



Modern Slavery and Human Trafficking Report 2016

About the cover:

Through brands such as Nescafé and Nespresso, we are a major manufacturer of coffee products. Through the [Nescafé Plan](#), we work with our coffee farmers to help them build a more robust business by providing training in responsible farming and production, technical support and healthy coffee plants. The plan also aims to improve social conditions for farmers and their communities, as well as raising awareness of coffee supply issues among our consumers.

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Introduction

Modern slavery and human trafficking have no place in the world, let alone in the supply chains and operations of businesses. However, today we are all faced with the very real challenge of addressing what UK Prime Minister Theresa May has called “*the great human rights issue of our time*.”

 **21m**
Victims of
forced labour
worldwide

The [International Labour Organization](#) (ILO) estimates that almost 21 million people worldwide are victims of forced labour, of which 11.4 million are women and girls, and 9.5 million are men and boys. Out of this number, almost 19 million victims are exploited by private individuals or enterprises and over 2 million by the State or rebel groups. Migrant workers and indigenous people are particularly vulnerable to forced labour mainly because of a lack of regulation – or enforcement of it – in the countries where they live or work.

The ILO acknowledges that some sectors are more exposed than others to the issue of forced labour and human trafficking; these include: construction, manufacturing, domestic work, entertainment, and agriculture.

This report, approved by our board of directors in the UK, outlines Nestlé in the UK’s approach to ensuring that modern slavery and human trafficking are not present in our operations and supply chains. Based on our [risk](#) and [impact](#) assessment processes, we know that exposure to such societal challenges is much higher in our upstream supply chain than anywhere else in our business activities.

At Nestlé, we operate with a fundamental respect for the rights of the people we employ, do business with or otherwise interact with. We do not tolerate forced labour in our supply chain and are firmly opposed to all forms of human rights violations or poor labour

conditions. We were one of the first companies to adopt the [UN Guiding Principles on Business and Human Rights](#) (UNGPs) clarifying the State duty to protect human rights, the corporate responsibility to respect them and the rights for victims of human rights abuses to have access to effective remedies.

We aim to be exemplary in respecting human rights and good labour practices throughout our business activities. We believe that we have the right due diligence approach to know what the scope and depth of the issue is and demonstrate progress in addressing it. However, we believe that eliminating forced labour from agricultural supply chains requires strong collaboration between all relevant actors, with national governments taking the lead.

As Nestlé, we recognise that we are on a continuous journey and that we still have work to do. At the same time, we hope that as we move ahead, the foundations that we have established as a signatory of the [UN Global Compact](#) and early adopter of the UNGPs will support us in strengthening our ongoing commitments to upholding and respecting the fundamental human rights of all rights holders.

Organisational structure and supply chains

Nestlé in the UK ('Nestlé UK') is comprised of Nestlé UK Ltd., a wholly owned subsidiary of Nestlé S.A. ('Nestlé'), in addition to a number of [sister companies and joint ventures](#).

As the largest food and beverage manufacturer, Nestlé S.A. operates 436 factories in 82 countries around the world and employs 335,000 people in more than 120 countries.

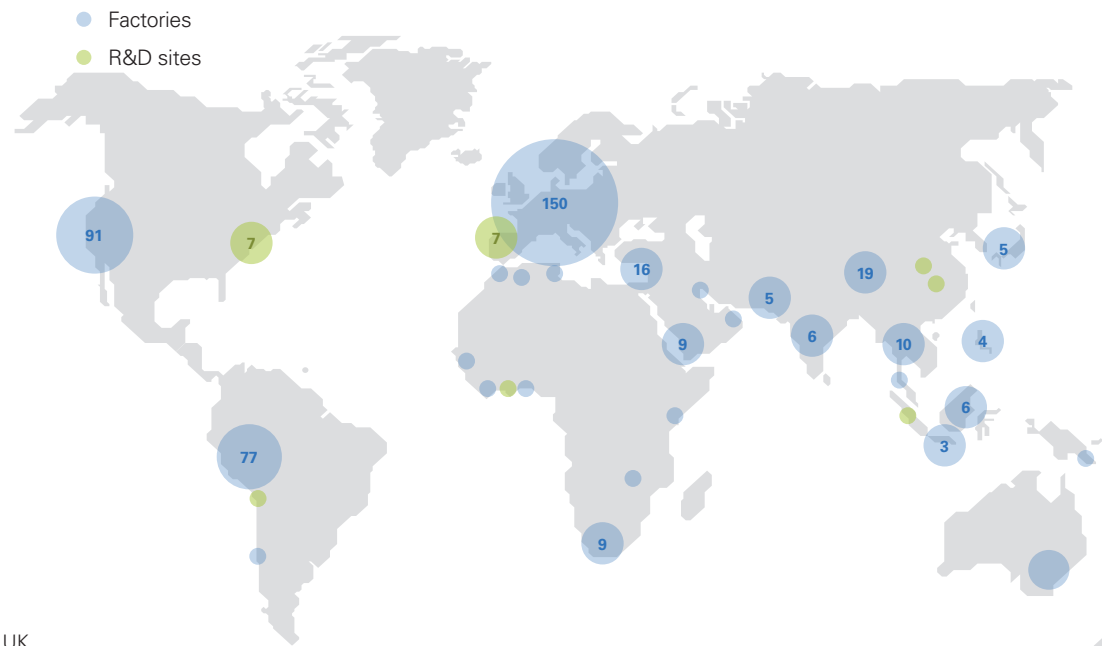
Globally, we work with over 161,000 direct (also known as 'Tier 1') suppliers in more than 100 countries around the world in order to manufacture our products. We source raw materials from more than 4.1 million farmers in our upstream supply chain including directly with more than 760,000 smallholder farmers who provide us with key ingredients for our products, from the Ivorian cocoa that goes into our KITKATs to NESCAFÉ coffee from Brazil, and fish and seafood from Thailand which go into our PURINA products.

As one of the UK and Ireland's largest food manufacturers, Nestlé employs over 8,000 people at 20 sites in the UK and Ireland and reaches out to over 6,100 direct and indirect suppliers. Our business spans from a diverse range of products, from healthcare nutrition to bottled water, catering products and confectionery. You can read more about these sister companies on our [website](#).

Beyond the geographical reach of our operations and supply chains, our downstream supply chain make us a truly global company. More than one billion servings of Nestlé products are sold every day through millions of retailers from big supermarkets to small, local retailers.



Geographical reach of our operations and supply chain operations



What is a 'Tier 1' supplier?

Suppliers are grouped into 'tiers' according to the level of direct interaction with a company buying products/services.

Tier 1 suppliers are organisations who directly supply a company with products/services.

Tier 2 suppliers are the key suppliers to Tier 1 suppliers.



Our approach to tackling modern slavery and human trafficking

As an early adopter of the UNGPs, we follow a structured approach to improving our human rights performance across our global business activities.

This includes ensuring that we have the appropriate policies, due diligence processes and remedial measures in place to address issues such as modern slavery and human trafficking. You can read more about our Human Rights Due Diligence Programme in the [Human Rights and Compliance chapter of our global Nestlé in society report](#).

The following sections of this document outline specific elements of our approach to managing human rights and in particular modern slavery and human trafficking, as recognized in Section 54(1) of the UK Modern Slavery Act 2015, under the *Transparency in Supply Chains provision*.

Assessing and managing risk

Together with external stakeholders, in early 2016 we identified a list of 11 salient issues – those human rights at risk of the most severe negative impacts through our activities and business relationships.

A number of these could be directly or indirectly linked to modern slavery and human trafficking, e.g. forced labour. We are convinced that by identifying these issues, we are better able to manage them in a proactive manner.



Cereal Partners UK & Stronger Together

In 2015, as part of the [Stronger Together](#) initiative to share business' proactive measures to address the risk of hidden modern slavery, [Cereal Partners UK \(CPUK\)](#), our breakfast cereal business, created an internal Stronger Together multi-function group. The group received training from the [Association for Labour Providers](#), then set about assessing and developing a targeted business action plan to address potential risk areas for modern slavery across the CPUK business and its supply chain.

Salient human rights issues	Rights holders						Governance	
	Employees	On-site contractors	Suppliers	Farmers & farm workers	Consumers	Local communities	Lead function	Support functions
1 Freedom of association and collective bargaining	●	●	●	●			Human Resources	Procurement (CO-PRO)
2 Working time	●	●	●	●			Human Resources	CO-PRO
3 Workers accommodation and access to basic services	●	●	●	●			Human Resources	CO-PRO
4 Safety and health	●	●	●	●		●	Safety, Health & Environment	Human Resources; CO-PRO; Agriculture (CO-AGR); Engineering; Manufacturing; Supply Chain; Sales; Group Risk Services; Security
5 Living wage	●	●	●	●			Human Resources	CO-PRO; CO-AGR
6 Child labour			●	●			CO-PRO	Strategic business units (SBUs); CO-AGR
7 Forced labour			●	●			CO-PRO	SBUs; CO-AGR
8 Land acquisition						●	CO-PRO	Operations
9 Access to water and sanitation	●	●	●	●		●	CO-Water	Operations
10 Access to grievance mechanisms	●	●	●	●	●	●	Compliance	Public Affairs
11 Data protection and privacy	●			●	●			

Discrimination

Market Compliance Committees

This list of 11 salient issues is based on a thorough internal and external consultation process. Internally, the first list of salient issues was proposed to our global Human Rights Working Group (HRWG) in early 2015. This list was based on the results of the Human Rights Risk Assessment Matrix 2014.

Nestlé's Human Rights Risk Assessment Matrix 2014 builds on the company's experience evaluating human rights issues since 2009. It is based on the results from the different monitoring tools and processes we have in place, combined with the experience of the members of the HRWG themselves, and the expert inputs from our main partners in this area, the [Danish Institute for Human Rights \(DIHR\)](#) and the [Fair Labor Association \(FLA\)](#).

In December 2015, we held an external stakeholder convening in Washington D.C., which brought together 61 independent parties to discuss and explore how we can continue to improve on our Creating Shared Value (CSV) performance. In a separate breakout session on human rights, experts representing leading non-governmental organisations (NGOs), UN agencies, law firms, business associations and academia came together to discuss Nestlé's ongoing human rights work and how the company can continue to improve on its current performance.

The human rights breakout session was presented with the list of salient human rights issues identified and stakeholder discussions led to a number of recommendations. These inputs have all been incorporated in the final version of the list of salient human rights issues found in this report:

- Split child labour and forced labour, which were initially combined as one salient issue. These two issues have different geographical scopes and different root causes, and should, therefore, be looked at and dealt with separately; and
- Add discrimination as an issue that cuts across all the salient human rights issues. While stakeholders understood that – based on our own data, results and experience – discrimination may not have been identified as a salient issue, they strongly suggested that this issue be incorporated into the action plans that will be developed for the 11 salient issues next year.



Co-manufactured and imported products in the UK

In order to provide a wide range of products to our consumers in the UK, some of our products are co-manufactured with partners or imported from other Nestlé manufacturing locations in Europe.

We recognise that the risk of modern slavery and human trafficking is greatest to rights holders in our supply chain, given their complexity, geographical scope and the limited operational control we have over them. For this reason, across the UK businesses we are in the process of mapping our entire supply chain, including co-manufactured and imported products. This should allow us to have a better understanding of our value chain, going beyond our direct suppliers who are already monitored through our supplier system.



These 11 salient human rights issues that we have identified span the whole of our value chain. They reflect the scope of our business activities and the potential impacts we have on the people we employ, do business with or otherwise interact.

Based on these 11 salient issues, we have identified six groups of rights holders who are particularly at risk:

- Our own employees;
- On-site contractors;
- Suppliers and, in particular, their employees;
- Farmers and farm workers;
- Local communities; and
- Consumers.



Policies

The [Nestlé Corporate Business Principles](#) shape the way we do business and they form the basis of our culture, our values and our [Creating Shared Value](#) strategy.

Principle 4, entitled 'Human rights in our business activities', is the foundation of our overall approach to human rights. The Corporate Business Principles were signed by Nestlé's Chairman and CEO and released in 2010, before the UNGPs were approved by the UN Human Rights Council. E-learning on the Corporate Business Principles will be available to all employees by 2017.

Building on Corporate Business Principle 4, since 2010 we have integrated human rights elements in 17 different corporate policies and commitments. This has helped us make human rights part of our employees' day-to-day activities and responsibilities.

Name of policy or procedure	Approval date	Rights holders	Human rights issue addressed
Nestlé Employee Relations Policy	2010	Nestlé employees	<ul style="list-style-type: none"> Freedom of association and collective bargaining
The Nestlé Policy on transparent interaction with authorities and organisations	2010	Public officials Citizens	<ul style="list-style-type: none"> Corruption and bribery Lobbying
Flexible Work Environment at Nestlé (Internal document)	2010	Nestlé employees	<ul style="list-style-type: none"> Working time (work life balance)
Privacy Policy (Internal document)	2010	Nestlé employees Consumers Other stakeholders (e.g. suppliers, service providers)	<ul style="list-style-type: none"> Data privacy
Nestlé Consumer Communication Principles	2011	Consumers (including children)	<ul style="list-style-type: none"> Right to information Health
Nestlé Group Security: Objectives, Operational and Organisational Requirements (Internal document)	2011	Nestlé employees Local communities	<ul style="list-style-type: none"> Security staff's training on use of force
Nestlé Policy on Conditions of Work and Employment (Internal document)	2011	Nestlé employees On-site contractors	<ul style="list-style-type: none"> Working time Competitive and fair wages Health and safety
Nestlé Commitment on Rural Development	2012	Farmers Farm workers Local communities (rural)	<ul style="list-style-type: none"> Living wage Working conditions Health and safety Health, water, education, gender, food Land tenure
The Nestlé Human Resources Policy	2012	Nestlé employees	<ul style="list-style-type: none"> Working conditions Freedom of association and collective bargaining
The Nestlé Commitment on Child Labour in Agricultural Supply Chains	2013	Children (living in rural communities)	<ul style="list-style-type: none"> Child labour
Nestlé Responsible Sourcing Guideline	2013	Farmers Farm workers Local communities (rural)	<ul style="list-style-type: none"> Child labour Fair wages Working time Housing Access to water and sanitation Privacy Health Freedom of association and collective bargaining Occupational health and safety Non-discrimination Land use rights
The Nestlé Supplier Code	2013	Suppliers' and co-manufacturers' workers	<ul style="list-style-type: none"> Freedom of association and collective bargaining Forced labour Employment practices (including use of agencies) Child labour Non-discrimination Harassment Privacy Working time (including rest days) Wages and benefits Health and safety Housing

Name of policy or procedure	Approval date	Rights holders	Human rights issue addressed
The Nestlé Commitment on Land & Land Rights in Agricultural Supply Chains	2014	Farmers Farm workers Local communities (rural) Indigenous peoples	Land tenure, including customary rights Free, prior and informed consent
Nestlé Commitment on Water Stewardship	2014	Nestlé employees Local communities	Access to water and sanitation
Nestlé Marketing Communication to Children Policy	2015	Children	Marketing to children
Nestlé Commitment on Labour Rights in Agricultural Supply Chains	2015	Suppliers' workers Farm workers	Freedom of association and collective bargaining Forced and bonded labour Child labour Health and safety Accommodation and basic needs Working time Living wage
Maternity Protection Policy	2015	Nestlé employees	Right to social security, including social insurance

Whilst we do not have a standalone modern slavery policy, we have ensured that all related aspects of this issue are represented either within specific policy commitments or integrated into broader guidance, such as in our Corporate Business Principles, [Nestlé Supplier Code](#), and [Nestlé Responsible Sourcing Guideline \(RSG\)](#). This helps us ensure that we comprehensively and systematically manage this issue.

In addition to these core policies and guidance documents, in 2015 we released a new [Nestlé Commitment on Labour Rights in Agricultural Supply Chains](#), which summarises and clarifies how we address labour-related risks in our upstream agricultural supply chains in particular. It builds upon existing Nestlé policies in this area (see table above), as well as on the existing work of our Human Rights Impact Assessments (HRIAs), our [Responsible Sourcing programme](#) and our [Farmer Connect](#) activities, through which we source raw materials locally and directly from farmers or the associations they form.

This policy commitment has been developed to explicitly address a number of human rights issues present in some of our global agricultural supply chains, including forced and bonded labour. A roadmap for the implementation of this Commitment is currently being developed and will be made public by the end of this year. Read more about this online in the [Rural Development](#) chapter of our global [Nestlé in Society: Creating Shared Value report](#).

In addition to our employees, all Nestlé suppliers and contractors must comply with our policy commitments, including our Corporate Business Principles, Nestlé Supplier Code, and Nestlé Responsible Sourcing Guideline. Compliance with these standards is monitored regularly through compliance and engagement processes including third-party audits, independent assessments, and contractual and relationship reviews.



What are human rights impact assessments?

A human rights impact assessment (HRIA) is a process for identifying, predicting and responding to the potential human rights impacts of a company's business activities either directly through its own operations or indirectly through its relationships with third parties. HRIAs use international human rights instruments as a framework to assess the potential risks to rights holders.

An HRIA is very often the most comprehensive tool available to business to understand the scope, scale and nature of human rights risks in a specific country operation.

Together with the Danish Institute for Human Rights we conduct specific HRIAs in high-risk countries, based on the list of Countries of Concern established by [FTSE4Good](#). We carried out two HRIAs in 2015 (Myanmar and China) and one so far in 2016 (Egypt), taking the cumulative total conducted since 2010 to 12. We now have a new objective to complete a further six by 2018.

For more information about our approach to HRIAs, as well as a summary of findings based on the first seven assessments, please see ['Talking the Human Rights Walk: Nestlé's Experience in Assessing Human Rights Impacts in its Business Activities'](#).

Due diligence

Through our Human Rights Due Diligence Programme, we implement our actions to assess, prevent and address potential human rights impacts, to improve our performance on the ground, and to gather data to measure our performance.

Human rights touch upon many different issues and functions within a given company. Through the eight operational human rights due diligence pillars of our programme, we aim to make our approach to human rights strategic, comprehensive and unified across all our business activities.

Nestlé's eight pillars of human rights due diligence:

1. Integrating human rights into new and existing **policies**;
2. **Engaging** with stakeholders on a wide range of human rights issues;
3. **Training** and building the capacity of employees to understand and uphold human rights;
4. **Evaluating** risk assessments across its activities;
5. **Assessing** human rights impacts in high-risk operations;
6. **Coordinating** human rights activities through the Nestlé Human Rights Working Group;
7. **Partnering** with leading organisations to implement its human rights activities; and
8. **Monitoring and reporting** on its performance.

For more detail on our Human Rights Due Diligence Programme including our progress across the eight pillars, read our integrated human rights report in our [global Nestlé in Society: Creating Shared Value report](#).

In addition to the work that we have done at the policy level (see Policy section of this report) since 2011, we have also integrated relevant human rights requirements and indicators within existing monitoring mechanisms. This has helped us scale-up our approach to human rights due diligence beyond high-risk countries and monitor our human rights performance in all countries where we operate in a systematic and ongoing manner.

Monitoring our performance

We are fully committed to ensuring that our products are not associated with forced labour through our mandatory Corporate Business Principles, Nestlé Supplier Code and Responsible Sourcing Guideline, which requires all of our employees and suppliers, including contractors, to respect human rights and to comply with all applicable labour laws. We monitor compliance both across our business operations and supply chains using the following monitoring mechanisms:

Our human rights monitoring mechanisms

	Policies	Programme	Monitoring mechanisms		Partners
			Audits/assessments	Grievance mechanisms	
Nestlé facilities	The Nestlé Corporate Business Principles Human rights-related policies	CARE programme Nestlé Group Audit (NGA) Programme	CARE audits NGA audits	Integrity Reporting System	SGS Intertek Bureau Veritas
Tier 1 suppliers	Nestlé Supplier Code	Responsible Sourcing Audit Programme	Sedex Members Ethical Trade Audits (SMETA) 4 Pillar	Tell us	SGS Intertek Bureau Veritas
Upstream suppliers	Responsible Sourcing Guideline	Responsible Sourcing Traceability Programme	Responsible Sourcing Guideline	Tell us	FLA Verité

Within our business operations:

The CARE Audit Programme

Compliance regarding human rights and labour practices, business integrity, safety and health, environmental sustainability and security is assessed through our global CARE programme, which relies on an independent external audit network.

- All sites owned or operated by Nestlé are audited on a three-year auditing cycle which follows an annual action plan discussed and approved by our Group Compliance Committee;
- Any gaps are addressed through detailed action plans and implementation is monitored closely; and
- The programme is led by a Market CARE Coordinator who is responsible for ensuring that audits are performed in a timely fashion, action plans are implemented and all information is uploaded in SAP.

The audits, which take place every three years, are performed by three leading independent audit companies: [SGS](#), [Bureau Veritas](#), and [Intertek](#). Where necessary, we introduce detailed action plans that are thoroughly and systematically monitored.

The findings are classified in three categories:

- **Minor** – an isolated and non-repetitive finding or minor issue;
- **Major** – a systematic finding or major issue or infringement against local legislation; and
- **Critical** – an exceptional issue, which requires immediate notification to the Nestlé Group Compliance Committee.

In 2015, we carried out 250 CARE audits across Nestlé globally, taking our cumulative total to 2,207 audits since 2005.

CARE gaps identified 2015

Human rights and labour practices	Safety and health		Environmental sustainability	Business integrity	Security
Minor	64	40	39	12	21
Major	5	2	0	0	1
Critical	0	0	0	0	0

At no point throughout our CARE auditing history have we ever identified any case incidents relating to modern slavery or human trafficking. For more information, please read our integrated human rights report in our global [Nestlé in Society: Creating Shared Value report](#).



Speak Up!

The Nestlé Integrity Reporting System (known internally as Speak Up!) enables our employees to report anonymously, via phone or web form, any illegal or non-compliant behaviour they observe, as well as to seek advice or information on our practices.

In 2016, we launched a new awareness campaign to promote Speak Up! across our businesses in the UK.

Our external whistleblowing channel, Tell us, is designed to give all external stakeholders the opportunity to report any possible internal and external non-compliance incidents against the Nestlé Corporate Business. This system helps us achieve our commitment to ensure that all employees and stakeholders can easily report possible compliance violations.

Although Tell Us is run by Nestlé, it is controlled by an independent, external body and allows stakeholders to report non-compliances confidentially or to seek advice on our practices. We have communicated the availability of this tool to 5,000 global suppliers and to more than 1,000 of our downstream business partners, namely our distributors. Going forward, we will continue this roll-out across our value chain and reinforce awareness of the existence of confidential reporting lines across the organisation.

Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour.

	2013	2014	2015
Operations	0	0	0
Suppliers	149	174	114

By the end of 2015, we had identified 184 CARE gaps, most of them minor. We have introduced corrective action plans to cover them and to date, 36 have been addressed. The remaining corrective action plans are in the process of being implemented.

In the UK, and in accordance with our audit cycle, no audits were undertaken in 2015. However, six audits will be completed by the end of 2016, including one in Ireland.

**Within our supply chains:
Responsible Sourcing Programme**

As the largest food manufacturer in the world, we depend on the timely sourcing of the ingredients we need to make our products. For Nestlé, it makes business sense to look after these supply chains, in order to secure supply in the future. On top of this, we have a duty to ensure that our business and the organisations in our supply chain uphold responsible sourcing practices. This includes ensuring that all rights holders in our supply chain are able to fully exercise their human rights.

Nestlé’s Responsible Sourcing activities work across three strands:

- Farmer Connect: farmers and co-operatives from whom we buy materials directly;
- Tier 1 suppliers: suppliers with whom we deal directly; and
- Sub-tier suppliers: who supply our suppliers and from whom we do not buy directly.

The Nestlé Responsible Sourcing Guideline sets out the acceptable means of verification and what constitutes the definition of ‘Responsibly Sourced’. Our Responsible Sourcing activities define ingredients against these two benchmarks:

- **Responsibly Sourced:** where places of origin are assessed against our RSG requirements and found to be compliant, or corrective action plans are developed (or equivalent standards implemented); and
- **Traceable:** where ingredients we buy are identified back to their places of origin, such as mill, plantation or farm.



Responsible Sourcing Audit Programme

Nestlé's auditing of Tier 1 suppliers began in 2010. The purpose of the audits is to verify how a material or service is produced and to drive our direct suppliers' continuous progress towards full compliance with our Supplier Code, which includes a specific section on human rights and forced labour in particular. All new suppliers are screened when entering into a business relationship with Nestlé, and signing the code is an integral part of our mandatory vendor approval process.

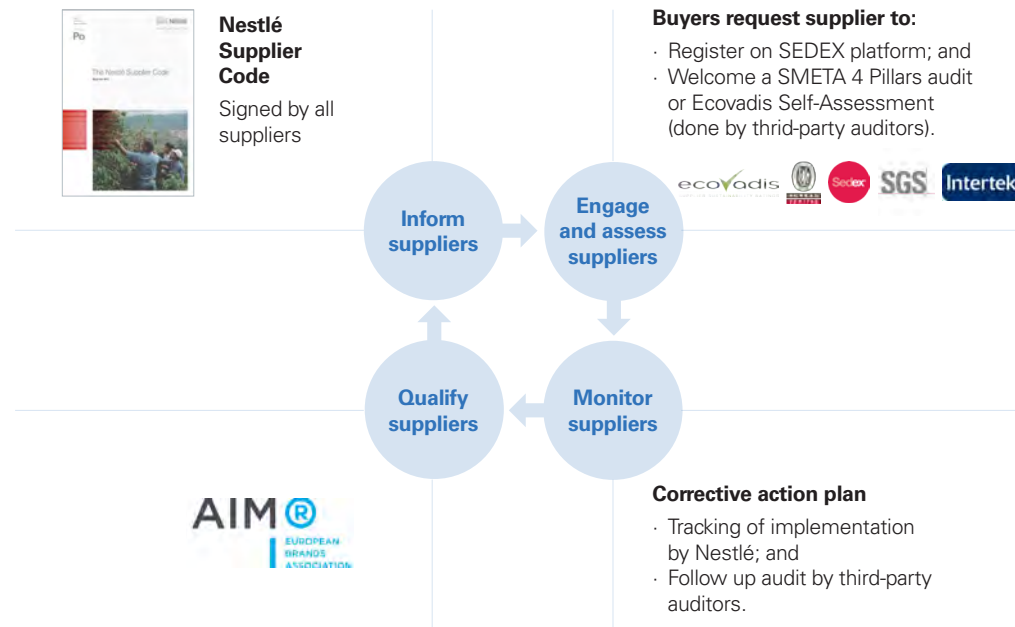
All Tier 1 suppliers with manufacturing locations are audited using the SEDEX Members Ethical Trade Audit (SMETA) methodology, used widely across the industry. The audit protocol itself follows a comprehensive 4 Pillar audit approach, focusing on the areas of Labour Standards, Health & Safety, Environment, and Business Practices. For all other Tier 1 suppliers with no manufacturing locations, we require all suppliers over a certain size to complete self-assessments using the EcoVadis online assessment platform, and encourage all others to voluntarily complete these assessments. Our ambition is to have all suppliers engaged in this programme in the future.

Our responsible sourcing audit programme builds on best practice ethical trading codes including the Ethical Trading Initiative (ETI) Base Code. The audit process promotes continuous improvement in line with the standards established in the Nestlé Supplier Code, and aims to guide our Tier 1 suppliers towards full compliance with the Nestlé Supplier Code, identifying areas where compliance is not yet achieved.

From the end of 2015, we moved away from measuring the number of audits we conducted to measuring the percentage of supply volume and spend. This way we can focus more on higher volume suppliers and more accurately measure and monitor compliance with our Nestlé Supplier Code and responsible sourcing practices.

By 2015, we had achieved our global objective of 10,000 audits with at least 70% full compliance. This means that in 70% of all supplier audits conducted, no non-compliances were identified. Together, the audited suppliers account for some 95% of our overall spend. Our objective for 2016 is that for all Tier 1 suppliers, we cover 50% of the total volume sourced from Responsible Sourcing Guideline audited Tier 1 suppliers, with 70% compliance.

Objectives tracking KPIs



Whilst we are encouraged to have such strong rates of compliance, our responsible sourcing audits do from time to time uncover incidents of forced labour and modern slavery in our supply chain. All incidents of forced labour or modern slavery are managed on a case by case basis, and we work hard to ensure effective remediation is sought for all rights-holders impacted.

Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour.

	2013	2014	2015
Operations	0	0	0
Suppliers	149	174	114

On completion of the audit process, each supplier receives a report detailing areas for improvement and the requirements to achieve compliance. In all cases of non-compliance, a corrective action plan is approved, containing detailed measures and timelines to ensure that practices are improved.

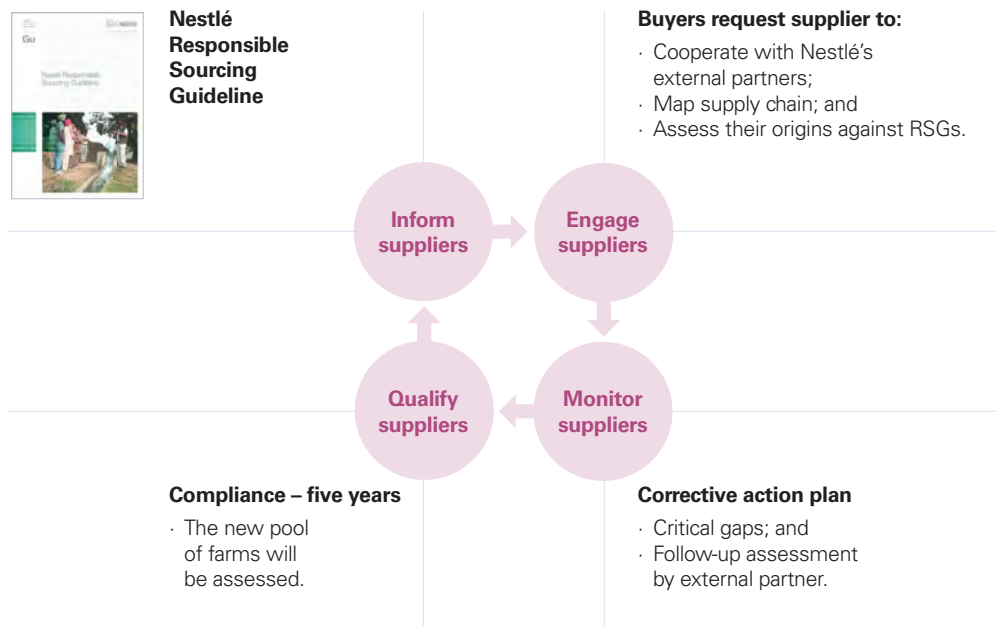
In the UK, we are currently working with 106 First Milk farmers in Cumbria and Ayrshire to enhance responsible farming practices. In 2015 10 of our farmers were assessed against our Responsible Sourcing Guideline, which incorporates input from World Animal Protection. We identified seven gaps against the Responsible Sourcing Guidelines and have subsequently implemented corrective actions for all of them, including further training for all our farmers. The gaps identified related to environmental management and animal welfare. No gaps relating to human rights and specifically modern slavery were identified. Our intention is to carry out another set of assessments in 2018, in accordance with our audit cycle.

Traceability and assessments

The second component of our Responsible Sourcing activities is traceability and assessments. This involves mapping our supply chains back to the primary producer to identify where the material originally comes from. It is a major undertaking, especially with certain ingredients, such as meat and seafood, which have very complex supply chains that may lack transparency. Traceability and transparency are, therefore, essential in enabling us to assess whether our sub-tier suppliers, with whom we do not have a direct commercial relationship, are meeting our ethical and sustainability requirements.



Objectives tracking KPIs



Because of the scale of our global operations and the vast size of our supply chains, our responsible sourcing activities continue to focus on 12 priority categories: palm oil, soya, sugar, pulp and paper, coffee, cocoa, dairy, fish and seafood, cereals, vanilla, hazelnuts, and meat, poultry and eggs.

By working directly with different partners for different purposes we are able to ensure that we develop specific and meaningful action plans to address the most salient issues, such as our work with the Fair Labor Association (FLA) in our hazelnut supply chain in Turkey.

Whilst most suppliers to Nestlé UK are managed 'above the market', meaning at a regional or global level, where we have suppliers managed directly within the market, we focus our domestic responsible sourcing activities on dairy, sugar, cereals, and meat, poultry and eggs, with our pilot supply chain engagement activity taking place in our dairy supply chain. We are currently working with the 106 [First Milk](#) farmers in Cumbria and Ayrshire who supply us with fresh milk to enhance responsible farming practices.

All Nestlé suppliers are required to meet our requirements. However, we recognise that supply chain transformation cannot be achieved overnight so, where appropriate, we support suppliers who are not able to meet the RSG immediately but are committed to eliminating non-compliances over time. Progress against these action plans is monitored and regularly reported.



Addressing child labour in our hazelnut supply chain

Turkey is the world's leading producer of hazelnuts, with around 75% of the total global production. Nestlé mainly purchases hazelnuts as a raw material from the eastern and western parts of the Black Sea region of Turkey; of the 7,000 tonnes we sourced in 2015, more than 4,000 tonnes came from these areas. Even when we do not source directly from the farms but from a small number of suppliers, who obtain the hazelnuts through a chain of intermediaries, we believe that our supply chains represent one of the biggest opportunities at hand to contribute to healthy lives, in a healthy environment and in healthy communities.

Hazelnut harvests are seasonal, requiring large groups of migrant workers and their families to move to the areas in which hazelnut gardens are located for the relatively brief harvest period. Younger members of these families can sometimes become involved in work related to the harvest.

We have been working with the [Fair Labor Association \(FLA\)](#) in Turkey to improve supply chain transparency and implement a monitoring and remediation system for tackling labour and human rights issues. Our action plan focuses on the integration of FLA recommendations and sound labour practices into our sourcing strategy.

By the end of 2015, 54% of the total volume of the 12 priority categories was traceable (against a global target of 40%). Of this traceable volume, 43% was responsibly sourced (against a global target of 30%). Our target for 2016 is to achieve 50% of the volume of our 12 priority categories to be traceable.

As part of our action plan, we are committed to:

- Strengthening child labour monitoring and remediation;
- Continuing to work with local authorities and the ILO to raise awareness through campaigns, training and an illustrated supplier code in Turkish;
- Establishing a toll-free phone number for non-compliance reporting; and
- Introducing a self-assessment tool for hazelnut growers to verify their performance with respect to child labour criteria.

Addressing challenges around labour conditions is complex and requires the collaboration of many stakeholders. This is why multi-stakeholder dialogue and engagement is essential.

We are committed to continuing to take firm steps to make continuous progress in the areas that require further work.

Inevitably, some categories of raw material are making faster progress than others. For example, around 95% of the vanilla flavours we procure are traceable, while for other categories, such as meat, poultry and eggs, and fish and seafood, supply chains are more complex and progress will consequently be slower. However, we are confident that our ongoing activities will enable us to make further progress in improving traceability in 2016, and have introduced a new objective to measure progress.



Beyond Compliance

Globally, Nestlé works with hundreds of thousands of farmers who provide us with the raw agricultural ingredients we use to make our products. Because farmers play such an important role in our supply chain, we developed a programme designed to support the development of local farmers and rural communities, known as [Farmer Connect](#).

Farmer Connect is a flagship Nestlé programme committed to the local sourcing of raw materials, by purchasing goods directly from farmers, co-operatives or selected, trusted trade partners. Through Farmer Connect we engage with approximately 760,000 farmers – mostly smallholders in developing countries.

Farmers and farm workers

We believe that it is important to focus not only on farmers, but also on the farm workers who provide the permanent and casual labour, primarily at harvesting season, though often throughout the year on larger farms. Farm workers are often migrant labour who are frequently ‘invisible’ to traditional support programmes.

We have a responsibility to ensure that farm workers and others employed in our supply chains work in fair labour conditions that meet the terms of our Supplier Code.

Our [Rural Development Framework](#) pays particular attention to vulnerable worker groups, especially seasonal, migrant, women and non-family workers. We seek to improve conditions of employment and work and to eradicate forced labour, and we support non-discrimination and freedom of association.

Implementing initiatives such as the UN Global Compact and the [International Labour Organization’s \(ILO’s\) Conventions and recommendations](#) works best when farmers and their workers understand the value of improved conditions and its effect on productivity. Our aim is that our field support staff will, by sharing knowledge and information, be able to provide education and training on issues such as human rights, labour rights, living wages, and health and safety, as well as building capacity and fostering opportunities for dialogue between workers and their representatives.

Through the [Nestlé Commitment on Child Labour in Agricultural Supply Chains](#), we are focusing on the supply chains of cocoa, vanilla and hazelnuts. See the Human rights and compliance section of our [global Nestlé in Society: Creating Shared Value report](#) for more information on our commitment to eliminate child labour.

In the UK, we currently work closely with our dairy farmers in Ayrshire and Cumbria whose milk goes into products such as KITKAT and NESCAFÉ Café Menu. Alongside undertaking independent responsible sourcing assessments of these farmers, which you can read more about in the Responsible Sourcing Programme section of this report, we are developing a programme to support development in areas including environmental management, as part of our ongoing Working with Nature initiatives. You can read more about this [here](#).

Through Farmer Connect and the Nestlé Rural Development Framework, we are able to positively contribute to the development of farmers, farm workers and rural communities. By doing so, we aim to mitigate a number of the societal issues facing these groups, and help to support them in being able to fully enjoy their fundamental rights.



Nestlé Child Labour Monitoring and Remediation System in Côte d'Ivoire

Child labour in our cocoa supply chain is a complex issue and gathering reliable evidence about attitudes and perceptions, as well as what is happening on the ground, is vital, but challenging.

In 2015, we continued to implement our action plans to focus specifically on commodities and countries where there is a higher risk of child labour issues, including our cocoa supply chain.

Working with the [International Cocoa Initiative \(ICI\)](#), we created a Child Labour Monitoring and Remediation System (CLMRS) to operate in the Nestlé Cocoa Plan supply chain in Côte d'Ivoire, where we currently work with 79 co-operatives. The CLMRS covers awareness raising in local communities, data gathering about the circumstances of children in our supply chain, and providing cocoa farmers with the practical support and means to get their children back into school. It complements other aspects of the Nestlé Cocoa Plan, which are designed to increase farmer productivity and income and so help them out of poverty.

In 2015, the CLMRS was extended to a further 18 co-operatives, taking the total to 40, and will cover all 79 co-operatives by 2016.

The CLMRS would not function properly without the support provided by the ICI and the FLA, both of which play complementary roles as part of the system. ICI is involved in work at a ground level, and has increased staff members to extend the roll-out of the system by:

- Recruiting Community Liaison People (CLP) and Child Labour Agents;
- Designing, collating and coordinating the child labour database;

- Training all the different actors of the system on child labour but also on their role as part of the system;
- Conducting awareness-raising sessions on child labour for farmers and local communities;
- Designing and implementing remediation activities; and
- Collecting key performance indicators (KPIs) for the purpose of reporting on the overall performance of the system.

The [Fair Labor Association \(FLA\)](#) plays an auditing role, assisting Nestlé in ensuring it becomes progressively compliant with its own Code of Conduct. Each year, the FLA organises its own external audits, selecting co-operatives at random and sending auditors to them to ensure that we meet the [FLA Code of Conduct](#), as well as the Nestlé action plan. Following each assessment, the FLA publishes the results along with our response to each finding and any corrective actions taken. In 2015, the FLA conducted five such audits at six co-operatives in Côte d'Ivoire that supply us with cocoa via the [Nestlé Cocoa Plan](#).

Through our work with the ICI and the FLA, we have gained a better understanding of the issue of child labour. New data and insights enable us to further strengthen our efforts. We are determined to eradicate the problem of child labour in our supply chain and we have made this a priority for our company with actions such as our CLMRS.

We also recognise that the elimination of child labour is a shared responsibility and we are engaging with other global and local stakeholders, including the Ivorian government to make sustained progress in tackling this serious and complex issue.



Performance indicators

Monitoring is key to verifying whether our human rights activities (policies, training, action plans, etc.) have been effectively integrated across the different levels of the company and into our business activities.

All our major monitoring mechanisms now include relevant indicators that help us make our human rights monitoring broader, more systematic and continual.

We are reliant on working closer with our partners and independent experts to both undertake effective monitoring of our activities, as well as to help us in identifying and developing appropriate performance indicators and remedial measures. You can read more about our partners on pages 110 – 111 of our [global Nestlé in Society: Creating Shared Value report](#).

Such performance indicators are framed by the global commitments we have set in relation to both human rights and responsible sourcing. You can read more about these commitments and our performance against them [here](#).

In addition to our global commitments, we have commodity-specific projects with corresponding key performance indicators (KPIs). These projects have been established to specifically address issues which have been identified for particular commodities, such as the identification of forced labour in our Thai fish and seafood supply chain.

We integrate human rights indicators into our management systems to monitor our progress and report on it annually, through our global [Nestlé in Society: Creating Shared Value report](#).

In order to verify our performance and make sure that we are on the right track, we also undertake regular external stakeholder engagement and consultation with independent experts that help inform our understanding and approaches to managing human rights.

Human rights have been systematically integrated as part of our annual stakeholder convenings, which gather representatives from government agencies, international organisations, trade unions, business associations, civil society organisations and academia. In addition to these convenings, we engage with key local stakeholders as part of our in-country Human Rights Impact Assessments (HRIAs). The combination of global and local expert inputs offers us a unique opportunity to incorporate new ideas and perspectives into our overall approach to human rights.

At the industry level, we engage with different business organisations – such as the World Business Council for Sustainable Development (WBCSD), the Consumer Goods Forum (CGF) and the UN Global Compact (UNGC) – to advance the business and human agenda in a pre-competitive manner, and invite more companies to join. In January 2016, the CGF Board approved its first resolution on social sustainability specifically addressing the issue of forced labour. We are also an active member of several multi-stakeholder initiatives, such as the ILO Child Labour Platform.

In the UK, Nestlé is a member of the UN Global Compact network's Modern Slavery Working Group, in which member companies come together to share learning and best practice in the development of corporate human rights approaches, with particular focus on modern slavery.



Tackling labour abuses in the seafood supply chain

Our mandatory [Nestlé Supplier Code](#) and [Responsible Sourcing Guidelines \(RSG\)](#) on Fish and Seafood require all of our suppliers to respect human rights and to comply with all applicable labour laws. To reinforce this, Nestlé is taking action to eliminate labour and human rights abuses in the seafood supply chain. In 2015, we commissioned [Verité](#), an NGO that works with companies to help understand and tackle labour issues, to investigate allegations of abuses in the Thai fishing industry. They collected information from fishing vessels, ports, mills and farms in Thailand on a range of issues, including trafficking, forced and underage labour, lack of grievance procedures, workplace conditions, and wages and benefits.

Following [Verité's](#) investigation we have launched an [action plan](#) on seafood sourced from Thailand, which takes into account their recommendations. Focused on 10 key activities, the plan contains a series of actions, designed to protect workers from abuses, improve working conditions and tackle unacceptable practices, including juvenile and teenage working. Those actions include establishing a migrant workforce emergency response team, setting up a grievance mechanism, providing training for captains and boat owners operating in the industry, raising awareness about minimum required labour standards, establishing better traceability of raw materials and enabling verification of labour standards in fishing vessels.

The action plan was published in November 2015 and immediately put into place. It has been rolled-out throughout 2016, with a dedicated manager being based in Thailand to oversee its implementation. Alongside the Thai Government, local seafood suppliers and international buyers, we also continue to participate in the multi-stakeholder ILO Working Group, which is seeking collaborative solutions to improve labour conditions in Thailand's complex seafood export industry.

Training

Our human rights training is delivered at two different levels. At the global level, we have developed an online human rights training module for Nestlé employees which is currently in the process of being rolled-out. The objectives of these modules are to:

- Make all employees aware of the company's position regarding human rights and inform them about the relevant Nestlé policies and procedures;
- Share with them good practice examples based on our experience in this area; and
- Make them think – individually and collectively – about human rights issues, challenges and opportunities in their own work environment.

At the functional level, we have developed specific training modules for targeted departments with the company. These aim to go one step further than the online training, as they focus on issues that are specific to the function, using real-life case studies or imagined scenarios.

Since 2011, we have trained 72,778 employees on human rights across 66 countries. In 2015, we trained 8,130 (2.4%) employees on human rights across nine [FTSE4Good](#) Countries of Concern, where there is greater potential for exposure to human rights risk. (The FTSE4Good is the ethical stock market indices of the Financial Times and the London Stock Exchange, and is designed to measure objectively the performance of companies that meet globally recognised corporate responsibility standards.) Other countries, including the UK, are receiving this training over the course of 2016 and 2017.



What's next?

As part of our approach to Creating Shared Value, we set ourselves 39 global corporate commitments to be achieved by 2020.

Our commitments reflect the material issues of our business and help shape our strategy for continuous improvement. Of these commitments, a number are explicitly linked to improving the way in which we and our stakeholders, including our upstream supply chain, respect human rights.

1. Assess and address human rights impacts in our operations and supply chain

We are determined to manage our salient human rights issues – those human rights at risk of the most severe negative impacts through the company's activities and business relationship, including forced labour. We plan on achieving this through our human rights due diligence programme and putting in place dedicated action plans for each issue identified as salient, which we have committed to doing by the end of 2016.

We have also committed to undertaking six additional human rights impact assessments in countries where we have significant business operations, by the end of 2018.

2. Eliminate child labour in key commodities

In addition to continuing to strengthen our existing programmes and approaches focused on eliminating child labour in the supply chain, we have committed

to undertaking child labour risk assessments for all 12 high-priority categories of raw ingredients and deploy responsible sourcing strategies to monitor and mitigate occurrences of child labour. We aim to complete these risk assessments by the end of 2018.

3. Implement responsible sourcing in our supply chain

Mapping our extended supply chains across priority categories of ingredients and materials is a long-term process. Working together with specialist partners and other agencies, we're making steady progress but as each supply chain presents its own set of challenges, we also need to define, develop and implement strategies to address such complex issues as women's empowerment and deforestation. Our progress towards having traceable and Responsibly Sourced raw materials in each of our 12 priority categories is summarised on page 112 of our global [Nestlé in Society: Creating Shared Value report](#). We will continue to report on our progress across these categories on an annual basis.

In the specific categories of coffee and cocoa, we have separate commitments which seek to continuously [improve our green coffee supply chain](#) and [continue to roll-out the Nestlé Cocoa Plan with cocoa farmers](#).

4. Ensure that all employees and stakeholders can easily report possible compliance violations

Transparency is vital if we are going to be effective in ensuring that all rights holders are able to enjoy the human rights they possess. This is why we have committed to scaling-up our communications and awareness raising of both internal and external independent whistleblowing mechanisms. We have committed that by the end of 2016 we will have

reinforced awareness of the existence of confidential reporting lines across the business, and will continue to scale-up communication about 'Tell us' to suppliers and downstream business partners as well as to second-phase countries (an additional 20 countries).

5. Roll-out the Rural Development Framework to understand the needs of farmers

We recognise that in our upstream supply chain some human rights issues, such as child labour and forced labour, can be linked to a range of other influencing factors including women's empowerment and the position of farm workers, which is why we are committed to continuing the roll-out of our Rural Development Framework. By doing so, we hope to be better able to understand the needs of our farmers and farm workers, and work better together to address human rights issues including forced labour and human trafficking.

We have identified eight core areas that we believe are important elements of successful rural development. By focusing on these issues and using our expertise, either directly or through our partners, we aim to make a real impact on the livelihoods of farmers within our supply chains.

The eight core areas are:

- Farm economics;
- Nutrition;
- Farm workers;
- Land and land tenure;
- Water and sanitation;
- Farmer knowledge and skills;
- Women's empowerment; and
- Natural resource stewardship.

The road ahead

Whilst Nestlé UK is a relatively small part of the company's global value chain, we continue to play an active role in meeting the global commitments we have set ourselves as a Group.

We know that there is a lot of work to be done, and we plan on strengthening the existing training and capacity building we have in place for our UK-based employees across our businesses, to include a specific e-learn module on modern slavery and the UK Modern Slavery Act legislation.

We will also expand the information we provide to our suppliers and contractors across the UK to include explicit reference to compliance with the UK Modern Slavery Act. This will feed into revised supplier assessment criteria, including the supplier review process, which forms an important element of our comprehensive supplier responsible sourcing programme.

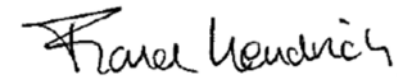
In our domestic upstream supply chains, starting with our dairy supply chain, we are working with the First Milk dairy farmers we work with to undertake responsible sourcing audits. Following successful completion of this supply chain pilot, we hope to continue the roll-out of these audits across other domestic category supply chains, including cereals, and meat, poultry and eggs.

We will carry on with our ongoing comprehensive mapping of our supply chains in the UK. We have started this mapping across our upstream supply chain, initially focused on direct supply. This will be followed by building a more comprehensive picture of our indirect supplying activities, including co-manufactured and imported products. Due to the complex nature of our value chains, this latter step will take time but we intend on reporting back through this report with an annual update on progress.

We are determined to continue to embed responsible and effective management of all human rights issues including modern slavery and human trafficking. Going forward, the responsibility for overseeing operational performance in relation to the UK Modern Slavery Act will sit with the market-wide Nestlé Ethics & Compliance Committee, chaired by our Group Legal Director. We believe that this internal governance structure will enable oversight, accountability and transparency at all levels of our business. We are committed to reporting regularly and transparently on our performance as Nestlé in the UK and look forward to providing an update on our progress in this area in our 2017 report.

Ultimately, upholding ethical principles in our business and supply chain is fundamental to who we are as a responsible business and underpins our license to operate. We see our responsibility to respect human rights across our supply chain as critical to our success and as the right thing to do.

On behalf of Nestlé UK



Dame Fiona Kendrick

Chairman and Chief Executive Officer, Nestlé UK
September 2016

Contact

We hope you find this report engaging and informative, and welcome your input and views, which can be sent to update@uk.nestle.com

Nestlé UK
1 City Place, Gatwick,
United Kingdom
RH6 0PA