



Nestlé in society

Creating Shared Value
and meeting our
commitments 2012



Nestlé

Good Food, Good Life



Contents

01	Chief Executive Message
02	Creating Shared Value
03	Nutrition
03	Water
04	Rural Development
06	SOS Children's Village of Pakistan
08	Nestlé – National highway & Motorway Driver Training Institute
10	Nestlé Healthy Kids Programme
12	Success Story
16	Creating Shared Value at Nestlé



Magdi Batato
Chief Executive

Dear all,

We have decided this year to dedicate a special report on Nestlé in the Society Creating Shared Value as part of our annual report. This reflects our commitment to this Country and its people. Over the last two decades, we have grown to become part and parcel of Pakistan, delighting our consumers with products manufactured in Pakistan, by Pakistanis. Our **ہرم پاکستانی** is our "reality" and we are proud of it. We are also proud to strive for world class, bringing in our international expertise and quality standards in everything we do.

We engage more than a million individuals throughout our value chain in the example of our milk products and overall dairy category, we deal with 200,000 farmers and we manage thousands of milk collection centers. This is what ensures the food quality of our milk as our products stand for quality, purity and taste.

We are also very active in 'Corporate Social Responsibility' (CSR) and you will see in this report a lot of our CSV and CSR activities from farmers' education to nutrition programmes, to Healthy Kids programme, to the National Highway and Motorway Drive Training Institute sponsorship, to the community engagement and refurbishing of schools, to name a few.

We are proud of all this and rely on all our stakeholders to continue to help us achieve those great things as we are committed more than ever to Pakistan and its people, and our vision of providing **بہتر کھانا** to all.

Creating Shared Value

There is a huge potential of rural development, particularly in the livestock sector, where Nestlé is adding real value for improving the quality of life in socio-economic terms for the rural communities.



Creating Shared Value for the communities is a core essence of the Company and is embedded into our business model. Nestlé Pakistan, as part of its global and local obligations, believes in Creating Shared Value (CSV) for the communities in which it works and lives. Pakistan is a developing economy and more than 60% population lives in the rural areas with huge potential for development in quality of life. Additionally, ethical business practices, transparency and consumer trust, on the basis of high quality products with focus on nutrition, health and wellness, remain the hall mark of the core business. The Company is committed to the stakeholders and the communities for mutual growth and sustainability. Nestlé Pakistan is also a signatory to the local chapter of UN Global Compact for Ethical Business.

The key focus areas for Nestlé Pakistan's Creating Shared Value (CSV) programs are as follows:

- Nutrition
- Water
- Rural Development

Nutrition

Nutrition, Health and Wellness (NHW): our values

Our products and brands are the flag bearers of Nutrition, Health and Wellness (NHW) and we build our nutrition credentials with continuous research and development. Our CSV initiatives through business engagements include the Fortified products addressing the needs of millions of consumers. Furthermore, NHW communication to internal and external stakeholders and awareness to consumers through packaging, business communication and personal interaction are also an integral part of our strong commitment to our NHW Values.

Nutrition Support Programme

Nestlé Pakistan also engages in community support projects such as the "Nutrition Support Programme" for underprivileged schools and underprivileged people, particularly women, whereby we provide milk to selected poor schools and other welfare institutions. The programme also supports organizations working with destitute women as well



as social welfare organizations for sports, culture, special children and the disabled. Nestlé Pakistan also extends support to national and international communities that are victims of natural disasters.

Water

Nestlé Pakistan continues to engage in supporting initiatives for water and environmental sustainability, both at business and at community level. The Company endeavours to continuously improve its processes and systems to reduce its water foot print and also engages with the community and external institutions to support water and environmental initiatives. Nestlé Pakistan focuses on water and environmental sustainability with;

- a) Continuous improvement in our processes and systems to reduce our water and environmental footprint - each year has to be better than the previous.
- b) Community clean water supply schemes - Water filtration plants in selected underprivileged communities living around our value chain.



- c) Refurbishment and up-gradation of existing water filtration plants
- d) Engagement and support for research and dialogue with external institutions on issues related to water and environment e.g. our engagement on research with World Wide Fund for Nature and also recent engagement with water resource group 2030 and NGOs working for the cause.
- e) Hydration message through Nestlé Pure Life (NPL) providing safe drinking bottled water option to millions of consumers across Pakistan

- Procured milk and provided Dairy Development Advisory support to 200,000 farmers spread over 146,000 sq Km.
- Have impacted small farmers for income growth by 25%.
- Increase in girls school education
- Milk yield increase by 20% to 50%
- Establishment of two dairy farmers training and demonstration farms (i.e Sarsabz & Sukheki)
- Trained over 5000 farmers directly
- 2000 students and 3000 farmers for partner institution and external projects (UNDP-CELDEC, SDC, DRDF etc.) on dairy development and best farm practices

Rural Development

Farmer Training & Development

The Biggest Segment of our Rural Development support in Pakistan is through our Milk Collection and Dairy Development Department which is as follows:

Education Support Programme

Nestlé Pakistan is continuously extending support to improve existing academic facilities for R&D in the Dairy sector and for the student support programme. The Company through its Education Support Programme provides support to Agriculture



University, Veterinary University and Business Schools for Research, Laboratories and merit cum needy Scholarships in food, nutrition, agriculture and animal husbandry.

Community Engagement

Nestlé Pakistan in the Rural Development segment of its CSV initiatives has also refurbished 11 schools in and around its operational areas. The support included:

- New buildings and educational blocks
- Class rooms and computer labs
- Physical exercise and game areas
- Hygiene and cleanliness facilities
- School bags and books for the school children

Public Private Partnerships

Nestlé Park

Nestlé Pakistan has developed a Nestlé Park under the Public Private Partnership segment of Rural Development, with the cooperation and support of Punjab Sports Council, Government of Punjab. It is our humble contribution to provide a perfect environment for recreation and healthy entertainment for youngsters. The playfield has a cricket pitch with a pavilion, a full-sized basketball court equipped with floodlights to accommodate night matches.

Peerano Goth School

Nestlé Pakistan under the Public Private partnership segment of our Creating Shared Value Initiatives, inaugurated the 'Government Primary School' at Peerano Goth, a village located in the suburbs of Port Qasim Water Factory, Karachi. The school which was abandoned a decade ago fell to disrepair and is now completely rebuilt by Nestlé Pakistan. The school now caters to the



educational needs of the village Peerano Goth and the surrounding villages. Due to our intervention, the number of students has doubled.

Humanitarian Assistance

Nestlé Pakistan has always been active in supporting and providing humanitarian assistance to communities in natural calamities by providing food products, where Nestlé staff also participates as volunteers in delivering the relief goods. These relief packages, which also include Company products, are donated directly by the Nestlé teams, through the provincial government and other government organizations involved in the process.

SOS Children's Villages of Pakistan

Nestlé Pakistan extended support to the SOS Children's Villages Pakistan where Nestlé Pakistan sponsored the construction of a home and also contributed to the infrastructure of an academic block to facilitate the education of the inhabitants of the SOS children's Village in Islamabad. The home which is now a loving home for a family of ten, and the academic block are complete and are being utilized for the education needs of the children living in the SOS village.





Nestlé – National Highway & Motorway Driver Training Institute

Lack of proper knowledge, absence of safe driving practices and procedures is one of the major causes of accidents on the highways. Nestlé Pakistan in collaboration with the National Highway and Motorway Police (NH & MP) established the first drivers' training institute near Shekhupura with the objective of safety and well-being of the communities it operates in.

The Nestlé-National Highways and Motorway Police (NH&MP) Driver Training Institute is a fully equipped training facility that has been providing training under the supervision of experts, not just to the drivers of Nestlé Pakistan and NH & MP, but also catering for the drivers training need of the other public and corporate organizations of the country. The entire facility features a driving safety training

track, 02 building blocks comprising of driver training classrooms and also a high-tech driving simulator.

The training facility now allows participants to acquire specialized driving practices and would curb accident rates on motorway through requisite skills that will be gained during the training period.

It is heartening to see the positive impact of the Nestlé's Drivers Training program at various levels. The multifaceted impact of the program extends beyond its envisaged scope and target audience, given that more organizations including the government agencies are engaging with the institute and benefitting from it. Till date, Drivers Safety Program has trained more than 13,000 drivers (Includes 2200 plus Nestlé drivers). Aside from the professional and economic impacts, the drivers' training program has also created a positive social impact not only on the drivers themselves but also on their families and the communities they live in.





Nestlé Healthy Kids Programme

Nestlé Healthy Kids Program Pakistan started in 2010; the programme being developed in line with the global vision of Creating Shared Value focused on improving basic knowledge of nutrition and physical activity levels in children. The aim for NHK Pakistan was to create an educational programme to raise awareness related to the nutrition, health and wellness of school-going children of 6 to 16 years, through better understanding of the nutritional value of food, and the importance of physical activity, a healthy lifestyle and basic hygiene.

In Phase I, 2500 students from 2 schools were provided awareness on healthy and nutritious life style. Along with this, 20 teachers of Care Foundation were also trained.

In phase II, the Nestlé Healthy Kids programme was expanded to reach 30,000 students across 30 schools in Pakistan in collaboration with Care Foundation in 2012, our implementing partner for the Nestlé Healthy Kids project. Also 90 teachers were trained on Nutrition along with 100 mothers, who were also provided information on healthy and nutritious life style. Furthermore, all the program schools have developed their Healthy Kids Rooms/Corners. The Healthy Kids Team has also organized 03 Healthy Kids and Wellness days during 2012.

We will extend our outreach with the support of our partners during 2013. We plan to expand the program to school children from CARE adopted schools during along with trainings to teachers and mothers. A New curriculum for the Healthy Kids programme has been designed which will be in 02 parts. The first book will be the guidelines for children from the age group of 6 – 12 yrs and the 2nd book will be for children in the age group of 13-16 yrs. Furthermore, we are anticipating partnerships and endorsement of Nestlé Healthy Kids programme with reputed international organizations working in the field of health & nutrition.



The Dairy Project & Nestlé Pakistan

The Dairy Project is a joint effort of the Dairy and Rural Development Foundation (DRDF), Nestlé Pakistan and other international donors to foster sustainable increase in dairy and livestock productivity through adoption of best dairy farming practices, breed improvement, availability of timely extension services, and promotion of livestock businesses. The Dairy Project is being implemented in all four provinces, with major focus on Punjab and a time frame of three years (July 2011- July 2014).



As part of its efforts towards ensuring corporate social responsibility and creating shared value, Nestlé Pakistan has partnered with the Dairy and Rural Development Foundation (DRDF) for implementation of the Dairy Project, through provision of technical support. In addition to professional resource management, Nestlé Pakistan has also dedicated two dairy farmer training centers including Sukheki and Sarsabz farms.



These training farms demonstrate best dairy farming practices such as silage-making, calf-rearing, free access to drinking water, animal nutrition and feeding, which when translated into the Dairy Project's farmer trainings, produce optimum awareness for the project's associated beneficiaries.

The Dairy Project's overall targets are:

- Training of 9000 dairy farmers and 100 farm managers to improve prevalent dairy farming practices for improving livestock productivity and enhancing incomes of rural households.
- Training of 2000 unemployed rural youth to establish them as self-employed entrepreneurs working as Artificial Insemination Technicians (AITs). The artificial insemination services provided by them will play a significant role in improving dairy farmers' access to AI services for dairy breed improvement, better livestock productivity and enhanced incomes.
- Training of 5000 educated rural women to become skilled Women Livestock Extension Workers (WLEWs). The livestock extension services provided by them will increase the use and availability of livestock services for improving livestock productivity and enhancing incomes.
- Implementing a mass awareness campaign to increase knowledge of best dairy farming practices.

SUCCESS STORY



Rural Woman Takes Charge

The Dairy Project helps 21-year old Rahat become a Vanda seller and support her family of 14

"I participated in the Dairy Project WLEW training course and it has altered my vision in life. I have become a successful profiteering Vanda-seller in my district. The Dairy Project invested in me, and I am extremely thankful to the team."

-Rahat Parveen, Dairy Project trained Woman Livestock Extension Worker (WLEW) from Tehsil Kamalia, District Toba Tek Singh

21-year old Rahat Parveen's life appeared to be like a dead-end, after she was prohibited to return to school two years ago, due to financial constraints.

"We're a big family of 14! It never occurred to me that my family would have to struggle this much for barely making ends meet, with my father being ill for the past many years; my brothers are younger and two of my married sisters separated from their husbands and returned home. There was little or no source of income."

The Dairy Project is providing trainings to women from Punjab's rural communities to become livestock extension workers. The Dairy Project provides a basic one month long course, and the curriculum and graduation certificates are provided in joint collaboration with the University of Veterinary and Animal Sciences (UVAS).

In December 2011, Rahat had the opportunity to meet a Dairy Project social mobilizer and was introduced to the project. On January 2, 2012, a keen Rahat began the one month training program and passed her UVAS exam successfully. "During the training, I learnt various new techniques, including controlling dairy animals through the crisscross method, preventing a fatal respiratory disease such as Hemorrhagic Septicemia (HS), animal nutrition and feeding, and free access to water for animals. Towards the end, I was selected by the project to sell Vanda, a top quality feed which contains the vital ingredients necessary for the well-being of animals, especially those which are young and producing milk," she explains.

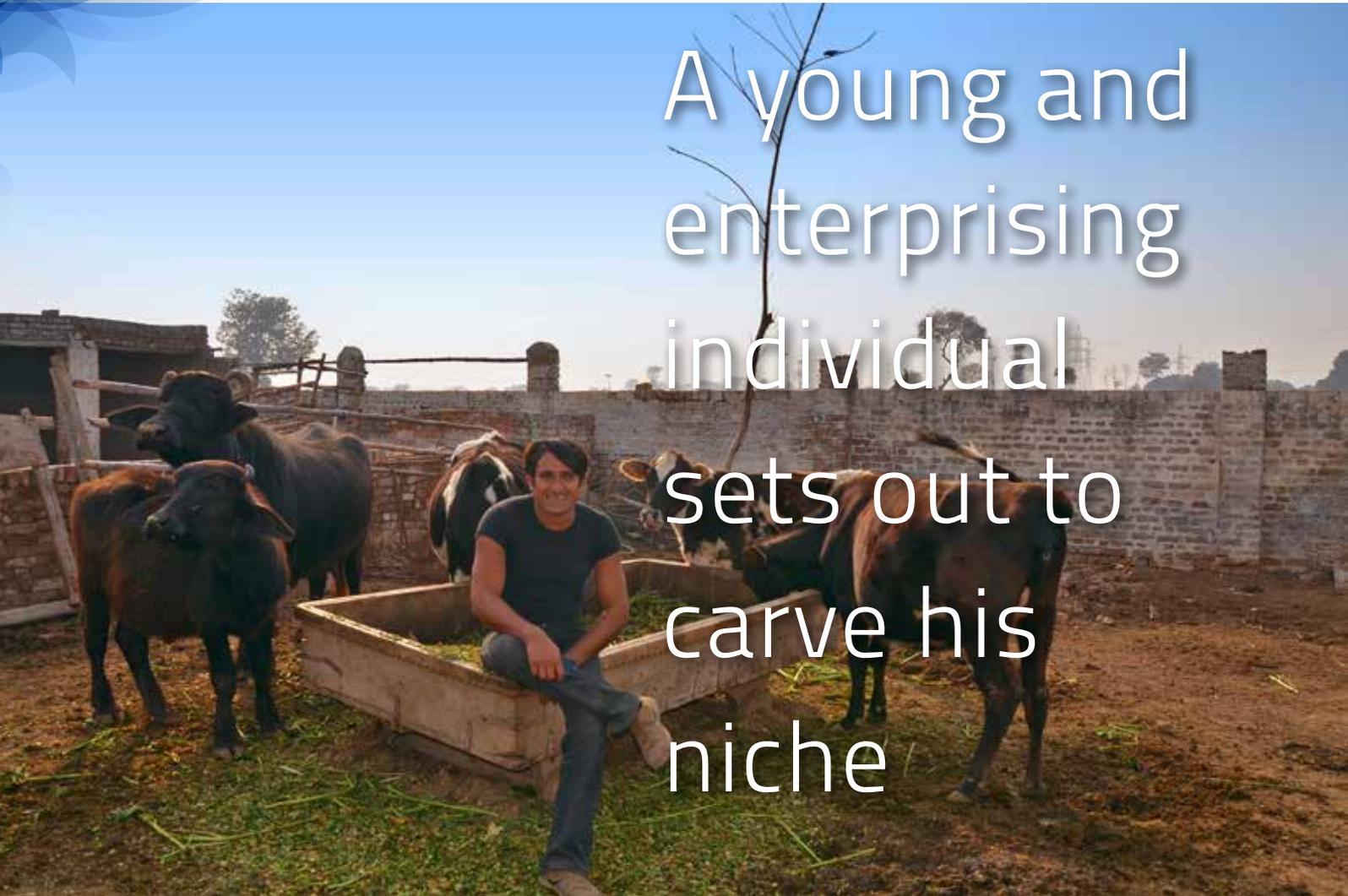
In April 2012, Rahat was given 30 free-of-cost

Vanda bags by the Dairy Project, for sale in her village. She marketed her product (Vanda bags) through flyers, and successfully sold 30 bags for PKR 1000 each and earned an income of PKR 30,000. Now she is in a profitable business by selling the Vanda bags at her small general store in the village.

In addition, Dairy Project has given Rahat a cellular phone, so she can liaise with Vanda suppliers in the market. With the profit she earned, she has brought back the tradition of two proper meals being served at home and has been able to regularly purchase medicines for her ill father. More importantly, the family owns a very small piece of land, and she has bought some water for her crops. Once the harvest reaps an income, she will reinvest it into the Vanda business and purchase more bags to sell.

"The Dairy Project has not just made me a seller of Vanda bags; it has opened my eyes towards dairy farming. With this income, I'm also going to arrange for free access to water for my three dairy animals," she says on a positive note.

SUCCESS STORY

A young man with dark hair, wearing a dark t-shirt and blue jeans, is sitting on a wooden trough filled with green feed. He is smiling at the camera. In the background, there are several cows of various colors (black, brown, and white) standing in a dirt enclosure. A brick wall and some trees are visible in the distance under a clear blue sky.

A young and enterprising individual sets out to carve his niche

Nestlé's Sarsabz training farm helps grow a young farming enthusiast.

I started my small dairy business with no prior knowledge or expertise. Thanks to Nestlé for their support on making my business grow sustainably through educational workshops on modern farming techniques. Today with more than 50 animals, I am very enthusiastic about growing my business even further.

-Shahbaz Khan, Progressive Dairy Farmer, Chak17, Renala Khurd.

Meet Shahbaz – A young and enterprising individual set out to carve his niche in Pakistan’s dairy industry. His inspiring story leads us to believe that just a spoonful of enthusiasm and drive can make it all possible.

Shahbaz had just passed his matriculation examination and had huge aspirations to join the police force but unfortunately failed to enlist. This did not deter him and he was determined to improve circumstances for himself and his family. He had high hopes to turn things around and wasn't going to settle with his lot in life.

Unlike many who resign to fate, Shahbaz could have given up at this point. He could have accepted himself as a failure and spent his life having resigned to fate. However, he did not lose hope, strong-willed as he was. He started a small dairy business with two cows.

With endless hours of hard work working both day and night, Shahbaz’s business slowly and gradually grew. Today he has 50 animals with an average yield of 17–20 liters of milk per day. Shahbaz is enthusiastic about growing his business further and plans to add ten more cows this year.



Shahbaz owes a huge part of his success to Nestlé, having supported him over the years. He says, “The beauty of business with Nestlé is that I get weekly payment”. Apart from providing him much needed liquidity, Nestlé’s training and expert tips has also helped him manage his business better and has increased his understanding of the milk industry. Nestlé’s Sarsabz training farms provides free training to farmers on modern farming techniques with the average of 2000 farmers per year. They plan to step up training by investing in another 30,000 farmers over the next five years.

Thank you Nestlé!



Nestlé in Society: Creating Shared Value

It is our firm belief that, for a company to be successful over time and create value for its shareholders, it must also create value for society. We call this Creating Shared Value (CSV). Based on strong foundations of compliance and sustainable business practices, this is our basic way of doing business.

We have identified the most fertile opportunities for Creating Shared Value, in areas that are core to our business activities and vital for our value chain. These are nutrition, water and rural development.

Why Nutrition

Because food and nutrition are the basis of health and of our business as the leading Nutrition, Health and Wellness company.

Why Water

Because the ongoing quality and availability of this resource is critical to life, the production of food and to our operations.

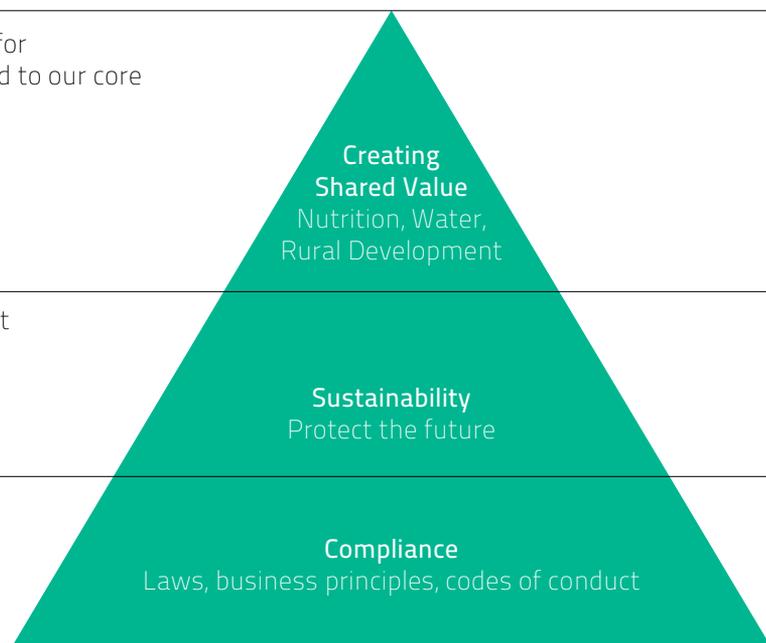
Why Rural Development

Because the overall well-being of farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the long term success of our business.

"... beyond sustainability, to create value for shareholders and society – integrally linked to our core business ..."

"... meet the needs of the present without compromising future generations ..."

Comply with the highest standards



Compliance
Laws, business principles, codes of conduct



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