



Procurement



Antonia Wanner

Corporate Procurement – Procurement Excellence

Creating Shared Value - focus on suppliers



Corporate Procurement

162'500 suppliers

Corporate Agriculture

594'223 farmers

CREATING SHARED VALUE

Nutrition, Water,
Rural Development

SUSTAINABILITY

Protect the future

COMPLIANCE

Laws, business principles, codes of conduct

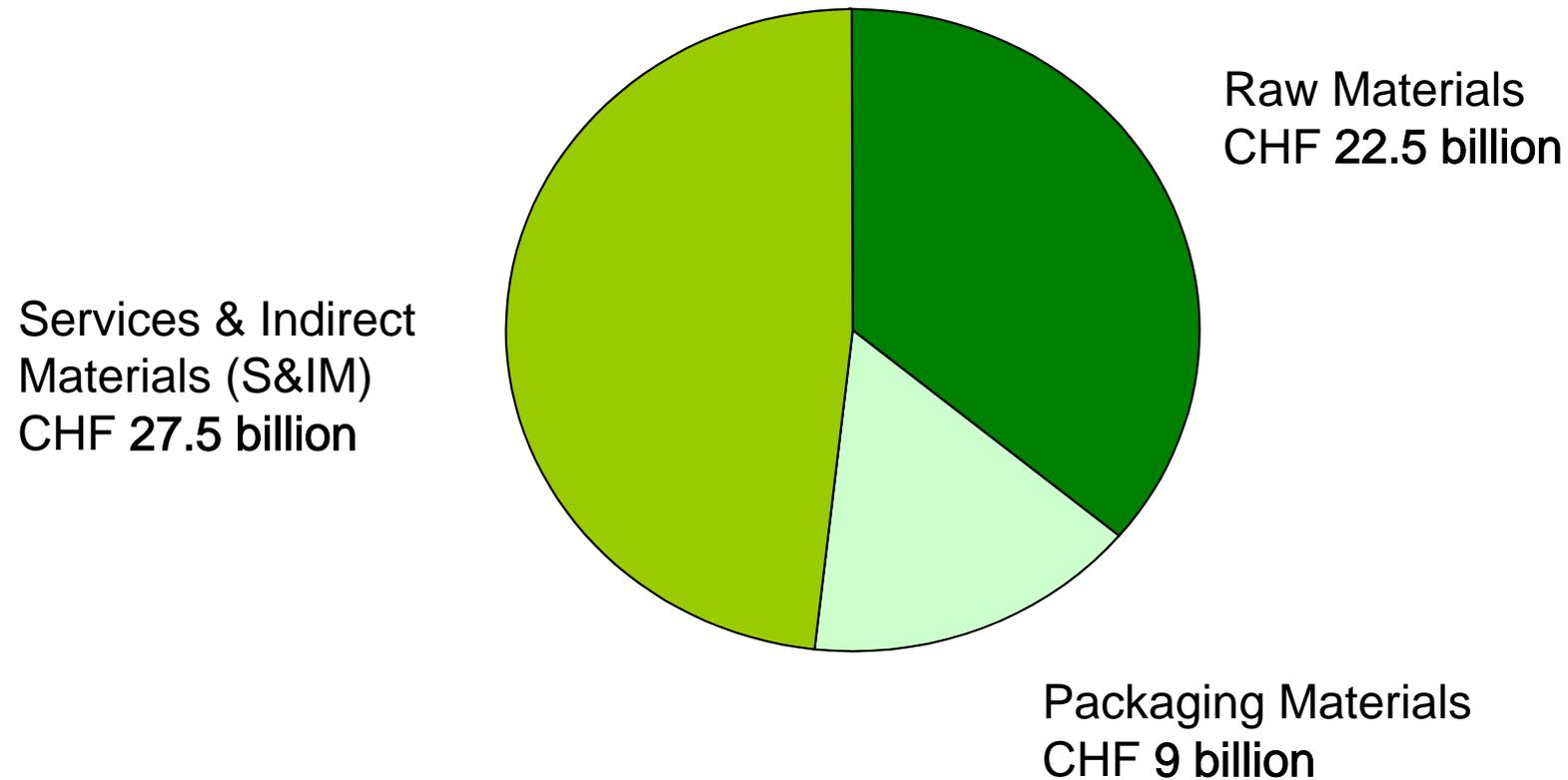
Effective Supplier development

Reliable and Efficient Supplier
Assessment

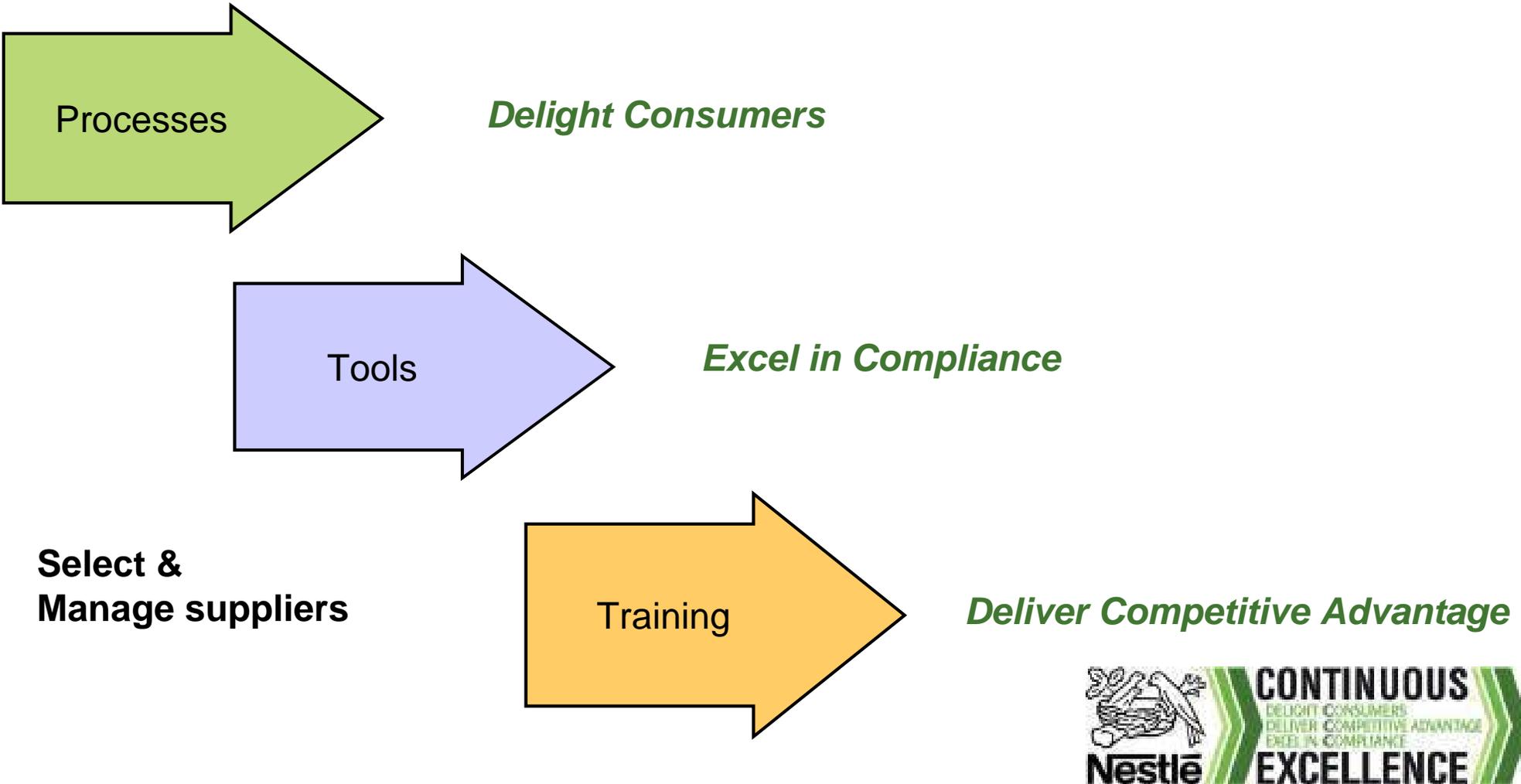
Supplier Code

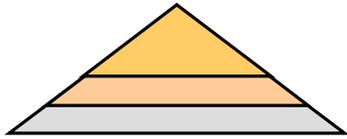
Our scope: Spend per category (2008)

Total: CHF 59 billion



Our objective: One way of operating - enabling buyers to focus on execution





Compliance: The Nestlé Supplier Code



The Nestlé Supplier Code



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

Labour Standard

Environment

Safety & Health

Business Integrity

Supplier Code communication

2009 Q1-Q2

2008

Purchase orders with Supplier Code

2.7 mio

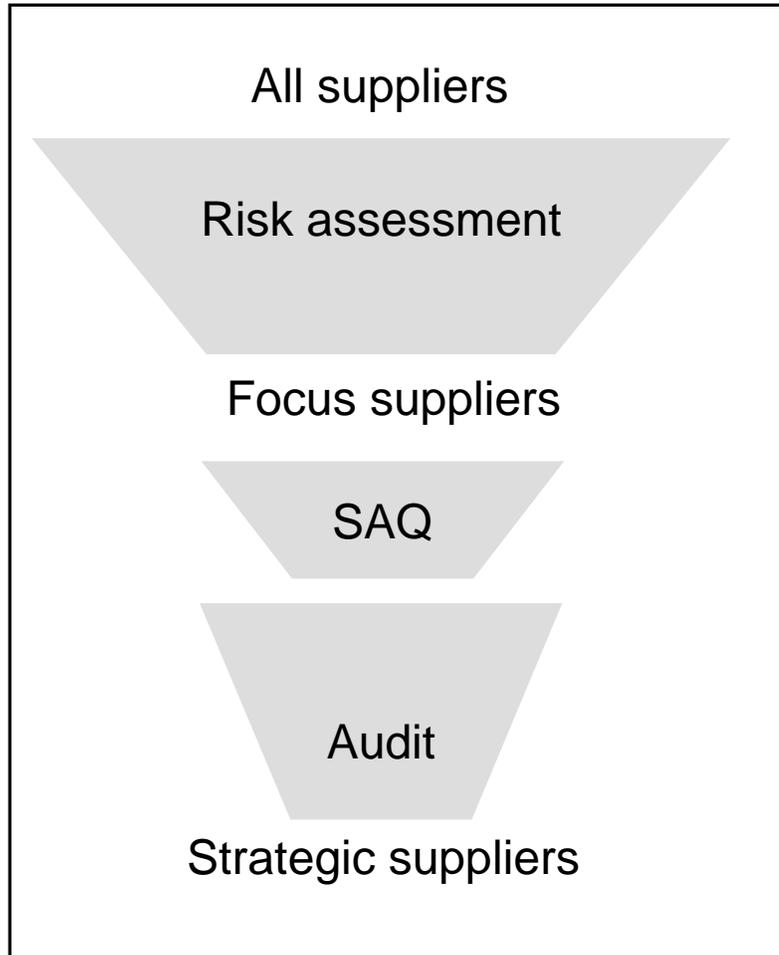
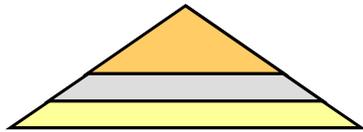
3.0 mio

Supplier Code sent to suppliers

100.000/100.000

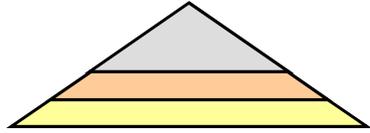
120.000/162.500

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

| Pilot Audits (2009) | nr. suppliers | spend mio CHF | raw & pack focus areas |
|---------------------|---------------|---------------|------------------------|
| Europe | 11 | 87 | 11% |
| Asia & Africa | 138 | 580 | 20% |
| America | 56 | 206 | 7% |



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**



Agriculture



Hans Jöhr

Corporate Operations – Agriculture

Creating Shared Value - Focus on Farmers

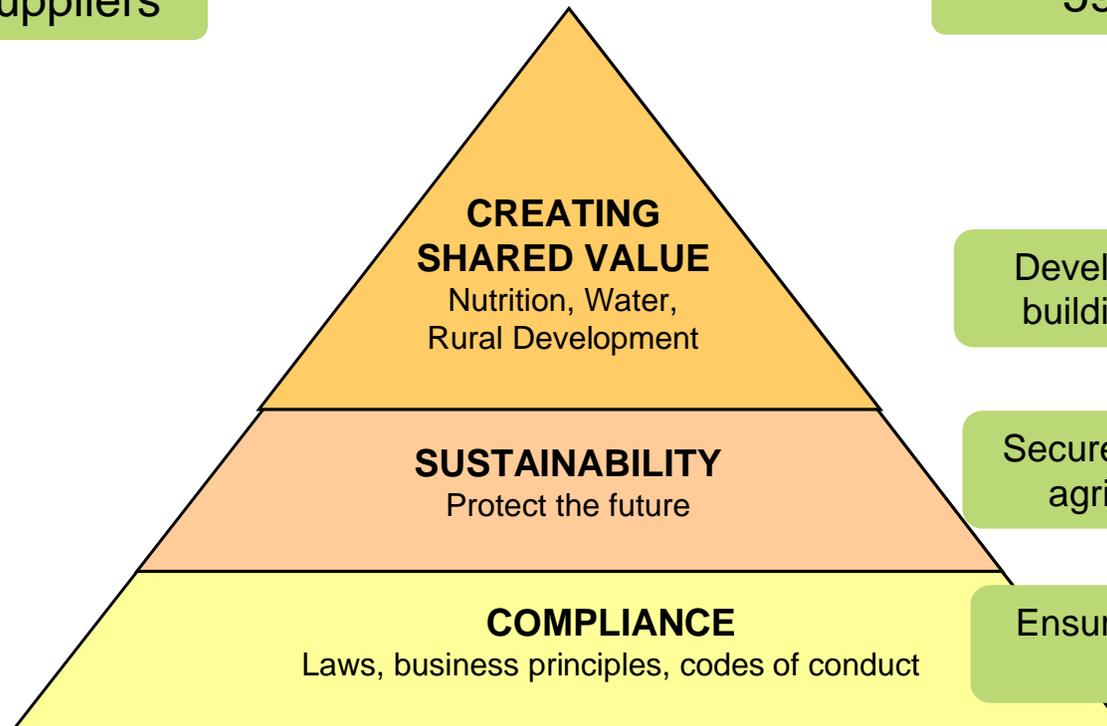


Corporate Procurement

162'500 active suppliers

Corporate Agriculture

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Develop farmers & suppliers
building capacity for growth

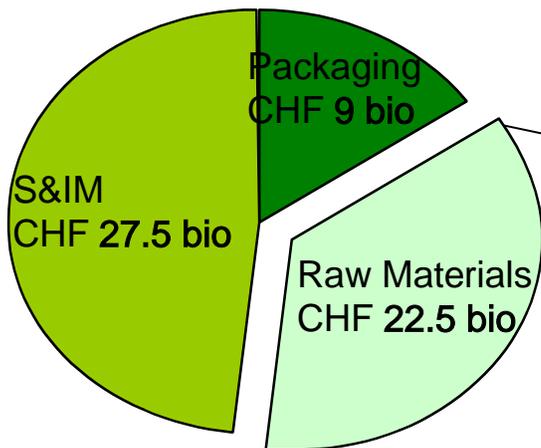
Secure availability of adequate
agricultural raw materials

Ensure safety & quality of raw
materials

Our scope



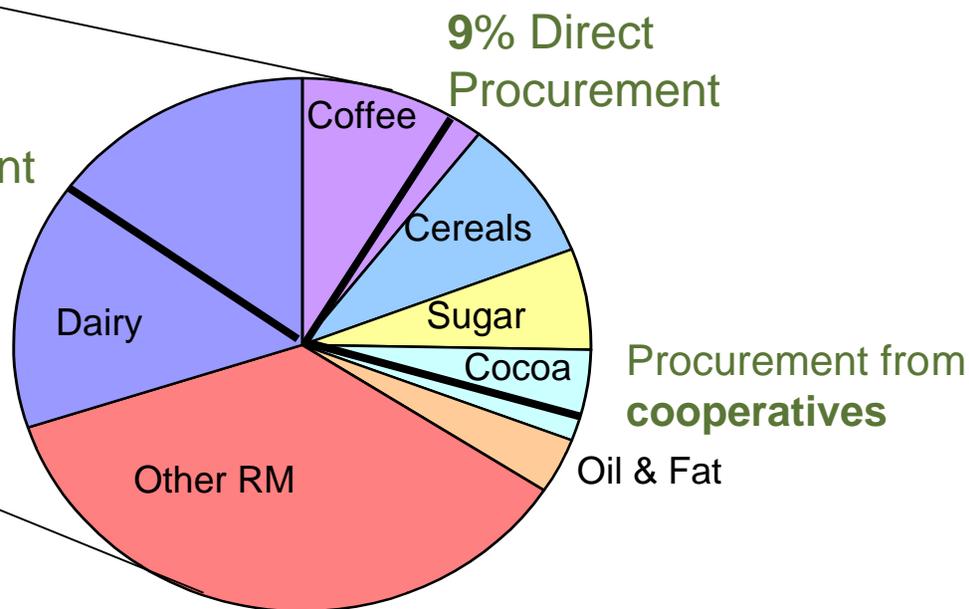
Nestlé Spend [2008]



59 billion CHF

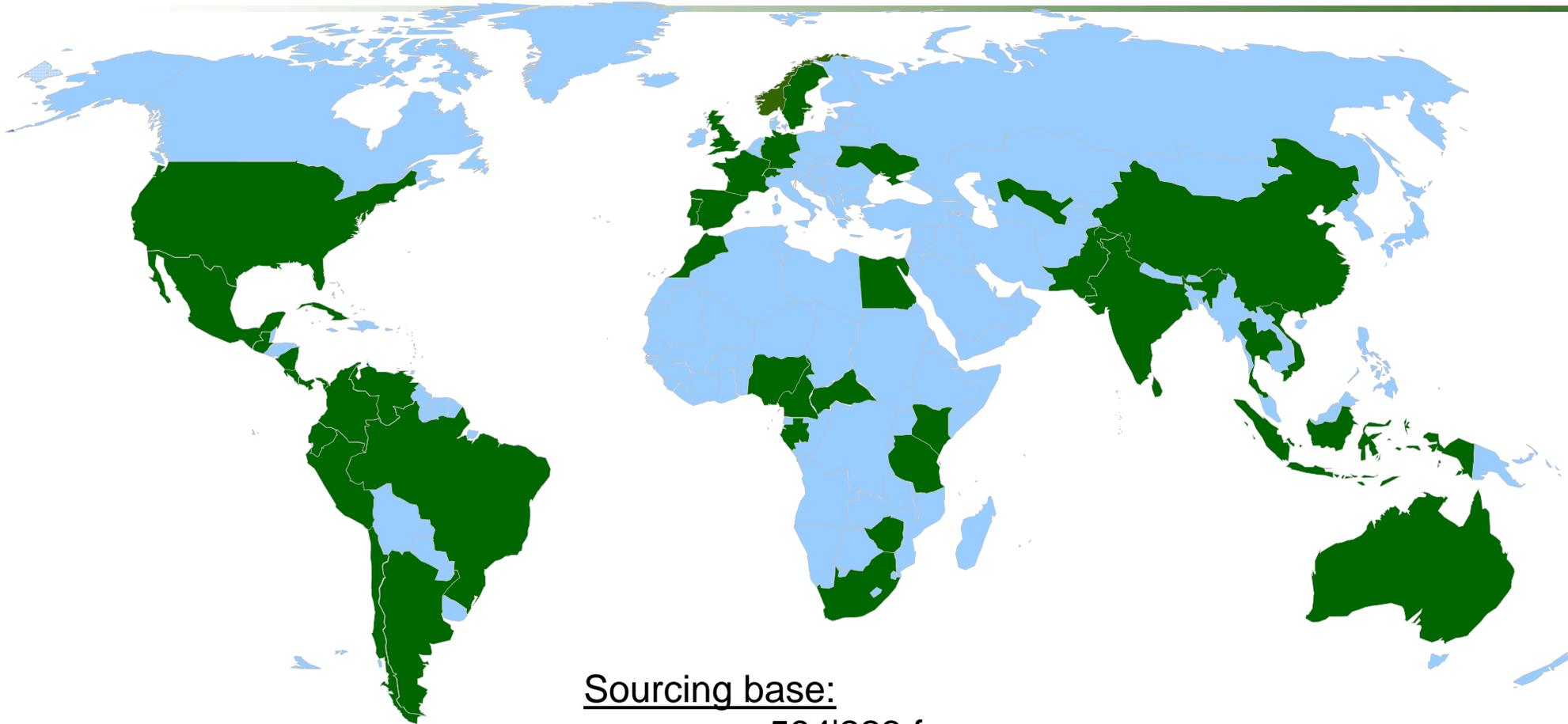
Milk, Total Volume Usage (MT) = 12'200'000
 Coffee, Total Volume Usage (MT) = 763'000
 Cocoa, Total Volume Usage (MT) = 372'000

42% Direct Procurement



Total Raw Materials

Our presence and geographical locations



● Markets with Direct Procurement activities

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.

Delight Consumers

Business strategy / Technical assistance

- Perform risk management in sourcing activities.
- Set technical & quality standards and disseminate / monitor implementation with primary producers.

Excel in Compliance

Servicing To Markets

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

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

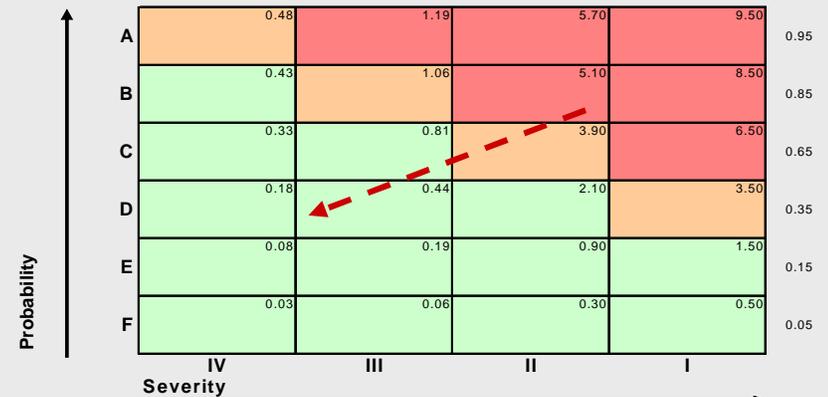
Farm

Storage

Transport

Factory

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

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***Highly contributing to the strategic concept of
Creating Shared Value***