



# Rural Development

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Engagement in Sustainability

# Disclaimer

This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

# Rural Development

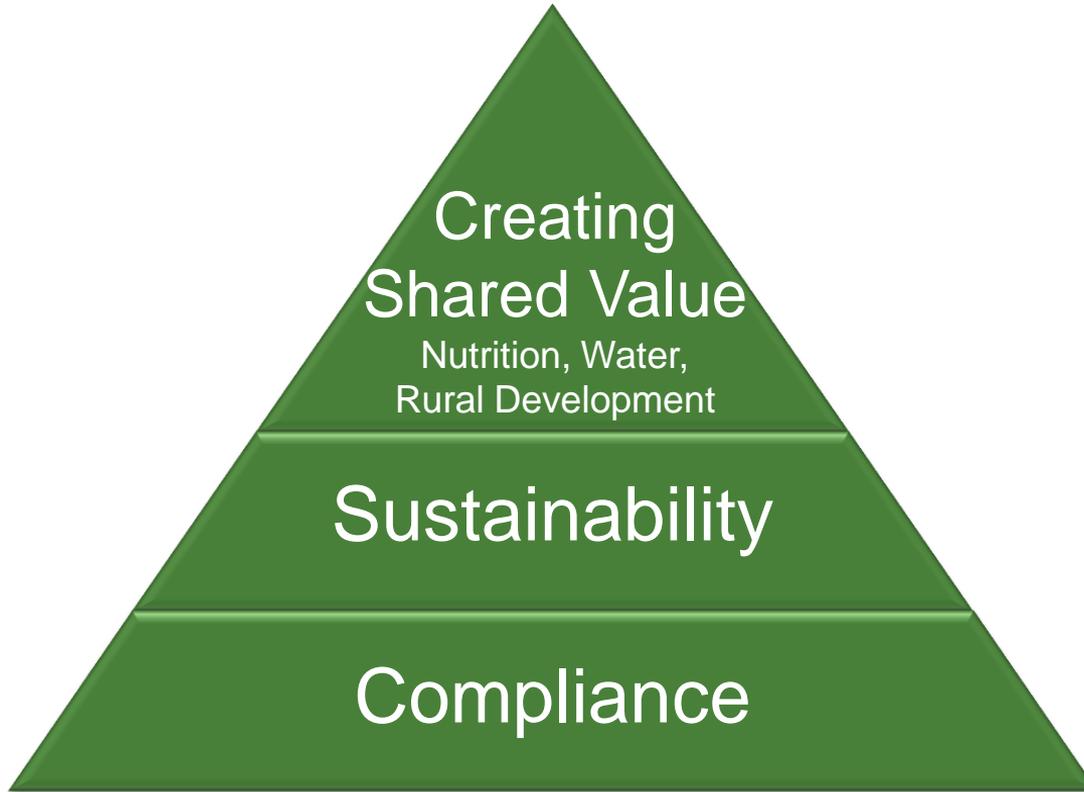
“Nestlé has identified areas of focus where shareholders’ and society’s interests intersect, and where value creation can be jointly optimised....

**Rural development:** because the overall wellbeing of farmers, rural communities, small entrepreneurs and suppliers are intrinsic to the long-term success of our business.

We aim to demonstrate and measure systematic and continuous improvement in .....these areas”

*The CSV pyramid description January 2011*

# Nestlé in Society



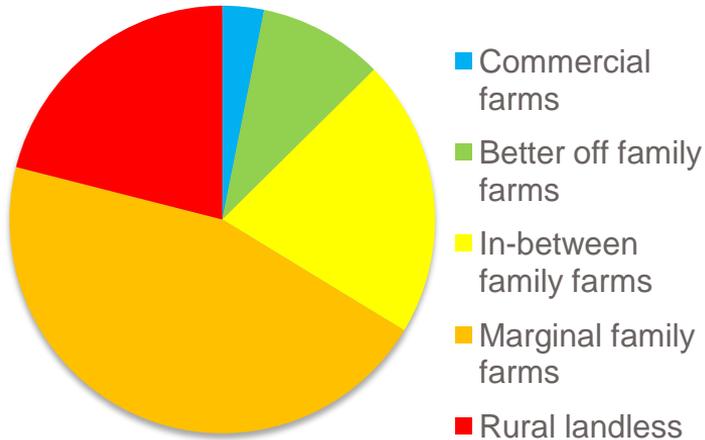
# Agricultural Commodities



Procurement from 6-7 Million Farmers  
Direct Procurement from 690,000 farmers ●

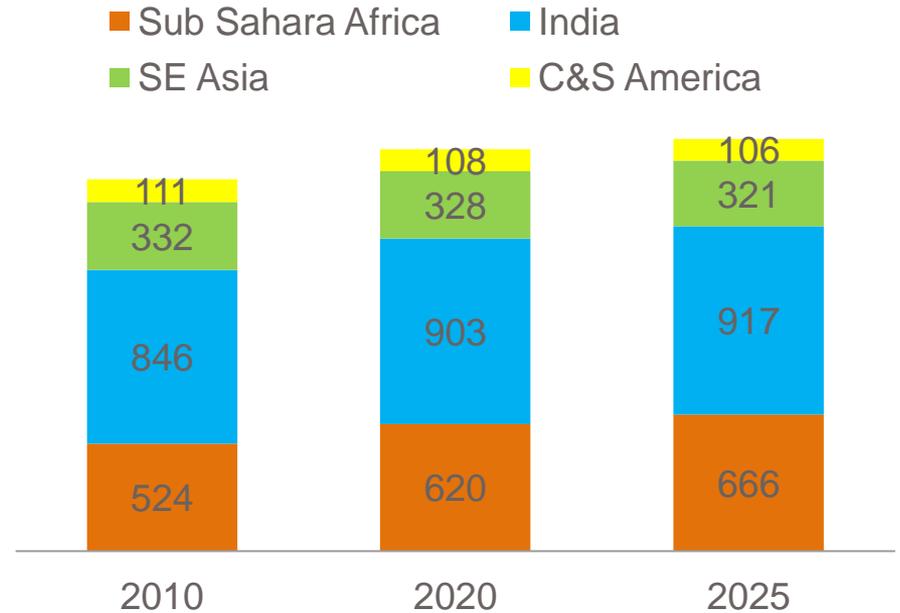
# Rural Population Challenges

## Farmers & Rural Workers



Data from Latin America 2008  
 Presented at Seas of Change Workshop  
 The Hague 12/04/12

## Lesser Developed Countries & India Rural Populations Grow



UN Population Data

# Behind the Brands



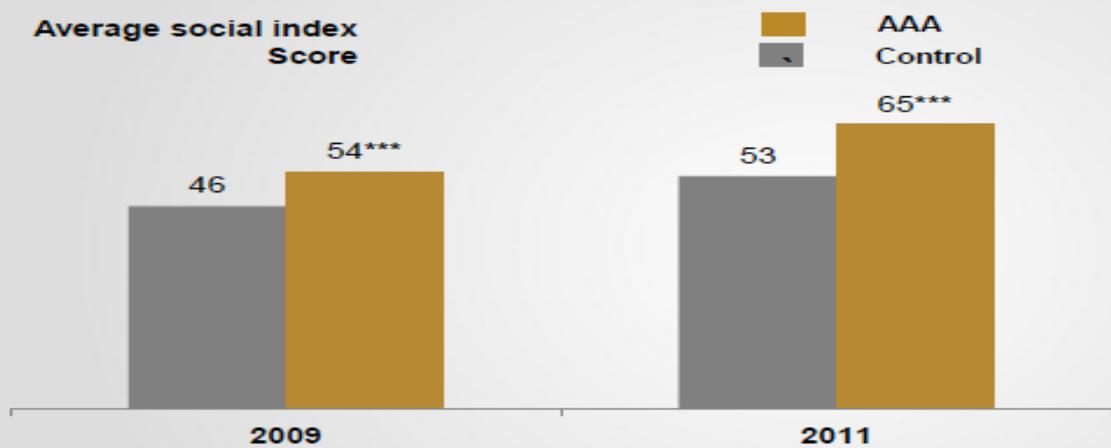
This scorecard was made on 26 February 2013. The latest version is available at <http://oxfam.org/behindthebrands>



# Social index: Better living conditions suggest that AAA is impacting positively at farm level

**+22.6% difference in social index for AAA farmers in 2011**

Components	
• Farm crop production for family consumption	
• Revenues from sales of other farm crops	
• Extra-earnings due to certification of other farm crops	
• Possession of household assets	↑
• Number of protective gear items used by the workers	↑
• Living conditions of the workers	↑
• Occupational safety and health	
• Perception of the household's quality of life	↑
• Perception of relationships with the employees	↑



Source: CRECE, coffee growers surveys, 2009 and 2011

\*\*The indexes were performed with principal component analysis using polychoric and polyserial correlations. See Kolenikov, S., and Angeles, G. (2004).



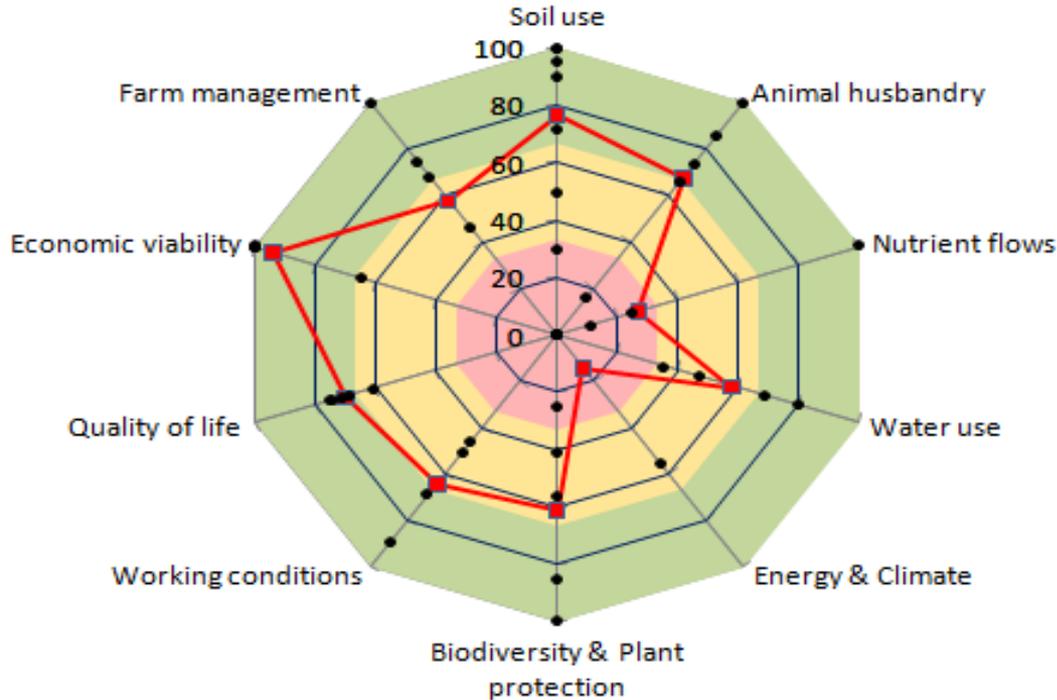
# Improving Performance in Dairy

Example from one farm:



**RISE**

University of Applied Sciences  
Swiss College of Agriculture SHL



- **State**  
0 pts.=high risks  
100 pts.= low risks
- ◆ **Driving force**  
0 pts.= low risks  
100 pts.=high risks
- **Degree of sustainability**  
  - positive
  - border area
  - negative



# Cocoa Plan™

## Farm profitability



2500  
farmers trained

200,000  
plants propagated

19,000  
farmers trained

824,000  
plants propagated

20,000  
farmers trained

1,000,000  
plants propagated

## Child labour elimination



Red Cross project

3 schools  
FLA partnership

40 schools in next 4 years  
FLA report

## Sustainable supply chain



8'000 tonnes  
(2% of Nestlé cocoa)

27'000 tonnes  
(6% of Nestlé cocoa)

40'000 tonnes  
(10% of Nestlé cocoa)

2010

2011

2012

# Rural Development Framework

THE DANISH  
INSTITUTE FOR  
HUMAN RIGHTS

**Solidaridad**

**FAIR LABOR  
ASSOCIATION**

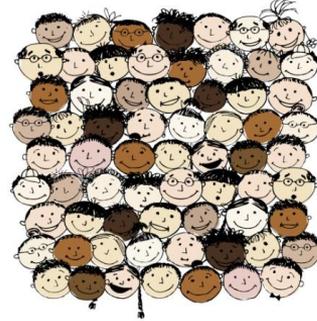
Farmers



Farm Workers



Communities

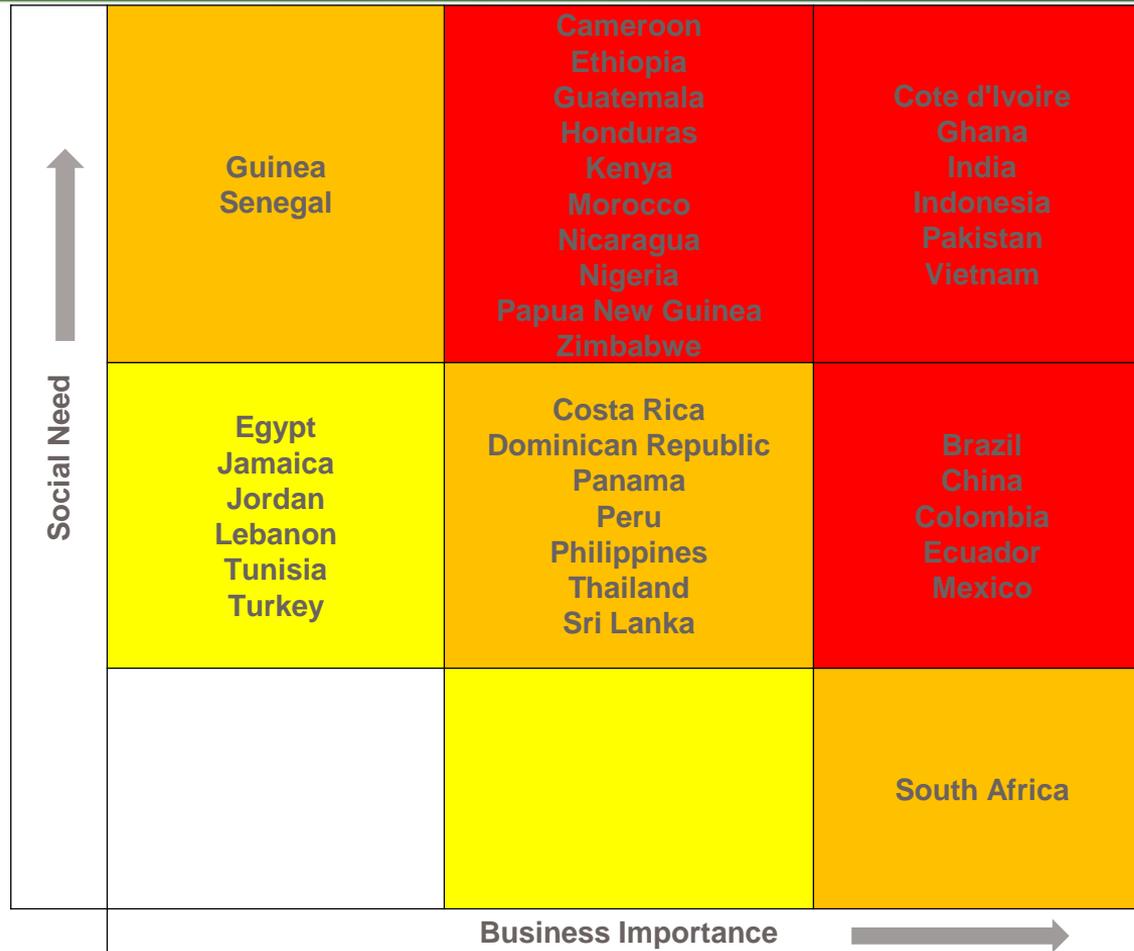


Alignment, Collaboration & Advocacy



**Nestlé**

# Priority Countries



# Successful Farmers

CSV Goal

Farmers are business-oriented and farming by choice

Business Value

Societal Value

Outcome

Crop Supply is Increasing

Farmers Productivity is Increasing

Crop Quality is Increasing

Farmer Net Incomes are Increasing

Transparency within Supply Chains

Farmers are Resilient to External Shocks

The Farmer is a responsible steward of natural & human resources (incl. workers)

Activities

Provision of Elite Plants  
& Other Materials

Training (technical & business) to  
farmers & women on costs,  
quality, productivity

Supply Chain Mapping

Facilitate provision of services (eg  
financial, insurance)

Commitments on Water, Human  
Rights, Biodiversity, Deforestation

Training on Water, Deforestation,  
Human Rights, Biodiversity, Soil

Strengthen Farmer Groups &  
Women's Representation

Allocation of Price Premiums

# Productive and Respected Workers

CSV Goal

The respect by employers for human rights makes rural based employment attractive for workers

Business Value

Societal Value

Outcome

Farmers and factories are able to attract the right workers at the right costs

Human rights & core ILO conventions are respected in all farm & factory operations

Increasing labour productivity

Workers receive a living wage

Farm and factory workers work in a safe and healthy environment

Workers skills and knowledge levels are continuously improved

Activities

Education & training of farmers, farmer groups & workers representatives

Auditing of labour conditions

Dialogue with worker representatives

Work study & work method

# Prospering Communities

CSV Goal

Communities around Factories and within Sourcing Districts  
Are Progressing Economically, Environmentally & Socially

Business Value

Societal Value

Outcome

Stable & reliable communities

Communities that are progressing  
economically, environmentally & socially

Activities

Community Needs Assessment  
& Engagement Programme

Programmes to improve nutrition,  
water & sanitation

Strengthen Farmer Groups

Programmes to improve quality of life

Programmes to diversify  
farm/non-farm income

Landscape level  
natural resource stewardship

Strengthen land tenure & communal land

Auditing of labour conditions

# Implementation

Designed to deliver upon Nescafé Plan, Cocoa Plan, Nespresso AAA, Dairy Sourcing etc  
Integrate with existing programmes eg Coffee 4C, RISE, UTZ Certification

Consistent approach and ambition across Nestlé  
Global priorities & local flexibility

Align activities with real business priorities  
Identify and set priority issues at a market level based upon identified gaps

Provides a credible process with partners  
Measure & communicate progress and activities

# Discussion

