Nestlé / TFT Sustainable Palm Oil Initiative
Building traceability and responsibility
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
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

Nutrition

Water

Rural Development

www.nestle.com/csv/pages/CSV.aspx
Creating Shared Value: the critical role of sourcing

Nestlé’s upstream value chain

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

- Manufacturing
- Supply Chain
- Marketing & Sales

GHG emissions (%): 20-30%
Water usage (%): <10%
Identified key sustainability issues: 5
Nestlé Responsible Sourcing: understanding supply chains back to farm or feedstock

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

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

Examples:
- RSG for Palm Oil
- RSGs for Pulp and Paper
- RSGs for Fish & Seafood
- RSGs for Sugar
- RSGs for Soya

Nestlé Supplier Code
(horizontal minimum requirements audited at tier 1 level)
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
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 chains observations

→ Traceability FIRST and THEN Responsibility/Certification
Solutions being developed

Work at scale so that segregation is minimized

Segregation required = $$$

RSG Assessed

RSPO Segregation Model

Nestle
RSG Assessments
• Identification of areas that are legally required to be protected e.g. stream side buffers and steep areas
Through consultation with local communities identify areas that local community use (e.g. agriculture areas)
• Identify areas that contain peat soils
• Nestlé is committed to no peat, no matter the depth
• Identify areas that contain High Conservation Values (HCV) using trained experts and the recognized HCV methodology.
Legal Requirements

- The resulting palm oil plantations developed through this approach will have been assessed for a full range of values.
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:
  o Building an economically viable solution
  o Sending the right signals to the producers