Being Profitable, Being Sustainable
Being Profitable, Being Sustainable

Moderator: Julie Adams, ABC

Presenters:
Mike Desso, Nestle USA
Dorn Wenninger, Walmart
Nestlé in the United States
Meeting Society’s Needs by Creating Shared Value
Being Profitable, Being Sustainable

Michael Desso
December 7, 2011
Almond Board of California
Nestlé is...
• The world’s **largest food and beverage company** with a history of providing quality products supported by an expertise in nutrition, health and wellness

• The **largest private funder** of health and nutrition research globally

• We are committed to *Creating Shared Value*
Nestlé in the United States

5 Operating Companies
- Nestlé Nutrition
- Nestlé USA
- Nestlé Waters North America
- Nestlé Purina PetCare Company
- Nestlé Professional

6 Billion-Dollar Brands
- DiGiorno®
- Friskies®
- Gerber®
- Lean Cuisine®
- Nestlé® Pure Life®
- Stouffer’s®
Nestlé is... a Good Food, Good Life Company. Good Food, Good Life is all about tasty, healthy products that can be enjoyed by every member of the family at every stage of life and for every way of life.
Good Food, Good Life

• Nestlé’s Pledge to Your Health
  – Supporting healthy living
    • Portion- and calorie-controlled meals
    • Low-fat offerings
    • Whole-grain products
  – Helping consumers make smart choices
    • Reducing sugar and sodium
    • Easy-to-understand nutritional information
What is Creating Shared Value?

• For a company’s business to prosper in the long term, it must create value for their employees, customers, consumers and their families, as well as society at large.

• At Nestlé, Creating Shared Value focuses on:
  • Nutrition
  • Responsible management of water resources
  • Improving the lives of farmers and rural communities around the world.
Creating Shared Value, the way we do business

“Going **beyond sustainability**, by creating value for shareholders **and** society simultaneously”

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs”

“We will not sacrifice long-term development for short-term gain”
What does Sustainability Mean to You?

DURABILITY

The durability of adventure starts with your first layer. When trail and life run together and stories are born.
Durability is sustainability.

17 Countries. 6 Weeks. One Pair of Underwear.
Ok, maybe two.

Locate a specialty retailer or shop online at www.exofficio.com
Planetary Boundaries

A safe operating space for humanity
Rockström et al., Nature 461, 472-475 (24 September 2009)
The Cocoa Plan

- In 2000, Nestlé and other chocolate companies formed the World Cocoa Foundation to deal with issues facing cocoa farmers.

- In October 2009, Nestlé announced the formation of The Cocoa Plan and investment of CHF 110 million over ten years.

- On 23 October 2009, Nestlé and the Ivorian National Centre for Plant Science Research, signed a frame agreement for cooperation in plant science and propagation, with a target of producing 1 million high-quality, disease-resistant cocoa plantlets a year by 2012.
Honey bees are responsible for $15 billion in U.S. agricultural crops each year, accounting for one-third of our food supply. Disturbingly, honey bees are dying off across North America.

Through the HÄAGEN-DAZS Loves Honey Bees™” campaign, Nestlé USA has donated $500,000 to researchers at Penn State and University of California at Davis to find the root of this problem.
II. Sustainability

Nestlé supports and encourages operating practices, farming practices and agricultural production systems that are sustainable. This is an integral part of Nestlé’s supply strategy and supplier development. Nestlé expects the Supplier to Nestlé to continuously strive towards improving the efficiency and sustainability of its operations, which will include water conservation programs.
Decoupling Almond Production from Acreage
Nestlé is... Creating Quality Jobs and Economic Vitality. This is one of our top priorities.
Ten New Facilities Since 2008

- Allentown, PA
- Anderson, IN
- Denver, CO
- Fremont, MI
- Gray Summit, MO
- Greenwood, IN
- Kingfield, ME
- Sacramento, CA
- Solon, OH
- Stamford, CT
Nuts & Seeds at Nestle in the America’s

US & Canada

- Almonds (approx. 2.5 M lbs/year)
  - 2.0 M lbs for Ice Cream Business
  - 0.5 M Confections & Snacks, Prepared Foods, Nutrition

Brazil, Chile, Peru, Argentina

- Almonds (3.2 M lbs/year)
  - 84% Chocolate
  - 16% Ice Cream
- Other important nuts:
  - Peanuts
  - Pecans
  - Coconut (South America)
Nestlé is... Creating Shared Value through Sustainable Business Practices. We strive to improve our operational efficiency and environmental performance.
• Key Performance Indicators (KPIs)
  – Nestlé uses KPIs to measure the environmental impact of our ever-changing operations
  – As our portfolio expands and changes, so does our environmental impact
  – All our businesses strive to use less water, less energy and to create fewer greenhouse gas emissions per ton of product manufactured

Nestlé Waters North America plans to have **37 diesel-electric hybrid trucks** in operation by the end of 2011
Improving the Inputs of Our Operations

• Between 2009 and 2010:
  – The water withdrawal rate per ton of product decreased by 2%
  – The energy consumption rate per ton of product manufactured had no change

• Over the past five years, Nestlé Waters North America reduced water consumption in its factories by 2.2% while product volume increased by 27%

In Solon, OH, approximately 80% of Nestlé USA’s Prepared Foods factory’s energy needs are met with methane gas emissions from a landfill.
Decoupling volume growth from resource use

- Production Volume: +73%
- Energy consumption: -3%
- Total water withdrawal: -15%
- Total water discharge: -23%
- Greenhouse gases: -32%
- Waste for disposal: -40%
Nestlé has **14 buildings designed for LEED certification** for sustainable construction.

Nestlé Waters North America’s recyclable Eco-Shape® .5L bottle is one of **the lightest .5L bottles, containing 35% less plastic** than the same size bottle four years ago.

Nestlé Nutrition reduced plastic in Infant Nutrition Meals and Drinks products by **588,000 pounds** last year.

**NESTLÉ® JUICY JUICE®**’s 64 fluid-ounce plastic bottle was redesigned, resulting in the reduction of nearly **725,000 pounds of plastic** each year.
Nestlé is... Creating Shared Value in Our Communities. We carry out our Creating Shared Value commitment through numerous efforts focused on nutrition, water and sustainability, and community development.
Creating Shared Value for Water and Sustainability

• Keep America Beautiful
  – Both Nestlé Waters North America and Nestlé Purina PetCare Company work closely with the organization to encourage recycling to make America’s communities cleaner, greener, safer and more livable
  – In 2010, Nestlé Waters North America was awarded Keep America Beautiful’s Vision for America Award

• Project WET
  – Project WET has reached more than 145 million students and 300,000 teachers in every state
At Nestlé, Creating Shared Value means for our business to prosper in the long term we must create value for our employees, customers, shareholders, consumers and their pets, and society as a whole. This is the essence of operating a sustainable business.

Sincerely,

Kim Jeffery, President & CEO, Nestlé Waters North America

Jorge Sadurní, President & CEO, Nestlé Professional, North America

Brad Alford, Chairman & CEO, Nestlé USA

Kurt Schmidt, President & CEO, Nestlé Nutrition

W. P. McGinnis, President & CEO, Nestlé Purina PetCare Company
To learn more, visit:

NestleNutrition.com
NestleUSA.com
NestleWatersNorthAmerica.com
Purina.com
NestleProfessional.com
NestleHealthScience.com
Walmart’s Sustainable Food Commitments

Dorn Wenninger
Vice President Global Food Sourcing
Walmart
Walmart’s Global Presence

- **Canada**: 329 Units
- **China**: 346 Units
- **United Kingdom**: 538 Units
- **Japan**: 414 Units
- **India**: 7 Units
- **Mexico**: 1,887 Units
- **Central America**: 574 Units
- **Brazil**: 490 Units
- **Chile**: 295 Units
- **Argentina**: 66 Units
- **Sub-Saharan Africa**: 315 Units
- **U.S.**: 4,439 Units
- **Central America**: 574 Units

- >200 million customer transactions weekly
- 2.1 million associates
- 9,700 retail units in 28 countries
- $419 billion net sales in fiscal year 2011
“[Our Next Generation Customers] don’t want to have to choose between products they can afford and products that mean a better life, like sustainably grown local fruits and vegetables. They care about sustainability and like that we do too…

They also have higher expectations for the role of business in solving problems. Only those businesses that solve problems will earn trust.”

Mike Duke
President and CEO
Walmart
Shareholders Meeting, 2011
Michael Pollan: The World’s 7 Most Powerful Foodies

#5 Jack Sinclair, Head of Grocery, Wal-Mart
He buys more food than anyone in America. He's moving the nation's biggest food retailer to regionalize its produce buying and make its processed foods less toxic.

Walmart’s Sustainability Goals

To be supplied 100% by renewable energy

To create zero waste

Sell products that sustain people and the environment
Sustainable Agriculture Commitments

Support farmers and their communities
- Provide market access
- Offer technical training
- Increase farmer income
- Energize local farm economies

Produce more food with fewer resources, less waste
- Reduce food waste
- Promote agricultural practices that:
  - Build healthy soil
  - Optimize use of energy, water, fertilizer, pesticides

Sustainably source key agricultural products
- Sustainably source:
  - Palm oil
  - Beef from Brazil
  - Seafood
• Walmart US will double sales of locally sourced produce to reach 9% of all produce sold, to be supported by the Heritage Agriculture program.

• Sam’s Club will triple sales of produce and floral products certified by Fair Trade and Rain Forest Alliance and grow its fresh business with minority owned companies by 15%.

• Walmart US and Sam’s Club will require all fresh and frozen, farmed and wild seafood suppliers to submit a plan to become third-party certified as sustainable using GAA, MSC, BAP or equivalent standards by June of 2012.
Energizing Local Farm Economies

• Jalapenos, chilli peppers & tomatillos now being produced by small and medium farmers in 30 states

• Benefits:
  • Thousands of food miles saved
  • Fresher and cheaper
  • Increased farmer income
Supporting Women and Small Farmers in Central America

“I am a hydroponic lettuce producer, at the beginning I delivered 500 units a week now I am delivering 2,000 units per week thanks to the support of Walmart’s Tierra Fértil program. I feel very proud when I see my produce in the supermarket and even prouder for the growth of my plantation.”

- Jessica Oviedo Alfaro, lettuce producer in Costa Rica

13,692 families benefitted in Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala

Benefits

<table>
<thead>
<tr>
<th>Customers:</th>
<th>↓ prices, ↑ quality, ↑ safety, ↑ selection</th>
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</thead>
<tbody>
<tr>
<td>Farmers:</td>
<td>Income ↑ 15%</td>
</tr>
<tr>
<td>Environment:</td>
<td>↑ soil quality, ↓ fertilizer, pesticide, water</td>
</tr>
<tr>
<td>Walmart:</td>
<td>↓ cost</td>
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</table>
Produce More Food With Fewer Resources and Less Waste: Full Crop Utilization

- Typically 7% of Pacific Northwest apple production left in field due to low quality and price.
- Those culls now used for production of concentrate, not-from-concentrate apple juice and apple sauce, reducing dependence on imports, keeping prices stable.
- Benefits: Reduced food miles and crop decomposition, increased farmer income.
Making Food Healthier & Healthier Food More Affordable

- Work with suppliers to reduce sodium and sugars and eliminate trans fats
- Make healthier food choices more affordable
- Build stores in underserved communities in need of fresh and affordable groceries
- Help educate consumers about healthier food solutions and choices

Fighting Hunger in America

- Food donations from our stores, clubs and distribution center locations
- $250 million in grants
- Associate volunteer lending expertise
- Partnerships with government agencies, food manufacturers and other corporations.
Overview of Progress and Timeline for the Produce Assessment

The produce assessment has been developed through partnership with the industry and is being piloted with our suppliers

**Project Timeline**

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<tr>
<th>Feb</th>
<th>Mar</th>
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<th>May</th>
<th>Jun</th>
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<td>Partners and resource needs identified</td>
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<td>Pilot I citrus, table grapes, and tomatoes</td>
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<td>Pilot III potatoes, avocados</td>
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**Key Accomplishments**

- Growers, universities and non-governmental organizations have been involved in developing the assessment
- Assessments have been piloted with 60+ suppliers in 4 continents
- Defined key issue areas for social and biodiversity assessment

**Next Steps**

- Refine performance metrics methodology and develop peer group analysis
- Develop final scorecard reports for pilots and roll out plan
Produce Assessment Pilot Locations

- **Self assessment process**
- **Audit process**
- **Employed both processes**

- **Pilot I**
- **Pilot II**
- **Pilot III**
## Produce Assessment - Sample

### Walmart Fresh Produce Sustainability Assessment - Grower Section

#### 1. Company and Contact Information

<table>
<thead>
<tr>
<th>Supplier name</th>
<th>City</th>
<th>State/Region</th>
<th>Zip/Region code</th>
<th>Country</th>
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<table>
<thead>
<tr>
<th>Contact person</th>
<th>Title</th>
<th>Phone</th>
<th>Email</th>
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</table>

<table>
<thead>
<tr>
<th>Reporting year</th>
<th>2010</th>
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</table>

#### 2. Farm and Crop Information

<table>
<thead>
<tr>
<th>Farm name</th>
<th>City</th>
<th>State/Region</th>
<th>Zip/Region code</th>
<th>Country</th>
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<table>
<thead>
<tr>
<th>Field name</th>
<th>City</th>
<th>State/Region</th>
<th>Zip/Region code</th>
<th>Country</th>
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<tbody>
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</tbody>
</table>

- Total farm area
- Packing facility on site
- Reporting crop
- Reporting crop type
- Reporting condition

#### 3. Farm and Crop Management

**Crop Management**

<table>
<thead>
<tr>
<th>Crop Variety</th>
<th>Main Crop Variety</th>
<th>Annual Yield [Metric Tons]</th>
<th>Age Range</th>
<th>Harvest Date [mm/dd/yy]</th>
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<tbody>
<tr>
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</table>

**Total:** 0

**Nutrient Management**

<table>
<thead>
<tr>
<th>Amount Type</th>
<th>Unit of Amount Applied</th>
<th>Compost Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Applied</td>
<td>Total N</td>
<td>Total P&lt;sub&gt;2&lt;/sub&gt;O&lt;sub&gt;5&lt;/sub&gt;</td>
</tr>
<tr>
<td>Fertilizer Type</td>
<td>Synthetic fertilizer</td>
<td>Organic fertilizer</td>
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<tr>
<td>Total</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Crop Variety:** Fill in the variety of the reporting crop.

**Annual Yield:** Weight of total crop that is harvested and sold or transferred to the farms in metric tons. If harvested unit is a cartoon, case, etc., please include weight of crop only.

**Age Range (calendar only):** Enter age range of plants of the specific variety. Range options are 0-1 yr, 2-5 yr, 6-10 yr, 11-20 yr, and 21+ yr.

**Harvest Date:** For perennial plants this is the date of harvest of the crop from the plants and should fall within the reporting year.

**Amount Type:** Select option to report nutrient as nutrient or total quantity applied to the reporting fields.

- **Synthetic fertilizer:** Enter total amount of synthetic fertilizer and the total N, P<sub>2</sub>O<sub>5</sub>, and K<sub>2</sub>O applied during the reporting year.
- **Organic fertilizer:** Enter total organic (and biologically) fertilizer and total N, P<sub>2</sub>O<sub>5</sub>, and K<sub>2</sub>O applied during the reporting year. Click on Compost Reference for NPR info of selected organic matter.

List all (as % of applied) products applied for the reporting crop. Provide name, dates applied from mm/dd/yy to mm/dd/yy, %N of the product, and total in kg N. Provide the total amount of each fertilizer applied and the unit of measure. The applied amount.

**A Reduction Target** is a specific number (in %) formulated by the farm owner to monitor nutrient efficiency over time.

**Reduction target:** The target number in % terms.

**Target type:** Reduction target of either fertilizer intensity (e.g., rate) or amount.
Is Junk Food Really Cheaper?

Comparison Shopping: McDonald's for Four

$27.89

2 Big Macs
1 cheeseburger
1 6-oz. Chicken McNuggets
2 medium fries
2 small fries
2 medium Cokes
2 small Cokes

Chicken, Potatoes and Salad for Four

$13.78

A savings of $14.11, or 51%, over the McDonald's meal.
Prices per item:

$1.49

$5.96

$1.50

$2.98

Pinto Beans and Rice for Four

$9.26

A savings of $18.63, or 67%, over the McDonald's meal.
Prices per item:

$2.00

$3.00

$1.49

“The potential here [with Walmart] is to **democratize the whole sustainability idea** – not make it something that just the elites on the coasts do but **something that small-town and middle America also embrace**.”

Glenn Prickett, Conservation International

FORTUNE

“Walmart–hardly thought of as a left-wing company … increased profitability, new store building and stock prices **as a result of becoming one of the most green companies** in the world.”

Former U.S. President Bill Clinton speaking on NPR

“Thursday’s [sustainable agriculture] announcement was the **most comprehensive and far-reaching initiative** since the original goals were laid out…”

Ylan Mui, The Washington Post

“Walmart is doing important work in waste reduction and conservation. They did an overall review of operations, from the sustainable perspective, and targeted important areas where they can save resources and reduce waste.”

Matt Hale, Environmental Protection Agency

The Wall Street Journal
Keep our promise to the Walmart customer

Lead -- Use our size and scale to make a difference

Know that our greatest power is in our business
Resources


• Sustainability Website: www.walmartstores.com/sustainability

• Sustainability 2.0 DVD: http://walmartstores.com/Sustainability/8844.aspx

• Shareholders 2011: www.walmartstores.com/shareholdersmeeting
Questions