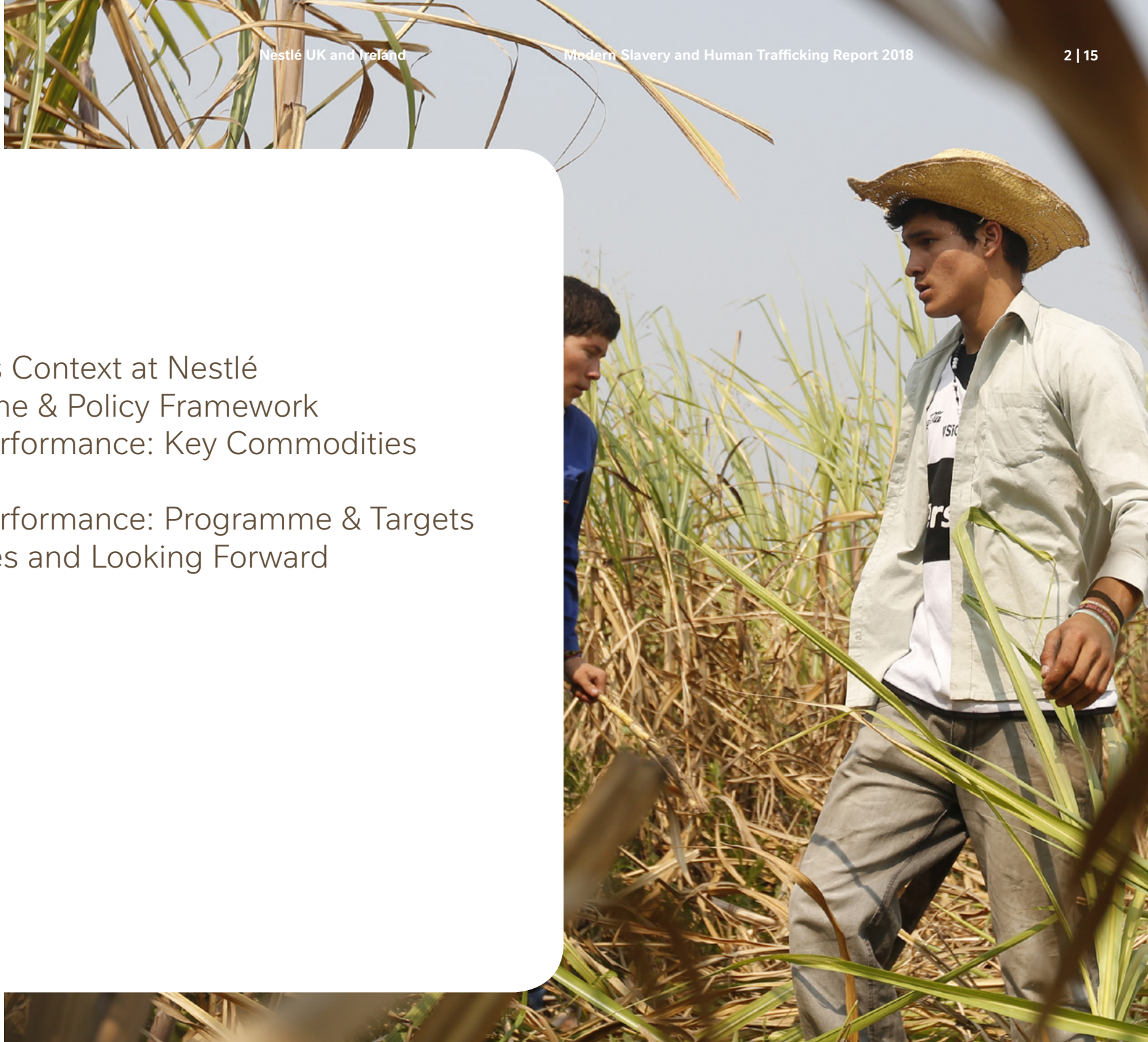




Nestlé Good Food, Good Life



**Modern Slavery and Human Trafficking Report 2018:
Advancing human rights at Nestlé**



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Introduction

Modern slavery is a growing, complex issue presenting a real and pressing challenge for today's society, and sees people worldwide dehumanised, treated as a commodity or controlled by an exploiter against their will.

It is most prevalent in Africa, Asia and the Pacific respectively, according to the [Global Slavery Index](#). Within global supply chains, modern slavery could extend to forced labour, child labour, withholding workers' passports or even human trafficking. The [International Labour Organization](#) (ILO) estimates that approximately 24.9 million people worldwide are victims of forced labour, the majority of them women and girls. The sectors most at risk include construction, manufacturing, domestic work, entertainment and agriculture.

As the world's largest food and beverage manufacturer, we have a deeply held respect for everyone who works for or with us, and maintain a strong commitment to respecting human rights. At Nestlé UK Ltd ('Nestlé UK'), this includes our more than 6,100 direct and indirect suppliers, and our 8,000 employees in the UK and Ireland.

Our efforts support the global movement to address the threat of modern slavery. World leaders have agreed to eliminate slavery as part of the [UN's Sustainable Development Goal 8](#) to promote decent work and sustainable economic growth. As slavery rises up the global agenda, policymakers are increasingly requiring companies to report their modern slavery risks more transparently, including through the UK's 2015 Modern Slavery Act.

We recognise that modern slavery poses a risk to our business and stakeholders, and continue to strengthen our efforts to prevent, identify and address potential risks or instances of modern slavery within our operations and supply chain, in line with our values, policies and regulation. We remain committed to disclosing our progress transparently and, through this report, we share our progress during the period October 2017 to October 2018.

"Consumers, investors and policymakers are increasingly interested in the human rights of the people who help make our products. We believe upholding the human rights of the people in our business and supply chain is essential to making our business activities and supply chains more resilient, stable and sustainable," says Stefano Agostini, CEO.

Stefano Agostini
Chief Executive Officer
Nestlé UK and Ireland

13M

Nestlé has 13 million farmers in 86 countries to make its products.

Our Approach

We operate using the [Nestlé Corporate Business Principles](#), which inform the way we work.

Creating Shared Value (CSV) is fundamental to how we do business at Nestlé. We believe that our company will be successful in the long term by creating value for both our shareholders and for society. Our activities and products should make a positive difference to society while contributing to Nestlé's ongoing success. Our global organisation's 2020 CSV commitments reflect the priorities that we and our stakeholders believe will help us achieve the greatest impact in achieving our 39 goals and fulfilling our mission. And with the growing demand for food and challenges to sustainable farming, we see supporting rural development, creating decent employment and respecting and promoting human rights as central to these efforts. Our focus on human rights will also play an important role in achieving Nestlé's ambition to improve 30 million livelihoods in communities that contribute directly to our business by 2030.

We respect international guidelines and standards on human rights, including the [UN's Guiding Principles for Business and Human Rights](#) (UNGPs) and [Sustainable Development Goals](#), the [OECD Due Diligence for Responsible Business Conduct](#) and the [ILO's Fundamental Conventions](#).

As an early adopter of the UNGPs, we take a structured approach to assessing and improving our human rights performance. We collaborate with expert organisations in order to continuously improve our knowledge and understanding of evolving human rights challenges, including modern slavery, so that we can address them more effectively and increase our impact.

Importantly, to understand our potential impacts across our value chain, it's vital to know where our ingredients and materials come from. To achieve this, we work with our direct suppliers to trace ingredients we buy back to their places of origin, such as the individual mill, plantation or farm. When we have built a clear understanding of our supply chain, we use different tools to assess supply chain actors (plantation, mill, farm, factories) against our [Responsible Sourcing Standard](#), addressing any issues where necessary. These assessments are conducted by partner organisations such as [The Earthworm Foundation](#) and [Proforest](#). All of Nestlé's suppliers must comply with our Responsible Sourcing Standard. To ensure compliance, we commission independent audits delivered by Bureau Veritas, Intertek and SGS (for Tier 1, direct suppliers).

Read more about our human rights journey

For our communities
Helping develop thriving, resilient communities

Our priorities:

- Assess and address human rights impacts in our operations and supply chain
- Eliminate child labour in key commodities
- Embedding responsible sourcing in our supply chain
- Ensure that all employees and stakeholders can easily report possible compliance violations

30M
Nestlé aims to improve 30 million livelihoods by 2030.

Human Rights Context at Nestlé

Working with key external stakeholders, we identified 11 human rights issues in 2016 that could generate the most serious negative impacts for the people within our operations and supply chain, and where we have the greatest opportunity to act.

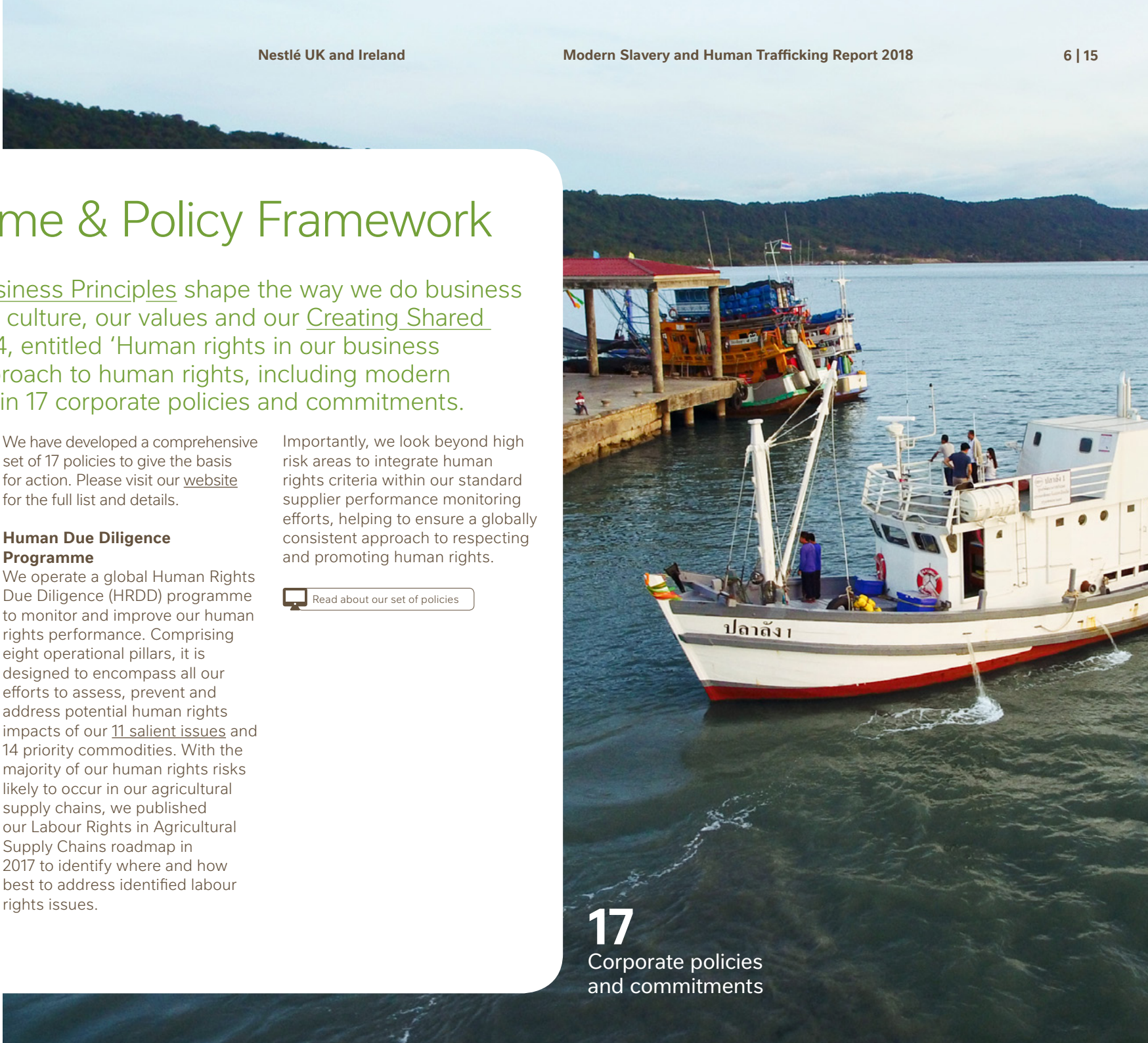
These 11 salient, often interrelated issues inform the way we approach and prioritise improving our human rights performance. Of the 11 issues, at least two of them – forced labour and child labour – are defined as modern slavery risks. However, people working in situations of modern slavery may be at risk across many of these areas. For example, they may face excessive working hours, wages that fall below living wage thresholds, unsafe working environments, poor accommodation, or a lack of access to clean water and sanitation. Similarly, they may be forbidden to associate freely with trade unions or bargain collectively with their employer for improved pay and working conditions, or lack access to raise their concerns through official channels, without fear of retaliation.

Our 11 salient issues stand to affect people throughout our activities and business relationships. In particular, we have identified six groups of people as particularly vulnerable: our employees, on-site contractors, suppliers and workers, farmers and farm workers, local communities and consumers.

The work we have conducted on defining these issues forms part of our broader efforts to define and address the social, economic and environmental issues that are most relevant to our business and stakeholders through our biennial [materiality assessments](#).

 [Read more about our 11 salient issues](#)





Our Programme & Policy Framework

The Nestlé [Corporate Business Principles](#) shape the way we do business and form the basis of our culture, our values and our [Creating Shared Value](#) strategy. Principle 4, entitled 'Human rights in our business activities', guides our approach to human rights, including modern slavery, and is enshrined in 17 corporate policies and commitments.

In this way, we seek to make consideration for human rights part of our employees' daily work and responsibilities, and central to our business relationships with suppliers. In particular, to help prevent instances of modern slavery in our supply chains, we require all Nestlé suppliers and contractors to comply with our [Corporate Business Principles](#), and Nestlé Responsible Sourcing Standard. We also have specific commitments on preventing [child labour](#), promoting [labour rights in agricultural supply chains](#) and helping to ensure good conditions of work and employment. We monitor their compliance with our requirements through initiatives including third-party audits, independent assessments, and contractual and relationship reviews.

We have developed a comprehensive set of 17 policies to give the basis for action. Please visit our [website](#) for the full list and details.

Human Due Diligence Programme

We operate a global Human Rights Due Diligence (HRDD) programme to monitor and improve our human rights performance. Comprising eight operational pillars, it is designed to encompass all our efforts to assess, prevent and address potential human rights impacts of our [11 salient issues](#) and 14 priority commodities. With the majority of our human rights risks likely to occur in our agricultural supply chains, we published our Labour Rights in Agricultural Supply Chains roadmap in 2017 to identify where and how best to address identified labour rights issues.

Importantly, we look beyond high risk areas to integrate human rights criteria within our standard supplier performance monitoring efforts, helping to ensure a globally consistent approach to respecting and promoting human rights.

 [Read about our set of policies](#)

17
Corporate policies
and commitments

Progress & Performance: Key Commodities

Sourcing raw materials responsibly, prioritising suppliers that respect or exceed our human rights and environmental requirements, is an important way for us to prevent the risk of modern slavery occurring in our supply chains.

Through our responsible sourcing initiatives, we assess human rights and modern slavery risks among [raw materials](#) suppliers, and trace ingredients we buy back to their places of origin, such as the individual mill, plantation or farm.

We focus on 14 priority categories within our responsible sourcing programme. These are: palm oil, soya, sugar, pulp and paper, coffee, cocoa, dairy, fish and seafood, cereals, vanilla, hazelnuts, meat, poultry and eggs. In 2018, we expanded our responsible sourcing scope to include processed vegetables (tomatoes, carrots, spinach, onions and bell peppers) and spices.

Working closely with external partners including [The Forest Trust](#) (TFT), [Verité](#), [Proforest](#) and [World Animal Protection](#), we develop targeted action plans to address the 11 most salient human rights issues across our agricultural supply chains, including those related to modern slavery.

Our six most important raw materials (by volume) are palm oil, coffee, sugar, hazelnuts, cocoa and fish and seafood. We strengthened our efforts to source these materials responsibly in 2018 – including by improving our human rights performance – and continued to lead targeted efforts to identify, prevent and mitigate instances of modern slavery.

-
- Palm Oil
 - Hazelnuts
 - Sugar
 - Coffee
 - Cocoa
 - Fish and seafood

2018 Updates

Palm oil

64% of our palm oil was responsibly sourced in 2018, in line with [Roundtable for Sustainable Palm Oil](#) (RSPO) criteria, and 54% of our palm oil could be traced back to the plantation where it was grown. [Based on the findings of a comprehensive human rights impact assessment we undertook in 2017](#), we developed a dedicated [action plan](#) to address labour rights issues in our supply chain, focusing on issues including working conditions, health and safety and preventing child labour. We also encouraged suppliers to share knowledge on raising standards, hosted workshops to promote workers' rights, and worked with other businesses and not-for-profit organisations, including the ILO and UNICEF, to explore best practice in improving the wellbeing of former child labourers. Finally, we took steps to help protect indigenous people's land rights in Indonesia and promote the responsible recruitment of palm oil [workers](#).

Hazelnuts

In Turkey, where we source the majority of our hazelnuts, human rights challenges centre around helping to ensure safe, healthy living and working conditions for workers, particularly the seasonal workers employed during the harvest period. Children also often work alongside their parents in the hazelnut gardens.

Sugar

We continued our efforts to ensure that sugar is sourced from mills that respect our Responsible Sourcing Standard and comply with local laws, and that require their suppliers (farms and plantations) to do the same. This includes, for example, no use of forced or child labour, ensuring at least legally acceptable pay and conditions, respecting freedom of association and collective bargaining (where this is legally permissible) and providing safe, healthy work and living places. 61% of our sugar was responsibly sourced in 2018. Additionally, Nestlé was named among the [top five companies for addressing forced labour](#) in their sugar cane supply chains in a report published by KnowtheChain. The report also

recognised that we were one of the few companies to disclose the steps that we and our suppliers had taken to address alleged forced labour in our supply chain.

Coffee

Some 55% of *Nescafé Plan* coffee is now responsibly sourced, and 93.9% of Nespresso coffee is sourced through the AAA Sustainable Quality™ Program. Both of these programmes include a core focus on protecting farmers' and farm workers' human rights. In 2018, we enhanced our monitoring and remediation capabilities on labour rights in Mexico by partnering with [Verité](#) and [PPS](#) to deliver tailored training to coffee farmers and our field teams. PPS also visited 176 medium or large farms to help us implement specific activities designed to improve human rights performance, including by addressing any existing issues. Additionally, we launched a consumer communications campaign, 'Grown Respectfully', to highlight the work of our *Nescafé Plan* by conveying real, inspiring experiences from coffee growers.

Cocoa

We sourced 198,155 tonnes of cocoa sourced through *Nestlé Cocoa Plan*, which seeks to improve the lives of farmers in our cocoa supply chain by helping them to adopt sustainable practices, rejuvenate plantations and tackle deforestation. We also continued to focus on empowering women and eliminating child labour, raising standards through certification and strengthening our supply chain. In 2018, we raised awareness of the importance of preventing child labour among 535,435 farmers and community members, and increased our support for former child labourers in Côte d'Ivoire and Ghana. We helped 11,130 children in 2018, with donations of school materials, birth certificates and bridge schools, co-funded by the [Jacobs Foundation](#).

Fish and seafood

Workers in the Thai seafood industry face serious human rights risks. Working with multiple stakeholders, we seek to address these challenges and improve workers' lives. Our action plan includes a training programme – on board a dedicated demonstration boat – to raise awareness of workers' rights and ethical living and working conditions on boats among vessel owners, captains and crew. In 2018, 116 people attended our training. We also audited more than 10% of the vessels in the Thai seafood industry against an internationally recognised standard and partnered with [Issara](#), an organisation seeking to empower workers to raise their concerns through social media, messaging apps and helplines. More than 19,000 workers in Thai seafood processing facilities in Nestlé's supply chain now have access to Issara's independent helpline and can seek assistance and support.

Progress & Performance: Programme & Targets

Within our work to respect and promote human rights, combat modern slavery and stop human trafficking, we report progress on our four key priorities:

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

We made further progress in integrating human rights in our procedures in 2018 by establishing a Global Ethics Committee, stepping up our focus on monitoring compliance, and training our compliance teams. In particular, we trained 5,014 employees on human rights through our new online training programme, and launched our new CARE Audit Protocol, which has an expanded focus on human rights and leverages independent assessments to measure compliance with our business principles. This will allow us to dedicate more time and resources to addressing our 11 salient human rights issues. We have also deployed a toolkit for Market Compliance Officers to help establish a governance structure to manage our human rights efforts at market level.

As we continue to mainstream human rights in our daily work, we have now conducted four of the six planned human rights impacts assessments (HRIAs) in key production countries by 2018.

What's next?

We have extended our HRIA target to 2020 to help ensure that we complete these assessments effectively, given the complexity of our extensive supply chains and the challenges involved in understanding them in their entirety.



Progress & Performance: Programme & Targets (Continued)

2. Eliminate child labour in key commodities

We made progress in addressing child labour within our key raw materials, including in cocoa, coffee, hazelnuts and seafood. For example, we sourced 198,155 tonnes of cocoa through our *Nestlé Cocoa Plan* in 2018, exceeding our 175,000-tonne target for the year. We continued to expand the use of our Child Labour Monitoring and Remediation System (CLMRS), established with the International Cocoa Initiative, in our key cocoa supply countries of Côte d'Ivoire and Ghana. The scheme reached 11,130 children in 2018, refurbished 45 bridge schools and helped some 3,149 children who had dropped out of school to return to their lessons. In Côte d'Ivoire, this included helping 5,632 children to obtain birth certificates, without which they cannot attend secondary school. We have also completed a four-year project with the [Fair Labor Association](#) (FLA) to understand and address child labour and women's empowerment issues in our hazelnut supply chain in Turkey.

What's next?

We will continue to strengthen our efforts in these key areas while expanding our efforts to reach more children in other countries who may be contributing to our diverse raw materials supply chains.




Case study Empowering hazelnut suppliers in Turkey to improve labour rights performance

Nestlé sources some 3,895 tonnes of hazelnuts annually for use in a wide range of food and drink, including confectionery, pastries and ice-cream. However, we know that serious challenges exist in the hazelnut supply chain. In Turkey, where we source the largest volumes of hazelnuts, seasonal workers are vulnerable to poor working conditions and children often work alongside their parents in the hazelnut gardens. In 2018, we completed a four-year project with the Fair Labor Association (FLA) and two key suppliers to deepen our understanding of labour rights issues, including child labour and women's empowerment. This helped

us to improve our approach to improving the lives and livelihoods of seasonal workers, including our training activities, efforts to improve shelters and access to water and sanitation facilities, and hold summer schools for children, as well as how we measure positive impact. Overall, we have trained 6,044 farmers, workers, traders and recruitment agents on issues including health and safety, labour rights, responsible recruitment and preventing child labour. The training has a direct impact for workers, with some 366 farmers and recruitment agents agreeing formal contracts ahead of the harvest, exceeding standard practice in the sector. Some 413

workers have benefited from improved water and sanitation, and we also distributed more than 27,500 pieces of personal protective equipment to over 4,500 farmers and workers. Building on these efforts, we are working with the FLA to move beyond compliance and strengthen our efforts to create more job security and improved working conditions for informal hazelnut workers.

 [Read more about Human rights in our supply chains](#)

Progress & Performance: Programme & Targets (Continued)

3. Implement responsible sourcing in our supply chain

In 2018, we expanded our responsible sourcing scope (see page 7) and made progress on our journey to direct the majority of our raw material spend to responsible suppliers. Overall, 63% of our 14 priority commodities were responsibly sourced, 72% were traceable and 61% of our total purchasing spend and volume was sourced from audited and compliant suppliers.

What's next?

We will increase our focus on achieving responsible sourcing in our lower impact, lower priority categories, including through strengthened governance structures and by directing increased resource to these areas.




Case study Taking our ethical CARE audits to the next level

To promote the highest ethical standards across our business, we seek to foster a culture of integrity and respect within our company and throughout our supply chain. For example, we reinforce messages about compliance, provide training on compliance related topics and raise awareness of relevant grievance mechanisms. We monitor our progress through CARE, our compliance and social audit programme, which uses independent external assessors such as SGS, Bureau Veritas and Intertek, to evaluate and improve our performance.

Working closely with the [Danish Institute of Human Rights](#) (DIHR), we reviewed the CARE programme in 2018 to incorporate current best practices on human rights. We conducted training, addressed key audit findings and reduced the number of gaps between actual and expected performance on social, ethical and environmental issues. In particular, we enhanced our focus on human rights by integrating questions on issues such as labour conditions, employment, business integrity and health and safety throughout our standard audit.

In this way, we aim to help prevent modern slavery and raise ethical standards by uncovering and tackling any risks in advance.

 [Read more about our culture of integrity](#)

Progress & Performance: Programme & Targets (Continued)

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

Everyone has the right to be respected at work, and effective grievance mechanisms and remediation policies are essential to protecting the human rights of people across our value chain. In our continuous efforts to be a better company, we believe it is important to learn from our own experiences and prevent their reoccurrence.

In 2018, we received 1,837 messages through our global Nestlé Integrity Reporting System, which enables employees to report illegal or non-compliant behaviour anonymously. With a year-on-year increase of 6.4% in complaints received through our Integrity Reporting System, we can be confident that our employees are increasingly able to report any concerns around compliance.

The messages received covered issues such as leadership style, labour practices, discrimination and harassment. We also received 486 questions from employees seeking compliance advice. 1,568 (85%) cases were closed and 500 (32%) substantiated, including 12 private-to-private bribery cases, resulting in 139 employees leaving the company. There were 58 written warnings, eight suppliers' services were terminated and other measures were taken, including internal process improvement and reinforcement.

Our external, independently managed whistle-blowing channel, 'Tell us', gives all external stakeholders the opportunity to report any possible non-compliance incidents against the Nestlé Corporate Business Principles. We received and addressed 699 messages via Tell Us, taking action to improve internal processes, as appropriate.

70

Labour practices

4

Environmental suggestions

27

Supplier concerns

21

Fraud cases

7

Harassment

114

Other general concerns

28

Leadership issues

11

Private-to-private bribery

28

Conflicts of interest

23

Safety and quality

Progress & Performance: Programme & Targets (Continued)

As a result of the issues raised in 2018, one warning letter was issued and five people left the company around the world. To help prevent reoccurrence, we also improved and reinforced internal processes.

In 2018, we achieved our objective of implementing a root cause analysis (RCA) system to help us prevent serious compliance incidents, and shared the new process across our markets by webinar. Markets implemented RCAs for severe cases, as appropriate. Additionally, 100% of our markets deployed communication plans and practices, further reinforcing our message that employees should report any potential compliance breaches.


What's next?

Building on our efforts to review the effectiveness of our grievance systems, we will enhance leadership responsibility for compliance with a corporate toolkit for managers on business integrity in 2019, and identify further opportunities to expand effective grievance and remediation systems in key production countries.



Preventing forced labour in Malaysia's palm oil plantations requires effective grievance mechanisms for workers, as confirmed by a 2018 Consumer Goods Forum report. We partnered with [Sime Darby Plantation](#) to create a helpline for workers to report human and labour rights abuses. Co-developed by the [Responsible Business Alliance](#) and solution developer [ELEVATE](#), the helpline uses the Laborlink platform to enable workers to report on rights issues including working conditions, recruitment, and health and safety. Workers can report any issues safely and anonymously via multiple channels, including SMS,

Facebook Messenger or a toll-free phone number. We investigate and address any instances of forced labour or other instances of human rights abuses, and take action to prevent their reoccurrence. The creation of an official grievance mechanism for workers also allows us to gain a deeper understanding of potential human rights risks in Malaysia's palm oil plantations. We are now building on this initial project to extend the tool to thousands more workers in Malaysia.

 Read more about the helpline and this initiative

Our Challenges and Looking Forward

Within our human rights commitments, we set ourselves some ambitious targets around modern slavery and human trafficking to be achieved by 2020.

While we are making good progress on meeting our commitments, we recognise that there is still much to be done. We will continue to explore best practice in identifying and addressing human rights impacts of modern slavery in order to build an in-depth view of our supply chains. Similarly, we will strengthen our efforts to reach more vulnerable workers and child labourers, scaling up proven monitoring, grievance and remediation initiatives. Our increasing focus on responsible sourcing and ongoing work to engage key stakeholders in improving compliance will directly support our work to prevent modern slavery in our supply chains.



For our communities

Helping develop thriving, resilient communities

Our priorities by 2020

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

Train all Nestlé employees on human rights.

Eliminate child labour in key commodities

Source 230,000 tonnes of cocoa through the *Nestlé Cocoa Plan* (key to which is child labour prevention).

Embedding responsible sourcing in our supply chain

For Tier 1, direct suppliers, over 80% of the total spend and volume sourced from audited and compliant suppliers.

For raw materials suppliers, 80% of the spend and volume of our priority categories to be traceable and 70% to be responsibly sourced.

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

A proactive review is conducted for our compliance activities and policies in light of our evolving product portfolio.





Nestlé Good Food, Good Life

We hope you find this reporting engaging and informative, and welcome your input and views. You can share them with our team at update@uk.nestle.com

For further information on our priorities, you can consult our [Creating Shared Value Report 2018](#).

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