

RSPO

Roundtable on Sustainable Palm Oil

Nestlé / TFT Sustainable Palm Oil Initiative

Building traceability and responsibility



RSPO Certified
Transforming the market. Together.

Key points

- **Creating Shared Value**
- **Nestlé commitment on no-deforestation**
- **Nestlé Responsible Sourcing Guidelines for Palm Oil**
- **Developing solutions for transparent palm oil supply chains**
- **Driving responsible practices through RSG assessments and supplier development**



Nestlé: Good Food, Good Life



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

Creating Shared Value
Nutrition | Water | Rural Development



Nestlé



Nutrition



Water

**Creating
Shared Value**
Nutrition, water,
rural development

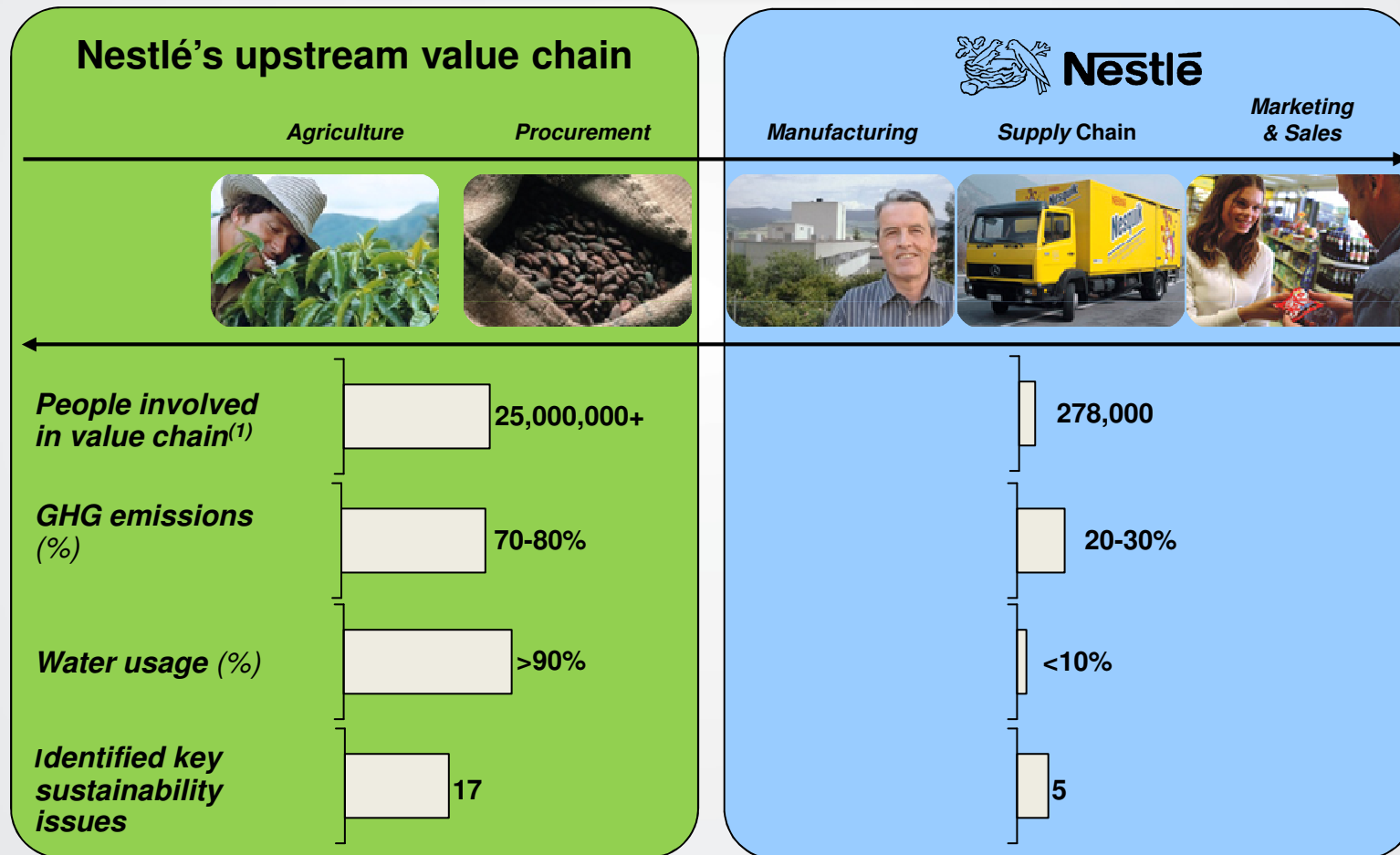
Sustainability
Protect the future

Compliance
Laws, business principles, codes of conduct



Rural Development

Creating Shared Value: the critical role of sourcing



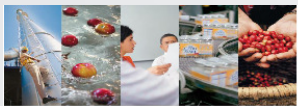
Nestlé Responsible Sourcing: understanding supply chains back to farm or feedstock

**Nestlé's Sustainable
Agriculture Initiatives**
November 2012

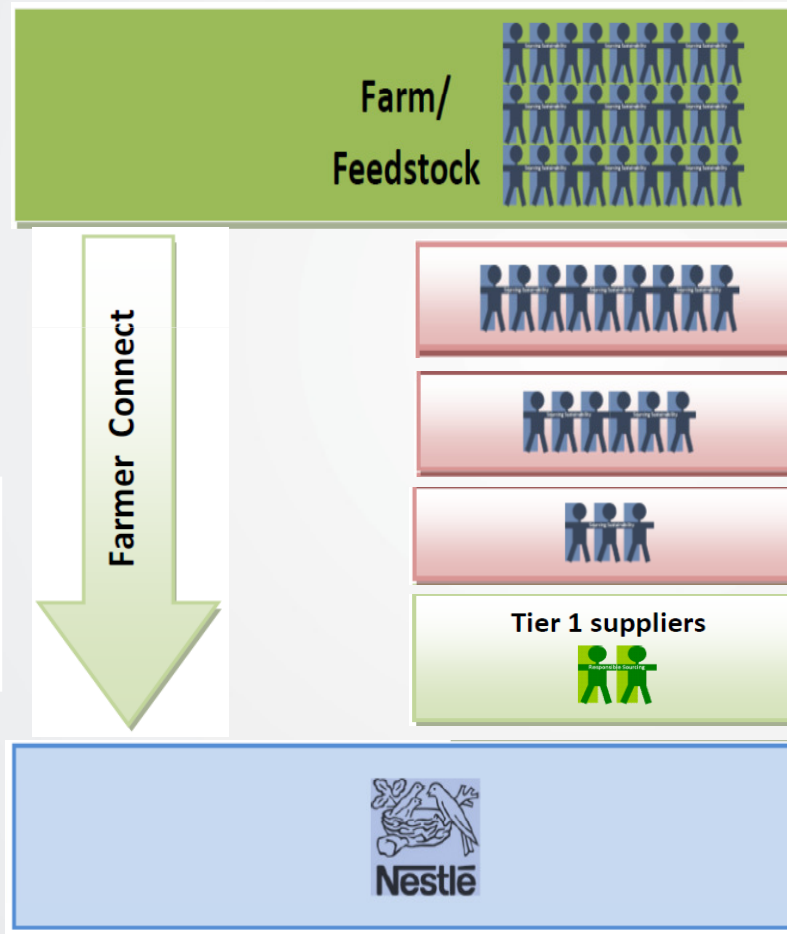
**Direct
engagement with
550,000 farmers**

17,000 supply chain
support staff

E.g. coffee, milk,
fruits, vegetables



The Nestlé Supplier Code
Direct Procurement & Agri Services



Traceability Programme

Responsible Sourcing Guidelines (RSGs)
for priority supply chains.

12 categories prioritized for 2010-2012



Audit Programme vs. Nestlé Supplier Code

2010/2011:
1800 3rd party audits
of key suppliers

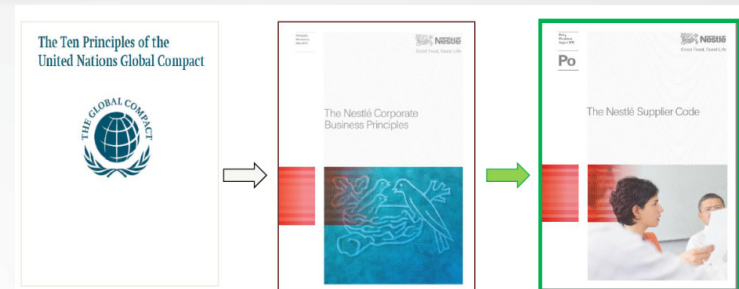


Nestlé Responsible Sourcing

Nestlé Responsible Sourcing: Defining values in our upstream supply chains

Principles :

1. Nestlé Supplier Code
2. Nestlé Corporate Business Principles
3. 10 Principles of UN Global Compact



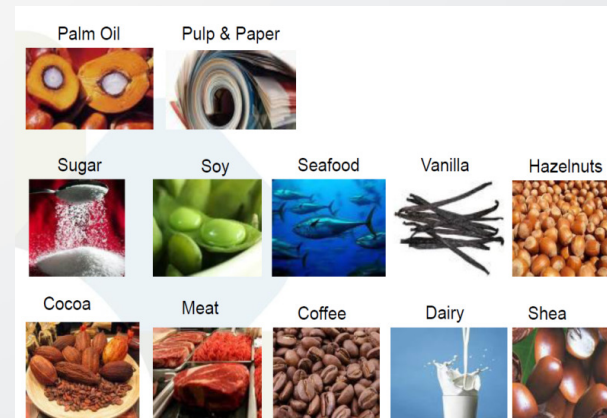
Responsible Sourcing Guidelines (RSGs):

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



12 raw and packaging materials have been prioritized for 2010 – 2012



Palm Oil



Pulp & Paper



Sugar



Soy



Seafood



Vanilla



Hazelnuts



Cocoa



Meat



Coffee



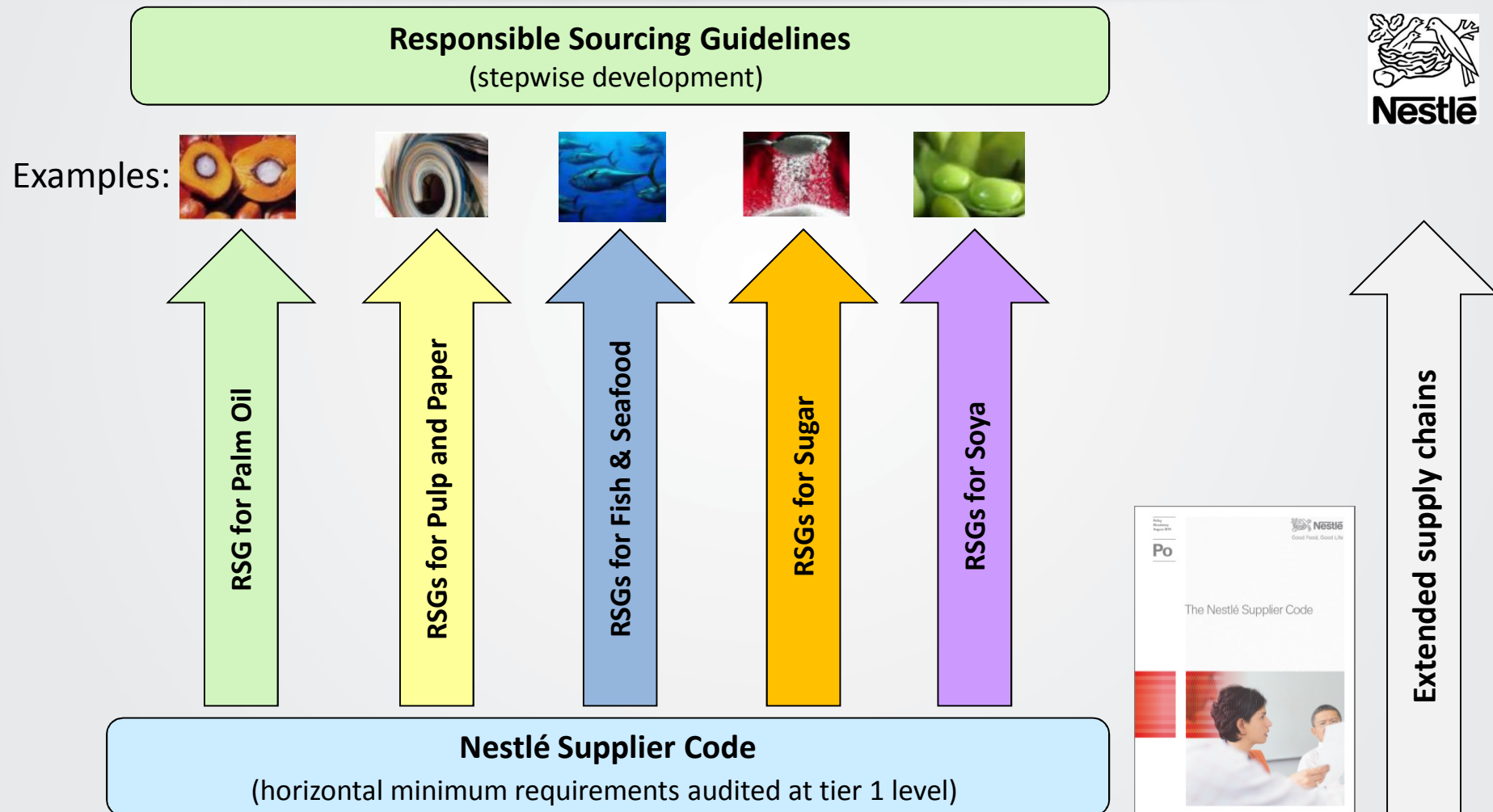
Dairy



Shea



Responsible Sourcing Guidelines (RSGs) are developed to define sustainability criteria for extended supply chains



Nestlé Responsible Sourcing Guidelines for Palm Oil: Implementing our no deforestation commitment



In 2010, Nestlé developed RSGs for palm oil to implement the company's no deforestation commitment

Nestlé commitment:

- To source 100% of our palm oil from sustainable sources by 2015
- 50% of our palm oil from sustainable sources by 2011
- Nestlé palm oil purchases 2010 (PO/PKO): 320'000 MT

The Nestlé – TFT approach:

1. Defining values (RSGs)
2. Establishing transparent supply chains
3. Assessing and developing suppliers vs. our RSGs, providing technical support

Complementary to RSPO



Nestlé Responsible Sourcing Guidelines for Palm Oil: Driving transparency from plantation to Nestlé factory

The Nestlé RSGs stipulate:

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*

Supplier assessments and development:

Together with TFT, mapping of Nestlé's palm oil supply chains back to plantation level and supplier assessments and development against the RSGs

The critical role of traceability:

Building a natural segregation model to establish traceability of oil from plantations to Nestlé factory based on existing material flows

Current scope:

RSG assessments ongoing. Priority countries 2011/12: China, India, Thailand, Brazil, France, Germany, other European countries



TFT - Who we are

TFT is a global non-profit organization that helps companies and communities understand and transform their product stories



- ✓ 90 employees in 13 offices **around the world**
- ✓ We **work on the ground** (75% of our staff are experts working in the field)
- ✓ **A business minded non-profit** focusing on products and supply chains
- ✓ **Making the connection** between business and civil society

Nestlé / TFT partnership



- No deforestation commitment
- In 2010 Nestlé reaffirmed its public commitment to source only palm oil adhering to **‘Responsible Sourcing Guidelines’** by 2015

The palm oil Nestlé purchases will:

- **Be derived from plantations and farms operating in compliance with local laws and regulations**
- **Protect high conservation value forest areas**
- **Support the free prior and informed consent of indigenous and local communities to activities on their customary lands where plantations are developed**
- **Protect peatlands**
- **Protect forest areas of ‘high carbon’ value**

Not another standard! ... A quality spec

Workplan



- **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”

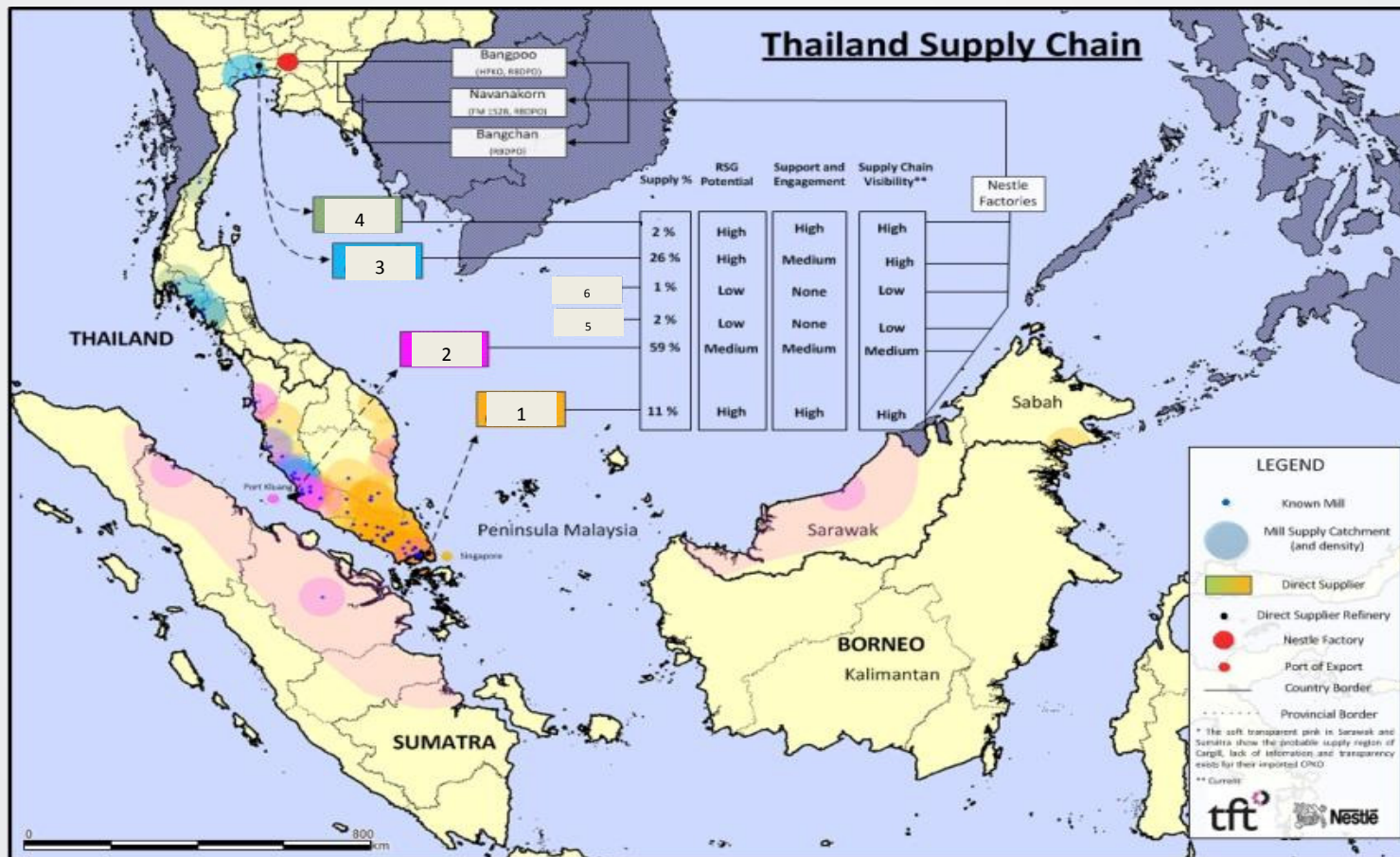
“ To know the oil you buy is compliant with your values, you need to know where it comes from”

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

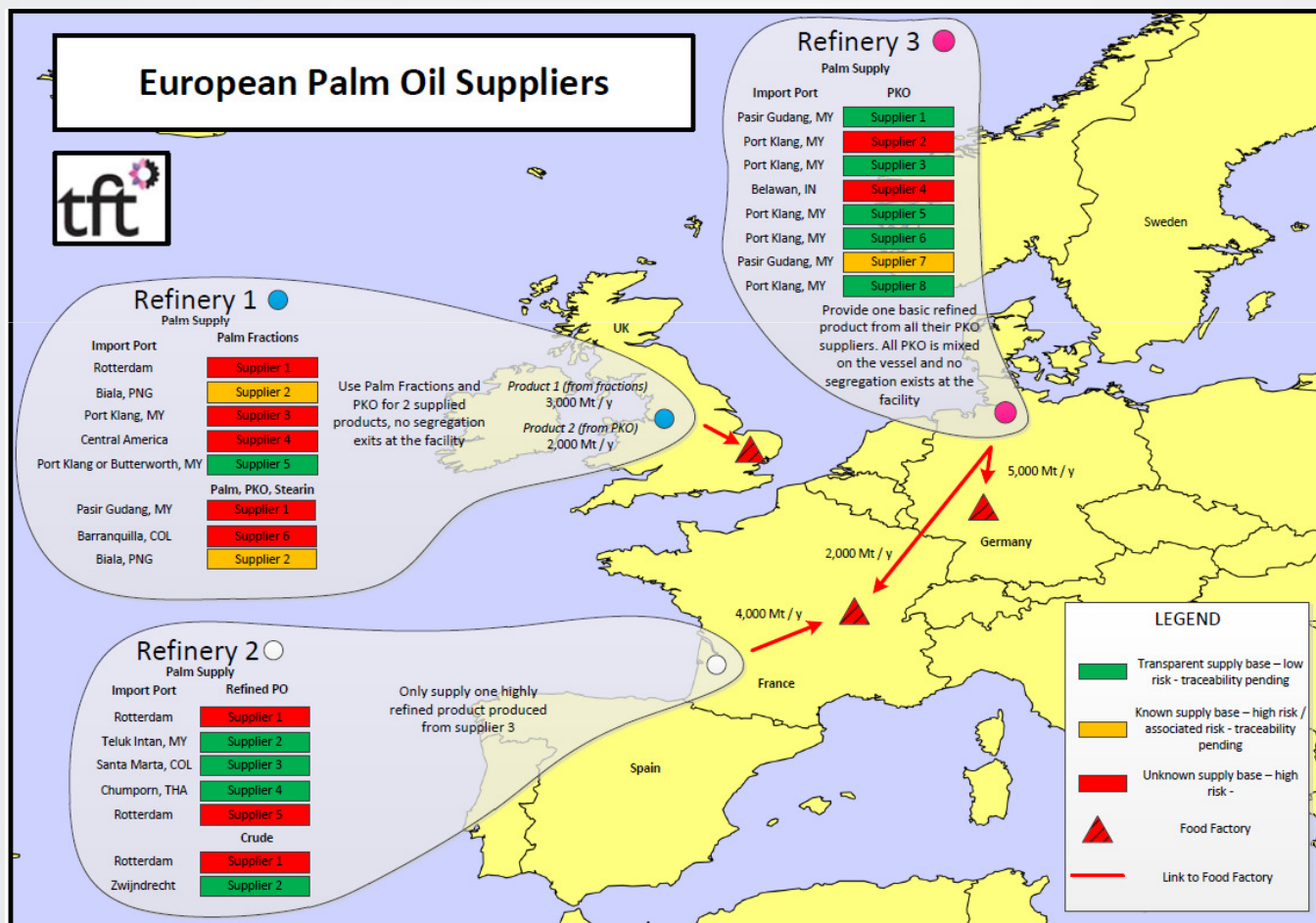
- Phase 3: Design Action Plans

- Phase 4: Implement and Monitor Action Plans

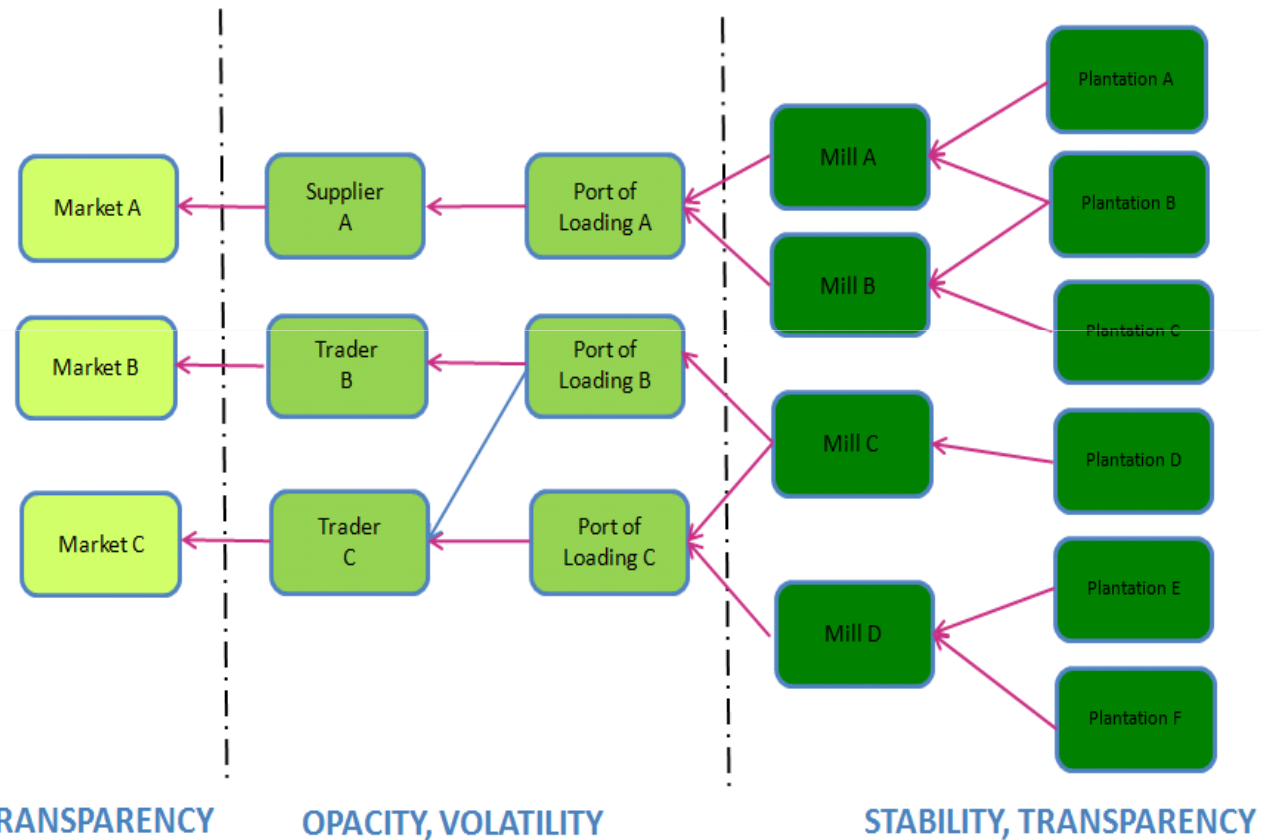
Supply chain mapping



Supply chain mapping

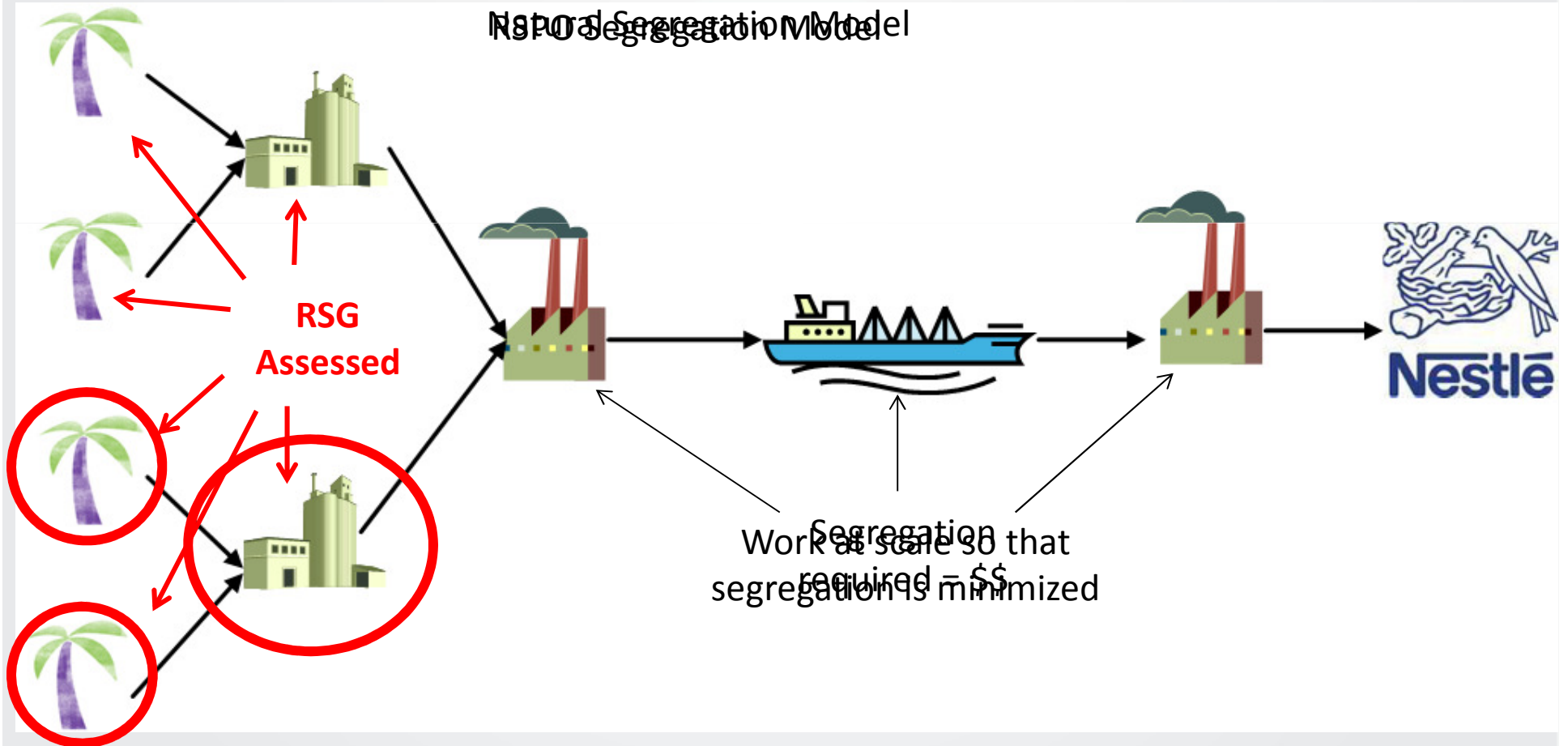


Supply chains observations



→ Traceability FIRST and THEN Responsibility/Certification

Solutions being developed



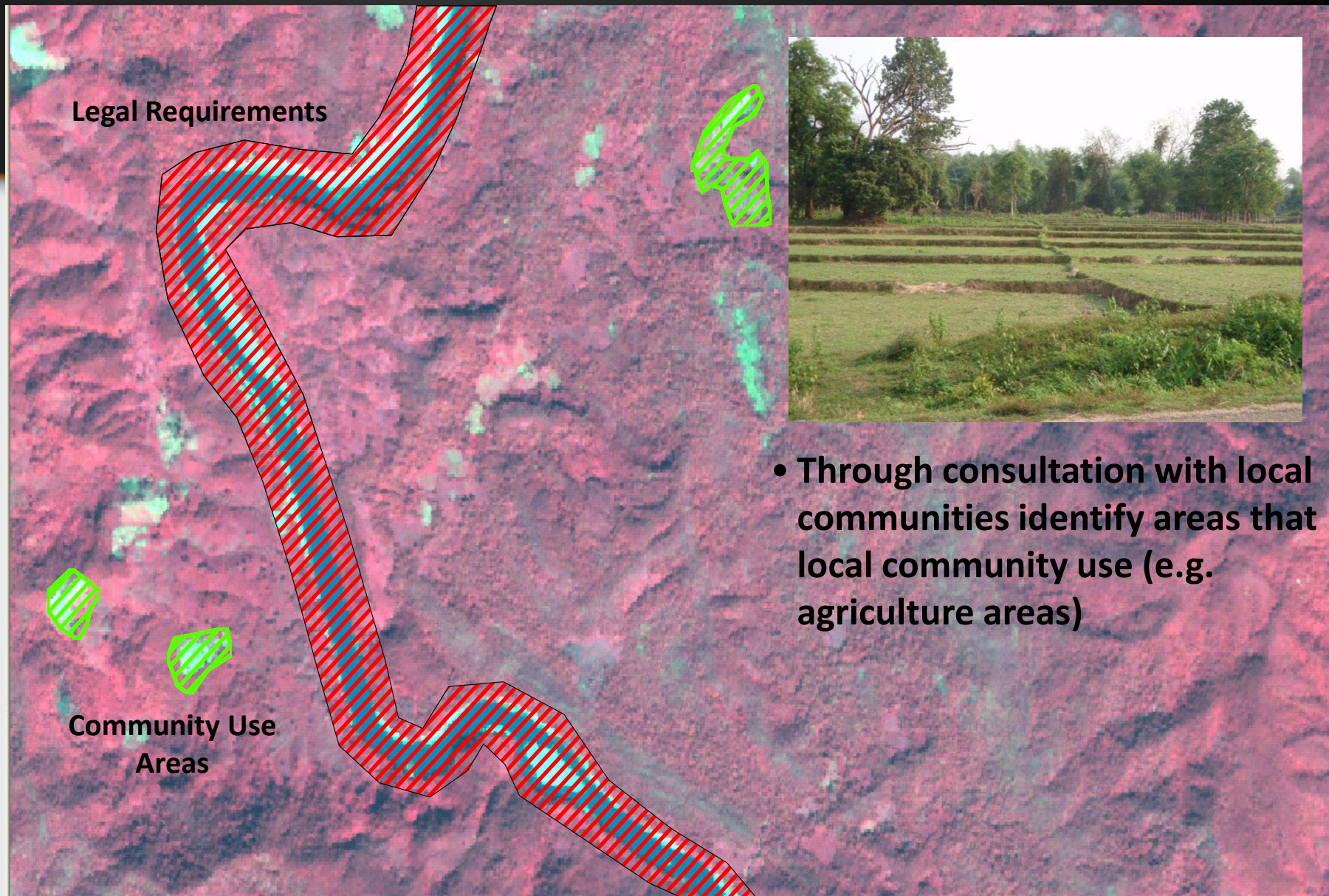
An aerial photograph of a river winding through a forested landscape. The river is a prominent, light-colored, winding line that cuts through the darker, textured forest. The text "RSG Assessments" is overlaid in the center of the image in a white, sans-serif font.

RSG Assessments

Legal Requirements



- Identification of areas that are legally required to be protected e.g. stream side buffers and steep areas



Legal Requirements

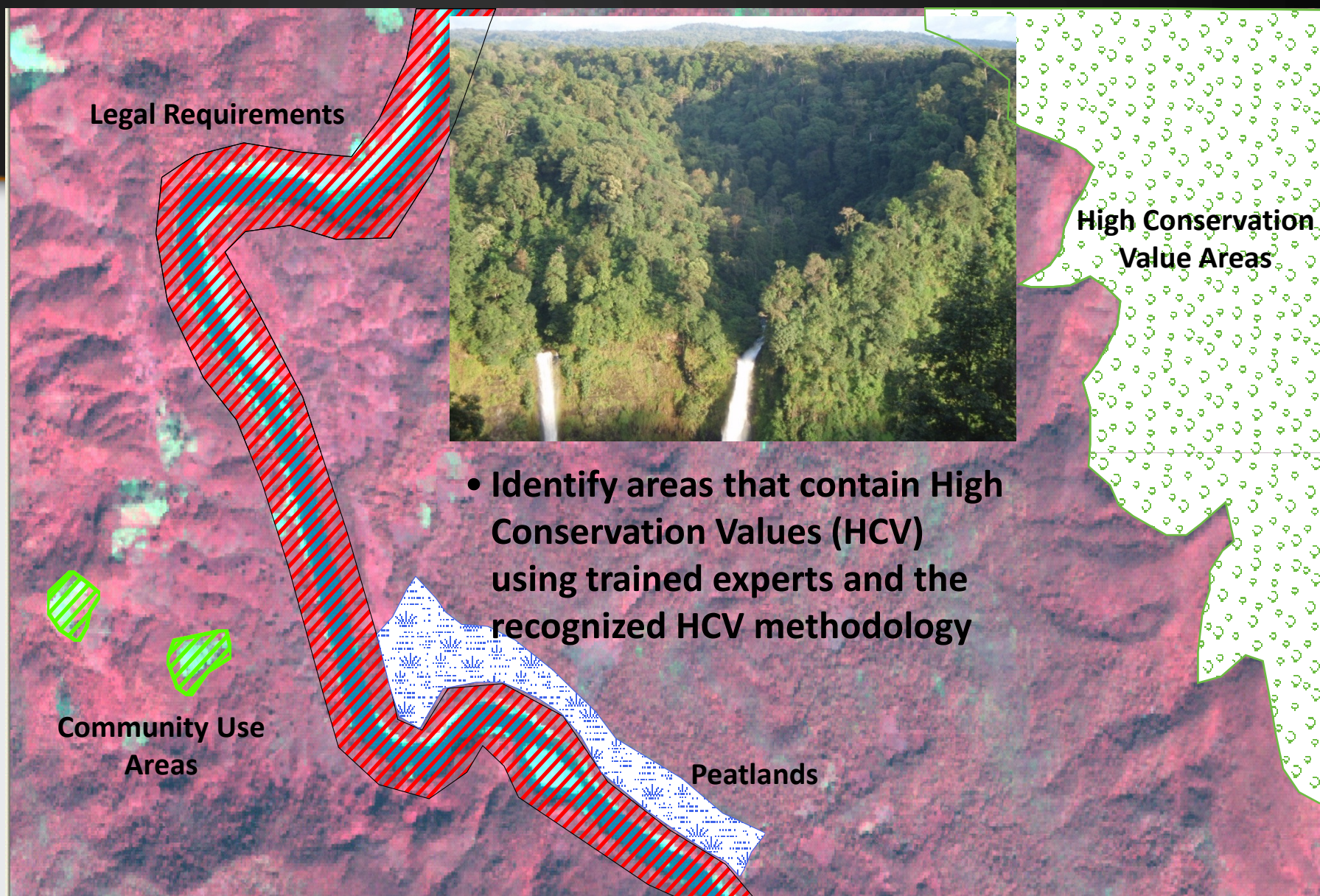


- Identify areas that contain peat soils
- Nestlé is committed to no peat, no matter the depth

Peatlands

**Community Use
Areas**







Legal Requirements

- The resulting palm oil plantations developed through this approach will have been assessed for a full range of values

**Community Use
Areas**

Peatlands

**High Conservation
Value Forests**

**High Carbon
Stock Forests**

Conclusion

- Nestlé expects its suppliers to work towards full compliance with its RSGs and to take increasing leadership in ensuring a transparent and sustainable palm oil industry
- Asking for traceability first will allow the industry to transform.
- More food manufacturers to take a similar approach to Nestlé's one :
 - Building an economically viable solution
 - Sending the right signals to the producers