



Sustainability and Responsible Sourcing: The NESTLE Way



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

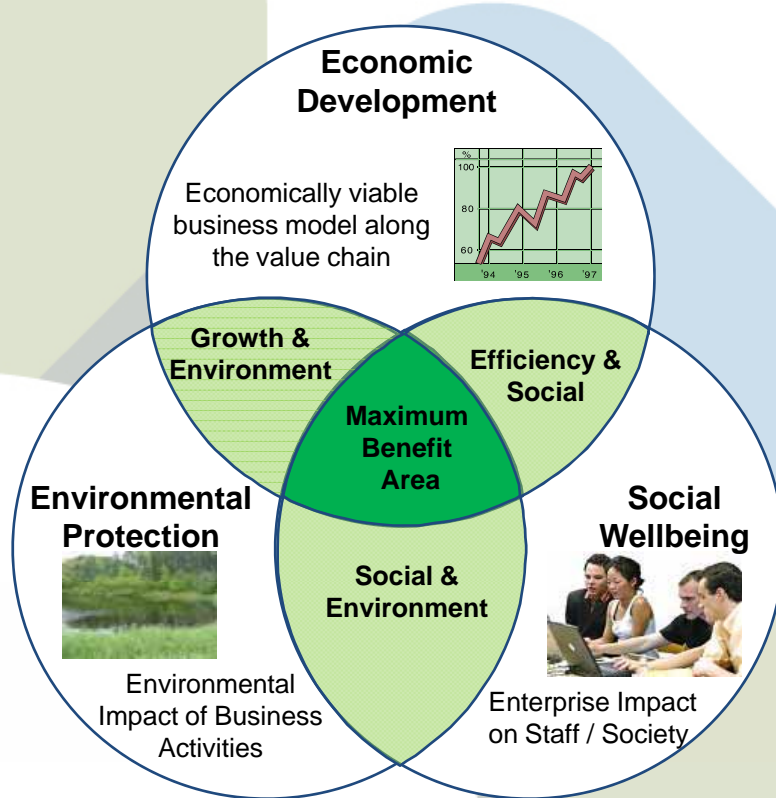
Sustainability matters have become a major concern for our companies and NESTLE has wished to get involved in this evolution of our business.

Sustainability challenges and opportunities go beyond procurement.

As Procurement, we must tackle this evolution and implement the changes it leads to in our day to day work with our business partners.

The established concept of sustainability translates into 4 key forces creating threats and opportunities

Sustainability definition



Forces

- Increasing resource scarcity**
- Stronger civil society activism**
- Rising consumer/customer expectations**
- Increasing regulations/standard complexity**

Impact for food companies

Business threats...

- Reputation
- Products not meeting customer / consumer expectations
- Uncompetitive supply

...and opportunities

- New offering
- Brand building
- Enhanced efficiency
- Secured long term supply




Within the value chain, the majority of our sustainability issues are upstream

This means big procurement involvement...

Nestlé's upstream value chain

Agriculture Procurement



People involved in value chain⁽¹⁾ 25,000,000+

GHG emissions per product (%) 70 – 80%

Water usage (%) >90%

Number of key sustainability challenges 17

Nestlé

Manufacturing Supply Chain Marketing & Sales Consumer & Customer



People involved in value chain⁽¹⁾ 278,000

GHG emissions per product (%) 20 – 30%

Water usage (%) >10%

Number of key sustainability challenges 5

Customers / consumers / NGOs / media hold CPG responsible for the entire value chain sustainability – leaders overexposed



Sustainability Program



Implementation
In
Procurement
Activities



Responsible Sourcing

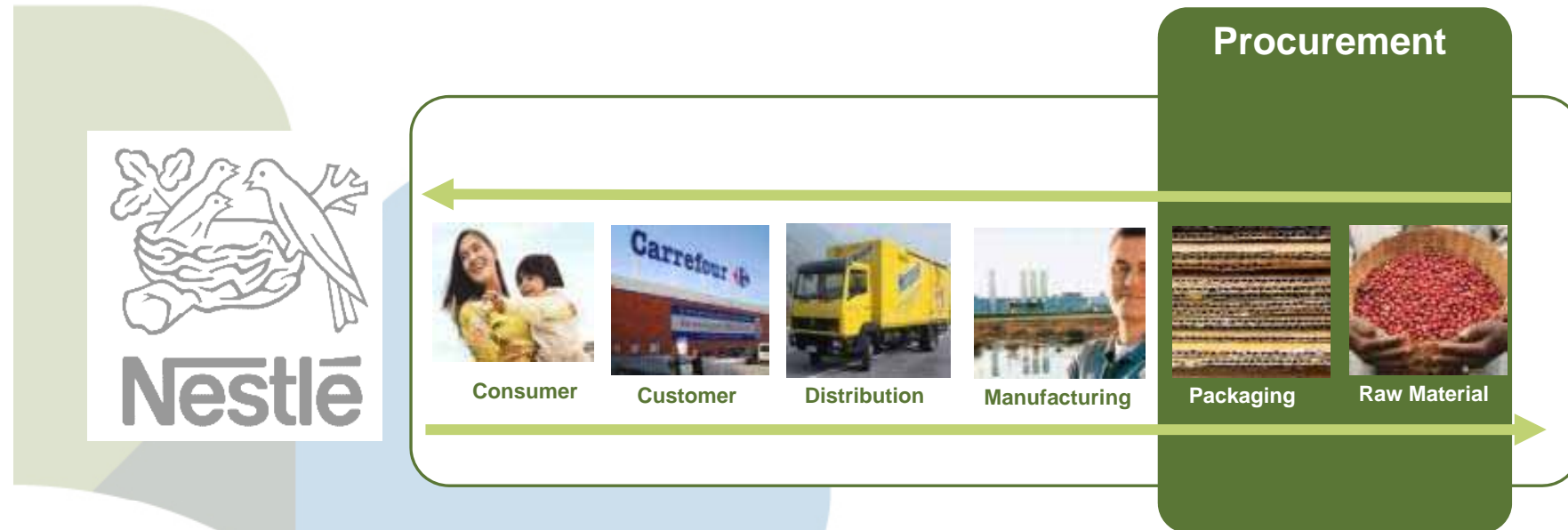


Nestlé Supplier Code



Responsible Sourcing

“Ensuring ethical practices throughout the supply chain”



Responsible Sourcing

is the process of purchasing goods and services

- produced or provided in conditions that do not cause harm to humans, animals or the natural environment.
- from suppliers that meet minimum requirements regarding business integrity, labour conditions, health and safety and environmental standards in their business activities, production processes, service provision and their own purchasing procedures.



Strategy

Responsible Sourcing is the program ensuring that goods and services are purchased from a responsible supplier.

Through this program the Procurement community creates shared value with suppliers by consistently monitoring & upgrading supplier practices.

InPractice

Responsible sourcing is based on the communication, self assessment and third party audit against the Nestlé Supplier Code to / by all our suppliers.

The Nestlé Supplier Code is therefore our answer to sustainability into procurement activities.



Responsible Sourcing process

is about the verification (= audit => not certification) of the Nestlé Supplier Code acknowledged by all Nestlé suppliers

The Nestlé Supplier Code

specifies and supports the implementation of non-negotiable minimum standards for suppliers, their employees, agents and subcontractors.

Safety and Health

Business Integrity

Labour Standard

Environment



The Nestlé Supplier Code

encompasses 6 key areas:

Business Integrity

Labor Standard

Safety & Health

Environment

Sustainability

Supplying Farmers



What is the scope?



Locations of suppliers in the scope regarding Responsible Sourcing

- **Direct materials and Promotional Items**
- **In key countries based on Maplecroft list**
- **All the suppliers to be audited by 2011**



NESTLE WATERS 2010 Program objective :

**By end 2010, 50 % of responsible sourcing
high risk vendors to be audited**

**Nestlé Waters
Vendors**

6,5%

**High Risk
Vendors
Identified**



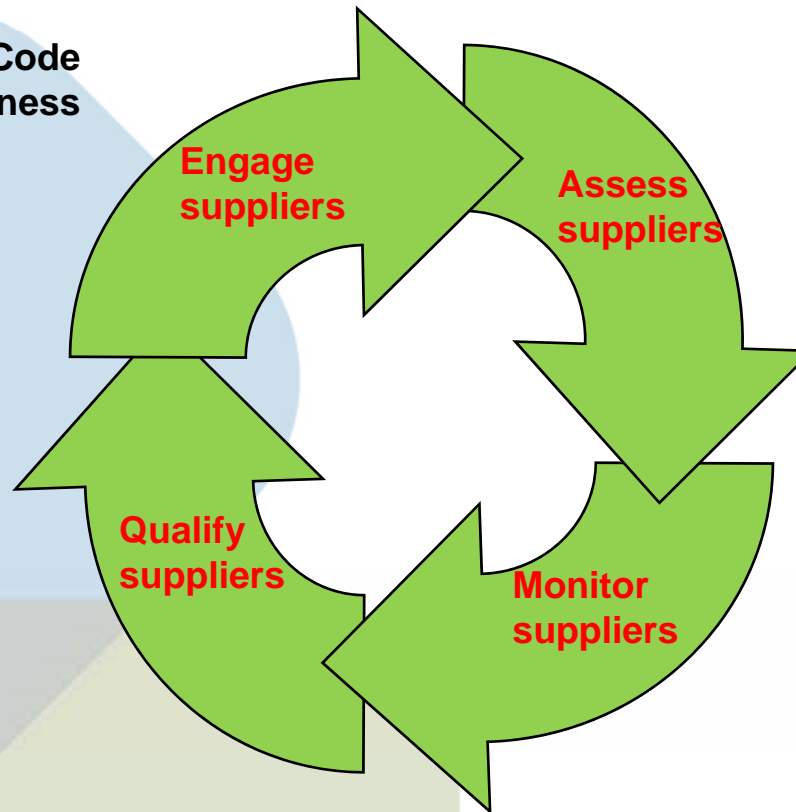
**50%
Vendors to
be audited
in 2010**



Implementation:

Communicate Supplier Code
=> Raise awareness

Supplier Development

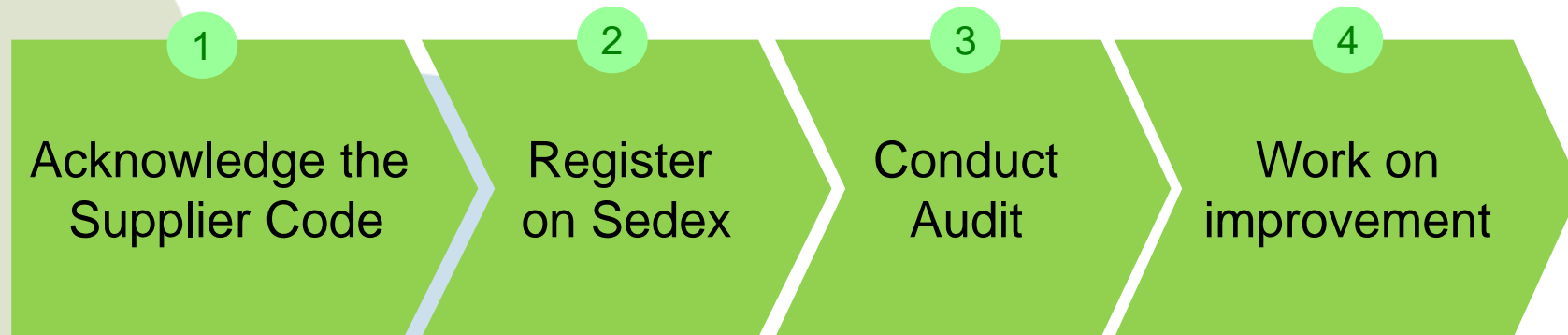


Supplier self assessment,
3rd party audit

Gap analysis
=> **Corrective actions**



Four steps to ensure compliance



- **The Supplier Code requires compliance with local law.**
- **Beyond legal compliance, the Supplier Code gives orientation.**



Last step: work on improvement.

Ensuring the basis for good business relations

Ensure
legal compliance

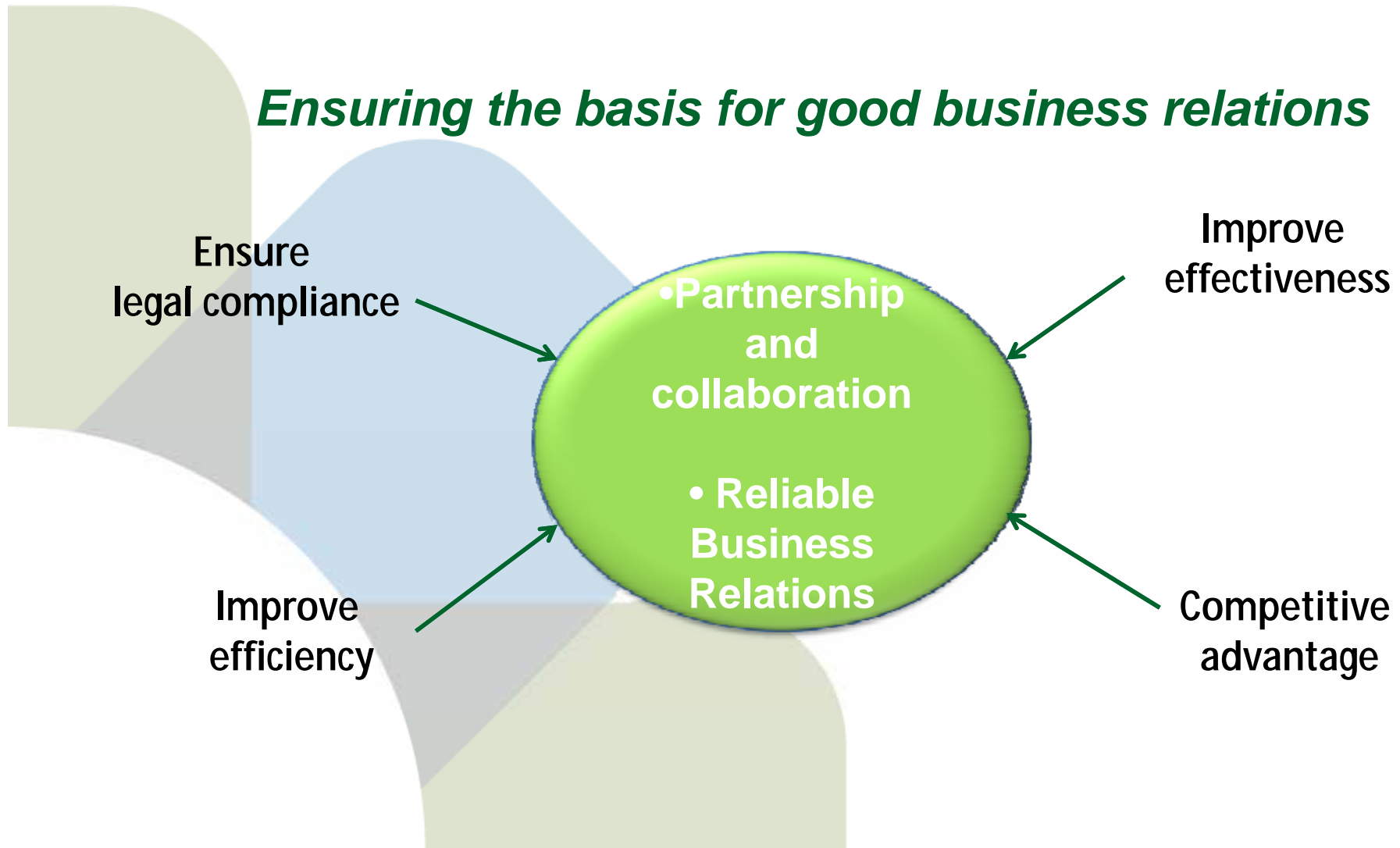
Improve
efficiency

• Partnership
and
collaboration

• Reliable
Business
Relations

Improve
effectiveness

Competitive
advantage





Responsible Sourcing in practice

Health & Safety Improvement

CHEMICAL SAFETY

BEFORE



AFTER



Responsible Sourcing in practice

Health & Safety Improvement

FIRE EXTINGUISHERS

BEFORE



AFTER





Responsible Sourcing

**Reduces
Risks**

**Creates
Benefits**

*We want our suppliers to act responsibly...
- Same as we do.*