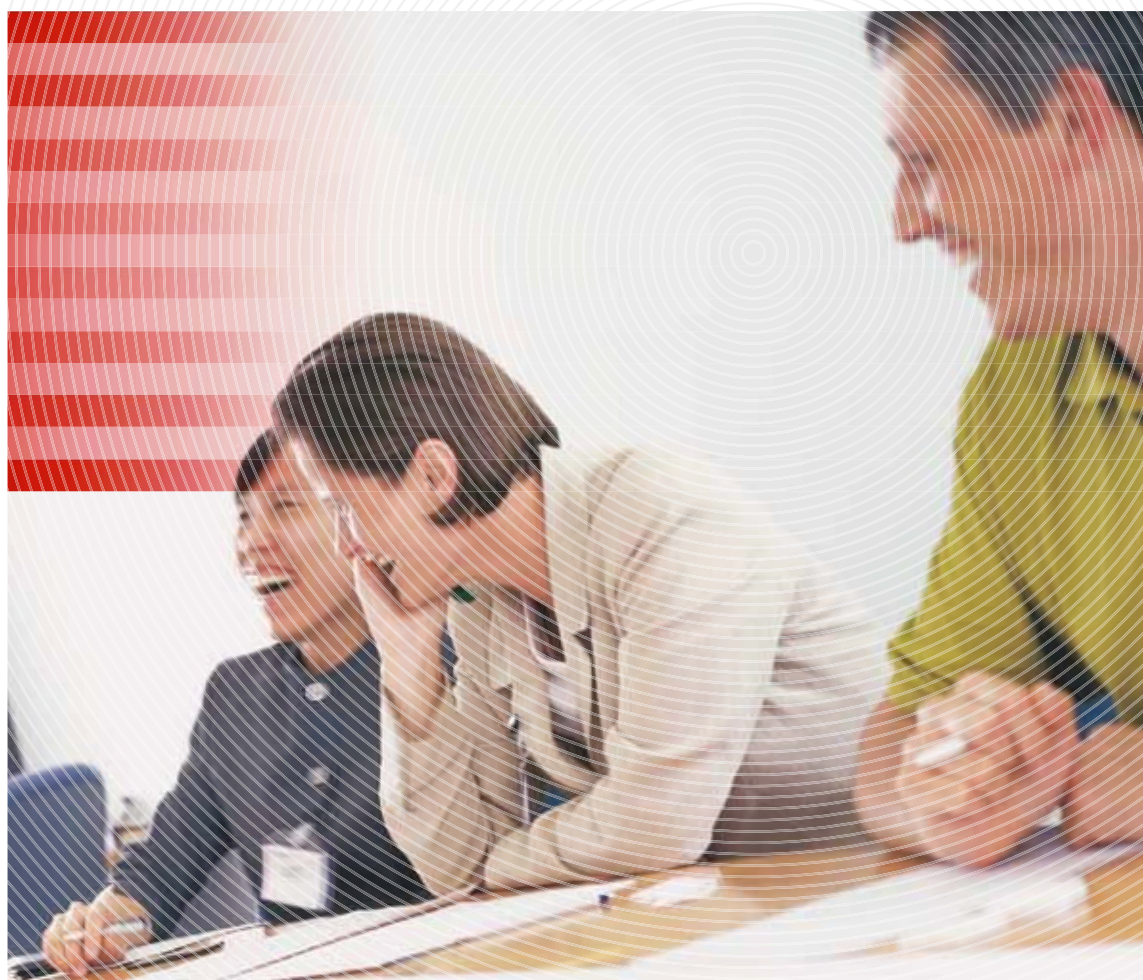


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The Nestlé Employee Relations Policy



Issuing Function

Business Principles, Compliance and Employee Relations

Author/issuing department

Corporate Human Resources

Target audience

All employees

Repository

All Nestlé Principles and Policies, Standards and Guidelines can be found in the Centre online repository at:
<http://intranet.nestle.com/nestledocs>

Approver

Jean-Marc Duvoisin, Deputy Executive Vice President

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1. Introduction

Since its founding, Nestlé has built a culture based on the values of trust, mutual respect and dialogue. Nestlé management and employees all over the world work daily to create and maintain positive individual and collective relationships, and are expected to do so as a core part of their job.

To foster this culture as a competitive advantage, the Nestlé Employee Relations Policy provides a frame of reference for the collective relationships with trade unions and other employee representatives based on the “human rights and labour practices” chapter of the Nestlé Corporate Business Principles and on the Human Resources Policy.

This Policy reinforces Nestlé’s commitment to long-term business development through an open dialogue with its employees and external stakeholders in line with its Creating Shared Value concept.

The Employee Relations policy not only requires strict compliance with the law, but it guides our actions even if the law is more lenient or where there is no applicable law at all.

The present Policy replaces the Nestlé Industrial Relations Policy issued in 2000.

2. A company trusted by its employees and stakeholders

Nestlé is committed to promoting a greater knowledge and understanding as well as an integral implementation of its Corporate Business Principles as the basis for being trusted by employees and stakeholders.

The Company complies with the laws applicable in the countries in which it operates and adheres to the eight fundamental Conventions of the International Labour Organization (ILO), the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the United Nations Global Compact and the ILO Declaration on Multinational Enterprises and Social Policy.

Therefore, the Company promotes relevant international initiatives in view of continuously improving working conditions.

3. A proactive and focused approach

Nestlé strives for proactive and continuous improvement of its relationships with internal and external labour stakeholders. The Company accomplishes this approach through organized structures within the Human Resources department at Corporate and local levels and focuses on the implementation of the following strategic areas:

- Compliance with the social aspects of our Corporate Business Principles, relevant international labour commitments and this Policy.
- Promotion of the Nestlé Corporate Business Principles, the Nestlé Management and Leadership Principles and the Nestlé Code of Business Conduct.
- Enhancement of collective dialogue and negotiations with employee unions and other representatives' associations.
- Development and upholding of an open dialogue with external stakeholders on labour matters.

The implementation of the Policy is a joint effort on two levels: at Corporate level to set direction and to give guidance to local operations to live up to this framework; and at local level to take all necessary actions to implement the Policy.

Local management must ensure collaboration and consistency between all Nestlé Businesses in the country as well as to enforce Nestlé group principles, policies and standards.

Employee relations remain a clear responsibility of the local management. Therefore, they will be handled at the appropriate level: first at site level (factories, warehouse, etc.) and subsequently at national level, according to law and practices.

4. Corporate culture

Our commitment to long-term collective relationships with our employees is guided by the implementation of a set of Principles which have governed our Company since its foundation. We will therefore continually seek to improve our employees' knowledge, understanding and engagement with our Corporate Business Principles.

Worldwide our Corporate Business Principles are available in the local language of each location in which we operate and are explained to employees as efficiently as possible.

5. Corporate labour priorities

Nestlé promotes a continuous improvement of the working conditions, giving special attention to the following Corporate labour priorities:

- Respect the right of our employees to establish and join organizations of their own choosing and engage in constructive negotiations.
- Offer competitive wages and benefits that allow our employees to cover their needs according to local standards of living.
- Respect Corporate guidelines regarding “temporary employees” based on which temporary staff shall only be used in circumstances where it is justified by the temporary nature of the job and will not result in unjustifiable differences in employment conditions.
- Respect Corporate guidelines regarding “outsourced activities” which indicate that only those activities which are non-core to the business may be outsourced and that the people performing them will be treated fairly at all times.
- Implement the Corporate guidelines regarding working time for our employees to assure a safe and healthy workplace and a working environment respectful of their family lives.
- Treat every employee with dignity and without any tolerance for discrimination, harassment or abuse.

6. Compliance

Our operations in each country shall take all necessary steps and put mechanisms in place in order to ensure compliance of its employees with the Nestlé Corporate Business Principles, the Nestlé Code of Business Conduct and this Policy.

One important tool is the Nestlé CARE programme which verifies, through independent auditors, that Nestlé operations comply with this Policy and the social and environmental aspects of the Nestlé Corporate Business Principles and of local legislation.

According to the Nestlé Code of Business Conduct, all employees shall report cases of non-compliance with the Code, which have to be properly investigated. Local management shall provide the procedures and establish mechanisms to manage the complaints that may be made, where appropriate, on a confidential basis.

Nestlé prohibits retaliation against any employee or employee representatives for the exercise of the right to complain within the respective national or local legal framework.

7. Collective dialogue

We ensure that direct and frequent communication is established at the workplace between management and our employees, both union members and non-union members. While dialogue with trade unions is essential, it does not replace the close relationship that our management shall maintain with our employees.

Regular dialogue with our employees and union representatives creates an opportunity to discuss matters of mutual concern and allows our employees to acquire a full understanding of the business activities and the objectives of the Company.

In the spirit of continuous improvement, we encourage dialogue with our employees that goes beyond the traditional aspects of collective bargaining in order to share knowledge and to find jointly opportunities related to other important matters such as the health and safety at the workplace and our concern for the environment.

Nestlé favours a policy of long-term employment. In the case that the closure or alienation of a Nestlé operation is necessary, it will be handled with full respect to applicable legislation and our Corporate Business Principles. In such cases, employees and their representatives shall be informed within a reasonable timeframe and a social plan will be elaborated, taking into account the legitimate rights and interests of all concerned.

8. Collective negotiations

Nestlé upholds the freedom of association of its employees and the effective recognition of the right to collectively bargain.

When collective negotiations take place, they will:

- be established within the legal framework of each country;
- be fair and constructive, based on the principle of good faith and an open exchange of information;
- relate to relevant working conditions such as wages, benefits and the exercise of union activities;
- focus on meeting common interests to improve further our competitive advantage such as the workplace environment.

The Company and employee representatives are expected to make all necessary efforts to develop fair and constructive negotiations, overcome the difficulties that they might encounter, reach sustainable agreements and implement them.

9. External open social dialogue

Nestlé continuously seeks areas of dialogue, discussion and mutual understanding at all levels of its operations. This includes communities and authorities as well as local and international stakeholders representing employees and unions such as the International Union of Food Workers (IUF) and the Nestlé European Council for Information and Consultation (NECIC). In doing so, we enrich our knowledge of social realities, we share our vision and efforts for sustainable growth, and we constantly aim to find opportunities to improve our practices.

At local level there should be a sustained effort to reach out to external experts such as the local ILO office, OECD National Contact Point, employer organizations, business associations, etc., in order to be informed about relevant market trends and exchange views on labour-related issues.

