Antonia Wanner
Corporate Procurement – Procurement Excellence
Creating Shared Value - focus on suppliers

Corporate Procurement
162,500 suppliers

Corporate Agriculture
594,223 farmers

- Effective Supplier development
- Reliable and Efficient Supplier Assessment
- Supplier Code

Creating Shared Value
Nutrition, Water, Rural Development

Sustainability
Protect the future

Compliance
Laws, business principles, codes of conduct
Our scope: Spend per category (2008)

Total: CHF 59 billion
Our objective: One way of operating - enabling buyers to focus on execution

- **Processes**
- **Tools**
- **Select & Manage suppliers**
- **Training**

**Delight Consumers**
**Excel in Compliance**
**Deliver Competitive Advantage**
Compliance: The Nestlé Supplier Code

- Part of all supply contracts
- Acknowledgement is condition to supply

<table>
<thead>
<tr>
<th>Labour Standard</th>
<th>Environment</th>
<th>Safety &amp; Health</th>
<th>Business Integrity</th>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Supplier Code communication</th>
<th>2009 Q1-Q2</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase orders with Supplier Code</td>
<td>2.7 mio</td>
<td>3.0 mio</td>
</tr>
<tr>
<td>Supplier Code sent to suppliers</td>
<td>100,000/100,000</td>
<td>120,000/162,500</td>
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Ensure a sustainable supplier base: Reliable and efficient assessment

- Industry wide recognized standard for SAQ and Audit (AIM-Progress)
- 2 step assessment is integral part of supplier selection, approval & management process
- Implementation through expert network

<table>
<thead>
<tr>
<th>Pilot Audits (2009)</th>
<th>nr. suppliers</th>
<th>spend mio CHF</th>
<th>raw &amp; pack focus areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>11</td>
<td>87</td>
<td>11%</td>
</tr>
<tr>
<td>Asia &amp; Africa</td>
<td>138</td>
<td>580</td>
<td>20%</td>
</tr>
<tr>
<td>America</td>
<td>56</td>
<td>206</td>
<td>7%</td>
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Create shared value:
Effective supplier development

- Efficient roll out of the Supplier Code
- Reliable assessment through 2 step approach
- Efficient assessment through industry wide recognized standards
- Focus our resources on developing suppliers
- Create shared value
Creating Shared Value - Focus on Farmers

Corporate Procurement
- 162'500 active suppliers

Corporate Agriculture
- 594'223 farmers

Creating Shared Value
- Nutrition, Water, Rural Development

Sustainability
- Protect the future

Compliance
- Laws, business principles, codes of conduct

Develop farmers & suppliers building capacity for growth
Secure availability of adequate agricultural raw materials
Ensure safety & quality of raw materials
Nestlé Spend [2008] 59 billion CHF

Milk, Total Volume Usage (MT) = 12'200'000
Coffee, Total Volume Usage (MT) = 763'000
Cocoa, Total Volume Usage (MT) = 372'000

42% Direct Procurement
9% Direct Procurement

Procurement from cooperatives

Total Raw Materials
Sourcing base:
- 594'223 farmers
- 771 Nestlé sourcing specialists
- 7'784 extension workers
Function and Role of CO-AGR

**Holding Management**
- Manage image and trust issues linked to ARMs.
- Analyse impact of new technologies and practices related to ARMs sourcing and overall business.  
  
**Business strategy / Technical assistance**
- Perform risk management in sourcing activities.
- Set technical & quality standards and disseminate / monitor implementation with primary producers.

**Servicing To Markets**
- Develop people, key HR capacity building, succession planning, skill management.
- Cross functional knowledge dissemination on SAIN.

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*Delight Consumers*

Excel in Compliance

*Deliver Competitive Advantage*
Perform risk management in sourcing activities [RATES]

Risk categories investigated:
- Availability & Supply chain disruption
- Safety & Quality
- Regulatory Compliance
- Corporate Social Responsibility
- Competitive Cost

Secure Supply chains by Mitigating identified risks

Cross functional team:
- Agricultural Services
- Quality Assurance
- Procurement & Supply Chain
Cross functional knowledge dissemination on SAIN *

SAIN projects are creating value in the areas of:

- Farm income generation
- Crop and yield improvements
- Animal health issues
- Logistic support / Transport
- Water management & irrigation
- Farm management guidance
- Technical training
- Etc.

→ Rural Development and Water

* SAIN = Sustainable Agriculture Initiative Nestlé
Conclusion

Highly contributing to the strategic concept of Creating Shared Value