Rural Development

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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.
“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*
Procurement from 6-7 Million Farmers
Direct Procurement from 690,000 farmers
Rural Population Challenges

Farmers & Rural Workers

- Commercial farms
- Better off family farms
- In-between family farms
- Marginal family farms
- Rural landless

Lesser Developed Countries & India Rural Populations Grow

<table>
<thead>
<tr>
<th>Year</th>
<th>Sub Sahara Africa</th>
<th>India</th>
<th>SE Asia</th>
<th>C&amp;S America</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>111</td>
<td>332</td>
<td>846</td>
<td>524</td>
</tr>
<tr>
<td>2020</td>
<td>108</td>
<td>328</td>
<td>903</td>
<td>620</td>
</tr>
<tr>
<td>2025</td>
<td>106</td>
<td>321</td>
<td>917</td>
<td>666</td>
</tr>
</tbody>
</table>

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

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

Average social index Score

<table>
<thead>
<tr>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>46</td>
</tr>
<tr>
<td>Control</td>
<td>53</td>
</tr>
</tbody>
</table>

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:
Farm profitability

2010
2500 farmers trained
200,000 plants propagated

2011
19,000 farmers trained
824,000 plants propagated

2012
20,000 farmers trained
1,000,000 plants propagated

Child labour elimination

Red Cross project
3 schools
FLA partnership

Sustainable supply chain

8'000 tonnes (2% of Nestlé cocoa)

27'000 tonnes (6% of Nestlé cocoa)

40'000 tonnes (10% of Nestlé cocoa)

FLA report

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Rural Development Framework

- Farmers
- Farm Workers
- Communities

Alignment, Collaboration & Advocacy
### Priority Countries

<table>
<thead>
<tr>
<th>Social Need</th>
<th>Business Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guinea Senegal</td>
<td>Cameroon Ethiopia Guatemala Honduras Kenya Morocco Nicaragua Nigeria Papua New Guinea Zimbabwe</td>
</tr>
<tr>
<td>Egypt Jamaica Jordan Lebanon Tunisia Turkey</td>
<td>Costa Rica Dominican Republic Panama Peru Philippines Thailand Sri Lanka</td>
</tr>
<tr>
<td>Brazil China Colombia Ecuador Mexico</td>
<td>South Africa</td>
</tr>
</tbody>
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**Social Need**
- Guinea Senegal
- Egypt Jamaica Jordan Lebanon Tunisia Turkey
- Costa Rica Dominican Republic Panama Peru Philippines Thailand Sri Lanka
- Brazil China Colombia Ecuador Mexico

**Business Importance**
- Cameroon Ethiopia Guatemala Honduras Kenya Morocco Nicaragua Nigeria Papua New Guinea Zimbabwe
- Cote d’Ivoire Ghana India Indonesia Pakistan Vietnam
- South Africa

**Rural Development**

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**June 17, 2013**

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**Nestlé**
# Successful Farmers

## CSV Goal

Farmers are business-oriented and farming by choice

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### Business Value

- Crop Supply is Increasing
- Crop Quality is Increasing
- Transparency within Supply Chains
- The Farmer is a responsible steward of natural & human resources (incl. workers)

### Societal Value

- Farmers Productivity is Increasing
- Farmer Net Incomes are Increasing
- Farmers are Resilient to External Shocks
- The Farmer is a responsible steward of natural & human resources (incl. workers)

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### Outcome

- Provision of Elite Plants & Other Materials
- Supply Chain Mapping
- Commitments on Water, Human Rights, Biodiversity, Deforestation
- Strengthen Farmer Groups & Women’s Representation

- Training (technical & business) to farmers & women on costs, quality, productivity
- Facilitate provision of services (eg financial, insurance)
- Training on Water, Deforestation, Human Rights, Biodiversity, Soil
- 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**
- 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

**Societal Value**
- Workers receive a living wage
- Farm and factory workers work in a safe and healthy environment
- Workers skills and knowledge levels are continuously improved

**Outcome**
- 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

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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