End to End Flow of Source to Pay Function of Nestlé Bangladesh

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Ms. Subhat Ehsan,

Lecturer of BRAC Business School

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Subject: Submission of Term Paper

Dear Ma’am, It is with great solace, I present to you the fruit of my backbreaking works for many nights- an Internship Report on “E2E Flow of S2P Function of Nestlé Bangladesh”. Nestlé is a very secretive company and at the same time transparent. As all other companies, they want to guard their internal frameworks well and as well as, their way of doing things are very astounding. Therefore it was confounding at the first to formulating the report of what to add and where to find them. I have tried very laboriously to find the answers to my research and hopefully you will find all the information right in order. Procurement Process is a tricky subject since it includes tons of paper works and formalities. In my short time at Nestlé, wherever I have learnt is mostly stated here in this report and there are some matters I’m pliant not to give away. Therefore under any blurring, I will be available for further elucidation. Thank you for your sincere support.

Sincerely yours,

______________
Hosneara Binni

ID- 14104014

BRAC Business School
Acknowledgment

I earnestly thank Ms. Subhat Ehsan, Lecturer of BRAC Business School, BRAC University for furnishing my thoughts into writing this report. Her constant push and care made me write a piece of work I can be proud of.

I consider myself lucky for being here and working into an amazing corporate culture like Nestlé. Over the span of 4 years at BRACU, we have learned about big tiered companies like these- analyzed their SWOT and ripped them open with PORTER’s. However, when you finally get to work with them, you get to really know how the game rolls. We can read these theories all through our lives but the only true learning can be achieved through practical knowledge.

I would also like to convey my deep respect and gratitude to Mr. Nazmul Islam Rinto, Manager of Procurement (my supervisor at Nestlé Bangladesh) for hiring me, training me and believing in me that I can work for supply chain, even “it” not being my major. I will forever remember him saying on my first day- “It is not a Rocket-Science”.

I would like to show my appreciation to the Mr. Shammi Rubayet Karim, Director of Sales & Marketing, Nestlé Bangladesh, who had taught me marketing from a whole different view and cared for me always. I would also like to be grateful to Ms. Farah Sharmeen Aolad, Manager of Corporate Affairs, Nestlé Bangladesh, for being a dear sister and a phenomenal woman who I can look up. Next, it would be a crime to forget the contributions of my fellow colleagues- Mr. Shakhawat Hossain, Manager of Packaging Materials, Nestlé Bangladesh, who had helped me with my research and supported me by extending the hand of learning something new every day at the work place.

Lastly, I want to thank my dearest Family- Ma, Baba, Kamol, Zayed & Fie for being so wonderful, supportive, loving and believing in my dream.

“Nothing of me is original. I am the combined effort of everyone I've ever known.” - I would also thank those people who did not support or believed in my ideas. You made me who I am today. So, thank you!
Executive Summary

Nestlé Bangladesh is one of the top-tiered companies that we know, as of today. With their effective supply chain management, they have been reaching their customer’s door step in due time. With a growing competitive market for food and beverage, Nestlé has constantly been developing their ways to make their food catch consumer’s eyes.

We were given a task to write a report on our internships. Since I have been doing my internship at Nestlé Procurement department, it is a must to write how this procurement process for this big company really works. This paper includes an E2E (End to End) process of Nestlé Procurement, which is the very process which bring raw material from farm, making it into a product and finally reaching it out to your table. S2P (Source to Pay) is the moto of Nestlé Procurement. The very S2P refers to, searching the best raw materials or anything that a product needs.

This report includes- Vendor Management, Responsible Sourcing, Total guideline for S2P, Nestlé Compliance, ZSIM Communication Process, NBE & NCE, Strategic Sourcing, Audit Process and finally finishing it off with my own experience with the company.

Nestlé is famous for their various abbreviations. One might get lost while reading the report if the word are not known to them. Therefore, a list of abbreviation is also included for the sake of the reader’s easy-read.

This report also shades light upon the duties of a procurement excellence, which happens to be my own duty as well. So, this paper is very much about how we get our works done in the company and where our contribution lies.

The report is finally finished by a short research done with the rural farmers of Dinajpur who has been selling their precious crops to us for year and years to come. Rice is our staple food and is available all over the country. However, only the Dinajpur rice is selected for preparing CERALAC, the baby food.

Hope the readers will appreciate my work. Thank you!
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#1
Overview of Nestlé
1.1. About Nestle Global:

Nestle was formed in 1904 when Anglo-Swiss Milk Company merged with Farine lactée Henri Nestlé company and it was run by Henri Nestlé. Nestlé initially concentrated on condensed milk and infant formula products but their product line expanded during World War 1 and then again even more significantly after World War 2. Nestlé has acquired dozens of companies in their 152 year history, some of which are remarkable and has allowed the company to greatly diversify their product lines. Although most of their brands fall within the food and beverage segment of the global market, they currently operate 418 factories all over the world. Nestlé’s wide range of products include baby food, breakfast cereals, Coffee & Tea, Ice Cream, Frozen Food, Pet foods, Confections, dairy products, snacks, bottled water and more. They have held the title of the world’s largest food company since 2014. Nestlé’ inspires other companies with their dominance, incredible success, ability to adapt and commitment to bettering the world.

Nestlé is the 54th most valuable brand in the world. As of May 2017, Nestlé is valued at $11.2 Billion with a market share of $229.5 Billion, making it the 54th most valuable brand in the world. In 2016, Nestlé had a total sales of $90.82 billion. Nestlé comes right ahead of eBay and right behind JP Morgan on the list. Nestlé is also 41st in profit, 18th in market value and 26th on the list of the world’s best employers.

Their best sales performing segment in 2016 was their powdered and liquid beverages. Nestlé operates a wide variety of sectors but their most profitable one in 2016 was powdered and liquid beverages. Nestlé had over $20 Billion in sales in this segment alone largely thanks to Nescafe and their other coffee products. They also sold $14.5 Billion in milk products & ice-cream, over $12 billion in pet care, $9.1 billion in confections and $7.5 billion in bottles waters.

Nestlé’s portfolio includes over 2,000 brands. The Nestlé Company is responsible for manufacturing of over 2,000 brands in a wide variety of categories. These brands span from internationally known brands to local favorites and only 29 of those brands generate annual sales of $ 1 billion or more.
The introduction of Nescafe helped the company survive World War 2. The beginning of Word War 2 had a significant effect on the company as they saw their profits drop $20 million dollars in 1938 to $6 million in 1939. Nestlé's favorite coffee brand was introduced in 1938 and the soluble powdered coffee became a staple drink of the United States Military. Largely thanks to the success of their new coffee brand, Nestlé’s sales actually rose in the wartime economy. Nescafe has since expanded into a wide variety of flavors, blends and specialty coffee drinks and now the world’s leading coffee brand.

L’Oréal was their first venture outside of the food industry. In 1974, Nestlé decided to further diversify their company by becoming the majority shareholder in L’Oréal. In 2014, Nestlé sold $48.5 million of their shares back to L’Oréal which decreased their ownership from 29.4% to 23.29%. In 2016 L’Oréal was named the world’s most valuable beauty brand for the third year in a row with a total brand value of $13.7 billion.

Nestlé invests over a billion dollars in nutrition research, annually. It is the world’s largest privately funded Nutrition Research Organization investing more than $1 billion in research and development, annually. The Nutrition Research Division is responsible for such feats as introducing the first canned baby food sold in stores and creating nutrient fortified products like the Maggi brand seasonings that address global malnutrition deficiencies.
They are ranked 5th on the global list of chocolate manufacturers. Although much of Nestlé’s early success stems from chocolate and other confections, the diversification of their product lines has caused them to drop slightly on the list of top global chocolate manufacturers. In 2015 Nestlé held the 3rd spot but in 2016 they were ranked 5th, behind Meiji, Ferrero, Mondelez Inc. and the 1st place holder- Mars Inc. Nestlé had $9.1 billion in chocolate sales in 2016. They did manage to stay ahead of Hershey who came in 6th place with $7.5 billion in chocolate sales.

1.2. About the Founder and the Foundation:

Nestlé as a company began in Switzerland over 152 years ago and remains in Switzerland today. The company was already around 30 years before chocolate & coffee even entered the picture. The name Nestlé is the person’s last Henri Nestlé. He started the company by chemically inventing what appears to have been a groundbreaking baby formula. He saved his neighbor’s baby by mixing together- Milk, wheat Flour and Sugar.
He later imports his new infant formula to UK and sets up shop in London. In 1901 Nestlé opens its first UK factory and merges with the Anglo Swill Condensed Milk Company. Nestlé quickly becomes a household name up and down the country. In 1939 Nescafe pours into the UK and it was an instant hit. Big European brands start to join Nestlé and exciting new products are invented. British confectioners Rowntree’s joins the family bringing in famous brands like KitKat, Aero, Smarties, Polo, Black Magic, Dairy Box, Fruit pastilles and Fruit gums and Nestlé continues to expand.

1.3. About Nestlé Bangladesh:

In the early eighties Transcom Ltd. was appointed the sole agent of Nestlé products in Bangladesh. In 1992 Nestlé S.A. and Transcom Ltd. acquired the entire share capital of Vita Rich Foods Ltd. Nestlé S. A. took 60 percent while Transcom Ltd. acquired 40 percent.

Nestlé Bangladesh Limited started its first commercial production in Bangladesh in 1994. In 1998 Nestlé S.A. took over the remaining 40% share from our local partner when Nestlé Bangladesh became a fully owned subsidiary of Nestlé S.A.

Their factory is situated at Sreepur, 55 km north of Dhaka. Nestlé invested Tk. 110 core so far since 1994. In addition to cereals, the factory produces instant noodles and repacks milks, soups, and infant nutrition products. Other products, such as coffee, breakfast cereals and confectionary items like Fox's Candy are imported from other Nestlé locations.
Nestlé Bangladesh’s vision is to build Nestlé as the respected and trustworthy leading Food, Beverage, Nutrition, Health and Wellness Company in Bangladesh ensuring long term sustainable and profitable growth. The company is very much focused to ensure that the vision is implemented in every aspect.

1.4. Product Range of Nestlé Bangladesh:

<table>
<thead>
<tr>
<th>Category</th>
<th>Products</th>
<th>Breakfast Cereal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby Foods</td>
<td>BABY &amp; ME Maternal Nutrition Supplement</td>
<td>NESTLE KOKO CRUNCH</td>
</tr>
<tr>
<td></td>
<td>CERELAC Stage 1</td>
<td>NESTLE CORN FLAKES</td>
</tr>
<tr>
<td></td>
<td>CERELAC Stage 2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CERELAC Stage 3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CERELAC Stage 4</td>
<td></td>
</tr>
<tr>
<td>Beverages</td>
<td>COFEEMATE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NESCAFE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FRUITA VITALS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MILO</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NESTEA</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NIDO FORTIFICADO</td>
<td></td>
</tr>
</tbody>
</table>

| Nutrition    | NAM                                           |                        |
|              | LACTOGEN                                      |                        |
|              | NIDO 1+                                       |                        |
|              | NIDO 2+                                       |                        |
|              | NIDO 3+                                       |                        |

| Dairy        | NIDO FORTIFIED                               |                        |
|              | NESTLE EVERYDAY                               |                        |

| Culinary     | MAGGI NOODLES                                 |                        |
|              | MAGGI SOUP                                    |                        |
|              | SHADE MAGIC                                   |                        |
1.5. NBL Timeline:

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>Nestlé Bangladesh started its commercial operations.</td>
</tr>
<tr>
<td>1994</td>
<td>Started manufacturing sweetened condensed milk.</td>
</tr>
<tr>
<td></td>
<td>Started repacking Milk Powders, Infant Nutrition and Infant Cereal.</td>
</tr>
<tr>
<td>1997</td>
<td>Commenced first Noodle line.</td>
</tr>
<tr>
<td>1998</td>
<td>Nestlé Bangladesh became 100% owned subsidiary of Nestlé SA.</td>
</tr>
<tr>
<td></td>
<td>Started manufacturing Breakfast Cereal.</td>
</tr>
<tr>
<td></td>
<td>Inaugurated the Distribution Centre.</td>
</tr>
<tr>
<td>2002</td>
<td>Started manufacturing Local Infant Cereal.</td>
</tr>
<tr>
<td>2004</td>
<td>Discontinued manufacturing of Breakfast Cereal.</td>
</tr>
<tr>
<td></td>
<td>Switched from local repacking of Infant Nutrition to imported FG.</td>
</tr>
<tr>
<td>2007</td>
<td>Expanded Distribution Centre, and attained ISO 14001 &amp; OHSAS 18001 Certification.</td>
</tr>
<tr>
<td>2008</td>
<td>Attained NQMS, ISO 22000 Certification.</td>
</tr>
<tr>
<td>2009</td>
<td>Commissioned second Noodle line.</td>
</tr>
<tr>
<td>2010</td>
<td>Initiated Nestlé Healthy Kids (NHK) Programme.</td>
</tr>
<tr>
<td>2012</td>
<td>Commissioned third Noodle line.</td>
</tr>
<tr>
<td></td>
<td>Transitioned to Mechanized Distribution Centre.</td>
</tr>
<tr>
<td>2013</td>
<td>Commenced confectionery production.</td>
</tr>
<tr>
<td></td>
<td>Digitalized Warehouse Monitoring System (WMS).</td>
</tr>
<tr>
<td></td>
<td>Initiated pilot knowledge-sharing programme.</td>
</tr>
<tr>
<td>2016</td>
<td>Commenced Dairy manufacturing and Tea Enhancer bulk repacking.</td>
</tr>
<tr>
<td>2017</td>
<td>Introduced Fruit Drinks and Nectars in the market.</td>
</tr>
</tbody>
</table>
1.6. VOST:

VOST (Procurement’s Vision, Objectives, Strategies & Tactics):

This Circular diagram is their new motivation framework which Nestlé is currently working on. Every department has their own VOST. Is the leading factor which is helping this company to fulfill their actual vision.

Vision of Procurement:

“A Safer, Fresher, Simpler, Better, Closer & Ahead Supply Chain, which is closer to Consumers, Customers & Suppliers”

Ambition of Procurement:

Ensure Supply to Deliver BDT 16 Bio in the year of 2019
Their Battles their must win:

- Consumer Led Growth to win at the marketplace
- Winning Edge to create a competitive advantage
- Simplify to Energize to create value for consumers and customers
- Build Capabilities to create a winning mindset
#2
The Supply Chain Operation of Nestlé
2.1. List of Abbreviations:

- E2E = End to End
- S2P = Source to Pay
- NBE = Nestlé Business Excellence
- COF = Customer order fulfilment
- DC = Distribution Centre
- OSA = On Shelf Availability
- OSF = On Shelf Freshness
- LER = Logistics Excellence Review
- NCE = Nestlé Corporate Excellence
- CSV = Create Shared Value
- VOST = Vision, Objectives, Strategy & Tactics
- L/C = Letter of Credit

2.2. Nestlé Supply chain:

Supply chain management of Nestlé is all about making sure that the products are at the right place at the right time and at the right price as well. Therefore within Nestlé it plays a very significant role because they have a lot of brands and a lot of customers and they need to make sure that their products are there when they are supposed to be. Supply chain management is all about having a smooth operation from where the product is sourced, up until its put on your shelf.

The aim of their Business Solutions Supply Chain team is to delight the Business, helping the Supply Chain and Procurement communities to become a better business, working much more effective and efficient while using our GLOBE solutions.

Their One-Team located all around the world is organized since early 2012 by end-to-end (E2E) within 4 GLOBE Functional Networks to better support the markets and remain the Nestlé partner of choice.
Nestlé use an intranet site to share their updates on project, new functionalities or market achievements and to provide an accurate documentation around their solutions all over the world.

The operations of Nestlé supply chain is divided into 3 main departments:

1. **Customer Service / Direct Delivery**
2. **Demand and Supply Planning**
3. **Procurement**

Their consistent performance as team to deliver Results year on year and Passion to create value at every stage has established them as a *Capable and Committed Supply Chain Team* in Nestle, Bangladesh. Their performance KPI clearly speak about their achievements.

On **Safety**, they have scaled 2500 days of Accident Free Supply chain & Distribution operations, which demonstrate their commitment to safety & care for their People & Products. Their DC Team could ensure Full Supplies to the business even with difficult scenarios and stretched targets.

Their **Service** levels to customers have been consistently high with Customer Service Levels of plus 99.5% in last 3 years. Now, Service KPI has been changed to **COF** (Customer order fulfilment) which more precise on Customer focus with Supply driven failures.

We are continuously maintaining **Negative Working Capital** in F&B with their clear focus on Inventory covers of Materials / Finished goods and Payables.
**Distribution Cost** has been contained at 1.9% levels over last 4 year through Logistics Excellence Review (LER) initiatives like improving Load-ability, optimizing Transport routes, direct shipment, palletized invoicing and long term contract with transporters.

To drive Consumer led growth, they have transformed from Customer Service to Customer Facing Supply Chain (CFSC) mind-set by improving **On Shelf Availability** (OSA %) and **On Shelf Freshness** (OSF %) based on global in-Shelf tool. Our OSF (on-shelf freshness) has improved by 20% in last one year itself.

Bad Goods and Inventory levels is still a concern for them, which are being addressed through a task force.

On **Cost**, they have been over-delivering SHARK savings year on year through improvement projects. Now, focus is on Total Delivered Cost (TDC) to be optimized by reducing Material procurement cost and Distribution cost including inbound freight cost.

They have been taking **CSV** initiatives taken through **Localisation of raw materials**. They started sourcing MSK, Sugar and Spices locally in addition to local Rice sourcing after lot of efforts on developing local vendors by their Procurement and Supplier development teams. It demonstrates their commitment to Rural development (CSV) by creating connect with local producers.

Their enablers are **NBE & NCE**, which will **simplify their Processes**. NBE transformation is planned very well and preparedness projects are being taken up. Engagement levels and energy of teams is worth appreciation for moving forward on NBE transformation journey which will act as **Fuel for Growth**.

### 2.3. The 10 Principles of Business Operations:

These principles are the foundation of Nestlé. It is said to be a framing of reference points of their behavior that defines their culture that has been in shaping for more than 140 years. It is
actually the basis of their trust and relationship and also a framing of “Good Food, Good Life” which is the aim, the soul of this company.

The role of the Nestlé corporate principle is to have an alignment of responsible behavior of the company as such and of everybody who a part of it. They are decentralized, therefore their compelled to give people the decision powers everywhere in the world. They want to be consistent because they want to be trusted as a company.

Trust is the deal to make product they provide to the consumers, therefore it should create an emotion of trust and trust is based on consistent behavior and consistent behavior comes from a good framing of principles. So that’s why these corporate business principles are so extremely important to create a platform of consistent behavior for all around the globe in general.

Principles are actually guidelines so that the employees do not have to rethink their job life every day because Nestlé want then to be aware of them, cultivate them, embrace them and share them with people. We are what we practice, therefore, Nestlé want their employees to be truthful to themselves firstly.

<table>
<thead>
<tr>
<th>Consumers</th>
<th>Human Rights &amp; Labor Practices</th>
<th>Our People</th>
<th>Suppliers and Customers</th>
<th>The Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Safety and Health at Work</td>
<td>Supplier and Customer Relations</td>
<td>Agriculture and Rural Development</td>
<td>Environmental Sustainability</td>
<td>Water</td>
</tr>
</tbody>
</table>

1. Nutrition, Health and Wellness:

Their main goal is to put forward and provide a healthier and well balanced lifestyle, by promoting good quality food and drinks for everyone. Further, striving to increase the nutrition, health and wellness values in all their products. They believe in Good Food, Good Life.

They not only promote healthy products but, also encourage the customers to choose a healthy way of life.
2. **Quality assurance and product safety:**
   The goodwill of Nestlé is known to all. The name itself represents that there has been made no substitution in providing a quality standard and guarantees safety of the customers. They provide transparency by labeling the ingredients of the product and above all, abide by all the terms and conditions regarding the food safety laws.

   **Consumer communication:**
   They value consumer communication, because only through communication they can be aware of the consumer needs and also, assist them in making healthier choices. And they never interrupt the consumer privacy.

   **Human rights in our business activities:**
   Moving on, all their business activities have always followed the strict guidelines of the United Nations Global Compact’s (UNGC), by providing proper labor and human rights to all those who are involved in the functioning of the activities. They also make sure that no prejudice or violation happens to these rights.

3. **Leadership and personal responsibility:**
   Nestle is nothing without its hardworking and diligent people working for it. Everyone is respected and encouraged to perform their best at work and with that they develop a sense of self responsibility and leadership skills. Only the most diligent and strong willed people are recruited, who can take the company’s betterment even further with great achievements. Moreover, any form of harassment or workplace bullying is not tolerated under this roof.

4. **Safety and health at work:**
   They have always taken steps to provide a safe and healthy work environment for the employees, contractors and people who are involved in the whole process. Fire drill trainings, medical support for any illness, first aids for any injury etc. are all provided for and in committed to prevent them.

5. **Supplier and customer relations:**
There are some non-negotiable standards that they expect their agents, suppliers, their employees etc. to abide by it and also expect them to function fairly, honesty and with diligence, because that is how Nestle performs and behaves with their customers.

6. Agriculture and rural development:
They have contributed into agricultural and rural development by providing sustainable ways of production, so that economically the farmers can be benefitted and also provide quality produces

7. Environmental sustainability:
Their business practices are environmentally sustainable in all stages of the product life cycle and they use all the natural resources that are needed efficiently, so that they can further prevent any waste. They also support the use of renewable resources.

8. Water:
Being aware of our present water crisis in the world, they are committed to use water sustainably and makes sure that no water is wasted and is only used the amount needed. Further, they are continuously working to improve their water management because they believe it is necessary in order to provide a sustainable future.

The foundation for sustainability and Creating Shared Value:
#3

E2E Flow of S2P
3.1. Procurement Vision:
The “Procurement Vision 2020” was developed and validated by the Executive Board in December 2014 based on three fundamental value-drivers:

- Leverage of Nestlé’s spend category knowledge, capabilities & scale, at the appropriate level
- Process and organizational excellence
- Business connectivity with improved category focus

Additionally, the establishment of Nestlé Business Excellence (NBE) presents a unique opportunity for simplification, standardization and automation of the “Source-to-Pay” end-to-end process. Thus, Procurement will team-up with NBE with focus on process optimization, ensuring that the relevant activities are executed and shared at the highest level.

3.2. 7 best Practices of Procurement:
The 7 Nestle Procurement Best Practices detail the basics that must be in place to achieve their vision of being "a strategic business partner delivering a competitive advantage and sustainable value to all Nestle spends; working with the business for the business". The principles that underpin each of the best practices and the rules that must be applied in all the Markets and Procurement Organizations to accelerate their delivery of future benefits. The 7 Nestle Procurement Best Practices sits within the framework set out by the Nestle Procurement Policy, therefore its consistent and systematic application is essential to ensure excellence in execution and compliance within their function.
A. **Best Practice -1: Ensure an Effective Governance Model Source to Pay**

Good governance ensures alignment with the business and compliance with the rules agreed between the business and Procurement. It requires that:

- A governance structure exists.
- Procurement management is regularly and actively present in the governing committee.
- Governance takes place on all levels of activity - local, regional, zone and global.

B. **Best Practice – 2: Align the Procurement Organization**

Procurement authority and accountability must be in line with category aggregation. Procurement must ensure that the following principles are correctly applied within the organization:

- Strategic sourcing is operated at the most effective level of aggregation defined per spend category.
- Strategic Buyers are led by the appropriate Procurement Managers according to the level of aggregation.
- A NiM Procurement organization must be in place covering direct and S&IM spend categories.
- Operational procurement is managed at local level.

C. **Best Practice – 3: Develop Spend Category Expertise**

People in Procurement are regularly assessed, developed and trained to demonstrate excellent Procurement competencies, as well as category expertise to continuously deliver value to the business

- Create and implement a robust people development plan for the Procurement function.
- Regularly assess gaps and development needs.
- Put in place a training plan following the Nestle Procurement training curricula

D. **Best Practice – 4: Procurement Ownership of Sourcing**
The principles and rules in this chapter describe the best practices for Procurement ownership of sourcing. Procurement must ensure that the following principles are correctly applied within the organization:

- Procurement early involvement in commercial discussions and the new product development process.
- The application of the 7 Steps Strategic Sourcing Process for spends categories.
- The execution of competitive bidding.

E. **Best Practice – 5: Drive Business Connectivity**

The principles and rules in this chapter describe the best practices for business connectivity. Good business connectivity ensures that Procurement understands and supports the business to deliver competitive advantage. This requires that:

- Joint objectives between business and Procurement are defined at all levels of the organization
- Procurement is an integral part of the MBS process.
- Procurement provides one face to the business through the Business Partner activities

F. **Best Practice – 6: Ensure Compliance of Policies & Specifications**

The principles and rules in this chapter describe the best practices to ensure compliance to policies and specifications. Adherence to specification management best practices and Procurement policies and processes ensures they adequately control risks within the Procurement process and streamline P2P activities. This requires that:

- New suppliers have to be approved before first delivery.
- Purchasing specifications exist, are communicated and optimized where possible.
- P2P Processes are adhered to and compliance measured.

G. **Best Practice – 7: Adhere to KPI Framework**

The principles and rules in this chapter describe the best practices for KPI Reporting. Good KPI reporting ensures they provide transparency of the benefits delivered to the business and their internal stakeholders and ensures continuous improvement and compliance. It requires:
3.3. Source to Pay (S2P) Function:
The diagram given below ids the guideline through which the procurement should be done and followed at Nestlé Bangladesh. This guideline is for users who have respective roles within S2P sub-processes (i.e., Strategic Buyers, Operational Buyers, Purchase Requestors, Purchase approvers, Receivers and Accounts Payable etc.)

3.3.1. Few Definitions:

1. **Contract:** An agreement between Nestlé and a vendor for the supply of materials or services within a certain period (or quantity or price) according to predefined terms and conditions.
2. **CLM (Contract Lifecycle Management):** CLM is a system tool used for the management and storage of frame agreement and associated documents.

3. **Marketing Goods:** Marketing goods and services include all kinds of product fixed marketing expenditures (PFME) and is classified under ZSIM category.

4. **Framework Order (FO):** Framework orders are blanket purchase orders with a defined start and end date and a value limit. Framework orders do not require a good receipt.

5. **Master Data Repository (MDR):** Global repository for material, vendor and customer master data.

6. **Material Requirement Plan (MRP):** Report used to monitor stocks, calculate requirements and check material availability based on stock policy, manufacturing needs, purchasing requirement and inventory management needs.

7. **Purchase Order (PO):** A formal request to the vendor to supply a certain quantity of material or service.

8. **Promotional item:** Includes all premiums, Vouchers etc. purpose of an advertising campaign or to promote a product.

9. **Purchase Requisition (PR):** A document requested from the business to procurement to purchase goods or services. It is an internal document that should not be used outside the company.

10. **Purchase Information Record (PIR):** a record that contains information related to a material and vendor e.g., price, order unit, tax code, minimum order quantity, etc.

11. **Registered Suppliers:** Supplier who has been approved by the procurement and created in the GLOBE system.

12. **Supplementary Data Repository (SDR):** Market Repository for market specific data for materials, vendors and customers.

13. **Source list:** A record that identifies such as commercial evaluation, request for quotations, etc.

14. **Workflow:** A functionality which facilitates the flow of work items to the correct agents (employees) for processing.

15. **ZSIM Material Code:** A global generic material code that represents a spend category or part thereof purpose is to record spend analysis for non-stock items (ZSIM).
3.3.2. Segregation of Duty Conflict:

The following are the key roles in S2P being currently in use:

<table>
<thead>
<tr>
<th>Role</th>
<th>Key transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Requestor</td>
<td>Create Purchase requisition (PR)</td>
</tr>
<tr>
<td>Operational Buyer (OB)</td>
<td>Create Purchase order (PO)</td>
</tr>
<tr>
<td>Strategic Buyer (SB)</td>
<td>Create Contract</td>
</tr>
<tr>
<td>Purchase Approver</td>
<td>Approve PR, PO, Contract &amp; Framework Order</td>
</tr>
<tr>
<td>P2P Emergency Approver</td>
<td>Approve PR, PO, Contract – only when the approval is needed as emergency case in the absence of normal approver</td>
</tr>
<tr>
<td>Services &amp; Indirect Materials Receiver</td>
<td>Goods Receipt (GR) and Service Receipt (SES)</td>
</tr>
<tr>
<td>Purchase Decision Supporter</td>
<td></td>
</tr>
<tr>
<td>Purchasing Display and reporting</td>
<td>Display S2P transaction, reports</td>
</tr>
</tbody>
</table>

* The table presents only the most critical task among the scope of responsibility in each role.

Clear segregation of duties is needed in all roles defined. It is encouraged that the same person is assigned to perform both role purchase requestor and service and indirect material receiver role. In exceptional case where it is not possible to avoid incompatible roles for any individual, the line manager is responsible for compensating control of those individuals.

Therefore, as part of the role fundamentals, we should ensure segregation of duties (SOD) principles are respected to avoid:

- The person creating the PR should not be the same person approving the PR.
- The person creating the PO should not be the same person approving the PO.
- The person creating the PO should not be the same person approving the GR/SES.
- The person performing the GR should not be the same person approving the Payment.

All requests for source to pay roles to end users must be validated and approved by the Head of Procurement prior to the role assignment.

3.3.3. Purchasing Group and Release Strategy:

A Purchasing Group consists of a group of buyers that are responsible for one or more specific purchasing spend category. An individual buyer can belong to more than one Purchasing Group.
The correct usage of purchasing group is of paramount importance to ensure correct flow of workflows. All users must ensure 100% correctness towards the selection of purchasing groups.

Contracts/PO created will be routed via workflow to designated approver(s) depending on their authorization limits. If the contract/PO is subject to more than 1 level release, it will be automatically routed to the next designated approver after it has been released by the 1st approver.

In the event, that Purchase Approvers are out of office, it is recommended that workflow items are delegated to another approver who has an equivalent/higher authorization limit MD role will be delegated to FCD.

PO Release strategy: There are 2 distinctive release strategies - 2 level and 3 level release strategy.

3.3.4. General Rules:

1. Procurement Department is responsible for the entire purchasing operation within Nestle Bangladesh. This includes:

   - Possessing a clear understanding of materials and services;
   - Searching, pre-assessing and evaluating potential suppliers;
   - Floating RFQ (request of quotation), conducting negotiation;
   - Supplier selection with technical assistance obtained from stakeholder;
   - Perform supplier audits in collaboration with QA and evaluate performance measurement.

The ultimate objectives of purchasing are to contribute to the overall profitability, ensure consistent supply through high performing suppliers and better control in Procurement activities.
2. In order for Procurement Department to operate effectively, it is mandatory that no one outside the department is authorized to:

- Commit to purchase on behalf of the company;
- Give suppliers any indications of the followings;
- Product/service/specifications preferences;
- Current sources of supply;
- Current price or performances of competing products/services/specifications or
- Any other information, which would weaken the company’s purchasing position.

Disciplinary actions shall be sought against any employee, who violates the above rules and puts the company in a vulnerable bargaining position.

3. It is important that the Purchase Requestors are aware of the standard lead times from Procurement and plan accordingly.

4. The practice of splitting the total purchase amount into smaller amounts to avoid the Release Strategy (approval limit) is strictly prohibited.

Below scenarios should not be treated as Split Purchase Order (PO)

- Multiple POs/Call Offs under different contracts/FOs with the same vendor by same buyer in a single days;
- Different buyer raising separate POs on the same day to same vendor for different service/activities.

5. For Direct Materials, the Strategic Buyers are responsible for monitoring supplier’s performances and to formally communicate such to monthly/quarterly based on statistics provided by the respective departments. Strategic/Operational Buyers must review outstanding contracts/POs regularly and close those that are no longer required in the system.
6. Irrespective of all purchases, suppliers should be placed into competition with one another and should be made aware of this fact.

7. It is expressly forbidden to divulge to any suppliers, details of another supplier’s quotation.

8. The use of advance payment should be avoided. In some cases, it could be made subject to approval both from the concerned Head of Procurement and FCD.

9. The practice of raising Confirmatory Purchase Orders should be strictly avoided. As an exception, if Confirmatory PO needs to be raised then approval form respective Functional Head (MANCOM) and FCD must be taken (through Email).

10. Procurement of repetitive items must be through contract/ frame agreements. Operational Buyer/User department is responsible to inform Strategic Buyer if a contract /frame agreement with that supplier is not in place. It is the responsibility of operational buyer to involve purchasing department at a very early stage.

11. Approved written specifications must be provided for services/materials to be carried out by Procurement. The Strategic Buyers have the responsibility and authority to obtain and challenge any specifications, quantity of material and/or quality of services being requested.

3.3.5. Source to Pay Process:

Source to pay (S2P) activities ensure that the company’s requirements for goods (direct & indirect materials) and services are fulfilled with the quantity, quality and time, at the lowest cost of ownership.

3.3.5.1. Define Sourcing Strategy:

It deals with the definition of global spend categories and the relative purchasing strategies and the collection of market information. Nestlé’s 7 steps of strategic category sourcing
templates are designed to assist the strategic buyer to manage their categories. The depth and details of the sourcing strategy will depend on the importance and value of the material or service represents for the business.

3.3.5.2. Spend Categories:

A Spend category or Classification of material is mandatory in the material master for all direct and indirect materials. At the time of creating material master, spend category has to be assigned to the lowest possible level. Spend analysis report can be drilled down to the lowest level of each category where the buyers can have the accurate data meaningful for their analysis.

3.3.5.3. Material type:

Nestlé’s scope of purchase item consist of two major types

<table>
<thead>
<tr>
<th>Direct Material</th>
<th>These are components which are used in a manufacturing process of finished products. (Finished products purchased for resale are also direct materials).</th>
</tr>
</thead>
<tbody>
<tr>
<td>For examples: green coffee, sugar, corrugated carton</td>
<td>☐ FERT = Finished Goods</td>
</tr>
<tr>
<td></td>
<td>☐ HALB = Semi-Finished Goods</td>
</tr>
<tr>
<td></td>
<td>☐ ROH = Raw Materials</td>
</tr>
<tr>
<td></td>
<td>☐ ZPK = Packaging Materials</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services &amp; Indirect Materials (S&amp;IM)</th>
<th>those are purchased to support the administrative or manufacturing process (they are not direct components of finished/semi-finished products) such as ZSIM, UNBW, ERSA, NLAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>For examples: office supplies, assets, consulting services, media services</td>
<td></td>
</tr>
</tbody>
</table>

*Attributes of each material type in detail can be referred from GLOBE DATA STANDARD (DS002)

**Direct Materials:** For local Materials, purchased requisition will be created out of the MRP process and call offs will be done by Factory Operational Buyer/MRP planner based on Valid contracts made by the Strategic Buyer.

For imported direct materials, standalone PO will be created by purchasing as import will be managed by procurement department. There can be offline contracts. The following up and expediting vendor deliveries will be the responsibility of the concerned operational buyer.

**Service & Indirect material:** Indirect materials are purchased to support the marketing, administrative or manufacturing process.

Indirect materials are divided into 3 categories:
1. **Capita; Expenditure (CAPEX) item**
2. **Inventoried Item (ERSA and UNBW)**
3. **Services and Expensed Items (ZSIM Category)**

### 3.3.5.4. Profile & Select Vendors:
It defines the procurement strategy for each spend category and when needed, selects and approves suppliers. There are 4 types:

1. **Mandatory:**
   Supplier(s) endorsed by procurement and related stakeholders that must be over all other suppliers for the material or service. Mandatory suppliers have already been prequalified by the procurement supplier selection process.

2. **Sole source:**
   Sole sourcing supplier that must be used for the material or service because there is no other alternative providing the requirement or no alternative agreed with business.

3. **Preferred:**
   Supplier(s) endorsed by Procurement and related stakeholders that should be selected for the material or service over other suppliers. Preferred suppliers have already been prequalified by the Procurement supplier selection process.

4. **Validated:**
   Supplier(s) endorsed by the Procurement and related stakeholders that can be selected for the materials or service as a part of a competitive bidding process as per local policy.
   Validated suppliers have already been prequalified by the Procurement supplier selection process.

### 3.3.5.5. Vendor data Management:
A vendor or supplier is a business partner providing direct, indirect materials or services. Vendor Master Data management process refers to a shared database of vendor information among all sites to facilitate transparency of information and improve vendor management.
When a new vendor master record is required, or extension of an existing vendor master record, the request for creation of a new vendor in the system is raised by the “vendor master data initiator” role. Prior to this request, a supplier selection process takes place.

3.3.5.6. Supplier selection procedure:

While selecting a supplier, the following factors should be considered:

a) Supplier Code: The supplier must be communicated, comply with the Nestlé supplier code.

b) Supply Market analysis: The strategic buyer is responsible for supply market analysis to identify enough qualified suppliers to secure a real competitive bidding process before issuing a RFQ.

c) Quality Assurance: Suppliers for raw and packaging materials shall comply by the Nestlé quality standards and be audited by the QA department prior to being selected.

d) Reliability: Choose the supplier who’s product materials comply by the Nestlé quality standard.

e) After-sales Service: this is applicable for machinery products like Nestlé professional’s vending machines and the after-sales service that the company provides. Nestlé should be ready to give technical support for the machines after selling them that includes- changing the parts in need and also other know-hows.

f) Price: As a procurement excellence, it is a priority to seek for partners who would offer us the best deal in the market and that also does not necessarily mean to go for the cheapest.

g) Exceptions: For overseas suppliers below examples will be treated as exceptions. The following are examples of such exceptional situations:

- Imports through Nestrade, China Sourcing Team (CST)
- Imports through Lead Buyer, Nestlé Affiliates
- Imports from Nestec recommended parties
- Import from third Parties wherever possible, recommendation is obtained through Nestlé Company in the country where the third party supplier is located.

Further it is also assumed that the Nestlé Company/entity in the particular country has performed the required procedures prior to recommendation.
3.3.5.7. Specification:

1. Direct Materials (Raw and Packaging Materials)

Application Group is responsible to produce the specification of Raw, Packaging materials & Direct Food Contact Materials.

2. Services & Indirect Materials (S&IM)

It is encouraged to raise performances based specification which results into effective bidding process, optimum cost and minimum risk. If performance specifications are not possible, the alternative may be used are, in order of priority, the following:

- Standard Specification
- Detailed Specification, only to be used if no alternative exists

3.3.5.8. Request for Quotation (RFQ):

a) Where no valid contract/agreement exists, the strategic buyer shall always approach the supplier market through a request for quotation (RFQ) to at least 3 possible supplier for performing a competitive bidding process.

b) In case of Advertising/event agencies, procurement department will set RFQ as per recommendation of marketing department.

3.3.5.9. Request for Information (RFI):

If the strategic buyer or user department doesn’t have sufficient information to properly specify the required product/service; an RFI may be issued to prospective Vendors. No Purchase Order is issued based on a RFI.
3.3.5.9. Manage Agreement:

It finalizes agreements to procure the group’s requirement for goods and services. Agreements can be the creation of new agreements or renewal/re-negotiation of existing agreements.

3.3.5.10. Competitive Bidding:

Competitive Bidding is a fair and structured vendor selection process to ensure cost optimization in acquiring required goods or services.

Application of Competitive Bidding:

For Direct Material (Raw and materials), the concept of competitive bidding shall come into place only after obtaining the offers from available and approved suppliers/sources in the line with Vendor Approval Process. While addressing the business need, the Strategic Buyer shall refer the overall Sourcing Strategy or Category Specific Strategy Summary as signed off by business.

For Service and Indirect Material Procurement, the strategic buyer shall refer the overall Sourcing Strategy or Category Specific Strategy Summary while raising contract or PO for that related category.

<table>
<thead>
<tr>
<th>Intended Purchase Value of goods or services</th>
<th>Number of Quotations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to BDT 10,000</td>
<td>NO PO (Optional)</td>
</tr>
<tr>
<td>(W/O Reference to a Contract/PO)</td>
<td></td>
</tr>
<tr>
<td>BDT 10,001 – BDT 30,000</td>
<td>Single Quotation</td>
</tr>
<tr>
<td>Above BDT 30,000</td>
<td>At least 3 Quotations</td>
</tr>
</tbody>
</table>

For other Service and Indirect Material category, the following guideline shall be applicable to ensure competitive bidding:

1. Approval prepared detailing at least three alternative quotations and should be attached with the PO.
2. In cases where 3 qualified suppliers cannot be found (above BDT 30,000), approval must be taken from Head of Procurement or respective Head of Function (for others OBs outside Procurement) and captured in SAP along with PO as an attachment.

3. In case of single supplier where the concept of Competitive Bidding is not feasible on similar platform or for any User Preference in acquiring goods or services, a competition waiver form must be raised as and when required basis.

4. For Imported materials, if for any unavoidable reason quotations were not sought or a comparative statement is not prepared, this should be justified in a note, approved by the SCD, to be retained on the consignment file. If for any unavoidable reason, way of transport is changed (i.e. sea shipment to air shipment) must be approved by the SCD, to be retained on the consignment file.

5. Competitive Bidding is waved for procurement of items costing less than Tk. 30,000 per PO, proprietary items, spare parts from manufacturers or where Global/Regional Buyer, Nestrade or Nestle inter-market operations are involved.

For any exceptional situations, which are not addressed aforementioned above, the buyers/requesters/users shall seek suggestion/guidance from Head of Procurement.

The compliance to Competitive Bidding is a key performance indicator for Procurement; thus to allow effective reporting, it should be captured in the system at the PO level in SAP through a prefix code.

3.3.5.11. Management Agreement:

It finalizes agreement to procure the group’s requirement for goods and services. Agreements can be the creation of new agreements or the renewal/re-negotiation of existing agreements.

3.3.5.12. Quantity & value Contract:

The creation of SAP contracts will ensure a price is specified at the point of creating the order, or that a price is automatically obtained from a contract, facilitating the correct valuation of stock. Aggregation of requirements from several plants will improve purchasing leverage and should lead to more favorable contract conditions.

The flowing contracts document types are available:
3.3.5.13. Purchasing info record (PIR) & Source List:

For direct Materials:

1. Maintenance of the PIR and source list is the responsibility of the strategic buyer.
2. The source list will enable the operational buyer to create a PO to the approved vendor referencing to a contract or PIR.

For service and indirect materials (ZSIM): PIR and Source List are not applicable to ZSIM.

3.3.5.14. Creation and Approval of Contracts:

1. This is an agreement between a purchasing organization and a vendor regarding the supply of materials or services to be performed over a certain period according to predefined terms and conditions.
2. Only the Strategic Buyer is authorized to negotiate contracts and create them in the system and will be routed via workflow for approval as per the Release Strategy configuration in system.
3. Designated operational buyer will raise Call Off PO against the contract.
4. Detailed break-down of the price components plus taxes must be entered in the contract by the strategic buyer as per the pricing conditions defined in the system.
5. Quantity tolerance level for Raw Material is +5% / -2%, quantity tolerance levels for Packaging Material is +5% / -2%. Unless specifically required, tolerances for S&IM will be 0%.
6. For direct materials source list needs to be maintained as soon as the contract is approved in the system.
7. For imported items, strategic buyer will raise the contract in the system; Call Off PO will be raised by operational buyer within procurement as import will be controlled by procurement. OB will maintain the pricing conditions in the PO which will be maintained up to the factory gate price.

8. For Direct Materials, the Strategic Buyer is responsible for conducting a commercial evaluation such as request for quotations, select appropriate vendors, negotiate contracts etc. on behalf of the requester.

9. Strategic Buyers will amend contract in the system and obtain approval through release strategy. Release strategy is only applicable when quantity or rate is changed. Amended contract need to be communicated to vendor and operational buyer so that PO can be amended and sent to vendor.

10. Once the vendor has been identified and approved, the vendor and Nestle Bangladesh Limited should agree on the final governing principles of the working relationships including:
   - The brief (scope of work)
   - All associated costs
   - Payment terms
   - Legal terms applicable to the relationship and/or project should be agreed by Nestle Legal Department.

11. Changes to approved contracts: Strategic Buyers are allowed to make changes/add new line to approved contracts subject to re-approval through release strategy. The Strategic Buyer must consult with the Head of Procurement for the changes (rate/quantity-validity) which does not goes for re-approval.

3.3.5.15. Performance Procurement Accounting:
It covers the settlement of the purchase.

All supplier invoice are matched to receive purchase order. The three way matching (PO, GR, and Invoice) is the basis for approval and posting to accounts payable. Once correctly matched, the item is processed for payment.

3.3.5.16. Supplier’s Performance Measurement:
A system of recording the performance- good, bad or indifferent of suppliers is a useful aid in determining the planning and placing of orders, especially when service might be the deciding factor. Such a record is invaluable when changes is personnel or function take place.
3.3.5. **Procurement Reporting:**

BW and other reports are an important tool for all streams in globe template. Familiarity with the reports can give any authorized user the advantage of quick and useful information from globe template.

### 3.3.4. 7 Strategic Sourcing:

### 3.3.5. **Responsible Sourcing:**

AUDITING
Audits, carried out by independent verification firms, check whether our direct suppliers are implementing our Supplier Code (led by CO-PRO).

TRACEABILITY
We work with our direct suppliers to map the supply chain back to origin, right down to farm and smallholder level, identifying everyone involved at every stage (led by CO-PRO).

FARM ASSESSMENTS
Farms and plantations are assessed on their implementation of our Responsible Sourcing Guideline by partner organisations such as Proforest and The Forest Trust (led by CO-PRO).
3.3.6. Audit Process:

1. **SITE VISIT**
   Independent verification firms carry out audits of our direct suppliers to assess how well they are complying with the Supplier Code.

2. **REPORT**
   Following a site visit, the auditor provides a report identifying any issues of non-compliance.

3. **RESOLUTION**
   We work closely with the supplier to develop and implement an action plan to rectify non-compliances within an agreed timeframe.

4. **Using SMETA 4 Pillars, audits are recognised by all 36 AIM-PROGRESS members, avoiding multiple audits.**

3.3.7. ZSIM Communication Process:

**Step #1:** User is to check the list of ZSIM materials / Spend categories on the Procurement Excellence intranet site. The first step is always to check whether the material you have in mind already exists or not. The below link takes you to the ZSIM Materials list (= S&IM spend categories list on the Procurement Excellence intranet site

**Step #2:** In case of the unavailability of the Material in the procurement Excellence in the intranet site, the User should ask via e-mail to Procurement Excellence for the approval of the creation of a new ZSIM/Spend category level 3

**Step #3:** Procurement Excellence will provide decision and reply to User

**Step #4:** User to raise BR to create the new spend category (material group).

**Step #5:** GLOBE Master Data will create new spend category (material group). At creation, EN description is copied in all 5 core languages. As there is an alignment between the spend category level 3 and the ZSIM descriptions and once the spend categories translation (usually this takes time) is available, it will be used by GLOBE Procurement team to request update of the ZSIM descriptions in the various languages.
**Step #6:** Procurement Excellence to request new material via the Swiss LDO. MDR owner will be 45 NESTRADE Procurement Division.

**Step #7:** Swiss LDO to send back to Procurement Excellence the GLOBE SAP ZSIM material numbers.

**Step #8:** Procurement Excellence to update the Global Lists on the Procurement Excellence intranet site.

**Step #9:** Procurement Excellence and NBE Data Methods to communicate to respective communities.

**Step #10:** Once created at Global level, markets can extend these ZSIMs to their respective plants and can add the description in their language if it is not one of the 5 core languages.
#4
Life at Nestlé
4.1. Work and Corporate Culture:

Working for Nestlé is fun. Every morning I feel excited to get up, get ready and do to my office. Nestlé Bangladesh office is a highly secured place to be. One cannot pass through within the office without their ID cards getting punched at the checkpoints. There are two checkpoints in every floor which makes it extreme safe for Nestlé to guard their operations.

We fellow interns have a separate Quarter/Block where all the interns sit together and each of the interns have their own desk/space. One can decorate it as per their liking but certain items are not allowed at the desk, for instance- food and liquids.

I am working for the Procurement department and my Boss is the Manager of Procurements. Therefore, one of the major things I contribute to this company if by assisting him with his day to day works. Every week is a call for week projects.

Me and my Boss look after/monitor the entire Procurement chain and enhance by bettering its processes. We are the Procurement Excellence. Our job function is very wide and vast. We are everywhere in the chain, at a time.

4.2. Session on healthy living:

On 17th April, 2019 Nestlé had arranged a session on healthy living conducted by Prof. Dr. Zahidul Hasan from Square Hospitals Ltd. for keeping us healthy from mind and body,
In this session, we were suggested, how to keep our calories on check and what way of living and exercises also can harm our body and mind.

We also happen to have stress break session every three times a week. Working 8.5 hours every day by sitting on our desks, can made us unhealthy and dull. So, to keep the spirit, this session of stress break is done.

4.3. Awareness of plastic use:

In the coming month, Nestlé will be introducing a contest on sustainability by emphasizing on reducing the use of plastic. It will be like an idea generating completion where people will be encouraged to coin up ideas to reduce the usage of plastic in their daily life and most importantly, how to re-sure and recycle it. The whole completion is planned to be started with couple of seminars to make people aware of the harmful effects of plastic and followed by the main event- the competition.
4.4. Dhaka Half Marathon, Powered by Nido:

On March 15 of 2019, Nido a brand of Nestlé sponsored (along with other co-sponsors) a half marathon to represent Bangladesh and also made people aware of their health.

I personally along with my fellow interns also worked with the corporate affairs team to make the event successful. We had to be there maintain things, on and off the stage, before and during the event. We were given shirts with various Nestlé brand’s logo imprinted on it. We took care of the stalls serving free foods to the runner and were also there to assist the Mancoms with whatever they needed.

Stéphane Nordé, Managing Director (-2018), Nestlé Bangladesh said, “This Marathon is a symbolic representation for passion, hard work, dedication and commitment. It encourages us to meet our final goal by overcoming all the obstacles just like the participants have gone through in the marathon to embrace challenges and meet their final destination. Nestlé Bangladesh Limited wants to impart the value of good nutrition and fitness for individuals to motivate them to live healthier lives.”
4.5. NSU session on Vendor Management:

On 11\textsuperscript{th} of April, 2019, I and my Boss were invited to a seminar to cover the topic of Vendor Management at NSU (North South University). Vendor Management is the core idea on what our job revolves around and this is a very important part of Procurement.

After my Boss received the letter from Mr. Mofassal (a Supply chair Faculty at NSU), he gave me the responsibility of creating the contents which are to be covered in the session. It took me two week to make an interesting contents aligning with our duties at Nestlé.

The session was a blast and our audience were a very listeners which learnt after playing KAHOOT. The question for Kahoot were also made by me and we also presented the winners with interesting Nestlé gifts.

4.6. Nestlé Celebrates Pohela Boishakh:
The Pohela Boishakh celebration was held on 15th April, right after the day of the actual Pohela Boishakh, so that employees can enjoy the occasion both with their family and with the office folks. A committee was formed prior to the occasion to plan from the big day and the committee was consisted of only Intern folk. Therefore, only us planned the whole event and surprised the employees of the office. The event included:

- Fortune telling
- Singing
- Dancing
- Henna art
- Face painting
- Dhol Band
- Stalls and
- Various bangla games

The whole day went in merriment and the employees were told not to do any work that day.

4.7. Monthly Goodie Bags:
Nestlé employees get a huge bundle of goodies at the beginning of every month. The Bundle includes all the daily Nestlé foods that we consume (as shown in the picture). The bundle item changes every month and everyone here looks forward to getting it. I thinking this is the best possible way to keep a company’s employee motivated.

4.8. Factory Visits:

Nestl Factory is in Sreepur, Gazipur, beside Rajendrapur Cantonment. Nestlé Brands like-

- CERELAC
- NESTLÉ EVERYDAY
- KOKO KRUNCH
- LACTOGEN
- MAGGI
- NESCAFÉ and
- NESTLÉ NIDO

are produced there. Nestlé has always focused on sustainability; therefore they had revamped water usage and recycling system.

I and my Boss go to visit factories sometime to check on the problems if there is any. We are given private cars and comforts from the company. In the factory, we have to wear heavy gears, boots and helmets as protection during the tour.
Nestlé Bangladesh Head Office has a store inside where employees can buy Nestlé products with special discount. All the brands which are locally produced can be found here - NIDO, KOKO CRUNCH, KITKAT, NESTEA etc.

4.10. Nestlé Floor Pantry, Kitchen and cafeteria:

Every floor at Nestlé office has a pantry which allows their employees to enjoy all the drinkables that Nestlé happen to produce, starting from different Coffees. Milks and Teas.
The Very slogan of NESCAFE tells us to stay connected with peers, so this spot was based of that concept. People can access free wifi in the Pantry and enjoy coffee at the same time.

Unlike any other corporate office, Nestlé has their own experimental kitchen where new products are cooked by Nestlé chef and tasted by tasters before it can be put out there in the market for the consumer.

Their Cafeteria is very engaging and well organized. The food is OK here but the staff are great. Most of the seminars are held in the café when they widen the space by sliding the walls away and making it more spacious.

4.11. Fire Drills and other Emergency Precautions:

During our orientation at Nestlé, we were given a session on precaution and the ways of being safe around the premises. In it we were told-

- Not to spill water in the corridor.
- Not to take water around machineries.
- To wipe off all the spills after the vending machines are used.
- Not to take cellphone to the toilets.
- Always to hold the railing when using the stairs and much more.

After the unfortunate event or arson in the Mogbazar areas, FR Tower and many significant places, Nestlé also thought of having a fire dill during the middle of the office hour. This was a good practice of how to escape arson situations in an orderly fashion.

Nestlé always had Fire-Wardens in every block of the floors. Their duty is to guide people during the fire incidents. These specially chosen employees are trained to fight fires to some minimal level.
4.12. Innovation Day:

Every year Nestlé arrange Innovation Day every year at Nestlé HQ, Bangladesh. There, every supplier comes up with their creative technologies and product to support Sustainability, Reuse, Reduce and Recycle. We as Procurement excellence have to bring these people to the front and encourage them bring something better for the next year. We encourage them by giving prize money and others.

4.13. Farmer’s Day:

Nestlé often help the poor, uneducated Farmers by setting up seminars and session at the rural parts of the country. In these seminars, many informative topics are discussed with the
farmers to help them with their crop growth. Over the years, it has seen to be very effective because, Farmers are our partner. If they prosper, so do we.

4.14. Business Partner’s Meet:

At Business partner’s meet is sort of a party where they connect with their supplier and create a strong bond. It is taught at Nestlé that, a good business can only take place of there is a good bond between the giver (supplier) and the taker (buyer).
#5
A Research on the Rice Supplier/Farmers of Dinajpur
5.1. Rationale of the study:

From the previous chapters we have learnt how the Nestlé Procurement works and how it is aligned with all the other great principles and frameworks that the company has made to perfect them and their day to day functions. However, it is my area of interest to find out how closely these are followed and how the Procurement Excellence is perfecting it by monitoring.

5.2. Statement of the problems:

The objective of this study is to understand if suppliers of Nestlé and Nestlé Procurement are indeed following their principles and how it may affect business.

5.3. Scope and delimitation of the study:

This research is entirely based on the suppliers of Procurement department of Nestlé Bangladesh, concentrating on the procurement excellence practices followed by the company. There is no need of having good principle hung in the corporate walls unless they are not maintained properly in their work ethics. Therefore, I really wanted to find out, to what extend these principles and forma are carried out. By reading this paper, people shall get some idea about true Nestlé corporate culture and also the true duties of a supply chain employee.

Limitations are influences that the researcher cannot control. They are the shortcomings, conditions or influences that cannot be controlled by the researcher that place restrictions on your methodology and conclusions. In my case, shortage of time and Nestlė’s secrecy maintenance made me fail to gather the perfect data and information that I was looking for. The company wouldn’t even allow me stating the name of the area in Dinajpur from where they procure their special rice. On the other hand, secondary researches also failed me for there isn’t much information about where exactly in Bangladesh and from whom they procure their goods, available on the net, which had left me to write my report with a very little information.
5.4. Methodology of the Study:

For this research, little to no information was found in the internet regarding the procurement of rice from Dinajpur farms. Therefore, a complete *Primary research* was conducted.

Since Nestlé is very secretive about flashing out their vendor lists, it was very tough for me to reach out to my targeted folks- the Farmers and the Mill Owners. However, I could finally manage to get number of *15 Farmers & 1 Mill Owner* who would talk to me and answer my survey questions. Though my questions were made in English, I had to explain it to them in Bangla and later on the survey became a sort of interview through which I got to learn a lot more. Later, after interviewing few more employees at Nestlé and also some distributor, it was clear to me of how the system rolled.

5.5. Analysis, Interpretation of the Data & Finding of the Study:

Every analysis and interpretation made in this chapter is based on the survey data and the interview which was taken through phone. The study follows:

![Bar Chart](Q1: How many years have you been a supplier to Nestle Bangladesh?)

- **For a long time (7 + years)**: 46.7%
- **For a while (3-7 years)**: 26.7%
- **Recently (0-3 years)**: 26.7%
Interpretation of Q#1:

- From the Particular question we can see that maximum of Nestlé’s suppliers are with this company for a long time now, for more than 7 year.
- Up on asking why the rate of new suppliers are less considering the recruitment trend, they said that Nestlé is very careful while choosing their Business Partners due their strong inclination toward business ethics, laws and other frameworks, on which the company is built. I supplier’s company does not go with their checklist; they do not tend to partner up.
- Nestlé creates a strong bond with their Suppliers are try making their relationship a long-term one.
- There are Farmers who have been with Nestlé from the very beginning and they tend to be there for the company in the unforeseen future

Interpretation of Q#2:

- Upon asking if they clearly know about were their rice/product is used by Nestlé, majority of the Farmers agreed that they are clearly aware of their contributions.
• After asking further questions, the Farmers were filled with pride when they stated that their Rice will be made into CERELAC and millions of children will be consuming them.

• As from the graph we can see, there are farmers who said they don’t know about their contribution to the company. They said that, they just know that their crops are being bought by Nestlé but did not find it necessary to ask what they are taken for.

• Nestlé run the background check of the farmers before going into contracts with them. The Farmers have deep ethical values which makes them not to swindle with their crops by adding harmful chemicals which can be harmful for consumption for babies.

• Interviewing few Nestlé employees, it is known that farmers are given special seminar to teach them how to use the perfect amounts to their crops.

<table>
<thead>
<tr>
<th>Q#3: Are your buyers being polite to you?</th>
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<tbody>
<tr>
<td>50.0% Yes, they are very polite, 46.7%</td>
</tr>
<tr>
<td>45.0% Yes, they are OK, 26.7%</td>
</tr>
<tr>
<td>40.0% No, they are a bit rude, 20.0%</td>
</tr>
<tr>
<td>35.0% No, they are very rude, 6.70%</td>
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**Interpretation of Q#3:**

• On asking the Farmers if the Nestlé strategic buyers were polite to them, maximum answered that they are very polite.
• Only only 26.7% answered that they are OK, which is neither too good nor too bad. However, it is also found that there are minor amount of farmers who had issue with the buyer’s behavior.

• Upon intervewing few on Nestlé employee about the matter, they said that Vendors are the as important as their customers. Vendor are the contributors of any company, without their contribution there wouldn’t be any business going on.

• Out of the respect for the Vendors, the Nestlé employees always address them as Business Partner, to make them feel that they belong with this company. Howbeit, there will be minorities who will be satisfied with the company policies. Nestlé try to mitigate problem like these, for which reason the procurement excellence steps in in light of NBE.

Interpretation of Q#4:

• When the Farmers were asked if they feel themselves a part of Nestlé, majority of them disagreed that they don’t.
• Upon asking them further questions over the phone, they said that they feel like humble suppliers since Nestlé do not talk to the farmers directly. The procurement office communicated with the Mill Owners for the order placements. Since there isn’t a direct contact with the farmers, hence the gap.

• It is also found that 46.7% of the subjects said that they do feel as a part of Nestlé. They said that they do not feel demeaned working with the company. Moreover, the company helps them to excel in their field of work by teaching them various agricultural methods and ways through rural seminars.

• From this findings, we can understand that Nestlé is practicing NBE (Nestlé Business Excellence)

Q5: Do you have a formal supplier contract with Nestle Bangladesh?

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<th>Percentage</th>
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<tbody>
<tr>
<td>Yes</td>
<td>60.0%</td>
</tr>
<tr>
<td>No</td>
<td>40.0%</td>
</tr>
</tbody>
</table>

Interpretation of Q#5:

• When they were asked if they any Formal Supplier Contract with Nestlé, majority agreed that they all had to sign a legal document from the Mill Owners.

• They even said that Nestlé made it very clear of all the legal documents.

• Nonetheless, there are also few farmers who said that they are not bound by any legal contracts.
Upon asking them of the matter, they said that they were directly in contract with the Mill Owner. Therefore many of them do not necessary have contract with Nestlé Bangladesh directly.

There were time when Nestlé used to make direct contracts with the farmers but in the recent year, for the sake of making the supply chain process smoother, they have shorten it.

**Q#6: Do you follow ethical labor practices?**

- Yes, 100.0%
- No, 0.0%

**Interpretation of Q#6:**

- On asking the Farmers that if they follow Ethical Labor Practices, they all answered that they do and are well aware of the labor law of Bangladesh.
- Nestlé’s principle state that they cannot do business is unethical fields because they are indirectly liable for the supplier’s unethical ways.
- A Nestlé employee said that when a new supplier is being on-boarded, they are given a document to read- *Nestlé Supplier’s Code.*
- This code states all the laws and regulations a supplier has to maintain to become a Nestlé Business Partner.
At the very end of the Nestlé Supplier Code, The farmers were asked to signature if they agreed to them all, along with more legal documents.

**Interpretation of Q#7:**

- When the Farmers were asked that if their crops were audited before Nestlé buying them, majority agreed that they are not audited before selling off.
- A Nestlé employee said that every year Nestlé Bangladesh spend millions on research and audits.
- Audits are a must before procuring any raw materials to determine their quality standard.
- Teams of Nutritionist are always present to test all the Rice samples which are submitted by the Farmer. This rice will be used for making CERELAC for babies. Therefore, they have to be checked properly before use.
- On the other hand, few farmers also said that their crops are not audited. Upon asking, they said that sometime the crops are tested from the Mills right before sending it off. Or, in some other times, by testing the field next to theirs’s they can comprehend.
Interpretation of Q#8:

- Upon asking them if they get paid on time after their supplies are being sent off, majority agreed that they are paid duly.
- Making Payments at the right is a monitoring duty of Procurement Excellence. Nestlé believe that suppliers might get demotivated if there is a delay in their payment, resulting in losing faith in the company’s integrity. Therefore, payments are made as soon as it is possible for the Nestlé Bangladesh.
- There are readings in the graph which also says that 40% of the Farmers said that they do not get their wages duly and after further question followed, they said that due to some problems in the supply chain, the head office sometimes block the payment. But after solving it, they get it.

Interpretation of Q#9:

It was asked the farmers that what they do if they do not get their payment on time and in reply they said-
• If they are directly in contact with the Nestlé head office, then they enquire about the payment. The Head office gives them the proper guidance.
• As said before, sometimes the payments are blocked due to some internal problems. In those times, the farmers wait for their payment patiently since they know that they will be getting it sooner, as Nestlé will not cheap with their efforts,
• As majority of the Farmers are connected with the Mill Owner, they ask for the payment enquiries from him/her. Most of the times, they solve it within themselves.
• Since this particular area of Dinajpur is the only place to procure rice for baby food, the Mill Owner would not dare to defraud its’s main suppliers, the farmers.

**Interview with the Mill Owner:**

Talking with the Mill Owner was like hearing a story of revelation. He explain how his part comes to be in this whole procurement belt.

After the farmers have harvested their Paddy crops, they are send to the rice mills where the crops are sorted and processed in the machines. The rice grains are made perfect and polished for the Nestlé to use them in their production. The Millers then pack them and send the sacs for the factory at Shreepur at Gazipur.

Nestlé have found that the soil the Particular place in Dinajpur has the perfect balance for obtaining the crops they were looking for. Therefore, despite paddy being cultivated all other Bangladesh, Nestlé can only procure their crops from this very area.

This area consists of 15-20 farmers’ lands and they all happen to sell their crops to Nestlé’s cause and there is only one Mill who is taking care of the crops which are to be send off to Nestlé factory.
5.6. **Recommendations:**

The very last Q#10 was an open ended one and we asked the Farmers what recommendations they would give to better the performance of the Nestlé Procurement and the recommendation follows:

1. The supply chain process should be swifter. Nestlé is a global company. All the 200 companies around the world being connected at a time make it difficult to shorten the paper work time.
2. There should be more Farmer’s day seminar because they want to learn more from this company and better their green-thumbs.
3. From interviewing few distributors, they said that the process should be shortened as well. Nestlé even compensate the distributor for damaged good which they is very natural due to long wait period and shipment.
4. The distributors should be made happy by giving them special Nestlé offers and other gestures to strengthening their bond of business.
5. The sorter should be more careful not to damage the goods while sorting. Any crop takes a long time to grow but very few seconds and unnecessary negligence to damage it and as we know, Nestlé do not intake damaged goods.
6. Storing period sometimes damages the good. Therefore for the sake of sealing the freshness in the goods, Nestlé should shorten their chain process.
5.7. Conclusion:

Nestlé is considered an example of excellence in business world. This company has made its mark in the face of the world through pure uphill battle and currently it is operating around 200 countries in the world. They believe that a person can only have a good life if they are given good food. Thusly, their constant effort of offering something good that you are worthy of. Their products come to your table after a whole lot of hassle, as we have went through all along and everything is monitored carefully by the procurement excellence. However, it becomes difficult when they have to compete with their own company.

For instance- brands like Movenpick and Hagn Daz are owned by Nestlé. Yet, today they not under the monitoring of Nestlé Bangladesh because these companies where franchised by some other company but not Nestlé Bangladesh. Due to problems like these, Nestlé Bangladesh is suffering a huge market capture-failure. Even brands like KITKAT are also being illegally brought to Bangladesh market and sold under the noses of NBL.

Currently due to all problems internal and external, Nestlé struggles to expand their product lines whereas, Nestlé has countless brands I’m sure you didn’t even knew they were Nestlé’s. Notwithstanding, NBL is still doing great in the Bangladesh market and it is believed that they will reach the peak very soon.
A. Bibliography

B. Index

Survey for Rice Supplier from Dinajpur

The following survey was done in the month of March, 2019 and the subjects were the farmers of Dinajpur, Bangladesh. The survey data were collected by reading out the questionnaire to them and making them understand in Bangla Over the phone.

1. How many years have you been a supplier to Nestle Bangladesh?
   - Recently (0 – 3 years)
   - For a while (3 -7 years)
   - For a long time (7+ years)

2. Do you know why your rice is being procured? (For which product making purpose?)
   - Yes
   - No

3. Are your buyers being polite to you?
   - Yes, they are very polite
   - Yes they are OK
   - No, they are a bit rude
   - No, they are very rude.

4. Do you feel yourself as a part of Nestle Bangladesh?
   - Yes
   - No

5. Do you have a formal Supplier Contract with Nestle Bangladesh?
   - Yes
   - No
6. Do you follow ethical labor practices?
   □ Yes
   □ No

7. Are your crops audited before selling?
   □ Yes
   □ No

8. Are you paid on time?
   □ Yes
   □ No

9. If "NO", what do you do?
   Ans. ______________________________________________

10. What would your suggestion be for Nestle Procurement?
    Ans. ______________________________________________