

17 May 2010

Introductory remarks

José Lopez, Executive Vice President, Nestlé S.A.

Ladies and Gentlemen,

Thank you very much for joining us here today. Thank you for following our invitation to discuss one of the most serious environmental issues we are facing on a global level: the destruction of tropical rainforests and peatlands.

We have recently faced criticism concerning palm oil used in some of our products, where sources were linked to deforestation. Please let me therefore first reiterate in unequivocal terms that we are opposed to deforestation of rainforests, not only in Asia, but in all parts of the world.

We have repeatedly emphasized our concern with deforestation, not only from palm oil growing, but for any reason. It is estimated that rainforest destruction contributes to around 20% of carbon dioxide emissions – more than the entire transport sector. We have also spoken out repeatedly against the environmental damage caused by using palm oil for bio-fuel.

Palm oil is not a major raw material for our products. Actually Nestlé only buys 0.7 per cent of the worldwide palm oil production. Nevertheless we are conscious of our responsibility in contributing to effective and sustainable solutions.

Please let me take you quickly through the concrete actions we have taken so far:

- We have joined a coalition calling for a moratorium on rainforest destruction for palm oil in Indonesia.
- We have become active member of the Round Table on Sustainable Palm Oil (RSPO).
- We have suspended purchases from a supplier which has admitted to mistakes in the area of deforestation. We have also made it clear to our suppliers of blended palm oil that we will not tolerate the presence of oil from non-sustainable sources.

- We have pledged to source only certified sustainably sourced palm oil by 2015.

We are rapidly making progress on certified palm oil and palm oil certificates. This year 18% of our purchases are covered and we expect to reach 50% by the end of next year.

As you may be aware, the supply chain of palm oil is very complex and there are no quick and easy solutions.

We have conducted an in depth analysis of our own supply chain in order to create transparency and detailed action plans. At the same time we are auditing our suppliers, exerting our influence to bring these audits to conclusion as speedily as possible.

We have been intensifying our cooperation with international organisations to build a global movement to support the development, implementation and disclosure of sustainable forestry practices. Also, we are in discussions with a number of non-gouvernemental organisations with expertise in this area and we actively contribute to find practical solutions to this complex problem.

In this context I am very happy to announce that Nestlé has entered a partnership with the Forest Trust (TFT), an organisation helping businesses to build responsible supply chains. Together we have defined a set of critical requirements to guide our procurement process and to ensure compliance with our Nestlé Supplier Code. The partnership will focus on two key areas:

- to assess the suppliers' performance in order to identify and exclude high risk plantations or farms linked to deforestation
- to provide technical support to suppliers to help them implement sustainability standards

This partnership with TFT is a further sign of our strong commitment to ending deforestation of rainforests.

As a basis for responsible operations and business success over the long term we must comply with the highest standards of business practice and environmental sustainability.

And in order to be successful in the long term we must at the same time create value for our shareholders and the society at large. This is what we call Creating Shared Value, a concept which is already integral part of our business strategy.

Please let me thank you again for taking part in our discussion round today. I look forward to a fruitful session, which will allow us to share our concerns and commitment in addressing this issue.