



# Procurement

Mr. Kevin Petrie  
Head of Procurement

These slides differ to those shown at  
the Nestlé Investor Seminar 2011

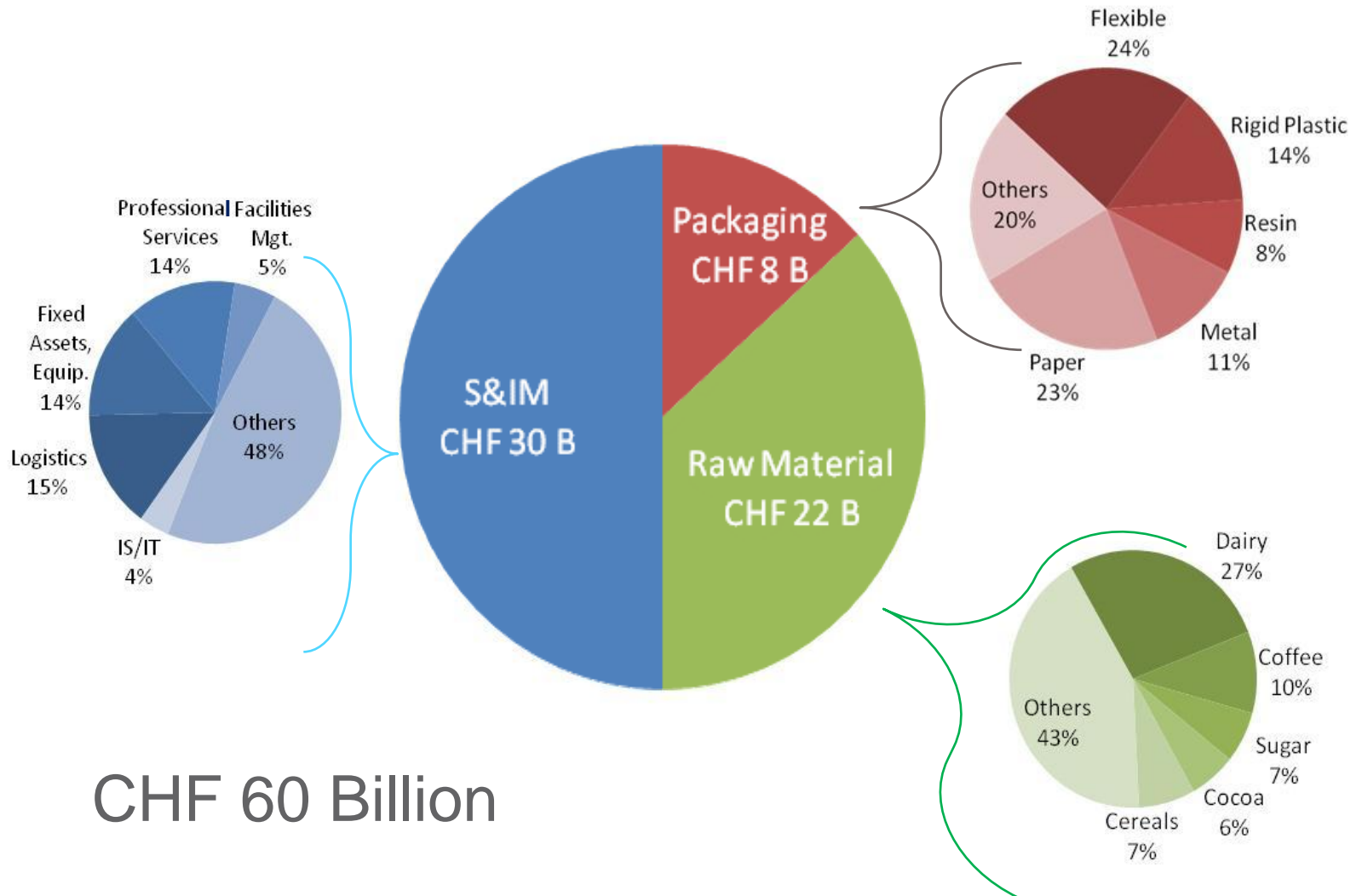
# Disclaimer

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.

# Agenda

- Procurement objectives and Nestlé spend
- Changing environment and managing commodity price trends
- Value chain and Procurement impact
- Accelerating leverage
- Responsible Sourcing
- Building on our People's Capabilities

# Nestlé Spend 2010

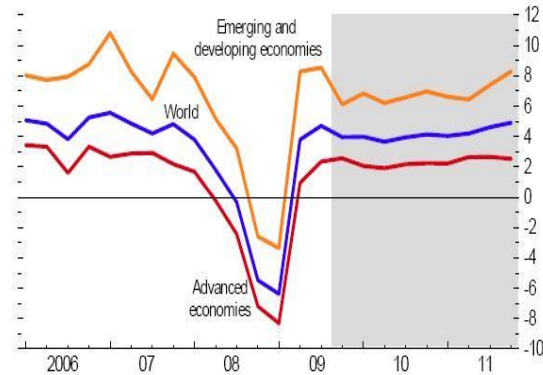


S&IM others including Marketing, Sales, Contract Manufacturing

# The Changing Environment and Price Trends

- Global Growth (IMF)
  - 4.4% 2011
  - +/- 4.5% through 2014
- Investment funds
- Currency
- Political Crisis
- Weather (El Niño/La Niña)
- Biofuel
- Increased Volatility

Figure 1. Global GDP Growth  
(Percent; quarter-over-quarter, annualized)

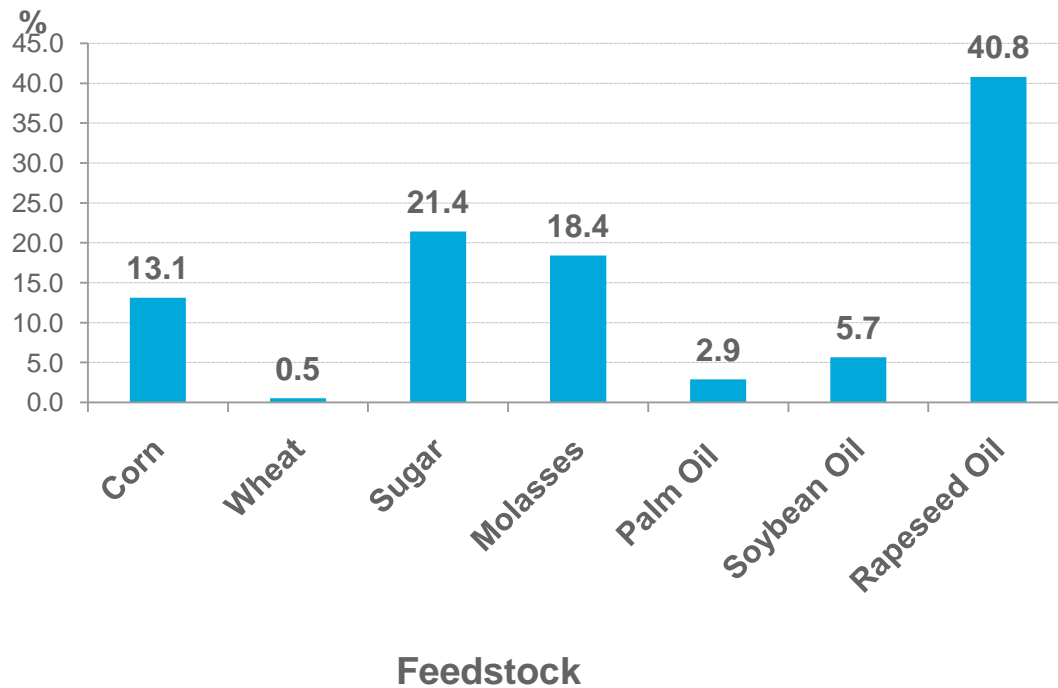


Source: IMF staff estimates.

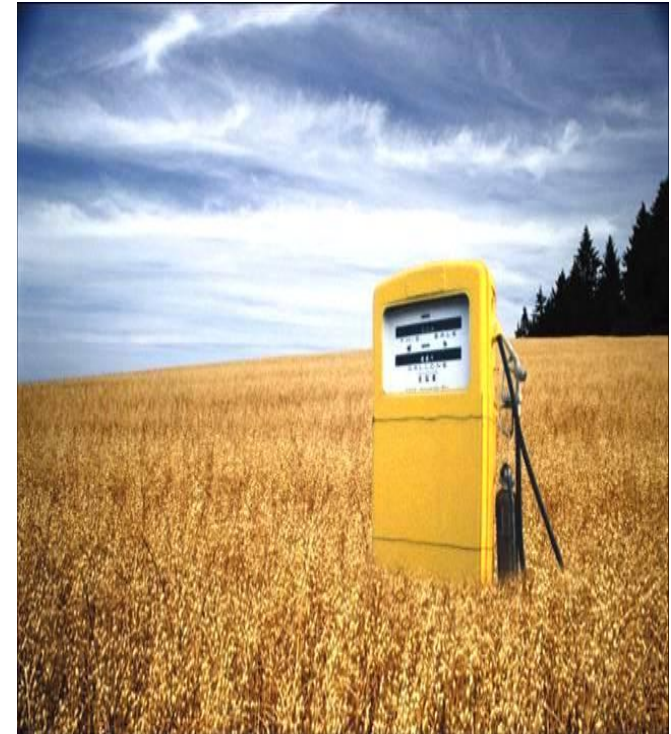


# Agricultural Feedstock to Biofuel is Significant

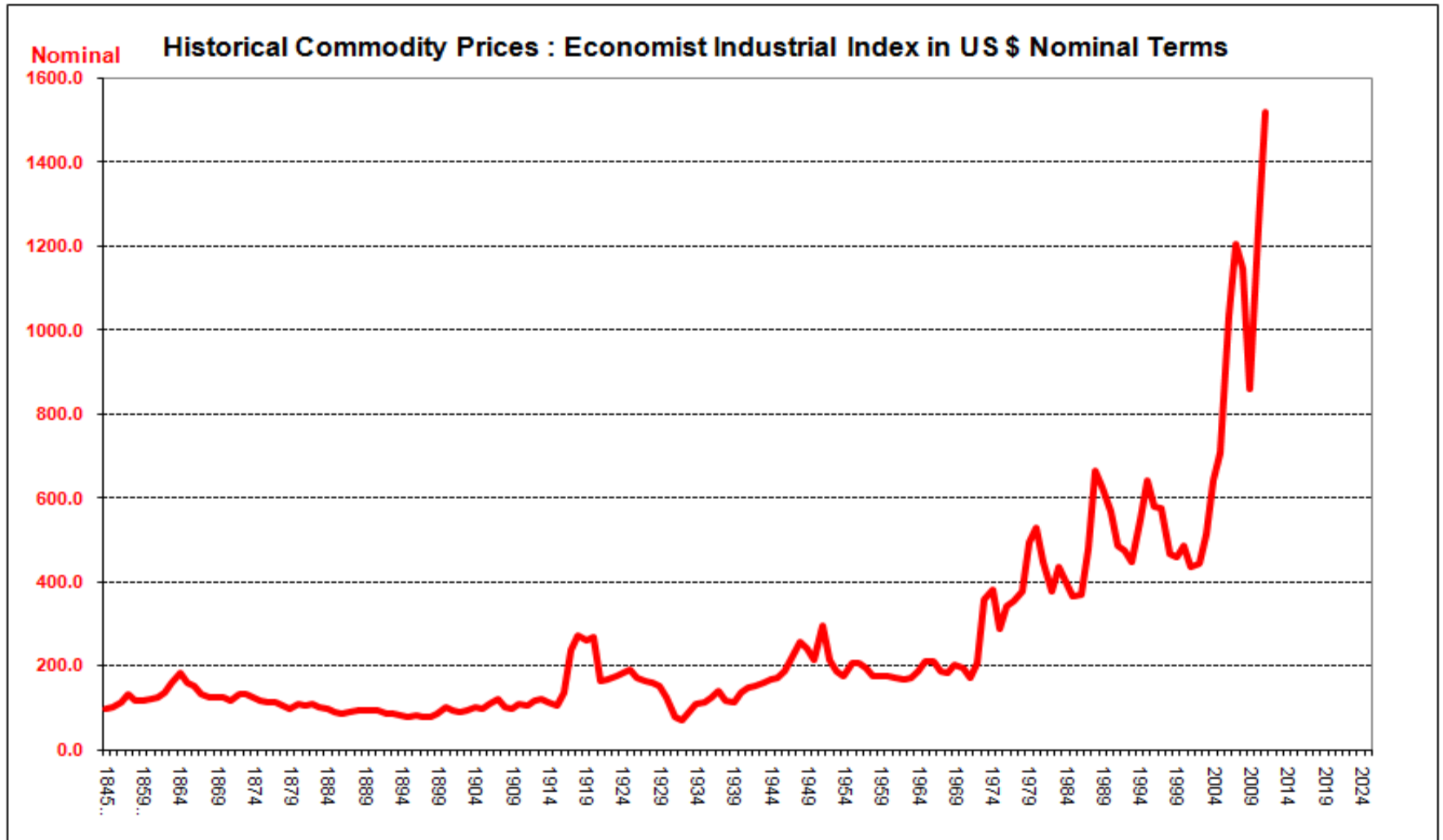
Share of Feedstock Used Globally in 2010 for Biofuel



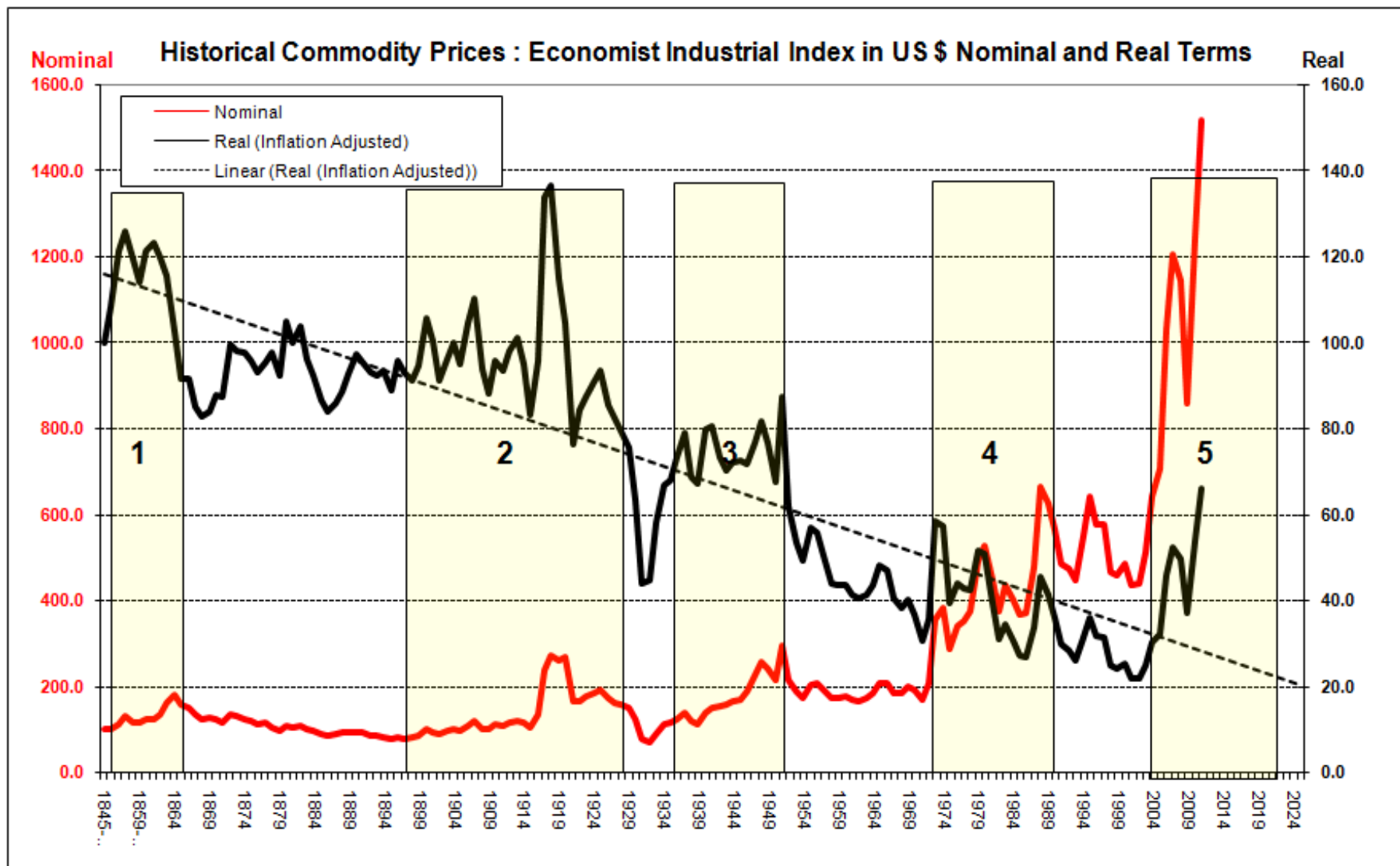
Sources: OECD, FAO, EIA



# Unprecedented Price Increases in Nominal Terms



# Inflation adjusted: In 5<sup>th</sup> Commodity Boom Cycle



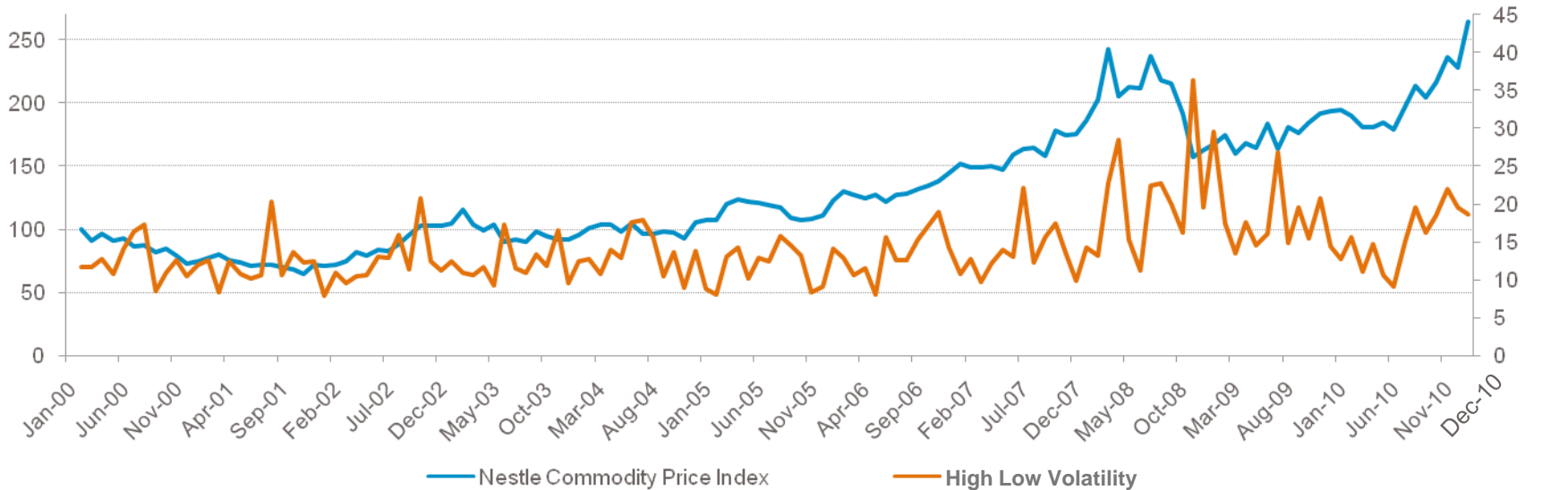


# Commodity Market Volatility has Increased

## Nestlé Monthly Commodities Index and Volatility %

Nestlé weighted price index\*

Monthly high-low change %



| Period      | % Average Volatility and Range |
|-------------|--------------------------------|
| 2000 - 2005 | 12.4 (8 - 22)                  |
| 2006 - 2010 | 16.4 (8 - 35)                  |

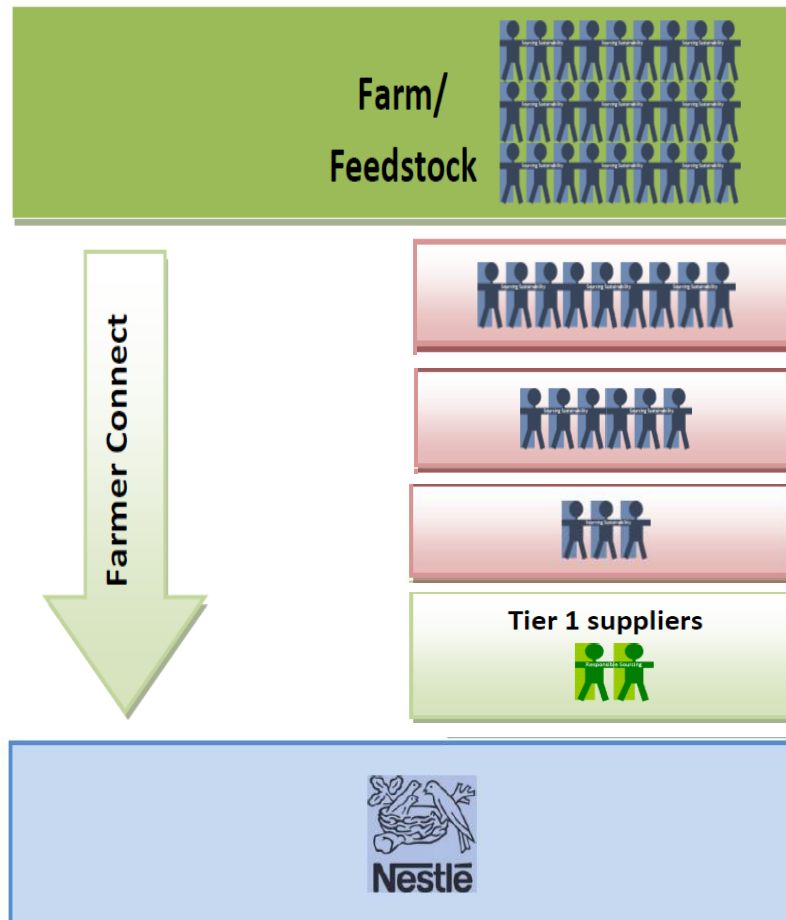
\* Market price, not price paid by Nestlé

# Responsible Sourcing

**Nestlé's Sustainable Agriculture Initiatives**  
#November 2011

**Direct engagement with 556,000 farmers**

E.g. coffee, cocoa, Milk



## Traceability Programme

For high risk spend categories



## Audit Programme vs. NSC

2010/2011:  
1735 3<sup>rd</sup> party audits  
of key suppliers



**Nestlé Responsible Sourcing**

# Summary - Anticipating the Changing Environment and Creating Competitive Gaps

- Provide forward looking information by business & commodity
- Dynamic Forecast 6 quarters forward and annual 3 year view
  - Nestlé began managing 2011 in Summer 2010
- Risk management strategies – futures and options
- Total Cost Optimization - Procurement with technical, with R&D specifications, yields, recipes,...
- Strategic Sourcing enables the delivery of competitive gaps in the value chain
- Accelerating Leverage
  - GLOBE, Procurement Best Practices, and NCE.
- Responsible Sourcing
- Building on the Capabilities of our People

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