

Nestlé Commitment on Rural Development

Nestlé believes that the long term success of the company can be assured if value is jointly created for the Company and society. This is most marked in the area of rural development where the overall wellbeing of farmers, rural communities, small entrepreneurs and suppliers are intrinsic to the long-term success of our business.

Nestlé has worked closely with farmers since its creation almost 150 years ago, and recognises the important role that farmers, both large and small, play in supplying it with raw materials. Of particular importance are dairy, cocoa, and coffee farmers from whom Nestlé purchases directly. These farmers are in many cases also growing a variety of agricultural crops for their own and local consumption, providing a vital role in national food security.

Nestlé today has a team of over 1000 agronomists and 10000 agricultural extension staff worldwide who work to develop the supply of raw materials and support the farmers that supply us. Our approach covers Farmer Connect (direct procurement) operations as well as operations that include our trade partner suppliers. Farmer Connect operations are commodity specific and require different solutions, priorities and activities depending on the different countries.

In order to further guide this work Nestlé has prepared a Rural Development Framework that focuses on farmers (and particularly on family farmers), as well as farm workers and the communities within which they are located. The framework recognises the important role of trade partners through whom Nestlé buys the majority of its agricultural raw materials, and the important role of Governments in providing services to communities. This Commitment has been prepared as an accompanying document to the Rural Development Framework and should be read in conjunction with it. Other relevant documents are the Nestlé Supplier Code, Nestlé's Responsible Sourcing Guidelines, and the Nestlé Commitments on Natural Capital and Child Labour in Agricultural Supply Chains.

Nestlé's work on rural development combines a human rights approach together with a human development approach. The intention is to deliver both business and societal value, through focussing upon key gaps and the alignment of objectives along the supply chain and with stakeholders. It is consistent with the Millennium Development Goals on poverty, nutrition, education, gender equality, and environmental sustainability.

The aims are:

1. That farmers are business orientated and farming "by choice".

To achieve this we will particularly focus upon:

- Net farm income – helping farmers improve crop productivity and crop quality, whilst helping them to reduce input costs, and paying fair prices, including price premiums where appropriate
- Assisting with improved planting material for coffee and cocoa
- Helping farmers become more resilient to outside shocks such as weather or health problems, as well as diversifying crops and income sources
- Supporting farmer groups and women's groups/associations
- Providing training on technical, resource stewardship and business issues, ensuring access and effectiveness of the training for women as well as men

2. That the respect for human rights makes rural based employment attractive for workers

To achieve this we will particularly focus upon:

- Vulnerable workers such as seasonal, migrant, non-family and women
- Applicable human rights and ILO standards, including conditions of employment & work, forced labour, child labour, non-discrimination and freedom of association
- A safe and healthy work environment
- Providing training on human rights, labour rights, health & safety and work method, ensuring access and effectiveness of the training for women as well as men
- Wages – actual, minimum and living wage levels
- Ensuring that there is a dialogue with workers and their representatives

3. That communities around factories and within sourcing districts are progressing economically and socially

To achieve this we will particularly focus upon:

- Supporting programmes that are led and managed by the communities themselves
- Interventions that improve health, access to water, education, the status of women, food security, nutrition, and tackling indebtedness
- Landscape level natural resource stewardship to ensure that local people have access to basic ecosystem services, that climate adaptation measures are being implemented and that land tenure is improved on communal land and for women
- Farmer groups, and the allocation of premiums to provide community benefits that are in line with the community identified priorities

Nestlé will ensure that its Farmer Connect and Responsible Sourcing Programmes, whilst delivering enhanced social and environmental performance do not disadvantage small holders or family farmers. This will necessarily involve a focus both on removing the worst practices, but also on developing net farmer income and the broader rural development objectives, as a precondition for meeting the environmental and social standards that are to be expected from larger industrial scale operations. For family farmers, Nestlé will, where appropriate, favour certification and verification schemes such as UTZ and 4C that have been designed for small-holders.

Nestlé believes that loyalty between farmers and the company is not built through contractual mechanisms. Nestlé provides support to farmers through improved planting material, technical support, and where necessary through financing schemes. However, Nestlé believes that farmers should have the flexibility to sell their produce to all buyers. It does not therefore generally enter into supply contracts with farmers.

Nestlé will monitor and report publicly on a regular basis on the progress of meeting this Commitment.