



The Nestlé Management and Leadership Principles

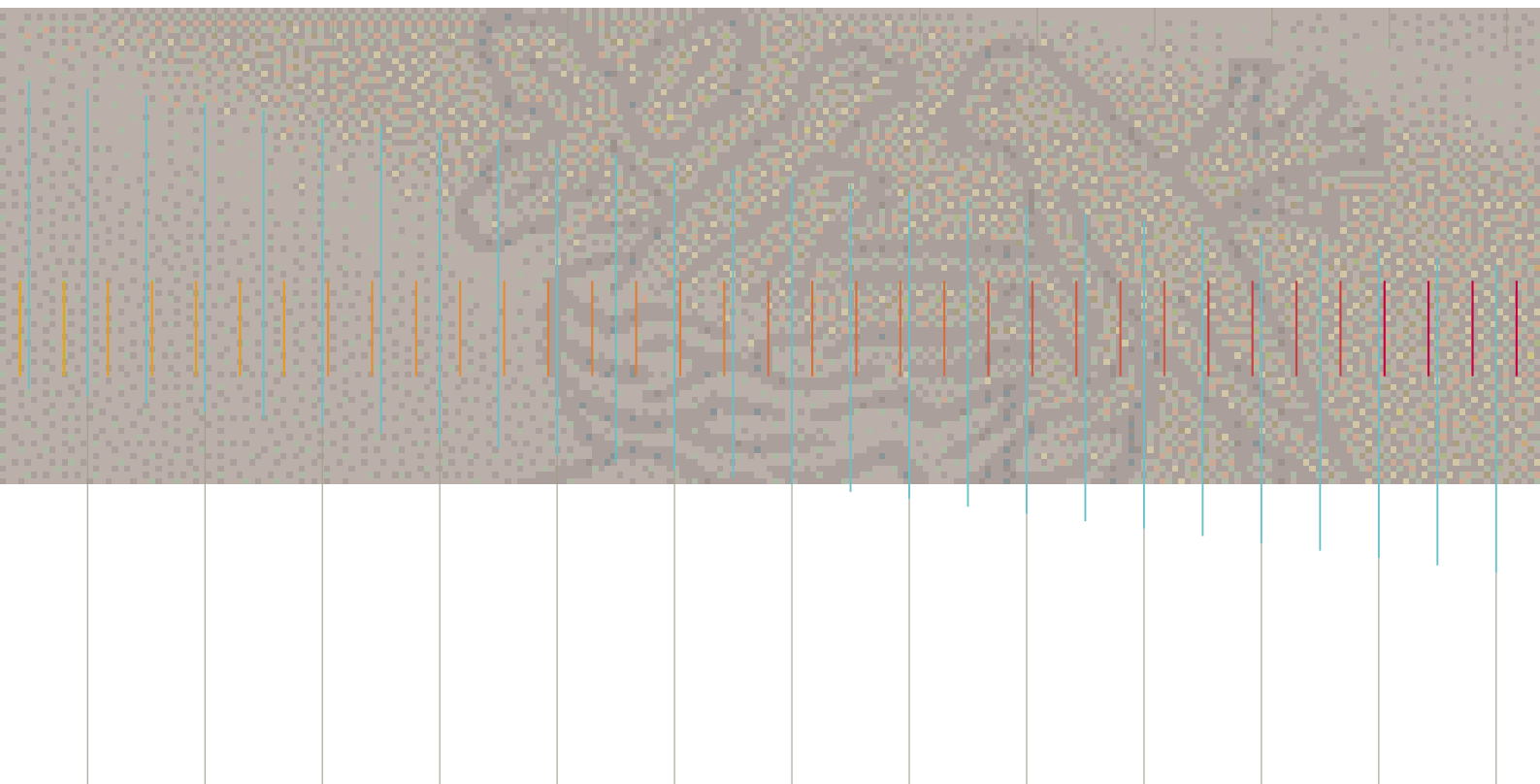


Table of contents

6	Nestlé – A Human Company
8	The Nestlé Values
8	High commitment to quality products and brands
9	Respect of other cultures and traditions
9	The Nestlé culture
10	The Nestlé Leadership: Adding Value
12	General Principles
14	Organisational Principles
15	Management Commitment



Nestlé, over its long historical development from a small village operation to the world's leading food Company, has demonstrated an enviable capability to adjust to an ever-changing external environment, without losing its fundamental beliefs and core values, so important for long-term success.

Over the years to come, this capability will continue to be challenged even more as Nestlé is growing in size and complexity up to a dimension which demands a continuous evolution of its organisation and of the way in which it is run.

This permanent transformation will be driven by the need to manage complexity with a high level of efficiency, leveraging all the intangibles which enhance our competitive edge. Our personal motivation based on willingness to learn and to question what we are doing and why we are doing it, combined with our longstanding respect for certain Nestlé values, will assure our success.

In such a setting, every employee of Nestlé has both an individual and complementary role to play in building the Company of tomorrow.

The Basic Nestlé Management and Leadership Principles were issued in 1997. The first version reflected the specific situation of the Company at that time, and intended to build a bridge at a moment when it was essential to ensure that our Nestlé values were recorded for future reference.

The new version not only re-emphasises the values that have been and always will be those of Nestlé, but focuses strongly on the skills that will ensure Nestlé's future over the years to come. It is also aligned with the Corporate Business Principles, which have been revised in 2002.

We wish that each of you carefully read this document, share it with your collaborators, take pride in adhering to its principles and implement them with conviction and enthusiasm.

We believe indeed that these principles are there to be lived not only through discussions with colleagues and during training sessions but mainly by taking concrete action in the workplace. These principles should be applied everywhere and at all times in our organisation, thus becoming a tangible expression of our corporate culture and a key component of our success.



P. Brabeck-Letmathe
Chief Executive Officer

A halftone image of a woman smiling and holding a baby. The woman is on the right, looking down at the baby on the left. The baby is wearing a light-colored onesie. The image is rendered in a monochromatic, dotted style.

Nestlé
A Human Company

Nestlé is a human Company providing a response to individual human needs throughout the world with specific concern for the wellbeing of both its consumers and its employees. This is reflected in its attitude and its sense of responsibility towards people. Nestlé aims to increase sales and profits but, at the same time, to raise the standard of living everywhere it is active and the quality of life for everyone.

Nestlé is also convinced that it is the people who form the strength of the Company and that nothing can be achieved without their commitment and their energy, which makes people its most important asset. Involvement of people at all levels starts with appropriate information on the Company's activities and on the specific aspects of their work. Through open communication and active co-operation, everyone is invited to contribute to improvements enhancing Company results and personal development.



The Nestlé Values

High commitment to quality products and brands

Worried by the high level of infant mortality at that time and relying on scientific research, the Company founder, Henri Nestlé, created a revolutionary product, “Farine Lactée Nestlé” (“Nestlé Milk Cereal”), which has helped to save the lives of many children the world over.

Nestlé’s coat of arms, the birds’ nest, which refers to his name, has become a symbol for our products being a safe harbour for our consumers.

Ever since, product safety and quality, Research & Development based innovation capacity and strong brands are a priority for Nestlé.

Respect of other cultures and traditions

From its inception, Nestlé developed its business internationally and became aware of the fact that food products have to be closely linked to local eating and social habits.

That is why Nestlé from the very start has always shown respect for diverse cultures and traditions. Nestlé endeavours to integrate itself as much as possible into the cultures and traditions where it is present, adding also to the local environment its own set of values laid out in this document. Therefore, Nestlé embraces cultural and social diversity and does not discriminate on the basis of origin, nationality, religion, race, gender or age.

Furthermore, Nestlé believes that its activities can only be of long-term benefit to the Company if they are at the same time beneficial to the local community. In short, global thinking and strategies can best be expressed through local action and commitment.

The Nestlé culture

Apart from its commitment to safety and quality and its respect for diversity, Nestlé is committed to a number of cultural values. These values come partly from its Swiss roots and have been developed during its history. They are also evolving so as to support the permanent reshaping of the Company.

They can be described as follows:

- _ Commitment to a strong work ethic, integrity, honesty and quality.
- _ Personal relations based on trust and mutual respect. This implies a sociable attitude towards others, combined with an ability to communicate openly and frankly.
- _ A personalised and direct way of dealing with each other. This implies a high level of tolerance for other ideas and opinions, as well as a relentless commitment to co-operate proactively with others.
- _ A more pragmatic than dogmatic approach to business. This implies being realistic and basing decisions on facts.
- _ Openness and curiosity for dynamic and future trends in technology, changes in consumer habits, new business ideas and opportunities, while maintaining respect for basic human values, attitudes and behaviour.
- _ Pride in contributing to the reputation and the performance of the Company. This calls especially for nurturing a sense of quality and long-term achievement in the daily work beyond fashion and shortsighted gain.
- _ Loyalty to and identification with the Company.

The Nestlé Leadership: Adding Value



Members of the Nestlé Management at all levels are more concerned with continuously adding value to the Company than exercising formal authority. This can only materialise with a high involvement of each employee and a common mindset geared to results. Contributing to results through project work and special assignments becomes more frequent, reaching beyond conventional boundaries in order to contribute to wider group performance.

The broader the responsibility of a Nestlé Manager, the more the following specific criteria should be considered, in addition to professional skills, practical experience and result focus:

_ Personal commitment and courage. This includes the capacity and the willingness to take initiatives and risks as well as to maintain composure under pressure.

_ Ability to motivate and to develop people, addressing all those issues that allow others to progress in their work and to develop their capabilities.

_ Curiosity and open-mindedness as well as a high level of interest in other cultures and life-styles. This also includes a commitment to continuous learning and improving, as well as to sharing knowledge and ideas freely with others.

_ A taste for initiative together with the ability to create a climate of innovation and to think outside the box. This implies the right to make a mistake but also the readiness to correct it and to learn from it.


_ Willingness to accept change and the ability to manage it.

_ Adaptability of thought and deed, taking into account the specificity and the complexity of the environment.

_ Credibility as a result of coherent action, leadership and achievement.

_ International experience and understanding of other cultures.

In addition, broad interests, a good general education, responsible behaviour as well as fostering a balanced lifestyle are required to hold high-level management positions.



General Principles

Nestlé is more people, product and brand oriented than systems oriented. While systems are necessary, they should never be an end in themselves.

Nestlé favours long-term successful business development and endeavours to be a preferred Company for long-term oriented shareholders. However, Nestlé does not lose sight of the necessity to improve short-term results and remains conscious of the need to generate a sound profit each year.

Nestlé seeks to earn consumers' confidence and preference and to follow and anticipate consumer trends, creating and responding to demand for its products. Therefore Nestlé is driven by an acute sense of performance, adhering to and favouring the rules of free competition within a clear legal framework.

Nestlé is conscious of its social responsibility, which is inherent in its long-term orientation.

Nestlé is as decentralised as possible, within the framework imposed by fundamental policy and strategy decisions requiring increasing flexibility. Operational efficiencies, as well as the group-wide need for alignment and people development, may also set limits to decentralisation.

Nestlé is committed to the concept of continuous improvement of its activities, thus avoiding more dramatic one-time changes as much as possible.

Organisational Principles

Nestlé is in favour of and implements pragmatically:

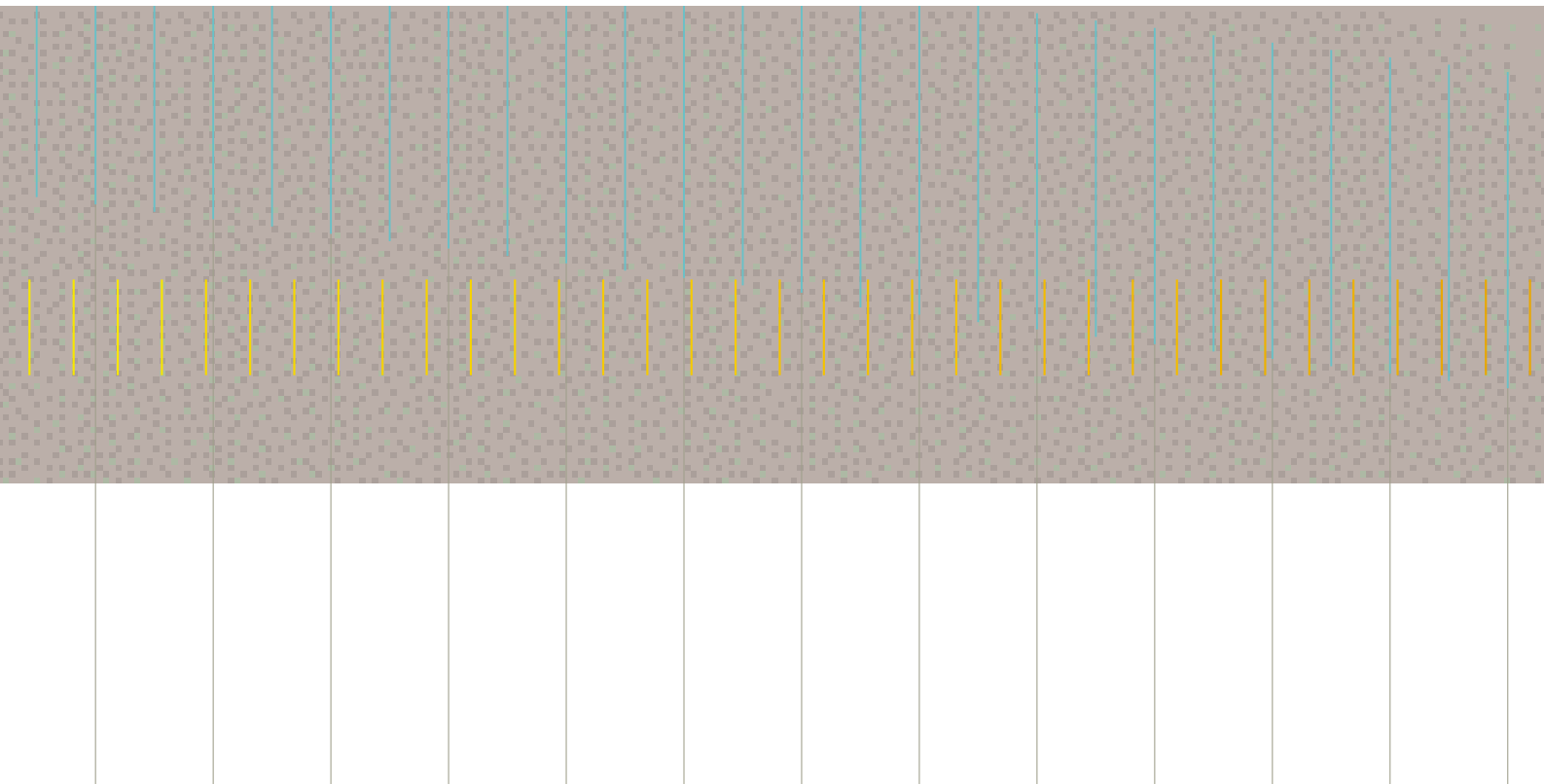
- _ Flat and flexible organisations with few levels of management and broad spans of control, including project teams and task forces. Networking and horizontal communication are encouraged with clear accountability of the managers and the hierarchy.
- _ Clear levels of responsibility and well-defined objectives are a must. Teamwork and networking do not affect the manager's responsibility: a team has always a responsible leader.
- _ A structure which assures operational speed and personal responsibility, with strong focus on results, reducing bureaucracy as much as possible.

Management Commitment

Members of Nestlé Management at all levels are strongly committed to the Company, its development and its culture as expressed in *The Nestlé Management and Leadership Principles*.

They practice what they preach and show the example in their daily work.

Apart from professional skills and insight, the capacity and willingness to apply these principles are the main criteria for progressing in the organisation, regardless of origin, nationality, religion, race, gender or age.



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