

Integrated Reporting – A Call for Action

Thanks Olivier and Jean Charles for organising this meeting, and it is indeed a pleasure to speak to you this morning on need for Integrated Reporting.

Chart # 1 Title



Integrated Reporting – a call to Action

- ... **Awareness**
- ... **Responsibility**
- ... **Accountability**

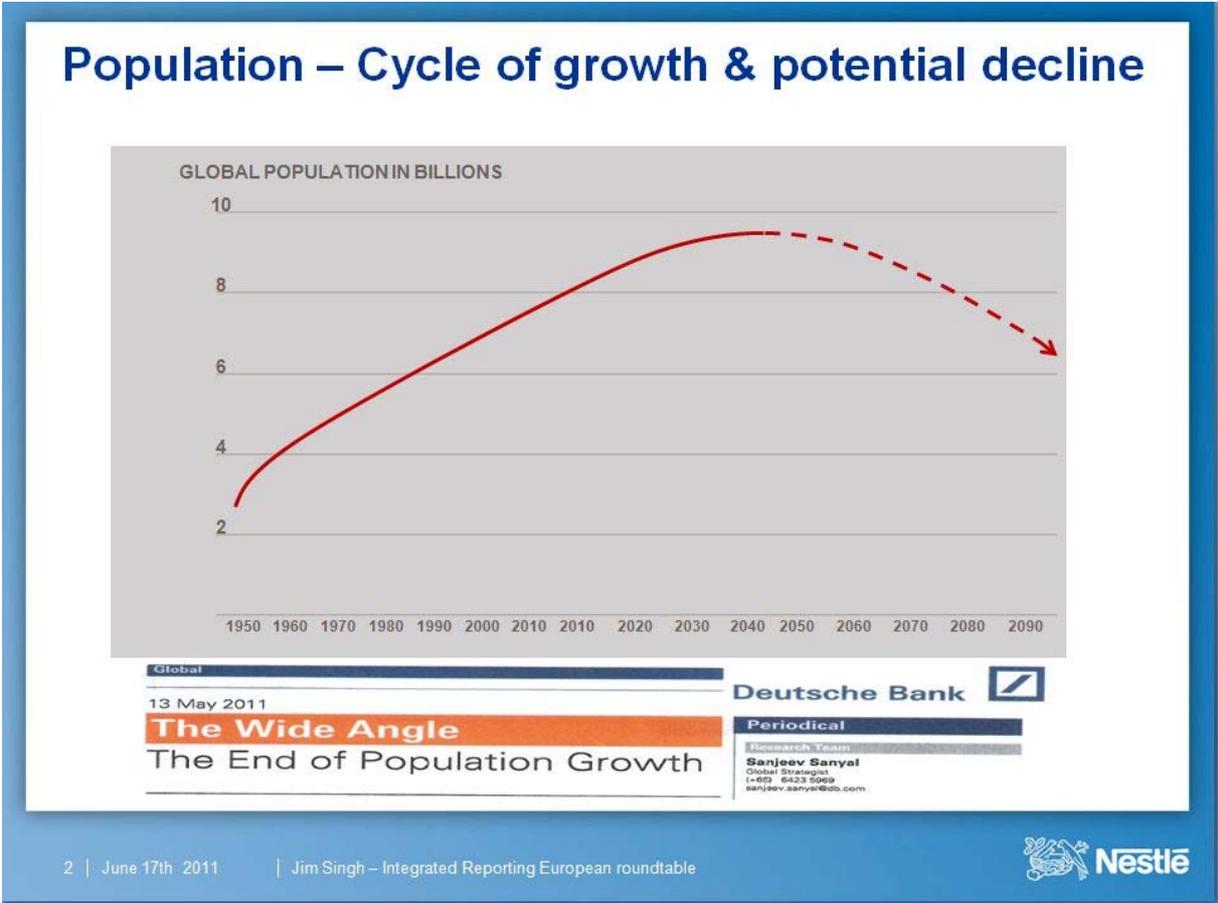
European Round Table
Brussels
June 17, 2011

Jim Singh
Executive Vice President and
Chief Financial Officer
Nestlé S.A.

The title of my discussion *Integrated Reporting – A call for Action* is intended to support the efforts of the IIRC to raise awareness and stimulate actions to achieve its objective i.e. Integrated Reporting. There is a general presumption that the “call to action” on Integrated Reporting is an outgrowth of the financial crisis exacerbated by the collapse of Lehman Brothers in September 2008. I strongly believe that this is not so because the need for Integrated Reporting became more pronounced during the time of great economic and financial

progress when we commenced the squandering of our resources, many of which are finite or cultivated requiring great care in their consumption.

Chart # 2 Population – Cycle of growth and potential decline

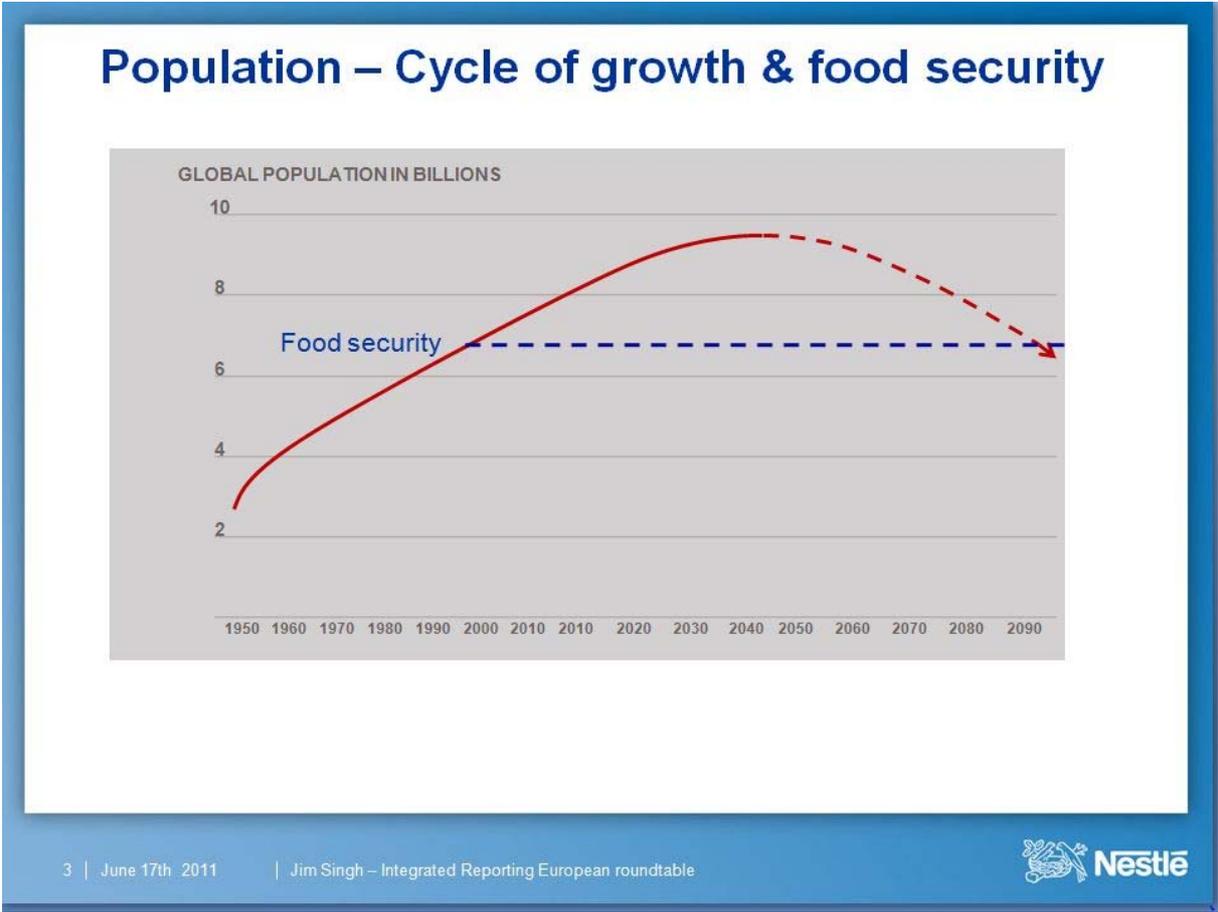


According to a recent Fortune Magazine article, “it took all of human history into the 20th century to reach a population of 2 billion”. By the end of the 20th century, the population will have surpassed 6 billion and by 2050 it will surpass 9 billion.

However, the world population will start to decline, even though people, on average, will live longer. The fact is that the birth rates have been low with decline in fertility rates in the developed world, and this situation is now being manifested in the emerging markets. “The Chinese, Russians and Brazilians are no longer replacing themselves.... and neither are the

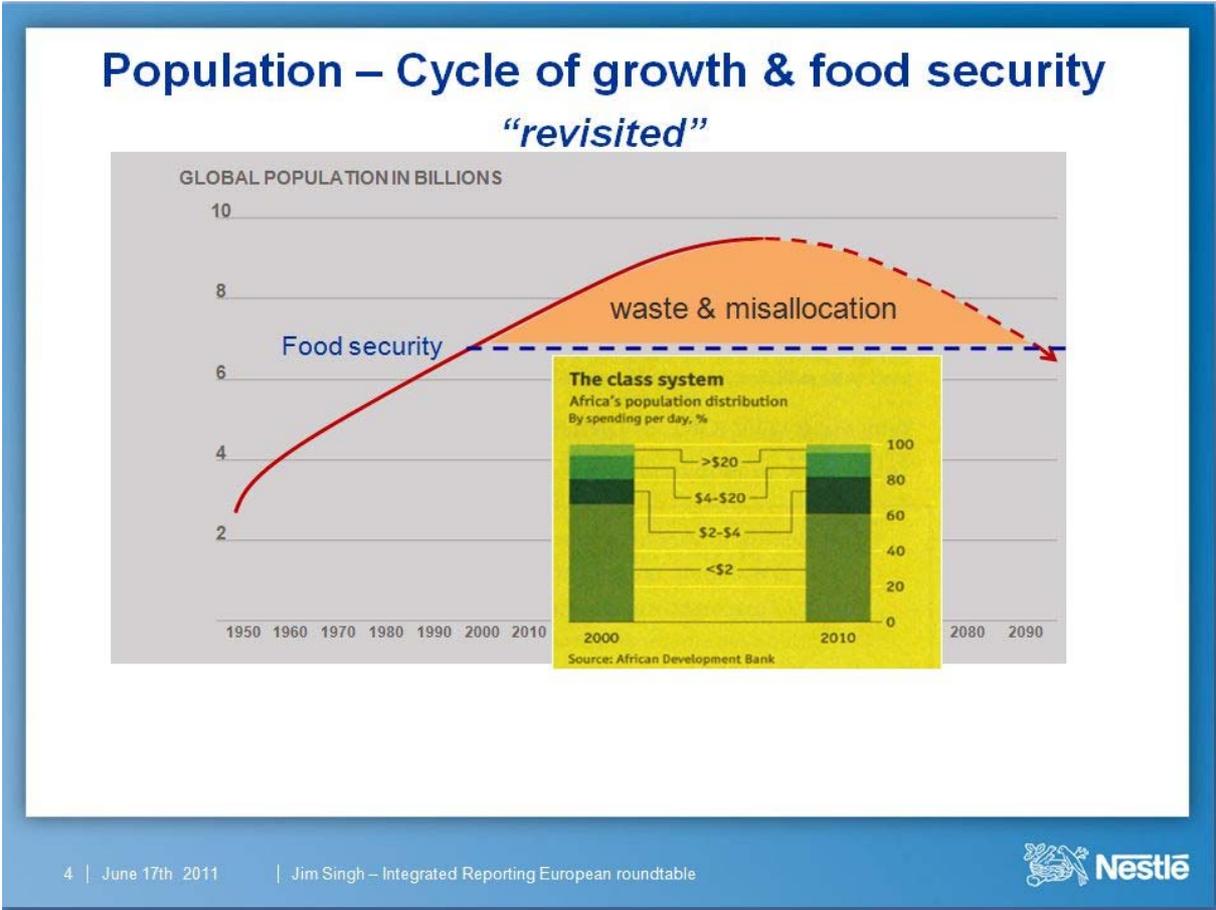
Japanese, Germans or South Koreans...”. The article recently issued by Sanjeev Sanyal of Deutsche Bank forecasts this outcome, and so do many others.

Chart # 3 Population – Cycle of growth and food security



This accelerated increase in population gave rise to the prospect that demand for materials will out strip the supply, resulting in current unprecedented volatility and accelerated increase in input cost; extolling greater burden on consumers around the world, especially those less economically advantaged, e.g. a large percentage of Africans now live on \$2 per day.

Chart # 4 Population – Cycle of growth and food security



These charts are illustrative and not precise by any measure but are indicative of what our experiences are today. It is highly possible that there may be enough resources when combined responsibly, could feed the world; it would also appear that over time, maybe in this century, there should be a natural rebalancing of demand and supply as the world population starts to decline – but it is not that simple and the risk to supply would limit growth and prosperity in a significant way.

It is not simple because of significant waste in the raw material supply chain from “farm to fork”, the allocation of food to “fuel” and of course the effects of global climate change.

➤ Waste

- 20% of all raw material harvested is lost in the field, in transportation or conversion process.
- 20% - 30% food purchased is never consumed

So only about 50% at best of what is harvested is consumed finally. In fact, the continuing lack of water supply is affecting how much land can be cultivated and for which crops. Some governments are electing not to produce certain products at home or significantly curtailing export of domestic production.

➤ Food for Fuel

Wednesday's FT – headline “Even the U.N. Hates Ethanol” once again highlights the crisis of food for fuel enabled by government tax credits for converting food to fuel. Current estimated usage of food for fuel is:

- 20% of sugar cane (global)
- 9% of oil seeds (global)
- 4% of beet sugar (global)
- and in the US, 40% of corn
- etc, etc....

➤ Climate change

The impact of climate change : droughts, flooding and other natural disasters, now all happening at the same time, contribute to significant constraints on the supply side.

Focus on sustainability must put the sustainability of “**people first**” and a century explosive growth in population combined with the lack of security of food, among others, put this at risk. This condition gives rise to a multitude of headlines but one recently published is important and quite insightful:

Chart # 5 Creating Shared Value

The Big Idea

Capitalism is under siege....Diminished trust in business is causing political leaders to set policies that sap economic growth.... Business is caught in a vicious circle.... The purpose of the corporation must be redefined around

CREATING SHARED VALUE

How to reinvent capitalism—and unleash a wave of innovation and growth by *Michael E. Porter and Mark R. Kramer*

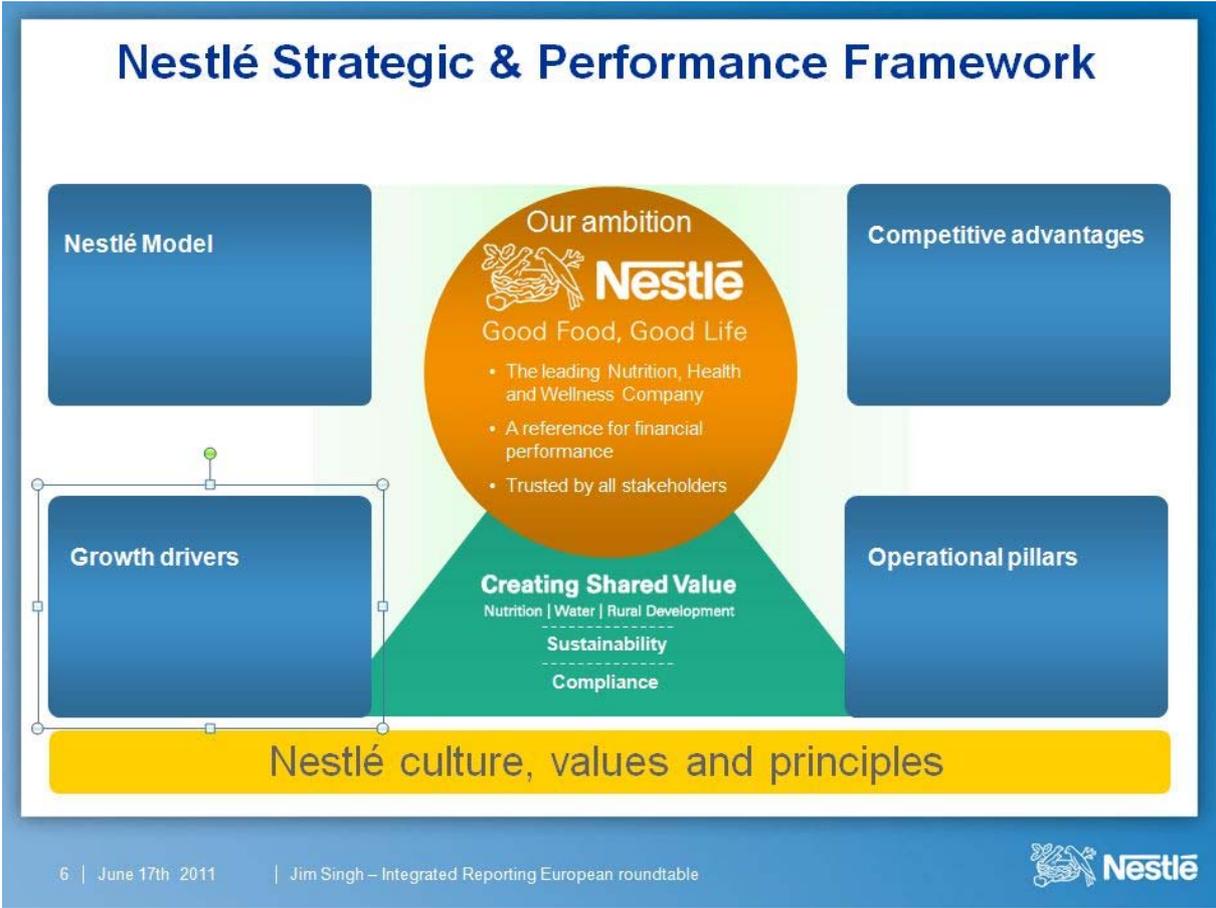


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The existing and foreseeable opportunities for and threats to achieving a more sustainable environment require actions conceived with thoughtfulness and objectivity and, implemented over time with excellence; but it will require global commitment and collective leadership in charting a course for meaningful change, for taking greater responsibility and subscribing to high standards of accountability for a sustainable world.

Chart # 6 Nestlé Strategic & Performance Framework



This is our strategic and operational template.

So at Nestlé, Creating Shared Value is integrated in our strategic template – for the Corporate Organisation and for our many product categories; it is not a marginal or optional focus and we do report on our progress.

For this we have been recognised by organisations that care:

Chart # 7 Recognition for Nestlé Reporting

Recognition for Nestlé Reporting

Ethical Corporation (GB)
01.06.11

Nestlé's Creating Shared Value report 2010

Refreshing frankness

By Aleksandra Dobkowski-Joy
Nestlé continues to report effectively and openly





Stockholm International Water Institute

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Nestlé wins the Stockholm Industry Water Award

Nestlé has been named the winner of the Stockholm Industry Water Award for its leadership and performance to improve water management in its internal operations and throughout its supply chain.

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Our reporting structure

Chart # 8 The Nestlé Practice

The Nestlé practice

The world's leading Nutrition, Health and Wellness Company



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Our Annual Management Reporting Package

Chart # 9 Integrated Reporting at Nestlé



What it contains

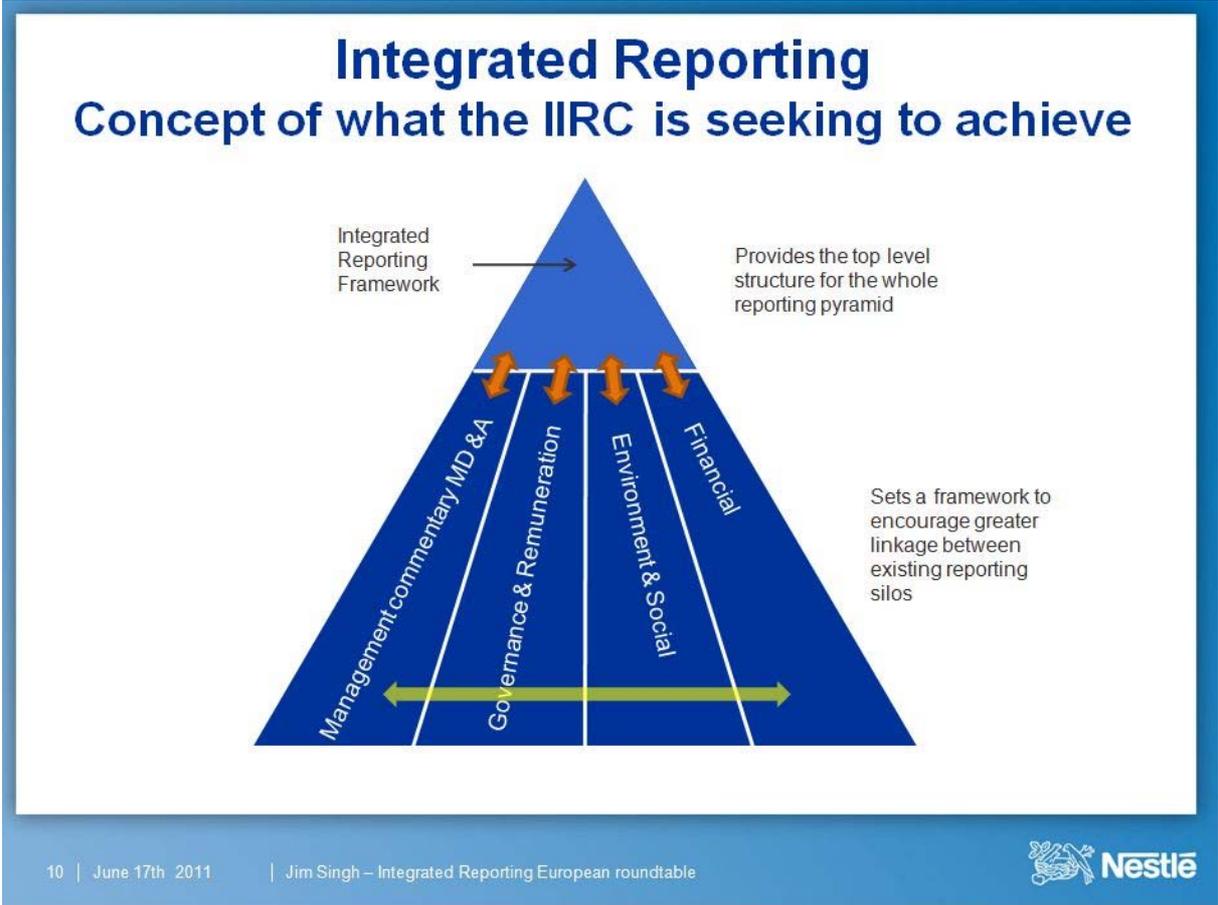
Our reporting structure already fits into an Integrated Reporting format as we see fit at this stage and is evolving.

We believe that there are significant merits to an “Integrated Reporting Framework”.

It is clear that there is need for businesses and the communities in which they operate to find a better way forward to ensure sustainability. It is an opportunity for leadership but collective leadership focused on creating value. You need to create value in order to share it. But there must be

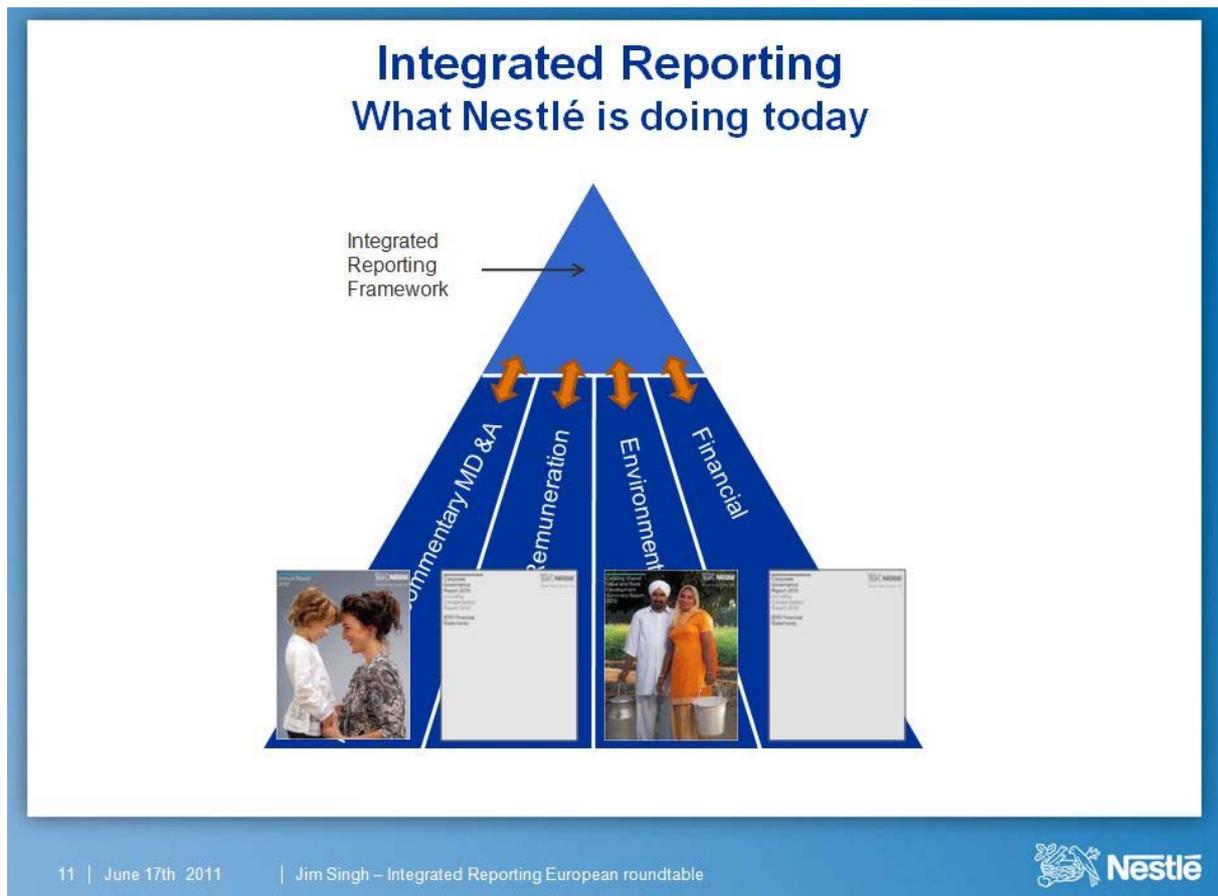
a framework for setting objectives and reporting on the progress in creating and distributing value – this is the goal that the IIRC is aspiring to achieve.

Chart # 10 Integrated Reporting at IIRC



Just the concept requiring a lot of good work and widespread support to make it happen.

Chart # 11 Integrated Reporting at Nestlé



Our reporting and the structure of it, has gone a far way to achieve an Integrated Reporting Framework.

What is Integrated Reporting

- It is a reporting framework that provides for more comprehensive information about the full range of an organisation's impact from its performance in creating value for all stakeholders.
- Integrated Reporting must include a common framework for clear, concise and comparable reporting of performance.
- The reporting will cover both financial and non financial information, objectively and independently assessed to the extent applicable, in order for shareholders and other

stakeholders to make decisions with confidence about the organisation's performance and its progress to achieving a long-term sustainable economic and social value creating entity.

Why Integrated Reporting

- Currently several public companies have some form of integrated reporting issued either at the time of reporting year end financial results or intermittently.
- There are many "Sustainable Funds" investing in companies which they believe are committed to achieving a "sustainable world".
- There are many stakeholders interested in sustainability programs and actions by companies.
- Consequently, an international framework should be developed to facilitate commitment and reporting on those commitments, consistently, comparably and with integrity over time.

The creation of an International Integrated Reporting Competent Authority will take time to ensure the appropriate competencies are assembled for this effort and the ongoing source of funding will have to be determined. The creation of the framework and developing the roadmap for implementation will take time and will require collaboration from Standard Setters, Professional Organisations, Commercial Groups, Regulators and Government bodies around the world. This will have to be a collective effort and your personal commitment and engagement would be critical for success.

The IIRC which was created only recently, already has in place an organisational framework including wide representation from professional and community interests. However, the Committee requires input from the wider community of stakeholders including active participation and funding for this critical task in pursuit of achieving Integrated Reporting.

Thank you.