Linking family farms to markets

16 July 2016

PRESENTATION

Nestlé in Society Creating Shared Value

By

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Nestlé in Society
Creating Shared Value

Linking Family Farms
To Markets

John Bee
Regional Head
Regulatory Affairs
Sub-Saharan Africa

UNCTAD World Leaders Investment Forum 2016

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Creating Shared Value at Nestlé

“For a company to be successful over the long term and create value for shareholders, it must create value for society.

Creating Shared Value is built up on a set of principles and values… based on respect.”
The Sustainable Development Goals

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals
NESTLÉ in Africa: a long term presence, investing in People, Brands and Manufacturing.
2015 sales in Africa: CHF 3.14 billion

- 26 Factories (starting in 1927 in South Africa)
- 18'300 Nestlé employees (63% management are locals)
- >185'000 people earning their living from Nestlé

More than CHF 250m invested in industrial capacity since 2010
## Nestlé FDI in Africa

### Yearly spend 2015 (Direct Materials)

<table>
<thead>
<tr>
<th></th>
<th>ZAR</th>
<th>EAR</th>
<th>CWAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa Origin</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Africa Origin</td>
<td>68%</td>
<td>41%</td>
<td>36%</td>
</tr>
<tr>
<td>% of Africa Origin</td>
<td>54%</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>ZAR</th>
<th>EAR</th>
<th>CWAR</th>
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</thead>
<tbody>
<tr>
<td>Raw Materials (CHF)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Africa Origin</td>
<td>94%</td>
<td>55%</td>
<td>57%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>ZAR</th>
<th>EAR</th>
<th>CWAR</th>
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</thead>
<tbody>
<tr>
<td>Packaging Materials (CHF)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Africa Origin</td>
<td>94%</td>
<td>55%</td>
<td>57%</td>
</tr>
</tbody>
</table>
Why we engage with family farmers

- We source materials from 4.1 million farmers, including directly from 760,000 in 50+ countries;
- Most are family farmers.
- Therefore, it is important for Nestlé that rural areas are attractive places to live, work and invest in;
- The overall wellbeing of farmers and their families, rural communities, small entrepreneurs and suppliers are intrinsic to the long-term success of our business.

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Number of farmers supplying directly to Nestlé

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>760,000</td>
</tr>
<tr>
<td>2014</td>
<td>695,000</td>
</tr>
<tr>
<td>2013</td>
<td>686,000</td>
</tr>
</tbody>
</table>

Number of farmers benefiting from financial assistance

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>98,000</td>
</tr>
<tr>
<td>2014</td>
<td>83,600</td>
</tr>
<tr>
<td>2013</td>
<td>59,000</td>
</tr>
</tbody>
</table>

Number of farmers trained through capacity-building programmes, of which 95,000 in 2015 were Africans

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>400,000</td>
</tr>
<tr>
<td>2014</td>
<td>376,000</td>
</tr>
<tr>
<td>2013</td>
<td>300,000</td>
</tr>
</tbody>
</table>
Working with cocoa farmers

Enhancing the lives of Cocoa Farmers and the quality of our products

Enabling farmers to run profitable farms

- Farmer training
- Higher yielding cocoa plants
- Access to better inputs
- Reward farmers for good quality cocoa

Improving social conditions

- Assisting with solutions to identified cases of child labour with practical help for children, mothers and communities such as school building
- Promoting gender equality
- Water and sanitation provision

Long term supply sustainable, quality cocoa

- Building long term supply chain relationships
- Supply chain transparency to farmer groups
- Respect the environment and avoid deforestation

Collaboration, transparency and public reporting

Working within WCF’s CocoaAction, and with independent partners like the Fair Labor Association, UTZ Certified, Fairtrade, local NGOs and research organisations.
Working with farmers in Equatorial Africa

Nescafé Plan
• In Kenya and Ethiopia reaching over 50,000 farmers
• In partnership with Coffee Management Services and Technoserve
• Trained on good agricultural & processing practices
• Provide high quality disease resistant seedlings at subsidized rates, soil analysis, demo plots, nurseries
• Gender and youth programme reaching over 10,000 beneficiaries
• Coffee aroma scholarship for farmers’ children
• Food security programme with Solidaridad
• Health camps with Novartis
• Kitchen gardens with Syngenta

Nestlé Dairy Empowerment Scheme
• In Zimbabwe, to revive dairy sector through training on good dairy practices
• Distribution of heifers to small scale farmers, women groups and commercial farmers
Working with farmers in West Africa: the Nestlé Grains Quality Improvement Project

Business Benefit:
- Improved quality and safety of raw materials used in our factories
  - Percentage rejection rate decreased from 30% in 2008/09 to 3% in 2015
- 100% locally sourced good quality (meet specification) grains for GOLDEN MORN and CERELAC

Societal Benefit:
- Over 80,000 farmers trained in awareness of health risks due to Mycotoxin contamination in food
  - 150 communities trained in contamination prevention
  - About 50% are women
- Reduced loss, increased yields and revenue for farmers

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Total trained</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6,218</td>
<td>6,213</td>
<td>12,431</td>
</tr>
<tr>
<td>2011</td>
<td>5,407</td>
<td>5,032</td>
<td>10,439</td>
</tr>
<tr>
<td>2012</td>
<td>10,326</td>
<td>9,683</td>
<td>20,009</td>
</tr>
<tr>
<td>2013</td>
<td>2,739</td>
<td>2,979</td>
<td>5,718</td>
</tr>
<tr>
<td>2014</td>
<td>7,301</td>
<td>7,359</td>
<td>14,660</td>
</tr>
<tr>
<td>2015</td>
<td>15,922</td>
<td>10,400</td>
<td>26,322</td>
</tr>
</tbody>
</table>

Percentage Factory Gate Rejection Rates

- Graph showing a decrease in rejection rates from 2008/09 to 2015.
Creating Shared Value Prize

2010
Winner: iDE Cambodia
Runners up: Arcenciel Lebanon, Excellent Development Kenya

2012
Winner: Fundación Paraguaya Paraguay
Runners up: Sanergy Kenya, MSABI Tanzania

2014
Winner: Honey Care Africa South Sudan
Runners up: Natural Extracts Industries (NEI) Tanzania

2016
Winner: Agro-Hub Cameroon
Runner up: Not specified
Thank you