonprofit organizations."



GOOD NUTRITION AND HEALTH

Our ambition is to be the world's leading Nutrition, Health and Wellness company.

We are committed to producing only high-quality food and beverages and promoting the principles of healthy nutrition and active lifestyle. These are the most important parts of Creating Shared Value for Nestlé. We want our consumers to be able to make conscious choices in favor of healthy food and beverages. Nestlé aims to improve the quality of life by manufacturing products of better taste and optimal nutritional value.

NESTLÉ GLOBAL APPROACH TO NUTRITIONAL ISSUES

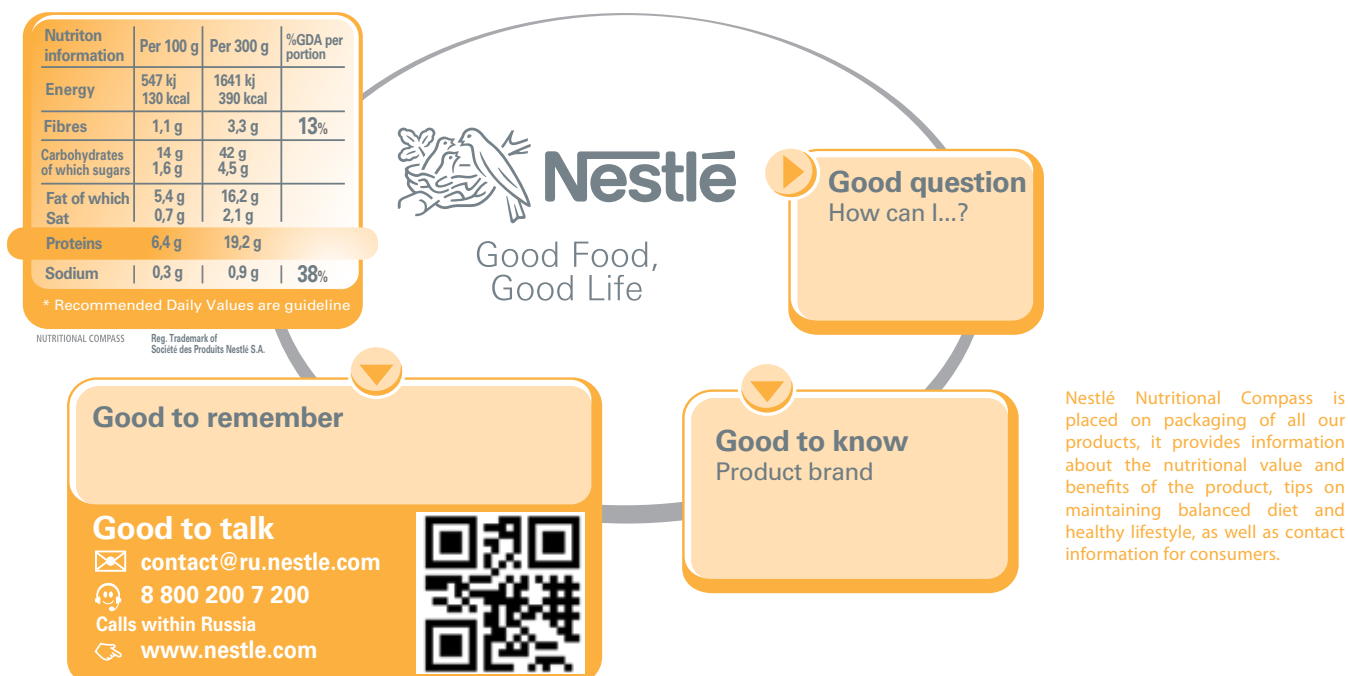
In the last several years principles of healthy nutrition and active lifestyle have become increasingly important for everyone. Increase in calorie intake combined with decrease in physical activity leads to significant growth in the number of overweight and obese people in many countries. Unbalanced diet of both adults and children, leads to insufficient

intake of nutrients responsible for good health and development. Being aware of the nutritional issues, Nestlé constantly improves product recipes and initiates research activities in this area, as well as focuses on informing consumers and assisting them in making a conscious choice in favor of healthy food and beverages.

- 🌱 Nestlé global approach to nutritional issues
- 🌱 Nutrition and Health research
- 🌱 Nestlé's knowledge leadership on children's nutrition
- 🌱 Start Healthy Stay Healthy program
- 🌱 Providing nutritionally sound products designed for children
- 🌱 Enhancing quality of products and improving products recipes
- 🌱 Nutritional education programs
- 🌱 Lessons for proper nutrition for Nestle employees
- 🌱 Responsible marketing and advertising



Nestlé nutritional compass




In 2014, more than 35,000 consumers contacted Nestlé Russia using information placed on packaging.

Nestlé places QR-code on packaging of its products. Once the code is scanned with a smartphone, consumers are directed to a special mobile web-site, which contains information about the nutritional value of the product and provides additional advice on proper nutrition. In 2014, share of

Nestlé products with QR-code on packaging amounted to 20%.

We offer our consumers special instructions which help to determine adequate size of portion for different products. These instructions are already placed on packaging of BISTROFF cereals, NESTLÉ BREAKFAST CEREALS, NESQUIK chocolate products and many types of confectionary products and ice cream. By the end of 2014, portion guidance instructions have been placed on packaging of more than 30% of Nestlé products for children and whole family.

In 2015, we are planning to place portion guidance instructions, as well as the QR-code, on the back of packaging of all Nestlé products for children and whole family.



Здоровый выбор от Nestlé

Since 2010, Nestlé Russia has been running the "Healthy Choice!" communications campaign. Its purpose is to provide consumers with information on healthy nutrition and active lifestyle, as well as on nutritional value of Nestlé products. We believe simple and accessible communication of the "Healthy Choice!" campaign will help our consumers in making conscious choices when establishing their diet. For this campaign we employ various media channels: TV, nestle-zv.ru website and groups in major social networks.

By the end of 2014, the "Nestlé. Healthy Choice!" community has brought together 988,299 subscribers, and became one of Top Five branded communities of the "Vkontakte" social network. along with such branded communities as NESCAFÉ and NESCAFÉ 3 in 1. In 2014, the total number of users in all Nestlé groups exceeded 3 million people.

Nutrition and Health Research

Nestlé's leadership in production of food and beverages is largely based on researches in nutrition and health sciences. We closely cooperate with reputable world-class experts in medicine and nutrition, as well as with local representatives of expert communities in different countries. Moreover, Nestlé conducts internal developments in the fields of nutrition, healthy lifestyle and creates new products which match consumers' tastes and preferences.

The Nestlé Global Research Network is comprised of 32 research and development centers with a total staff of more than 5,000 people.

Nestlé Research Center in Switzerland is the largest non-governmental organization that conducts basic research in the food and nutrition. By the end of 2014, the Center has organized 33 clinical trials (10 in the Center and 23 in other divisions of Nestlé).

Currently, Nestlé Research Center focuses on five priority research programs:



- Safety and security of food products;
- Healthy Aging;
- Pleasure and Health Benefits;
- Sustainable Food Systems;
- The First 1,000 Days of Life and Healthy Kids.

NESTLÉ'S KNOWLEDGE LEADERSHIP ON CHILDREN'S NUTRITION

We provide information to Healthcare professionals, that helps them ensure healthy development of babies, collaborate with pediatricians, offer them new and advanced knowledge on child nutrition and distribute results of the scientific research performed by the Nestlé Nutrition Institute.

We not only study the peculiarities of children's nutrition and behavior, but also learn to understand the way that family relationships affect the formation of children's lifestyles and their dietary habits. We conduct special studies where we measure height and weight of babies and use results of these studies in development of products and also in our educational activities.

Nestlé Nutrition Institute is a non-profit organization which unites physicians who promote new ideas in pediatric nutritiology. The Institute provides educational services to healthcare professionals in

195 countries around the world,

publishes books on nutrition science and posts scientific publications on its website, which now has over

240 thousand professionals registered.

In 2015–2016, Russia was selected as one of the ten countries where Nestlé has launched a large-scale research on expanding knowledge of children's nutrition from birth up to the age of 12.

Nestlé studies on feeding infants and toddlers had previously been conducted twice in the USA and, at varying scales, in five other countries.

Currently, the Company is analyzing data on the peculiarities of maternal nutrition in Mexico and China. A similar study was conducted in Russia in 2008, and the data was included in the National Program on Optimizing Healthy Feeding of Infants.

In 2014, the latest scientific concepts implemented in the innovative baby foods produced by Nestlé, were presented at the largest international pediatric forums such as the Congress of Pediatricians of Russia, the Congress of Professionals in Perinatal Medicine and the Conference of Pediatricians of the Volga Federal Area. Over 10,000 health professionals attended these three major forums, where they were able to obtain information about the latest innovations in the field of baby foods presented by Nestlé.

Start Healthy Stay Healthy Program

The first 1,000 days of a baby's life are of special importance: care and nutrition which baby receives from birth up to the age of two largely affects baby's future health. We have developed an interactive scientific and educational program Start Healthy Stay Healthy for those who take care of a child during that period – parents, nurses and health care profession-

als. This program helps create balanced diets that contain all the necessary microelements and nutrients, thereby ensuring healthy growth and development of the child during the first 1,000 days of life.

Nestlé complies with the recommendations of the World Health Organization

(WHO) and strives to provide parents with comprehensive information about raising healthy kids. Mothers, nurses and specialists participating in the program may benefit from interactive online training services at nestlebaby.ru.

In 2014, Start Healthy Stay Healthy program was implemented in cooperation with the Yekaterinburg City Medical Prevention Center and Hygiene Museum which announced a family photo contest titled Gentle Minutes. It took place during Breastfeeding Support Week, an annual event of the World Alliance for Breastfeeding Action (WABA).

We are planning to proceed ahead with the program, paying particular attention to maternal nutrition during pregnancy and breastfeeding as the most beneficial attributes to the health of children in the first months of life.

In 2015, more than 5 million people worldwide were involved in the Start Healthy Stay Healthy program.



Providing nutritionally sound products designed for children

More than one billion servings of Nestlé products are consumed worldwide every day. We have been continuously expanding our product portfolio and improving the quality of our products, particularly

those intended for children. We monitor all our products in accordance with the guidelines of key international organizations such as the WHO and the Institute of Medicine (IOM). In addition, Nestlé strives to

ensure that its products are manufactured across the world with strict adherence to its original recipes, thus guaranteeing their safety and quality.

ENHANCING QUALITY OF PRODUCTS AND IMPROVING PRODUCT RECIPES

We want to manufacture products which are both nutritional and tasty and thus successfully compete on the market. Each product is assessed by a number of criteria established by the WHO and Russian regulatory authorities.

- its nutritional values (energy value; fat, sodium, sugar, calcium, whole grains content, etc.);
- the recommended daily allowance of nutrients for specific consumer groups;
- the size of individual servings for the relevant categories of consumers.

While establishing a nutritional foundation for our products, Nestlé considers the following:

- the role of the product in a balanced diet;

By the end of 2014, all Nestlé children products manufactured in Russia met the Nestlé Nutritional Foundation criteria (84% in 2013).

"60/40 +" program

We have been using the "60/40 +" program to test new types of products and products that are most in demand with consumers. Program name – "60/40 +" – presents its two main objectives: at least 60% of consumers by results of tasting give their taste preference to Nestlé products.

The sign "+" means that by results of evaluation in a specialized laboratory the nutritional foundation of a Nestlé product is better than that of its competitors.

The "60/40 +" program is aimed at the continuous improvement of taste and nutritional foundation of Nestlé products.

Depending on the products category, it also helps suggest which potentially harmful substances should be removed from products and which healthy ingredients should be added.

100 % of Nestlé children products manufactured in Russia meet the Nestlé Nutritional Foundation criteria.

In 2014, products which amount to 69% of the total sales volume, went through the "60/40 +" testing.

Reducing salt in our products

Salt (Sodium) is a vital nutritional mineral element, but products rich in salt are dangerous for health as they cause increased stress on the cardiovascular system. We therefore aim to combine the reduced salt content with specially improved ingredients allowing to maintain the taste.

In 2014, almost 98% of all children products worldwide met the Nestlé Nutritional Foundation criteria in relation to the maximum permissible sodium content (96% in 2013).

In 2014, sodium content in Maggi products produced in Russia decreased by more than 35 tons, and for the most popular products "Maggi Juicy Chicken with Garlic" and "Maggi Juicy Chicken with Paprika" reduction was 12% and 19%, respectively. We have adjusted amount of salt in a way that the meals cooked with Maggi products do not need to be additionally salted.



Reducing sugar in our products

International health authorities have urged for a reduction in sugar consumption, as food with high sugar content can displace other vital food products and nutrients in consumers diet.

Teaching children to eat a balanced combination of food products for breakfast and even to eat breakfast regularly is not easy. We consider that reducing the sugar content in the diet should be gradual, this way the consumers can adapt to their new food preferences.

In some cases it is technically difficult to reduce sugar content without compromising taste, color, texture, consistency and safety of the products. Moreover, there are legal requirements for composition of ingredients of certain products such as condensed milk. In these cases, we work to have clear labeling that informs consumers

about nutritional value of the product, as well as creating specific guidelines to determine optimal serving size.

In 2015, Nestlé continues to reduce sugar in its products using the latest technologies.

Starting from 2014, on a global level we have reduced sugar in NES-QUIK cocoa drinks by 1,200 tones in order to bring its entire range in conformity with the Nestlé Nutritional Foundation criteria. With this in mind, we took into account all specific taste preferences of our consumers and retained excellent taste of the drink by replacing sugar with cacao.

Reducing saturated fats and removing trans fats in our products

Fats are essential part of a healthy balanced diet. However, excessive intake of saturated fats increases risk of development of a number of diseases, including those of the cardiovascular system.

Trans fats in their natural form can be found in milk and meat; however, they mostly come in the human body from foods con-

taining partially hydrolyzed vegetable oils, such as bakery products and salted snacks. Currently, 96% of all the oils we utilize in the production process meet our Nestlé policy on reduction of trans fats in products. Now we have to finish eliminating trans fats present in partially hydrolyzed oils from Nestlé products.

By 2014, 100% of our children products were in line with Nestlé Nutritional Foundation criteria on saturated fats.



Micronutrients are nutrition components (vitamins, minerals and microelements) involved in the digestion and growth processes, adaptation and organism development.. They are found in foods in very small quantities. We fortify our products with micronutrients and vitamins, focusing on products for children and young women.

All Maggi products produced in Russia contain iodized salt. It is a source of iodine, which is essential for normal functioning of

Product fortification

the thyroid gland. Since 2014, the range of Maggi bouillons and instant soups is fortified with iron. Each serving of these products meets the recommended daily requirement of this important microelement by more than 20%.

Most of Nestlé breakfast cereals are enriched with vitamins and minerals. Additionally, we fortify our products with the patented active ingredients developed in

Nestlé Research Centers. Since 2009, most of BISTROFF oat porridges, infant formulas and infant milk drinks are fortified with the natural prebiotic Prebio1. Certain types of infant formula, infant cereals and Nestlé baby milk are enriched with bifidobacteria BL. In 2014, we launched a new formula of NESQUIK cocoa drink, which contains a special “Opti-Start” mix of vitamins and minerals.

In 2014, Nestlé sold 183 billion servings of enriched and fortified food worldwide (over 150 billion servings in 2013). In 2016, the number of marketable enriched and fortified foods and beverages will reach 200 billion servings.

Encourage consumption of wholegranes and vegetables

Performed research shows that nine out of ten people consume significantly less whole grains and vegetables than the recommended rate. Therefore, we use large quantities of whole grains in Nestlé breakfast cereals. Many programs related to the launch of innovative Nestlé products and improvement formulas of the existing ones are aimed at increasing whole grain content.

Currently, almost 40% of the product items under the Maggi brand have packaging containing information about the important role of vegetables in a balanced diet.

By the end of 2015, 90% of the Maggi products worldwide will promote meals with vegetables and home cooking.

Improved recipes

We strive to meet expectations of our customers by excluding ingredients, which are perceived as unhealthy. The entire Nestlé product range that is produced and sold in Russia does not contain any artificial colors.

We strive to ensure that we use only ingredients, familiar to our consumers. We use only high-quality ingredients in our

Maggi products, such as natural vegetables, herbs and spices. Maggi products are made without preservatives and artificial colors. In 2014, we updated all the Maggi for the Second Course formulas and excluded the addition of MSG.

Today, two thirds of content of Nestlé breakfast cereals for children manufactured in Russia are whole grains. We help our consumers recognize these products in stores by placing a special green ribbon on the package.



In 2014, we stopped adding monosodium glutamate (MSG) in all Maggi for the Second Course products.

National social program "Grow Up Healthy, Kid!"

This program has been running in Russia for 15 years with the aim of supporting motherhood and childhood. Nestlé WaterCoolers Service with its NESTLÉ PURE LIFE brand joined the program in 2010. The program helps to inform new parents about the role of high-quality drinking water for the health of mothers and babies. Nestlé

WaterCoolers Service gives all new mothers a certificate with which they can take home three 18.9 liters bottles of NESTLÉ PURE LIFE water for free when they are released from maternity hospitals. In 2014, this program was active in 28 maternity hospitals in Moscow and 15 maternity hospitals in St. Petersburg.

NUTRITIONAL EDUCATION PROGRAMS

Healthy Kids – Nestlé global educational program

We believe that a proper balanced nutrition combined with regular physical activity and health care are the most important conditions for development of healthy children and teenagers. Therefore, we are implementing social initiatives that contribute to the promotion of proper nutritional culture and a healthy lifestyle among children.

In all countries of operation, including Russia, Nestlé has been implementing the

Healthy Kids global program. The Program offers children an entertaining way to learn the rules of good nutrition, presents products’ features and teaches them to respect the rules of good hygiene and nutrition, as well as introduces traditional ethnic cuisines. The program is implemented in partnership with governmental and non-governmental institutions. In 2014, we actively cooperated with 294 partner organizations in 73 countries.



In 2014, more than 7.6 million people from 73 countries participated in the Healthy Kids program.

Our global goal – to implement the Healthy Kids program in 80 countries in 2015.

The Good Nutrition program



The Nestlé Russia educational Good Nutrition program is a part of the Nestlé Global Healthy Kids program. It has been developed by the Institute of Developmental Physiology of the Russian Academy of Education and supported by the Ministry of Education and Science of the Russian Federation, as well as regional education departments. In most regions, the program has become an integral part of the federal curriculum related to nutrition and health.

The Good Nutrition program has been implemented in educational institutions across Russia since 1999. Each of the regional participants of the program has developed its own model for the program execution. Within the program's framework, learning and teaching kits have been created, comprising three modules for students of 1st -2nd grades, students of 3rd -4th grades, and for students of 5th -6th grades. All training materials are provided free of charge.



The program is used by teachers as a part of extracurricular activities and electives. The educational activity is interactive and is based on a system of gaming tasks, competitions and events, which makes it fun and easy to learn the secrets of proper nutrition. Children will learn extensively about basic nutrients, mineral products and dishes, including the basis of their diet, rules of hygiene, and learning to lay the table and follow proper rules of etiquette. The total duration of the three-year training course for each child amounts to an average of 120 hours.

The teachers involved in the Good Nutrition program receive regular trainings. In 2014, 27 regional seminars and 10 conferences were held for participants of the project. Over 150 participants from regions throughout Russia, as well as representatives from the CIS countries implementing the Healthy Kids program, attended the second international conference titled "Bringing Up Healthy Generation." An online training course for teachers was launched on the program website prav-pit.ru in 2014.

Nestlé Russia holds several national competitions for teachers, parents and children as a part of the program.

In 2014, the first international competition was held for Russian participants of the Good Nutrition program and children from the Republic of Belarus who follow a similar program (Steps to a Healthy Diet). The competition was held again in 2015.

According to the survey conducted in 2014 by the Institute of Anthropology of the Russian Academy of Science, the Good



Nutrition program helps to create good habits in children and encourages them to take care of their own health.

In 2014, more than 50,000 contestants took part in different competitions within the frame of the Good Nutrition program.



In 2014, the Good Nutrition program has become a winner in the nomination "The best program in corporate charity and social investments" in the Donors Forum and Vedomosti newspaper competition "Leaders of Corporate Charity."

Our objective in Russia

For 2015 – to increase the coverage of the Good Nutrition program up to 56 regions by investing an additional 50 mln rubles in the project.



In 2014, more than

1,1 mln schoolchildren

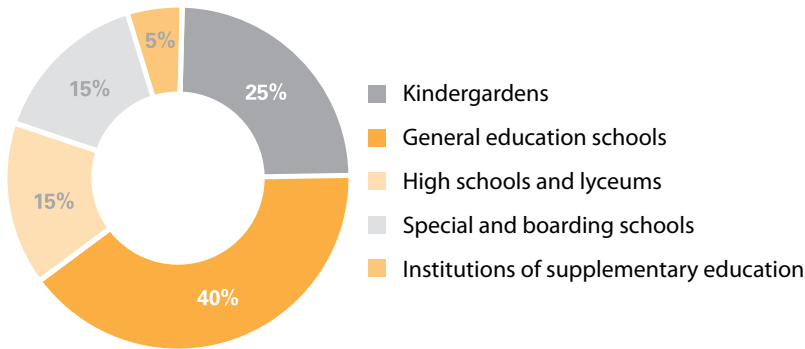
from 52 regions of Russia took part in the Good Nutrition program (compared with 950,000 preschool and school children from 48 regions in 2013).

6,5 mln Russian children and teenagers became acquainted

with the Good Nutrition program within the years of its implementation.

Over the past 15 years, Nestlé Russia invested

388 mln rubles in creation and distribution of the Good Nutrition program.



Educational Institutions Implementing the Good Nutrition program

Promoting healthy hydration as a part of healthy lifestyle

Plain water – whether bottled or from the tap – should be the main drink in a person's daily diet and the main way to quench thirst. The culture of sufficient water consumption is necessary from the time of early childhood. However, our research activities conducted in four countries have shown that two-thirds of children do not consume enough water by the time they go to school. Therefore, Nestlé provides everybody who takes care of children –

parents, teachers and educators – with the necessary tools and information to teach students key principles of proper use of water and healthy thirst quenching.

Nestlé has been holding a number in conjunction with events designed to the World Water Day designed to raise awareness about healthy hydration. In 2014 alone, more than 20,000 children from around the world attended these events.

Raising awareness on balanced water consumption is an integral component of the global Healthy Kids program. Four topics about water and hydration were included in the training course of the Good Nutrition program in Russia.

Educational programs on water consumption

From March to April, every year, employees of the Russian branch of Nestlé Waters – JSC Nestlé WaterCoolers Service – are engaged in implementing an educational program for children in celebration of the World Water Day. More than 3,000 junior school students from Moscow, Moscow Region, and St. Petersburg take part in this event. Children do not only acquire general information about the benefits of water, but also learn about water content

in different food products, the drinking water reserves on the planet and their share in the total volume of water resources, as well as the ways to retain the environmental balance, etc.

The lessons are given in the form of games, accompanied with contests, experiments with water, and other practical assignments. In order to make the information provided more easy to assimilate,

each lesson ends up with a trivia quiz and the awarding of prizes.

The Nestlé WaterCoolers Service factory in Domodedovo regularly holds excursions for schoolchildren who have an opportunity to see how drinking water is manufactured and become aware of the attention the Company pays to the water quality assurance.



Children Playground at 2014 Aquatech Forum

Children's playground at Aquatech 2014 forum

In June 2014, Nestlé WaterCoolers Service, together with organizers and participants of the 2014 Aquatech International Water Forum, opened the educational playground for children.

Nestlé WaterCoolers Service volunteers welcomed young guests of the 2014 Aquatech Forum for insightful lessons, mini-contests and fun quizzes. More than 200 children visited the playground. The

International Water Education for Teachers (WET) program has been carried out in many regions of Russia with the participation of Nestlé Waters.

Lessons of proper nutrition for Nestlé employees

Being an expert in nutrition and healthy lifestyle, Nestlé cares about its employees and wants to give them training and education that will benefit their daily life and work.

We have organized an exciting educational program named NQ-training. NQ – Nutritional Quotient – is an index of nutritional knowledge (similar to IQ – Intelligence Quotient). Each of our employees should be capable of passing the training, regardless of their place of work and official duties. Program teaches Nestlé employees to understand nutritional value of certain products, thus making informed choices in relation to their own diet and applying this knowledge in their professional activities.

**Our Goal at the Global Level:
By the end of 2015, all Nestlé employees must take the basic course of NQ-training.**



RESPONSIBLE MARKETING AND ADVERTISING

Nestlé is a persistent supporter of responsible communication with consumers: we provide them with complete and accurate information about our products. The Company carries out its social obligations within the framework of the International Food & Beverage Alliance initiative (IFBA) and European agreement on limiting food advertising targeted at children (EU Pledge), as well as a number of local initiatives.

The policy of Nestlé marketing activities with respect to children does not allow direct advertising to a target audience under the age of six. We do not advertise sugar-containing confectionery, biscuits and chocolate to children. Nestlé extends this same approach to all mass media.

Currently, we primarily focus on educational programs that promote healthy development of children and comply with government priorities to promote sport and physical exercise. We have developed

a special manual for internal use to implement this strategy in an efficient manner.

In marketing of breast milk substitutes, we strive to meet the highest international standards, as well as adhere to the provisions of the WHO Code, as required by the national legislation in most countries. While being absolutely confident that breast milk is the ideal food for babies, we are promoting infant formula that provides the child's body with all the necessary nutrients only in those cases where breastfeeding is not possible for medical reasons, or as a follow-up infant formula. All Nestlé employees working in retail and marketing of breast milk substitutes, have the respective detailed operating instructions.

We carefully monitor our activities in the field of advertising and marketing. On top of these initiatives, Nestlé counts on constructive interaction with consumers through a special Tell Us program.

In 2014, 99.4% of Nestlé Russia TV advertising intended for children under the age of 12 fully complied with the corporate policy for responsible marketing (compared with 98.3% in 2013).

All areas of Nestlé corporate policy and operations related to baby food production completely meet the criteria of the Responsible Investment Index FTSE4Good on marketing of breast-milk substitutes.



ENVIRONMENTAL SUSTAINABILITY

Approaches to ensuring environmental sustainability and minimizing the impact on the environment

WATER MANAGEMENT

Advocating for effective water policies and stewardship

Resolving the problem of providing the planet's growing population with drinking water and food products requires the joint efforts of the state, business, and society.

We believe that national governments should adopt a systemic approach in water management and strengthen social institutions, the activity of which is aimed at drawing up acceptable ways to solve problems at the level of local communities.

We are willing to help by advocating for effective water policies and water stewardship. Our proactive approach brings us into contact with Public Private Partnerships, industry bodies, NGOs and research institutions to learn and share best practice. The progress delivered through these relationships is communicated transparently via our website.

- 
- 🌿 Water management
 - 🌿 Advocating for effective water policies and stewardship
 - 🌿 Raising water efficiency in production
 - 🌿 Effective wastewater treatment and water recycling
 - 🌿 Raising awareness on water conservation and improving access to water and sanitation across our value chain
 - 🌿 Engaging with suppliers, especially those in agriculture
 - 🌿 Supporting environmental sustainability
 - 🌿 Improving resource efficiency in our operations
 - 🌿 Improving the environmental performance of our packaging
 - 🌿 Assessing and optimizing the environmental impact of our products
 - 🌿 Providing climate change leadership
 - 🌿 Providing meaningful and accurate environmental information and dialogue
 - 🌿 Implementing responsible sourcing in our value chain

The directors and experts of the Nestlé Company are taking active part in many significant international and industry-based initiatives in this sphere.

They include the following:

- 2030 Water Resources Group, WRG;
- Expert group for drawing up the international standard ISO 14046: 2014 "Environmental Management – Water Footprint – Principles, Requirements and Guidelines";
- CEO Water Mandate initiative;
- World Business Council for Sustainable Development Pledge.

Raising water efficiency in production

We are convinced that the public discussion around water efficiency by production enterprises (including the Nestlé Company) is helping raise society's awareness about the global consequences of water shortage and help carry out significant individual and collective measures. Observing the right to clean drinking water and sanitation constantly figures in our corporate program on human rights protection. The Master Water Management Plan functions at the global level. Similar local documents are being drawn up in several countries.

We are carrying out studies on water management within the framework of the Strategy for Observing the Rights of Local Communities to Drinking Water and Sanitation. By the end of 2014, such studies had been carried out at 133 of Nestlé's enterprises and production facilities. We are keeping the conclusions of the studies in mind in our current activity. Thirty-eight percent of our production facilities are located in the regions which are experiencing an acute water shortage – this is something Nestlé's enterprises are focusing particular attention on. Our production facilities in Russia are not experiencing a water shortage, but work is going on here to raise water efficiency.

Nestlé Russia has also been continuously contributing to efficient water management: as compared with 2008, its water consumption per ton of its products went down by 35%.

As compared to 2005, the total volume of water consumption per ton of finished product has decreased by 37%.

Today, more than

376 water-saving projects

are being implemented at Nestlé's enterprises in different countries of the world.

This will allow us in the future to save around

1,84 mln cubic meters of water.

In 2014, we reduced the total volume of direct water consumption per ton of finished product by

6%

Effective wastewater treatment and water recycling

We are committed to developing our business in a way that helps to safeguard biodiversity and ecosystem services. Nestlé has set ambitious targets for discharged water quality from 2016. We have deployed a water and effluents dashboard focusing on water withdrawal, discharge and quality reporting to support progress. Training and raising awareness among our employees is a priority. Wherever possible, we use municipal wastewater treatment facilities. Where these are non-existent or

In order to raise the quality of water management in the key regions of Nestlé's presence and production activity, we prepared in 2014 our own in-house guide based on the Alliance for Water Stewardship Standard.

Wide incorporation of this standard is planned for 2015.

not efficient enough, Nestlé is building its own water treatment facilities to discharge water treated to a level that meets local legislation and/or our internal standards, whichever is more stringent.

At the global level, expenses on building new and modernizing old water treatment facilities in 2014 amounted to 18 million Swiss Francs. We also raised the quality requirements for water produced by the new treatment stations.

Water treatment facilities at the Nestlé Kuban Coffee Factory

The Nestlé Kuban Coffee Factory is one of Nestlé's largest and most modern facilities. The enterprise places top priority on meeting environmental standards and efficient natural resource use. The efforts of Nestlé Kuban are aimed at minimizing the use of fresh water by using recycled water. In so doing, particular attention goes to the treatment of production wastewater and quality control.

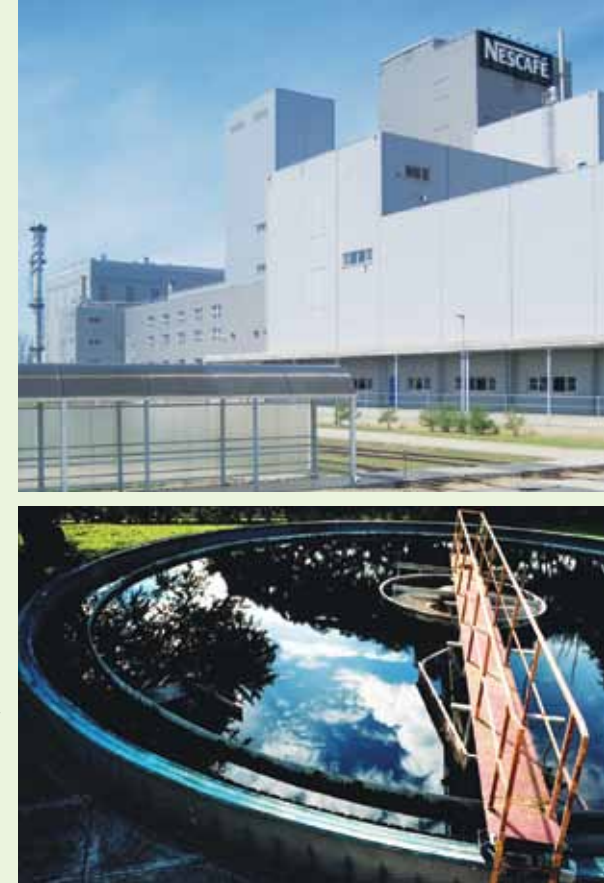
Treatment facilities at Nestlé Kuban have been built in three stages as production capacities grow. As each consecutive section was completed, the capacity of the treatment facilities and level of wastewater treatment invariably grew. After the third section was put into operation in May 2012, the average productivity of the treat-

ment facilities increased to 1,400 cubic meters a day. Both technical wastewater from the factory's industrial service, as well as water collected in the production zones (after washing the floors, surplus condensation on the steamers, etc.) goes to the treatment facilities. In addition to the constant increase in throughput capacity of the facilities, incorporating advanced technology at every stage has made it possible to optimize wastewater treatment efficiency.

The production wastewater treatment technology at Nestlé Kuban is based on biological treatment with the use of chemical components at the discoloration stage.

- 1 Regulation of pH and temperature of incoming discharge in balance-tanks.
- 2 Anaerobic wastewater treatment in anaerobic reactors.
- 3 Aerobic wastewater treatment in aerobic reactors.
- 4 Sedimentation in sedimentation basins.
- 5 Discoloration of waste water in floatators.
- 6 Sludge decantation in decanting separators.

The factory carries out wastewater treatment control at an external accredited laboratory. Monitoring of the treated water is carried out in accordance with 17 parameters. The treated water is sent to the city treatment facilities.



Raising awareness on water conservation and improving access to water and sanitation across our value chain

Today, according to the World Business Council on Sustainable Development (WBCSD), more than 1.8 billion people depend on unsafe drinking water, and an estimated four billion lack access to basic sanitation. We believe the business community should actively participate in addressing this situation.

In 2013, Nestlé became one of the first signatories of the WBCSD WASH Pledge, commit-

ting to provide access to safe water, sanitation and hygiene at all of our direct workplace premises within the period of three years. By signing the pledge, we restated our own commitment and are encouraging others along the value chain to do the same.

In 2014, we approved a procedure at our key workplace premises that permits independent assessment of water quality and the sanitary and hygienic conditions drawn

up by the World Business Council on Sustainable Development. The goal for 2016 was reached early, and almost 400,000 people (in 2013, over 300,000) gained access to water, sanitary or hygienic services provided in direct proximity to Nestlé's production facilities, as well as in so-called "areas of close cooperation with farmers." We have also compiled a map of key water sources in direct proximity to Nestlé's workplace premises and territories.

The WHO estimates that every person needs 50 to 100 liters of fresh water per day to meet his/her basic daily needs.



Because Millions of people lack access to safe water in South Asia, and Nestlé has constructed facilities to provide clean drinking water to people in schools, hospitals and places of worship. The units are built by drilling bore wells or using existing deep wells, and installing water pumps, filters and storage tanks.

22 March – World Water Day

In 2014, Nestlé Waters took part in the celebration of World Water Day for the fifth time. On this day company employees in 30 countries invite children, their colleagues and local community to participate in exciting interaction events aimed at raising awareness on water conservation and rational use. Educational materials for these events have been developed by the Project WET Foundation, Nestlé Waters' long time partner.

Every year from March to April, employees of the Russian branch of Nestlé Waters – JSC Nestlé WaterCoolers Service – are engaged in the educational program for children in celebration of World Water Day. More than 3,000 junior school children from Moscow, Moscow Region, and St. Petersburg take part in this event. The children do not only acquire general information about the water benefits for health, but also learn facts that will serve them later in school and life, such as water content in different food products, drinking water reserve on the planet and its share in the total volume of water resources, ways to retain the environmental balance, etc. The lessons are presented in a game form along with contests, experiments with water, and other practical assignments. To make the information even more interesting and easy to remember, each lesson ends up with a trivia quiz and prizes.



The Nestlé WaterCoolers Service factory in Domodedovo regularly hosts excursions for schoolchildren. The children have the opportunity to see how water is manufactured and bottled, as well as witness the attention the Company pays to the water quality assurance.

We are engaged in instructional activity, helping our employees, suppliers, and customers to recognize the importance of water preservation and its efficient management. In addition to the work we are doing with suppliers, in 2014 we also did the following at a global level:

- held training courses according to a new program for the employees of personnel services (117 people), posted the course materials in the in-house network and made them available to all of the company's employees;
- continued to sponsor the WET Project – a global educational program on water efficiency and preservation;
- celebrated World Water Day, within the framework of which thematic celebrations were held at enterprises in

32 countries of the world
for more than
22 thousand children
650 Nestlé employees
took part in the campaign.

Engaging with suppliers, especially those in agriculture

We are convinced that access of local residents to water can be greatly improved by means of external social initiatives, particularly by introducing more sophisticated farming methods at the level of individual farms. What is more, companies that purchase raw materials from large world suppliers can jointly influence tougher requirements of water management. We intend to continue supporting collective social initiatives in raising water efficiency.

Through the Sustainable Agriculture Initiative, Nestlé works directly with around

695 thousand farmers, promoting sustainable development and offering support to farmers. The global program focuses on a range of categories and enables us to address some key challenges in water management and irrigation, such as resilience to drought and flooding; wastewater and organic waste treatment; and farm intensification techniques. In 2014, we supported:

- an integrated water management project to develop a climate-intelligent coffee sector in Colombia;
- the application of the Water Footprint methodology in Colombia, to improve water use awareness, efficiency and water pollution control on dairy farms and at our factories;
- a water stewardship agriculture seminar in Spain;
- new changes to irrigation methods and water management in Vietnam to produce more coffee beans with less water.

SUPPORT ENVIRONMENTAL SUSTAINABILITY

Environmental sustainability means protecting the future by making the right choices in an environment where water is increasingly scarce and biodiversity is declining, and where climate change may exa-

cerbate these challenges. Our goal is that Nestlé's raw resources and products will not only be more environmentally pure, but also be better for the environment along their value chain. Environmental

sustainability also means living up to the expectations of all those concerned about our environmental responsibility and practices aimed at protecting the environment and ensuring environmental sustainability.

Improve resource efficiency in our operations

Our aim is to do more with fewer resources and less waste to help preserve natural resources and raise quality, efficiency, and productivity. Our overall goal is to achieve zero waste for disposal, whereby all production wastes are recycled in an environmentally substantiated way (no waste goes to landfill or is incinerated),

thus maximizing the value of remaining by-products.

In 2014, 72 of the Company's enterprises reached the zero waste level – this is 15% of the total number of Nestlé's workplaces (in 2013, 56 enterprises, 11%, reached this level). The total energy consumption

per ton of product was reduced by 26% as compared to 2005 (in 2013, it went down by 23%), which is one percent higher than the planned index. In doing so, the reduction in the energy consumption indices affected production in every product category.

Energy consumption per ton of product cut by 26% since 2005 at Nestlé's workplaces.

Use of raw and other materials in Russia

	2013	2014
Total production volume, mln. tons	0.296	0.312
Total volume of raw materials used, mln. tons	0.288	0.307
Total volume of packaging materials, mln. tons	0.101	0.107
By-products (kg per ton of finished product)	150	159.9
Total volume of wastes for final processing (kg per ton of finished product)	26.42	28.27

The increase in indices in 2014 compared to the previous period is related to the increase in total production volume.

Electronic document management

In 2014, Nestlé Russia transferred to electronic document management with the largest trade network Auchan. This reduced spending on document printing, solved the problem of keeping a paper archive, and reduced the time spent in information processing. Coworkers are processing an ever smaller number of documents in paper form and an ever larger number in electronic form. The signing of documents is carried out much more efficiently, delays in shipments due to documents not being ready have essentially been eliminated.

Improving the environmental performance of our packaging

When choosing packaging, we are looking for balanced solutions that make it possible to prevent produce spoilage, guarantee that it meets high quality standards, inform the consumer of the nutrition content, and save on packaging materials. Nestlé takes a holistic approach to assessing the environmental impact of materials when designing its packaging and aims for performance and functionality while optimizing weight and volume.

We support initiatives aimed at the development and use of materials from sustainably managed renewable resources, considering packaging and product performance requirements. We also support initiatives to recycle or recover energy from used packaging, and we use recycled materials where there is an environmental benefit and it is appropriate.

An increasing number of our subdivisions in different countries of the world are moving to the use of a new tool for packaging development called Ecodesign for Sustainable Product Development and Introduction (EcodEX). It covers the entire value chain. We successfully completed this transfer worldwide through 8 webinars with 63 participants who will conduct further training of packaging specialists in their respective locations and markets.



In 2014, Nestlé avoided the use of 45,805 tons of packaging material worldwide.

In 2014, we avoided the use of

45,805 tons

of packaging material (in 2013, this index amounted to 66,594 tons).

In Russia, despite the increase in production volumes, we reduced the total weight of packaging in 2014 by

1,119 tons

compared to 2013. This is the best result among Nestlé's European markets and the seventh among all Nestlé markets in the world.

We achieved this result by:

- transferring to the use of displays made from single-face laminate for chocolate bars ready for shelf placement, instead of cardboard displays and large-format laminated boxes;
- reducing the height of cardboard boxes for Nestlé Gold and reducing the weight of glass jars while retaining their volume;
- optimizing the thickness of layers in multilayer packaging, etc.

Assessing and optimizing the environmental impact of our products

To improve the environmental performance of our products, we need to better understand their impacts throughout the product lifecycle and address them efficiently.

We carried out a detailed assessment of the environmental characteristics for all key categories of our products. By 2014,

we improved the environmental characteristics of 13 categories of products worldwide. In addition, at present, all new Nestlé products are assessed for their correspondence to the key environmental criteria.

With the help of the EcodEX tool, 5,740 different versions, including 16,507 packaging formats (for example, an aluminum

jar in laminated cardboard, a glass bottle in thermal foil, etc.), were assessed in 2014.

We are paying special attention to the characteristics of agricultural raw material, since it is precisely on the quality of the raw resources that the impact of the product on the environment depends.

The Nespresso ecolaboration program

The Nespresso brand is reducing the impact of its products on the environment within the Ecolaboration program. It envisages a responsible choice of coffee bean suppliers and company initiatives for collecting used capsules for subsequent reprocessing and raising the energy-saving properties of Nespresso coffee machines. For example, the energy-saving system that allows coffee machines to switch off automatically (sleep and switch-off functions) saves up to 40% energy.

In Russia alone in 2014, approximately two million used capsules for Nespresso coffee machines weighing a total of 22 tons were collected for subsequent utilization.



Providing climate change leadership

Our commitment to providing climate change leadership goes far beyond just reducing air emissions. It also includes responsible water management; striving for zero waste; using energy and resources efficiently; switching to cleaner fuels; investing in renewable energy sources; and optimizing distribution networks.

We have been cooperating with farms, helping them to adapt agricultural and production systems to the changing climate, and with consumers, helping them reduce energy consumption and emissions when preparing their food.

During UN Climate Summit in 2014, Nestlé endorsed ambitious commitments on climate change. The pledges we made included signing up to:

- the UN Caring for Climate: The Business Leadership Platform statement;

- the Trillion Tonne Communique of the Prince of Wales Corporate Leaders Group;
- the New York Declaration on Forests;
- the six climate action initiatives of CDP (Carbon Disclosure Project) on science-based GHG reduction targets, renewable electricity, deforestation, climate change information and engagement, and carbon pricing.

At present, Nestlé has begun piloting Mind the Science, Mind the Gap methodology, a collaboration between the CDP, the World Resources Institute, UN Global Compact and the WWF to engage companies in setting science-based GHG reduction targets.

By the end of 2014, we phased out 92% of our industrial refrigerants, replacing them with natural refrigerants. Our new horizontal ice cream chest freezers, which represent

70% of Nestlé's total spend on freezers, now consume 50% less energy.

In 2014, we reduced our direct GHG emissions per ton of finished product by 40% since 2005, achieving an absolute reduction of 11.4% and taking us 5% ahead of our 2015 target (for comparison, direct GHG emissions declined 35% between 2005 and 2013), while production increased by 48% since 2005.

We have reduced our direct GHG emissions per ton of finished product by 40% since 2005.

Preserving natural capital, including forests



Since we source a large range of raw materials from farms and forests, we state our intention to manage our operations in a way that protects forests, biodiversity and ecosystem services.

We take a proactive role in tackling deforestation through improved traceability and supplier engagement. We continue to work with partners to source credible data on where deforestation is occurring.

In 2014, Nestlé backed the New York Declaration on Forests and endorsed the CDP climate change initiative. This program commits us to removing commodity-driven deforestation from all supply chains by 2020. We also share the Consumer Goods Forum resolution "to mobilize resources within our respective businesses to help achieve zero net deforestation by 2020."

At present, 28% by volume of our 12 priority categories are now responsibly sourced in accordance with our guideline requirements (in 2013, this index was 17%).

Nestlé continues to identify improvement programs at those factories adjacent to important water areas and will report its progress next year.



Annual volunteer campaign of planting oak trees in the national Park "Ugra" in Kaluga region has become a good tradition for the Nestlé Russia employees.

Providing meaningful and accurate environmental information and dialogue

We believe that by providing meaningful and accurate environmental information about our products within the product lifecycle, we can help raise environmental awareness among the millions of people who use them. This helps consumers make informed choices and allows us to promote more sustainable consumption. To understand how our activities are perceived,

we continuously review consumer feedback, carry out brand research and keep abreast of leading external studies. As demonstrated by our performance in the 2013 Corporate Equity Monitor surveys, when consumers were asked to rate us on the statement "Nestlé cares for the environment," we performed better than the market average in 24 out of 31

Implementing responsible sourcing in our supply chain

When establishing partner relations with suppliers, we require that they accept Nestlé's operation rules by strictly adhering to our security and quality policy and standards and to the requirements of tax legislation and labor protection laws, and that they are able to make regular deliveries of products that meet the quality requirements at the anticipated prices. We also expect our partners to participate in creating common values that unite businesses in the interests of social development.

The principles for cooperating with suppliers are set forth in the Nestlé Supplier Code. This document envisages a set of

standards that our suppliers must observe at all stages of the supply chain in commercial activity carried out jointly with the company. By signing the code, the partner company confirms its willingness to operate according to Nestlé's general principles and takes on a set of obligations.

The Supplier Code makes it possible for us to ensure continuous adherence to the international standards set forth in the OECD Guidelines for multinational enterprises, the Guiding Principles of Business Activity with respect to UN Human Rights, the main conventions of the World Labor Organization and ten principles of the UN Global Compact.

countries; Nestlé also significantly outperformed the best competitors in 12 of those markets.

We also support the development of communications best practice in collaboration with industry and governments through the European Food Sustainable Consumption and Production Round Table and the European "Product Environmental Footprint" initiative.

We continue to make best use of digital, packaging and point-of-sale contact points to inform consumers of environmental improvements and challenges.

In 2014, we continued to provide fact-based environmental information, based on scientific, substantiated evidence from Lifecycle Assessments (LCAs) to consumers in 109 countries (this index – 109 countries – was the same in 2013).

We also launched the Nestlé Solution for Environmental and Social External Communications Approval (NESECA), an internal web-based tool designed to improve the quality of external environmental and social communications.

All of Nestlé's industrial workplaces in Russia have passed certification for correspondence to environmental management standard ISO 14001.

The Code constitutes the basis of our Responsible Sourcing Guideline, which calls for carrying out social responsibility audits when working with suppliers.

In 2014, all the raw materials (100%) and 80% of Nestlé's supplier companies in Russian met the requirements of the Supplier Code.

100% of the raw materials acquired fully corresponded to the requirements of the Nestlé Supplier Code.



NESTLÉ IS A RESPONSIBLE EMPLOYER

HUMAN RIGHTS AND COMPLIANCE

Nestlé bases all of its business activity on strict adherence to the law, regulatory acts, and internal corporate procedures. The Company conducts its business in compliance with national legislation and the conventions of the World Labor Organization. We fully support the guiding principles of the UN Global Compact on human rights and labor relations and aim to set an example of commitment to these principles. Nestlé's Corporate Business Principles, Human Resources Policy, and Management and Leadership Principles reflect these approaches. Our human resources employees are also guided in their activity by the – Internal Labor Rules.

Our commitments regarding human resources are as follows:

- continue to develop the capacity to attract and retain the best employees;
- cultivate diverse human resources;
- maintain a high-performance culture by focusing on the interrelation between performance and remuneration;
- in line with the results of "Nestlé and I" survey continue to develop line managers to create environment that will help to reveal employees' potential and offer them wider decision-making opportunities.

"Oscar on Safety!" awarding ceremony for participants of the "They wait you at home!" film on safety and health protection in the branch of Nestlé Russia in Samara

- Human rights and compliance
- Employee remuneration and motivation
- Health and safety in the company
- Employee training
- Attracting young people
- Enhancing gender balance in our workforce
- The "Nestlé and I" survey
- NCE initiatives
- Dealing with potential law-breakers. The corporate "Tell Us" system
- Working against corruption and bribery





The fundamental guiding principle of Nestlé is respect for the rights of the people we employ, do business and interact with along our value chain. Nestlé guarantees the observance of all fundamental human rights, such as workers' freedom of association, local communities' access to water, and consumer privacy.

We continue to roll out our Human Rights Due Diligence (HRDD) Program and strive

for continuous improvement in this area. Engagement of community and stakeholders is one of the program's eight pillars. In April 2014, based on our Talking the Human Rights Walk report, we held consultation meetings with stakeholders in London on our approach to human rights and rural development. A discussion, facilitated by the Danish Institute for Human Rights, gathered 20 human rights and rural development experts from NGOs, intergovern-

mental organizations, think tanks, consultancies and trade associations. The results of this discussion will be integrated into our overall HRDD Program and into the future Human Rights' Impact Assessments that we will carry out.

Nestlé is focusing attention on the child labor problem. Working with the Fair Labor Association (FLA), our Child Labor Monitoring and Remediation System (CLMRS) identifies cases of child labor in our cocoa supply chain, and helps to understand root causes and develop appropriate measures.

The independent audit program CARE, which in addition to human resources sphere also covers health, safety and environmental protection aspects, makes it possible to monitor Nestlé's compliance with local legislation and the Company's Corporate Business Principles.

All 12 categories of Nestlé's raw products fall under the provisions on human right protection, including the Nestlé Responsible Sourcing Guideline, whereby some categories have additional specifics applicable to human rights protection.

In 2014, 7,485 of the Company's employees participated in special human rights training in the 11 countries where, according to the FTSE4Good index, the human rights problem is the most critical.

7,485 Company's employees

EMPLOYEE REMUNERATION AND MOTIVATION

Nestlé's remuneration system is based on the Total Rewards Policy, which helps us to attract, retain and motivate employees. Closely related to the Company's strategy, this policy allows employees to see the clear relation between their performance and level of pay. The grade system makes it possible to provide a comparable level of pay for employees who occupy similar posts within the Company and support competitiveness of remuneration with respect to the market. The rewards system,

which applies to employees of Nestlé's head office and regional sales offices envisages, in addition to their regular salary, a wide range of bonuses, benefits and opportunities for professional growth and career development.

Remuneration is based on fixed pay: salary, allowances, including those envisaged by the law, and disbursements in the event an employee and his family move to a new place of work.

Variable pay – annual bonus and sales bonus, as well as various premiums – are designed to motivate employees to achieve high performance.

Remuneration at the Company's production sites is generally oriented toward the approaches set forth in the Total Rewards Policy, but has special features relating to the situation in the regional labor markets.

EMPLOYEE HEALTH AND SAFETY

All industries must deal with inherent hazards and dangers. At Nestlé the significance of these hazards is increased by the scale of our global operations. While we are already among the leaders in safety and health in our industry, our aim is to strive for true excellence, with the ultimate goal of zero injuries and work-related illnesses.

This ambitious goal is fully aligned with our Corporate Business Principles.

The corresponding programs and initiatives are set out in our Safety & Health Roadmap.

At present, one of our most important initiatives is to expand the scope of our safety and health program beyond our manufacturing and distribution activities, by including our colleagues who work in sales and R&D. We pledge our commitment to put OHSAS 18001 certified health and safety management systems in place across all our employee populations.



At the end of 2014, the safety and health program certified in compliance with OHSAS 18001 was already in place at

444 Nestlé factories
30 and sales points

worldwide, as well as in

119 distribution
26 and R&D centers
30 and offices

(the data for 2013 were 442 factories, 130 distribution and 25 R&D centers). In 2014, several action plans were adopted aimed at eliminating the remaining gaps in certification and, what is more, a reliable system for controlling and monitoring the achieved results was created Company-wide.

EMPLOYEE TRAINING

Acquiring professional knowledge and skills

Acquiring professional knowledge and skills is an important part of our corporate culture. Courses held by Nestlé Russia trainers and external training companies allow employees to improve their professional competences.

Training programs that envisage both auditory lessons and electronic independent

training courses have been drawn up for different groups of employees. Electronic platforms are used for saving and updating training data on each employee. The internal training system includes three main avenues: new employee adaptation, professional skill development, and raising personal performance. In 2014, each employee accounted for an average of 48 hours of training.

We are confident that given the proper preparation and support, each of the Company's employees can make a significant contribution to implementing our Creating Shared Value initiative. This topic is also included in the manager training program in order to maximally raise the level of understanding and awareness in the Company's management in this sphere.

NEW EMPLOYEE ADAPTATION	PROFESSIONAL SKILLS DEVELOPMENT	RAISING PERSONAL PERFORMANCE
<ul style="list-style-type: none"> • Information about Nestle and its main brands • Nestle Corporate Business Principles • Performance Evaluation (PE) and Personnel Development Guide (PDG) • Job safety 	<ul style="list-style-type: none"> • Negotiations • Sales management and working with key customers • Training line managers • Finances • Project management • Marketing • Nestlé Continuous Excellence Initiative 	<ul style="list-style-type: none"> • Effective communication skills • Presentation skills • Time management. The basics of personal performance • Conflict management • Coaching • Career development • Change management

We are also drawing up and implementing a whole series of programs aimed at raising our employees' environmental awareness, which should promote the emergence of a corporate culture of ongoing improvement aimed at developing environmentally sustainable and safe business methods.

The Nutrition Quotient Training Program

As a leading nutrition, health and well-ness company, Nestlé cares about its own peopleand aims at providing training and education that has a positive influence on their day-to-day activities and work.

We provide engaging nutrition training that is based on the most up-to-date public health priorities, called Nutrition Quotient (NQ), to all Nestlé employees – regardless of their worksite and working conditions. This program is aimed at help-

ing Nestlé's employees to correctly understand the nutrition properties of specific products, make informed decisions about their own nutrition, and apply the knowledge and skills acquired in their professional activity.

ATTRACTING YOUNG PEOPLE

Since 2014, Nestlé has been implementing a program in Europe for supporting young specialists called "Nestlé Needs YOUth", within the framework of which 10,000 new jobs will be created by 2016 for specialists under the age of 30, while 10,000 people will be able to undergo practical training. Keeping in mind the success of "Nestlé Needs YOUth" in Eu-

rope, Russia, and Eurasia, in 2015 the Company decided to roll out this social initiative worldwide.

In 2014, 11,832 young specialists took advantage of the program's opportunities. A total of 7,690 people were provided with permanent full-time jobs at Nestlé in Europe, Russia, and Eurasia. Another 4,142

young specialists took practical training courses and also participated in training and preparatory programs. More than 1,677 readiness for work events were held, mobilizing 5,652 employees across Europe.

In Russia and the Eurasian countries, where the unemployment level among young people is higher than on average in Russia, 1,893 people were hired for permanent and temporary positions beginning in January 2014 (the plan is to hire 2,700 people between 2014 and 2016). Another 726 people were given work and apprentice opportunities (the plan is to provide 990 people with these opportunities between 2014 and 2016). Young people in regions where the Company's factories are located were offered 75% of the total number of work and apprentice opportunities. The Company also held 220 events within the framework of vacancy fairs and career days, advising young people on how to find a job and begin a career.



In 2014, Nestlé launched Alliance for YOUth within the framework of the "Nestlé Needs YOUth" program. Uniting more than 200 companies in Europe, Russia, and Eurasia, Alliance for YOUth is the first pan-European business-driven movement pledging to help young people be better prepared to enter the professional world and improve their chances in a challenging job market. Throughout 2014, Nestlé and the Alliance partner companies provided young people with 50,000 work and apprentice opportunities.

The Alliance was created in the Russia and Eurasia region in September 2014. It pooled the efforts of 11 local and one global Nestlé partner – Nielsen, Zenith Optimedia, Publicis, MTC, Public Totem, Sodexo, Orekhprom, SDS, AAK, Constantia Kuban, MM Packaging and Firmenich.

"Individual social business efforts are extremely important and significant, but it is the joint efforts of all parties concerned that can make a decisive contribution to resolving the youth unemployment problem."

*Maurizio Patarnello,
CEO of Nestlé in Russia and Eurasia*

"Our Company has long been working with young and talented people, attracting them to various structures of the Publicis Holding. Creating the Alliance has given young specialists the opportunity to acquire comprehensive experience in different companies, both with respect to the customer, and with respect to the agency or partner. Consequently, they are not only acquiring unique skills for a future successful career, but also satisfaction from working on interesting projects with professional staff."

Sergei Koptev, CEO Publicis Russia



"As a partner of this important initiative in Europe, ACNielsen was very pleased to receive Nestlé's invitation to cooperate in Russia and Eurasia. Within the framework of the Alliance, we need to join forces and continue to participate actively in preparing the future generation of employees to ensure efficient performance for the benefit of our customers."

Olesia Luchits, Human Resources Director of Nielsen Russia

"I would like to emphasize the high professional level of the Alliance partner companies. Cooperation with them allows us to take a fresh look at ways of operating and borrow our colleagues' experience with respect to attracting and developing young specialists. As of today, we are participating in the Alliance for YOUth events, and by the autumn of 2015, we plan to carry out joint practical training with Nestlé."

Olga Delyagina, head of the recruitment department of OAO Mobile Telesystems

Detailed information about vacancies, as well as about work and apprentice opportunities in our Company is available on the Nestlé Russia website (www.nestle.ru)

in the "Career" section. We also regularly publish news about the programs on the Company's social media sites on LinkedIn, Facebook and Twitter.

Practical training at Nestlé Kuban

In 2014, student practical training within the "Nestlé Needs YOUth" program was organized at the Nestlé Kuban factory for the first time. An excursion around the factory was hosted for apprentices, during which the employees of the production department told them all about how NESCAFE natural instant coffee is manufactured. Then students from higher educational institutions of the Krasnodar Territory and the Voronezh and Moscow regions began working in the information technology department, financial service, cafeteria, engineering group, and technical department. During 2014, around 80 people went through practical training at the factory.



ENHANCING GENDER BALANCE
IN OUR WORKFORCE

We believe that gender diversity in our business, and in our supply chain, is a real asset and something which should be encouraged and nurtured. However, we remain opposed to setting artificial quotas and prefer to put in place strategic steps towards creating conditions where men and women can progress equally. In 2010, we launched the global Flexible Work Environment at Nestlé. It now operates in over 25 markets, making it possible for the Company's employees to achieve balance in their personal and professional lives. We have introduced a wide range of practices, including breastfeeding rooms, paternity leave and flexible work arrangements, that have been well received by our employees. The Company has initiated a new educational program for directors and human resource employees in all of Nestlé's markets called unconscious bias training, within the framework of which employees are taught how to ensure the gender balance.

Women take 44% of the leading managing positions in Nestlé Russia.

THE "NESTLÉ AND I" SURVEY

The Company's success is based on the streamlined work of a professional and motivated team. We want to know what our employees think about fulfilling their potential, staff relations, whether they receive deserved recognition of their achievements, as well as other factors influencing work efficiency and the work atmosphere. Therefore, once every two years, Nestlé in Russia and Eurasia carries out a survey among its employees called "Nestlé and I." The two-year interval makes it possible to conduct an in-depth analysis, assess the results, draw up further development plans, introduce the necessary changes, and keep tabs on the key indices.

	2014 Results	2012 Results	EMENA Zone	Other most efficient companies
Involvement	83%	+5	+3	- 5
Wider powers	83%	+10	+7	+7
Retaining human resources	72%	—	+2	0

Within the framework of the survey, employees had the opportunity not only to express their own opinion about the Company's work, but also to leave comments. The employees gave the greatest attention in their comments to the following aspects: efficiency (23% of the comments), salary (17%) and leadership (12%).

Detailed survey results were presented to the leaders, after which each team drew up an action plan. The last survey produced

the following initiatives:

- a flexible work policy was introduced that allows employees to organize the work process most efficiently;
- a program was drawn up and is being implemented that helps employees plan their professional development and career growth in the Company;
- a practice is being developed of compiling detailed operational master plans for a year that help employees not only understand the goals and priorities of their



2012. The Company's employees believe in the Nestlé's long-term prospects, strategy, and leadership, support the business commitments, and are oriented toward achieving results.

Good results were demonstrated in the "Wider Powers" category, as well as in such areas as individual development, potential realization, fair efficiency assessment, and so on. In the "Retaining Human Resources" category, which was introduced for the first time, higher indices were demonstrated than in other companies where a similar survey was carried out – for example, in other FMCG companies, this index was seven points lower.

branch, but also see their contribution to reaching these goals;

- a Reward a Star system has been introduced, thanks to which, every quarter, employees can congratulate colleagues who have shown the best adherence to the Company's key values in their work;
- all the members of the Board of Directors are currently involved in drawing up a success concept – after the commitments for the upcoming year have been approved, the department leaders relay

the goals and key assignments to their teams, while the strategic document itself is made available to each employee in paper and electronic form;

NCE INITIATIVES

NCE (Nestlé Continuous Excellence) is a set of corporate initiatives that ensure the continuous excellence of business. The main goal of NCE is to turn Nestlé into a lean enterprise, in which the employees are focused on the customer's interests, look for ways to raise efficiency, while unconditionally adhering to the law and corporate principles, are involved in achieving the set goals and possess the competence that guarantees work quality.

The NCE initiative began in 2008 with the Company's production branches, and in 2010, it was extended to the business and functional branches. Now NCE is implemented at all factories and distribution centers and encompasses more than half of the office departments, including regional sales offices.

NCE is being rolled out gradually: first NCE Foundations, then Advanced Practices. The three main NCE modules are Goal Alignment, Leadership Development, and Compliance.

- operational meetings are held at different management levels, including at the Board of Directors level, and annual plans are regularly examined, which makes it possible for employees to see

The Compliance module brings together initiatives that help coordinate the employees' actions. The branch is drawing up an Operational Master Plan (OMP), a strategic document that envisages the key priorities for the next three years and a plan for reaching the set goals. Efficiency indices are formulated that allow to keep tabs on how OMP is being performed, and operational meetings are regularly held. If the results are lower than expected, the basic problem-resolving practice is used – it envisages identifying the reasons for inefficiency and creating a plan to eliminate them. A standard management practice is also used that includes standardizing (step-by-step description of the processes), guaranteeing standard performance, and obtaining the expected result.

The Leadership Development module is a set of HR practices and competencies that help develop leadership and achieve high performance. These practices are carried out within the Nestlé Leadership Framework.

DEALING WITH POTENTIAL LAW-BREAKERS. THE CORPORATE "TELL US" SYSTEM

A special section called "Tell Us" has been created on the corporate website at [www.nestle.ru: http://www.nestle.ru/aboutus/principle/report-your-concerns](http://www.nestle.ru/aboutus/principle/report-your-concerns). We encourage employees, suppliers and stake-

holders to report inappropriate or illegal practices or actions at Nestlé. We properly and impartially investigate all complaints. Should violations be confirmed, the Company stops them immediately and takes

the current situation and determine which actions influence the achievement of particular results, both at the level of a specific team, and at the level of the entire Company.

The Compliance module ensures observance of standards of business etiquette and conscientious behavior. We strive to ensure that our Company is exemplary in the eyes of our employees, consumers, customers, suppliers, stakeholders, and society as a whole.

Rolling out the NCE module takes from eighteen months to several years. During this period, the foundations are laid for further development. A mandatory condition of transfer to rolling out more complicated practices is the gate assessment, a comprehensive assessment of the three NCE modules that confirms the method has been learned by all of the branch's employees. After this, NCE's advanced practices can be introduced: Total Result Management at factories and Lean initiatives in organization as a whole (lean supplies chain, lean office, and lean innovations).

WORKING AGAINST CORRUPTION AND BRIBERY

Nestlé meets the highest business standards, which exclude obtaining unjustified competitive advantage. Therefore, we are fighting against corruption in all its forms, immediately preventing any possible violations. Our audit program CARE allows to monitor the anti-corrup-

tion process and to identify areas for improvement. We run special trainings and encourage employees to report violations of the legislation. Since 2004, the 10th principle of the UN Global Compact on combating corruption and bribery, is included in the Code of Business Con-

duct and the Nestlé Corporate Business Principles. In addition, in 2014 the Company has signed the UN Call to Action against corruption. We have provided online and in-class anticorruption training to employees since 2008.



To the left:
Following a clean-up of the banks of Generalskoye Lake.

Below:
Visiting Nestlé: Participants of the summer program of the "Here and Now" foundation which renders assistance to youngsters leaving orphanages.

CONTRIBUTING TO THE PROGRESS OF SOCIETY

The starting point of the philosophy of creating shared value that guides us in our daily activities is the idea that for a company to be successful over a long-term period it should also create value for society. We have identified areas where the Company's activities are most effective. These key areas are water, nutrition and rural development. Projects aimed at improving the health of children and developing their knowledge and skills for proper nutrition are the key priority in the charity field. Charitable activities are not formally a part of the "Creating Shared Value" concept, but they perfectly complement our programs of assistance to local communities. This allows us to collaborate with non-profit organizations, local authorities and other market participants, as well as implement single and long-term projects.

Our charitable programs are conducted under the Nestlé slogan: "Nestlé: Let's make life better!". We primarily develop our activities in the social area in regions where

the Company has its presence. To minimize moral and reputational risks, we adhere to a target-focused approach in our work and perform our job with maximum efficiency. We collaborate with more than 80 charitable institutions and are very selective in the choice of our partners. For the implementation of our food program, we prefer to implement many small-targeted projects rather than one large project, thus sharing our aid between many organizations which conduct various projects and ensuring that every kilogram of our products is utilized more effectively and that it accurately reaches the beneficiary. We primarily help those who are most in need, such as people in distress, veterans, the disabled and orphans. At the regional level, we cooperate with medical and educational institutions by helping them address social challenges in local communities. We also support children's creativity and sports while consistently expanding volunteerism within our Company.

-  Cultural support
-  Support of children and youth education, creativity and sports
-  Support of local communities and charitable activities
-  The volunteer movement in Nestlé Russia
-  "Cooking Together" sessions



CULTURAL SUPPORT



"Russian Seasons of Nestlé" with the participation of artists from the Youth Opera Program of the Bolshoi Theatre

From the commencement of our activities in Russia, we have been supporting projects in the field of culture and art. For over 15 years, Nestlé sponsored the first independent orchestra in Russia – the Moscow Symphony Orchestra. Currently, the leading initiative of Nestlé Russia in the field of culture and art is our partnership with the world famous Bolshoi Theatre. The cooperation of the Company with the Bolshoi Theatre, which began in 2005 with joint projects, has strengthened and matured over the years. In 2010, the Company became a sponsor of the Bolshoi Theatre, and in September 2013 – the official sponsor of the Bolshoi Ballet. "Russian Seasons of Nestlé" became a must Christmas program for our friends and partners. Our premium brands are also afrequently presented in the Bolshoi Theatre. Thus, in May 2014, the San Pellegrino mineral water

brand held a joint concert of artists from the Luciano Pavarotti Fund and the Youth Opera Program of the Bolshoi Theatre.

Bearing in mind its Swiss origin, the Company strives to acquaint the Russian audience with the finest examples of Swiss art and culture. Over the past four years, Nestlé Russia has been the general sponsor of the annual international chamber music festival "Window to Switzerland" held under the auspices of the Embassy of Switzerland in the Russian Federation.

During the Olympic Games in Sochi, Nestlé Russia was also the official partner of the House of Switzerland and provided a wide range of desserts, food and drinks for the participants and guests of this illustrious global sports event.

Nestlé Russia has for many years maintained friendly relations with the Moscow Kremlin Museums and seeks to sponsor projects aimed at promoting Russian national culture and historical heritage.

In 2014, Sheremetyevo International Airport hosted a unique photo exhibition titled "Treasures of the Moscow Kremlin" with the assistance of the Nestlé company. The exhibition featured more than 20 images of the most iconic pieces from the Kremlin Armory collection.

These were the regalia of Russian tsars – ceremonial objects, which for centuries accompanied the solemn rites of the coronation and the crowning in the Moscow Kremlin.

"Russian Seasons of Nestlé" has become an integral part of the New Year's Eve program for our friends and partners.

SUPPORT OF CHILDREN AND YOUTH EDUCATION, CREATIVITY AND SPORTS

Every year, Nestlé Russia acts as a partner of projects contributing to a harmonious development of young people aimed at the promotion of education, creativity and sports.

The Company became a partner of the National Youth Science Forum organized by the Russian scientific and social program "A Step into the Future". The forum's program included an exhibition of innovative projects, 37 specialized scientific sections, and the competition of regions for the right to possess the Grand Scientific Cup of Russia, the national festival of young fashion designers, Olympiads and a number of intellectual competitions. Nestlé Russia was proud to provide prizes for the forum winners.

We support initiatives designed to promote healthy lifestyles among children and youth. Since 2012, Nestlé Russia cooperates with the International Association of Athletics Federations (IAAF). We also support the all-Russia campaign called "Healthy Children – Strong Russia" with rhythmic gymnastics competitions held by the International Association of Sports Clubs. Additionally, Nestlé Russia provides

food products for the "Great Adventure" children's camp in Karelia.

The Company became a partner of the "The Republic of Sport" all-Russia summer sports contest for sight-disabled children. Children aged from seven to seventeen years old from special (correctional) educational institutions for the blind and sight-impaired children competed in six sports categories. The competition was held with the assistance of the Federation of Sports for Sight-Disabled Persons and the Ministry of Sports of the Russian Federation and in conjunction with the All-Russia Association of the Blind.

Production branches throughout the regions provide support to sports societies, social and cultural projects. In May 2014, the Nestlé Kuban company became a partner of the contest for young correspondents called "Creative Initiatives 2014." This event was organized by the journalism department of Kuban State University and the Department of the Press and Mass Media of Krasnodar Area with the assistance of the Krasnodar Regional Branch of the Union of Journalists of Russia, as well as

the Ministry of Education and Science of Krasnodar Area. A media tour of the coffee factory in Timashevsk and a story contest about the factory were organized for young correspondents.

The authors of the five best stories chosen by Nestlé Kuban representatives received gifts from the Company, and the winning story was published in the corporate newspaper *Kaleidoscope*.

For three years, the breakfast cereals factory in Perm has kept its doors open to students from Perm schools. The initiative of Cereal Partners Rus LLC is geared toward developing the environmental awareness of young people.

Factory employees inform the children as to why they should be respectful of nature and conserve water, how water treatment and sewage treatment systems work in the factory and how production waste is sorted – waste paper, film, sanitary waste, etc. The shop tours are accompanied by an enjoyable tasting of delicious and healthy breakfast cereals.



Participants of the contest for young correspondents "Creative Initiatives 2014" during the visit at the Nestlé Kuban factory in Timashevsk

SUPPORT OF LOCAL COMMUNITIES AND CHARITABLE ACTIVITIES

The Company invests a lot of time and efforts in the development of local communities in the regions where it has a presence, with a focus on the formation of a favorable social environment. The Company-financed projects are aimed at improving the quality of life of the local population, including the families of its employees, and are performed within the framework of the Nestlé corporate social responsibility program titled "Creating Shared Value."

For example, the Nestlé Purina PetCare factory, a pet food division of Nestlé Russia, has for the past five years been supporting the "Fairy Tale" kindergarten in the village of Vorsino (Borovsky district, Kaluga Region). During this time, the kindergarten was equipped with new furniture, including games and sports equipment. We also built a playground and opened a swimming pool there in November 2014. The factory provides ongoing support for an orphan boarding school in the nearby village of Yermolino. Previously, the Company has implemented several social projects in the town of Borovsk. Thus, Nestlé Purina PetCare donated a modern ambulance car and high-tech medical equipment to the Borovsk district hospital and opened a new playground in the town center. The total



Children from Ermolino town are at the excursion in Moscow

investment in these projects amounted to almost 4,000,000 rubles (approximately 120,000 Swiss francs). Nestlé Kuban donated a new children's playground to young residents of Timashevsk. It was built in the South District, one of the newest districts of Timashevsk (Krasnodar Area), which is now actively under development. Until recently, the residents of the district had no place for kids to play. Therefore, the appearance

of the first playground in this district was an important event. The playground is equipped with modern colorful components made of durable materials that meet all safety requirements and are resistant to the hot local southern climate. In addition to the playground complex, the site was equipped with benches, trash receptacles and a bicycle parking area. A celebratory picnic was held on the playground on the day of the grand opening. The total cost of the project is estimated at 400,000 rubles.



New Playground in Timashevsk is a gift from Nestlé Kuban factory



At the celebration in the specialized Orphanage #1 in Vologda

Our Vologda factory employees, together with their families, every year participate in the "Colorful Kaleidoscope" campaign when they repair the Company-donated playground and tend to a small park. The branch was awarded an honorary entry in the Golden Book of Vologda for the implementation of this community project. For many years, the Vologda branch of Nestlé Russia has been providing assistance to three child welfare institutions – Specialized Orphanage No. 1, SOS Children's Village and the V.A. Gavrilin Parentless Children Resource Center.

The Company provides financial and methodological assistance; and branch personnel complement it with hands-on charity and volunteer efforts. These child welfare institutions host children feast days where kids receive fun games, books, clothes and personal-care products. The Gavrilinsky orphanage students also received office equipment as a gift, including hi-tech computers, printers and monitors. Specialized Orphanage No. 1 received medical equipment valued at over 50,000 rubles. In addition, during a large-scale orphanage landscaping campaign, branch personnel repaired and painted the children's porches and planted flowers and shrubs. In December 2014, the Nestlé Kuban company became the winner of the Public Recognition Award established by the Public Chamber of Krasnodar Region. The Company branch

in the town of Vyazniki (Vladimir Region) provides support to two social institutions – the Special (Correctional) General Educational Boarding School and the Rosinka Rehabilitation Center for Minors. Branch personnel collect funds to purchase basic essentials and summer vacation accessories for the Rosinka Center.

In traditional form, branch charity work is actively conducted by Nestlé volunteers during the organization of festive events. Before and during the New Year holidays, Nestlé Russia holds a number of charity events for children in distress as part of the Nestlé Charitable Program: "Nestlé: Let's make life better!". Nestlé volunteers hand out candy and useful gifts to children with

disabilities, orphans, parentless children, students of orphan boarding schools and correctional schools and children from low-income families.

Throughout December 2014, there was a Angel tree in the Moscow office of Nestlé Russia that was decorated with crafts made by children from the Redkinsky Orphan Boarding School located in Dzerzhinsky District, Kaluga Region, and the Charity Foundation "A Time of Kindness" in Moscow with letters made and addressed to Father Frost. Employees read the letters and bought delightful presents to children. There was not a single letter left remaining on the tree at the end of the event, meaning that all children's wishes were fulfilled.



Children of Redkinsky Orphan Boarding School with New year gifts from Nestlé employees

During the first few weeks of December, 30 letters to Father Frost also decorated a similar Christmas tree in the Nestlé Kuban factory. The employees fulfilled the wishes of children with disabilities, children from low-income families and pupils from the "Mercy" charitable organization in Timashevsk. The kids enjoyed a variety of gifts, such as toy cars, popular dolls, coloring books, musical and soft toys, tinker toys, musical books and puzzles, as well as children's educational computers. On New Year's Eve, Father Frost and Snow Maiden brought gifts purchased by staff members to children with disabilities, who cannot attend the Christmas festivities and morning performances; they also visited children from large and needy families at home. The employees of the Nestlé Russia branch in Vyasniki organized a New Years trip with a visit to the residence of Father Frost in Nizhny Novgorod for children from the Rosinka Rehabilitation Center. The branch volunteers personally visited the specialized (correctional) general education orphan boarding school. They visited the Christmas party, congratulated

children on the arrival of the New Year and awarded sweet prizes from Nestlé Russia company.

Since 2009, the breakfast cereals factory in Perm has supported the Christmas charity action "The Train of Father Frost – To Children" that is annually organized by the Ministry of Social Development of Perm Region. On the eve of 2015, more than 200 children from four rehabilitation centers of Perm Region and from Perm low-income families received Nestlé factory products as gifts.

The Nestlé Russia LLC branch in the town of Zhukovsky makes a traditional trip to Yurovsky School Christmas Party at the end of each year. During this wonderful yearly event, Nestlé branch personnel together with Father Frost hand over gifts to children.

On New Year's Eve in 2014, Nestlé Russia LLC branch organized a visit of children from the Yurovsky Orphan Boarding School to a factory manufacturing Christmas decorations.

Many enterprises of the Company also host events for veterans timed to holidays and memorable dates. Such events allow for the presentation of gifts and charity for the poor. Employees of the Nestlé Russia branch in Zhukovsky took part in the town's Victory Day celebrations this past year and laid flowers at Bykovsky cemetery and the Eternal Flame and, of course, treated World War II Veterans and children with some delicious ice cream.

Nestlé enterprises traditionally provide support during the Days of the City. For example, residents of Timashevsk and Timashevsk District celebrated the birthday of their town in 2014 for the ninth time. Traditionally, the Nestlé Kuban factory and NESCAFÉ brand acted as the primary partner of the event. They sponsored a brilliant performance by Irakli Pirtskhalava as a gift to local residents. A cafeteria under the NESCAFÉ brand was opened in the central square of the city from early morning onwards. Nestlé brands also proudly support the Days of the City held in Samara, Vladimir and other cities where the Company has a presence.



City Day in Samara

THE VOLUNTEER MOVEMENT IN NESTLÉ RUSSIA

Corporate volunteering in the framework of the Nestlé campaign: "Nestlé: Let's make life better!" is an important part of Nestlé Russia social policy. We support and encourage employees who are ready to assist those in need.

Priority areas of the volunteer service – environmental safety and aid to children – were identified by the results of a Company-wide personnel survey.

The Clean Bank Operation – a joint event of Nestlé Russia and the public movement "Garbage. No. More." – has been held annually for the past five years.

In 2014, the campaign took place at the banks of the Generalskoye lake in Ramensky District of the Moscow Region. More than forty volunteers from the head office and the Zhukovsky branch collected over 90 bags of garbage. The garbage was collected separately, and the volunteers sent the plastic, metal and glass waste for recycling.



The first ceremony for recognition of the best volunteers of the Moscow office was held in the Innovation Center of Nestlé Client and Consumer in January 2014. Maurizio Patarnello, CEO of Nestlé in Russia and Eurasia, presented awards (honorary diplomas and gifts) to in the best volunteers of 2013.



The Company has been organizing a volunteer "Clean Bank Operation" twice a year – every spring and fall



Each year volunteers of Nestlé Vologda branch take care of the Nestle Alley

The personnel of the breakfast cereals factory, together with the personnel of the Perm production branch of Nestlé Russia LLC, clean-up the specially protected Lipovaya Gora nature reserve twice a year. In

2015, the Perm regional branch of the all-Russia public organization called Center of Ecological Policy and Culture initiated an environmental campaign within the framework of the All-Russia Ecological

Volunteer Clean-Up or Subbotnik "Green Spring." As a result of this campaign, the volunteers cleaned up a 3.3 km ecological path, the one-km long route to the source of the Egoshikha River and the entry site of the ecological path. The volunteers collected approximately three tons of garbage and removed it to the local waste processing site.

The personnel of the Samara branch of Nestlé Russia took part in a citywide ecological volunteer clean-up, which was held at Dubki Park Zone in spring 2014. The volunteers collected and removed more than 150 bags of garbage and planted 30 willows and mountain ash seedlings. The personnel of the Nestlé branch in Zhukovsky took part in the campaign called "Let's Restore Forests Together" in September 2014.

Within this campaign, the volunteers planted over 6,600 trees in the TsAGI forest. The Nestlé Russia volunteers planted the fourth oak copse in the Ugra National Park (Kaluga Region).

In 2014

30 employees
attended this annual event. They planted
5,000 acorns

over an area of 1.2 hectares. The Vologda branch volunteers annually organize a campaign called Nestlé Alley during which they plant flowers, trees and shrubs throughout the different districts of Vologda and in territories of the sponsored institutions. During the 2014 campaign, volunteers planted over

30 oak trees and **120** shrubs.



Nestlé Kuban employees visit the "100 and 1 tails" animal shelter in Timashevsk

Our personnel also care about the well-being of pets: the Company volunteers eagerly provide help to animal shelters and specialized institutions for animals. As a leader in pet food production, Nestlé Purina PetCare provides them constant support in their efforts.

In April 2014, Nestlé Russia employees held a volunteer campaign in the dog training center titled "Guide and Therapy Dogs" in the town of Zheleznodorozhny in Moscow Region. More than 30 volunteers helped to make paths and improve the dog run site and kennels. The Nestlé Purina PetCare Department renders support to the center on an ongoing basis and provides PRO PLAN dry food that is specifically designed for dogs with special needs.

Since 2012, Nestlé Kuban volunteers have provided every possible type of support to the "100 and 1 tails" animal shelter in Timashevsk. In January and May 2014, within the framework of the joint action with Nestlé Purina PetCare, factory personnel sent the animal shelter dry food for cats and dogs under the PRO PLAN brand name.



The Nestlé Purina PetCare Department in Russia supports the initiatives aimed at improving the lives of animals, the search of loving owners for homeless animals and promoting responsible attitude toward

pets. Every year, Nestlé Purina sends hundreds of tons of dry food for cats and dogs in support of animal shelters for homeless animals throughout Russia.

Another area where we conduct volunteer work is the provision of help to children and the elderly.

In May 2015, Nestlé Russia's Vyazniki branch personnel together with the Vyazniki district administration congratulated the participants and injured survivors of the Great Patriotic War with Victory Day celebrations. Over a hundred people received gifts from the Company. Vyazniki branch personnel also provide regular assistance to the special (correctional) comprehensive orphan boarding school.

In April, branch personnel, together with the pupils of the boarding school, cleaned and improved the adjacent territory of the institution.

In addition, following the example of their colleagues from the Nestlé factory in Zhukovsky, the volunteers from the Vyazniki branch held lessons on safe behavior in school, on the road and in case of fire for students of 2-5 forms.

Lessons on safe behavior were also held for children of employees of the branch. The employees of the Nestlé Russia breakfast cereals factory in Perm regularly support the Interde-



Children's fest in Pskov

partmental Parentless Children Emergency Center. The volunteers help the center "around the house" by painting play equipment, tidying up rooms and planting flowerbeds.

On May 30, 2015, the personnel and volunteers of the Pskov regional branch of the Russian Child Welfare Foundation held a memorable celebration in honor of Children's Day for 140 pupils from eight children's orphan boarding schools of Pskov Region. During the children's party, each

of them could choose what to do: attend a master class on martial arts, ride horses, play with therapy dogs, launch a UAV or go on a farm tour. Children also were able to interact with puppets of the Children's Fund and take memorable pictures with them. After such a rewarding program, the children tasted combat soldier's porridge prepared on a field kitchen and enjoyed plenty of sweets from Nestlé. The children experienced many lasting moments and were given two gift sets from the Company.



Our volunteers take part in the work of the Happy Aging Charitable Fund

Nestlé Russia LLC branch personnel in Rostov-on-Don became volunteers of the Happy Aging Charitable Fund, which assists the disabled and elderly living in nursing homes through the region. The Fund's mission is to make the people living in the nursing homes for the disabled, veterans and the elderly realize that they are not alone and are being cared for. On the 2014 New Year's Eve, the

personnel of the branch in Rostov-on-Don decided to give the gifts that they traditionally receive from the Company to the patients of the happy Aging Charitable Fund. Now, the Company volunteers regularly organize festive concerts for people under care and bring sweets, personal hygiene and care products, give master-classes in drawing, play chess and draughts with the elderly and

simply chat with them and listen to their inspiring life stories. "We visit the elderly from twelve social institutions and one CNW (care nursing ward), which includes thousands of elderly people who are eagerly looking forward to our visits. They don't call us 'volunteers', for them – we are their grandchildren," said Elena Sukhova, one of the Company's volunteers.

"COOKING TOGETHER" SESSIONS



Culinary session "Cooking Together" is an obligatory part in the excursion program for children from boarding schools

"Cooking Together" sessions are part of the Nestlé charitable program "Nestlé: Let's make life better!". Students from boarding schools and young mothers experiencing hardships attend these sessions. During cooking sessions, the Nestlé Russia volunteers talk about the principles of healthy nutrition, including important nutrition for toddlers under three years of age. All participants learn how to cook simple and healthy meals in a specially equipped kitchen with the support of Nestlé Russia professional chefs. There is a collaborative dinner, a photo session and a presentation of gifts at the end of each session.

In 2014, the wards of the "KidSave International" charitable organization attended the cooking sessions and included nine young mothers aged 15-20 years who live in Moscow orphanage No. 22 and who learn how to care for the children and prepare for an independent living. Cooking sessions in Moscow were also organized for children from the Karabanovsky Orphanage (Vladimir Region) and Ermolinsky Boarding School (Kaluga Region).

The "Creating Shared Value" concept focuses on a long-term, strategic approach to conducting business. We believe it increases the effectiveness of our joint ef-

orts to address pressing social problems in local communities. To improve situations, we need a constructive dialogue, partnerships and close collaboration with all key stakeholders, including non-profit organizations, social institutions and local authorities of the regions where the Company has its presence.

Our priority is to find an effective way to assess the the role of business in creating shared value and to review not only the progress of concept implementation, but also its social impact and significance for society. We will continue this work and discuss its progress in our next report.

Nestlé Russia Social Report
"Creating Shared Value" 2014–2015

The report has been prepared by the CSV Division of the Corporate Affairs Department, Nestlé Russia, with the support of ASI Consulting LLC.

Nestlé Russia
Paveletskaya sq. #2/1, 115054 Moscow, Russia
www.nestle.ru

October 2015