

The Shape of Citizenship

2008 NESTLÉ WATERS NORTH AMERICA CORPORATE CITIZENSHIP REPORT: CREATING SHARED VALUE

WATER QUALITY

We utilize a 10-step process and test for every constituent required by EPA and FDA to ensure quality and safety. Results are posted at www.nestle-watersna.com

RECYCLING

Not enough water bottles are recycled. We are committed to working with partners to more than double PET beverage container recycling rates to 60% or greater by 2018.

SITING

Communities want more engagement in our siting process and expect us to help protect their water resources. We are working with stakeholders to make our siting and monitoring processes more transparent.

HEALTH AND WELLNESS

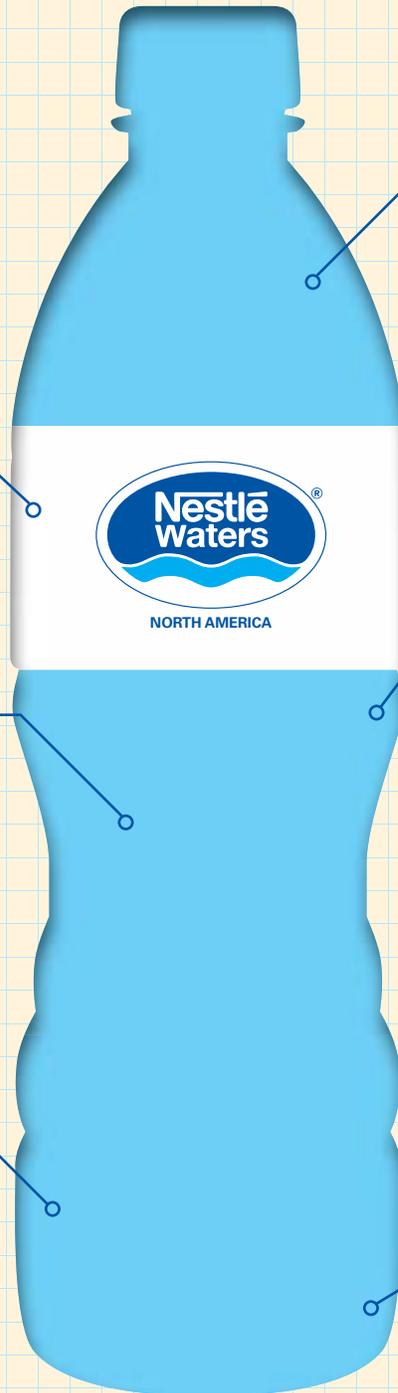
Obesity rates are increasing in part due to higher caloric intake from beverages. Water helps counter this trend by providing a healthful alternative.

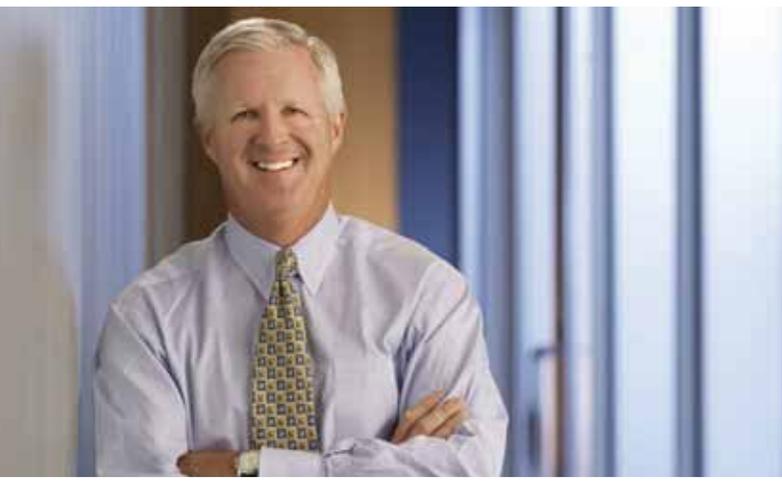
PACKAGING

Our Eco-Shape® half-liter bottle is on average the lightest beverage bottle on the market today. By making our bottles lighter, we reduce plastic use, energy use and greenhouse gas emissions. Over the longer term, we will work to produce a “next generation bottle” made entirely from recycled materials or renewable resources by 2020.

WATER RIGHTS

We support public water systems, but believe that bottled water also has an important role to play in society. We support legislation to protect groundwater resources.





Dear Stakeholders,

In 1980, the small enterprise I worked for acquired the Poland Spring® Bottled Water Company and with it, a natural spring source with 400 acres of undeveloped watershed land. About the same time, people were starting to think about living healthier lifestyles and our vision for the business centered on providing bottled water as a healthy alternative to soft drinks and alcoholic beverages.

The responsibility of managing our spring and the undeveloped lands, as well as consumers' growing focus on healthier living, set the company on a remarkable path over the next two decades. Today, Nestlé Waters North America (Nestlé Waters) provides a healthy beverage for millions of consumers every day, employs more than 9,000 people and ranks #1 in the bottled water industry with a 30% share in the market.

But as you are probably aware, over the last 12 months news coverage of corporate environmental activities and impacts has exploded, and our company has found itself on the front lines of society's emerging dialogue on sustainability.

I believe that Nestlé Waters today has the lightest environmental footprint per unit of product of any packaged beverage company in North America. But society's evolving expectations have encouraged us to work with our stakeholders and reach for an even deeper level of sustainability across our entire value chain.

This citizenship report, our first, gives a snapshot of where we are on the journey and shares the goals we have set internally and with some of our key stakeholders for our future performance.

I would like to highlight four environmental aspects of our business here:

Recycling

- Today, almost all beverage bottles are recyclable, but most are not recycled because it is not convenient for many consumers to do so. Since 2007, we have collaborated with recycling stakeholders to advocate for more comprehensive programs that will increase recycling rates.
- We will advance the goal of doubling current recycling rates to 60% or better for PET (polyethylene terephthalate) beverage bottles by 2018 through partnerships, coalition-building, consumer education, improved curbside recycling programs and policy initiatives.

Packaging

- Today, Nestlé Waters is leading the beverage industry in reducing the amount of plastic in our bottles. Eco-Shape®, our revolutionary half-liter water bottle, uses up to 30% less plastic than similar-sized beverage containers. Still, our bottles are made from non-renewable materials and are typically recycled in low numbers by consumers.

- Our future goals include further reducing the plastic in our bottles (lightweighting) across our product lines as well as producing a bottle with up to 25% recycled PET (rPET) by 2013. We also aspire to develop and produce a “next generation bottle” made entirely from recycled materials or renewable resources by 2020.

Water

- Today, Nestlé Waters is best-in-class for efficient water use in the beverage industry. Yet we recognize that water is becoming an increasingly important topic in the social agenda.
- Our future goals include supporting progressive groundwater legislation in states where we operate, and developing a siting and community commitment framework by 2010.

Energy & Emissions

- Today, I believe that Nestlé Waters has the most efficient supply chain in the beverage industry. We built our first Leadership in Energy and Environmental Design (LEED) manufacturing plant in 2002 and have nine that are certified or undergoing certification this year. And we estimate that our Eco-Shape bottle will help avoid 260,000 metric tons of greenhouse gas emissions (GHG) over fiscal years 2007 and 2008. That’s the equivalent of taking more than 57,000 passenger cars off the road.
- Our future goals include reducing our carbon intensity by 20% across our full value chain by 2013 and ensuring that all our newly constructed manufacturing facilities are LEED certified.

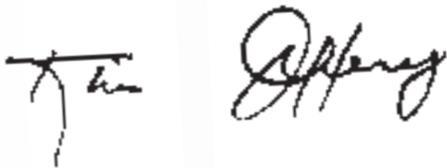
In these ways and others detailed in this report, Nestlé Waters will strive to further shrink its environmental footprint in the coming years.

Sustainability also relates to the health and wellness of humans. The number of calories consumed by Americans from beverages has doubled in the last 40 years, and increasing rates of obesity and diabetes across North America have led us to the brink of a public health crisis. Water—whether bottled or tap—is the best drink to reverse these trends.

I believe that Nestlé Waters will continue to play an important societal role, whether ensuring healthy hydration for an on-the-go culture, serving as a convenient alternative to sugared beverages, or as a reliable, safe source of water in disasters. At the same time, our company is committed to deeper sustainability and we will continue to evolve our business to help address the social and environmental issues I have outlined here and detailed in this report. We will publish updates biannually to keep you informed of our progress, and I encourage you to share your feedback through our online survey at www.nestle-watersna.com.

On behalf of everyone at Nestlé Waters, thank you for your interest in our company.

Sincerely,



Kim Jeffery

**Chief Executive Officer and President
Nestlé Waters North America**

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About This Report

This report describes Nestlé Waters' commitment to corporate citizenship. The data reported pertain to fiscal years 2005 through 2007 (January 1 through December 31). All references to currency are in U.S.dollars, unless otherwise noted.

In developing this report, we used the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines as a reference (www.globalreporting.org). As this is our first report, we focus on those areas most critical to our business and our stakeholders. In future years, we intend to expand the scope of this report to include additional topics and a self-rating as required by GRI.

FUTURE GOAL

Throughout this report, this arrow icon denotes a future goal for our citizenship efforts.

Our Commitment to Corporate Citizenship



As a packaged beverage company focusing on natural products, our success depends on both the long-term productivity of the waters and lands that support our business and on our relationships with our neighbors, consumers, employees and other stakeholders. Nestlé SA refers to this concept as creating shared value. Simply stated, in order to create value for our shareholders and our company, we need to create value for our customers, employees, communities where we do business and other stakeholders. We strive to embed this concept of “creating shared value” in our own approach to corporate citizenship to grow in a fiscally, environmentally and socially sustainable manner.

To support this core belief, we have made six commitments in the areas in which we believe we can provide the greatest value to society. These include:

- 1 Promoting health and hydration
- 2 Ensuring water quality and providing clean water when supplies are interrupted
- 3 Managing water resources for long-term sustainability
- 4 Reducing our manufacturing and logistics footprint
- 5 Developing sustainable packaging solutions
- 6 Being a good neighbor

These are our aspirations. We have more that we need to do, and will continue to work with our stakeholders to improve our performance in each of these areas. This report is organized to provide more information on our policies, activities and plans for each of these commitments.

2009

To ensure internal focus and accountability, we will form in 2009 a Corporate Citizenship Team comprised of employees from different divisions across our organization to guide the future direction of our efforts. The team will report annually to Nestlé Waters' Executive Team.

Plant Locations, 2007



Company Profile

In 1976, Nestlé Waters began as a small U.S.-based business that imported one brand, Perrier® Sparkling Natural Mineral Water. The product appealed to Americans seeking an active, healthier lifestyle and the company soon expanded to include other high-quality domestic brands in the U.S. and Canada. Today, Nestlé Waters is the largest bottled water company in North America with over \$4.26 billion in sales in 2007. Our product portfolio includes spring, purified, sparkling, drinking, distilled, mineral and flavored waters, which are sold through retail outlets and directly to customers through our Home and Office Delivery (HOD) business.

We are headquartered in Greenwich, Connecticut, with just over 9,000 employees and 24 factories throughout the U.S. and Canada. While Nestlé Waters is not publicly traded, Nestlé S.A. is listed on SWX Swiss Exchange under the symbol NESN.

Brand Portfolio

U.S.

- Domestic: Arrowhead®, Calistoga®, Deer Park®, Ice Mountain®, Ozarka®, Poland Spring®, Zephyrhills®
- National: Nestlé® Pure Life® (Purified Water)
- Imported: Perrier®, S.Pellegrino®, Acqua Panna®, Contrex®

CANADA

- National: Nestlé® Pure Life® (Spring Water), Montclair®
- Imported: Perrier®, S.Pellegrino®, Acqua Panna®



Promoting Health and Hydration

This section details research on:

- The health benefits of water
- Our products

Today's consumers are seeking healthier products that can fit into their on-the-go lifestyles. We believe that bottled water is an important part of the solution, and that the benefits of water go beyond hydration. We produce a variety of healthful beverage products and are supporting research to better understand the health benefits of water.

Percentage of water in the human body at different ages

Water is a vital element in the human body—it helps metabolism, nourishes cells, carries food throughout the body, eliminates waste, regulates body temperature, lubricates joints and provides other benefits. In fact, the body is comprised of between 50% and 75% water, depending on an individual's age and gender.

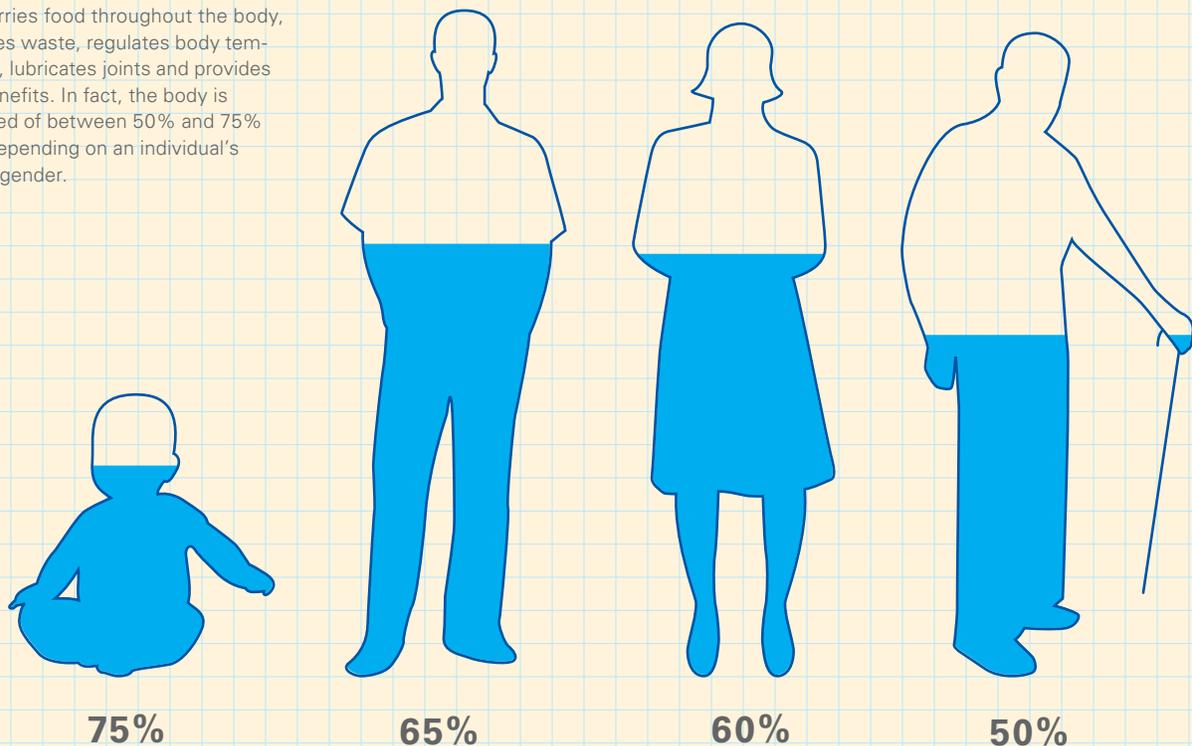


Image courtesy of Project WET



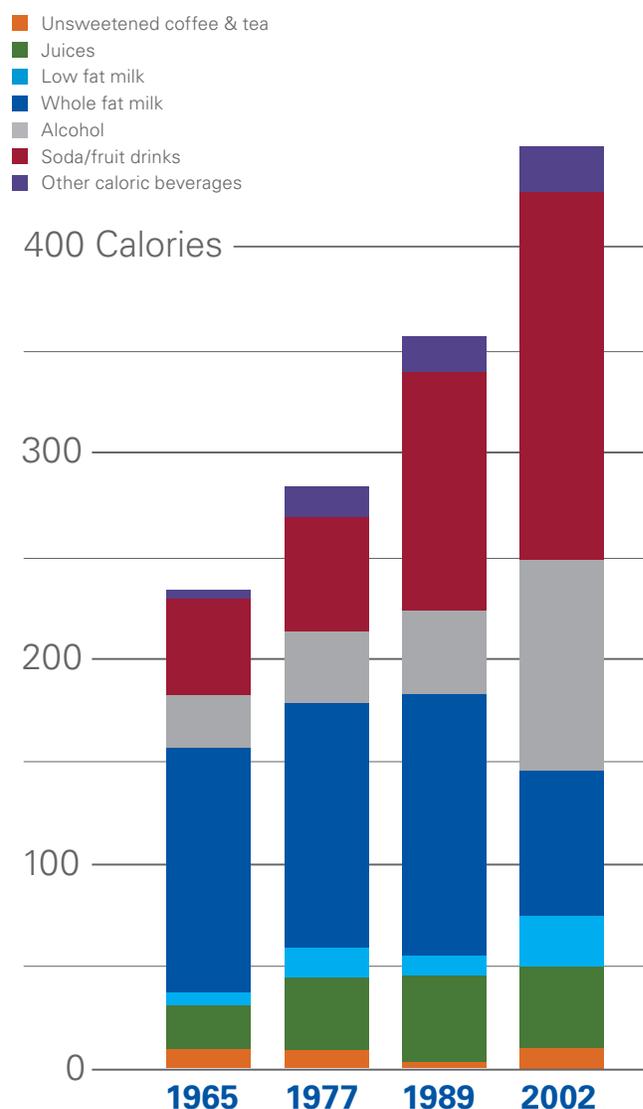
Water's Role as Part of a Healthy Lifestyle

While water is integral to proper bodily function, over the last 30 years, beverage choices have shifted to include less water and more sweetened beverages. This has caused a rapid increase in the number of calories Americans consume each day. Between 1965 and 2002, average caloric intake from beverages almost doubled, rising from 236 to 458 calories per day [Duffey and Popkin (November 2007), *Obesity 15-11*: 2739–2746]. Similarly, calories from sweetened beverages tripled—from 50 calories per day in 1977 to 144 calories per day in 2001 [Popkin et al (2006), *American Journal of Clinical Nutrition* 83: 529–542].

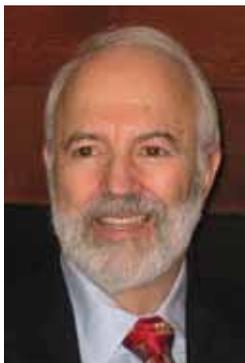
The increase in higher calorie consumption correlates with the rise in obesity rates in the U.S. Between 1976 and 1999, the obesity rate in America doubled from 15.1% to 30.5%, in large part due to higher calorie intake. Studies show that almost half of the increase is attributable to the consumption of higher-calorie packaged beverages [Nielsen et al (2002), *Obesity Research* 10: 370–378]. Today, Americans consume nearly 21% of their daily calories from packaged beverages compared to 10% in 1965 [Duffey and Popkin (November 2007), *Obesity 15-11*: 2739–2746]. As more than 75% of what people drink comes from a package, bottled water provides an important and helpful alternative to sugared and caloric drinks [Beverage Marketing Corporation, 2007].

To help people better understand the impacts of their beverage choices, the Beverage Guidance Panel, an expert panel of academics specializing in nutrition, obesity and epidemiology developed guidelines for appropriate beverage consumption. The Panel recommends that only 10% to 15% of an individual's daily caloric intake come from beverages, the equivalent of about 200 to 300 calories (www.beverageguidancepanel.org). Using this guideline, no more than 20 ounces an individual's daily beverage intake should come from sweetened beverages, such as fruit juice, sports drinks, alcohol or soda. The remainder should come from water, reduced-fat milk, unsweetened and other low-calorie beverages.

Daily Calorie Intake from Beverages, by Adults in the USA, 1965-2002.



Source: K Duffey and B.M Popkin (2007). Shifts in patterns and consumption of beverages between 1965 and 2002, Chapel Hill, NC



“When we think of the value of water, we need to realize that over several hundred thousand years of our evolution, humans have consumed mostly water once they pass childhood. We are therefore very well adapted to consuming water as our primary form of hydration. Reduced-fat milk is highly nutritious, providing us with proteins, minerals and vitamins. But otherwise, water—be it from a tap or a bottle—is the preferred beverage at all times.

Barry Popkin

Director, UNC Interdisciplinary Obesity Program, The Carla Smith Chamblee Distinguished Professor of Global Nutrition, School of Public Health, UNC at Chapel Hill, North Carolina

Nestlé Waters believes that increased focus on this recommendation will help Americans choose more healthful beverages. For example, in 2007, research showed bottled water sales in the grocery market sector grew 10.8% with almost half of this growth coming from consumers who switched from sweetened soft drinks to water [Nielsen Scantrack Data, Grocery, 12/07; Nielsen Homescan Data, Category Shifting Analysis, 2/07]. We are proud that our products have played a key role in this dietary change.

Recommended Daily Calorie Consumption from Beverages

Calories Per Day	200 to 300
% of Total Daily Caloric Intake	10% to 15%

Source: The Beverage Guidance Panel (beverageguidancepanel.org)

Supporting Research on the Health Benefits of Water

We are funding research to further our understanding of the health benefits of water. In 2006, Nestlé SA engaged Dr. Barry Popkin, professor of global nutrition at the School of Public Health, University of North Carolina, to study the link between water consumption and weight loss. Based on his previous research, Popkin found that people with higher water consumption had healthier diets [Popkin et al (December 2005), *Obesity Research* 13-12: 2146–2152]. A second 2006 study showed that individuals who drank water while dieting were more likely to lose weight compared to people who drank other beverages [Popkin et al (2006), *American Journal of Clinical Nutrition* 83: 529–542]. Moving forward, we will continue to fund research on the health benefits of drinking water for weight management and disease prevention.

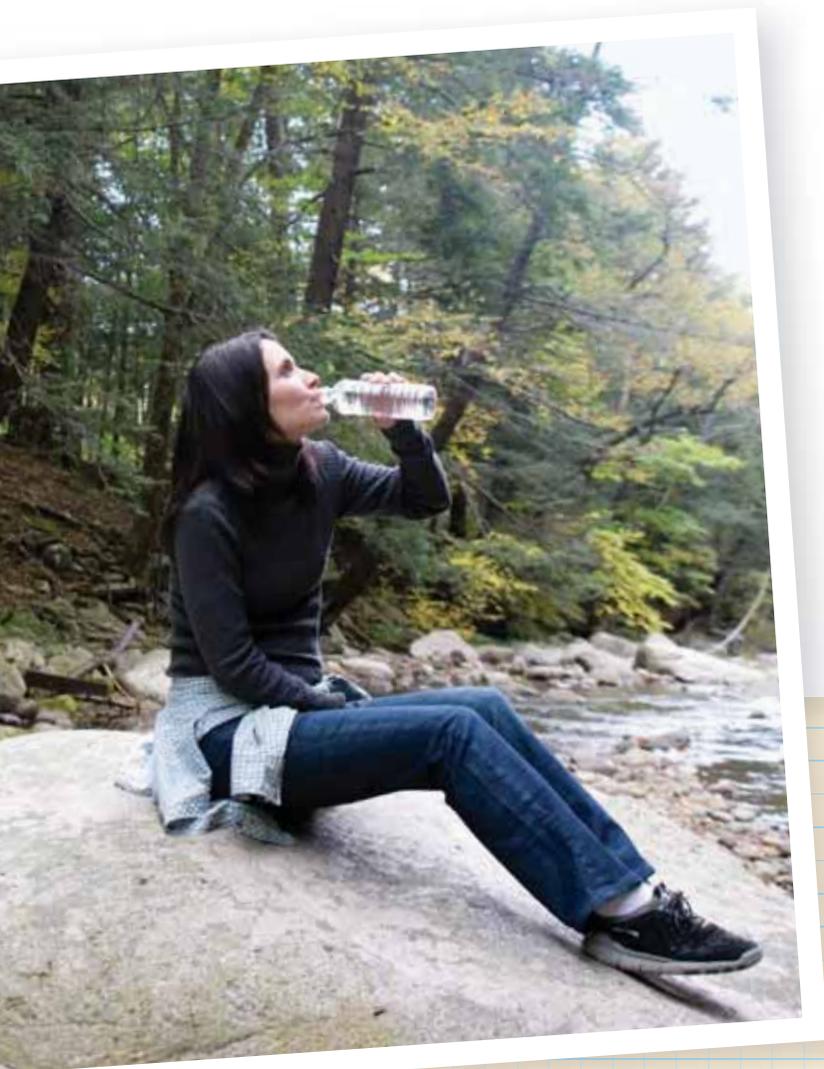


Go-Play!

To encourage kids to be more active and learn healthy habits, such as drinking water, Nestlé Pure Life™ created *Go-Play!*, a program in which consumers collect Nestlé Pure Life labels to earn points that can be redeemed toward fitness and sports gear or toward transportation costs for educational field trips at their children’s schools. Any accredited school in the U.S. serving students between kindergarten and eighth grade is eligible. In 2007, Nestlé Waters contributed \$286,000 to children’s fitness programming as part of *Go-Play!*.

Providing Healthful Beverage Product Choices

Most people like to have variation in their beverage choices, and Nestlé Waters strives to provide great-tasting, low-calorie beverages to strike a balance between taste and health. Nestlé Waters products include spring, purified, sparkling, drinking, mineral, distilled, natural fruit flavored and sparkling juice beverages. We also introduced Aquapod®, an 11-ounce spring water product, packaged in round bottles that appeal to children and encourage them to choose water over higher-calorie, sugared beverages.



In addition to these products, we provide two waters with extra benefits:

- Our Contrex® Natural Mineral Water helps to replenish the body with calcium—one liter contains half the recommended daily intake for calcium.
- Our fluoridated waters, including Poland Spring® Brand Natural Spring Water with Added Fluoride, Ozarka® Brand Natural Spring Water with Added Fluoride, Ice Mountain® Brand Natural Spring Water with Added Fluoride and Arrowhead® Brand Mountain Spring Water with Natural Fluoride, all help reduce the risk of tooth decay.

2009

In 2009, we will help consumers better manage their caloric intake by supporting the Beverage Guidance Panel's recommendations.

2010

In 2010, we will conduct additional research on the health benefits of drinking water for weight management and disease prevention.

2018

By 2018, we will collaborate with partners to reduce average caloric intake by both children and adults to levels recommended by the Beverage Guidance Panel.

Bottled water provides an important and healthful alternative to sugared and caloric drinks.

Ensuring Water Quality and Providing Clean Water When Supplies are Interrupted

This section details our:

- Process for ensuring water safety and quality
- Actions taken to meet or exceed regulatory standards
- Approach to monitoring safety concerns
- Efforts to provide clean and safe water to communities when supplies are interrupted

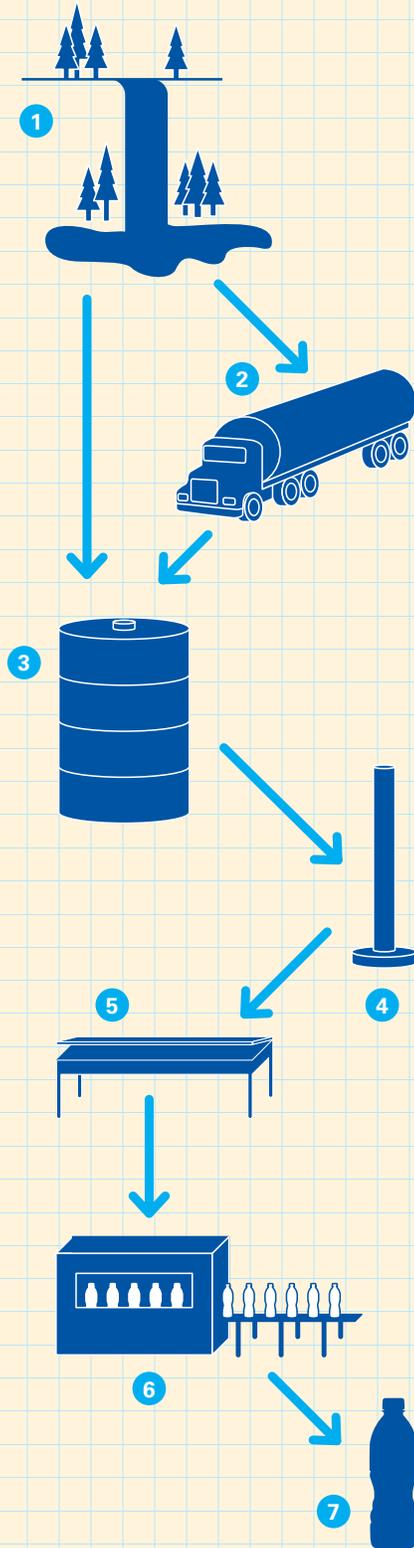
Consumers who buy Nestlé Waters' products trust that our waters are safe and taste good. We work hard to maintain that trust, using a quality and safety process that begins with source selection and continues through bottling.

Because our products are both safe and portable, they are ideal for assisting communities facing interrupted water supplies. We donate our products during natural disasters and times of need to families and communities across North America.



Our Quality and Safety Process

Nestlé Waters uses a 10-step process to ensure the quality and safety of our water products made in the U.S. and Canada:



- 1 SOURCE SELECTION AND MONITORING** We select spring sources based on the water's natural composition, surrounding land use, quality, availability and taste. Our 10 full-time Natural Resource Managers, trained hydrologists, geologists and engineers monitor our spring sources and manage them for long-term sustainability. We select non-spring sources (water from groundwater and surface water sources) based on location.
- 2 SOURCE WATER RECEIVING AND MONITORING** We transport water to our bottling facilities through food-grade sanitary stainless steel or high-density polyethylene (HDPE) pipelines or tankers, or we receive it directly from a municipal water supplier. For water received from municipal sources, we use carbon filtration to remove chemicals, such as chlorine (added by the municipal water supply as a disinfectant) and trihalomethanes (a disinfection by-product). Additionally, reverse osmosis filtration is employed to remove unwanted minerals and potential contaminants from municipal water sources.
- 3 WATER STORAGE AND MONITORING** Water is temporarily held in food-grade storage tanks, where we conduct further tests to ensure conformance to our safety and quality standards.
- 4 MICROFILTRATION** Advanced sterilizing-grade microfilters are used to remove unwanted bacteria from the water, should they be present.
- 5 ULTRAVIOLET LIGHT/OZONE DISINFECTION** Ultraviolet light or both ultraviolet light and ozone are additional barriers that help eliminate the potential for unwanted microorganisms. Ultraviolet intensity and ozone level are monitored and verified regularly to ensure effectiveness.
- 6 PACKAGING CONTROL** Most bottles are manufactured on-site to enhance quality control as well as to save energy and costs which would be incurred by shipping empty bottles to plants. Packaging that does not meet internal standards is rejected. We control and monitor bottles and caps, and label them by lot for tracking purposes.
- 7 BOTTLING CONTROL** We test samples during the filling and capping process to monitor water quality and prevent contamination. We also monitor the capping process to ensure bottles are properly sealed to maintain the integrity of the product. This eliminates the need to chlorinate our finished product. Each bottle is given a specific code that includes the plant location, bottling line and time produced to ensure traceability.

8 CLEAN-IN-PLACE SANITATION PROCESS At a minimum of once a week, we apply an automated cleaning process to ensure that plant production lines are sanitary and constantly maintained at a high level of hygiene.

9 PLANT QUALITY ASSURANCE AND HACCP PROGRAM Each Nestlé Waters plant has a quality assurance department to manage quality processes. Additionally, we employ the U.S. Food and Drug Administration (FDA) Hazard Analysis Critical Control Point (HACCP) program to manage product quality. Bottled water is also required to meet strict Good Manufacturing Practices under FDA guidelines, which include specific requirements for plant construction, design, sanitary facilities and operations. These systems ensure that we meet both internal and international quality assurance standards.

10 CORPORATE QUALITY ASSURANCE SYSTEM Independent from the plant quality assurance department, our Corporate Quality Assurance program sets company-wide standards and specifications, and independently monitors plant quality programs across our entire organization.

In addition to the steps described here, several of our products require additional process steps.

PURIFIED, DRINKING AND FLAVORED WATERS After source receiving and monitoring, the water typically passes through a water softener, where hardness is reduced. We then demineralize the water through reverse osmosis, and move it to storage containers where we remineralize the water, adding a specific amount of minerals to achieve a desired taste. In the future, we may also employ partial reverse osmosis, which is effective in removing some minerals, but uses less energy and reduces waste water. For our flavored waters, we also add natural fruit flavors just before bottling the water.

SPARKLING WATERS For our sparkling waters, we add carbonation just prior to bottling.

DISTILLED WATERS Similar to our drinking waters, the waters pass through a water softener to reduce water hardness. We then distill our waters before they are filtered.

MINERAL WATERS In addition to microfiltration, we use activated alumina to remove excess fluoride in our mineral waters.

To further enhance the quality, safety and environmental aspects of our process, we are certifying all of our plants to meet the International Standards Organization (ISO) Occupational Health and Safety Assessment (OHSAS) 18001, Environmental Assessment 14001, and Food Safety 22001 standards. All of these are internationally recognized management systems. This benefits consumers by ensuring that Nestlé Waters facilities follow appropriate standardization protocols for all areas affecting quality, environment, and occupational safety and health. In addition, we have implemented internal programs that require every functional area within Nestlé Waters to develop and track progress against quality and safety goals.

Outside of our own processes, we also work with suppliers to ensure they meet agreed standards for food safety. Every year, we audit suppliers who provide critical ingredients and packaging materials (other than water, which is regulated as described in the next section) that have direct contact with our products to ensure they are complying with our internal food quality and safety protocols.



2008

By the end of 2008, we will require a Certificate of Compliance from our suppliers who provide ingredients and packaging materials to confirm compliance with our internal quality standards.

2010

We plan to complete OSHAS 18001 and Food Safety 22001 certification for all plants by 2010.

We test our finished product for every constituent required by the EPA and FDA, and our allowable limits for regulated parameters are more stringent than both EPA Primary Standards and FDA Standards of Quality guidelines. The only exception is for radiological parameters, where we use the same regulatory standards.



Meeting or Exceeding Regulatory Requirements

In the U.S., municipal water supplies are regulated by the U.S. Environmental Protection Agency (EPA) under The Safe Drinking Water Act and the bottled water industry is regulated as a food product by the FDA under the Bottled Water Regulations (which dictate water quality standards) and under the Current Good Manufacturing Practices (which dictate standards for the processing and manufacture of bottled water). The Safe Drinking Water Act also requires that bottled water meets all of the requirements of municipal water supplies. Together, these regulations mandate the testing of over 50 constituents at specified intervals to ensure that bottled water meets these standards.

In light of these regulations, Nestlé Waters has developed internal standards based upon both sets of regulations, which meet or are more stringent than regulatory standards in all cases. We test our finished product for every constituent required by the EPA and FDA, and our allowable limits for regulated parameters are more stringent than both EPA Primary Standards and FDA Standards of Quality guidelines. The only exception is for radiological parameters, where we use the same regulatory standards. Our standards also meet individual state regulations, as well as Canadian regulatory requirements, which are almost identical to those in the U.S.

On a per-gallon basis, we test our water as often as, or more often than, municipal water sources. For example, in the case of coliform, an indicator of contamination, we conduct one test for every 40,000 gallons of water. By comparison, a large municipal supplier conducts one test for every 2.7 million gallons of water processed. In many cases, we also test our water on a frequency basis as often as, or more regularly than, required by the EPA and FDA. For example, we test for bromate daily on every production line in every factory, whereas municipal water suppliers are only required to test monthly.

On an annual basis, there are a few instances where we test less frequently than municipal water suppliers, because our sources are not prone to the same types of contamination as some municipal water sources. In these cases, we still meet reporting requirements of the EPA and FDA. In addition, we use a multi-barrier process, which includes additional safety steps beyond those typically performed by municipal water suppliers, including microfiltration, ultraviolet light and, where appropriate, ozonation. These further protect our products from contamination. For more information on our testing standards, please see www.nestle-watersna.com.

During the time period covered by this report (2005 to 2007), we did not have any violations of EPA or FDA regulatory limits.



All tests required by regulations are conducted by third-party certified labs accredited by the National Environmental Laboratory Accreditation program overseen by the EPA and, in addition, we conduct in-house tests to ensure product quality. Nestlé Waters submits samples for analysis in a manner similar to municipal systems, following requirements regarding sample size and collection method, shipment, preservation, timing and temperature, among other factors. From 2005 through 2007, we did not have any violations of EPA or FDA regulatory limits.

We publish quality reports, based on independent testing results that are comparable to those published by municipal water utilities. These reports are available at www.nestle-waters-na.com, or by calling the toll-free number on our bottle labels.

Additionally, we open our doors to third-party inspections by key retail customers who ask to conduct audits on an intermittent basis. The military also conducts spot audits of plants with which it has contracts. Finally, we participate in an International Bottled Water Association program that includes unannounced third-party annual inspections by the National Sanitation Foundation, a non-governmental organization that develops standards, and provides product certification and education in the field of public health and safety.

No matter how strong our focus on safety, no system is flawless. In the unlikely event that a significant quality problem occurs, a recall process is in place that would allow us to trace water based upon a code on each bottle that specifies the plant location, bottling line and time produced. Our traceability system would then enable us to instruct affected retailers to remove the product and notify the public. Any returned product would be analyzed to identify the cause of and correct the problem, before being destroyed. During this reporting period of 2005 to 2007, we did not have any product recalls.

We draw from approximately 75 water sources, including 50 spring sites and 25 non-spring sites. Non-spring sources include groundwater and surface water sources. Of our 75 sources, 20 are municipal water sources.



Additional Information on Water Safety Issues of Public Interest

In addition to independent testing, Nestlé Waters monitors product safety issues, including those related to water contaminants and packaging for finished products.

Water Quality Issues

For our spring water brands, we use groundwater sources that are less vulnerable to contaminants than surface sources commonly used by some municipal suppliers. In those cases where we use municipal water sources for our purified water brands, we perform specialized filtration processes to remove any contaminants that may be present.

The following explains how Nestlé Waters addresses some common stakeholder concerns regarding contaminants in water. For all of these constituents, Nestlé Waters meets all EPA and FDA guidelines.

LEAD

Issue: Lead is a toxic substance at certain levels, which can cause a wide range of adverse health effects, such as increased blood pressure, fertility problems and nerve disorders. Lead may originate through the erosion of natural deposits or leach into water from corroding lead pipes.

Our approach: We carefully select spring sources with levels below EPA and FDA limits. The preponderance of lead in municipal water comes from the distribution pipes, and since no lead is used in any of our pipework systems, this is not a factor for our natural spring brands. In the case of our purified waters, which can start as municipal water, reverse osmosis or distillation processes remove lead and ensure water meets our internal standard of less than 0.0005 milligrams/liter (mg/L).

COPPER

Issue: Copper is a toxic, heavy metal that at certain levels may create gastrointestinal distress in the short-term and liver or kidney damage through long-term exposure. Copper may leach into water through corrosion of domestic plumbing systems or erosion of natural copper deposits.

Our approach: Our spring waters use carefully selected sources to ensure levels are below EPA and FDA limits, as well as more stringent company standards of less than 0.05 mg/L. Copper is not used in the pipes for any Nestlé Waters' bottling processes. Any remaining copper from municipal supplies used for our purified waters is removed through reverse osmosis or distillation.

NITRATE

Issue: Nitrate is a naturally occurring chemical at low levels in groundwater. However, higher levels may occur in water exposed to fertilizer, leaching from septic tanks and erosion of natural nitrate deposits. Infants below the age of six months who drink water with nitrate levels that exceed regulatory limits could contract methemoglobinemia, a condition in which nitrate converts to nitrite and reacts with blood, preventing it from carrying oxygen.

Our approach: We select low-nitrate spring sources and filter and purify our non-spring sources to ensure nitrate levels are less than 5 mg/L and in most cases less than 1 mg/L, one-tenth of the level allowed by EPA and FDA regulations.

TRICHALOMETHANES (THMs)

Issue: Chlorine is frequently added to municipal water supplies as a disinfection agent. THMs are produced when chlorine or other disinfectants react with naturally occurring organic matter in municipal water supplies. THMs, which include trichloromethane, tribromomethane, dibromochloromethane, haloacetic acid and bromodichloromethane, are carcinogenic at certain levels.

We carefully select our sources and monitor for potential water contaminants, such as lead, bromate, microorganisms, trihalomethanes and pharmaceuticals.

Our approach: Nestlé Waters does not use chlorine for its spring waters, except in the case of Texas, where a state law requires the addition of chlorine for transporting any water ultimately intended for human consumption, regardless of the initial quality of that water. However, for these sources in Texas, as well as for all municipal water we use, we employ carbon filtration before bottling to remove both chlorine and THMs, and ensure levels are less than 0.0005 mg/L compared to EPA and FDA regulations, which allow up to 0.08 mg/L.

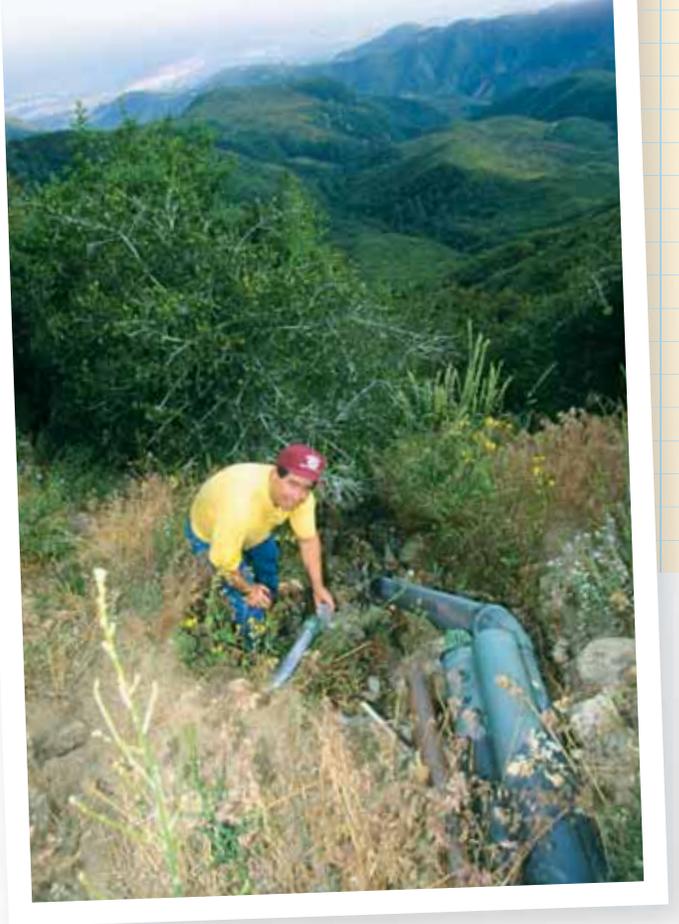
BROMATE

Issue: Bromate, which has been deemed carcinogenic at high levels in laboratory animals, is a chemical formed when ozone, used to disinfect drinking water, reacts with naturally occurring bromide found in water.

Our approach: For our purified waters that rely upon municipal water sources, we filter out bromide and bromate. For our spring waters, we search for low-bromide sources. We also have special low-ozone injection systems, which apply the minimum amount of ozone to disinfect the water, while preventing the formation of excess ozone that could subsequently react with any bromide present. In the event that our spring sources have higher levels of bromide, we use microfiltration and ultraviolet disinfection rather than ozonation, thus avoiding the creation of bromate to ensure levels are less than 0.002 mg/L compared to EPA and FDA regulations, which allow up to 0.01 mg/L.

ARSENIC

Issue: Arsenic is a toxic chemical element found in natural deposits or in runoff from manufacturing wastes. Long-term exposure at high concentrations can cause skin damage, circulatory system issues and increased risk of cancer.



Our approach: We strive to select spring sources that do not have arsenic and arsenic is not common in the vast majority of our sources. Any source with measurable levels of arsenic would be evaluated for available special treatment techniques based on the overall quality of the source. Special approved techniques for treatment of low levels of arsenic include green sand filtration, activated alumina and specialized ion exchange resins, which are all designed to remove and ensure arsenic levels well below the regulatory limit. For non-spring sources, we use distillation or reverse osmosis to remove arsenic, if present.

MICROORGANISMS

Issue: Microorganisms naturally occur in foods, including fruits, vegetables, yogurt and spring water. Some microorganisms are harmless or even good for you, while others can be harmful. High levels of harmful microorganisms, including E. coli, fecal coliform, cryptosporidium, giardia and certain viruses, can lead to a number of issues, such as diarrhea, cramps, nausea, headaches and other symptoms.



Two tests we rely upon to monitor for the presence of contamination include:

- **HETEROTROPHIC PLATE COUNT (HPC)** In spring water, the presence of naturally occurring microorganisms called HPC is expected; indeed, the absence of these microorganisms would be a concern, because it could indicate the presence of chemical contamination. However, high levels of HPC may indicate bacterial contamination.
- **TOTAL COLIFORM** Though not necessarily a health concern itself, total coliform is an indicator of potential water contamination by fecal coliform and *E. coli*.

Our approach: We strive to select spring sources to protect against harmful microbiological contamination. For both our spring waters and for non-spring sources, we employ rigorous plant cleaning programs, microfiltration, ultraviolet light and, where appropriate, ozonation to filter out and prevent contamination from harmful microorganisms.

Specific to total coliform, we monitor our sources as frequently as municipal sources. We also follow FDA regulations that require both our sources and finished products to be free of coliform and *E. coli*. To meet this requirement, we closely monitor for the presence of total coliform in our sources, our processes and our finished products. Together, these measures are used to prevent contamination from *E. coli*, fecal coliform, cryptosporidium, giardia and certain viruses.

PERCHLORATE

Issue: Perchlorate is the salt derived from perchloric acid, which may occur in natural deposits or as an outcome of manufacturing processes. According to the EPA, low levels of perchlorate have been detected in both drinking water and groundwater in 35 states in the U.S. Perchlorate may impact human health by interfering with the uptake of iodide, a chemical necessary for regulating the thyroid gland. In adults, the thyroid gland helps regulate metabolism by releasing hormones, while in children, the thyroid helps in proper development. In 2005, the EPA issued a recommended (not mandatory) Drinking Water Equivalent Level (DWEL) for perchlorate of 0.0245 mg/L.

Our approach: Our spring waters use carefully selected sources to ensure levels are below EPA and FDA limits, as well as more stringent internal standards of less than 0.0005 mg/L. Any source with higher levels of perchlorate would be evaluated for available special treatment techniques based on the overall quality of the source. Special approved techniques for treatment of low levels of perchlorate include specialized ion-exchange resins, which are designed to ensure perchlorate levels well below the regulatory limit. For non-spring sources, we use reverse osmosis or steam distillation processes to remove perchlorate if present to meet our internal standards.

PESTICIDES AND HERBICIDES

Issue: Pesticides and herbicides are substances (or mixtures of substances) intended to prevent, destroy, repel or mitigate insect or plant pests. In high doses, pesticides and herbicides can cause harm to humans, animals or the environment because they are designed to kill or otherwise adversely affect living organisms.

Our approach: We test for pesticides and herbicides either quarterly or annually, as required by state laws. Over the last 10 years, we have never detected pesticides or herbicides in our spring sources or finished product.

PHARMACEUTICALS

Issue: Recent studies have found trace amounts of pharmaceuticals, including antibiotics, anticonvulsants, mood stabilizers and sex hormones in some municipal water supplies. The impact of long-term exposure to trace amounts of pharmaceuticals is still being studied.

Our approach: We strive to select spring sources to protect against the potential for chemical contamination, including by pharmaceuticals. For non-spring waters, we employ two additional filtering steps, carbon filtration and, where appropriate, reverse osmosis, to remove pharmaceutical contaminants.

Based on these processes and testing, our finished products have tested negative for pharmaceutical contamination. We will continue to monitor this issue and test our products for specific classes of pharmaceutical compounds.

Constituents Often Cited by Stakeholders and Nestlé Waters Testing Results

The following chart describes maximum allowable limits under both EPA and FDA regulations, as well as Nestlé Waters' internal standards. While test results for Nestlé Waters products have never exceeded EPA or FDA allowable limits during the reporting period, we occasionally have had test results that have exceeded Nestlé Waters' internal limits, which are generally more stringent than regulatory guidelines (see Meeting or Exceeding Regulatory Requirements on page 12). In these cases, we have used the findings to identify the cause, quickly correct the situation and prevent further breaches of our internal limits.

Factor	EPA Maximum Allowable Level	FDA Maximum Allowable Level	Nestlé Waters Internal Allowable Level	Percentage of Tests Results above Nestlé Waters Allowable Level (2007)	Percentage of Test Results above EPA and FDA Limits (2005–2007)
Lead	0.015 mg/L	0.005 mg/L	<0.0005 mg/L	0%	0%
Copper	1.3 mg/L	1.0 mg/L	<0.050 mg/L	0%	0%
Trihalomethanes (trichloromethane, tribromomethane, dibromochloromethane, bromodichloromethane)	0.080 mg/L	0.080 mg/L	<0.0005 mg/L (individual) <.002 mg/L (sum)	Less than 0.5% of all tests	0%
Bromate	0.010 mg/L	0.010 mg/L	Target: 0.0005 mg/L Max: 0.002 mg/L	Less than 0.1%	0%
Nitrate	10 mg/L	10 mg/L	Less than 5 mg/L	0%	0%
Arsenic	0.010 mg/L	0.010 mg/L	<0.0014 mg/L	0%	0%
Perchlorate	N/A	N/A	<0.0005 mg/L	0%	0%
Microorganisms					
Total Coliform	<1 cfu/100 ml. Not more than 5% of monthly samples showing positive. No E. coli or fecal coliform positive samples	<1 cfu/100 ml. No sample to exceed 4 cfu/100 ml and arithmetic mean of 10 samples <1 cfu/100 ml	100% of product samples negative for total coliform bacteria	Less than 0.02% of all tests	0%
Heterotrophic or Total Plate Count	<500 cfu/ml	N/A	< 20 cfu/100 ml (product) <100 cfu/ml (source)	Less than 0.5% of all tests	0%
Pseudomonas Aeruginosa	N/A	N/A	Absent / 100 ml	Less than 0.1% of all tests	0%
Cryptosporidium	If detected, must treat so that zero remains	N/A	Absent	0%	0%
Giardia	If detected, must treat so that zero remains	N/A	Absent	0%	0%

Nestlé Waters uses three types of plastic packaging—each approved by the FDA as safe for food containers.



Addressing Packaging Materials

In addition to glass, Nestlé Waters uses three types of plastic packaging in its products: PET, HDPE and polycarbonate. All of these plastics have been approved by the FDA as safe for food containers and are widely used within the food and beverage industry. Below we outline common stakeholder concerns regarding chemicals in plastic packaging:

ANTIMONY Antimony is a chemical approved by the FDA as a catalyst in the manufacture of PET—the plastic used for the majority of single-serve water bottles, including ours. Studies in laboratory animals have shown that acute exposure from breathing powdered antimony may be carcinogenic. There is no evidence of any risk from ingestion.

Currently, two-thirds of our bottles use antimony as a catalyst. Minute traces of antimony remain in PET after the bottle is formed. However, internal studies by our Product Technology Center show that, even after months of storage, any trace amounts of antimony that may migrate into bottled water are well below the regulatory limits for drinking water set by the EPA, FDA and World Health Organization.

BISPHENOL A (BPA) BPA is an FDA-approved compound used as the starting material in the manufacture of polycarbonate plastics—the hard plastics used in the packaging of many consumer goods. Small residues may remain in the plastic and under certain conditions may migrate in trace levels into packaged foods from linings of canned foods, beverage bottles and baby bottles, among others. Some research has shown BPA to be an endocrine disruptor at high levels in laboratory animals. However, as recently as July 2008, the European Food Safety Authority concluded that the Tolerable Daily Intake of 0.05 milligram/kg of body weight per day provides a sufficient margin of safety for the protection of consumers, including fetuses and newborns. Additionally, in an August 2008 draft safety assessment for BPA, the FDA established a 'no observed adverse effect level' (NOAEL) for exposure of 5 milligram/kg of body weight per day. As standard estimates for exposure to BPA

from food packaging or containers are well below this level (0.185 microgram/kg of body weight per day in adults and 2.42 micrograms/kg of body weight per day for infants), the FDA concluded that an adequate margin of safety exists for BPA.

While the vast majority of Nestlé Waters bottles are made from PET, our three and five-gallon HOD bottles are made of polycarbonate plastic. This plastic is ideal for big-volume containers as it is lightweight, transparent, shatter-resistant and can be easily cleaned, refilled and reused. Moreover, BPA migration has not been shown to be a concern, given the conditions and low temperature of bottling and storage of bottled water. Studies by our Product Technology Center have shown zero to trace levels of BPA (less than two parts per billion) migrate into the water during normal bottling and typical periods of storage and distribution (12 weeks). At this level, the average adult would have to drink 52.8 gallons of water per day to reach the NOAEL established in the draft FDA safety assessment. Some stakeholders have also raised concerns about the migration of BPA from plastic into water at high temperatures. In practice, water would need to be kept at a high temperature (near boiling point) for an extended period of time to cause a significant increase in migration, and during storage and transport, our bottles are not exposed to such conditions.

2009

To ensure customers understand the proper conditions under which to store and consume our products, we will be including additional storage and shelf-life information on our website and on our case packages by 2009.

2011

Nestlé Waters has set a goal to convert the remainder of its virgin PET bottles to antimony-free resin by 2011.

PHTHALATES Phthalates belong to a class of chemical compounds used as additives for polyvinylchloride (PVC) plastics. There are two types of phthalates—terephthalates and orthophthalates. Orthophthalates, chemicals believed to disrupt human endocrines and development at high levels, are the problematic type of phthalates and are not used to make any of our bottles.

Our PET bottles contain terephthalate, a non-harmful chemical that is well-fixed and stable in PET and does not leach into water.

Efforts to Provide Clean, Safe Water to Communities When Supplies are Interrupted

On occasion, communities throughout North America face interruptions in their water supplies due to failures of municipal equipment or distribution systems, emergencies, natural disasters or other events that may cause service disruptions. For nearly three decades, Nestlé Waters has worked with the American Red Cross, AmeriCares and other disaster relief organizations. Because bottled water is portable and comes in a sealed container, it is an ideal product to ensure people have access to clean drinking water when local water supplies become either unsafe or unavailable.

Through our partnership with the American Red Cross, we provided millions of bottles of water to communities struck by the four Florida hurricanes in 2004 and Hurricane Katrina in 2005. We also donated 1.2 million bottles of water to the Gulf Coast region in preparation for the 2006 hurricane season. In 2007, through these partnerships and other local donations, we gave over one million bottles of water to rescue workers and residents impacted by tornadoes, wildfires and other service disruptions.

According to a report by the Centers for Disease Control and Prevention, between 2003 and 2004, a total of 36 waterborne diseases and outbreaks were reported in the U.S., 30 of which were associated with drinking water. *The Canadian Medical Association Journal* issued 1,766 such alerts between 2006 and 2008, 679 of which occurred in Canada's most populous province, Ontario. In these situations, bottled water provides a safe alternative for communities in need.



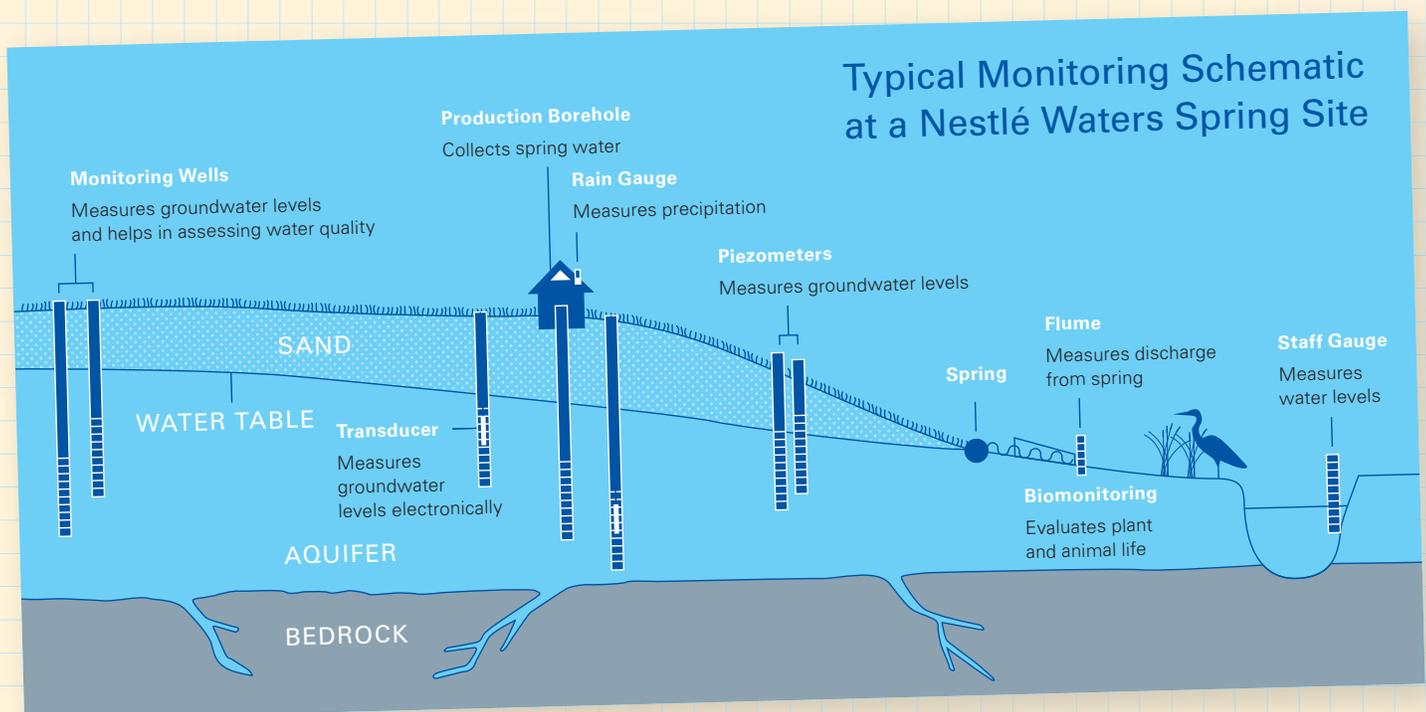
Nestlé Waters provides bottled water to victims of floods, fires and other natural disasters. In 2007, we donated over 1 million bottles of water.

Managing Water Resources for Long-Term Sustainability

Over the past few years, questions have arisen about ownership of water resources, and how water is managed and transported by the bottled water industry. To address these concerns, this section details:

- Our total water use
- Our processes to select and responsibly manage our water resources
- Our approach to water rights

As a company dependent upon local water supplies to make our products, Nestlé Waters is committed to responsible water management, and to respecting the interests of our neighbors and the communities where we do business. Once a source has been identified as viable, we engage in dialogue with residents and community officials, and strive to address any issues they raise. In the great majority of our siting projects, we have worked successfully with local communities. In a small number of cases, our siting efforts have generated controversy, and we are working with local and national stakeholders to learn from those projects.



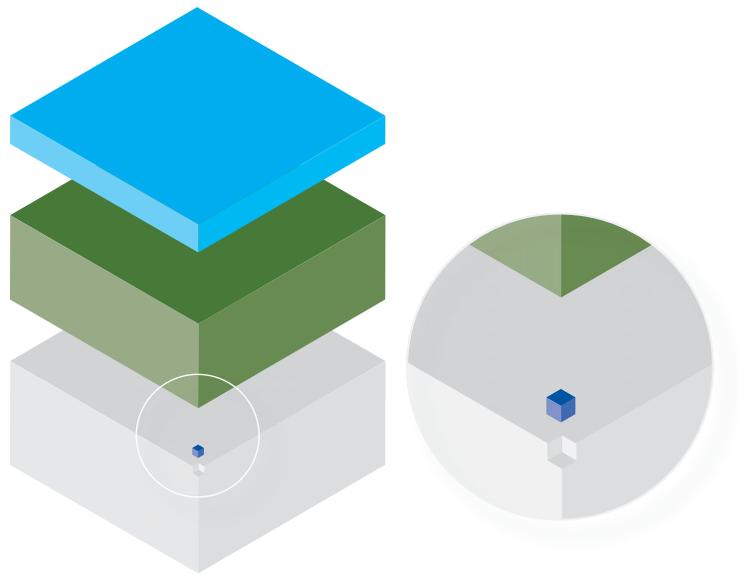
Total Water Use

Nestlé Waters draws water from approximately 75 water sources, including 50 spring sites and 25 non-spring sources. Non-spring sources include groundwater and surface water sources. Of our 75 sources, 20 are municipal water sources. Nearly all sources are listed on the bottle label for each brand. We will list sources on labels for all our brands by the beginning of 2009. We hastened this process in 2007 based on constructive stakeholder feedback indicating the importance of this transparency. We already list all of our sources for each brand on our website.

Although bottled water is an obvious user of water, it is actually a very small user. Of the total fresh water used in North America each year, Nestlé Waters uses less than 0.0003%. Even at the local level, our water use is often much smaller than that of other agricultural or manufacturing businesses. We also use a small amount of water per unit of product compared to other beverage companies. (It takes 1.37 gallons of water to make a gallon of Nestlé Waters bottled water, compared to three gallons for soda and five gallons for beer, not including far greater amounts of water to grow and process their agricultural ingredients.) We continuously look for ways to be more efficient in using water when making our products (see Reducing Our Manufacturing and Logistics Footprint).

At the global level, Nestlé SA is a founding member of the CEO Water Mandate, a United Nations Global Compact initiative with a focus on developing strategies and solutions to contribute positively to the emerging global water crisis.

Total North American Freshwater Withdrawals, and Nestlé Waters Use, 2006



Total freshwater withdrawal: 525,600 billion liters = 100%

■ Domestic	13%
■ Agriculture	41%
■ Industry	46%
■ Nestlé Waters	0.0003%

Source: Nestlé Waters and World Resources Institute. 2007. Earth Trends: Environmental Information. Available at earthtrends.wri.org, Washington, D.C.: World Resources Institute.



Today, roughly 14,000 acres, or 87% of the land surrounding our spring sources, is managed as open space.

Selection and Management of Our Sites

Because we invest millions of dollars in bottling plants near our spring and non-spring sites, and share water resources with local communities and ecosystems, we seek sources that can be used and managed for long-term sustainability.

We use the following process in developing new sites. To identify appropriate sites, we evaluate a number of factors, including water flow volumes, water quality, the recharge area that replenishes the source, other uses of the source and the required investment to develop the site. At a minimum, we review at least one year's worth of data on potential water sources to understand variations in seasonal weather patterns and ensure adequate water flow throughout the year, and we make these data available to the public.

We also meet with stakeholders, including local community members, government officials and non-governmental organizations, to explain our activities and discuss any questions. The most frequent issues raised include the impact of water withdrawals on local water supplies and the surrounding ecosystem, and concerns about pollution and noise from our plants and trucks. In communities where we seek to operate, we are

committed to continued dialogue and are open to modifications in an effort to seek collaborative solutions.

In order to develop a site, we complete applications to obtain the appropriate permits from required agencies. Where appropriate, we also conduct an assessment to understand the biological diversity and health of the area surrounding the water source. In addition to our ongoing monitoring, we conduct follow-up surveys at least once every five years to monitor the effects of our operations.

In developing our spring water sites, we typically conserve hundreds of acres of the surrounding land as open space to continue protection of the spring sources. The land protects not only the sources, but also the biodiversity of the area. Today, approximately 87% of the land around our spring sources, equaling roughly 14,000 acres, is managed as open space and is an environmental benefit to the local community.

While our current process has been largely successful, some stakeholders are concerned that our water use may adversely impact groundwater sources and freshwater habitats. Dialogue with several of these community groups has encouraged us to further develop and make more transparent our site selection process.

A Natural Resource Manager monitors water levels at a spring source.



Ongoing Monitoring

We are committed to conducting our operations in a manner that will not significantly impact the wells or water supplies of local communities. Over time, water levels in aquifers and groundwater sources vary based upon natural cycles. Where appropriate, we place wells and other monitoring devices around our properties to measure water levels at different points.

If questions about water levels do arise, we will review water levels, share data, hold meetings and, if appropriate, support a review by an independent third party. If we are found to be at fault, we work to mitigate the problem.

- 2009** We will have full source labeling for all our bottled water brands by the beginning of 2009.
- 2010** We will work with stakeholders to develop a Siting and Community Commitment Framework by 2010, in order to proactively manage our siting impacts, to include local community input in our water siting process and to make our siting efforts more transparent.
- 2011** To bring greater transparency to our ongoing water management practices, we will refine our process for managing and monitoring our spring sites, and make it publicly available by 2011.

1 McCloud, California

In 2003, the McCloud Community Services District (MCS D) invited Nestlé Waters to consider purchasing spring water from MCS D and building a bottled water operation in the town of McCloud, California. After extensive negotiations, MCS D and Nestlé Waters entered into a water purchase agreement and the siting process was begun. During the siting process, some residents and other stakeholders raised concerns about potential environmental, operational and community impacts, as well as about the economic terms of the contract with MCS D for the purchase of the spring water.

In response to these concerns and others raised through the initial environmental review process, and as a result of expanded dialogue with environmental and community groups, Nestlé Waters has agreed to reduce the amount of spring water to be purchased and the size of the proposed bottling facility; Nestlé Waters is also working with third-party scientists to conduct a two-year study of the hydrology and biology of the watershed. The data collected will be used in the evaluation of our proposed water bottling facility, as well as provide valuable new information that can be used by the community to better understand its natural resources. Additionally, we will be conducting studies on air and water quality, traffic conditions, hazardous materials and climate change.

During this time, we will also hold a series of public meetings on the project to provide the McCloud community and other interested stakeholders with an opportunity to convey any issues or concerns regarding the project proposal. This feedback will be used to further refine the new project and will lead to a new environmental impact report.

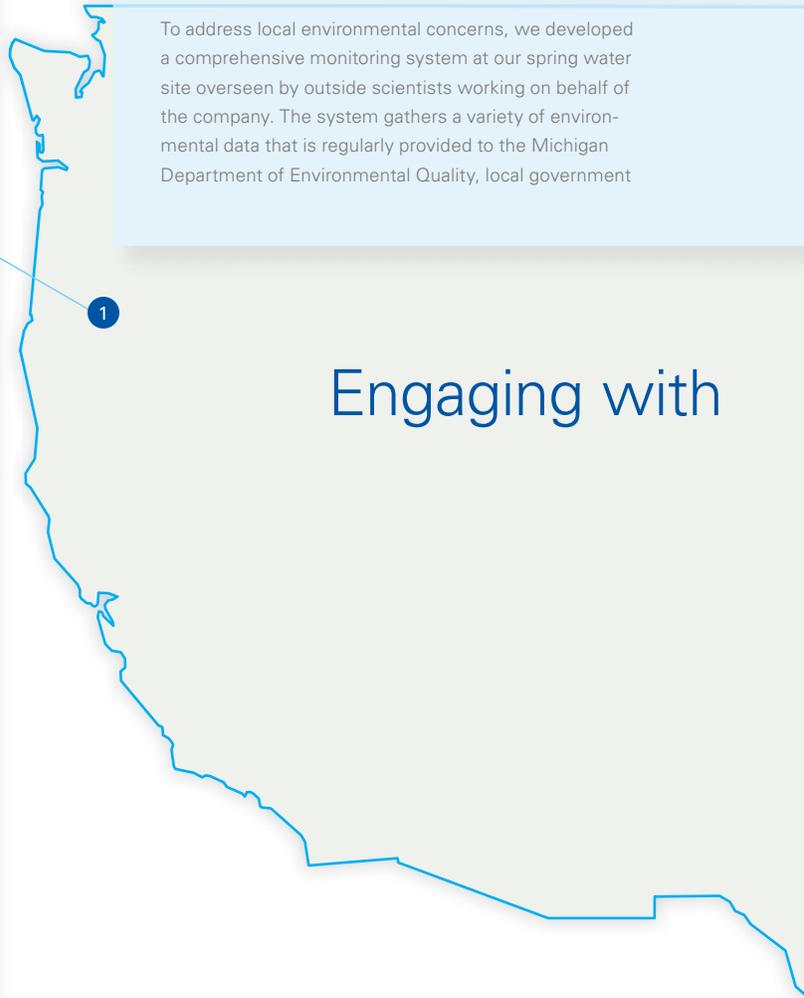
In addition, we will be working with MCS D to negotiate a new contract that reflects current community priorities and the new project parameters. The new proposed plant is projected to provide approximately 100 jobs in a town of approximately 1,000 people and contribute significant revenue to the community.

We are committed to working together with the McCloud community and stakeholders to find common ground and build an operation that meets the needs and requirements of all parties by advancing a balance of economic, social and environmental objectives.

2 Stanwood, Michigan

When Nestlé Waters initiated the development of a spring water source and bottling facility in west-central Michigan in 2000, residents and stakeholder groups raised a number of issues and concerns. Major issues included concern over the lack of regulatory and statutory controls governing water withdrawals and potential environmental harm that may result from withdrawals. They also expressed concern about corporate interests' rights to water, given the needs of other users. Finally, they were concerned that the development of the site would set a legal and trade agreement precedence for shipping water from the Great Lakes basin to other regions.

To address local environmental concerns, we developed a comprehensive monitoring system at our spring water site overseen by outside scientists working on behalf of the company. The system gathers a variety of environmental data that is regularly provided to the Michigan Department of Environmental Quality, local government

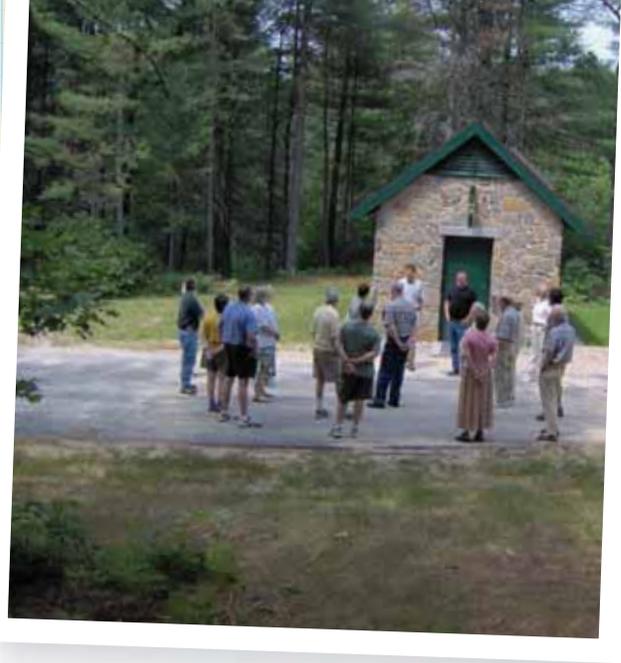


Engaging with

officials and environmental organizations. After more than six years of spring water production from the site, monitoring data show water levels are stable and that Nestlé Waters' operations have not caused environmental harm.

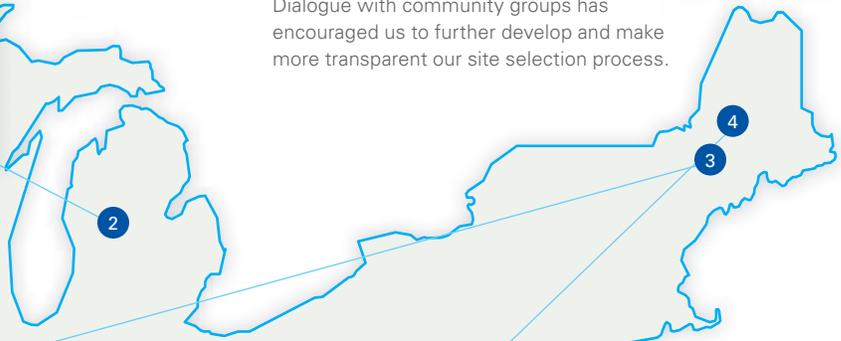
To address regulatory concerns, Nestlé Waters joined the National Wildlife Federation, Trout Unlimited (Michigan Chapter), Michigan Environmental Council, Michigan United Conservation Clubs, Michigan State University and other stakeholders in advocating for legislation that set resource protection standards. In fact, regulations for water bottlers were made more stringent than for all other major water use industries.

While we believe that these initiatives will benefit the environment, we know that additional stakeholder concerns exist and are committed to continuing to seek the perspectives of our stakeholders and work with them on solutions



Dialogue with community groups has encouraged us to further develop and make more transparent our site selection process.

Local Communities



3 Fryeburg, Maine

Around 2000, Nestlé Waters began buying spring water for its Poland Spring® Brand from a private water company in Fryeburg, Maine. A resident blamed Nestlé Waters' water withdrawals for drying up his well. He also accused Nestlé Waters of decreasing the water quality of nearby Lovewell Pond and increasing plant growth in the pond. The town hired an environmental consultant selected by the residents to investigate the claim. The third-party analysis concluded that the decline in the performance of the well was due to an air leak as opposed to a decline in water levels. It also found that the decline in water quality and plant growth in Lovewell Pond was not due to Nestlé Waters' operations, but to phosphate input to the pond from natural and man-made sources.

To address ongoing concerns about impacts from Nestlé Waters' operations, we have engaged with stakeholders in a number of ways, including:

- Continued aquifer monitoring and public reporting of data
- Supporting other independent environmental studies
- Opening an office in Fryeburg to facilitate more frequent interaction

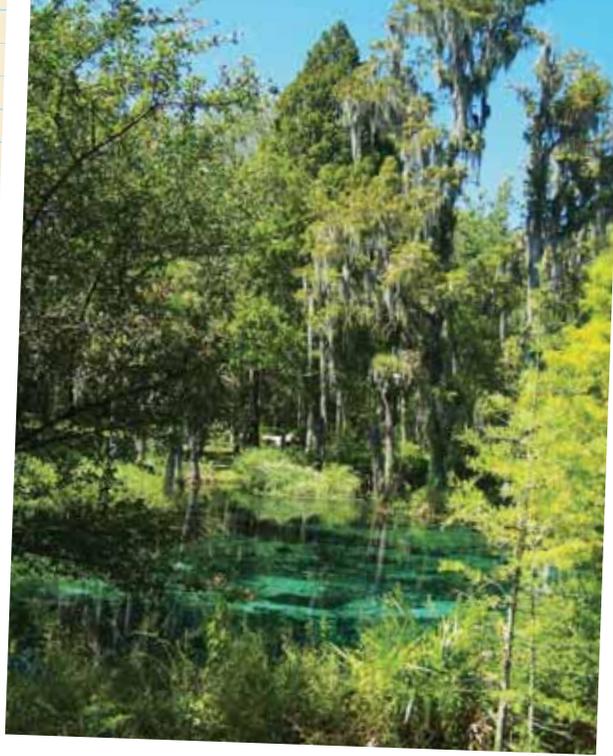
We are committed to continuing dialogue with the Fryeburg community and will continue to seek ways to engage with stakeholders in the area. Additionally, Nestlé Waters has collaborated with local and state-wide natural resource groups to strengthen groundwater use regulations.

4 Kingfield, Maine

In late 2004, Nestlé Waters identified Bradbury Spring near Kingfield, Maine, as a new potential source for our Poland Spring® Brand. Between September 2004 and October 2006, Nestlé Waters conducted a number of meetings with public officials, governmental agency representatives and residents to share our plans and secure a permit. To ensure that community members understood and had opportunity to give feedback on our plans, we conducted public meetings, organized tours of both our proposed Kingfield site and our Hollis, Maine, plant, answered questions submitted by community members and shared 18 months of water monitoring and testing results.

As a result of this process, both local media and residents chose to support the plan. We are scheduled to open the Kingfield plant in late 2008. The facility represents a \$60-million investment, will employ approximately 50 to 60 people, and contribute to the local tax base in an economically challenged area of the state.

We support public water systems, but believe that bottled water also has an important role to play in society. This is demonstrated by the fact that most people drink both, depending on their needs at any particular time.



Our Approach to Water Rights

We recognize that water is essential for every person and believe access to potable water is a basic human right. We support public water systems but believe that bottled water has an important role to play in society. This is demonstrated by the fact that most people drink both, depending on their needs at any particular time. For example, a March 2008 survey found that 66% of “regular” bottled water drinkers in the U.S. said they also drink tap water [Penn Schoen Berland, March 2008]. Additionally, it found that bottled water consumers are nearly eight times more likely to support (versus oppose) public funding to deliver quality tap water than non-bottled-water drinkers.

Privatization of Water

Nestlé Waters does not privatize water supplies in that we do not buy and manage public water utilities. We purchase some of our water from municipal water providers. In these cases, we pay market rates established by the public water authority just like any other business customer. The balance of our water comes from springs or non-spring sources on company-owned or leased land, or privately held lands. In these cases, we pay for permitting and licensing fees, as well as the cost of infrastructure needed to serve our operations. In almost all cases, governmental authorities set our withdrawal limits through this process. We are committed to complying with all governmental laws and regulations and have not had any permit violations during the reporting period between 2005 and 2007.

Supporting Groundwater Protection Legislation

The protection of groundwater sources is not only critical to the sustainability of our business, but also to the local ecosystems and communities where we live and work. Nestlé Waters has supported laws to strengthen regulations around sustainable groundwater use:

GROUNDWATER USE LAW IN MICHIGAN (HOUSE BILL 5067-5072)

In 2006, Nestlé Waters worked with a broad coalition of stakeholders to support bipartisan legislation that strengthened state water-use laws, clarified permitting processes, and protected water resources and sensitive habitats. Nestlé Waters also supports the adoption of the proposed Great Lakes Compact by all Great Lakes states.

GROUNDWATER USE LAW IN MAINE (P.L. 2007, CHAPTER 399, AN ACT CONCERNING THE SUSTAINABLE USE OF AND PLANNING FOR WATER RESOURCES)

Nestlé Waters worked in collaboration with the governor of Maine, local legislators, environmental groups and H₂O for Maine (an environmental nonprofit) to establish a more consistent, scientific approach to measuring major water withdrawals to ensure they do not have an undue adverse effect on state water resources.

We believe that these laws are critical for protecting groundwater sources and plan to continue working with stakeholders to pass progressive groundwater legislation in other states.

Reducing Our Manufacturing and Logistics Footprint

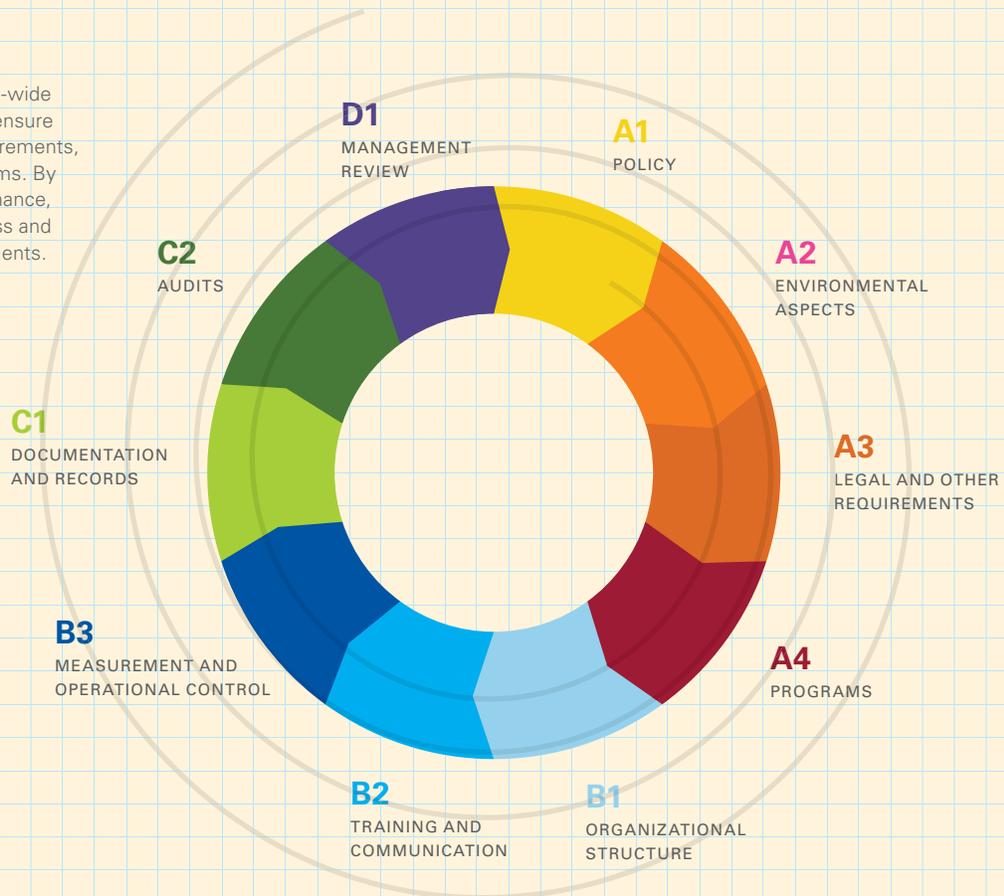
This section details our commitment to reducing manufacturing and logistics impacts through our:

- Use of environmental management systems
- Commitment to Leadership in Energy and Environmental Design (LEED) certified plants
- Efforts to reduce our water use, energy use and waste

We operate 24 bottling facilities and 69 branch offices throughout the U.S. and Canada (as of 2007). We also maintain our own tanker and HOD vehicle fleets, as well as contract with carriers to transport materials and products. We are undertaking a number of initiatives to reduce both our manufacturing and logistics footprint throughout our supply chain.

Nestlé Environmental Management System (NEMS) Components

NEMS provides a corporate-wide system through which we ensure compliance with legal requirements, internal policies and programs. By measuring ongoing performance, we are able to track progress and make continuous improvements.



Nestlé Waters LEED plant in Cabazon, CA.



Environmental Management Systems

To meet environmental goals, we employ the Nestlé Environmental Management System (NEMS) to track key performance indicators over time and ensure compliance with company policies, legal requirements and international standards. We are also implementing ISO 14001, an international environmental management standard whereby performance is independently audited, to help drive toward continuous operational improvements. In addition to NEMS, each region has a Continuous Improvement Manager responsible for implementing efficiency initiatives. These managers have monthly conference calls and quarterly meetings to share best practices throughout our organization.

Nestlé Waters is also beginning to examine the lifecycle impacts of our products from sourcing to manufacturing through recycling or disposal. Lifecycle analyses allow us to carefully assess products at each stage in their development in order to minimize their overall environmental footprint.

- 2008** → *Moving forward, we have committed to LEED certification for all of our newly constructed plants.*
- 2010** → *We aim to have all of our manufacturing plants ISO 14001-certified by the end of 2010.*
- 2011** → *By 2011, we will measure the full lifecycle impacts of our products (from extraction of raw materials to manufacture and distribution through bottle end-of-life) to better understand and prioritize our future sustainability initiatives.*

Commitment to LEED Certification

Nestlé Waters was the first beverage manufacturer to build U.S. plants achieving third-party green building certification from the U.S. Green Building Council's Leadership in Energy and Environmental (LEED) Green Building Rating System™. In fact, in 2003, our Stanwood, Michigan, plant was one of the first U.S. industrial plants of any kind to earn LEED certification. Nestlé Waters now has five LEED certified plants, four of which have achieved LEED Silver designation and four more plants in process for certification.

LEED standards help increase energy and water efficiency, and reduce the environmental impact of our facilities. Improvements over standard construction include improved site water management and indoor air quality; reduced construction waste; use of

local and recycled construction material, as well as indigenous landscaping; and water and energy conservation features.

The five LEED-certified Nestlé Waters plants (Red Boiling Springs, Tennessee; Cabazon, California; Hawkins, Texas; Madison County, Florida; and Stanwood, Michigan), together have reduced:

- energy use by 1.5 million kWh
- emissions by 2.1 million pounds of CO₂
- water by nine million gallons and
- waste by 216 million pounds

compared to non-LEED plant performance from 2003-2006. Additionally, four more of our plants are currently under review for LEED certification, including one application for LEED Gold status.



Nestlé Waters was the first beverage manufacturer to build U.S. plants with LEED certification from the U.S. Green Building Council. In fact, back in 2003, our Stanwood, Michigan, plant was one of the first U.S. industrial plants of any kind to earn full LEED certification.

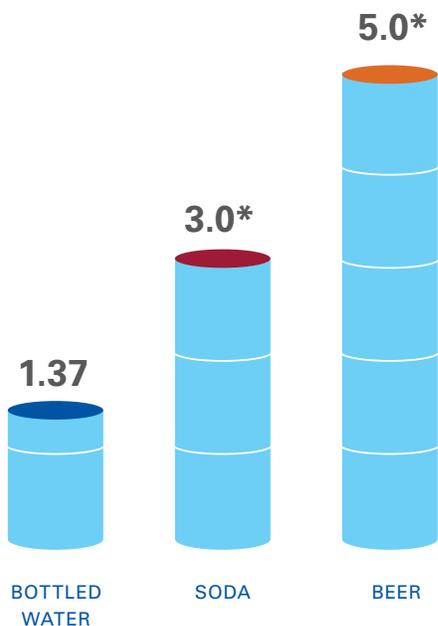
Minimizing Resource Use

Beyond our LEED facilities, we are committed to reducing water use, energy use and waste across our organization.

Water Use

As a business dependent on the availability of water, we are sensitive to the importance of using it as efficiently as possible. In 2007, we reduced water consumption in our factories (not including water used in our product) by 1.3%. We were able to achieve this while increasing production volume by 10%. Today, Nestlé Waters is one of the most efficient water users in the beverage industry. It takes us 1.37 gallons of water to produce one gallon of spring water, compared to three gallons of water used to make one gallon of a soft drink and five gallons of water to make one gallon of beer. Soft drinks and beer actually require much more water to produce if the agricultural impacts of sugar and barley are included.

Gallons of Water Used per Gallon of Product Produced



* Does not include water for growing or processing agricultural ingredients.

Energy & Emissions

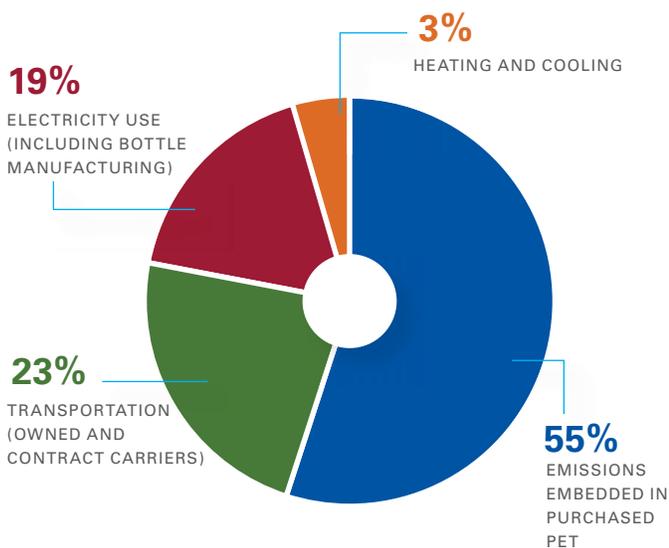
While Nestlé Waters primarily uses energy to tanker water, manufacture our bottles and operate our HOD fleet, our suppliers use energy to make PET resin and contract carriers use energy to ship our products to market. In 2007, we conducted our first greenhouse gas inventory. This inventory, using 2006 data, goes beyond our owned and operated facilities and fleets (Scope 1 and Scope 2 emissions) to include transportation impacts from contract carriers (Scope 3 emissions). Separately, we went beyond this analysis and used publicly available data to estimate the embedded carbon in the PET resin we buy for our bottles.

Together, we found that our 2006 direct and indirect greenhouse gas emissions totaled 1,696 million metric tons of carbon dioxide equivalents (CO₂e). The results showed that the carbon embedded in PET resin has the greatest impact, accounting for just over half of our corporate greenhouse gas emissions. This shows the significance of the Eco-Shape® Project. By lightweighting these half-liter bottles over fiscal years 2007 and 2008, we will use 140 million fewer pounds of plastic resin, reduce our PET GHG intensity by more than 12%, and avoid 260,000 metric tons of GHG emissions. This is equivalent to taking more than 57,000 passenger cars off the road for one year. Approximately 23% of our total GHG emissions were generated by transportation.

- 
 By 2009 we will analyze our wastewater treatment operations and develop an action plan to minimize wastewater generation and use.
- 
 By 2013, we plan to reduce carbon intensity by 20% across our full value chain, from the production of plastic resin to delivery of products to our customers.

2006 Greenhouse Gas Emissions by Activity Over Product Lifecycle

Based on total emissions of 1,696,000 metric tons CO₂e



We have also initiated a number of other activities in our manufacturing and logistics operations, including contract carriers, to manage and reduce energy use. Our energy reduction efforts include:

ON-SITE BOTTLE PRODUCTION We produce 98% of our bottles in our own plants. While this increases energy use in plants, it virtually eliminates transport of empty bottles (many other beverage companies do not manufacture bottles on site). This saves an estimated 6.6 million gallons of fuel, while eliminating 6,200 metric tons of CO₂e emissions from 160,000 truck loads annually.

DIRECT SHIPPING 80% of our products are shipped directly from our plants to retailers. Due to these efforts, only 20% of our product is stored in off-site warehouses, reducing energy use for transport and facilities.

REGIONAL DISTRIBUTION With the exception of our international water brands, we take a regional approach to distribution —our U.S. brands, representing 91.5% of our retail revenue, are primarily sold in a single geographical region. Even in the case of our national brand, Nestlé® Pure Life®, we locate our plants close to major markets. In 2007, the average shipping distance was 350 miles from source to shelf. This practice avoids long shipping distances and reduces truck miles, fuel use and emissions. Our contract carriers have also worked to reduce the length of their distribution routes. In 2006, this effort, combined with increasing the amount carried on each truck, avoided 11,000 metric tons of CO₂e emissions annually compared to 2001.

LIGHTWEIGHT CARRIER EQUIPMENT AND HEAVYLOADING

We have worked with our vendors to reduce the weight of our carrier equipment and increased tanker sizes, so that we can fit more water on each truck. For instance, in Pennsylvania, we upgraded our tanker size from 6,500 to 8,200 gallons, resulting in the reduction of 800,000 truck or “water” miles and a 26% decrease in truck traffic. Similar upgrades by our Canadian carriers in 2005 resulted in a 24% decrease in CO₂e emissions annually since 2002.

Maximizing the density of customers per delivery route has helped our Home and Office delivery brand reduce the average route length by 31 miles, saving almost 170,000 gallons of fuel annually.



ROUTE MAXIMIZATION For our HOD trucks, we use sophisticated software to maximize the density of customers per route. This enabled us to eliminate 777,872 water miles, saving 167,404 gallons of fuel per year. For our contracted carriers, we design distribution routes to be as short as possible, while having the least impact on local communities. In the past two years, these efforts led to a decrease of 31 miles per route.

BACKLOADING We collaborate with our customers' carriers to coordinate backhaul deliveries, reducing truck miles.

SEA-FREIGHT PAYLOAD MAXIMIZATION We have increased the pallet size for our imported brands, allowing us to ship 884 fewer containers and avoid 4,800 metric tons of CO₂e emissions in 2007, an 18% decrease from 2006.

Waste

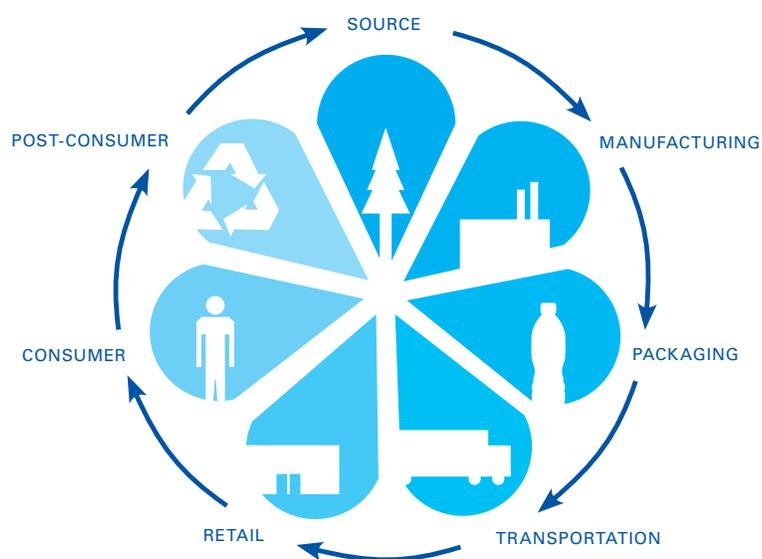
Nestlé Waters focuses on managing our waste streams to minimize the need for solid-waste disposal, saving us money and reducing environmental impacts. While inadequate municipal and business-based programs can make it inconvenient for consumers to recycle, we can exercise more control in our own manufacturing facilities. Since 1999, in-plant recycling rates have increased by 28%, eliminating 53 million pounds of waste from landfills. At each plant, we recycle cardboard, resell boxes, rejected bottles, bottle pre-forms, low-density polyethylene films, shrink-wrap and pallet strapping. In 2007, we recycled 86% of our solid waste.

We also participate in the EPA's Safety-Kleen Program in our HOD fleet shops. This program mandates strict rules for the washing and servicing of fleet vehicles. Safety-Kleen picks up all of our used waste oils, transmission fluids and rags or pads for proper refinement or disposal.

To further decrease our logistics impacts, we aim to:

- 2008 Introduce 32 hydrogen fuel cell forklifts and the first hybrid trucks in our HOD fleet in 2008.
- 2010 Reduce water miles of our HOD fleet by an additional 825,000 miles by 2010.
- 2013 Reduce HOD fleet particulate matter emissions by 36% and nitrous oxide emissions by 40% by 2013.
- 2015 Introduce a zero-emissions HOD and service center delivery vehicle by 2015, and upgrade 25% of all these vehicles to zero emissions by 2020.
- 2010 We will recycle 90% of our in-factory solid waste stream by 2009 and 95% by 2010.

Our Product Lifecycle



We believe we have the lightest environmental footprint per unit of product in the packaged beverage industry. Our goal is to track key environmental metrics throughout our product lifecycle, so that we can continue to reduce our impacts. Currently, our metrics include data from the following stages in our product lifecycle:



WATER USE Includes water from our sources and used in our manufacturing processes



ENERGY USE Includes energy used in our manufacturing processes and to blow our PET bottles



CO₂ EMISSIONS Includes emissions from our manufacturing processes



WASTE MANAGEMENT Includes waste generated at our manufacturing plants



RECYCLING Includes recycled materials salvaged from our manufacturing plants

Environmental Metrics for Manufacturing Facilities

Key Performance Indicators	2005	2006	2007
Total Water Use (liters)	12,490,694,000	13,923,596,000	15,298,089,000
Water Use Intensity (liters/liter)	1.41	1.38	1.37
Energy Use *(kwh)	757,184,136	853,963,639	944,580,408
Energy-Use Intensity (kwh/liter)	0.086	0.085	0.084
GHG Emissions **(tons)	51,166	52,923	54,602
GHG Emissions Intensity (kg/liter)	0.0041	0.0038	0.0036
Packaging Materials Use (tons)	392,903	450,626	599,964
Solid Waste (tons)	19,793	22,715	22,118
Solid Waste Recycled (tons)	14,737	16,247	18,946

* Includes energy from direct combustion of fuels and purchased electricity.

** Includes CO₂ emissions from factories; does not include emissions from purchased electricity.

Developing Sustainable Packaging Solutions

The following highlights our packaging efforts:

- Today—to reduce materials use and work with stakeholders to promote recycling
- Longer-term—to identify alternative packaging materials

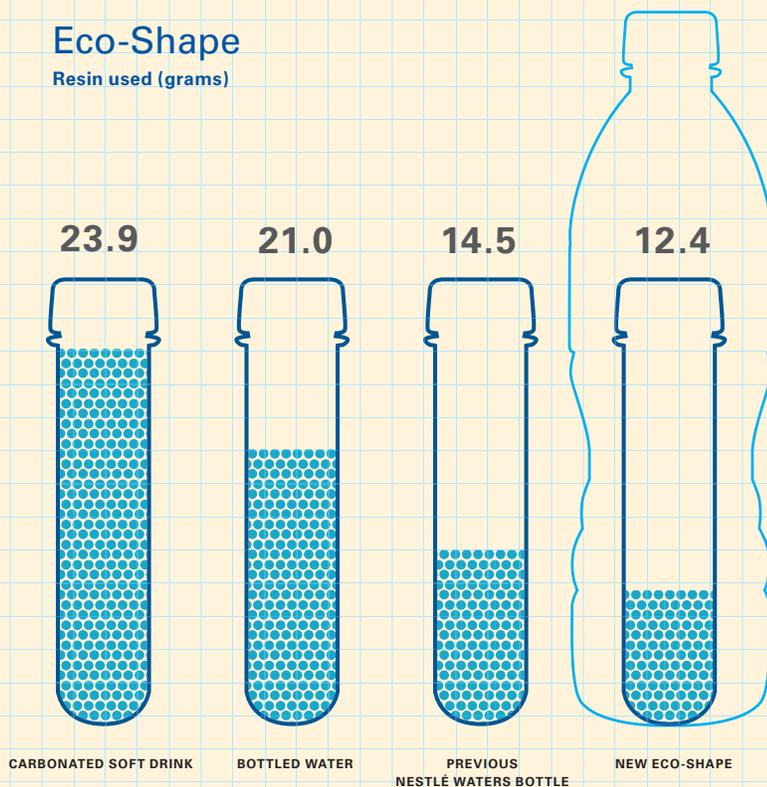
We offer a wide variety of packaging sizes, from our eight-ounce bottles to our five-gallon containers. The plastics we use for packaging are PET in our single-serve water bottles; HDPE in our one-gallon and 2.5-gallon jugs; and polycarbonate plastic in our three-and five-gallon bottles. These plastics are:

- Easily formed into a number of convenient sizes and shapes to appeal to our consumers' differing needs
- Sealed to prevent contamination from outside sources
- Recyclable

However, like virtually all consumer products packaging, plastic has an environmental impact. We are taking a number of steps to reduce the impact of our packages.

Eco-Shape

Resin used (grams)



Our Eco-Shape® bottle is the latest initiative in Nestlé Waters' long-standing commitment to reducing material use in our packages. In 2007, we introduced a new look for our half-liter bottles, which account for over 74% of our production. Weighing less than half an ounce on average, the Eco-Shape half-liter bottle uses 30% less plastic than the average half-liter plastic beverage container on store shelves, based on a study in March 2007. In addition to less plastic, the label on our Eco-Shape bottle is 35% smaller on average than the previous label for all of our brands, with the exception of Arrowhead® Brand, which is 25% smaller. We expect it to save 65 million pounds of PET resin and almost 10 million pounds of paper annually.



Over the long-term, Nestlé Waters is committed to developing a next-generation packaging solution made from recycled materials or a renewable resource.

Plastic, our primary packaging material, is a by-product of crude oil, a non-renewable resource. While oil is used today for many purposes, sustainability leaders differentiate between wasteful and wise uses of this resource. As fuel, oil is burned and unavailable for future use. As plastic, oil theoretically can be used again and again. Unfortunately, of the 21 million barrels of oil consumed in the U.S. each day, the majority, 86%, is burned for fuel. Nine percent is used to produce plastics and other synthetic products, and less than 0.1% is used in the manufacture PET water bottles.

Given that our primary packaging material is PET, we recognize the need to increase the capture of this valuable material for reuse. While our plastic beverage containers are recyclable, many end up in the solid-waste stream due to limitations on the reach of recycling programs and lack of education on the importance of recycling. This wastes a valuable resource that could be remade into new bottles or other plastic products.

Over the long-term, Nestlé Waters is committed to the development of “Next-Generation” packaging that will be made from recycled materials or renewable resources. However, this solution will take years to develop. In the meantime, we are committed to reducing the impact of our existing packages through a policy that advocates:

- **REDUCE** our energy and material use.
- **REUSE** materials left over from manufacturing, recycled content and products that can be used multiple times, such as our five-gallon bottles.
- **RECYCLE** materials in our plants and empty bottles through support for consumer recycling programs.



PET bottle pre-forms are loaded into a bottle-blowing machine.



TODAY

Reducing Plastic and Paper Use in Our Packages

Because plastic resin production generates the largest amount of greenhouse gas emissions in our supply chain, decreasing the plastic in our packaging has a significant impact on reducing our total carbon footprint. Nestlé Waters has been a beverage-industry pioneer in reducing the amount of plastics used to make bottles. In 2007, Nestlé Waters produced the lightest half-liter plastic bottle on the U.S. market, based on a March 2007 national survey of half-liter bottles across the water, soda and tea categories. Over fiscal years 2007 and 2008, this Eco-Shape® bottle will use 140 million fewer pounds of plastic resin, and help Nestlé Waters avoid 260,000 metric tons of GHG emissions.

The journey to reduce plastic has been a long-term commitment. From 2000-2006, before Eco-Shape®, we reduced the amount of PET in our bottles by 40%, avoiding the use of 260 million pounds of plastic.

The reduction efforts go beyond the bottles themselves. By making our Eco-Shape labels smaller, Nestlé Waters will save almost 10 million pounds of paper per year—the equivalent of 30,000 trees. In our half-liter multipacks, we reduced the shrink-wrapping volume by 14% over the last three years and eliminated about 35 million pounds of cardboard in the past decade.

- 2009 → By 2009, we will also review all secondary packaging materials, including corrugate, labels, inks and caps for material reduction opportunities and/or recycled content potential.
- 2010 → By 2010, we plan to reduce plastic in our half-liter bottles by an additional 15%, as well as reduce the plastic in all our other PET bottles (20-ounce, one-liter and 1.5-liter bottles) by 20% (combined weight average).

Reusing our HOD Bottles

Nestlé Waters is the largest returnable beverage container business in the U.S. While most of our PET and HDPE bottles are sold through retail stores, the majority of our three- and five-gallon HOD bottles are distributed to and then collected from homes and offices. This gives us the opportunity to ensure the bottles are both reused and recycled. Each bottle is cleaned and refilled approximately 35 times before being turned over to a recycling company, allowing the plastics to be given a new life in products, such as synthetic lumber, lawn furniture, playgrounds and outdoor sheds. In 2006, we recycled approximately 900,000 HOD bottles, keeping 794 tons of plastic out of landfills.

TODAY

Promoting Recycling

Even though our PET and HDPE bottles are 100% recyclable, many still end up in the waste stream, because it is not convenient for consumers to recycle them or they do not take advantage of existing recycling systems. Approximately half of all Americans do not have access to curbside recycling pickup at home, and many public places do not have recycling available for people on the go. So, while water bottles account for only about 0.3% of solid waste in the U.S., we believe that far too many water bottles end up being thrown away, as do a wide variety of other plastic containers for food, beverage and other consumer products.

We believe we have a responsibility to increase recycling rates in the U.S. and Canada. One of our top priorities today is working with state governments, recycling stakeholders and other businesses on improving programs that would make it easier for consumers to recycle all types of plastic containers, from bottled beverages to detergent to peanut butter, that currently end up in the waste stream.

To help encourage this evolution, Nestlé Waters is actively working with a variety of stakeholders to develop a closed-loop recycling system, including participating on the American Beverage Association's Recycling Task Force.

In the short-term, we will:



Support, in collaboration with our primary trade associations, The National Recycling Partnership's 'model city' program in Hartford, CT, as well as support further municipal recycling programs by 2009.

Over the longer-term, we are committed to:



Advancing the goal of a 60% recycling rate or better for PET beverage bottles by 2018 through partnerships, coalition-building, consumer education, improved curbside recycling programs and policy initiatives.

Recycling Efforts in Canada

In comparison with the U.S., Canada has a highly effective recycling system that reaches more than 90% of its citizens. To increase recycling rates, Nestlé Waters and other companies in the beverage industry provided financial support to RecycQuebec, a provincial recycling board, to place recycling bins throughout Quebec City in 2006 and 2007. Through this program, recycling rates increased from zero to 85% in participating areas. Seeing the potential, the government expanded the program throughout Quebec. Recycling sponsorship also takes place in Ontario, where the beverage industry funds 50% of the provincial curbside recycling program. In addition, starting in June 2008, we are putting messages on our Eco-Shape® bottles and signage above the cooler doors where our products are sold to encourage more recycling. We will also be placing recycling messages on cooler doors in the fall of 2008.

We're exploring bio-plastics and recycled PET as alternative packaging materials.



LONGER-TERM Exploring Alternative Packaging Materials

In response to stakeholder encouragement and to our own desire to utilize more sustainable packaging, we have begun a review of our current packaging to identify design or material changes that could significantly lessen our environmental impacts. As part of this review, we are looking closely at two specific alternative packaging materials: rPET and bio-plastics.

rPET has a better environmental footprint than new or virgin PET, because it requires less energy to produce. However, we face two challenges in utilizing rPET: first, we have been unable to identify an adequate high-quality supply of rPET at affordable and predictable prices for the entirety of a packaging line, due to insufficient consumer recycling programs in the U.S. and rising demand for rPET from China. As a result, supplies are inconsistent and the price is substantially higher than for new PET. Second, further lifecycle assessments (LCAs) are needed to determine if rPET resin is best utilized in new bottles, or instead for other plastic applications, such as clothing or park benches. We are conducting LCAs now, and simultaneously exploring opportunities for packaging with some rPET content in the near-term.

BIO-PLASTICS Bio-plastics are compostable and biodegradable plastics made from renewable resources, such as corn, soybean, potato and other plant materials. So-called "first-generation" bio-plastics, such as Polylactic Acid, are an important step in creating viable renewable materials. However, the cost, energy use, water use and even post-consumer capture challenges associated with some first-generation bio-plastics have limited their appeal. Moreover, many of these are made from food sources, which we view as problematic when almost one billion people globally are not getting enough food. Today, we are supporting a targeted bio-plastics pilot project test that would promote economically viable systems for the use,

collection and composting or recycling of bio-plastics. Moving forward, we will continue to review the environmental impacts of bio-plastics compared to other alternatives, and seek opportunities to invest in second- and third-generation bio-plastic technologies from non-food sources.

2013

We still face significant supply, cost and quality issues, but Nestlé Waters' goal is to develop and put on the market a bottle that incorporates up to 25% rPET by 2013. This pilot project will inform broader corporate rPET efforts and will help support nascent rPET markets.

2020

By 2020, we aspire to develop and produce a "next generation bottle" made entirely from recycled materials or renewable resources.

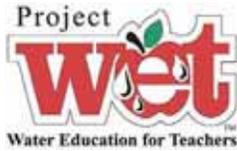
Being a Good Neighbor

This section outlines our work to:

- Contribute to local economies
- Address community concerns
- Give back through community grants, product donations and volunteerism

Nestlé Waters is privileged to be part of the communities where our offices, plants and spring sources are located. Our goal is to communicate openly and honestly, to make positive contributions and to live up to the stated aspirations of our Good Neighbor Policy. The 10 components in the Good Neighbor Policy help guide our actions in the communities where we operate.





Project WET (Water Education for Teachers)

Project WET is an award-winning water education program designed to help children, teachers, parents and communities make informed decisions about water resources. Since 1992, Nestlé Waters has supported hands-on, physical activities on topics, including watershed and wetland protection, water conservation and sustainable management of water resources. Today, our sponsorship covers all 50 states and has involved more than 1,000 federal, state and local agencies and organizations. Since 1984, more than 150,000 teachers in grades kindergarten through 12 received Project WET training and the program has reached nearly 23 million students.

Our Economic Contributions

We contribute to the local economy in many ways: providing jobs and benefits, paying taxes and building public infrastructure. The total payroll for our 9,108 employees (almost 4,000 of whom work in our plants) totaled \$561 million in the U.S. and CAN \$28 million in Canada in 2007. Additionally, we help boost the economy by paying taxes to local and state governments. In the U.S. in 2007, we paid \$28 million in local property taxes, \$21 million in state sales taxes and 40% of our income in federal and state income taxes. In Canada in 2007, we paid CAN \$772,254 in local property taxes and 38% of our income in federal and provincial income taxes. Beyond this, we also invest in public infrastructure improvements where appropriate.

Addressing Community Concerns

As with any business, Nestlé Waters' operations have an impact on local communities. Our goal is to maintain strong, productive relationships with each of the communities where we operate and to address issues raised by stakeholders in a timely and respectful manner (see Managing Water Resources for Long-term Sustainability). For example, we share scientific information about our sites and advocate for legislation to protect groundwater.

We also work to mitigate impacts from the manufacture and trucking of our products. For instance, in mid-2007, residents made Nestlé Waters aware of their concern about increased truck traffic and noise near our Hollis, Maine, plant. Complaints included trucks using unauthorized routes, noise from engine braking and speeding. Within two weeks, Nestlé Waters issued notices to all of its owned and contract carriers with specific instructions on how to solve these issues. Carriers were asked to sign and return the notice. Since that time, complaints have fallen significantly.

Giving Back to Communities

Nestlé Waters is committed to supporting the communities where we live and work. In 2007, we contributed more than \$2.7 million in cash, product donations and employee volunteerism. We focus our giving on four areas that are core to our business and are also important to our consumers and communities as well as support employee volunteerism.

ENVIRONMENT As a natural resource company, we are committed to supporting environmental stewardship. Some of these include financial and volunteer support of water education programs, as well as conservation grants to protect watersheds and natural systems in states where we have operations.

HEALTH AND WELLNESS In addition to drinking water, physical activity is key to a healthy lifestyle. To this end, we developed *Go-Play!*, a program dedicated to supporting fitness programs in schools across the country.

EMERGENCY RELIEF Bottled water is critical in the event of an emergency. Through our partners, the American Red Cross and AmeriCares, we distribute water and financial aid to communities in times of need. Between 2005 and 2007, we donated over four million bottles of water to disaster relief. The combination of bottled water donations and financial contributions to provide emergency relief was worth approximately \$1.8 million over this three-year time period.

Total Philanthropic Giving (Cash and Product Donations)

	2005	2006	2007
Total	\$2,864,365*	\$2,511,159	\$2,668,354

*Higher giving in 2005 to support Hurricane Katrina relief efforts.



Crystal Springs Preserve in Florida

In 2004, Nestlé Waters joined with the Thomas family to create Crystal Springs Preserve. The original source of our Zephyrhills® Brand Natural Spring Water, Crystal Spring has been transformed into a world-class environmental education center, serving thousands of students and scientists as a “living laboratory” to study the ecosystems within. We believe the center helps people make informed decisions about using and protecting Florida’s water resources.

SUPPORTING LOCAL COMMUNITY NEEDS Because local needs vary greatly, we empower each manufacturing plant to support worthy causes within its area of operations. For example, the *Every Drop Counts Scholarship Fund*, established by our Ozarka® Brand in 2002, helps students interested in careers in environmental and earth sciences. The scholarship provides two \$10,000 statewide scholarships for high school seniors and college students, and four \$2,500 scholarships to students in each of Ozarka Brand’s four spring site locations. Similarly, in 2001, our Ice Mountain® Brand established the Ice Mountain Environmental Stewardship Fund, which provides financial support for projects aimed at promoting conservation, enhancement and restoration efforts of the Muskegon River watershed. Since its inception, the fund has granted more than \$270,000 to 15 local organizations.

EMPLOYEE VOLUNTEERISM Nestlé Waters encourages employees to volunteer through Project WET, United Way and local initiatives, such as the Northeast Texas Child Advocacy Center Golf Tournament fundraiser. However, we have a relatively undeveloped volunteer strategy and are committed to expanding employee engagement in our local communities in future years.



To deepen our citizenship contribution at the local and national levels, we plan to refocus our community-giving program in 2009. Our new program will include greater employee volunteerism opportunities.



Children learn about freshwater resources and conservation while participating in a Project WET “Make a Splash” festival.

The Nature Conservancy



Nestlé Waters’ partnership with The Nature Conservancy (TNC), a global conservation organization, started in the mid-90s, when Poland Spring helped TNC protect ecologically important lands and waters in Maine. In 1999, Nestlé Waters contributed \$1 million to TNC to protect St. John River, the last wild, free-flowing major river in the eastern U.S. In 2005, Nestlé Waters and TNC initiated a second collaboration to protect freshwater rivers, lakes and wetlands across the country. We pledged \$1 million over five years to assist with watershed restoration projects and to support the development of a water certification program to promote sustainable water use. Through the 10-year collaboration with TNC, Nestlé Waters has helped protect and restore over 426,000 acres of natural lands and waters.

Glossary of Acronyms

BPA	Bisphenol A
CO ₂	Carbon Dioxide
CO ₂ e	Carbon Dioxide Equivalents
DWEL	Drinking Water Equivalent Level
EPA	Environmental Protection Agency
FDA	Food and Drug Administration
GRI	Global Reporting Initiative
HACCP	Hazard Analysis Critical Control Point
HDPE	High-Density Polyethylene
HOD	Home and Office Delivery
ISO	International Standards Organization
GHG	Greenhouse Gas Emissions
LCA	Lifecycle Assessment
LEED	Leadership in Energy and Environmental Design
MCSD	McCloud Community Services District
NEMS	Nestlé Environmental Management System
Nestlé Waters	Nestlé Waters North America
OHSAS	Occupational Health and Safety Assessment Series
PET	Polyethylene Terephthalate
PVC	Polyvinylchloride
rPET	Recycled Polyethylene Terephthalate
THM	Trihalomethanes
TNC	The Nature Conservancy
WET	Water Education for Teachers