

KnowTheChain Food & Beverage Benchmark - Additional Disclosure 2020

Company Name: Nestlé

Guidance:

- We welcome examples of leading practices.
- Unless you are sharing leading practices, please limit the information to indicators for which KnowTheChain could not yet identify sufficient information on your website. Please see the 'comment text' and 'source' cells in the Excel document for the information we have already reviewed.
- Note KnowTheChain has already undertaken a review of your website. Should you wish to include links to existing disclosure, please specify the page number / section you are referring to (extensive additional disclosure documents that include a comprehensive list of links already reviewed will not be considered).

Overall additional information

UN Guiding Principles Reporting Framework Index of Answers 2019 (published on 30 March 2019)
<https://www.nestle.com/sites/default/files/2020-03/creating-shared-value-ungprf-index-of-answers-2019.pdf>

THEME 1: COMMITMENT AND GOVERNANCE

1.1 Commitment

The company:

- (1) publicly demonstrates its commitment to addressing forced labor and human trafficking.

1.2 Supplier Code of Conduct

The company's supplier code of conduct:

- (1) requires suppliers to respect the ILO core labor standards, which include the elimination of forced labor;
- (2) is easily accessible from the company's website;
- (3) is updated regularly, following internal review and input from external stakeholders;
- (4) is communicated to the company's suppliers; and
- (5) requires its first-tier suppliers to take steps to ensure that their own suppliers implement standards that are in-line with the company's supply chain policies addressing forced labor and human trafficking.

Additional information: <https://www.nestle.com/sites/default/files/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf>

The Standard makes it clear that it applies to the entire upstream supply chain.

The Standard sets forth requirements for upstream supply chain third parties, including Nestlé sourcing teams, through to first tier suppliers (and all affiliates), sub tier suppliers (intermediaries)

and origin service providers, farms or sea based raw material production defined as origin. It is the responsibility of sub tier suppliers to disseminate, educate and exercise due diligence in implementing requirements equivalent or similar to the Standard. The following requirements listed apply widely to the entire upstream supply chain and are organized by tiers to facilitate the reading of the document.

And under the Chapter Tier 1, which includes ILO Conventions:

Every year, Nestlé sources an average of 25 million tons of raw and packaging materials, along with services and indirect materials. The Standard applies to Tier 1 suppliers, upstream intermediaries and origins supplying these volumes or services.

Palm oil e.g. – see our labor action plan showing that the requirement for the implementation of the standards is throughout the supply chain and does not stop at Tier 1 – <https://www.nestle.com/sites/default/files/asset-library/documents/creating-shared-value/responsible-sourcing/palm-oil-action-plan-2018.pdf>

1.3 Management and Accountability

The company:

- (1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labor and human trafficking; and
- (2) has tasked a board member or board committee with oversight of its supply chain policies that address forced labor and human trafficking.

Additional information - <https://www.nestle.com/csv/what-is-csv/governance>

The Responsible Sourcing Committee is responsible for overseeing the implementation of our Responsible Sourcing Standard and Responsible Sourcing program. Its chair, Magdi Batato, is the Chief Operating Officer and Executive Board Member.

1.4 Training

The company:

- (1) trains all relevant decision-makers within the company on risks and policies that address forced labor and human trafficking;
- (2) trains its first-tier suppliers on risks and policies that address forced labor and human trafficking and discloses the percentage of first-tier suppliers trained; and
- (3) engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labor and human trafficking to their own supply chains and/or trains suppliers below the first tier on such policies.

Palm oil - See: <https://www.nestle.com/csv/raw-materials/palm-oil> and <https://www.nestle.com/sites/default/files/2020-01/responsible-palm-oil-sourcing-2019.pdf>

In 2018, NGO [Verité](#) conducted a systems review of how we manage labor rights challenges in our palm oil supply chain. In 2019, it went one step further by conducting in-depth reviews of two of our direct suppliers. The objective was to understand how our [Responsible Sourcing Standard \(pdf, 2.4Mb\)](#) translates to practices throughout the supply chain. Verité conducted comprehensive labor and occupational health and safety assessments of seven mills and 11 estates in Indonesia and Malaysia that collectively employ over 4000 workers, including interviews with over 200 workers.

The assessment found that Nestlé and our assessed suppliers have policies in place that do cover the entire supply chain; however, gaps inhibit these policies from being enacted at all upstream sites. In 2020, Verité will work with Nestlé to update our [Action Plan on Labour Rights in Palm Oil Supply Chains \(pdf, 0.4Mb\)](#) and to strengthen these supplier management systems to more effectively address labor rights challenges.

We have also supported the development of guidelines on targets and payments systems that will be published in early 2020 to enable more small- and medium-sized palm oil companies in Indonesia to set appropriate targets and fair compensation policies for their workers.

Nestlé has supported several key initiatives to promote responsible recruitment:

- Funding the development of a [human rights-based due diligence tool on ethical recruitment](#), to support palm oil producers to establish transparency in their recruitment practices and identify risks.
- Training 12 assessors in identifying forced labor risks associated with migrant workers' recruitment, during typical site assessments.
- Supporting research by Earthworm Foundation into the recruitment practices and costs among small and medium-sized third-party suppliers, involving 58 workers, one recruitment agent and four companies/employers.

Seafood: <https://www.nestle.com/csv/raw-materials/fish-seafood> and <https://www.nestle.com/sites/default/files/2020-04/nestle-responsible-sourcing-seafood-progress-report-2019.pdf>

In 2019, we initiated two new partnerships to address labor rights in our Thai seafood supply chain. Along with the J.M. Smucker Company, Mars Petcare and our supplier Thai Union, we signed a memorandum of understanding to collaboratively fund projects in 2020 to improve the working conditions of fishermen on vessels. We also initiated a partnership with The Fair Hiring Initiative, Inc. (TFHI) to conduct capacity-building for ethical and fair recruitment for agencies and employers enrolled in TFHI's 'On The Level' certification program pilot. The aim of this partnership is to support an increase in the pool of responsible recruitment agents and therefore responsibly recruited workers in the industry.

1.5 Stakeholder Engagement

To fully understand and address working conditions in sourcing countries, companies need to engage with potentially affected groups and local stakeholders such as trade unions, worker organizations, or local NGOs—in addition to suppliers. Furthermore, as forced labor risks tend to be systemic in nature, collaboration with other companies, for example, to engage policy makers to strengthen labor legislation, is needed to address forced labor in supply chains.

In the last three years, the company has engaged relevant stakeholders by:

- (1) **providing at least two examples of engagements on forced labor and human trafficking with stakeholders such as policy makers, worker rights organizations, or local NGOs in countries in which its first-tier suppliers and suppliers below the first tier operate; and**

Additional info: see <https://www.nestle.com/sites/default/files/2020-01/responsible-palm-oil-sourcing-2019.pdf> (p. 10)

In Malaysia, we participated in the Ethical Recruitment Multi-Stakeholder Forum, organized by Earthworm Foundation and International Organization for Migration (IOM). This forum helped raise awareness of ethical recruitment related issues, root causes and solutions, among 31 palm oil companies employing approximately 86,365 migrant workers.

- (2) actively participating in one or more multi-stakeholder or industry initiatives focused on eradicating forced labor and human trafficking across the industry.

THEME 2: TRACEABILITY AND RISK ASSESSMENT

2.1 Traceability and Supply Chain Transparency

The company discloses:

- (1) the names and addresses of its first-tier suppliers;
- (2) the countries of its below-first-tier suppliers (this does not include raw material suppliers);
- (3) the sourcing countries of at least three raw materials at high risk of forced labor and human trafficking; and
- (4) at least two types of data points on its suppliers' workforce (e.g., the number of workers, gender or migrant worker ratio, or level of unionization per supplier).

Additional information:

We have disclosed our supply chains for the 15 raw materials that are part of our Responsible Sourcing Program: <https://www.nestle.com/supply-chain-disclosure>

2.2 Risk Assessment

Risk assessment involves evaluating the potential that a company has (by virtue of who its suppliers are and where they are located) of being linked to forced labor and human trafficking. Risk assessment is a process that is carried out in addition to and outside of auditing. It helps identify potential forced labor risks as well as actual impacts that may be hard to detect through audits. This process may involve engaging local stakeholders, labor rights experts, independent sources, and assessing risks associated with specific raw materials, regions, or groups of workers such as migrant workers.

The company discloses:

- (1) details on how it conducts human rights supply chain risk or impact assessments that include forced labor risks or assessments that focus specifically on forced labor risks; and
- (2) details on forced labor risks identified in different tiers of its supply chains.

The Know the Chain assessment states: *The company does not disclose whether these risks have been identified in different tiers of its supply chains.*

However, we are clear in our action plans that we are working throughout the supply chain and not only with our Tier 1 suppliers – e.g. see: <https://www.nestle.com/stories/nestle-launched->

[action-plan-palm-oil](#) and <https://www.nestle.com/sites/default/files/asset-library/documents/creating-shared-value/responsible-sourcing/palm-oil-action-plan-2018.pdf>

Example - <https://www.nestle.com/sites/default/files/2020-04/nestle-responsible-sourcing-seafood-progress-report-2019.pdf>

Our aim is to adapt and apply the same tools used in our Tier 1 facilities to reach workers at the vessel level (including worker voice at sea, ethical recruitment, remediation, and debt relief). This is why we have contributed Issara's [Fishery Labor Improvement Program \(FLIP\)](#) since 2018. FLIP - addresses these critical labour risks and opportunities for systems and industry strengthening, through a package of 4 key initiatives:

1. **Issara Remediation Initiative:** Working with vessel owners and fishermen to educate on labour rights and the law, then identify and remediate labour risks
2. **Ethical Recruitment Program:** Working with the governments and progressive recruitment agencies to recruit skilled, guaranteed debt-free workers to crew fishing boats owned by participating vessel owners
3. **Multi-stakeholder Debt Relief Fund:** Working with Issara Strategic Partners to incentivize vessel owners to cancel debts of crew and absorb the costs of their recruitment, while understanding the competitive landscape and perspectives of vessel owners and buyers
4. **Worker Voice at Sea:** Integrating Issara's worker voice technology with the most cutting edge vessel tracking and catch traceability reporting technology

THEME 3: PURCHASING PRACTICES

3.1 Purchasing Practices

Purchasing practices and pricing may both positively impact labor standards in the company's supply chains and increase risks of forced labor and human trafficking.

The company:

(1) is taking steps toward responsible raw materials sourcing;

Additional information:

Responsible Sourcing definition for each raw material:

<https://www.nestle.com/sites/default/files/2020-03/creating-shared-value-responsible-sourcing-definitions-2019.pdf>

Responsible sourcing KPIs for each raw material:

<https://www.nestle.com/sites/default/files/2020-03/creating-shared-value-responsible-sourcing-kpis-2019.pdf>

Overall Responsible Sourcing approach:

<https://www.nestle.com/csv/impact/rural-livelihoods/responsible-sourcing>

- (2) is adopting responsible purchasing practices in the first tier of its supply chains, which include planning and forecasting;
- (3) provides procurement incentives to first-tier suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts); and
- (4) discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labor and human trafficking.

3.2 Supplier Selection

The company:

- (1) assesses risks of forced labor at potential suppliers before entering into any contracts with them and discloses details on the outcomes of this process.

3.3 Integration into Supplier Contracts

The company:

- (1) integrates the ILO core labor standards, which include the elimination of forced labor, into supplier contracts;
- (2) discloses the percentage of suppliers whose contracts include such standards; and
- (3) requires its suppliers to integrate such standards into contracts with their own suppliers.

Additional info – this page has been updated since you last reviewed it:

<https://www.nestle.com/aboutus/suppliers>

The Standard is an integral part of **all** of our purchase orders and supply contracts. Through our Sustainable Sourcing Tier 1 program, we verify compliance with the Standard by our direct suppliers through independent audits carried out by audit firms accredited by Nestlé. These audits follow the [SMETA Best Practice Guidance](#). If non-compliance issues or gaps are found, a time-bound action plan is developed and implemented by the supplier. The implementation of this plan will be later verified by the auditor. In case a supplier refuses to undergo an audit or to close gaps, we may terminate the business relationship. In 2019, around 3500 audits were carried out.

In addition to verifying compliance with our direct suppliers, we have identified [15 raw materials](#) that present higher risk of environmental and/or social issues. For those, we work closely with our direct suppliers and partners to conduct a [mapping of our upstream supply chains](#) and carry out farm assessments in our upstream supply chain with partner organizations. In many cases, issues are identified that require long-term, tailored interventions to tackle their root causes for greater impact.

THEME 4: RECRUITMENT

4.1 Recruitment Approach

The company:

- (1) has a policy that requires direct employment in its supply chains;
- (2) requires employment and recruitment agencies used by its suppliers to respect the ILO core labor standards, which include the elimination of forced labor; and
- (3) discloses information on the recruitment agencies used by its suppliers.

4.2 Recruitment Fees

According to the ILO, workers should not be charged directly or indirectly, in whole or in part, any fees for recruitment or related costs (such as costs for training, medical tests, or travel).

The company:

- (1) requires that no worker in its supply chains should pay for a job—the costs of recruitment (i.e., recruitment fees and related costs) should be borne not by the worker but by the employer ("Employer Pays Principle"); and
- (2) takes steps to ensure that such fees are reimbursed to the workers and/or provides evidence of payment of recruitment-related fees by suppliers if it discovers that fees have been paid by workers in its supply chains.

4.3 Monitoring and Responsible Recruitment

The company:

- (1) takes steps to ensure employment and/or recruitment agencies used by its suppliers are monitored to assess and address risks of forced labor and human trafficking; and
- (2) provides details of how it supports responsible recruitment in its supply chains (e.g., by collaborating with stakeholders to engage policy makers to strengthen recruitment standards).

Additional info: see <https://www.nestle.com/sites/default/files/2020-04/nestle-responsible-sourcing-seafood-progress-report-2019.pdf>

As of 2018, all of our Thai seafood suppliers implemented responsible recruitment initiatives. Nestlé's partnership with **Issara Institute** helps provide transparency and access to recruitment information from the home country recruitment process and from the first-mile at the village level in the country of origin. In 2019, almost 5,000 foreign migrant workers in our Tier 1 facilities were newly recruited from Myanmar via the formal agreement between the Myanmar and Royal Thai governments (MOU channel), using recruitment agencies who have undergone responsible recruitment trainings and practice these principles. Responsible recruitment, also extends to recruitment agencies supporting MOU "u-turn workers" who renewed their contracts after 2 years of working in Thailand. In 2019, our suppliers processed over 300 of these workers through responsible recruitment systems.

At the end of 2018 and beginning of 2019, Verité conducted two multi-stakeholder consultations with 23 individuals from civil society, local government, and the Association of Cambodian Recruitment Agencies (ACRA) in Phnom Penh, Cambodia to improve the migrant workers' recruitment practices. Consultation sessions included a gaps analysis in pre-departure activities in Cambodia and an action-planning workshop to address these gaps. The objective of these sessions was to share and validate with the participants Verité's initial findings about the recruitment practices and experience of Cambodian workers migrating to Thailand, map out the actors involved in the recruitment of Cambodian migrant workers, including those involved in pre-departure trainings, and to explore how to collaboratively strengthen the current pre-departure programs for Thailand-bound Cambodian migrant workers.

In 2019, an action plan was developed including capacity building on ethical recruitment for commune leaders, NGOs and the Cambodia Anti-Trafficking Commission; training for NGOs on how to document labor risks among vulnerable populations; cooperation building on disseminating information and accessing grievance mechanism(s) between Thai and Cambodian NGOs, and other relevant stakeholders, and increasing the capacity of NGOs to monitor compliance of Private Employment Agencies to their Code of Conduct.

4.4 Rights of Workers in Vulnerable Conditions

Migrant workers and other workers in vulnerable conditions are at a higher risk of being in forced labor, and additional steps are needed to ensure their rights are respected. Conditions which render workers vulnerable may include characteristics such as gender or age and external factors, including workers' legal status, employment status, economic conditions, and work environment (such as isolation, dependency on the employer, or language barriers).

The company:

- (1) takes steps to ensure migrant workers in its supply chains understand the terms and conditions of their recruitment and employment and also understand their rights;
Additional info – see <https://www.nestle.com/sites/default/files/2020-04/nestle-responsible-sourcing-seafood-progress-report-2019.pdf>

Jobseekers in origin countries considering work with Nestlé suppliers in Thailand have access to the same assistance and support, before they leave their home.

Nestlé's partnership with **Issara Institute** helps provide transparency and access to recruitment information from the home country recruitment process and from the first-mile at the village level in the country of origin. In 2019, almost 5,000 foreign migrant workers in our Tier 1 facilities were newly recruited from Myanmar via the formal agreement between the Myanmar and Royal Thai governments (MOU channel), using recruitment agencies who have undergone responsible recruitment trainings and practice these principles. Responsible recruitment, also extends to recruitment agencies supporting MOU "u-turn workers" who renewed their contracts after 2 years of working in Thailand. In 2019, our suppliers processed over 300 of these workers through responsible recruitment systems.

- (2) takes steps to ensure its suppliers refrain from restricting workers' movement, including through the retention of passports or other personal documents against workers' will; and
- (3) discloses at least two outcomes of steps it has taken to ensure respect of the fundamental rights and freedoms of supply chain workers in vulnerable conditions (those articulated in the ILO core labor standards, which include the elimination of forced labor).

Additional information for (2) and (3)

<https://www.nestle.com/sites/default/files/2020-01/responsible-palm-oil-sourcing-2019.pdf>

To retain migrant workers, companies may employ negative retention practices (e.g., withholding of identity documents) that could result in forced labor or labor exploitation. Nestlé funded the production of a [video](#) to promote good employee retention practices to combat forced labor to inspire change amongst other companies.

<https://www.nestle.com/ask-nestle/human-rights/answers/amnesty-international-report-labour-abuses-palm-oil-supply-chain>

We are also addressing the practice of workers' passport retention. We are working with our suppliers to raise awareness about the issues related to this practice, helping draw procedures to return the passports to the workers and installing lockers for workers across plantations. We are encouraged by the fact that several of our suppliers, including Wilmar and Fuji Oil, are now returning the passports to their workers.

THEME 5: WORKER VOICE

5.1 Worker Engagement

The company:

(1) takes steps to ensure its supply chain policies that address forced labor and human trafficking are communicated to workers in its supply chains;

Additional information - <https://www.nestle.com/csv/impact/rural-livelihoods/responsible-sourcing> (under Human Rights)

Improving access to grievance mechanisms

In a collaboration with Sime Darby Plantation (SDP) in Malaysia, we have piloted a project to help eliminate human and labor rights abuses in our shared palm oil supply chain. A highly enhanced helpline co-developed by ELEVATE and the Responsible Business Alliance allows workers to report on working conditions, recruitment, safety and other labor issues.

This robust helpline is the first of its kind in the palm oil sector and utilizes ELEVATE's cutting-edge Laborlink mobile worker survey platform, which aims to assess actual and potential human rights risk, deliver mitigation plans, and track effectiveness of actions taken. Technology-enabled communication channels allow workers to voice their concerns through the channels that are most appropriate for them, including SMS, Facebook Messenger and a toll-free number, accessible seven days a week during peak call times. Issues raised are handled via clear protocols, with consistent attention to follow-up and resolution of issues. The objective is to significantly reduce the risk of human and labor rights abuses by giving workers an opportunity to report issues directly to trained helpline officers.

The one-year pilot in 2019 covered 24 mills and plantations, and 5909 workers in SDP's supply chain. Based on the learning gained, the helpline will be strengthened and rolled out progressively across SDP. We also aim to expand access to the system to the broader Malaysian palm oil industry.

<https://www.nestle.com/csv/raw-materials/coffee>

In Mexico, during the 2018/19 crop season, Verité trained PPS, our agronomists and several large Mexican farmers on labor rights and local labor legislation. PPS then visited 293 medium to large farms during harvest time to carry out specific labor rights assessments. Nine farms within, or related to, our supply chain were identified with child labor risks at the time of the visits. From these nine farms, we requested our suppliers to remove five from our value chain. For the remaining four, corrective actions were undertaken and followed up locally as a condition for these farms to continue supplying us coffee.

(2) takes steps to ensure that relevant stakeholders engage with and educate workers in its supply chains on their labor rights and/or supports worker-led efforts on labor rights education;

Additional information - <https://www.nestle.com/sites/default/files/2020-01/responsible-palm-oil-sourcing-2019.pdf>

In East Kalimantan, **Indonesia**, we supported Earthworm Foundation to conduct multi-stakeholder engagements with government and suppliers on two themes: Children in Plantations and the Fair Employment for Casual Workers. These consultations included a multi-stakeholder workshop in April 2019 bringing together 54 representatives from palm oil companies, government, civil society organizations and labor unions. Workshop participants discussed challenges related to these topics and co-created a draft action plan laying out how they can address these issues. Further consultations informed the development of two guidelines for suppliers, one on each topic. Both tools are a preliminary means to raise awareness for identifying child labor or the exploitation of casual workers and the immediate steps suppliers can take for reducing such risks. These documents will be socialized with suppliers over coming months and will be publicly released in Q1 2020.

<https://www.nestle.com/sites/default/files/2020-04/nestle-responsible-sourcing-seafood-progress-report-2019.pdf>

Since 2017, Issara uses its Inclusive Labor Monitoring (ILM) approach to provide an independent channel for workers, across all tiers of our supply chain, to safely share feedback - positive and negative - about workplace conditions, labor recruitment, migrants' rights, and issues of concern. Workers can contact Issara through a range of channels, including the Issara smartphone app Golden Dreams, Facebook pages in the worker's own language, smartphone messaging apps such as Line and Viber (both similar to WhatsApp), and a multi-lingual toll-free 24- hour helpline. The information provided by workers directly supports supplier improvements and working conditions. By the end of 2019, over 8,000 calls and messages were received on average per month.

Issara works across all tiers of Nestlé's seafood supply chain. Their worker voice, ILM Assessments, and remediation covers 100% of our Tier 1 (direct supplier) facilities in Thailand. In 2019 over 29,400 workers (up from 19,000 in 2018) in Thai seafood processing facilities in Nestlé's supply chain had access to Issara's independent helpline and could seek assistance and support.

Jobseekers in origin countries considering work with Nestlé suppliers in Thailand have access to the same assistance and support, before they leave their home.

(3) provides evidence of the positive impact of worker engagement in its supply chains; and

Additional information - <https://www.nestle.com/sites/default/files/2020-04/nestle-responsible-sourcing-seafood-progress-report-2019.pdf>

Nestlé's partnership with **Issara Institute** helps provide transparency and access to recruitment information from the home country recruitment process and from the first-mile at the village level in the country of origin. In 2019, almost 5,000 foreign migrant workers in our Tier 1 facilities were newly recruited from Myanmar via the formal agreement between the Myanmar and Royal Thai governments (MOU channel), using recruitment agencies who have undergone responsible recruitment trainings and practice these principles. Responsible recruitment, also extends to recruitment agencies supporting MOU "u-turn workers" who renewed their contracts after 2 years of working in Thailand. In 2019, our suppliers processed over 300 of these workers through responsible recruitment systems.

(4) provides at least two examples of worker engagement initiatives covering different supply chain contexts.

See (2)

5.2 Freedom of Association

The company:

- (1) works with independent local or global trade unions to support freedom of association in its supply chains;
- (2) discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labor rights agreement with trade unions or worker organizations;
- (3) takes steps to ensure workplace environments in which its suppliers' workers are able to pursue alternative forms of organizing (e.g., worker councils or worker-management dialogues) where there are regulatory constraints on freedom of association; and
- (4) provides at least two examples covering different supply chain contexts of how it improved freedom of association and/or collective bargaining for its suppliers' workers such as migrant workers (e.g., by taking action where suppliers impede workers' rights to freedom of association and/or collective bargaining or by engaging policy makers to improve respect for such rights).

Additional information - <https://www.nestle.com/csv/impact/rural-livelihoods/responsible-sourcing> (under Human Rights)

Our partner [Earthworm Foundation](#) has worked with one of our supplier's operations (one mill and one estate) in Indonesia to ensure wages and working hours are in accordance with regulations and improve workers' conditions. As a result of the project, workers' housing has been renovated and improved, with septic tanks installed in houses accommodating 60 families, and wells provided to enable 62 families to access clean water. In addition, protective equipment has been supplied to 411 plantation workers and school transportation provided for 90 students, **while workers have been empowered to participate in the labor union.**

5.3 Grievance Mechanism

The company:

- (1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives;
- (2) takes steps to ensure that the existence of the mechanism is communicated to its suppliers' workers;

Additional information - <https://www.nestle.com/sites/default/files/2020-04/nestle-responsible-sourcing-seafood-progress-report-2019.pdf>

We work with Issara supporting its [Inclusive Labor Monitoring \(ILM\)](#) that provides an independent channel for workers, across all tiers of our supply chain, to safely share feedback - positive and negative - about workplace conditions, labor recruitment, migrants'

rights, and issues of concern. As explained on the [ILM page](#) referenced in our [2019 Seafood progress report](#) – the ILM is based on outreach and empowerment of workers. In 2019 over 29,400 workers (up from 19,000 in 2018) in Thai seafood processing facilities in Nestlé's supply chain had access to Issara's independent helpline and could seek assistance and support.

We also support Issara's [Fishery Labor Improvement Program \(FLIP\)](#) since 2018. In 2019, there has been progress in FLIP's engagement with vessel owners, fisheries associations, recruitment agencies, government, and current and former fishermen. As explained on the [\(FLIP\) page](#) referenced in our [2019 Seafood progress report](#), FLIP's approach involves working with vessel owners and fishermen to educate on labour rights and the law, then identify and remediate labour risks.

- (3) takes steps to ensure that its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism;
- (4) discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved, or an evaluation of the effectiveness of the mechanism; and
- (5) provides evidence that the mechanism is available and used by workers below the first tier in its supply chains.

See (2)

THEME 6: MONITORING

6.1 Monitoring Process

To improve implementation of its supply chain policies, conditions at supplier level can be monitored in different ways. This could include specialized audits to detect forced labor at higher-risk suppliers or worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities).

The company has a supplier monitoring process that includes:

- (1) non-scheduled visits;

Additional information: <https://www.nestle.com/sites/default/files/2020-04/nestle-responsible-sourcing-seafood-progress-report-2019.pdf>

We are able to identify Thai flagged vessels used to catch our seafood used in our products by name and vessel number using **non-scheduled** traceability tests twice a year. We can trace 99% of our seafood of Thai origins back to the vessel or farm level and will continue to update our traceability information on an annual basis. We continued to support vessel audits for the Thai flagged vessels in our supply chain.

- (2) a review of relevant documents;

Additional information - <https://www.nestle.com/sites/default/files/2020-01/responsible-palm-oil-sourcing-2019.pdf>

Systems Review

In 2018, Verité conducted a systems review of how we manage labor rights challenges in our palm oil supply chain. In 2019, they went one step further by conducting in-depth reviews of our direct suppliers. The objective was to understand how our Responsible Sourcing Standard translates to practices throughout the supply chain. Verité conducted comprehensive labor and occupational health and safety assessments of seven mills and 11 estates in Indonesia and Malaysia that collectively employ over 4,000 workers, including interviews with over 200 workers. The assessment found that there are appropriate policies within Nestlé and our assessed suppliers that do cover the entire supply chain, however gaps inhibit that policy being realized at all upstream sites. In 2020, Verité will work with Nestlé to update our Action Plan on Labor Rights in Palm Oil Supply chains, and to strengthen these supplier management systems to more effectively address labor rights challenges.

(3) off-site interviews with workers;

Additional information - <https://www.nestle.com/sites/default/files/2020-01/responsible-palm-oil-sourcing-2019.pdf>

Verité conducted comprehensive labor and occupational health and safety assessments of seven mills and 11 estates in Indonesia and Malaysia that collectively employ over 4,000 workers, including interviews with over 200 workers.

(4) visits to associated production facilities and related worker housing; and

Additional information - <https://www.nestle.com/csv/raw-materials/sugar>

Every harvest season, the La Gloria sugarcane mill hires around 2000 cane cutters. These are usually migrant workers from Puebla and Veracruz. They are organized into groups of 30–60 cutters and are housed in 39 shelters provided by the cane growers' association.

Through assessments with Proforest and ABC Mexico, we found that the shelters provided at the La Gloria mill were in poor condition: unsafe, unhealthy and insufficient. These included people sleeping on floors, a lack of ventilation and illumination, and only one bathroom and shower for 60 people. We developed a strategy to address this, by raising awareness, rehabilitating shelters and helping cutters and their families to manage the shelters themselves.

After raising money to rehabilitate five shelters for more than 300 workers in 2017 and 2018, we took this work further in 2019 by supporting La Gloria in the development of a financing mechanism for the rehabilitation of additional shelters over the next five years. The plan is to add at least two additional shelters per year, as well as training workers on coexistence, hygiene, security and order.

We also worked with Proforest to support one of our major sugar suppliers in Mexico, BSM. We have supported BSM in the implementation of two programs: a hydration program for cane cutters in Casasano mill in Morelos and a recruitment program for cane cutters in El Potrero mill in Veracruz. We have improved the access to drinkable water for 700 cane cutters and their families, both in shelters and in the field, and implemented practices to improve the recruitment process for more than 3000 cane cutters.

Additional information - <https://www.nestle.com/csv/impact/rural-livelihoods/responsible-sourcing>
(under Human Rights)

Our partner [Earthworm Foundation](#) has worked with one of our supplier's operations (one mill and one estate) in Indonesia to ensure wages and working hours are in accordance with regulations and improve workers' conditions. As a result of the project, workers' housing has been renovated and improved, with septic tanks installed in houses accommodating 60 families, and wells provided to enable 62 families to access clean water. In addition, protective equipment has been supplied to 411

plantation workers and school transportation provided for 90 students, while workers have been empowered to participate in the labor union.

Additional information – <https://www.nestle.com/sites/default/files/2020-04/nestle-responsible-sourcing-seafood-progress-report-2019.pdf>

Since 2016, one of our areas of focus has been to demonstrate the business cases for safe working and living conditions for workers on vessels. We found that in a challenging business environment for small and medium sized vessel owners, implementing safe working and living conditions requires not just knowledge of what best practice looks like, but also how to realize these practices while staying in business.

In 2019, we funded Verité to develop the business case for undertaking renovations to ensure safe working and living conditions on vessels. This was based on the study of a vessel that had implemented best practices after attending trainings on the topic. During the process of vessel renovation in 2018 and 2019, Verité visited the vessel on numerous occasions to observe renovations and gather data on partial automation, an approach that can reduce cost and increase available space on vessels, critical for sustainable working and living conditions.

(5) steps to ensure that suppliers below the first tier are monitored.

All examples above are beyond our Tier 1 suppliers (e.g. fishing vessels, sugarcane mills, palm oil mills and estates)

Additional information – <https://www.nestle.com/sites/default/files/2020-01/responsible-palm-oil-sourcing-2019.pdf> (p.4-5)

Our approach: To address social and environmental challenges in our palm oil supply chains, we partner with our suppliers and expert organizations, such as Earthworm Foundation and Verité. They help us map our supply chains back to the origins (i.e., plantations in the case of palm oil), assess and verify the sites in our supply chain (e.g., refineries, mills, plantations) against our Responsible Sourcing Standard or equivalent standard, and develop and implement innovations to transform practices on-the-ground.

We drive our responsible sourcing operations with the objective of continuously improving the sustainability practices of operations in our upstream supply chain, all the way up to the farm level, and our preferred way of working is to partner on transformation. However, we take decisive action in the event that a supplier does not comply with effectively managing identified risks or meeting agreed deadlines for action plans.

Measuring progress: We measure our progress in two key areas: traceability to plantation and mill, and performance against our Responsible Sourcing Standard

6.2 Monitoring Disclosure

The company discloses:

(1) the percentage of suppliers monitored annually;

<https://www.nestle.com/aboutus/suppliers>

The Standard is an integral part of all of our purchase orders and supply contracts. Through our Sustainable Sourcing Tier 1 program, we verify compliance with the Standard by our direct suppliers through independent audits carried out by audit firms accredited by Nestlé.

These audits follow the [SMETA Best Practice Guidance](#). If non-compliance issues or gaps are found, a time-bound action plan is developed and implemented by the supplier. The implementation of this plan will be later verified by the auditor. In case a supplier refuses to undergo an audit or to close gaps, we may terminate the business relationship. **In 2019, around 3500 audits were carried out, covering 19% of our Total Spend.**

In addition to verifying compliance with our direct suppliers, we have identified [15 raw materials](#) that present higher risk of environmental and/or social issues. For those, we work closely with our direct suppliers and partners to conduct a [mapping of our upstream supply chains](#) and carry out farm assessments in our upstream supply chain with partner organizations. In many cases, issues are identified that require long-term, tailored interventions to tackle their root causes for greater impact.

- (2) the percentage of unannounced monitoring visits;
- (3) the number or percentage of workers interviewed; and

We follow [SMETA Best Practice Guidance](#)

- (4) information on the qualification of the monitoring organization used and/or the use of worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities); and
Additional information – <https://www.nestle.com/sites/default/files/2020-01/responsible-palm-oil-sourcing-2019.pdf> (p. 9)

We sponsored twelve assessors to attend Verité's four-day Ethical Recruitment Auditor workshops in Malaysia, focused on assessment practices at employment sites. The objective of this training is to build assessment team competencies in identifying forced labor risks in migrant workers' journey, with a focus on the recruitment process, as indicators of these risks can easily be missed in employment site assessments. Amongst those trained were five internal assessors from our direct palm oil suppliers who conduct sustainability assessments of their suppliers' (Nestlé's upstream supply chain) practices; five third-party assessors from our NGO partners who conduct independent assessments in our supply chains; and two auditors who conduct Sedex Members Ethical Trade Audits (SMETA) and Roundtable on Sustainable Palm Oil (RSPO) audits of our suppliers.

- (5) a summary of findings, including details regarding any violations revealed.

Additional information – see:

<https://www.nestle.com/csv/raw-materials/palm-oil/palm-oil-transparency-dashboard>
<https://www.nestle.com/csv/impact/respecting-human-rights/grievance-mechanisms> (Tell Us)

THEME 7: REMEDY

7.1 Corrective Action Plans

The company discloses:

- (1) a corrective action process for its suppliers and potential actions taken in cases of non-compliance, such as stop-work notices, warning letters, supplementary training, and policy revision;

Additional information –

<https://www.nestle.com/csv/impact/rural-livelihoods/responsible-sourcing>

Supplier engagement

Responsible sourcing requires deep engagement with our suppliers. We expect all our raw material suppliers to conform to the requirements of the RSS, while our program of detailed assessments, carried out by expert independent partners, measures compliance. Where gaps are identified, we work with suppliers to develop and implement action plans to close these gaps.

Targeted interventions

In many cases, issues are identified that require long-term, tailored interventions – such as our [Child Labor Monitoring and Remediation System \(CLMRS\)](#), used in our cocoa supply chain in Côte d'Ivoire and Ghana, and our work with [Verité](#) to tackle labor rights abuses in the [seafood industry](#). Similarly, our use of the Starling satellite system uses technology to address deforestation in our palm oil and pulp and paper supply chains. Such interventions address issues on the ground by tackling the root causes, for greater impact.

Partnering for success

Driving transformational change requires collaborative, industry-wide and multi-stakeholder efforts to share expertise and learning and scale up what works. We actively participate in several industry associations, including the [Consumer Goods Forum](#), the [Institute for Human Rights and Business Leadership Group for Responsible Recruitment](#) and the [Responsible Business Alliance's Responsible Labor Initiative](#), as well as multi-stakeholder collaborations such as the [Fair Labor Association](#) (FLA), the [High Carbon Stock Approach](#) (HCSA) Steering Group, the [Cerrado Manifesto](#) and the [Global Coalition for Animal Welfare](#). Nestlé also advocates change with national and local governments as well as industry organizations and peers to bring about real transformation.

<https://www.nestle.com/sites/default/files/2020-01/responsible-palm-oil-sourcing-2019.pdf>

Our approach: To address social and environmental challenges in our palm oil supply chains, we partner with our suppliers and expert organizations, such as Earthworm Foundation and Verité. They help us map our supply chains back to the origins (i.e., plantations in the case of palm oil), assess and verify the sites in our supply chain (e.g., refineries, mills, plantations) against our RS Standard or equivalent standard, and develop and implement innovations to transform practices on-the-ground.

We drive our responsible sourcing operations with the objective of continuously improving the sustainability practices of operations in our upstream supply chain, all the way up to the farm level, and our preferred way of working is to partner on transformation. However, we take decisive action in the event that a supplier does not comply with effectively managing identified risks or meeting agreed deadlines for action plans.

<https://www.nestle.com/ask-nestle/human-rights/answers/labour-conditions-coffee-supply-chain-brazil>

Nestlé has zero tolerance for slavery. It is illegal and against everything we stand for. All our sourcing partners must comply with our non-negotiable [Responsible Sourcing Standard](#) and [Nestlé Business Principles](#), as well as government regulations.

Our suppliers must respect human rights throughout their business activities, and we encourage them to report suspected violations of our sourcing standard or business principles to their Nestlé contact, or confidentially using our [Compliance Reporting System](#), ["Tell us"](#).

If our suppliers breach our internal codes, or fail to take corrective action on any violations, we will take measures that include removing them from our supply chain and ending contracts. Our suppliers also regularly consult the [Brazilian] government blacklist, and remove any producers from their supply chain that appear on it.

- (2) a means to verify remediation and/or implementation of corrective actions, such as record review, employee interviews, or spot-checks;
- (3) potential consequences if corrective actions are not taken; and

See (1) + <https://www.nestle.com/csv/raw-materials/coffee>

In Mexico, during the 2018/19 crop season, Verité trained PPS, our agronomists and several large Mexican farmers on labor rights and local labor legislation. PPS then visited 293 medium to large farms during harvest time to carry out specific labor rights assessments. Nine farms within, or related to, our supply chain were identified with child labor risks at the time of the visits. From these nine farms, we requested our suppliers to remove five from our value chain. For the remaining four, corrective actions were undertaken and followed up locally as a condition for these farms to continue supplying us coffee.

- (4) a summary or an example of its corrective action process in practice.

Additional information – see our 2019 Tackling Child Labor report:

<https://www.nestle.com/sites/default/files/2019-12/nestle-tackling-child-labor-report-2019-en.pdf>

7.2 Remedy Programs / Response to Allegations

A. If no allegation regarding forced labor in the first or lower tier of a company's supply chains has been identified and disclosed by a third party(ies) in the last three years, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking; and
- (2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers.

B.1. If one or more allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;
- (2) that it engages in a dialogue with the stakeholders reportedly affected in the allegation(s);
- (3) outcomes of the remedy process in the case of the allegation(s); and
- (4) evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

B.2. If one or more allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, and the company denies the allegation, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;
- (2) a description of what actions it would take to prevent and remediate the alleged impacts; and
- (3) that it engages in a dialogue with the stakeholders reportedly affected in the allegation or requires its supplier(s) to do so.

NON-SCORED DISCLOSURE

Target Setting

The company discloses measurable and time-bound targets to address forced labor in its supply chains.

Yes/No. Please provide details.

The company reports on progress towards achieving previous targets on an annual basis.

Yes/No. Please provide details.

Reporting Legislations

UK Modern Slavery Act: Where applicable, the company discloses at least one statement under the UK Modern Slavery Act.

Yes/No. Please provide link to a publicly available statement.

California Transparency in Supply Chains Act: Where applicable, the company has a disclosure under the California Transparency in Supply Chains Act.

Yes/No. Please provide link to a publicly available statement.

Due Diligence on Third-Party Products

Where a company—in addition to own branded products—sells third-party food and beverage products, the company discloses how it assesses and addresses forced labor risks related to third-party food and beverage products.

Yes/No. Please provide details.

Use of Commodities Which May Be Produced Using Forced Labor¹

Please provide a full list of commodities present in your supply chains, or alternatively indicate for each of the commodities below whether it is present in your supply chains. Note where a company

¹ See: US Department of Labor's [List of Goods Produced by Forced Labor](#) (accessed Feb 2020, data as of Sep 2018).

does not provide this information, KnowTheChain will review the company's website as well as third party sources to identify relevant information.

- Beans (green, soy, yellow)
- Brazil Nuts / Chestnuts
- Cattle
- Chile Peppers
- Cocoa
- Coffee
- Corn
- Fish
- Palm oil
- PeanutsRice
- Sesame Shrimp
- Sugarcane
- Tomatoes
- Wheat

Presence of Migrant Workers in Supply Chains

Yes/No. Please provide details.