

Nestlé – Creating Shared Value in our supply chain

Nestlé is guided by the principle of creating value for shareholders and society in a manner that is integrally linked to its core business strategies and operations. We call this Creating Shared Value; value created for shareholders, employees, farmers, consumers and the communities where we operate.

As one of the world's biggest buyers of coffee and cocoa, Nestlé has always and continues to take very seriously its responsibility to ensure that these crops are produced in a sustainable manner and in a way that produces value right through the supply chain – particularly for farmers.

A major focus of Nestlé's work in improving sustainability of cocoa and coffee supply is in plant science. As a leading private researcher in the field, Nestlé has pioneered advanced technology in coffee and cocoa. Over the last 30 years, at its research centre in Tours, France, Nestlé has developed the expertise to propagate higher quality plantlets on a broad scale. The Nestlé-produced plantlets can help farmers rejuvenate their farms and increase productivity by replacing old, low-yield, disease-prone trees.

Over the past 15 years we have provided 17 million coffee and cocoa tree plantlets to producer countries. Over the next 10 years, we will provide a minimum of 38 million more plantlets. In addition, we contribute important knowledge transfer of our expertise to specific producer countries and projects.

Nestlé will invest CHF 460 million in plant science and sustainability initiatives for cocoa and coffee over the next 10 years.

Cocoa – the context

In the last 20 years worldwide chocolate consumption has doubled. Over the last five years alone global consumption has increased by 14%. For the fourth consecutive year there has been a worldwide shortage of cocoa beans, which is forcing cocoa prices upwards.

While demand for cocoa goes up, cocoa farmers are in general producing lower yields. Many farmers struggle on small plots with ageing trees that are vulnerable to disease. Economic pressures mean that farmers are focused on the short-term and are not able to invest in good farm management which would help them secure better quality, higher-quantity yields in the long-term.

Cocoa is essential to the livelihoods of 40 to 50 million people worldwide, including the over five million smallholder farmers who produce it.

The Cocoa Plan

The Cocoa Plan brings together Nestlé's activity to promote sustainable cocoa supply under one banner. The Cocoa Plan aims to help address the key issues facing the cocoa farming communities that Nestlé works with, from an economic, social and environmental perspective. Over the next ten years Nestlé will invest CHF 110 million in the Plan. This builds on the CHF 60 million invested in cocoa sustainability initiatives over the last 15 years.

The Cocoa Plan is not a quick fix for the challenging cocoa situation. It is, however, an important and significant part of broad, collaborative efforts to improve the cocoa supply chain and the lives of cocoa farmers and communities. Nestlé is working with farmers and with partner organisations to build programmes that offer long-term solutions. This requires a step-by-step approach, in which the company is responsive to the needs of farmers and their communities.

Activity falls under the following areas:

- Plant expertise – improving the quantity and quality of yields by providing 12 million stronger, more productive plantlets over the next 10 years
- Farmer training and assistance - teaching more efficient, sustainable farming methods, such as the effective pruning of trees, fermentation and drying of beans
- Improving the supply chain – a commitment from Nestlé to buy beans from farms which use sustainable practices and helping cooperatives by speeding up the process from farm to export
- Better social conditions – Nestlé is working with partner organisations such as the International Cocoa Initiative and the World Cocoa Foundation to tackle issues such as child labour and poor access to healthcare and education
- Consumer communication – The Cocoa Plan logo and a dedicated website will invite consumers to learn more about the cocoa supply chain and Nestlé's work with farming communities

Plant expertise

In order for cocoa farmers to produce a greater quantity of better quality cocoa, it is vital to replace old, low-yield, diseased trees on an ongoing basis. Nestlé started its research on propagating better quality, high-yield cocoa plantlets over 10 years ago, as part of a 30 year programme to develop accelerated propagation technologies at its research centre in Tours, France. This technology was proven in field trials at our experimental cocoa farm in Ecuador.

In spring 2009 Nestlé opened a research and development centre in Abidjan in the Côte d'Ivoire as a base in West Africa. Through the work of this centre, in conjunction with Nestlé's plant science base in Tours, the company will distribute one million high-yield cocoa plantlets each year going forward from 2012.

In addition to its work in the Côte d'Ivoire, Nestlé is training plant scientists in other cocoa-producing countries, such as Ecuador and Indonesia, in accelerated cocoa tree propagation.

Farmer training

Many cocoa farmers still work with very traditional methods and lack the knowledge and understanding of modern "best practices", which could lead to significant improvements in the quality of the cocoa they produce and indeed greater yields.

Nestlé funds farmer training and works with partner organisations on farmer field school programmes aimed at teaching farmers improved methods, which can increase their yields and help ensure the sustainability of the cocoa they produce. Field schools teach farmers about subjects including good farm management and environmental stewardship.

An additional benefit of Nestlé's support related to better quality, better-managed trees, is that farmers can produce higher amounts of cocoa from the same or less land. This reduces the risk of deforestation and allows farmers to use the extra land for other crops or agricultural activities which can supplement their family's food supply or income.

Improving supply chain

Through The Cocoa Plan Nestlé will build relationships with cooperatives and farmer associations, helping them and their farmers compete better and paying a higher price for better quality cocoa. By working with these groups Nestlé is able to reduce complexity in the supply chain and speed up the export process. When farmers work together it creates a positive environment for best practice sharing and for improving conditions collectively.

Better social conditions

Nestlé works with partners to support programmes to improve the social conditions of cocoa farmers. These partners and programmes include:

- International Cocoa Initiative (www.cocoainitiative.org) – Created as a result of the Harkin-Engel Protocol, the ICI is the leading organisation for promoting responsible labour practices on cocoa farms. Nestlé is a founder member.
- World Cocoa Foundation (WCF) (www.worldcocoafoundation.org) – Nestlé is a member of the WCF, which supports cocoa farmers and their families worldwide. WCF programmes raise farmer incomes, encourage responsible, sustainable cocoa farming and strengthen communities.
- Sustainable Tree Crops Program (www.treecrops.org) - Nestlé supports this programme in which farmers attend field schools to learn to grow cocoa more productively and how to set up cooperatives, in addition to receiving information on health issues such as HIV/Aids and safe labour practices. To date, the programme has played a role in increasing income by over 20% for nearly 80,000 West African families.
- UTZ Certified Cocoa Programme (www.utzcertified.org) - Nestlé is a founding member of the UTZ Certified Cocoa Programme, which certifies cocoa using a code including measures in agricultural and business practices, social and environmental criteria. UTZ works with major stakeholders from industry, government and civil society to help achieve a more sustainable cocoa sector.
- The International Federation of Red Cross and Red Crescent societies (IFRC) – Nestlé is working with the IFRC on projects to improve water and sanitation for cocoa farming communities.

Consumer Communication

Nestlé recognises increased consumer interest in the origins and sustainability of its products and a growing desire to purchase products which create value right through the supply chain.

Nestlé has produced The Cocoa Plan website www.thecocoaplan.com as a source of information for consumers on its sustainable cocoa initiatives. On pack and in other communication material The Cocoa Plan logo will serve as a reference for consumers supporting the sustainability of cocoa used within Nestlé's confectionery.

Other sources of information:

www.cocoainitiative.org

www.worldcocoafoundation.org

www.treecrops.org

www.utzcertified.org

www.cocoafarming.org.uk

Visit www.nestle.com/csv for related information, presentations and films.