RESPONSIBLE SOURCING

São Paulo, October 2015
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1. Business Opportunity

WHERE does it come from?

HOW is it made?
The Nestlé Supplier Code specifies the minimum requirements we ask our suppliers to adhere to and comply with.

Our Responsible Sourcing Guideline sets out detailed requirements relating to high-priority ingredients and materials, and is applicable to all stages of the upstream value chain back to the primary production level.

CHF 28.5 BILLION annual spend

26.0 MILLION tonnes of raw materials sourced

149 000 direct suppliers

7 300 suppliers of raw or processed materials

3 700 packaging suppliers
3. How it Works

**AUDITING**
Audits, carried out by independent verification firms, check whether our direct suppliers are implementing our Supplier Code (led by CO-PRO).

**TRACEABILITY**
We work with our direct suppliers to map the supply chain back to origin, right down to farm and smallholder level, identifying everyone involved at every stage (led by CO-PRO).

**FARM ASSESSMENTS**
Farms and plantations are assessed on their implementation of our Responsible Sourcing Guideline by partner organisations such as Proforest and The Forest Trust (led by CO-PRO).

**FARMER CONNECT – SOURCING DIRECT FROM FARMERS**
We purchase directly from farmers or farming collectives, and plantations around the world (led by CO-AGR).
4. Business Targets

Nestle Supplier Code
Tier 1 Vendors Sites Targets

SMETA Audits

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>8700</td>
<td>10'000</td>
<td>50%</td>
<td>60%</td>
<td>70%</td>
</tr>
</tbody>
</table>

With 70% full compliance maintained each year
2016: Target Change = Nbr of audits to % Volume

Responsible Sourcing Guideline
Upstream supply chain & origins [Farms] Targets

Traceability

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereals in 2016 (Tones 5 Mio)</td>
<td>38%</td>
<td>40%</td>
<td>50%</td>
<td>60%</td>
<td>70%</td>
</tr>
</tbody>
</table>

Responsibly Sourced

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereals in 2016 (Tones 5 Mio)</td>
<td>28%</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Please refer to Nestle In Society Commitments for definition of Target' terms used herein
### Q3 2015 Achievements

#### Nestle Supplier Code

<table>
<thead>
<tr>
<th>Tier 1 Vendors</th>
<th>Sites Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMETA Audits</td>
<td></td>
</tr>
<tr>
<td>Full Compliance</td>
<td></td>
</tr>
</tbody>
</table>

#### SMETA Audits

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Number of Audits</th>
<th>of total volume [12 categories] traceable to all potential origins</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>9300</td>
<td>40%</td>
</tr>
</tbody>
</table>

Total Number of audits done since implementation of the Nestle Supplier Code, started January 2010.

#### Full Compliance

<table>
<thead>
<tr>
<th>Year</th>
<th>% of SMETA Audits done since 2010 and having reached a full compliance status [not a single non compliance remaining on any of the 4 pillars: Labor Standards, Health and Safety, Environment, Business Integrity]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>70% 79%</td>
</tr>
</tbody>
</table>

#### Traceability

<table>
<thead>
<tr>
<th>Year</th>
<th>% of total volume [12 categories] being assessed against RSG and in Compliance or Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>30% 43%</td>
</tr>
</tbody>
</table>

#### Responsibly Sourced

<table>
<thead>
<tr>
<th>Year</th>
<th>% of total volume [12 categories] traceable to all potential origins</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>40% 53%</td>
</tr>
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</table>

Above Targets have been elevated in 2013 as Nestle In Society Commitments

**Status Q3 2015:** On track to meet Commitments

Please refer to Nestle In Society Commitments for definition of Target terms used herein
Responsible Sourcing

- Palm Oil
- Fish & Seafood
- Soya
- Pulp & Paper
- Vanilla
- Sugar
- Coffee
- Dairy
- Shea
- Hazelnut
- Cocoa
- Meat, poultry, eggs
Responsible Sourcing

- Key locations – USA, Brazil & Argentina
- Working with Proforest

Supply Chain Issues
- Loss of High Conservation Value areas is a risk
- Amazon Biome – Soy Moratorium and not source from areas cleared of natural habitat after 2006
- Other regions in line with RTRS (after 2008)
Responsible Sourcing (Responsible Soy)

2015 targets

55%
Traceable by December 2015

30%
Responsible by December 2015

Results to date – Q3 2015

56%
Traceable back to crush and supply base

40%
Responsible Sourced
Responsible Sourcing (Responsible Soy)

Challenges & Solutions

• *Traceability* – long supply chains – working closely to look for solutions

• *Soy growers are independent from soy crushers* – building relationships & demonstrating the benefits

• *Programme to be engaged in all levels* – experienced partners who are able to work through the concerns of the suppliers & growers.
Questions?