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MAGDI BATATO  
EXECUTIVE VICE PRESIDENT

Ms Seema Joshi  
Head of Business and Human Rights  
Amnesty International  
International Secretariat  
1 Easton Street WC1X 0DW  
United Kingdom

Vevey, 26 October 2016

Dear Ms Joshi,

Many thanks for your letter of 20<sup>th</sup> October to Nestlé's CEO Paul Bulcke regarding palm oil and its use in our operations. Please allow me to respond on his behalf.

As a company that uses palm oil in a range of products, we take the issues of labour rights and working conditions in the palm oil supply chain extremely seriously and we are committed to engaging our suppliers to drive positive change. To date, we have made significant progress in improving traceability and in driving awareness amongst our suppliers of expected labour rights, standards and practices. There is still much to do, but the measures we are taking will, we believe, achieve significant progress over time.

Nestlé is not just acting alone in this endeavour, actively participating with like-minded companies through the Consumer Goods Forum. We are also collaborating with The Forest Trust (TFT) and others to assess behaviours and identify areas for remediation. Through collective action, we have a greater ability to influence major suppliers and deliver improvements in practices. For all of our suppliers, we regularly assess practices to ensure they reflect the requirements in our Nestlé Supplier Code and Responsible Sourcing Guideline.

Regarding the points raised in your letter regarding Wilmar International, I can confirm that Nestlé has been sourcing palm oil from this company – among a number of other suppliers – for more than 10 years.

Wilmar is part of our responsible sourcing programme, and in common with many of our other suppliers, it has made significant progress in improving traceability. We do not purchase segregated palm oil from Wilmar. However, 83% of the volume we purchase from them is traceable to mill, and around 11% is traceable back to individual plantations. For the volume traceable to mill, Wilmar is providing us with information on the name of the mill, the name of the parent company, the location of the mills and their RSPO certification status.

For palm oil traceable to plantation, the following information is required to meet our requirements:

- Estate (>25Ha under one management system in Indonesia):
  - Estate name
  - Parent company name
  - Certification status
  - GPS point
- Dealers/collectors (any entity that aggregates and supplies FFB from various growers):
  - Dealer names
  - % of overall FFB tonnage that mill receives from dealer (annually)
  - Estate name they buy from (as above)
  - Smallholders (as below)
- Smallholders (<25 Ha under one management system in Indonesia):
  - Number of smallholders
  - % of overall fresh fruit bunch tonnage that mill receives from smallholders (annually)

Our approach to Responsible Sourcing includes tracing palm oil ingredients back to plantations and assessing practices in these plantations against Nestlé's requirements, including those related to no deforestation and human rights<sup>1</sup>. Where standards fall below those required, we work with our suppliers to improve them. We do so together with our partner TFT, which is supporting our Nestlé buyers in establishing full supply chain mapping, as well as verifying practices on the ground at mill and plantation levels.

In the case of Wilmar, during a period between 2010 and 2012, we stopped sourcing some of our supply from the company due to evidence that the origins of a proportion of the palm oil provided were not in alignment with our Responsible Sourcing Guideline (RSG). However, following extensive engagement we received assurances that it would change its practices, and our full commercial relationship restarted.

Wilmar does not currently comply with all of Nestlé's RSG requirements yet. However, as you mention in your letter, the company has made a policy commitment, with a time bound Aggregator Refinery Transformation (ART) plan. It is implementing this according to specific milestones, addressing issues such as the protection of high conservation value (HCV) forests, the health & safety of workers and working and living conditions. This is also helping to improve transparency and mapping of third party purchasing. We are closely monitoring their progress against the ART, along with progress against their Policy Implementation Plan.

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Overall, 90% of our supply of palm oil (from all sources) is now traceable at least to the mill of origin, with 47% classified as responsibly sourced, meaning that suppliers are either compliant with or have in place an action plan to become compliant with our RSG. Our ambition is that by the end of 2017, this figure will reach 70%. Improved traceability allows us to gain greater insights into practices on the ground, and to identify areas for improvement. Further to your request, you will find attached a copy of the Traceability Declaration Document for suppliers that Nestlé has developed with TFT. We would be happy to discuss this in a meeting or phone call.

To assess the progress made by our suppliers, our partner TFT is verifying their practices. TFT is also providing technical assistance for the smallholders in our supply chain through the Rurality initiative (<http://rurality.org>).

Regarding certification, instead of stating that our use of palm oil is '100% sustainable', in 2013 we decided to adopt a policy of improving traceability and investing in remediation activities with our suppliers, and phasing out the purchase of GreenPalm certificates where it did not improve practices. This work continues. Nestlé remains a member of the RSPO and we continue to support cross industry efforts to improve practices associated with palm oil production.

We would take this opportunity to clarify with you the scope, methodology, and objective of your investigation, as well as the way that you engage with companies as part of your overall work on business & human rights. I remain at your disposal should this be of interest.

In addition, we look forward to reviewing and responding to the findings of the report you are working on, per to the commitment set out in your letter.

I look forward to hearing from you in the near future.

Yours sincerely,



Magdi Batato  
Executive Vice President, Operations  
Nestlé SA

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<sup>1</sup> Please see Nestlé's [Supplier Code](#) and [Responsible Sourcing Guideline](#) for further information