

The Nestlé
commitment
to Africa





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Front cover:
Omowunmi Shittu, owner of this Maggi Restaurant in Lagos, Nigeria, welcomes hungry diners to her canteen, where she sells traditional fare flavoured exclusively with Nestlé's *Maggi* bouillon cubes and

seasonings. Fortified with iodised salt to help prevent thyroid disease (goitres), *Maggi* bouillon cubes have been for decades one of the most frequently recognised and purchased food products throughout Africa.

Over a century of commitment and a vision of future growth and development

Since the 1880s, when Nestlé condensed milk travelled the African continent in miner's rucksacks and continuing today, with hundreds of products available from Cairo to Cape Town, African consumers have come to see Nestlé as part of their daily lives.

Starting with our first factory in 1927 (in South Africa), we now have twenty-seven factories, plus numerous distribution and management centres. In Africa, we directly employ more than 11 500 people; and tens of thousands of additional people are employed as our suppliers and distributors.

To succeed in Africa requires patience, perseverance and a dedication to long-term economic development that will withstand shifting social circumstances. Through a very long-term business strategy, developing regional and national companies over decades, placing long-term business development over temporary

short-term returns, we have become a source of stability and economic growth in Africa.

In this century, we expect African markets to offer additional economic opportunities, as we expand operations, introduce new products and increase market share. This continued success translates to growth and opportunity for people and communities across the continent.

Today, we are witness to unprecedented growth in some African countries, with increasingly robust stock exchanges and strengthening currencies. New models of political and economic leadership, such as the New Partnership for Africa's Development (NEPAD), are emerging. We are right to be optimistic about these developments.

But in some countries, the challenges of poverty, HIV/AIDS and conflict jeopardise progress. As a prominent player in the African business community, Nestlé is part of the substantial effort needed to find both short-term and long-term solutions.

Our corporate mission – to create long-term shareholder value – assures the long-term availability of natural and human resources and vibrant, profitable markets. As such,

Nestlé CEO Peter Brabeck-Letmathe visits Agbara High School in Nigeria, together with community health workers from the Nigerian Red Cross. As part of a range of activities to fight HIV/AIDS in Africa, Nestlé supports Red Cross education and awareness programmes in both Nigeria and Kenya.



sustainability is a mandatory element of our operations.

Nestlé has learned a great deal from its experience in Africa. In the 1970s, when the infant formula industry was accused of marketing practices that contributed to child malnutrition, we recognised our responsibility to market based on internationally accepted norms and unilaterally took steps to implement the World Health Organisation's *International Code of Marketing of Breast-milk Substitutes* a year after its passage in 1981. On pages 44-45, we cover an independent audit of current marketing practices in three African countries. I invite you to judge for yourself the progress that has been made.

The future success of our Company is linked to the success of African farmers gaining access to developed country markets and to the

economic and social progress of the African consuming public as a whole. As a responsible global corporation, Nestlé seeks financial returns, while also working toward social and environmental gains. As you turn the pages of this report, you will see this strategy in practice through the entire value chain.

This is the way to unlock economic opportunity, promote sustainable growth and improve the quality of life for all Africans.

A handwritten signature in dark ink, which appears to read 'Peter Brabeck-Letmathe'.

Peter Brabeck-Letmathe
Vice Chairman of the Board and
Chief Executive Officer

Kebede Endie grows Arabica coffee on a one-half hectare farm he inherited from his father in Yirga Cheffe, Ethiopia. A father of

eight, Kebede works half days in the local coffee washing station during the harvest season to supplement his income. Helping

Kebede and other farmers raise the productivity of their crop and earn more income is the key to improving their quality

of life. Here, Kebede turns pulp removed from the coffee cherries, which will be dried and re-used as fertiliser.



Africa's challenges and opportunities

The images of Africa we see on the nightly news reflect the huge problems facing the African people – armed conflict, HIV/AIDS, poverty, drought and famine. Africa and its 832 million people and hundreds of ethnic groups account for 13% of the global population, but bear a disproportionate burden of the world's problems. More than 320 million Africans live on less than USD 1 a day and at least twenty-four nations faced food shortages in 2004. In terms of *per capita* incomes, eighteen out of the twenty bottom-ranking nations are African. More than 25 million people in Africa have HIV/AIDS and by 2010, the workforce in sub-Saharan Africa will shrink by 9% as a result of the pandemic. On top of that, 3000 people die every day of malaria.

Despite the problems, Africa shows steady economic growth and business opportunity for those able to have a long-term vision and solid business practices.

Africa: hidden economic growth

Largely unrecognised by people outside Africa, countries such as Angola, moving from decades of conflict to stability, show hopeful signs. Indeed, most African countries are experiencing macroeconomic stability and favourable fundamentals, including increasing rates of gross domestic product (GDP), increasing foreign direct investment (FDI), controlled national budget deficits, stable inflation rates, rising commodity prices and strengthening capital markets.

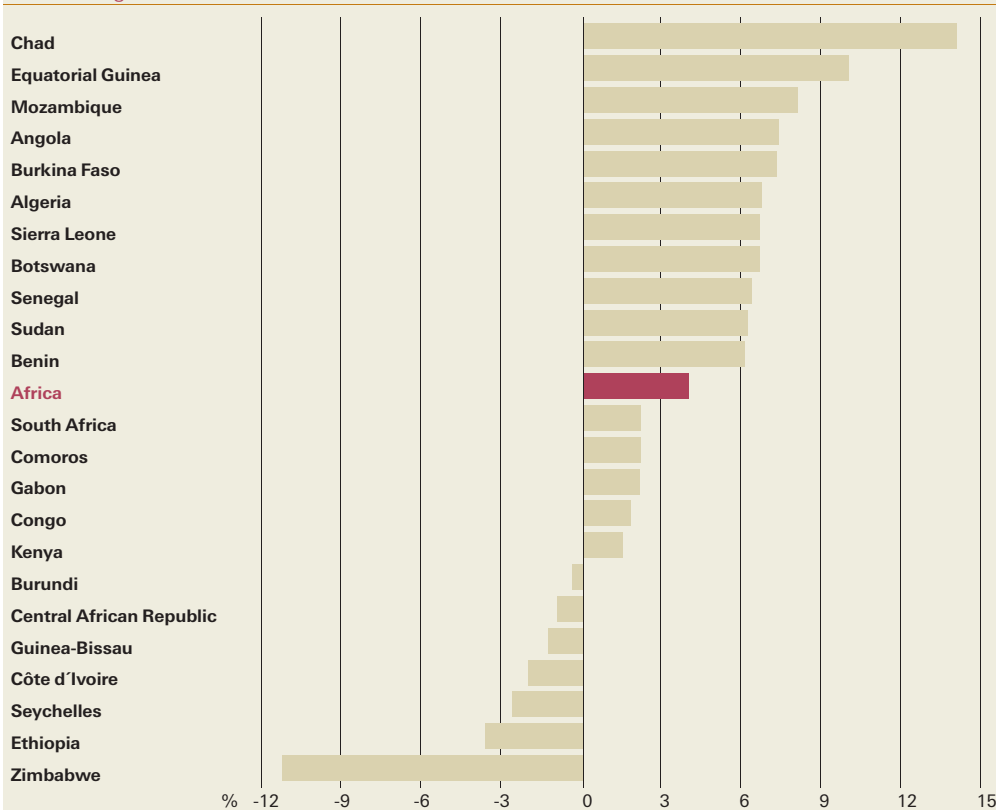
And in spite of the difficulties, the African economy is showing healthy and increasing growth. In 2003, the economy across the continent, measured in terms of GDP, grew by 3.8%, up from 3.2% in 2002, with estimates of 4.4% for 2004.

Africa produces 26% of the world's gold,¹ more than half of its diamonds² and is a key world oil producer. But growth and FDI tend to be clustered around economies that are commodity-based, such as Chad and Angola, or those that are highly developed, such as South Africa. Countries with fewer natural resources do not necessarily share in the economic progress.

Africa's access to the global economy led to increased trade with China, which reached USD 15 billion in the first ten months of 2003 – a more than 54% gain over the same period in 2002. The number of tourists to Africa doubled in the last decade, along with in-country revenues, which reached USD 12 billion in 2004.

Income levels and consumer spending power are increasing; the World Bank estimates that *per*

Real GDP growth rates in Africa, 2003



Source: ECA

capita income across Africa could grow to an average USD 3000 by 2015.

The Bank also estimates that by that same year, more than 80% of African consumers will be able to read – a critical factor in building the skills and earning potential of the workforce.³

Global economists say African countries can only grow if they integrate into the world economy. But they need much to compete: better-educated and healthier workers, improved economic and political governance and better-quality infrastructure.

In recent years, a host of governments, UN agencies and others have put poverty alleviation and economic growth in Africa at

1 The Gold Institute
2 *Business Day*
3 Figures are taken from the World Bank's 2004 World Development Indicators, the UN Economic Commission for Africa, the UN Food and Agriculture Organisation and the UN World Tourism Organisation

the top of the development agenda. The private sector, ranging from global companies to local entrepreneurs, is vital to success.

Nestlé supports a number of major projects in Africa, aimed at reducing diseases such as HIV/AIDS, also at reducing malnutrition and poverty. But Nestlé's greatest contribution to Africa is through the impact of our core business, with responsible, sustainable operations that create jobs and catalyse entrepreneurship. We make major investments in infrastructure, industrialisation, job creation and human capacity building.

“Continued progress in poverty reduction depends on economic growth and the distribution of income.”
World Bank



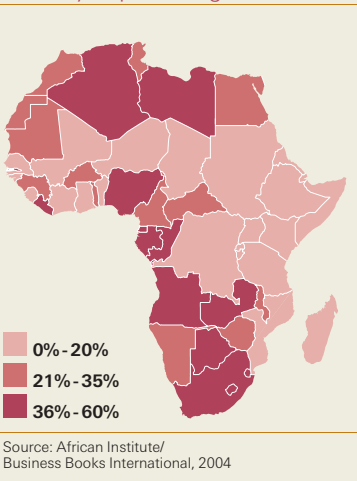
Creating an environment for growth and development

Despite an abundance of natural resources and a large, vibrant workforce, development in many countries in Africa is held back by framework conditions. But progress in key areas will create better conditions for economic and social development, leading to measurable improvements in the quality of life for people in Africa.

In this section, we asked experts in health, governance, trade and investment to share their views on what is needed to spur growth and integrate poorer African countries into the world economy.

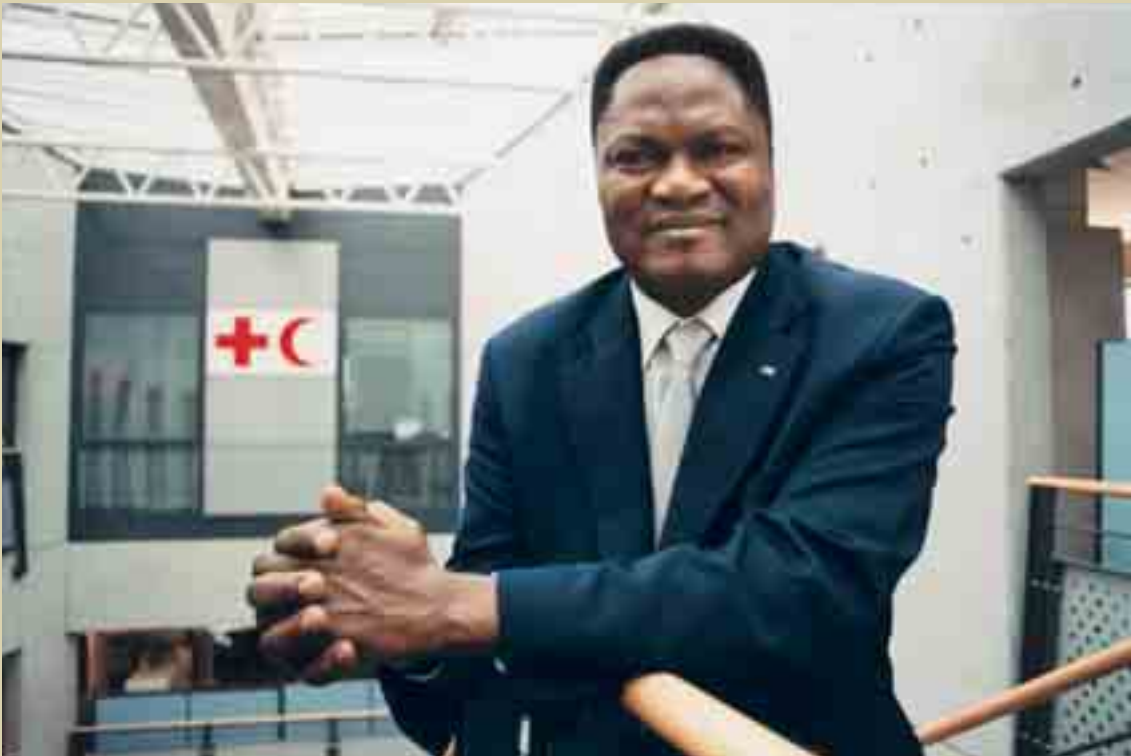
Small businesses play a vital role by creating jobs and generating growth in the communities where they operate.

Industry as percentage of GDP



Investing in health in the new millennium

By **Mr. Richard Hunlédé**
Head of Africa Desk
International
Federation of Red
Cross and Red
Crescent Societies



4 WHO, Health in the Context of Sustainable Development, Johannesburg, 2002

Health advances over the last century have produced numerous vaccines, cures and treatments for many common infectious diseases. It is therefore no surprise that new strategies, global declarations, partnerships and donors are part of the development agenda for the new millennium.

Despite the impressive efforts of the past, infectious diseases, malnutrition and poor maternal and child health account for one third of the entire disease burden in the world today. Millions continue to die needlessly each year and millions more are without access to safe water or sanitation.

The links between health, poverty reduction and long-term economic growth are powerful – much stronger than is generally

understood. The burden of disease in some regions, especially sub-Saharan Africa, stands as a stark barrier to economic growth.

Malaria alone is estimated to slow economic growth in Africa by 1.3% each year. Africa’s GDP would probably be about USD 100 billion higher if malaria had been tackled 30 years ago. Today, half a billion cases of malaria each year lead to the loss of several billion days of productive work⁴. The HIV/AIDS pandemic is having a similar effect.

Many of these deaths and their consequent economic and social ills are preventable. Healthy practices and health-seeking behaviours at the community level can make a difference.

More community members need to want and seek vaccinations, clean water,

People estimated to be living with HIV as of end 2004

North Africa and Middle East
Between 230 000 and 1 500 000

Sub-Saharan Africa
Between 23 400 000 and 28 400 000

Source: UNAIDS / WHO

improved nutrition, hygiene and bed nets. While governments are making available vaccines, micronutrient supplementation, bed nets and other tools to combat disease, many people are not accessing them. More focused “marketing” of these products is required to increase community participation and “consumption” of these life-saving interventions.

“Working side-by-side, Red Cross societies and Nestlé staff trained 1300 Nigerian youth educators, who provided HIV/AIDS information to 800 000 young people; and 3000 counsellors and caregivers, to provide voluntary counselling and testing and other services to thousands of Kenyans.”
Richard Hunlédé, Head of Africa Desk, IFRC

Governments are increasingly looking to civil society and the private sector to help address these “marketing” gaps. As an auxiliary to governments and as a broad community-based organisation, Red Cross/Red Crescent national societies are active players in community marketing.

With support from Nestlé and other private sector donors, national societies are combining NGO and business expertise to reach vulnerable communities. Working side-by-side, Red Cross societies and Nestlé staff trained 1300 Nigerian youth educators, who provided HIV/AIDS information to 800 000 young people, and 3000 counsellors and caregivers, to provide voluntary counselling and testing and other services to thousands of Kenyans.

At the core of the collaboration is a real desire to scale-up community involvement by mobilising energy and voluntarism. As WHO has noted, people cannot simply wait for governments to do things for them. And health ministries need to encourage more private sector partners to help them reach the unserved.



Left: Zakia Mohammed, a Red Cross volunteer Community Health Worker in Mombasa, Kenya, visits Hadija Said nearly every day. Zakia helped her learn how to cope with the virus and four children. Nestlé is actively working to fight HIV/AIDS within its own workforce and by supporting agencies working in the community at large. *(Read more on page 53.)*

Above: More than 800 000 young people in Nigeria learned about HIV/AIDS in 2004, thanks to a partnership between the Nigerian Red Cross and Nestlé. Cooperation with local organisations, to address pressing social needs, is one way Nestlé adds value to the communities in which it operates.

The importance of good governance in Africa

By **Dr. Iraj Abedian**

Chief Executive,
Pan-African Advisory
Services and former
Group Economist,
Standard Bank



Good governance includes respect for property rights, ensuring accountability and transparency and controlling corruption and the abuse of public and private resources. In short, good governance is about

ensuring quality public, private and social institutions.

The adoption of the New Partnership for Africa's Development (NEPAD) is a clear recognition that poor governance in Africa has hindered sustainable growth and broad-based socio-economic development. This has been particularly so in conflict-stricken societies where the

collapse of government has taken a toll on the poor and compounded the challenges of underdevelopment.

Poor governance in Africa plays a role in the ongoing brain drain and capital flight from the continent: nearly half of Africa's most skilled human resources

"Nowadays, the link between good governance and economic development is no longer in dispute: most African governments are actively engaged in improving governance as a means to sustainable growth and socio-economic advancement."
Dr. Iraj Abedian, Economist

reside outside the continent. And over 45% of the continent's savings is invested in Europe and North America. Actual and expected political and social instability play a major role in the continued outflow of resources from Africa. Recurrent eruption of civil conflicts in Liberia, the Democratic Republic of Congo, Côte d'Ivoire, Sudan and Zimbabwe keep diverting political attention from reform to crisis management. Socio-economic development is thus hindered.

However, quantifiable growth in some countries is sending a strong message to others. Mauritius, for example, has developed a tradition of good governance underpinning its continued financial stability and impressive economic performance. Consequently, social development has followed. Botswana and Namibia have continued to adhere to the rule of law and prudent fiscal regimes. Economic development has followed.

Tunisia, Morocco and Ghana continue the modernisation of their governance framework. South Africa, in ten short years of democratic rule, has transformed its governance institutions to underscore accountability and transparency, enhanced by a well-regulated public and private corporate governance framework on par with the best in the world. These positive experiences,

promulgated by strong leaders, are raising the standard of governance across the continent.

Currently, Africa is at the turning point. Within the continent two parallel processes of governance modernisation are under way. In some countries, democratisation has given rise to a national momentum towards good governance. In such societies, private sector enterprise tends to thrive, broadening the participation within the economy. In other places, reform is taking place on a multilateral basis, with peer nations working together toward improved governance. NEPAD and its key governance pillar, the African Peer Review Mechanism, is one example.

Much remains to be done to overhaul governance institutions in parts of Africa. Yet, the continent has never had a better chance to tackle the challenges of governance as a precondition for broad-based economic development.



Nestlé has a "zero tolerance" policy on corruption. "Nestlé insists on honesty, integrity and fairness in all aspects of its business and we expect the same in our relationships with all business partners and suppliers of materials, goods and services," says Maya Makanjee, Communication and Public Affairs Director for Nestlé's Southern and Eastern Africa Region. "Our commitment to these principles is evident both through our people and the way in which they conduct Nestlé business."

"We apply the Nestlé Corporate Business

Principles and are guided by the International Chamber of Commerce Rules on Extortion and Bribery in international business transactions (1996); the OECD Recommendations on Bribery and International Business Transactions (1994); and the OECD Convention to counteract corruption (1997). As a participant in the UN Global Compact, we are advocates of its newest 10th principle on corruption, which states that: 'Business should work against corruption in all its forms, including extortion and bribery.'"

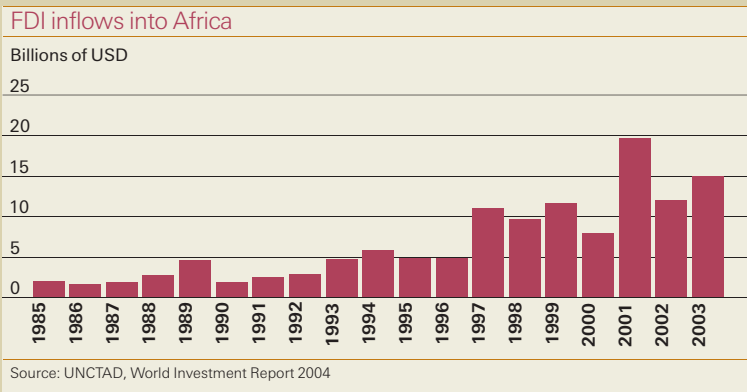
Long-term sustainable business practices

By **Kirsty Jenkinson**
Senior Analyst,
Governance and
Socially Responsible
Investment, F&C
Asset Management



As an institutional investor with shareholdings in multinational corporations such as Nestlé, we believe that governance, social, environmental and ethical factors present real business risks, which must be managed effectively.

Investment in Africa provides significant opportunities for growth, but it also presents diverse operational challenges for companies. In developing countries particularly, governance, social, environmental and ethical issues can impact company performance and value. For example, in Africa today, two labour issues are having a major effect on business: the rise in HIV/AIDS infection rates in sub-Saharan Africa and significant incidences of child labour.



“We believe that companies with clear policies addressing these issues – implemented effectively across their operations – will be well placed to capitalise on the continent’s enormous potential.”

Kirsty Jenkinson, Senior Analyst, F&C Asset Management

We believe that companies with clear policies addressing these issues – implemented effectively across their operations – will be well placed to capitalise on the continent’s enormous potential.

This principle is driven by our belief that responsible behaviour is closely related to practical risk management: companies will, for example, be more likely to avoid costly legal action and restrictive regulations and therefore, be positioned better to deliver value to shareholders.

We analyse company performance through our responsible engagement overlay (*reo*®) approach. In the African context, we focus on four critical issues: (1) The responsible conduct of sales and marketing activities; (2) Labour standards in line with core International Labour Organisation (ILO) conventions extended, as far as possible, across supply chains; (3) Operating environments where corruption undermines stability, transparency, good governance and respect for

the rule of law; (4) The sustainable sourcing of raw materials in a manner that is compatible with the conservation of biodiversity.

Our investment strategy encourages companies to maximise profits while acting in a responsible manner. We believe that this approach not only meets the demands of our clients but also encourages sustainable business operations. This is one of several important steps to catalysing economic growth across Africa.

F&C Asset Management is a pan-European asset manager with a long-term shareholding in Nestlé. In October 2004, ISIS Asset Management merged with F&C Asset Management, bringing their combined portfolios to approximately GBP 125 billion.



Nestlé adopted its first internal HIV/AIDS prevention policy in 1986. This policy has evolved to include guarantees of confidentiality and equal treatment in the workplace. For more than a decade, Nestlé has sponsored major HIV/AIDS education and awareness programmes both for employees and the larger community.

As a continent-wide employer, Nestlé has had to consider its own vulnerability in the face of the pandemic.

Nestlé is among a small but growing group of companies that have moved aggressively to curb the impact of HIV/AIDS on their employees. In South Africa, the company has introduced a Managed Intervention Programme, which includes voluntary

counselling and testing, education and awareness, capacity training, nutrition and lifestyle management, as well as access to anti-retroviral treatment.

“From both a moral and practical standpoint, we realised that we had to be much more proactive in addressing HIV, and that it made the most sense to address our employees’ needs alongside the work done within communities,” said Maya Makanjee, Communication and Public Affairs Director for Nestlé’s Southern and Eastern Africa Region.

While all full-time Nestlé employees receive health care benefits that include HIV/AIDS treatment, the new initiative is specially attuned to the needs of those with the virus.

Helping vulnerable populations: the role of business

Linda Merieau

Senior Corporate
Relations Officer for
the United Nations
High Commissioner
for Refugees



210 000 people in Eastern Ethiopia got access to clean drinking water as part of the Nestlé partnership with the Office of the United Nations High Commissioner for Refugees (UNHCR). “Before, we used to walk a long way to get water and often there were fights. Now, no more – we all benefit,” said Rukia Abdi Ahmed, a refugee in the area.

Rukia is one of 30 000 who fled war at home a decade ago. She and many others have been living

in Ethiopia, displaced, ever since. The Geneva-based UNHCR, established in 1951, has been helping them for ten years with food, water, health care and education.

In 2003, UNHCR and Nestlé teamed up to address the water needs of the refugees and the local communities around them. Nestlé contributed more than USD 700 000, along with ongoing technical expertise. The result: a multi-faceted water system consisting of rehabilitated wells, an improved pumping and purification station connected to a



Nestlé Waters experts Violaine Lamy and Jean-Louis Croville help UNHCR check the pumps at the Jerer Valley station.

"Rather than just writing cheques, companies like Nestlé are becoming more involved in helping deliver on the goals of the projects themselves, with technical expertise."

Linda Merieau, UNHCR

22-kilometre pipeline, new water taps in adjacent villages and a new dam to capture rainfall.

"Rather than just writing cheques, companies like Nestlé are becoming more involved in helping deliver on the goals of the projects themselves, with technical expertise," said Linda Merieau, Senior Corporate Relations Officer for the United Nations High Commissioner for Refugees. "We need their financial contributions, but we can also profit from their expertise."

The Nestlé Waters technical team includes a hydrogeologist and a water resources manager, who have been working with both UNHCR and the local Ethiopian water authority to design systems for managing the water supply, maintaining the pipeline and pumping station, rehabilitating old wells and testing the water. Local authorities will take over the long-term operation and maintenance of the system in mid 2005.



These Somali refugees are among the 210 000 people in Eastern Ethiopia who benefit from a UNHCR-Nestlé partnership to provide clean drinking water. "Before, we used to walk a long way to get water, and often there were fights. Now, no more – we all benefit," said Rukia Abdi Ahmed, a refugee in the area. (More on page 53.)

African farmers need free trade

By **Herbert Oberhänsli**
Head of Economics and International Relations at Nestlé



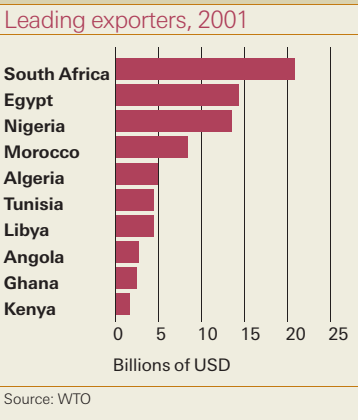
Free trade is one of the most powerful guarantors of fair trade, offering opportunities to those who were excluded from participating in the market economy and a pathway to progress for developing countries.

At the moment, we are living with a global trading system with many forms of open and hidden protectionism, including undue tariff barriers, cumbersome customs procedures and trade distorting subsidies of all kinds. This creates an environment that is neither free nor fair.

African producers, such as cotton farmers, currently find it difficult to enter new markets,

even though their prices are competitive and their products are of high quality. Protectionism by the US and Europe affects the livelihoods of a large part of the more than 3 billion people living in rural areas of the developing world.

Free and fair trade would help them make a better living, while also providing consumers with cheaper products. As governments engage in trade negotiations this year and beyond, they must pursue a constructive free trade agenda that will help lift emerging economies out of poverty. This



In October 2002, Rubens Ricupero, former Secretary General of the United Nations Conference on Trade and Development, went so far as to tell international business leaders that their most important corporate social responsibility was to advocate free trade and capacity-building in developing countries.

agenda should also include the liberalisation of trade between developing countries.

Just as free trade helped Switzerland in the 19th century, it can help the developing world in the 21st century. Reduced trade barriers will increase the efficiency of global economic structures and systems and promote the economic development of some of the world's poorest countries.

In October 2002, Rubens Ricupero, former Secretary General of the United Nations Conference on Trade and Development, went so far as to tell international business leaders that their most important corporate social responsibility was to advocate free trade and capacity-building in developing countries. Only when governments lower trade barriers can local and international companies invest in new capacities, thus attracting investment and improving living standards.

It is certainly right that businesses can gain from globalisation, but so can emerging economies. The two are not mutually exclusive.

The unambiguous message at the heart of all campaigns for free and fair trade is that it will increase prosperity in both the developing and developed world. This holds the key to the eventual success of future trade talks.



"The people who are Nestlé's suppliers – like our Tin Can Manufacturers company, have the same interests as Nestlé: to gain free access to the world's developed markets," said James Mugiri Mwaura who leads a team of inspectors at Tin Can Manufacturers, which provides packaging materials and labels to Nestlé's Nairobi factory.

Temitayo Adejoke Konu runs a distribution business, which supplies Nestlé products to the stores in the Oke-Arm market, one of the largest markets in Lagos, Nigeria.



Nestlé in Africa: products, places and people

Since the late 19th century, Nestlé has steadily built a commercial and manufacturing presence in Africa that, in 2004, included twenty-seven factories and dozens of other warehouse and office facilities serving all fifty-four African nations. We employ approximately 11 500 people in Africa, of whom only 120 are non-Africans. We also create an estimated 50 000 additional jobs through the supply chain.

Nestlé continues to invest significantly in Africa; it paid on average about one third of pre-tax profits in corporate taxes. Our total sales in Africa for 2004 were just under CHF 2.4 billion. Nestlé has built this business by following its primary business principle: favour long-term sustainable growth over short-term transitory profit, building national and regional companies through consistent investments over many decades.

Products



Shelf stable milk products and culinary/bouillon categories lead sales

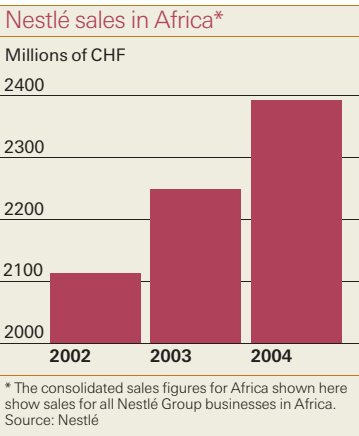
A traveller to Africa would recognise Nestlé products for the same nutritional quality and value found at home, but products are made to match local culture and taste.

Southern and Eastern Africa is our largest market on the continent, offering the most diverse product range. Over the last three years, the Central and West Africa and Maghreb regions have been growing steadily. The top selling product categories are shelf stable dairy, which includes

powdered and condensed milks; and culinary, which includes bouillon, sauces and seasonings. Infant formula sales account for less than 4% of total sales in Africa.

Ice cream and powdered beverages, such as *Milo*, are among the leading categories. In fact, continuous improvements in technology and transportation have helped Nestlé ice cream and yoghurts dominate in Egypt. In 2003, they grew in value by 12% and 30.5% respectively.

Above: As it does elsewhere, Nestlé tailors its products to local culture and taste. Opposite: In Africa, Nestlé products include powdered beverages, soluble coffees; bottled water; breakfast cereals; shelf stable dairy, chilled dairy and ice cream; chocolate and confectionery; prepared foods and culinary; infant nutrition; health nutrition; performance nutrition and pet food.





Places

Our business in Africa: Nigeria, a case study

In 2004, University of Ibadan researchers studied the socio-economic impact of Nestlé operations.

In Nigeria since 1961, Nestlé has a factory in Agbara and a distribution centre in Ota, located in the coastal state of Ogun.

Led by Doyin Soyibo, an economist and dean of the University's Faculty of Social Sciences, the team found that Nestlé employees earn more than the average in manufacturing and that their salaries increase faster than the industry norm. More than 75% said that if given the choice to change jobs, they would decline.

The study found that:

- Some 40% of distributors have worked with Nestlé for 21 to 35 years, while another 32% worked with the Company for 11 to 20 years.
- About 84% of natural raw materials are procured locally through farmers and other suppliers.
- Local suppliers are engines of job creation: between 2002 and 2003, most added jobs, and one company had grown by 67%.
- About 50% of Nestlé workers reside in neighbouring communities and spend more than 20% of their incomes locally on food, education, rent and clothing.
- Nestlé is one of the three "most valued" stocks on Nigeria's stock exchange.



- Agbara and Ota residents said that Nestlé positively affects their community through:
 - commitment to environmental protection (90%)
 - employment generation (82%)
 - infrastructure improvements (67.7%) and
 - increased income (57.5%).

"Nestlé is a healthy business that supports an ever-increasing standard of living through providing varied employment opportunities and a growing concern for the interest of the community members," Professor Soyibo concluded.

Professor Doyin Soyibo, Professor of Health Economics and Dean of the Faculty of Social Sciences, University of Ibadan, Nigeria.

“Nestlé is a healthy business that supports an ever-increasing standard of living through providing varied employment opportunities and a growing concern for the interest of the community members.”
Doyin Soyibo, University of Ibadan, Nigeria



People: development throughout the value chain



Nestlé: a positive impact all along the value chain

Agricultural raw materials	Manufacturing and management	Products and consumers
Sustainable agriculture	Technology transfer	Building nutritional value
Coffee farmers	Employee literacy	Consumer education
Cocoa farmers	Technical training	Nutrition research
Milk farmers	Market training	Responsible marketing
	Environmental stewardship	
	Local sourcing (e.g. packaging)	

Nestlé’s impact on economic and social development takes place within the three major stages of the value chain: Agricultural Raw Material Acquisition; Manufacturing and Management; and Consumer Products and Education.

Nestlé impact: agricultural raw materials

While we do not own any farmland, we use our influence to help suppliers meet better standards in agriculture – improving their income in many cases – while also seeking change at industry level.

Working directly in our supply chain, we provide technical assistance to farmers. We also work with farmers of cassava and cowpeas in Côte d'Ivoire, and maize farmers in Ghana, to help them reduce pesticide levels in line with Nestlé quality standards, as well as those of the global marketplace.

The following describes ways we make a positive impact on agriculture in Africa.

Direct buying and local job creation

Nestlé is the world's largest direct buyer of coffee; we source about 14% of our green coffee supply directly from farmers. This helps ensure farmers get a better price for their produce. It also creates jobs at the buying centres, such as the Gagnoa buying centre in Côte d'Ivoire.

Nestlé's buying centres also offer opportunities to both the farmers selling their coffee there; and to other locals. During the buying season, which usually begins in December and finishes in May, up to 250 women clean coffee outside the buying centre. The atmosphere is lively and busy, with each woman cleaning about ten 90 kg bags of coffee in a day, depending on the condition of the



coffee. The coffee is sifted with a wicker pan to separate any stones, dust and dirt from the green coffee beans. Workers earn between CFA 200-300 for each bag of coffee they clean. In Côte d'Ivoire, farm workers earn CFA 90 000-120 000 per year plus food and housing.

At the time this report went to press, Gagnoa buying station was still operational, albeit at a reduced rate of activity, despite the troubles in Côte d'Ivoire.

**Creating local jobs:
Women outside the
Nestlé buying centre
in Gagnoa, Côte
d'Ivoire, cleaning
coffee.**

Quality assurance: helping farmers gain a competitive edge

Enhancing quality is one of the best ways to guarantee better prices paid to farmers, so the quality control function at the *Nescafé* factory in Abidjan is critical. Providing coffee samples pass the moisture test, 100 g is set aside for a defect count. This establishes the proportion of the sample that is foreign matter – stones, etc. – or bad beans. If the defect count is too high, coffee can be rejected for further sorting. Similarly, if the moisture content is too high, the coffee can be returned to the farmers for further drying. In addition to coffees that will be used in the factory, checks are carried out on green coffees that will be exported by traders to *Nescafé* factories in France.



Ethiopia: an experiment in improving coffee farmers' income

Nestlé has recently begun a programme aimed at improving coffee farmers' incomes on a long-term sustainable basis in the broad scale coffee market. The programme is based on giving the farmer the tools to compete successfully in the open market, rather than paying the farmer a minimum price, which will not necessarily help him to improve his technique. The farmer is also given an income supplement for three years while he also receives assistance to make improvements in his farm.

The programme is underway in Ethiopia and El Salvador, where agricultural experts work with farmers to find a way to compete successfully in the open coffee market, through improving coffee tree management, harvest, post harvest treatment and quality, supporting diversification into other crops and selling directly or through a local representative to capture more of the sale price. The community also benefits through investments in infrastructure such as clean water.

This is a pilot partnership between Nestlé and coffee farmers, but its success may set the stage for new approaches in the global coffee market.



Left: Gerardo Jara Pascuas, a Colombian coffee expert, works with Ethiopian farmers to improve their efficiency.

Below: Nestlé's programme to improve coffee farmers' incomes on a sustainable basis in the broad scale coffee market underway at Yirga Cheffe, Ethiopia. Opposite: Demekech Wondumu, sorting coffee at a processing station in Yirga Cheffe.



Improving labour standards in cocoa farming

More than two-thirds of the world's cocoa supply comes from West Africa. Of that, some 85% is grown on farms of less than one hectare. Some 1.5 million farmers in Côte d'Ivoire, Ghana, Cameroon and Nigeria depend on cocoa for their livelihoods.

Sustainable cocoa programmes

Nestlé has played a lead role in helping to put into place a series of global industry partnerships to improve both labour standards in cocoa farming and the living standard for farmers and their families. These include the Sustainable Tree Crops Programme (a joint industry-USAID programme which draws together a number of international donor agencies like the World Bank and CIDA (Canadian International Development Agency) in efforts to improve cocoa production techniques, yields etc.); the West African Commercial Agriculture Programme (implemented by the International Labour Organisation which is focused on educating communities and farmers about the worst forms of child labour and helping countries and communities to take action to eliminate these problems); and the International Cocoa Initiative which is working to promote best practices and help sensitise communities towards child labour issues and develop capacity to address them. Nestlé is represented on the board of the ICI.



Cocoa farmers attending a "Farmer Field School" in Kumasi, Ghana. These schools help farmers improve their income while encouraging responsible labour practices.



Support provided to farmers ranges from technical assistance on income generation to new strategies to deal with crop infestation, to specific interventions designed to address issues of child labour.

Specific programmes directed at farmers in West Africa include

field schools to help farmers with supply chain issues, as well as a grassroots "training of trainers" programme to help eliminate the worst forms of child labour.

These programmes and partnerships have been undertaken jointly by a dozen companies in the cocoa industry; governments in the producer countries of West Africa; donor agencies in the US, Canada and Europe; labour unions; cocoa traders and processors and a range of local and international NGOs.

While Nestlé does not buy cocoa directly from farmers, nor do we employ any cocoa farmers, we are committed to responsible cocoa growing.

As a measure of our commitment Nestlé has and will continue to play a lead role in the design and implementation of a certification system, which will ensure that continuous progress is made towards eliminating child labour in cocoa production while embedding responsible, sustainable practices in the supply chain.



Generating growth through dairy: Historically, Nestlé entered many new markets with dairy products, seeking to both produce and sell locally. But this required a reliable, high quality supply of fresh milk. To achieve this, we provided assistance to farmers, such as low-interest loans to expand their herds or buy equipment and advice on good feeding and breeding practices.

The result for Nestlé was a dependable, high quality supply of raw materials. For farmers and the community as a whole, the cooperation led to greater prosperity and more sophisticated dairy production. Still today, agronomists and field technicians from Nestlé Agricultural Services provide technical assistance to farmers. Here, farmers in Morocco bring their milk to a collection station near Nestlé's El Jadida factory.



“Cassava, predominantly grown by small scale farmers, plays a vital role in food security of the rural economy.”
Mrs. Iquo Ukoh, Marketing Manager, Nestlé Nigeria

Promoting a local product with great promise

Not too often are tuberous roots christened with the title “poverty fighter”. But cassava, the lanky brown root grown and consumed throughout West Africa, has become just that.

Known in Latin America as yucca or mandioca, cassava is hoped to be the key to employing millions of African farmers and feeding additional millions across the continent.

Over the last decade, governments, UN agencies and agriculture experts have devoted resources to increasing the quantity and quality of cassava production, while also seeking to develop new markets beyond West Africa. In 2004, NEPAD launched initiatives to promote cassava farming, processing and consumption.

The cassava root is used to make local staples such as the much-loved Nigerian dish *fufu* and its leaves are an excellent source of protein and iron. Because cassava can grow in very poor soil, with little water, it can be planted where it is impossible to grow other crops. And because cassava is also used for animal feed and in some industrial compounds, its full market potential has not yet been reached.



Governments and business believe that increased cassava production will create farming jobs and feed Africa's growing population.

Nestlé, which buys on average 7500 tonnes of cassava annually, supports sustainable production efforts and works with government to promote consumption.

One example of these efforts is the Sustainable Cassava Project at Moyen Comoe, Côte d'Ivoire, which began in 2002, when Nestlé joined a partnership led by the Ivorian and German governments.

The Nestlé project involves 800 farmers – 700 of them women – from twenty villages. It seeks to help these small-scale farmers increase and improve the quality of their crops, while also reducing pesticide and water use.

Over the long term, this investment will ensure that the farmers have a stable, sustainable income, while the local Nestlé factory can rely on a high quality source of raw material for *Maggi* bouillon and other products.

Nestlé impact: manufacturing and management

Throughout our manufacturing and management operations in Africa, we place a premium on assuring the quality and the safety of our products, investing in our people and protecting the environment and natural resources.

Consumers consistently say they buy Nestlé products for quality and superior taste. As we do elsewhere around the world, Nestlé in Africa gives top priority to the quality and safety of ingredients and the integrity of the manufacturing process. Food safety is paramount.

Another distinguishing aspect of the Nestlé approach is our investment in our own people, at all levels. In a recent magazine interview, Nestlé CEO Peter Brabeck stated that it is the single most important reason the Company outperforms competitors globally.

Nestlé adds tremendous value in the context of environmental performance. We set rigorous standards at all stages, from production to packaging, looking for constant improvements. Between 2000 and 2003, across our Africa factories, we improved key performance indicators between 20% and 57% in areas ranging from water consumption to CO₂ and ozone depleting emissions.

The following stories give a sense of how Nestlé's investment in manufacturing and management contribute to sustainable growth in Africa.



Above: Rigorous standards are applied at every stage of the production process. Right: Here, workers at the Nestlé factory in Estcourt, South Africa, assemble packaging.



Protecting and saving water across the continent

As a converter of raw agricultural materials to high quality, safe and wholesome food and drink, Nestlé uses water throughout its manufacturing processes.

Along with water for bottling, Nestlé uses water to wash, cook and cool fresh, raw materials, as well as for processes such as extraction or reconstitution of dried materials.

In Nestlé’s Africa factories, as in others around the world, specific measures are taken to preserve water and reduce waste water in each stage of the manufacturing process, in line with the Nestlé water policy. They include efforts to reduce consumption, expand and improve waste water treatment and recycle water wherever possible.

In keeping with the *Nestlé Environmental Management System*, progress is tracked through regular factory environmental surveys. The results show the measures are working: water consumption in our factories dropped 21% between 2000 and 2003.

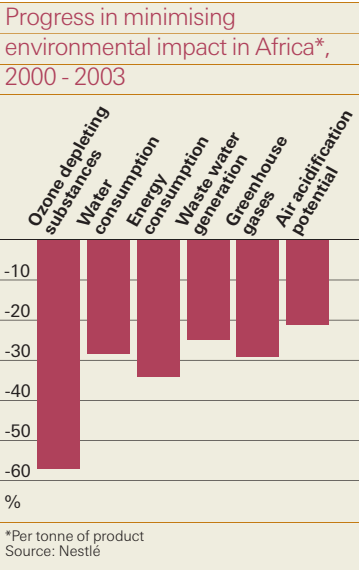
Ensuring appropriate treatment of waste water is a top priority. When local waste water treatment is not available, Nestlé builds its own on-site waste water treatment facilities, or works with local officials to help finance facilities. Nestlé’s El Jadida factory in Morocco is an example of the Company’s leadership on waste water treatment.



“Nestlé can play a role in raising awareness on what needs to be done to raise environmental standards, particularly around industrial water use”, said Bernard Boinot, Nestlé’s industrial director for the Maghreb region, which includes Morocco.

A port city and agricultural export centre of 120 000 people located 90 kilometres from Casablanca, El Jadida became home to a Nestlé factory in 1994. The factory is the only manufacturing facility in the province with its own waste water treatment plant, even though they are required by Moroccan law.

Local authorities bring other corporate leaders to the El Jadida factory to see what can and should be done. In fact, the Governor of El Jadida himself led visits to the waste water treatment plant in 2004.



“... a giant stride in the company’s effort to reduce both the volume and load of the waste water from its manufacturing operations before its discharge into the environment.”
Otunba Gbenga Daniel, Governor of Ogun State, Nigeria

Recognition for saving water and reducing waste

In June 2004, Nestlé Nigeria received the *Most Environmentally Proactive Industry Award* from the Governor of Ogun State, Otunba Gbenga Daniel, in commemoration of World Environment Day. Nestlé was singled out for initiatives to reduce waste, including waste water. The Governor described a new waste water treatment plant under construction at the Agbara factory as “a giant stride in the company’s effort to reduce both the volume and load of the waste water from its manufacturing operations before its discharge into the environment”.

Nestlé in Africa: the sum of its people

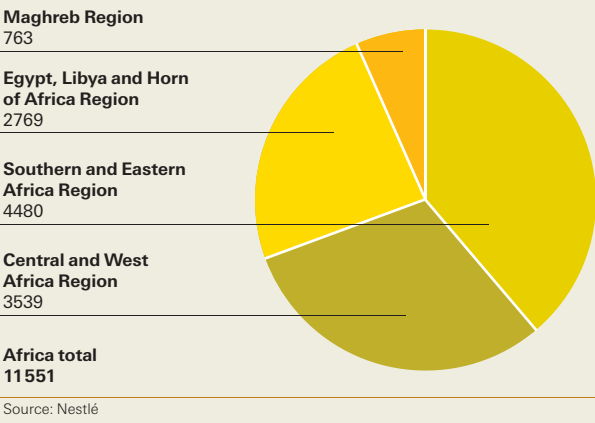
Of our 11 500 employees in Africa, fewer than 120 are not African. By building the skills of our local workforce, we make a significant contribution to strengthening the business environment.

Because Nestlé relies heavily on strong, regional operations, a competent local workforce is essential. In Africa, particularly in countries where the quality of education varies, investment in employees is critically important.

Nestlé is known for identifying, cultivating and promoting leaders within our own ranks. We have five global training centres including an international centre in Switzerland, where African managers receive training. The result is a highly competent global leadership team, embracing common Nestlé values and business principles, but equipped with experience and local cultures and environments.

We provide continuous educational opportunities at all levels, from basic education and training, to specific business skills such as sales and marketing, accounting; and leadership and management. We offer on-the-job training, support tertiary education, send managers to visit other countries and offer an extensive series of online “E-learning” programmes. We also reach out to students with

Nestlé employees in Africa by region, 2004



apprenticeship programmes and other educational support. One example is the Nestlé Apprenticeship Programme. In 2004, Nestlé South Africa enrolled twelve people from disadvantaged communities into its Apprentice School, which is situated within the company’s East London factory in the Eastern Cape. The apprentices were previously employed as artisan assistants and had not had the opportunity to develop into fully-fledged artisans. Four of the twelve apprentices received their qualification, two of which were women. Nestlé has invested over 1 million Rand into this programme.

Investment in people



In South Africa, under the apartheid regime, many people were seriously deprived of elementary education. These include a significant percentage of the older employees at Nestlé factories today. A special remedial programme has been designed and put in place for them: ABET (Adult Based Education Training).

One of these factories is the Babelegi non-dairy creamer plant that Nestlé acquired in 1999. Its previous owners had made no significant investment in training, essentially maintaining a low

skill-basis, limiting employment mobility since the factory is the only significant employer in the community. At the time, over 65% of the workforce was illiterate.

Nestlé now spends approximately 6% of total payroll expenses on training at Babelegi, and in just two years, the illiteracy rate decreased by 15%.

Workers at Nestlé South Africa's Babelegi factory, taking part in the company's Adult Based Education Training (ABET) scheme, which has brought new opportunities for those who have taken part.

"I had a big problem understanding how fractions and measurements work, which were a key factor in my working environment. Now that I am attending ABET classes, my maths skills have improved a lot and I can cope well with my job and its demands because calculation is no longer a problem for me."

Emily Mosabeni Maluleka, Packing Supervisor and ABET participant

**From construction
worker to
industrial services
team leader**

Balen Naicker



Home: Durban, South Africa

Currently works in: Estcourt
Factory, South Africa

Years with the company: 19

Current position: Team Leader,
Industrial Services.

"I work in what's called 'utilities', looking after both the engineering and mechanical sides of production. It's my job to see we are operating efficiently and meeting all the key performance indicators related to environmental impacts like electricity and water consumption."

Career path at Nestlé: Construction Worker. Assistant in Mechanical Workshop. Foreman in coffee factory. Human Resources Staff Developer. Human Resources Officer. Team Leader.

Nestlé investments in training: Continuous courses, including computer skills, management, E-learning curricula. Nestlé-sponsored diploma from the Institute of Personnel Management at Natal Technikon.

Greatest professional accomplishment, so far: "This is a very productive factory, but the utilities department has had a hard time keeping up with production. When I started, we were looking at 10% downtime. As the new team leader, I took on the challenge and

within six months, we reduced downtime to 2%. The key was to really work with the people and motivate them. Everything was done based on a team assessment – not just a repair job, but a team effort to improve and modify." *Favourite thing about job:* "Being part of the constant challenge to improve what we do. We are always looking to improve the benchmarks on energy monitoring, water management and Nestlé's overall environmental performance. That drive to do better is really exciting."

“It’s very important to give credit where it’s due and help people take ownership of their work.”

Queen Zuma, Factory Manager, Nestlé Kenya



**From laboratory
analyst to factory
manager**

Queen Zuma

Home: Durban, South Africa

Currently works in: Nairobi, Kenya

Years with the company: 14

Current position: Factory Manager

Background: National Higher Diploma in Microbiology – ML Sultan Technikon.

Career path at Nestlé: Laboratory Analyst (Pietermaritzburg Factory, South Africa), Microbiologist. Senior Analyst in Quality Assurance. Factory Hygienist. Production Manager for Beverages (Estcourt, South Africa). Project Business Analyst (CT/IP Switzerland). Factory Manager (Kenya).

Nestlé investments in training:

Multiple courses: Business Excellence. *Milo* Expert Workshops. Production College, Extended Management Course in Switzerland. Market visits to Malaysia, Thailand, Philippines, Singapore and Australia.

Key to success as a manager:

“It’s very important to give credit where it’s due and help people take ownership of their work. And it’s important to encourage people to talk to you and remain open to criticism. Once you get people talking and show them you respect them, they immediately respect you and everyone’s work improves.”

Next challenge: “With a population of 31 million, Kenya is full of potential as a market. We have a

lot to do in terms of improving distribution and getting our brands well known. We can’t take for granted the fact that many people here are very poor, but we have many products that are right for them. One example is the *Maggi* bouillon cubes, which add a lot to the meals. They are cheap and provide a good basis for tasty and nutritious meals.”

**From accounting
to management
development**

Bassem Philip



Home: Cairo, Egypt
Currently works in: Rive-Reine,
Nestlé's International Training
Centre in Switzerland.
Years with the company: 12
Current position: Programme
Director for Marketing & Sales
Seminars.

Background: Bachelor of
Commerce and Business
Administration from Ain Shams
University in Cairo, Major in
Accounting.

Career path at Nestlé: Financial
Accountant. Management
Accountant. Brand Manager,
Group Brand Manager. Programme
Director for Marketing & Sales
Seminars.

Nestlé investments in training:

At least one course every year:
Finance, Marketing,
Management. Visits to Indonesia,
France, Hungary, Turkey, and
Middle East.

Favourite thing about job: "One of
the Swiss values we inherited is
tolerance and acceptance of other
cultures. Look at me: I'm an
Egyptian from Cairo working in
Switzerland. I love the fact that
I get to meet up and share
knowledge with so many people
from so many countries."

Advice to new employee: "I would
hand over the *Nestlé Leadership
and Management Principles* and
ask him/her to read it carefully
and decide in a moment of truth
whether he/she can live it or not.
These are the values and beliefs
that Nestlé holds. If you don't
believe in these values, you won't
be happy working here."

*Greatest professional
accomplishment, so far:* "At one
point when the chilled dairy
business in Egypt was not doing
well, we started a new initiative
to maximise sales and decrease
costs. We needed something
unusual. So we opened new
channels by exporting, and
partially outsourced our direct
distribution. We let part of our
own sales force go, but set them
up with a truck and helped them
establish small companies. We
started with two guys and soon
needed ten – and they earned a
lot more money. These guys got
a chance to be entrepreneurs, and
our results improved."

Nestlé impact: products and consumers

Understanding the African marketplace and its consumers

A typical African consumer? There is no such thing.

With vastly varying incomes, dozens of ethnic groups and cultural food preferences, African consumers make for a diverse market.

As it does elsewhere, Nestlé tailors its products to the local culture and taste. We conduct extensive consumer testing and market research to understand their needs and vary products to cater to local food preferences. We also continuously improve our products at our many research and development centres.

On a continent with special nutritional needs and huge income disparities – a high of USD 2700 per person in South Africa and low of USD 100 per person in Ethiopia – we pay special attention to making products both nutritious and affordable.

A majority of African consumers have the potential and want to participate in the market economy even at a modest level and the key is to tailor products to their specific needs and spending power.

For example, *Maggi* bouillon, made with iodised salt, is the fastest growing Nestlé product in Guinea, Cameroon, Côte d'Ivoire – countries that have *per capita* incomes of USD 350 to USD 600. A key factor is the ability to buy small quantities on an almost daily



basis. Another example is *Milo*, the vitamin and mineral fortified energy drink, which is popular in Ghana and Nigeria, countries with *per capita* incomes around USD 280.

Nestlé also caters to the growing middle-class and others with greater spending power. For example, South African consumers, who tend to have higher income levels, buy more breakfast cereals. They can also afford more specialised products, such as those in health nutrition, for hospital patients and others with specific dietary needs.

Bongi Mavuka, a consumer activist and chairperson of the African Housewives League in South Africa, said food companies must include the poor in their targeted consumer base. "Poverty is rife, there is lot of unemployment and the infrastructure is still limited in many areas. But good nutrition is critical. So we need big companies to use their influence to make good, quality food cheaper and more available," she said. "The biggest challenge is to keep prices down."

Nutrition at the core of our leading product lines

Nestlé makes its greatest contribution in Africa through its core business, both in terms of economic development and improved nutrition. Our major product lines, consisting of our shelf stable dairy products, such as powdered or condensed milks; and our culinary range, such as *Maggi* Soups, deliver sound nutrition at an affordable price.

Given prevailing temperatures and logistical considerations in many areas, milk preservation plays an important role in improving access to protein, calcium and other important nutrients contained in milk. It is thus hardly surprising that Nestlé powdered or condensed milk brands, such as *Nido* or *Carnation*, are top Nestlé products in at least fourteen African countries.

While the percentage of middle class population is relatively low, collectively the middle class market across the continent is sizeable, and in South Africa alone, represents a large market. For these consumers, Nestlé's excellence in science and innovation is bringing new, more nutritious products to African consumers. For example, we are introducing specific health benefits into our products based on Nestlé research. One such health benefit is improved energy release, provided by *Actigen-E*™ in the energy drink *Milo*. *Actigen-E* optimises the release of energy from the three main food groups: carbohydrates, fats and proteins.

Nutrition is the cornerstone of our business, just as it was when Henri Nestlé founded the Company in 1867.

“Little by little, people are beginning to know the importance not just of a balanced meal, but also of the ingredients that help you get a balanced meal at a relatively cheap cost. Nestlé and the Duchess Club have done a lot of good.”
Esther Nenadi Usman, Nigeria’s Minister of Finance



Nutrition education in Nigeria and Ghana: coming from the top

While the affairs of state are the top priority for Nigeria’s Minister of Finance Esther Nenadi Usman, she still finds time to work in the community with other women to promote nutrition education.

Minister Usman is a member of the Nestlé Nutrition Duchess Club, a group of women devoted to

Duchess Club members on a visit to Godu Market, Lagos.

promoting awareness of nutrition among other women. Just four years old, the club provided nutrition education workshops to 5000 women in Lagos State and Kaduna State during 2004, most of them mothers or homemakers. In 2003, they began providing workshops to women who sell food in open markets, focusing on nutrition and food safety. In 2005, they plan to expand to Edo State.

In late 2004, the club expanded into Ghana with a seed group of

750 women, including Ghana’s Minister of Women and Children Affairs, Gladys Ashma.

“What we are saying is that people could be setting their priorities better in terms of eating. We are focusing on Nigerians making good nutrition a part of

their lifestyles,” said Mrs. Iquoh Ukoh, Marketing Manager of Nestlé Nigeria and a member of the Duchess Club.

While the Duchess Club’s mission is nutrition education, it has also grown to be an important networking opportunity to Nigerian professional women. Along with the Minister, its members are doctors, lawyers and professionals from a range of industries.

“Our membership has exploded so that we can’t even contain all the members in one hall now,” Minister Usman said. “With Nestlé’s help, we are coming to know what the problems are, and how to overcome them.”

Nestlé Nutrition Institute Africa

Nestlé South Africa created the *Nestlé Nutrition Institute Africa* (NNIA) in 2001 to further develop African expertise on nutrition. The Institute fosters research and promotes understanding of nutrition at all stages of life in Africa’s diverse population. Key areas of interest include malnutrition, obesity, safe infant and young child feeding practices and breast-feeding promotion. The Institute provides scholarships and sponsors the participation of



nutritionists and health professionals at Nestlé’s International Nutrition Workshops.

The Institute has been involved in several academic meetings held in seven Southern and Eastern African countries that included more than 1200 health care professionals. NNIA representatives participated in the Information

Nigeria’s Minister of Finance, Esther Nenadi Usman, is a founding member of the Nestlé Nutrition Duchess Club, a grassroots network of women educating women on the importance of nutrition.

Technology for the Advancement of Nutrition in Africa (ITANA) Congress, resulting in a partnership with a crucial information technology role player in the continent of Africa.

“Nutrition research in developing countries is not a luxury. It contributes to solving nutritional problems that require specific solutions.”
Dr. Paolo Suter, Director of the Nestlé Foundation for the Study of Problems of Nutrition in the World

Advancing nutrition science in Africa

The *Nestlé Foundation for the Study of Problems of Nutrition in the World* was founded on the occasion of the centenary of the Nestlé Company in 1966. The Foundation operates completely independently of Nestlé, with its own endowment and international Council of leading scientists. The main office is based in Lausanne (Switzerland).

One of the Foundation's main aims is the transfer of scientific and technological knowledge to *International Development Association* (IDA) eligible countries. Most Foundation-sponsored research projects are carried out in collaboration with scientists at universities and research institutes in such countries. Over the last few years, a large number of studies such as energy requirements of pregnant women, nutritional issues in women and children or the role of nutrition in immune function have been carried out in different research institutes and universities in various African countries. Basically the Foundation advances nutritional science by various key strategies: 1) supporting research in established institutes and universities, 2) the *enLINK* initiative (described later in this section) and 3) selective institutional support to existing African postgraduate nutrition education programmes.



Sustainability and public health relevance is a key issue for all activities of the Foundation. All research projects need to result in short and long-term public health implementation.

Nutrition research in developing countries is not a luxury. It contributes to solving nutritional problems that require specific solutions. For example, in Côte d'Ivoire and Morocco, children with goitres were not getting the full benefits of iodine supplementation. Many of these children also had an iron deficiency anaemia. Through research, we learned that iron supplementation improved the effectiveness of iodine given to these children.

A basic strategy to reduce malnutrition is education in nutrition, health and hygiene. Information technology (IT) is a primary source of information. As compared to other regions of the world, the African continent has lower access to IT.

To address this problem, the Foundation created the *enLINK* initiative in 2004, which centres on information transfer in the areas of nutrition and malnutrition. The first

Dr. Paolo Suter, Director of the Nestlé Foundation for the Study of Problems of Nutrition in the World. Many Foundation-sponsored research projects are carried out in African research institutes and universities.

enLINK project is the *enLINK* digital library, an Internet based electronic library offering full text access to registered users to more than 10 of the most important nutrition journals. Non-registered users have free access to the abstracts as well as important nutrition related Internet links. The Foundation is also supporting the *African Journal of Food, Agriculture, Nutrition and Development* (AJFAND), a leading nutrition journal.

The Foundation also supports postgraduate nutrition programmes at the University Cheikh Anta Diop (Dakar, Senegal), the University of Abomey-Calavi (Cotonou, Benin) and the Makerere University in Kampala (Uganda).



Milo in motion

Nestlé's *Milo* energy drink brand is the number one malted chocolate energy drink in Africa. In South Africa, Ghana and above all, Nigeria, it is especially popular among 7 to 12-year-old consumers.

And Nestlé promotes more than just the product; it also teaches young people about nutrition and physical activity.

Milo is fortified with fifteen vitamins and minerals and provides three grammes of protein per serving when reconstituted with table water. The brand's core values centre on taste, energy and success through nutrition, illustrated through marketing campaigns on improved learning and athletic achievement.

Nestlé sponsors high-profile events promoting physical activity, such as the *Nestlé Milo Marathon* in Ghana. However, the major

sponsorship in most West African countries is a nationwide partnership for youth, such as that in Nigeria that supports physical activity through exercise classes for students and after-school programmes with tennis clinics and basketball leagues.

Teaching young kids that good nutrition and physical activity go hand-in-hand sets them up for a lifetime of healthy habits and a reduced risk of chronic diseases, such as diabetes and heart disease.

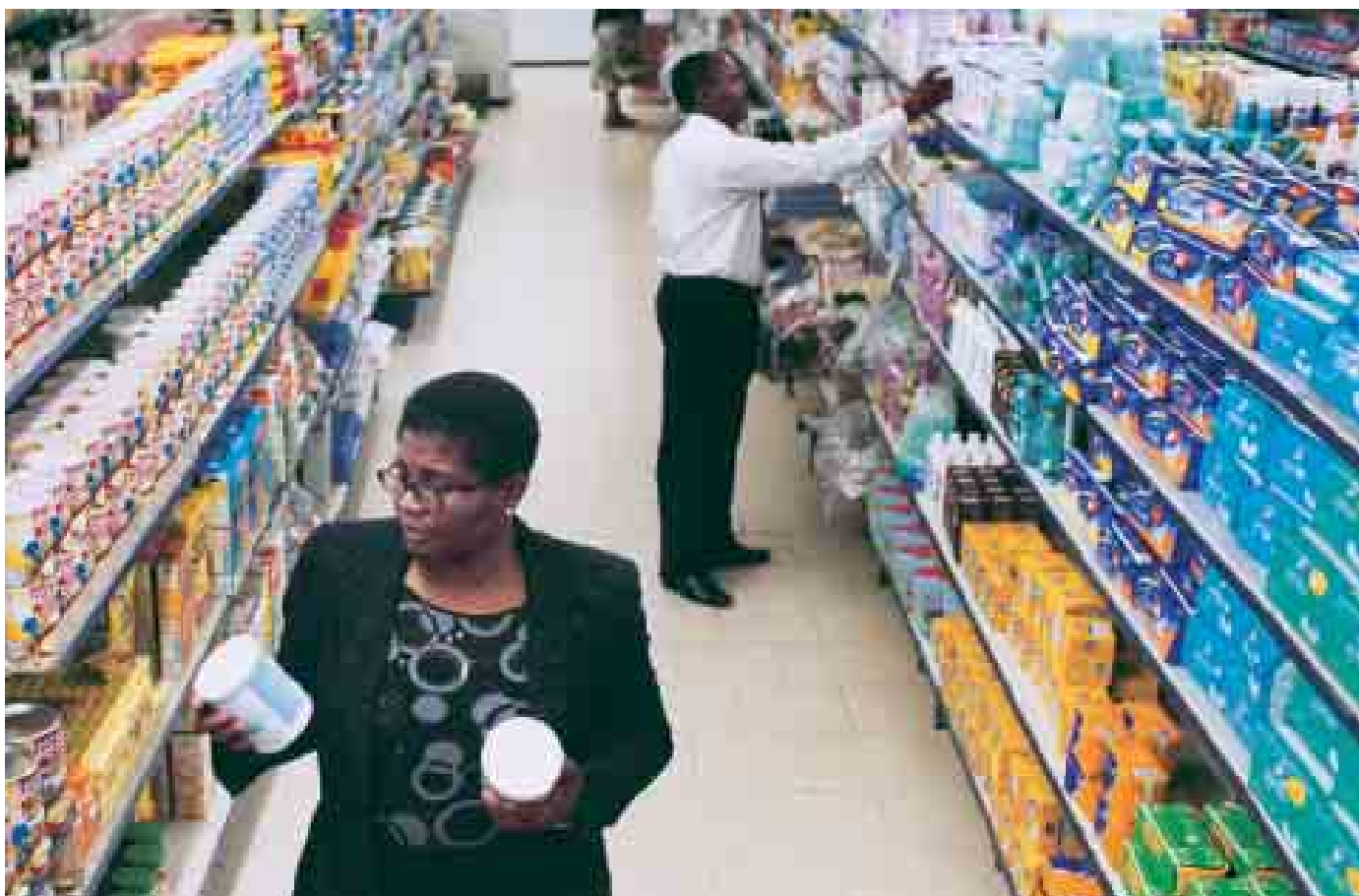
"Our approach appeals to mums as well as kids," said Nestlé Regional Business Development Manager Akin Osewa. "Above all, they want their children to be healthy and successful. To do that they need to acquire skills and be physically fit."

Aerobics classes are one way that Nestlé promotes good health alongside its product marketing efforts.

Operating with integrity: infant food marketing

Within a year of the passage of the *International Code of Marketing of Breast-milk Substitutes* by the World Health Organisation in 1981, Nestlé committed to voluntarily applying the WHO Code in the developing world, even where governments did not. In 1982, Nestlé issued concrete *Instructions to Implementation of the WHO Code*, and has since progressively refined and strengthened its *Instructions* and monitoring of its application of the WHO Code. This includes such key provisions as:

- Nestlé does not promote infant milks (infant and follow-on formula) to the public in Africa in any way, meaning that there is no advertising or communication with the public, nor free samples in Africa. (Nestlé is the only Company pledged not to market follow-on formula to the public).
- Nestlé markets cereals and other "complementary" foods in Africa only at 6 months of age and beyond (the only infant food manufacturer to make such a commitment).
- Nestlé infant food marketing personnel have no contact with mothers.
- No infant milk samples to health professionals, except a 2-tin sample of formula to be given to health professionals for examination only when a new product is launched.
- Nestlé donates infant milk to health facilities only in special social cases (death in childbirth, multiple births, etc.).



- Nestlé gives no financial incentives to health professionals to promote infant formula.

Nestlé implements the Code through systems of training and internal monitoring, an internal Ombudsman system for whistleblowers and regular internal audits. These practices are guided by the *Nestlé Instructions for the Implementation of the WHO International Code of Marketing of Breast-milk Substitutes*, or in-country legislation, whichever is more stringent.

In 2004, Nestlé commissioned *Bureau Veritas*, a major global auditing company with substantial social auditing experience, to review Nestlé infant food

Scholastica Ilechukwu, a 25-year Nestlé employee, is regional business development manager in Central and West Africa. As part of her work, she inspects supermarkets to ensure that Nestlé products are marketed in keeping with the aims of the *International Code of Marketing of Breast-milk Substitutes*.

marketing in three African countries of their choice (South Africa, Nigeria and Mozambique).

In October 2004 and February 2005, *Bureau Veritas* spent a total of five weeks auditing Nestlé practices in the three countries. The auditors interviewed Nestlé personnel in nutrition, regulatory affairs, sales, business development, training and other departments to assess levels of awareness; implementation and compliance with the *Nestlé Instructions* and in-country legislation; and internal systems, controls, policies and procedures. Externally, they

interviewed mothers, health professionals and retailers.

Along with interviews, they verified information by reviewing training materials, job descriptions, budget records, audit reports, staff schedules and sales records. They also surveyed Nestlé products and posters, billboards and other advertising; educational and marketing material and products on shelf and in storerooms. Pages 44-45 contain the *Bureau Veritas* Audit Opinion.

Bureau Veritas audit opinion

“Based on a total of five weeks of observation and interview within South Africa, Mozambique, and Nigeria, we found no systematic shortfalls in terms of Nestlé’s implementation of its *Instruction on the Marketing of Breast-milk Substitutes*.

Three breaches of the *Instructions* were identified during the audit, two of which were directly attributable to Nestlé’s conduct. These were not directly related to any marketing activity, but to the implementation of Nestlé’s internal procedures. The third breach related to the activities of a pharmacist that had breached the *Instructions* through the special display of infant formula.

Despite evidence of the three breaches of the *Instructions* being identified, it is considered that those breaches by Nestlé are not systematic and it is our opinion that Nestlé South Africa, Nigeria, and Mozambique are not systematically or deliberately violating the *Nestlé Instruction* or in-country legislation (where applicable).

This includes:

- (a)** No use of baby pictures on its infant formula packs (4.2).
- (b)** Materials intended for pregnant women and mothers related to maternal and child health such as educational posters, educational charts, height measurement charts etc., did not contain illustrations of infant formula or mention the names of individual infant formula brands (4.3).
- (c)** No information relating to infant formula was communicated directly to mothers or the general public either through public media

or by personal contact between Company representatives and the public (5.1).

(d) No free samples of infant formula given to mothers (5.2).

(e) No contact with mothers or pregnant women other than in cases of consumer complaint (5.5, 6.4, 6.5).

(f) No free or low price donations of infant formula were made to institutions outside of the specific requirements of the *Instructions* except in one minor incident detailed below (6.6, 6.7).

(g) Equipment and materials in addition to those referred to in Article 4.3, donated to a health care system complied with the *Instructions* (6.8).

(h) Culturally appropriate educational material provided to the health care profession complied with the *Instructions* (7.1).

(i) Company personnel were emphasising the importance of breast milk to health professionals (7.2).

(j) No financial or material incentives to health professionals for the purpose of promoting infant formula were reported/observed (7.3).

(k) No samples were provided to health professionals outside of the remit of Article 7.4.

(l) No bonuses or incentives based on infant formula sales were paid to sales staff, medical delegates and other marketing personnel (8.1).

(m) Company personnel whose responsibilities include the provision of information about infant formula to the health profession did not perform educational functions in relation to pregnant women or mothers (8.2).

(n) Individual country requirements with regard to labelling were adhered to (9.1).

(o) Labels of products purchased by traders from Nestlé and distributed in-country for that market complied with the labelling requirements (9.2).

(p) Nestlé sweetened condensed milk and powdered milk products purchased by traders direct from Nestlé for use in country complied with the *Instructions* (9.3).

(q) Product labels contained the necessary information (9.4).

(r) Efforts were made by Nestlé to encourage governments to develop national codes where they did not exist (11.1).

(s) Internal monitoring of Code compliance was carried out by Nestlé except in Mozambique (see below) (11.3).

(t) The *Instructions* appeared to be communicated to all Company personnel employed by companies of the Nestlé Group engaged in the marketing of infant formula (11.5).

*"We are pleased that the **Bureau Veritas** audit corroborates the findings of a similar audit that the Federation commissioned in Nigeria in 2003."
International Federation of Red Cross and Red Crescent Societies*

Breaches of the *Instructions* were observed in Mozambique, these were as follows:

(a) A pharmacy was observed as having a special window display of infant formula. This pharmacy had a direct relationship with Nestlé and was in breach of the *Instructions* under Article 5.3.

(b) Internal monitoring of the implementation of the *Instructions* was not carried out in Mozambique: this is a breach under Article 11.3.

(c) Some marketing personnel in Mozambique had not received formal communication on the *Instructions*, this is considered a breach under Article 11.5.

Audit of Nestlé S.A., Vevey, Switzerland

The audit of Nestlé S.A. covered senior personnel within Nutrition, Sales and Marketing, Public Affairs, Internal Audit, Consumer Services and Investor Relations.

The development, modification, monitoring and communication of the Nestlé *Instructions* to each country is the responsibility of the Nutrition Division and the Public Affairs Department based at Nestlé S.A. in Vevey. The practical implementation of and compliance with the *Instructions* and reporting of in-country violations is the responsibility of each country.

Nestlé S.A. acts as the central information hub where policies and procedures (including the Nestlé *Instructions*) are developed and communicated to the wider

business. Templates for Infant Formula product information, nutritional content and labelling requirements are developed by Nestlé S.A. and communicated to the end market for adaptation to national standards and requirements. Where adaptations to labels are made in country, these are reviewed and signed off by Nestlé S.A. as well as in-country personnel.

Bureau Veritas findings

The Nestlé *Instructions* appeared to be well embedded throughout Nestlé S.A. There was a consistently high level of awareness and commitment to the Code and all personnel interviewed had received training on the *Instructions*. Personnel had clear responsibilities with regard to the implementation of the *Instructions* and there appeared to be strict control and a firewall between the Sales Team and the Nutrition Division (all staff involved in direct relations with health care professionals and infant formula matters sit within the Nutrition Division).

There appeared to be good controls in place for monitoring compliance with the *Instructions* through Internal Audits, which are carried out by Nestlé Group Audit on a rolling programme of audits. Regardless of the audit subject, all audits contain specific criteria relating to the implementation of the *Instructions*.

Nestlé has already taken appropriate steps to correct the three violations identified in the *Bureau Veritas* audit, as it does with any allegations of non compliance which can be verified.

"The International Federation of Red Cross and Red Crescent Societies notes the findings of the *Bureau Veritas* audit, which highlights Nestlé's efforts to ensure that its infant food marketing practices in Africa are in conformity with the WHO *International Code of Marketing of Breast-milk Substitutes*. We are pleased that the *Bureau Veritas* audit corroborates the findings of a similar audit that the Federation commissioned in Nigeria in 2003. Nestlé is a major corporate supporter of our African Health Initiatives, the positive results of such audits provide assurance for our continued collaboration in addressing some of the pressing health and community care problems in Africa. All strategic corporate partnerships are monitored on an on-going basis."

International Federation of Red Cross and Red Crescent Societies

Implementing the WHO Code

Adherence to the WHO Code is managed through training and testing, self-monitoring reports, internal auditing within the national company, auditing from the global headquarters, an ISO'-like WHO Code Quality Assurance System and an internal ombudsman system for confidential reporting of possible violations by "whistleblowers".

Nestlé also investigates in detail all allegations of non-compliance with the WHO Code, where adequate information is made available and takes corrective action when violations are confirmed.

Nestlé indeed also welcomes immediate and detailed information about perceived non-compliance with the WHO Code from any concerned party outside the



company, like health professionals or non-governmental organisations, in order to investigate and to take prompt action if found substantiated.

Across country operations, Nestlé staff from fourteen departments are part of the compliance system. They participate in yearly or twice-yearly training and must provide self-monitoring reports.

Employees must sign a personal letter of commitment to the Code. In the rare case of a violation, the Company investigates and takes necessary action. In recent years, any violations that occurred were by new, inexperienced employees. But in one case, an employee's contract was terminated for what was deemed a significant violation.

In Southern and Eastern Africa, one of the people involved in managing the Nestlé's system for compliance with the WHO *Code on the Marketing of Breast-milk Substitutes* is Nutrition Manager Nick Partington.

"Nestlé is very serious about this," Nick said. "I feel very good about the progress we have made

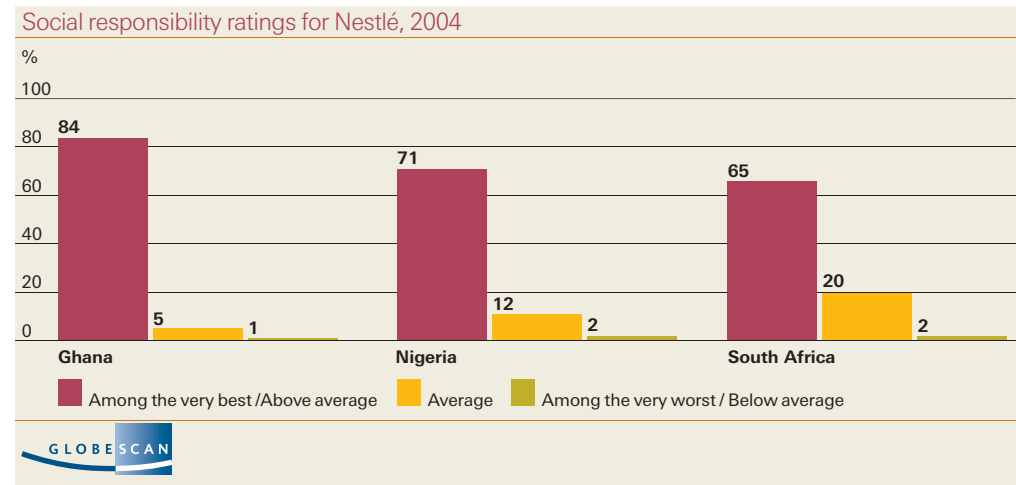
The Bureau Veritas team, including CEO Olivier Guize (centre), audited Nestlé's compliance with the WHO Code in three African countries.

as a company, in our efforts to manage and monitor Code compliance."

An important Nestlé principle is to maintain dialogue with government and health nutrition experts, both to hear concerns and share nutritional advances. In late 2004, Kenyan parliamentarians asked Nestlé for input on how the food industry can support the government's fight against malnutrition.

“Nestlé continues to be viewed as one of the leading companies in corporate social responsibility, particularly in the developing world. Compared to other regions, African consumers are among the most likely to rate Nestlé social responsibility performance positively.”

Chris Coulter, *GlobeScan*



In addition to the GlobeScan survey, Nestlé has achieved the following external ratings
•Dow Jones Sustainability Indexes Member 2004
•Storebrand SRI Best in Class environmental and social performance
•Oekom Research 2nd of 32 on Corporate Responsibility February 2004
•Innovest Strategic Value Advisors AA rating (4th of 25)
•AccountAbility Rating Nestlé 19th out of Global 100 2004

Consumers views of Nestlé and corporate social responsibility

Our business is based on consumer trust in the Company and the quality and safety of our products.

In the 2004 GlobeScan twenty-two-country public opinion survey, Nestlé was one of the three companies with highest scores when consumers were asked to name a company that best represents social responsibility. Scores were particularly high in three African countries: South Africa, Ghana and Nigeria. Over 73% of the Africans surveyed rated Nestlé as “among the very best” or “above average”, while less than 5% gave Nestlé negative



Chris Coulter, Vice President, GlobeScan.

marks. The reasons given for a positive rating were: quality and safety of products; nutritional value; and community programmes. According to GlobeScan’s Chris Coulter, “Nestlé continues to be viewed as one of the leading companies in corporate social responsibility. Compared to other regions, African consumers are among the most likely to rate Nestlé social responsibility performance positively.”

Retunde Odut Afo takes part in after school programmes that teach teenagers about good nutrition and physical activity,

organised by the Nestlé Nutrition Duchess Club in Nigeria. This knowledge will prepare Retunde and her classmates for

a lifetime of healthy habits and a reduced risk of health problems (*more details about the Duchess Club can be found on page 39*).



Nestlé and the United Nations Millennium Development Goals

For decades, on a global basis, Nestlé has supported nutrition, health and other social initiatives so that we may become an integral part of the social fabric of the countries where we operate and contribute to development above and beyond our business impact.

These efforts contribute to the *United Nations Millennium Development Goals* (MDGs), an eight-point blueprint that aims to reduce poverty and improve health, education and environmental sustainability globally.

While difficult to quantify the Nestlé's total impact on the MDGs, some contributions are clear. In this section, we provide an overview of Nestlé programmes related to each Millennium Development Goal and some specific examples (*for further details consult Nestlé in the Community, www.community.nestle.com*).

Nestlé contributions to the UN Millennium Development Goals; by Goal

Goal 1: Eradicate extreme poverty and hunger

Nestlé makes its greatest contribution by providing nutritious, affordable food, providing employment and creating economic opportunities for entrepreneurs. We directly employ 11 500 people in Africa and support an additional 50 000 jobs in the supply chain. As discussed in this report, our Sustainable Cassava Project and coffee initiatives are examples of Nestlé using its technical and marketing expertise, along with local knowledge, to create new, forward-thinking business opportunities. We also provided over 80 tonnes of free food in Africa in 2004 for disaster relief.

Social and community contributions:

- *Ghana:* Financial support to the College of Health Science of the University of Ghana
- *Guinea:* Nutrition education through the ECOWAS Nutrition Forum
- *Madagascar:* Cyclone Gafilo Relief aid
- *Nigeria:* Support for Nutrition Research Library at the University of Agriculture, Abeokuta
- *Nigeria:* Research with Nigerian universities to improve soy bean and cowpea production
- *South Africa:* WARMTH, War Against Malnutrition TB and Hunger
- *South Africa:* Nestlé Community Nutrition Award, honouring local solutions to malnutrition
- *South Africa:* Cooperation with Shukuma Primary School and SANTA on community gardens

Goal 2: Achieve universal primary education

Nestlé provides its employees with basic education and training programmes, and works with its “future work force” by supporting schools in surrounding communities.

Social and community contributions:

- *Egypt:* Give a Kid a Hand initiative
- *Egypt:* Adopted Dolce School, providing support for infrastructure improvements, education and school lunches for 580 children
- *Morocco:* Zakoura Education Foundation, a literacy initiative that has educated 1700 rural children, particularly girls
- *Mozambique:* Kids Go Further programme, to promote positive professional role models
- *South Africa:* Project Head Start, preschool education to previously disadvantaged children in townships surrounding Pretoria
- *South Africa:* PROTEC, science and mathematics education and technical skills training programme in the Pietermaritzburg area

Goal 3: Promote gender equality and empower women

Nestlé promotes gender equality and empowerment in its hiring, training and promotion practices and supports a number of projects aimed at empowering women, including the following:

Social and community contributions

- *Nigeria:* Duchess Club, nutrition education for women
- *Cameroon:* Support for national celebration of International Women’s Day



With twenty years of Nestlé support, EcoLink in South Africa has helped 105 000 families plant gardens to increase their food supply.

- *South Africa:* Thusanang Development and Training, promotes cottage industries for women
- *South Africa:* South African-Swiss Women’s Dialogue, an international gathering of women from both countries in honour of the 10th anniversary of freedom in South Africa in 2004

Goal 4: Reduce child mortality

Child mortality is primarily a result of poverty, lack of food, low maternal education and poor sanitary conditions, as covered by goals 1, 2, 3, 5, 6 and 7. Besides Nestlé’s contribution in these areas, we support the following specific projects:

Social and community contributions

- *Ethiopia:* UNHCR water partnership brought clean water to 210 000 people
- *Cameroon:* Food donations to twenty-five orphanages and children’s homes
- *Cameroon:* Support for Child Watch

- *Cameroon*: Funds for a children's hospital through the Chantal Biya Foundation
- *Côte d'Ivoire*: Les Amis des Enfants du SIDA, a guesthouse for HIV positive women and children
- *Côte d'Ivoire*: Support for Association Espoir, a free health care centre in one of Abidjan's slums
- *Kenya*: Street Children Assistance Network Nakuru (SCANN)
- *Zimbabwe*: Harare Shelter for Destitutes, schooling for orphans

Goal 5: Improve maternal health

In line with its contribution to Goal 1, Nestlé makes a contribution to this goal by fostering economic development and helping improve health care systems and access to clean drinking water and sanitation.

- *South Africa*: The Valley Trust Community Health Worker Programme, which helped thousands of people in KwaZulu Natal province, particularly women
- *South Africa*: EcoLink Home Garden and Clean Water programmes, reaching over 105 000 women and their families
- Nestlé Foundation studies on maternal health

Goal 6: Combat HIV/AIDS, malaria and other diseases

We provide access to health care and health education to our 11 500 Nestlé employees and their families. This includes provision of health care coverage to all full time employees, as well as specialised interventions on HIV/AIDS, such as our Managed Intervention

Programme in South Africa. Nestlé's initial involvement with the International Federation of Red Cross and Red Crescent Societies' ARCHI 2010 programme contributed CHF 3 million over three years.

Other social and community contributions

- *Nigeria*: Partnership with Nigerian Red Cross Society on HIV/AIDS Education, reaching over 800 000 young people
- *Cameroon*: HIV/AIDS education
- *Kenya*: Red Cross Community Health Worker Programme for HIV/AIDS
- *Kenya*: Funds for home care for the needy, particularly at Christmas
- *Senegal*: Support for conference to draft national HIV/AIDS strategy
- *South Africa*: HIV/AIDS activities in seven cities, ranging from education to product donations
- *Zambia*: International Medical Services for Health (INMED), health education projects via radio

Goal 7: Ensure environmental sustainability

Our most important contribution is through the management of our supply chain and production activities. Our key environmental performance indicators are continuously improving. Our sustainable cocoa, coffee, cassava, soybean and cowpea initiatives are also important efforts.

Social and community contributions:

- *Ethiopia*: UNHCR water partnership brought clean water to 210 000 people

- *Ghana*: Raleigh International, to support improved sanitation in rural communities
- *Kenya*: World Wide Fund For Nature, for reforestation and water conservation in the Mau forest
- *Nigeria*: Greening the Supply Chain Project
- *South Africa*: LEAP, improved hygiene and access to clean water for 120 000 people in rural areas
- *South Africa*: Delta Environmental Centre, for environmental education in rural schools
- *South Africa*: Endangered Wildlife Trust, to protect the endangered wattled crane
- *South Africa*: World Wide Fund for Nature sustainable agriculture and water conservation programme in rural Eastern Cape communities

Goal 8: Develop a global partnership for development

Nestlé actively participates in forums that unite diverse stakeholders – from business, governments, NGOs, the UN community and many others – together in support of shared development goals and freer trade. These are a few examples:

- Participant, *UN Global Compact*
- Board Member, *International Cocoa Initiative*
- Board Member, *International Federation of Red Cross and Red Crescent Societies Foundation*
- Global partner, *UN High Commissioner for Refugees*
- Founding Member, *Sustainable Agriculture Initiative*

A few examples of how we are helping

Giving girls a chance to study in Morocco

Goal 2: Achieve universal primary education

Imane Marzak, 15, loves languages. French is her favourite class, but she is also the top learner in Spanish. Someday, she hopes to go on to university to study Spanish literature.

“And why not in Spain even?” Imane said. “School has totally changed my life. Without the informal school, education would have been an impossible mission for me.”

Imane is one of a few hundred students who attend the Lahdaïd school established by the Zakoura Education Foundation, a non-governmental organisation that works to bring education to rural areas not served by the government’s formal schools. Since 1997, Zakoura has helped more than 1700 children in the area of Doukkala, Morocco.

Nestlé has helped fund Zakoura since it was created. The Company is interested in the wellbeing of these families, because they are the dairy farmers who provide milk for the Nestlé plant in nearby El Jadida.

Zakoura was started by a group of Moroccan businessmen who originally intended to improve conditions for Morocco’s rural poor by providing micro-credit loans for small cottage industries, primarily managed by women.

Soon, the need for the Education Foundation became clear.

About 56% of the people in the area are illiterate and schools are often too far away, or the school fees are too expensive for parents. So the Foundation brings school to them, with books and other school materials provided free.

Most of the teachers are young graduates from the area, who might otherwise remain unemployed, but they return to their villages to teach. Their salaries are paid by the Foundation.

The programme lasts three years and includes reading and writing, civic education and an introduction to art and science. There are thirty pupils per class, aged from 8-11 and from 12-16.

During the second year, French language teaching is introduced. The curriculum uses the official system textbooks, themselves based on the French programme, but uses a teaching method that encourages maximum personal expression by the children.

Is Zakoura making a difference? Judging by its attendance rate, which is near perfect in some schools, Zakoura is doing very well.

“I wish that all children in Morocco could have the same experience as me,” Imane said.



Imane Marzak, one of some 1700 children who received basic education through the Zakoura Education Foundation, would love to study in Spain someday. When children in the area go to the Zakoura schools, it is usually the first time they have been in a formal school.

Supporting education in Estcourt

Goal 2: Achieve universal primary education

Nestlé people development efforts in and around our Estcourt coffee and beverage factory in South Africa are a good example of our impact. While Nestlé has operated a factory in Estcourt since 1927, the area was a hotbed of violence during the apartheid era. Many of its social service systems, schools in particular, were weak. In the ten years since apartheid ended, the quality of life has improved dramatically both in and around the Nestlé factory. The company’s basic education and training programmes – conducted for four hours weekly, with Nestlé paying wages for two hours and employees contributing two hours – resulted in double-digit increases in literacy. Another important development is taking place within the community. Since 1998, Nestlé

*"The students are finding new motivation - they want to be the best they can be."
Mishack Mhlanga, School Superintendent, Estcourt, South Africa*

has supported a competition in thirty-two Estcourt schools, in which students compete against each other – *via* their matriculation exams – to win computer and sports equipment for their schools. According to Mishack Mhlanga, a school superintendent, the competition has helped raise the exam school pass rate from 0% in the early 1990s to 69% in 2003. "The students are finding new motivation – they want to be the best they can be," Mr. Mhlanga said.

Water flows for 210 000 people in Eastern Ethiopia

Goals 4 and 7: Reduce child mortality/Ensure environmental sustainability

Key indicator: By 2015, reduce by half the number of people without access to drinking water.

"People often think refugees are a problem for governments only, when in fact they are important to us all, including the private sector."
– Linda Merieau, UNHCR

The refugee and displacement problem in Africa today remains one of the greatest challenges for the humanitarian community. In 2004, UNHCR sought to help nearly 4.3 million people in Africa alone. Through Nestlé support in recent years, 210 000 people in Eastern Ethiopia got access to clean drinking water.

Eastern Ethiopia is an area of extreme poverty, where much of the population is nomadic and dependent on herds of sheep and goats for food and income. Infant mortality in the region is very high, with more than 100 deaths per

These Somali refugees are among the 210 000 people in Eastern Ethiopia who benefit from a UNHCR-Nestlé partnership to provide clean drinking water.



1000 births, according to the *World Health Organisation*. Many hope the clean water supply will help prevent those deaths, many of which result from drinking dirty water.

The Nestlé-UNHCR partnership is typical of the way in which leading companies are moving from philanthropy to collaborative engagement in development and poverty alleviation.

The Nestlé Waters technical team includes a hydrogeologist and a water resources manager, who have been working with both UNHCR and the local Ethiopian water authority to design systems for managing the water supply, maintaining the pipeline and pumping station, rehabilitating old wells and testing the water. Local authorities will take over the long-term operation and maintenance of the system in mid 2005.⁵

⁵ Editor's Note: The water supply project was undertaken following a court settlement over the illegal seizure of Nestlé assets in Ethiopia in the 1970s. Nestlé put all payments from the settlement into the water project.

Fighting HIV/AIDS: a corporate commitment to action

Goal 6: Combat HIV/AIDS, malaria and other diseases

Nestlé is supporting community-based HIV/AIDS programmes in several countries. Among them is a partnership with national chapters of the *International Federation of Red Cross and Red Crescent Societies* on large-scale education programmes.

In 2004, more than 800 000 Nigerians received HIV/AIDS education as a result of a USD 2 million initiative with the Nigerian Red Cross. The initiative involves 2600 peer educators reaching youth in twelve states with a high HIV/AIDS prevalence. In addition, Red Cross is providing home care support for 7000 people with HIV/AIDS, and counselling in government health clinics.

Nestlé is supporting a similar initiative in Kenya.

Nestlé also works to set an example of leadership and partnership in the business community, through, for example, Nigeria's HIV/AIDS Private Sector Council.

(More details of Nestlé's HIV projects in Africa can be found on pages 8, 9, 12 and 13.)

Catalysing the shift from poverty to prosperity

As I prepare to retire after 44 years at Nestlé, I can measure in decades the development of Nestlé's business in Africa and our contribution to improving nutrition and catalysing economic development and growth.

Through our daily operations and our participation in cooperative efforts with entities such as the *International Federation of Red Cross and Red Crescent Societies*, the *United Nations High Commissioner for Refugees* and the *International Cocoa Initiative*, we demonstrate our commitment to helping Africa address barriers to sustainable economic development and growth, even when conditions are very challenging.

The recent political instability in Côte d'Ivoire is an example. At times it put our employees and suppliers in

danger and disrupted the cocoa industry, which is vital to our global business. The loss of life was a terrible tragedy, as was the economic damage. The impact of the conflict on the country's economy will continue to be felt for some time. Nonetheless, because Côte d'Ivoire is an indispensable source for premium cocoa, we will remain committed to helping improve standards in the cocoa industry.

Even with episodes of conflict and extreme poverty in Africa, this remains a positive moment, endowed with hope and expectation

Michael Garrett on a visit to Nestlé Nigeria. Here, he is visiting a local market with members of the Nestlé Nigeria team.



in the continent's economic and social potential.

Over the last four decades, the prevailing expectations of business engagement in Africa have shifted. A consensus of leaders in multinational companies, governments, international development agencies and local communities believe that private

enterprise is critical to poverty alleviation, so long as it is conducted responsibly and not at the expense of people or the environment.

We at Nestlé share in this view. We are committed to long-term sustainable business development in Africa and join our aspirations to the many organisations working in their own way to create social and economic progress on the continent.

A handwritten signature in black ink, appearing to read 'Michael Garrett'.

Michael Garrett
Executive Vice President and Zone
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