Nestlé / TFT Sustainable Palm Oil Initiative
Building traceability and responsibility
Nestlé: Good Food, Good Life

Our objective is to be the recognised leader in Nutrition, Health and Wellness, and the industry reference for financial performance.
Nestlé Creating Shared Value: 3 focus areas

- Rural Development
- Water
- Nutrition
Creating Shared Value: the critical role of sourcing

Nestlé’s upstream value chain

- **Agriculture**
  - People involved in value chain\(^{(1)}\): 25,000,000+
  - GHG emissions (%): 70-80%
  - Water usage (%): >90%
  - Identified key sustainability issues: 17

- **Procurement**
  - 278,000
  - 20-30%
  - <10%
  - 5

\(^{(1)}\) People involved in value chain refer to the number of individuals directly or indirectly involved in the value chain process.
Nestlé Responsible Sourcing: Understanding and transforming value chains back to farm

- Traceability Programme
  - Responsible Sourcing Guidelines (RSGs) for priority supply chains.
  - 12 categories prioritized for 2010-2012

- Direct engagement with 550,000 farmers
- 17,000 supply chain support staff
- E.g. coffee, milk, fruits, vegetables

- Audit Programme vs. Nestlé Supplier Code
  - 2010/2011: 1800 3rd party audits of key suppliers
The current scope of our Responsible Sourcing Programme: 12 priority supply chains addressed in 2010-2012

- Palm Oil
- Pulp & Paper
- Sugar
- Soy
- Seafood
- Vanilla
- Hazelnuts
- Cocoa
- Meat
- Coffee
- Dairy
- Shea
Principles:
1. Nestlé Supplier Code
2. Nestlé Corporate Business Principles
3. 10 Principles of UN Global Compact

Responsible Sourcing Guidelines (RSGs):

1. Horizontal:
   i. Nestlé no-deforestation commitment: Horizontal RSGs for forest based materials
   ii. Nestlé RSGs for water use in agriculture
   iii. Nestlé RSGs on child labour in agricultural supply chains

2. Category-specific:
   • Development of RSGs for priority supply chains
   • 12 priority raw & packaging materials in 2010-2012
Nestlé Responsible Sourcing Guidelines for Palm Oil: Implementing our no deforestation commitment

The Nestlé RSGs:
1. Compliance of plantations with local laws and regulations
2. Protection of High Conservation Value Forests
3. Free Prior and Informed Consent
4. Protection of peat lands
5. Protection of forest areas of high carbon value

The Nestlé – TFT approach:
1. Defining values (RSGs)
2. Establishing transparent supply chains
3. Assessing and developing suppliers vs. our RSGs

Scope 2011/2012:
Supply chain mapping and RSG assessments in priority countries China, India, Thailand, Brazil, European markets
The Nestlé RSGs are complementary to the RSPO P&C Focus on developing transparent supply chains

**Nestlé commitment:**

- By 2015, 100% of our palm oil from sustainable sources
- By 2011, 50% of our palm oil from sustainable sources
- Nestlé palm oil purchases 2010: 320’000 MT (PO/PKO fractions)

**Nestlé RSGs are complementary to RSPO.** RSPO compliance as a milestone towards meeting Nestlé RSGs.

Need to be able to trace palm oil back to origin.

Nestlé and TFT work on “natural segregation” model to link responsible producers and users in an economically viable way.
TFT - Who are they?

TFT is a global organization that helps businesses **understand** and **transform** their product stories

- 90 employees in 13 offices **around the world**
- A **business minded non-profit** focusing on solutions working on products and supply chains.
- **On the ground** (75%)
Today

1. What we do with Nestlé
2. Findings about Palm Oil Products supply chains
3. Challenge the existing models
4. Propose solutions
UNDERSTAND, ENGAGE, TRANSFORM THE SUPPLY CHAIN

- **Phase 1: Map the supply chain by market**
  Focus on priority markets (risk and volume): India, China, Thailand
  “If solutions work for Asia then can work in Europe”

- **Phase 2: Assess plantation against RSG**

- **Phase 3: Design Action Plans**

- **Phase 4: Implement and Monitor Action Plans**
Results: supply chain maps
Results: supply chain maps
Findings about supply chains
Supply chain transformation

RSPO Segregation Model

Segregation required = + $\$

Mixes and Fractions: not economically viable
Supply chain transformation

Getting critical mass: “natural segregation”

Full vessels, no segregation
One flow
Scaling up

- **Buyers:** MAP YOUR SUPPLY CHAIN. Take interest. No easy fix.
- **Refiners, traders:** MAP YOUR SUPPLY CHAIN. Provide traceability as a standard (like food safety)
- **Growers:** Take interest in your downstream. Where does my oil goes?