



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**