



Good food, Good life

# Nestlé Procurement Policy



# Nestlé

# Po

Policy  
Mandatory

---

General Use

**Issuing department**

Corporate Operations - Procurement

**Target audience**

All Nestlé employees

**Approver**

Executive Board of Nestlé S.A.

**Date of approval**

January 2020

**Repository**

All Nestlé Principles and Policies, Standards and Guidelines can be found in NestleDocs, on the Nest.

This document is also available as **PO-25.047-01** at: [nescat](#).

**Copyright and confidentiality**

All rights belong to Société des Produits Nestlé S.A., Vevey, Switzerland.

© 2020, Société des Produits Nestlé S.A.

**Design**

Société des Produits Nestlé S.A., Corporate Identity & Design,  
Vevey, Switzerland

---

# Table of contents

---

2	Introduction to the Nestlé Procurement Policy
3	Nestlé Procurement Vision & Strategy
4	Procurement and People
4	Procurement Ownership of Sourcing
6	Business Connectivity
6	Supplier Selection
7	Supplier Management and Development
8	Control and Compliance
9	Measuring the Performance of Procurement

---

# Introduction to the Nestlé Procurement Policy

---

## **Purpose**

The Nestlé Procurement Policy outlines the fundamental principles applicable to any procurement activity in Nestlé. This document does not try to answer the question “how to buy?” but rather establishes a set of principles to enable all who perform a Procurement activity to better understand the fundamentals of Procurement in Nestlé. It also enables all people who interface with Procurement to appreciate the parameters and requirements of any procurement activity within Nestlé as it contributes to the success of our Business.

This document should be read in conjunction with the following documents:

- Nestlé Corporate Business Principles
- Nestlé Purpose and Values
- Nestlé Code of Business Conduct
- Nestlé Responsible Sourcing Standard
- Nestlé People Policy
- Nestlé Leadership Framework
- Value Realization Procurement Guideline
- Vendor Approval Process Standard – Direct Materials
- Vendor Approval Process Standard – Services & Indirect Materials
- Standard Contract Manufacturing
- Nestlé Procurement Best Practices Handbook
- Nestlé Supplier Liability Guideline

Each Nestlé Market or Business is responsible for ensuring any local policy is aligned and consistent with this policy.

## **Application**

The Nestlé Procurement Policy applies to any Nestlé employee executing procurement activities on behalf of Nestlé or interacting, directly or indirectly, with the Nestlé Procurement function. It also applies to any individual or individuals contracting to Nestlé that execute procurement activities on behalf of Nestlé.

Procurement activities include:

- Business partnering;
- Strategic sourcing;
- Supplier selection and management;
- Contract creation and approval;
- Purchase requisition creation and approval;
- Purchase order creation and approval;
- Goods receipt.

This policy covers all Nestlé spend with third parties, excluding trade spend.

## **Compliance**

It is the responsibility of Nestlé employees undertaking procurement activities or interacting with the Procurement function to read and understand this policy. Guidance can be sought from line managers or the Procurement function, when necessary. Each employee must ensure full compliance with this policy.

The Nestlé Procurement Policy should be included in induction programs for positions that undertake any procurement activities. It should be provided to any Nestlé employee or contractor as a pre- condition to the allocation of a GLOBE Source-to- Pay role.

Procurement and Compliance will monitor the implementation of and compliance with this policy and intervene in the case of any divergence from it.

# Nestlé Procurement Vision & Strategy



By its very nature, the Procurement function reaches outside of Nestlé, bringing in not just services and materials, but also value-builders such as market insights and ideas from suppliers.

Our vision expresses the desire of the Procurement function to always find the best and most competitive solutions for Nestlé in order to quickly respond to consumer needs within a fast-changing business environment.

Bringing Nestlé the BEST accelerates our ability to invest in cost savings and growth initiatives, maximize value for profitability, and respond with agility to the changing landscape of consumer trends and supply networks.

This is all enabled by nurturing our people to be highly skilled in their areas of expertise, disruptive in their thinking, and entrepreneurial in their mindset.

By bringing the best of the supply options into Nestlé, Procurement helps Nestlé win in the marketplace.

---

# Procurement and People

---

All members of the Nestlé Procurement organization will take pride in adhering to the principles and values of The Nestlé Leadership Framework and this will be the basis upon which we deal with our colleagues and execute our day- to-day activities.

All procurement activities will be undertaken according to the principles in the Nestle Purpose and Values, and the Nestlé Corporate Business Principles, working and behaving as ONE team, applying the Procurement best practices and leveraging spend at the appropriate level.

## **People Development**

Our people are our most important asset and they are the key to our success. We will build the capabilities of our Procurement people through recruiting the right people, providing them with the necessary training and ongoing development, and managing our talent.

The way we recruit and manage our people is governed by the guidelines in The Nestlé Leadership Framework and The Nestlé People Policy.

## **Continuous Improvement**

We will ensure our people are best equipped for the future; that they are working with the best processes and tools.

By Simplifying, Standardizing and Sharing our Source-to-Pay processes, our people will be able to focus on value-add activities.

---

# Procurement Ownership of Sourcing

---

*Procurement is the expert in current and future supply markets. We will deliver sustainable value to the business through a focus on service, total cost advantage and innovation.*

## **Aggregation of Spend**

Nestlé will operate its sourcing activities at the most effective level of aggregation defined per spend category to leverage the size and expertise of Nestlé.

Above Market sourcing activities allow us to better align to the suppliers' market and increase the delivery of benefits through leveraging volume aggregation and implementing the Procurement Best Practices. They also ensure that we can focus our Procurement expertise and avoid duplication of resources.

The level of aggregation will be frequently and formally reviewed by the Procurement Leadership Team to recommend the most effective aggregation level for spend categories to the Businesses.

## **Early Procurement Involvement**

The Procurement organization will be engaged at the beginning of any process relating to commercial discussions or supplier selection. Procurement owns the sourcing process, leads supplier selection and recommends supplier decisions to the Business stakeholders.

Procurement will be involved at the beginning of any new Idea-to-Launch process to ensure the greatest value can be achieved during the Identify, Refine, Prepare and Deliver phases.

Procurement involvement from the beginning of any sourcing process will ensure an appropriate analysis of supply risk and opportunities.

Early involvement guarantees that Procurement can contribute strong commercial skills, category knowledge and the expertise of the supplier market to ensure innovative solutions that are cost effective with seamless implementations.

### **The Nestlé Strategic Sourcing Process**

Our sourcing activities are undertaken according to the Nestlé Strategic Sourcing Process with the aim of turning superior knowledge of the supply market into a competitive advantage for our Business.

Procurement will follow the Nestlé Strategic Sourcing Process to:

- Define spend category strategies that take both the Nestlé demand for the category and the available supply base into consideration; and,
- Define supplier strategies to ensure an appropriate supplier management approach is utilized.

These strategies will be stored in a global repository to share the knowledge and information and to leverage the expertise of Procurement within Nestlé.

We classify our spend categories and suppliers based on value and risk criteria. This classification ensures the most appropriate category and supplier strategy is implemented. The Nestlé classification distinguishes between strategic alliances, leverage, bottleneck and non-critical categories and suppliers.

Adherence to the Nestlé Strategic Sourcing Process ensures that:

- Category and supplier strategies are established and clearly aligned to the Business objectives, taking account of both current and future developments;
- Supplier selection is undertaken in a structured manner with appropriate evaluation criteria used to choose the best fit supplier for Nestlé; and
- The supplier base is managed effectively to drive the best possible performance and level of engagement.

### **Competitive Bidding**

All significant purchases will undergo a competitive bidding process to ensure that Nestlé is consistently obtaining competitive cost, service and quality from its suppliers.

Competitive bidding means that we buy either from a preferred supplier or, where this is not intended, we select a supplier for significant purchases by requesting at least three bids or quotations.

A preferred supplier is one that has been selected through the Nestlé Strategic Sourcing Process or has been endorsed by Procurement to supply a particular spend category. The threshold value for significant purchases is defined at a Market level. In cases of single or sole sourcing from non-preferred suppliers, justification should be provided and where required, corrective action will be taken to prevent recurrence.

### **Procurement Information**

Procurement will provide timely and accurate information to the business regarding forecasted pricing and supply market trends and outlooks.

### **Co-Manufacturing**

Procurement will be involved in the management of co-manufacturing. We will add value to the following co-manufacturing processes:

- Make vs. buy decision;
- Sourcing and contract negotiations with co-manufacturers;
- On-going management of co-manufacturers' performance;
- Termination or transition activities.

The management of co-manufacturing processes within Nestlé is defined in the Standard Contract Manufacturing 21.116.

---

# Business Connectivity

---

*Procurement is an integral part of the Business.*

## **Joint Objectives**

All Procurement objectives will be agreed with the Business and joint action plans will be defined to achieve these objectives. This process will take place at all levels of the organization, both at and above Markets.

## **Business Partner**

As an integral part of the Business, Procurement Business partners will be in place for all Business dimensions (Market, Zone, SBU, GMBS, etc.).

They will be responsible to work closely with the Business units to transform Business needs into Procurement strategies and actions and to ensure alignment between Procurement initiatives and Business objectives.

Procurement Business partners will regularly participate in key Business meetings and forums to ensure they obtain up-to-date Business information, can provide relevant and timely updates on Procurement performance as well as advise on how Business strategies are supported.

---

# Supplier Selection

---

*Our suppliers are critical to the success of our Business. Procurement will select suppliers based on a formal and structured process to ensure Nestlé requirements are met and competitive conditions are obtained.*

## **Introduction**

The supplier approval process for suppliers who provide raw and packaging materials, promotional items or other indirect materials that are in contact with food products, is governed by the Vendor Approval Process standards St-25.051-02 and St- 25.050-01 for Direct Materials and Services and Indirect Materials, respectively.

## **Supplier Selection**

Suppliers will be analyzed against a pre-defined set of evaluation criteria to determine if they meet all requirements in relation to the goods or services that Nestlé requires. The evaluation criteria will contain assessment of, at a minimum:

- Specifications;
- Price Conditions;
- Service Conditions;
- Food / Packaging Safety and Quality;
- Technical, R&D and Innovation Capabilities;
- Responsible Sourcing;
- Financial Stability;
- Data Privacy;
- Legal and Reputational background.

Nestlé will ask its raw and packaging suppliers to hold or commit to a GFSI-recognized certification (Global Food Safety Initiative), which aims to have processes in place to mitigate food safety risks across the value chain.

Potential suppliers will be chosen based on an objective analysis against each evaluation criteria.

All relevant information regarding a supplier's proposal and any risks associated with the supplier or the delivery of materials will be shared between Procurement and the Business to ensure that informed decisions are made that take account of all important details.

## **Vendor Assessment**

Selected suppliers will be assessed regularly to ensure the compliance of each of their supplying sites to the Nestlé requirements, in particular those stated in the Responsible Sourcing Standard, the Vendor Approval Process Standard for Direct and Indirect Materials and the Quality standards.

This assessment will result in an approval decision as to whether the supplier can or cannot be used to supply goods or services to Nestlé.



---

### **Responsible Sourcing**

The Nestlé Responsible Sourcing Standard describes the requirements and ways of working that we apply, together with our upstream supply chain third parties to ensure sustainable long-term supply and to reach the ambition of our purpose, especially to continually reduce our impact on the planet's resources.

The Standard sets out ways of working with regards to sourcing and production for our supply chain tiers, from Nestlé to suppliers, through intermediaries and all the way back to the origins of the goods and services we buy.

This Standard replaces previous versions of the Nestlé Supplier Code, the Nestlé Responsible Sourcing Guideline and the Nestlé Commitment on the Responsible Use of Materials from Agricultural Origin.

---

## **Supplier Management and Development**

---

*We aim to unlock suppliers' potential for total cost advantage, service and innovation. We want to have the best suppliers for our Business.*

### **Introduction**

Supplier management and development will be undertaken to measure and maximize the performance of our suppliers and deliver competitive advantage with suppliers through supplier development activities. It will be a cross functional activity to ensure a common understanding of suppliers' performance and development opportunities.

### **Supplier Performance Management**

Supplier performance management will be continuously undertaken to measure the overall performance of suppliers against clearly defined and agreed criteria, not just pricing. Feedback will be shared regularly with suppliers to identify and remedy potential issues and define improvement opportunities.

Regular interaction with suppliers will be planned and undertaken to ensure effective supplier performance management.

### **Supplier Development**

Supplier development will be undertaken to improve or expand our suppliers' capabilities, and strive towards sourcing flexibility, which is necessary for Nestlé to continuously meet competitive challenges. It will be performed based on the specific and most appropriate supplier strategy.

We will ensure that our strategic suppliers recognize Nestlé as the first choice for their innovations and that our Procurement people are continuously scouting the supply environment for simplification and standardization opportunities.

We will ensure that our suppliers' capabilities and capacities are matched to Nestlé's long-term needs.

To achieve this, we will proactively engage our suppliers together with all relevant Nestlé functions. Good supplier development ensures that all parties benefit from agreed and aligned goals with a relationship built on trust.

### **How we treat suppliers**

Nestlé will treat all suppliers with respect, integrity and honesty. We will treat our suppliers as we would like our customers to treat Nestlé. The terms of the Code of Business Conduct strictly govern all dealings with our suppliers.

---

# Control and Compliance

---

*Excelling in compliance is key to ensuring we deliver sustainable value for Nestlé whilst adhering to our Business principles.*

## **Segregation of Duties**

An appropriate segregation of duties will be in place within all Nestlé Procurement organizations to prevent fraud and minimize errors.

Market Role Coordinators will ensure that GLOBE roles are allocated to avoid a segregation of duty conflict. The aim is to eliminate all conflicts prior to the allocation of roles, however, where duties cannot be separated, appropriate compensating controls will be required to be documented and executed by the Market.

Market Internal Control will perform a segregation of duties analysis on a periodic basis to monitor conflicts and corrective action will be taken where required.

## **Internal Controls in Procurement Processes**

Procurement processes will include proper internal controls and these controls will be embedded in the documentation supporting the process.

## **Approval of Procurement Agreements and Transactions**

Procurement agreements and transactions will be approved by duly authorized people within the Nestlé organization and the suppliers' organization.

A formal approval process will be documented that includes approval levels, roles and responsibilities of all participants and will include provision for above Market approvals where relevant.

## **S2P Compliance**

All procurement transactions will be undertaken in accordance with local Source-to-Pay (S2P) guidelines to ensure the most efficient process is followed and an appropriate level of control is maintained.

## **Procurement Data**

The availability of accurate and consistent procurement data supports effective and faster decision making. It also leads to increased efficiency in day to day procurement activities and the elimination of waste within procurement processes.

Procurement master data will be carefully managed to ensure the integrity of the data. Master data will be created and maintained in a timely manner with adherence to the right first time principles.

Procurement transactions will be processed with close attention paid to the data and information that is entered to ensure the completeness and reliability of the data captured.

---

# Measuring the Performance of Procurement

---

*Procurement will measure its performance to ensure that it is consistently delivering value to the Business and providing a superior service to its stakeholders*

## **Introduction**

As a Procurement function, we will evaluate our performance on a regular basis.

We will benchmark ourselves internally and externally and strive for bringing the best to Nestlé so Nestlé can bring the best to consumers.

## **People Development**

We will evaluate the quality of our people's succession and career plans, striving towards diverse, inclusive and high performing teams. To ensure the best working environment we regularly monitor our people's satisfaction.

## **Profit**

Aligned with the business needs, we contribute to the business' profitability, mainly through cost improvements for

- Best Total Delivered Cost (TDC),
- Best control of Management and Other General Expenses (MOGE),
- Best use our Product Fixed Marketing Expense (PFME).

## **Growth**

We will contribute to the business growth through the best supplier innovation and offering the best supply option at the intended speed-to-market.

## **Quality and Ensuring Supply**

We contribute to the best quality of our products and ensure supply by driving supplier performance concerning On-Time, In-Full and In-Quality.

## **Responsible Sourcing**

Delivering competitive advantage to our businesses while providing transparency in regards to responsible sourcing performance of our suppliers, by continuously improving the proportion of materials responsibly sourced, as defined in the Responsible Sourcing Standard.

## **Total Service Quality**

We will ensure business connectivity and service delivery excellence, by embracing the Total Service Quality model as the Nestlé's holistic approach for above and at market service organizations.

Total Service Quality is the approach Nestlé has taken adopting Net Promoter Score, which is an industry standard scoring system, to measure the perception of partners to the service organization.

## **Business Continuity**

We proactively identify our Third Party's risks ensuring threats and opportunities are managed in the most structured and efficient manner to protect and deliver sustainable value to our Business.

## **Tracking and Reporting**

All these performance dimensions are part of the procurement dashboard and will be cascaded throughout the entire procurement organization.

For cost improvements, we will be governed by the Value Realization Procurement Guideline and will be validated by a financial controller.

All progress updates on responsible sourcing will be validated by third party auditing body.