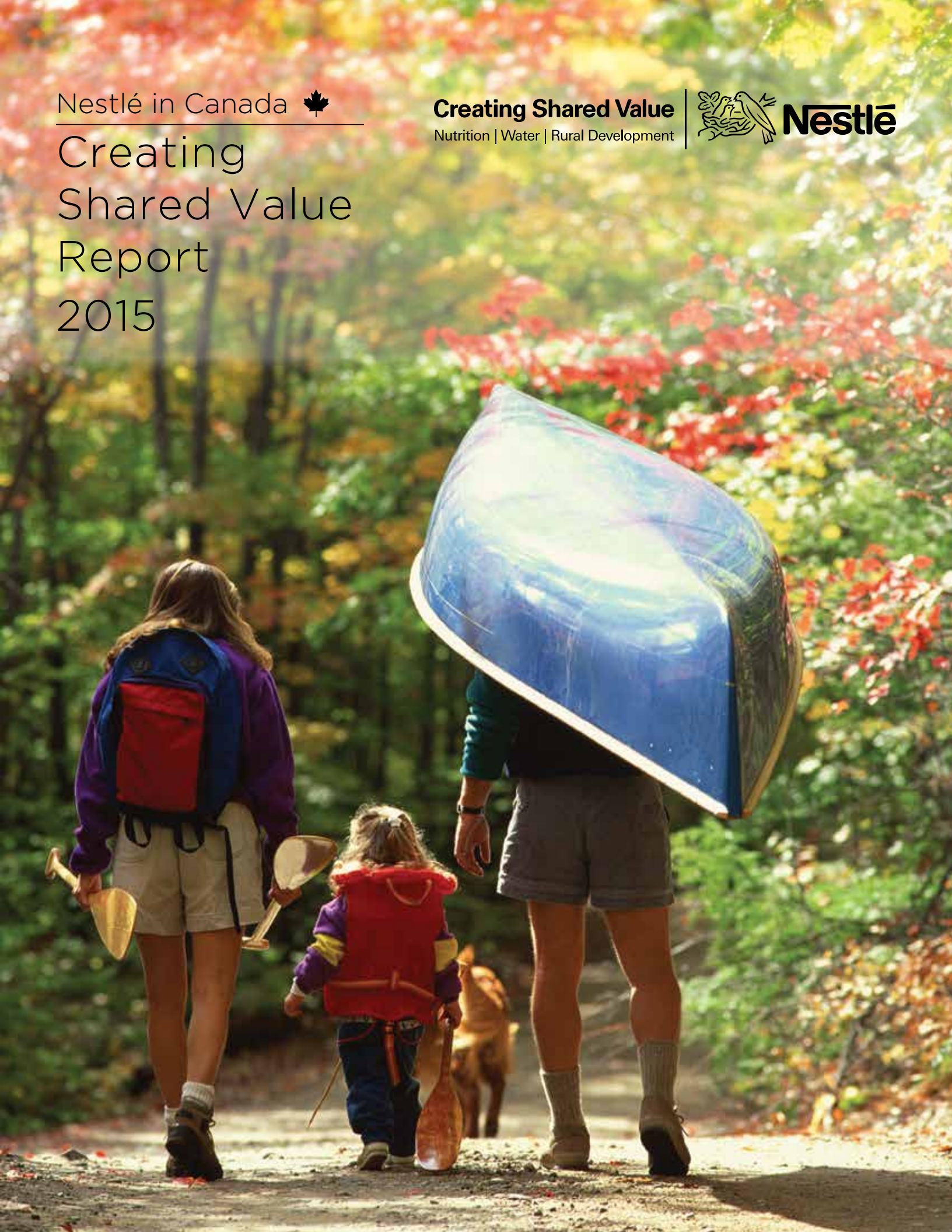
Nestlé in Canada

Creating Shared Value Report 2015

Creating Shared Value
Nutrition | Water | Rural Development

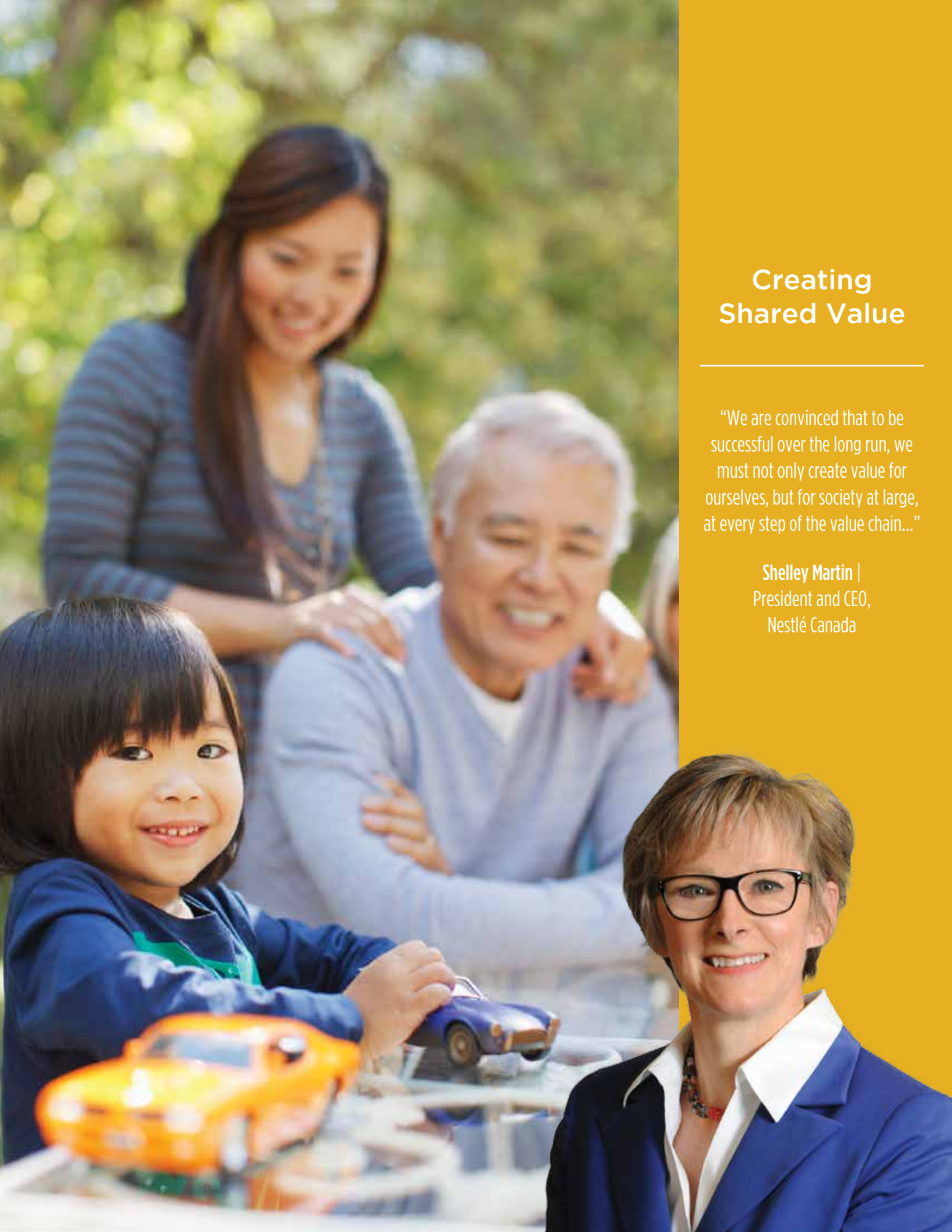
Nestlé



Creating Shared Value

"We are convinced that to be successful over the long run, we must not only create value for ourselves, but for society at large, at every step of the value chain..."

Shelley Martin |
President and CEO,
Nestlé Canada



We are proud to celebrate our 150th anniversary. It not only demonstrates the dedication of our people and the strength of our products and brands, it's also a confirmation of our vision of a sustainable business.

HENRI NESTLÉ could not have imagined that 150 years after his invention of "Farine Lactée," his name would be synonymous with the world's leading Nutrition, Health and Wellness Company. This success is due to many factors, but Nestlé's long-term business approach is key.

The first Nestlé products arrived in Canada in 1887 and the company opened its first plant in 1918 in Chesterville, Ontario. Over the years, Nestlé has grown to become a company with a special sense of responsibility, which we call Creating Shared Value. In other words, we are convinced that to be successful over the long run, we must not only create value for ourselves, but for society at large — from the farmer, to the consumer, including our employees and shareholders.

AND WE ARE COMMITTED TO creating a positive impact through our operations and products. We work on our recipes to make our products tastier and healthier. We work on new packaging to reduce its impact on the environment and to add clear portion size information for the consumer.

In 2015, for example, we introduced new packaging for ***Smarties,*** making it easy for consumers to see and understand what a reasonable amount of chocolate is when they're having a treat. We have reworked our recipes, so 100 percent of our kids products meet strict nutritional criteria. We have improved the way we make our products to minimize their impact on the environment and over the 2010-15 period, we have reduced our greenhouse gas emissions by ten percent and our water usage by seven percent in our factories.

OUR OBJECTIVE IS TO CREATE A POSITIVE impact on the lives of Canadians through better food and so much more. This report shows how we will achieve this. It's a journey that started 150 years ago and one that we are still on today.

At the global level, Nestlé has made 39 commitments to support our long-term goal of Creating Shared Value. Check out www.nestle.com/csv to know more.

In Canada, we strive to achieve these commitments. We have set ambitious goals for ourselves which not only concerns our business results, but how we intend to achieve them.

These are the highlights of our commitments in Canada:

Nutrition, Health and Wellness commitments

- Reduce sodium, saturated fat and sugar by 10% across our portfolio by 2016
- Provide on-pack nutrition guidance on 100% of products by 2016
- Contribute to Canadians' understanding of dietary patterns

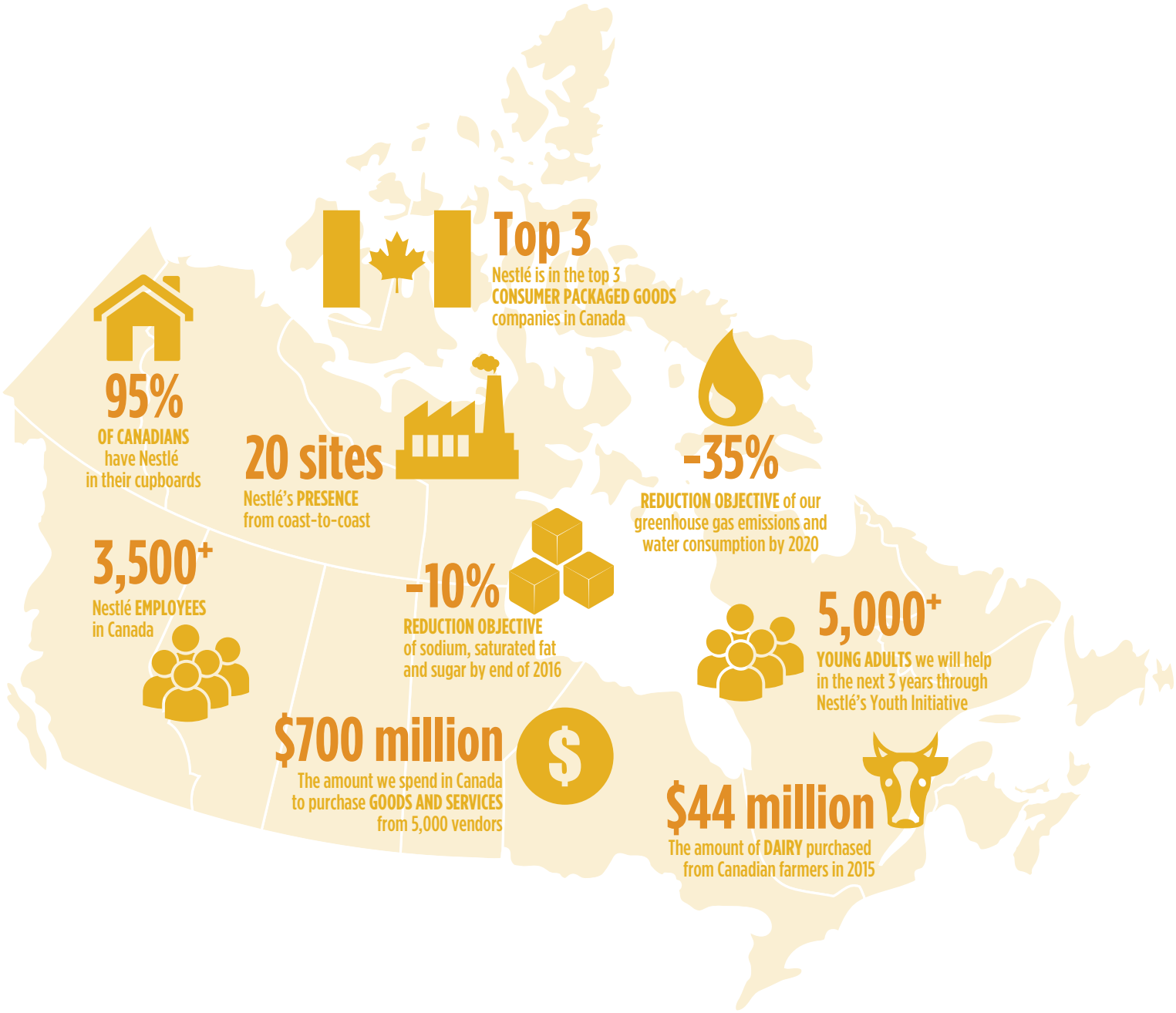
Environmental Sustainability commitments

- Achieve zero waste for disposal within our factories by 2020
- Reduce our greenhouse gas emissions by 35% by 2020
- Reduce our water usage in our operations by 35% by 2020

Social Impact commitments

- Offer 5,000 young Canadians the opportunity to develop their professional skills and increase their employability by 2018
- Continue to work with the best Canadian suppliers
- Provide long-term community support and partnership

We've got a long history in Canada importing products as early as 1887 when Sir John A. Macdonald was Prime Minister. Then we opened our first Canadian factory in 1918...



Good Food, Good Life

Good Food, Good Life is the very essence of Nestlé and this philosophy can be traced back to our beginnings. Every day we strive to do our best for Canadians. On this journey to become better at what we do, we're committed to providing transparency and showing progress in how we're meeting our goals, both in Canada and around the world.

We believe all foods and beverages can be part of a healthy, balanced lifestyle when consumed in moderation, and Nestlé Canada Inc. is proudly developing and marketing some of the country's best-known brands. Many of our confectionery products are made locally and our teams take care of some of Canada's favourite treats. The meals division offers a variety of delicious and convenient culinary products ranging from frozen meals to pizza. Our coffee and beverage team manages coffee and other products such as liquid water enhancers and coffee whiteners. While our colleagues in charge of ice cream and frozen dessert proudly produce and market some of the leading brands in the country.

PURINA®/MD
Your Pet, Our Passion.®
Votre petit compagnon, notre passion.MD

Purina is guided by a passion for pets and believes pets and people are better together. This belief has driven ***Purina*** to push pet nutrition forward for over 80 years. It's what inspires their team of over 400 scientists, including pet nutrition experts to develop industry-leading pet foods, and to make those products accessible to pets everywhere.

NESPRESSO®

The ***Nespresso*** story began with a simple idea: enable anyone to create the perfect cup of espresso coffee — just like a skilled barista. From its beginning in 1986, ***Nespresso*** has redefined and revolutionized the way millions of people enjoy their espresso coffee. It has shaped the global coffee culture.

Nestlé PROFESSIONAL

Nestlé Professional offers culinary and beverage solutions designed to help boost guest satisfaction while improving operating efficiency and profitability for our clients' operations. ***Nestlé Professional*** takes great pride in our ability to help establishments achieve operational and business success.

Nestlé Waters CANADA

With 36 years of experience promoting healthy hydration, Nestlé Waters North America has 15 leading U.S. and Canadian bottled water brands.
The company is committed to environmental stewardship, especially in the areas of water use, packaging and energy, as well as its dedication to partnering in the communities where it operates.

NestléHealthScience™

When nutrition becomes therapy... ***Nestlé Health Science*** offers nutritional solutions for people with special dietary needs due to illness or challenges associated with different life stages. Our goal is to be at the forefront of the development and application of scientific advances to create nutrition for a new role in the prevention and treatment of diseases.

Nestlé | Nutrition

Our commitment is to enhance the well-being of moms, babies and families with high quality, innovative, and science-proven nutrition, education and support.
Nestlé Nutrition firmly believes that breastfeeding provides the best start for babies.
We have created resources that emphasize the importance of education, and support for moms to make informed decisions while caring for their infants. We support a woman and her family's journey from pre-pregnancy through nourishing her newborn, to her toddler's first and continuing adventures.

NUTRITION, HEALTH AND WELLNESS

Improving the nutritional profile of our products

"Since the end of 2014, 100% of our children's products meet Nestlé Nutrition Foundation Criteria."

Kate Cole | Registered Dietitian – Nutrition, Health & Wellness Manager

As a Food and Beverage leader, nutrition is at the very heart of everything we do.

We use a set of internal, science-based criteria to assess the nutrition credentials of our products based on serving size. We call this the Nestlé Nutrition Foundation (NF) and it is based on recommendations from the World Health Organization and the Institute of Medicine. The criteria are category and age specific. To achieve NF, a product must meet all the nutrient criteria for its respective category, including calories, added sugar, total fat, saturated fat, trans fat and sodium.

To ensure taste preference and better nutrition go hand-in-hand, we assess our major products through our 60/40+ program, which requires that at least 60 percent of a consumer panel prefers the taste of Nestlé's product over the competitors'. Each product is also assessed against the NF criteria and the nutritional profile of our competitors' products.

We set important goals and high targets to continually improve our products and services.

IMPROVE NUTRITIONAL PROFILE OF OUR PRODUCTS

Reduce sodium, saturated fat and sugar by 10% across our portfolio by 2016

- Nestlé Canada has committed to reducing the amount of sodium, sugar and saturated fat by 10 percent in our products that do not meet NF by the end of 2016. In addition, we will remove trans fat from partially hydrogenated oils from all products by the end of 2016 (by end of 2015, we were already at 97%).

One key standard to raise the bar: Nestlé Nutrition Foundation (NF)

- We benchmark all our products against these criteria.

100% of kids products comply with NF

- Since the end of 2014, 100 percent of our children's products meet NF Criteria, including products such as ***Smarties, Nesquik*** and our frozen kids novelties.

PROVIDE ON-PACK NUTRITION GUIDANCE ON 100% OF PRODUCTS BY 2016

- All of Nestlé Canada's products will display Guideline Daily Amounts (GDA) for calories on front-of-pack. At the end of 2015, 65 percent of all our products have GDA, with plans in place for continued implementation.
- Portion Guidance will be provided on all children's and family products, supporting the consumption of appropriate portions and helping Canadians understand how to consume Nestlé products as part of a balanced lifestyle. At the end of 2015, 53 percent of all our children's and family products include this information on pack, with plans in place for continued implementation.

CONTRIBUTE TO CANADIANS' UNDERSTANDING OF DIETARY PATTERNS

- In 2013, Nestlé Canada entered into a research partnership with the Program in Food Safety, Nutrition and Regulatory Affairs at the University of Toronto to better understand the nutrient intake of Canadians throughout their lifespan. This three-year study concluded in 2016 and has resulted in two scientific publications to date. It will be shared with the external academic community to allow for new discoveries within the practice of Canadian nutrition and food policy experts.

What have we done so far?

In 2014-2015, we worked towards improving the nutritional profile of almost 100 products.

Here are some examples:

ARTIFICIAL COLOURS

96% of our products are free of artificial colours

100% Renovated *Skinny Cow* recipe, to remove artificial flavours, colours and sweeteners.

SODIUM

97% of our frozen meal and pizza products meet Health Canada's maximum sodium targets (100% by end 2016)

- *14% sodium reduction in **Stouffer's** Chicken Pot Pie (per serving)*
- *An average of 12% sodium reduction across the **Delissio** Rising Crust range (per serving)*

SATURATED FAT AND SUGAR

8.5% saturated fat reduction

3.5% sugar reduction

- *Across the **Drumstick** range (by volume)*

149 million teaspoons of sugar were removed from our *Nesquik* syrup products in 2015

All numbers refer to Nestlé Canada Inc. product portfolio

BY THE END OF 2014, Nestlé Canada achieved its commitment to ensure that all children's products met our NF criteria. If a children's product could not be reformulated or put into portion-controlled packaging, it was discontinued. At the end of 2012, 31 products did not meet NF and were either renovated or had a package change, and 10 products were discontinued. Now, all our children's products have less than (or equal to) 11g of added sugar per serving. In Canada, ***Smarties*** used innovative packaging to achieve this goal. the new Canadian-developed packaging is leading the way in portion-controlled packaging and is designed to meet the shifting consumer landscape.

WITH MATERNAL NUTRITION BEING FUNDAMENTAL FOR BABY'S LIFE-LONG HEALTH, we have delivered critical education on the importance of a healthy diet and folic acid before pregnancy, reaching over 7,600 healthcare professionals in 2015 including over 90% of obstetricians in Canada. We have built strong partnerships with the Society of Obstetricians and Gynecologists of Canada and the Spina Bifida and Hydrocephalus Association of Canada. In support of exclusive breastfeeding, we developed an evidence-based In-Hospital Feeding Protocol that includes clinical screening for the primary prevention of allergy. And with a focus on the importance of an overall healthy diet with emphasis on iron-rich foods and supplements for mom and baby, we provide educational resources and offer iron-rich products to help meet needs from pregnancy through to the preschool years and beyond. Our unwavering commitment is to nourish a healthier generation, one baby at a time.

IN 2015, NESTLÉ *CARNATION BREAKFAST ESSENTIALS* READY-TO-DRINK underwent a major transformation following evolving consumer trends. ***Carnation Breakfast Essentials*** transitioned from tetra packaging to a resealable bottle and was reformulated to reduce the amount of sugar. In addition, the number of essential vitamins and minerals per serving increased to further differentiate ***Carnation Breakfast Essentials*** from the competition, while continuing to provide consumers a product they could feel good about drinking. The new ***Carnation Breakfast Essentials*** contains 40% less sugar than the previous product (15g vs. 34g) while maintaining the taste profile consumers love!

HEALTHY PET AGING – A VISIBLE DIFFERENCE THROUGH NUTRITION: PRO PLAN® BRIGHT MIND®

Since 2003, Nestlé Purina has been developing nutrition for cognitive improvement, to promote healthy aging in dogs. In 2015, ***Purina® Pro Plan® Bright Mind™*** Adult 7+ was launched, containing high quality protein and enhanced botanical oils, shown to promote alertness and mental sharpness in dogs aged 7+. This nutrition innovation provides a fuel source for the brain, helping naturally nourish their minds to help them think more like they did when they were younger.

Improving the sustainability of our manufacturing processes

"We are working towards 35% reduction of our greenhouse gas emissions and water usage."

Angela Dennis | Director, Technical Packaging & Environmental Officer

At Nestlé we are committed to protecting the future of our planet and we do this by reducing our greenhouse gas emissions, reducing the amount of water we use and getting to zero waste for disposal in all of our operations.

BY 2020 WE COMMIT TO:

- Zero waste for disposal
- 35% reduction of greenhouse gas emissions (2010-2020 period)
- 35% reduction of water usage in our factories (2010-2020 period)

We implemented the globally developed Responsible Sourcing Guidelines, which require thorough monitoring of our supply chain to ensure compliance at every stage in regards to labour and human rights, environmental sustainability and animal welfare. From the farm to the fork everyone in our company has a role to play.

TO IMPLEMENT RESPONSIBLE SOURCING across our supply chain, we are conducting a large number of audits and rely on third party investigations when necessary. For example, in August 2014, we invited the Fair Labor Association (FLA) to help us to examine our cocoa supply chain in Côte d'Ivoire. The FLA then published a report highlighting areas where we need to do more to meet its Code of Conduct. Based on these findings, we further developed our action plan to tackle the child labour issue. Our Nestlé Cocoa Plan addresses this issue and aims to improve the lives of cocoa farming communities and the quality of the cocoa we purchase.

In 2015, we commissioned global NGO Verité, an organization which works with companies to help understand and address labour issues. Verité investigated allegations of forced labour and trafficking in the recruitment, hiring, employment and living conditions of foreign migrant workers in the Thai fishing industry. A report was published that includes recommendations not only for Nestlé, but also for suppliers and government authorities. The findings are not unique or limited to Nestlé's supply chain, yet we immediately addressed the problem with an action plan focusing on ten key activities.

NESTLÉ IS PRO-WATER — BOTTLED OR TAP. As the global Nutrition, Health and Wellness leader, we want to provide the healthiest hydration option and bottled water represents the best alternative in many consumption moments. Our marketing efforts position our water brands as a healthy alternative to sweetened beverages. Everybody has the right to high quality food and good clean water. Water is a scarce resource and we believe that the responsible management of water resources by all users is an absolute necessity. In Canada, the water efficiency at Nestlé Waters is better than the industry average. This means that today, it takes Nestlé Waters Canada slightly less than 1.3 litres of water to deliver 1 litre of drinking water. By comparison, it takes 3 litres of water to produce one litre of soft drinks or 42 litres of water to produce one litre of beer.

What have we done so far?

A JOURNEY TOWARDS 35% GREENHOUSE GAS & WATER REDUCTION

All our factories work hard to reduce their environmental footprint everyday. Numerous projects have been initiated and thanks to increased attention, improvement projects and targeted measures, we have started our journey towards meeting our ambitious targets.

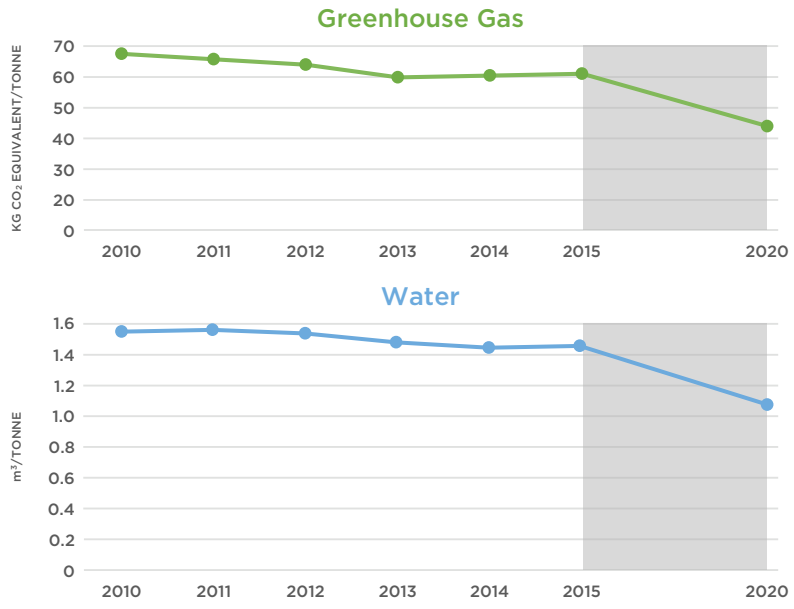
WASTE MANAGEMENT

In 2014-2015, we invested in our waste management and thanks to focused improvement projects, we have achieved zero waste to landfill in our ice-cream factory in London as well as our chocolate factory in Toronto.

The Nestlé Professional Plant in Trenton also reached zero waste to landfill in March 2015.

To reach this objective, the organic waste is used to produce biogas through a partnership with a local farming operation. This biogas is then combusted to generate electricity and heat. The digester at the local farm has the capacity to generate 750 kilowatts of electricity, which is enough to power over 500 households.

The Nestlé Purina PetCare plant in Mississauga has also started working towards the goal of zero waste to landfill by the year 2020. The teams are implementing a plan to divert the compactor waste to energy in place of landfill.



Across Nestlé in Canada businesses, we are on a continuous journey to reduce greenhouse gas and water usage by 35% by 2020.

Biogas facility where Nestlé Professional's organic waste is used to generate electricity and heat

SUSTAINABLE COCOA

One hundred percent of our chocolate produced at our Toronto factory, is certified by UTZ for sustainability and is sourced within our ***Nestlé Cocoa Plan.*** By mid-2016, all of our chocolate produced in Canada will proudly be made with the same responsible cocoa beans, which includes the Canadian production of some favourite brands, such as ***Kit Kat, Turtles, Coffee Crisp*** and ***Smarties.***

WATER BOTTLE PACKAGING REDUCTION

- Our ***Eco-Shape***® 500 ml bottle is one of the lightest containers in the beverage industry and contains 60% less plastic than the bottles we provided in 2000. This has allowed us to reduce the amount of energy we use by 50% annually and our greenhouse gas emissions by 45% since 2000
- By recycling the corrugated containers used in our facilities, we have diverted 96% of this valuable commodity from landfill
- We have saved 20 million pounds of paper since 2008 by reducing the size of our label by 35%

WATER BOTTLE RECYCLING

- All of our packaging is 100% recyclable and almost 72% of our bottles were recycled across Canada in 2014
- The ***Montclair*** 500ml bottle is made of 100% recycled PET plastic

RECYCLING — LOCAL SOLUTIONS

Nespresso titled its 2020 sustainability ambition ***The Positive Cup.*** It is designed to further the company's strategy to mitigate its impact and create positive outcomes for the business, society and the environment through innovative programs and partnerships. In Canada, the first project contributing to this program was the implementation of a reliable and sustainable local recycling solution. In June 2015, ***Nespresso*** opened the first recycling plant in the Province of Québec, at Saint-Jean sur Richelieu. Once sorted, the aluminium of the capsules has the unique advantage of being infinitely recyclable. In addition, the ground coffee can be reused as compost.

SOCIAL IMPACT

Addressing youth employment

"The aim of our global Youth Initiative is to positively contribute to a whole generation."

Alastair Macdonald |
Senior Vice President,
Human Resources

Creating value in the communities where we live and work has always been a priority for Nestlé. This is our driving force.

Through our products and our corporate actions, we want to make a positive difference in the lives of Canadians. As a business operating in this country for over 95 years, we believe our role is to create jobs, support local businesses and invest in our operations to ensure long-term business growth.

YOUTH EMPLOYMENT

In response to the high global youth unemployment rate, we launched our Youth Initiative in Canada in September 2015. Nestlé Canada's Youth Initiative is designed to help young Canadians fulfill their ambitions and positively contribute to the growth of the Canadian market and Nestlé. Over the next three years, we will offer more than 5,000 young Canadians the opportunity to develop their professional skills, increase their employability and expand their network.

- Get Skilled — We are committed to increasing internships by 25 percent over three years.
- Get Hired — By 2018, we will increase new grad hires by five percent through formalized training programs and entry-level positions.
- Get Support — We are providing 'readiness to work activities' including networking events, career counselling, information sessions and recruitment workshops at universities and colleges. In 2015, Nestlé was also the proud sponsor of the Queen's University Marketing Case Competition — a national business case competition in which the winning team secured an internship at Nestlé.
- Get More Opportunities — We are connecting with our business partners to build an alliance and develop a number of joint initiatives to give youth meaningful work, internships and training opportunities.

CONTINUE TO WORK WITH THE BEST CANADIAN SUPPLIERS

Over our 95 years in Canada, we have created jobs, supported local businesses and farmers, and invested in our operations. Our focus has always been the long-term success of our business, which is only made possible through long standing relationships with our suppliers.

Today, we operate with 20 sites including factories, distribution centres and offices. Our gross payroll in 2015 was approximately $285 million. Nestlé Canada pays over $126 million in taxes annually, and purchases goods and services totalling over $700 million from 5,000 vendors.

Furthermore, we operate with numerous Canadian partners. For example, in 2015, we purchased dairy products totaling over $44 million from Canadian dairy farmers.

LONG-TERM COMMUNITY SUPPORT AND PARTNERSHIP

We are striving to have a positive impact in each and every community we are a part of, by forging partnerships with trusted and effective organizations across Canada.

In 2014-2015, Nestlé and its employees in Canada gave more than $2 million to community partners and programs through financial and in kind product donations, as well as fundraising efforts.

This giving is driven in a big way by our employees who donate their time and money to many worthy causes.

What have we done so far?

NESTLÉ YOUTH INITIATIVE

Since the launch, our Nestlé Youth Initiative has already achieved outstanding results in 2015. We have organized over 35 "readiness for work" events in various universities, reaching over 1,800 students. During these events, students from universities and colleges across Canada had the opportunity to participate in networking events, career counselling as well as interview training and recruitment workshops. We have also offered internships and summer opportunities to over 90 students across all Nestlé businesses. We partnered with Queen's Marketing Association Conference (QMAC) to sponsor a national business case competition across Canadian universities and colleges. The 16 top team finalists received an opportunity to interview at Nestlé and the winning team will receive a paid internship at Nestlé during summer 2016.

LOCAL PURCHASING

The use of locally-sourced ingredients is important for Nestlé in Canada. For example in 2015, we purchased more than 3 million kilograms of flour and approximately 53 million litres of milk from Canadian producers. This represents approximately $44 million for Canadian dairy farmers alone.

Healthy Kids Quest

THE CANADA AGRICULTURE AND FOOD MUSEUM (CAFM)

Nestlé Canada is a proud partner and sponsor of The Canada Agriculture and Food Museum (CAFM). We supported the development of the Nestlé Good Food Good Life Learning Lab and an interactive exhibit called Food Preservation: The Science You Eat.

Thanks to this partnership, Nestlé has assisted the CAFM's five-year commitment to food literacy. Part of this commitment is the Healthy Kids Quest, a free, fun program designed for children aged six to nine across Canada. The program consists of six modules, each reflective of a different theme. They empower teachers and community group leaders to promote healthy lifestyle choices. The program was developed by the CAFM with support from Nestlé Canada and the Government of Canada.

RELIEF EFFORTS

Over the past two years (2014-2015), Nestlé Waters has donated over four million bottles of water. Typically supporting Canadians suffering from dehydration or who have been victimized by forest fires, flooding, hurricanes or temporary municipal water and sewer infrastructure failure.

SUPPORTING ANIMAL RESCUE

Nestlé Purina PetCare Canada is proud to support animal rescue and education organizations, large and small, across the country including SPCAs, community leash-free parks, and rescue groups in remote communities in Canada. We support the efforts of registered charities, and we strongly believe in the work we are doing to help homeless and vulnerable pets. We work with a variety of spay and neuter programs, rescue groups, research programs, vet dispatch initiatives, expos and community education events. And within the community of Mississauga, Ontario, we annually donate funds to Mississauga Leash Free, to cover maintenance and upgrades for local leash-free dog parks.

KIDS HELP PHONE

Nestlé Canada places a focus on children and the promotion of active healthy living. As such, Nestlé in Canada is a proud founding member of Kids Help Phone, who provide services and supports to tens of thousands of kids between the ages of five to twenty every month. Offering confidential and anonymous counselling services by telephone or Live Chat, Web resources and applications and other services, Kids Help Phone ensures support is available to Canada's 6.5 million youth 24/7/365. In 2014-2015, our fundraising efforts resulted in donations of over $800,000 to Kids Help Phone.

1 800 668 6868
KidsHelpPhone.ca
Kids Help Phone

PURINA
PetsatWork

STUDIES HAVE INDICATED THAT EMPLOYEES WHO BRING PETS TO WORK SHOW FEWER SIGNS OF STRESS. Advocating the benefits of Pets at Work has been a key pillar of Purina's commitment to people and pets for many years. Purina hosted several Pets at Work campaigns in 2015. In June, we launched a pet-friendly makeover to a deserving law office in Toronto that specializes in sexual assault and personal injury law, and have seen first-hand the incredible impact that Pets at Work can have on employees and clients alike. In October, renowned Canadian retailer, Hudson's Bay Company asked Purina to help them launch their program, with Pets at Work ambassadors.

FOR MORE THAN A DECADE, PURINA CANADA HAS SPONSORED THE PURINA® WALK FOR DOG GUIDES, a national fundraising walk, organized by the Lions Foundation of Canada Dog Guides. The walk raises funds to help train and provide Dog Guides for Canadians with visual hearing, medical or physical disabilities. To date, the walks have collectively raised more than $13 million. Purina Canada also sponsors seven guide dog organizations across the country, supplying ***Purina Pro Plan***® food for all their dogs in training.

Lions Foundation of Canada
Purina® Walk FOR Dog Guides

At the global level, Nestlé has made 39 commitments to support our long-term goal of Creating Shared Value. Check out www.nestle.com/csv to know more.

Find the detailed reporting on our commitments online:

www.corporate.nestle.ca/en/creatingsharedvalue

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Nestlé Canada Corporate Affairs
April 2016

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Please email your comments to:
corporate.affairs@ca.nestle.com

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Good Food, Good Life