The Positive Cup
BECAUSE COFFEE CAN HAVE A POSITIVE IMPACT

CREATING SHARED VALUE REPORT

IN ACCORDANCE WITH THE GRI G4 GUIDELINES
How can a cup of coffee deliver greater value for society and the environment?
THE POSITIVE CUP

is our conviction to make each cup of Nespresso an extraordinary coffee experience, creating pleasure for consumers and benefits for wider society and the environment.

It is a privilege for me, as CEO of Nestlé Nespresso, to present the company’s Creating Shared Value report, setting out the work we have been doing to drive the sustainability of our business, creating shared value together with, and for, our partners.

The success of our company is well known, in the coffee industry and wider business community. The power of innovation and a commitment to excellence has propelled the strong performance of Nespresso over the last 30 years. The same level of commitment to innovation and excellence, by all our employees, has also driven our engagement in sustainability. This report sets out our strategy, commitments and achievements – as well as identifying where progress is still needed.

Why is sustainability so important to us?

Because it is at the core of our business model and our Creating Shared Value approach. Nespresso’s innovation in portioned coffee preparation has created a new and exceptional coffee experience for consumers, one which they appreciate and value. Our continuous quest to offer superior and unique profiles and aromas requires a continuous improvement of coffee quality. This also increases the value for the farmers producing it. Therefore, we can say that our commitment to sustainable quality has led to the “decommoditisation” of Nespresso coffee.

We also know that we must engage in the sustainable development of these coffee regions. Smallholder coffee farmers are exposed to unacceptable levels of uncertainty and risk to their livelihoods, stemming chiefly from climate change and economic volatility. Through our unique Nespresso AAA Sustainable Quality™ Program, developed together with the Rainforest Alliance, we lessen these risks, creating favourable conditions for over 70,000 farmer partners benefiting from premiums, the expert assistance of agronomists, plus a wealth of other pioneering initiatives. One I derive great pride in is the introduction of the first ever retirement scheme for coffee farmers, developed together with the Colombian Coffee Growers Federation, the Colombian Government, and supported by the cooperative in Caldas and Fairtrade International.

And finally we are aware of the changing expectations of citizens and civil society regarding the role of business, particularly in the context of the COP21 agreement and the establishment of the UN Sustainable Development Goals.

Through our engagement, we aim to show the important role the private sector can play. That means bringing new ideas, innovative approaches, resources and a commitment to addressing issues that ultimately affect us all. In short, being pioneers of sustainable consumption and in this endeavour we aim to be leaders in sustainability in our sector and encourage others to follow.

One of the great privileges of my role is the opportunity to partner with individuals and teams from NGOs and the development sector. I never cease to be inspired by their passion and engagement and I thank our partners, some of whom have joined us on the Nespresso Sustainability Advisory Board, for supporting our journey.

I am pleased to be able to report that at this halfway stage, we are on track with the targets we set ourselves in 2014 for achievement by 2020. In fact, I can say with some confidence that we are already innovating beyond the formal quantitative objectives that we set.

The Positive Cup is our multifaceted strategy, embodying the belief that every cup of coffee can have a positive impact. The last couple of years have shown the perfect illustration of this and what we mean by Creating Shared Value. Our Grand Cru Suluja ti South Sudan was launched in a number of markets – the first coffee to be exported from the country. Despite the recent developments and return to armed conflict in South Sudan, we continue to be committed to local communities. We also remain firmly committed to our strategy of coffee revival. In 2017 we launched Aurora de la Paz, a Pure Origin coffee from Caquetá in Colombia, an area exposed to the civil conflict. This has been made possible by the peace process and Nespresso’s commitment to deploy the AAA Program among the affected farming communities of the region, thus supporting the post conflict agenda.

In all of this work, we are guided by the purpose of our parent company, Nestlé, to enhance quality of life and contribute to a healthier future. I invite you to discover our strategy in this report and encourage you to share feedback, in the hope that together we can continue to make positive impacts in the years to come.

Jean-Marc Duvoisin
CEO, Nestlé Nespresso
Throughout 30 years of rapid growth, we have been learning how to integrate sustainability into our activities, seeking to improve our operations and generate positive impact. We call this approach the Positive Cup, which is how Nespresso brings to life the Nestlé company purpose, “to enhance quality of life and contribute to a healthier future”.

The Positive Cup reinforces the way the Nespresso model creates shared value. It ensures our activities deliver economic value for the company, preserving the environment for future generations while supporting social progress for all stakeholders. It has led to the “decommoditisation” of coffee and provided an opportunity for us to redefine coffee as an asset with intrinsic value and a higher purpose.

### What really matters

The topics identified during our materiality assessment process set out on page 71, has led us to define the following ambitions:

- Ensure sustainable coffee sourcing, contributing to improve the livelihoods of farmers and the resilience of their communities
- Unlock solutions for the circular use of aluminium with a focus on sourcing and recycling
- Take actions on climate change mitigation and adaptation, improving our environmental performance
- Engage everyone in our company, our partners and our consumers, in the benefits of sustainable production and consumption

### How we are doing

Each section of the report sets out the detail of our programs, where we are on track against our ambitions and associated goals, as well as where further progress is still required.

The key highlights are:

- We have identified 11 of the 17 UN Sustainable Development Goals (SDGs) where our programs can make a contribution
- The report sets out our collaboration with some of our 45 partners in designing and delivering solutions to sustainability challenges in our value chain
- Since 2014, we have invested CHF 197 million in deploying our programs and expanding capabilities – for example our team of over 300 agronomists
- We have set up the Nespresso Sustainability Innovation Fund (NSIF), already supporting projects like climate-smart agriculture in East Africa with the World Bank-BioCarbon Fund
- We now source 82% of our coffee through the Nespresso AAA Sustainable Quality™ Program, supporting AAA farms towards compliance with certification standards. We have grown the share of certified coffee volume from zero to 41% in eight years. We have also started to design solutions for the wider deployment of AAA in the context of the traceability constraints of the East African supply chain
- We have contributed to the multi-stakeholder process which is defining new standards for sustainable aluminium (ASI). We estimate that 56% of our capsules are valorized after use. However, sourcing “All certified” aluminium towards 100% will take longer than planned and further substantial progress on capsule valorization depends on the expansion of collective systems
- We have planted 1.4 million trees in AAA coffee producing regions over the past two years. This investment has enabled us to insert 100% of our company’s operational carbon footprint. Given the capabilities required in the field and the time needed for appropriate community engagement, we have reset our goal, which is now towards 5 million trees by 2020

### What’s next

Based on the learning and experiences gained over recent years, we have identified a number of key priorities:

- Further expand the collective collection systems to improve the valorization and recycling rates of capsules after use – consistent with initiatives like the EU Circular Economy package
- Continue to integrate community and landscape level actions into the AAA Program, such as expanding our agroforestry initiatives
- Build on the Nespresso Sustainability Innovation Fund to design and accelerate co-financing solutions for proven business models such as community milling
- Set science-based targets for carbon reduction and improve our monitoring and evaluation systems in the context of COP21 and SDG 13
- Continue the programs which engage employees and consumers in our sustainability initiatives such as promoting recycling, sharing the benefits of sustainable quality coffees and offering specific revival coffees from regions such as Cuba and Caquetá in Colombia

### About this report

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>What really matters</td>
<td>10</td>
</tr>
<tr>
<td>Creating Shared Value</td>
<td>12</td>
</tr>
<tr>
<td>Our value chain</td>
<td>14</td>
</tr>
<tr>
<td>Our journey</td>
<td>16</td>
</tr>
<tr>
<td>Our people</td>
<td>18</td>
</tr>
<tr>
<td>Partnerships for impact</td>
<td>20</td>
</tr>
<tr>
<td>Governance</td>
<td>22</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COFFEE</th>
<th>24</th>
</tr>
</thead>
<tbody>
<tr>
<td>What really matters</td>
<td>26</td>
</tr>
<tr>
<td>The Nespresso AAA Sustainable Quality™ Program</td>
<td>28</td>
</tr>
<tr>
<td>Farmer relationship management</td>
<td>30</td>
</tr>
<tr>
<td>Innovation for community resilience</td>
<td>32</td>
</tr>
<tr>
<td>Our approach to Natural Capital</td>
<td>34</td>
</tr>
<tr>
<td>The AAA Program in East Africa</td>
<td>36</td>
</tr>
<tr>
<td>Coffee revival</td>
<td>38</td>
</tr>
<tr>
<td>Monitoring and evaluation</td>
<td>40</td>
</tr>
<tr>
<td>The scope of the AAA Program</td>
<td>42</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ALUMINIUM</th>
<th>44</th>
</tr>
</thead>
<tbody>
<tr>
<td>What really matters</td>
<td>46</td>
</tr>
<tr>
<td>The benefits of aluminium</td>
<td>48</td>
</tr>
<tr>
<td>Our approach to aluminium stewardship</td>
<td>50</td>
</tr>
<tr>
<td>Capsule life cycle management</td>
<td>52</td>
</tr>
<tr>
<td>The scope of our recycling actions</td>
<td>54</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CLIMATE</th>
<th>56</th>
</tr>
</thead>
<tbody>
<tr>
<td>What really matters</td>
<td>58</td>
</tr>
<tr>
<td>Life cycle assessment</td>
<td>60</td>
</tr>
<tr>
<td>The environmental performance of our operations</td>
<td>62</td>
</tr>
<tr>
<td>Circular and eco-design machine</td>
<td>64</td>
</tr>
<tr>
<td>Agroforestry for climate adaptation</td>
<td>66</td>
</tr>
<tr>
<td>The scope of our climate actions</td>
<td>68</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ABOUT THIS REPORT</th>
<th>70</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materiality – methodology</td>
<td>71</td>
</tr>
<tr>
<td>Bureau Veritas assessment</td>
<td>72</td>
</tr>
<tr>
<td>Our global partners</td>
<td>74</td>
</tr>
<tr>
<td>Scope and performance overview</td>
<td>80</td>
</tr>
<tr>
<td>GRI G4 Content Index</td>
<td>82</td>
</tr>
<tr>
<td>Impressum</td>
<td>101</td>
</tr>
</tbody>
</table>
CREATING SHARED VALUE IS AT THE HEART OF OUR CONSUMER PROPOSITION

How does Nespresso take responsibility for sustainable consumption?
WHAT REALLY MATTERS
LONG-TERM SUCCESS REQUIRES ACTION BEYOND CORE OPERATIONS

Throughout 30 years of rapid growth we have been learning how to improve our sustainability performance. Our impacts mostly occur beyond the immediate sphere of our production and commercial operations, requiring us to engage with stakeholders upstream and downstream in our value chain.

Implementing our Positive Cup ambition involves all of our people – especially those engaging Nespresso Club Members in all that we do. A wide range of strategic partnerships has been integral to our progress over the years. More recently, we launched the Nespresso Sustainability Innovation Fund to catalyse innovation, and we strengthened our internal processes and governance to improve decision-making.

What really matters
To integrate sustainable production into our consumer value proposition

Building on the insights from our materiality assessment, our main focus as a portioned coffee company is ensuring the sustainable production of coffee and aluminium and engaging consumers in the value of sustainable consumption. Our employees have direct relationships with coffee farmers and Club Members. This gives us more opportunities to take action in areas we do not directly control but where our business has significant dependences and impacts.

Our 2020 ambition and goals
Total company engagement

- Empower everyone in our company to contribute to our sustainability agenda: Strategy in execution, employee training rolled out
- Catalyse innovation through the Nespresso Sustainability Innovation Fund: Two projects co-funded in the NSIF, USD 9 million blended capital (on track for 2020)

The figure indicates that 97% of the carbon footprint of a cup of Nespresso comes from activities that occur beyond our core operations (e.g., on coffee farms, during the consumption phase).

88% of our people would recommend Nespresso as a place of work.
CREATING SHARED VALUE
THE POSITIVE CUP REINFORCES THE WAY THE NESPRESSO MODEL CREATES SHARED VALUE

Nespresso’s innovation in portioned coffee preparation has created a new and exceptional coffee experience for consumers, one which they appreciate and value.

This required the supply of superior coffees which are cultivated in specific terroirs. They are roasted and blended with meticulous attention to detail and their quality is protected by our aluminium capsules. The origins of our Grands Crus are unique and not interchangeable, so we cannot and do not buy our coffee as a commodity, instead building long-term relationships with individual farmers. Our approach is to support producers to better manage their farms, their businesses and their land. By doing so, we secure the supply of higher quality crops that meet the specific Nespresso quality and aroma requirements. This not only delivers a better in-cup result for our consumers but also greater income, security and stability for the farmers.

This has led to the “decommoditisation” of Nespresso coffees, improving the quality and bringing more value to farmers producing the unique profiles of coffee we depend on. It is our expression of “Creating Shared Value”, a way of doing business defined by Michael Porter and adopted by Nestlé.

“We want each and every consumer to be able to appreciate the quality and the authenticity of our Grands Crus.”
Alfonso Gonzalez, Chief Customer Officer, Nespresso

Daniel Delgado, AAA agronomist from Colombia, during a coffee tasting in Avenches factory, Switzerland

Chef Theo Randall, tasting the new range of exclusive selection coffees, in a glass designed especially for Nespresso by Riedel
OUR VALUE CHAIN
SUSTAINABLE PRODUCTION AND CONSUMPTION ARE INTEGRATED INTO OUR END TO END MODEL

“Our sustainability investments are part of the brand experience and valued by consumers in every cup.”
Hélène Moncorger, Chief Financial Officer, Nespresso

THE POSITIVE CUP
G4-4, G4-6, G4-8, G4-9, G4-12, FP2, FP5

SUSTAINABLE PRODUCTION

Grow
Scope
- 12 countries
- > 70,000 farmers
- > 300 agronomists

Program
- AAA Sustainable Quality™

Independent acknowledgement: The Rainforest Alliance, Fairtrade International, Fairtrade USA

Retail
Scope
- 63 countries, > 11,000 employees
- 25 Customer Relationship Centres
- > 600 boutiques

Program
- The Positive Boutique

Independent acknowledgement: OHSAS certification

Make
Scope
- Three production centres in Switzerland, > 1,000 employees

Independent acknowledgement: ISO 22000, ISO 14001 and OHSAS certification
- CDP climate change and water, DJSI reporting

Remake
Scope
- Over 85% of Nespresso Club Members have access to a capsule collection point

Independent acknowledgement: Third party verification tool for capsule collection and recycling (from 2017)

SUSTAINABLE CONSUMPTION

Experience
Scope: Classic line
- 24 permanent Grands Crus
- Nine limited editions and variations
- Two coffee revival Grands Crus (Cuba, South Sudan)

Scope: Vertuo line
- 20 permanent Grands Crus

Scope: Pro line
- 13 Grand Crus
- Two exclusive selections for fine dining

Independent acknowledgement: > 5.5 million Facebook fans
- > 700 Michelin star restaurants

Source
Scope
- Aluminium Tier 1 suppliers

Program
- Aluminium Stewardship Initiative (ASI)

Independent acknowledgement: SMETA compliance, ASI certification (from 2018)
OUR APPLICATION OF THE SDGs

SDG 1 End Poverty
SDG 2 Promote Sustainable Agriculture
SDG 4 Learning Opportunities for All
SDG 5 Gender Equality
SDG 6 Water Stewardship
SDG 8 Decent Work and Inclusive Growth
SDG 12 Sustainable Consumption and Production
SDG 13 Climate Change
SDG 15 Natural Capital
SDG 16 Peace
SDG 17 Partnerships

“...on March 27, 2017 at the UN Regional Centre for Sustainable Development in Montreal. Our journey has been a journey of learning and adapting how we integrate sustainability into our activities. From developing our first prototype in the 1970s to our present day initiatives, we have been learning how to integrate sustainability into our business. Moving forwards, we are seeking to align our ambitions and goals with those of the UN Sustainable Development Goals (SDGs) – adopted by 193 Member States as the global priorities towards 2030. Our Positive Cup ambitions seek to contribute to 11 of the 17 SDGs. Two of these goals (SDG 12, Sustainable Consumption and Production, and SDG 8, Decent Work and Inclusive Growth) set the direction for the role of a consumer products company such as ours. Other goals are also material to our value chain and business principles. All 17 SDGs are outlined here with our customised descriptions and are referenced using their icons throughout the report.

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Beyond a shared passion for coffee and the brand, Nespresso employees are getting more engaged in the implementation of The Positive Cup strategy. Over recent years, this has led to consistent operational progress on recycling, coffee sourcing and environmental performance. More than this, as most of our employees deal with consumers everyday, their active participation in the program enriches the consumer experience.

Nespresso employees interact with customers everyday

The vast majority of Nespresso people are based in boutiques or Customer Relationship Centres, listening to and helping customers. This enables them to give direct feedback and to generate ideas on how we can improve our products and the overall brand experience. Since 2014, hundreds of these ideas have been embraced with the aim of delivering a better quality of service and improved customer satisfaction. Nespresso employees interact with customers everyday.

Our people expect and appreciate a safe workplace

Our boutique managers play an active role in promoting a safe environment. Not only for employees but also for the thousands of customers visiting our boutiques every week. What we call “the recordable injury rate” – the log of accidents that occur within the business – covers our employees but also extends to the care of our customers too.

We promote greater participation of women in our business and value chain

Gender balance is a major focus for us, above all in leadership positions. While the global male/female balance is 43/57, this is not yet reflected in the gender ratios of senior positions. Importantly, in coffee field operations, we have learned that the presence of female agronomists is key for the participation of women farmers in training. Women excel in the adoption and implementation of best practices on farms. Today, women agronomists at our suppliers comprise 30% of our global field workforce.

Our development programs promote a coffee and sustainability culture

On average, Nespresso employees spend 34.3 hours per annum in training (2016). Coffee know-how and sustainability awareness are the two topics on which all employees are trained when they first join Nespresso. Customer-facing employees follow a three-year curriculum including a specific module on sustainability. As part of their career path, customer-facing employees can develop into the role of “coffee ambassador”, disseminating the expertise of sustainable quality coffee throughout the company.

70% of staff are in contact with consumers on a daily basis

85% of our employees feel engaged in the company (+7% y/y 2012)

Responsible business is even more important for millennials

Nespresso employees have an average age of 33. In line with local needs and culture, our market-based teams develop employee engagement programs: from “green week” events generating ideas around social and environmental challenges, to volunteering, academic programs and origin country experiences. In 2016 Nespresso USA piloted the Nespresso Coffee Leadership Program, a curriculum with NY University Stern School of Business aimed at empowering employees to address societal challenges through their role as business managers.

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A closer look at the Nespresso Sustainability MBA Challenge

Since 2013, the Nespresso Sustainability MBA Challenge has given us the opportunity to engage with the next generation of business leaders enrolled in international MBA schools, increasing their awareness of the issues and opportunities around sustainable enterprise. Participation has increased year after year and we now attract more than 80 schools annually. Challenges have dealt with topics as wide ranging as climate strategy, the circular economy and consumer engagement in sustainability. Finalists are invited to present their ideas and recommendations to a jury of academics, as well as to an audience of Nespresso employees. The winning team travels to a AAA coffee region to see the AAA Program at work in the field. The MBA Challenge is managed together with the Center for Intelligence in Markets and Sustainability at the INCAE Business School in Costa Rica.
Our latest initiative, the Nespresso Sustainability Innovation Fund, aims to engage further, with a wide range of impact investors and social finance institutions.

Collaboration leads to capability building and an inclusive approach

Our track record in sustainable coffee sourcing, together with our long-standing partnership with the Rainforest Alliance, is the most important example of how we have built mutual capability on sustainability. Today, more than 30 operational coffee partners and over 70,000 farmers apply the best practices of sustainable quality coffee production. Throughout this report, you will find partner profiles which detail our collaborations, while a full list of partners is outlined at the end.

To address difficult systemic challenges, multiple stakeholders work together

Over the past five years, Nespresso has been involved in setting up and participating in a range of coalitions with organisations that bring relevant expertise and a strong commitment to transform practices for a more sustainable future. Today, Nespresso is part of five multi-stakeholder platforms working on coffee landscape and aluminium stewardship topics:

- The Manos al Agua platform in Colombia to build knowledge on Natural Capital and integrated landscape management
- The Consórcio Cerrado das Águas in Brazil to leverage efforts of landscape stakeholders and build resilient watersheds
- The International Platform for Insetting (IPI) in France to share best practices on how to manage socio-environmental costs within the value chain
- The Aluminium Stewardship Initiative (ASI) to set a standard for responsible aluminium sourcing and material management
- The Club de l’Emballage Léger en Aluminium et en Acier (CELAA) in France to establish recycling facilities

Academic expertise is an important source of knowledge

Over the years, Nespresso has partnered with a range of academic institutions to build knowledge related to agri-business and Natural Capital. Our long-term partner, INCAE business school, and its Sustainable Markets Intelligence Center (CMIS) have been instrumental in better understanding the model of smallholder coffee farming and the contributions of the AAA Program to improving livelihoods.

For the past three years, Wageningen University has been the academic partner of the Manos al Agua platform, bringing strong expertise on water footprinting and water management. Since 2015, the centre for climate risk at Columbia University has been working with us on the development of a crop insurance model, tailored to the needs of coffee smallholders.

In addition, we are evaluating the benefits of agroforestry on communities and landscape via impact analysis managed by our partner Pur Project with Harvard University and the Yale School of Forestry and Environmental Studies.

Investors will be critical to amplify positive impact

Between 2007 and 2015, Nespresso leveraged its operational investments in coffee producing countries through a series of public-private partnerships channelling USD 87 million additional investment into the regions and communities where we source AAA coffee. In 2015, the Nespresso Sustainability Innovation Fund was launched to innovate in blended sustainability financing solutions – finding new financial mechanisms to attract investors into socio-environmental projects that result in positive impacts.

Academic expertise is an important source of knowledge

Collaboration leads to capability building and an inclusive approach

Long-term collaboration has been instrumental in us making real progress and in strengthening our capabilities. The Nespresso AAA Sustainable Quality™ Program and our aluminium management initiatives are both practical illustrations of this.
Nestle’s purpose is to enhance quality of life and contribute to a healthier future. This drives the Positive Cup, enabling sustainable consumption, supporting resilience of coffee farming communities and taking care of natural resources for future generations. At Nespresso, a governance structure is in place to deliver these impacts. Sustainability is discussed at all our monthly operational meetings.

**GOVERNANCE**

**SUSTAINABILITY IS INTEGRATED INTO OUR REGULAR BUSINESS MANAGEMENT PROCESSES**

Governance means integration of sustainability into our business but it also means being open to external advice.

Daniel Weston, Global Head of Creating Shared Value, Nespresso

CHF 197m already invested of the CHF 500m commitment (2014-2020)

**LEADERSHIP**

- Nespresso Leadership Team
- Nespresso CSV Global Team
- Nestlé Operations Sustainability Council
- Nestlé Brands and CSV Advisory

**Scope**

- The Positive Cup Strategy Partnerships
- Nestlé Alignment

**COMMERCIAL OPERATIONS**

- Market Heads
- Local Sustainability Champions
- Coffee Ambassadors
- Technical Quality Managers

**Scope**

Local strategy implementation (recycling, machines, boutiques and consumer engagement)

**Management program**

- The Nestlé Responsible Sourcing audits (S.M.E.T.A; Ecovadis)
- The Nestlé Quality Management System (N.Q.M.S)
- The Nestlé Corporate Compliance Assessment of Human Resources (C.A.R.E)
- The Nestlé Recycling Management System

**CONSULTATION AND PARTNERSHIP**

Nespresso Sustainability Advisory Board
Nespresso Sustainability Innovation Fund
Multi-stakeholder Coalitions

**Scope**

Global/Local Advisory and Implementation

**TECHNICAL OPERATIONS**

- Procurement Network
- Factory Managers
- SHE and Quality Managers

**Scope**

Strategy implementation on site

**Management program**

- The Nestlé Quality Management System (N.Q.M.S)
- The Nestlé Corporate Compliance Assessment of Human Resources (C.A.R.E)
- The Nestlé Environmental Management System (N.E.M.S)
- The Nestlé Responsible Sourcing Audits (S.M.E.T.A; Ecovadis)
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**COFFEE FIELD OPERATIONS**

- AAA Regional Managers
- Agronomist Workforce

**Scope**

Farmer Relationship Management
Supplier implementation
Sustainable Quality Management

**Management program**

The Nespresso AAA Sustainable Quality™ Program

**THE POSITIVE CUP**

A closer look at The Nespresso Sustainability Advisory Board (NSAB)

Set up in 2013, the NSAB comprises leading NGOs, academics, international organisations and our brand ambassador, George Clooney. The Board meets formally once per year and the agenda is framed around:

- Progress against our public commitments
- Concerns on strategy execution and gaps
- Discussion around future opportunities

Other external experts are invited to present and interact with the Board to ensure a wide range of views are represented. All discussions are non-binding and serve more to channel external advice on the role of the private sector on societal challenges. Every year, the NSAB discussions focus on coffee production, aluminium management and climate risks.


Coffee specialist explaining the circular use of aluminium, Lausanne Boutique, Switzerland

A team of AAA agronomists, Colombia

Participants in a consultation process pre NSAB 2015, London, UK

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OVER A DECADE OF COLLABORATION HAS BEEN CRITICAL IN DELIVERING SUSTAINABLE QUALITY

How does Nespresso ensure sustainable quality coffee?
WHAT REALLY MATTERS
OUR PROMISE TO CONSUMERS DEPENDS ON RESILIENT FARMING COMMUNITIES

To fulfil our commitment to Nespresso consumers, we depend on a reliable source of the highest quality coffee. Working closely with farmers, cooperatives and other partners strengthens the resilience of our coffee producing regions – especially to economic uncertainties and climate change. The Nespresso AAA Sustainable Quality™ Program was launched in 2003 with the Rainforest Alliance. It fosters long-term relationships with farmers, embeds sustainable practices on farms and the surrounding landscapes, and improves the yield and quality of harvests. At the same time, it contributes by bettering the livelihoods of farmers and their communities. It is now being implemented in East Africa, in line with our commitment for 100% AAA sourced coffee by 2020.

Harvest time for AAA farmer Diego Maria Lopez, Cauca, Colombia

What really matters
To ensure consumer appreciation of sustainable quality coffee

Our Grands Crus coffees are recognised for their exceptional taste and flavour profiles. Behind this is a long-standing commitment to sustainable coffee production, which helps protect the future supply of our coffees. Using our materiality assessment as a basis, we work with stakeholders in the coffee sector to support resilient agricultural communities and to protect vital ecosystems and landscapes. We are also building the value of sustainable quality coffee into the consumer experience.

“... engaged consumers with the benefits of sustainable production...”

Lawrence Pratt, Senior Lecturer, INCAE Business School

Only 1-2% of worldwide coffee meets our quality standards

17%

17%, the share of consumers willing to pay more for sustainable production (Euromonitor 2016)

Our 2020 ambition and goals
Resilient coffee farms and communities

<table>
<thead>
<tr>
<th>2016 achievements</th>
<th>status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source towards 100% of our permanent coffees through the AAA Sustainable Quality™ Program</td>
<td>82% AAA sourced coffee</td>
</tr>
<tr>
<td>Increase the share of certified coffees in AAA</td>
<td>+5 pp (vs. 2014)</td>
</tr>
<tr>
<td>Expand our value proposition to rare origins and pursue innovative solutions to better livelihoods for farmers</td>
<td>Two origins: Cuba, South Sudan CHF 2.6 million in innovative solutions</td>
</tr>
</tbody>
</table>
The AAA Program is a quality coffee sourcing program, designed and implemented specifically for Nespresso in collaboration with the Rainforest Alliance and launched in 2003. Through long-standing partnerships with farmers, coffee suppliers and cooperatives, with support from NGOs, it has evolved considerably over time. Sustainable farm management is still at its heart, but today it also focuses on community and landscape resilience and the wider systemic challenges facing the sector.

Wider systemic solutions

The AAA Program participates in a range of multi-stakeholder coalitions that leverage the collective resources of farmer organisations, academics, municipalities and governments to bring comprehensive solutions addressing challenges in the sector.

Resilient communities and landscapes

The AAA Program acts as a platform for partners to build community and landscape resilience against wider off-farm risk factors, developing solutions for both social welfare and climate adaptation.

Farm management

The AAA Program supports the implementation of sustainable agricultural practices at farm level by investing in technical assistance, paying premiums directly to coffee producers and co-financing infrastructure for both quality and sustainability improvements.

Quality and sustainability go hand in hand

Experience has taught us that there is no quality without socio-economic and environmental sustainability, and vice versa. The three pillars of the AAA Program encapsulate this learning.

A Firm commitment to quality

Everything starts with quality. It is the major driver for farmers to access differentiated markets and increase farm revenues. Practices such as harvest and post harvest processing, traceability, and also input management and varietal selection affect the quality of the crop. Farmers are rewarded with price premiums when their coffees are approved as high quality.

A Practical support for productivity

Greater productivity of high quality coffees directly impacts farmer revenues. On top of quality practices, renovation and cost management also contribute to higher yields and profitability. Consistent farm management over the long-term leads to income stability.

A Clear focus on social and environmental sustainability

Taking care of the socio-economic and environmental conditions of the farm is critical to secure consistent quality and a responsible supply chain. Practices such as working conditions, water stewardship, biodiversity protection and climate resilience contribute to long-term stability and improved livelihoods.

The AAA approach is delivering positive impacts at farm level

Five years after the initial launch of the AAA Program in Colombia, Nespresso commissioned an independent study to evaluate the impact on farmers. Undertaken by research institute CRECE between 2009 and 2012, it showed that the AAA Program delivered positive impacts versus conventional coffee farming on social (+22.6%), environmental (+52.1%) and economic (+41.0%) indices.
AAA IS FIRST AND FOREMOST A FARMER RELATIONSHIP PROGRAM

Sustainable quality practices are fundamental for farmers building an economically viable coffee farming business. Through a process of continuous improvement and collaborative effort, farmers are encouraged to learn-by-doing, with the support of our agronomists and trainers.

Since 2003, Nespresso has been investing at farm level – providing technical assistance, paying premiums and delivering specific socio-environmental projects to generate better and more sustainable quality.

A farmer’s journey towards sustainable quality

As soon as coffee farmers join the AAA Program, they receive technical assistance in the form of training sessions, individualised guidance and a customised action plan. In return, there is a very clear expectation that they will commit to achieving a set of socio-environmental, quality and productivity practices as defined in the Tool for the Assessment of Sustainable Quality™ (TASQ™ CORE). A premium is paid for the quantity of approved coffee they sell. However, an important principle of the AAA Program is that farmers are under no obligation to sell their coffee to Nespresso.

The AAA Farmers Award – a recognition of excellence and dedication

Every year since 2013, we have celebrated the outstanding achievements of exceptional farmers and agronomists from every producing country. They are welcomed to Switzerland to discover the other end of the value chain: visiting our production centres, meeting Nespresso employees, and discussing their coffees with Club Members in boutiques.

The Colombian Coffee Growers Federation (FNC) is a long-standing partner of Nespresso for the implementation of the AAA Program in Colombia. We jointly invested in regions like Cauca, Nariño and Santander, distributing high quality coffee plant material and implementing water treatment systems and have partnered on a significant water stewardship program in 25 water basins in the country. The nature of this relationship has allowed us to work together on innovations such as the late harvest Naora Limited Edition and Aurora de la Paz, a special coffee related to the peace process in the country.

AAA Farmers, Miller Hurtatiz and Marc-Aurelio Alonso, rewarded for their dedication

90% of the AAA farmers are satisfied with the AAA Program (CRECE, 2012)

The critical role of suppliers and cooperatives

Coffee suppliers and cooperatives play a central role in the deployment of the AAA program, not only in the commercialisation of coffee but also in training and in monitoring the progress of the farms.

These partnerships are organised through the “AAA shared commitment”, a mutual agreement that places importance on the long-term relationships with producers, transparency, economic traceability to farms and agronomist workforce management.
Over recent years, the AAA Program has evolved to extend its support beyond farm level. This means contributing to strengthening community resilience and providing more security at a local level – with encouraging results already being observed in Colombia. The following innovations have been piloted in specific AAA regions to test the potential for scalability.

Farmers can now plan for retirement

Social surveys in the Caldas region of Colombia, highlighted the fact that only 10% of the coffee farmers had access to a pension while their average age was 53* In 2014, Nespresso contributed to develop the first-ever retirement savings plan for smallholder coffee farmers. The long-term relationship established through the AAA Program, served as a solid foundation for its implementation. This initiative also seeks to incentivize the next generation to enter the industry. Developed together with the Colombian Ministry of Labour, the Aguadas Coffee Growers Cooperative and Fairtrade International (FLO), the scheme provides farmers an additional 20% from the Colombian Government, on top of farmers’ investment into the savings plan.

At the end of 2016, Nespresso had contributed USD 2.2 million, benefitting around 1,100 AAA and Fairtrade-certified farmers, of which 35% saved additional money. The popularity of the initiative means that more even non-AAA farmers are enrolling. To our knowledge, a further two cooperatives have independently adopted a similar mechanism.

*Source: CRECE

A closer look at crop insurance

Coffee smallholders do not have access to insurance schemes that protect against climate change risks. Nespresso has partnered with Blue Marble Microinsurance to create a tailored crop insurance proposition. Pfaltz Guarantee and the International Research Institute for Climate and Society (Columbia University) started to develop the basis for an index-based insurance system that provides compensation when the weather index reaches certain pre-determined levels. Nespresso and Blue Marble Microinsurance are collaborating with these partners and with AgriLogic to refine this concept and implement a complete insurance proposition. In 2017, this proposition will be piloted with AAA producers in the Caldas region of Colombia.

What’s next

- Consolidate the learning of Hula community mill business model for scaling
- Test the crop insurance model in Caldas

Community milling for Sustainable Quality – to improve livelihoods and water stewardship

In many cases, smallholder farmers process coffee cherries on their own farms as there is no centralised infrastructure available to deliver the crop. “Wet milling” at farm level is hard work because the cherries are fragile and need to be processed within a few hours of the harvest to protect quality. This means long working days and creates a significant risk to the quality, and consequently the value, of the production. Moreover, it requires proper water treatment installations that are often not in place, leading to water contamination for the community. A successfully managed centralised mill presents significant benefits. Some of these are reflected in the following results obtained with the Jardin community mill, a collaboration between the farmers, the cooperative of Antioquia, and Nespresso’s partners Cafexport and USAID:

- 100% increase in the volume of AAA quality coffee
- 17% increase in farmer income
- 60% reduction in water usage
- 100% of waste water is properly treated
- Three hours of time gained per farmer per day during harvest season

The objective of the first mill in Jardin was to test the operational feasibility of centralised coffee processing in Colombia. In 2015, a second initiative was launched with the objective to pilot a financial model supported by impact investment for scalability. In collaboration with Acumen and the farmers’ group “El Desarrollo”, we invested CHF 2.6m invested in innovative solutions (savings plan and community milling) in a new community mill in Hula (Colombia) which started production in September 2016. Results are currently being monitored.

Central Mill, Jardin, Colombia

Fair Trade USA has been collaborating with Nespresso since 2013 to promote smallholder organisation and community-led development projects in areas where farmers lack formal organisational structures, such as cooperatives. Working closely with the Colombian Coffee Federation, Fair Trade USA has certified more than 6,800 smallholder farmers in the Southern Colombian regions of Cauca and Nariño. In 2016, the newly-formed Fair Trade committees, elected by the farmers themselves, decided to invest their development funds in potable water projects and collective procurement actions to facilitate access to agricultural nutrients for improved productivity.

fairtradusa.org

With the retirement savings plan, the coffee farmers and their children can see a future.”

Dario Soto, Chief Executive Officer, Fairtrade International

Fairtrade International (FLO), the producer network of Latin America* and Nespresso have been collaborating since 2013 to further promote farmers’ organisation and empowerment within the AAA Program. This work also led to the design and implementation of a savings plan for the retirement of coffee smallholders in the region of Caldas, Colombia. The success of this program relied on the collaborative engagement of local and national institutions.

*GAC – Coordinadora Latino Americana y del Caribe de Pequeños Productores y Trabajadores de Comercio Justo

fairtrade.net
Our approach to Natural Capital seeks to understand our impacts and how to steer our operation to protect and restore the natural resources that coffee stakeholders, and more generally communities, depend upon.

A need to act beyond the AAA farm borders

The distinct flavours of our Grands Crus derive from the terrains in which they originate. This approach to sourcing has highlighted the need to encourage the sustainable use of land beyond the boundaries of AAA farms. That’s why the AAA Program has, since its inception, promoted environmental practices which protect and restore ecosystems. However, to focus our actions and maximise positive impacts, a better understanding of Natural Capital values – such as biodiversity, water and soil – and our role as a landscape stakeholder, have become essential ingredients of our strategic planning. To put this into practice, we are testing various tools and approaches to guide our actions on the ground.

From biodiversity assessment to biological corridors

The Integrated Biodiversity Assessment Tool (IBAT) provides insight into biodiversity risks and opportunities with biodiversity. In 2016, with the support of IUCN, 40,000 Colombian AAA farms were mapped in IBAT. 10% of these appeared to be positioned within 2km of Key Biodiversity Areas (KBA). To complete the assessment, IUCN is currently identifying the critical biodiversity values for which these 10% of AAA farmers have a role to play. This includes, for example, the AAA farmers of the Galeras area in Nariño, Colombia, who joined a national effort to build biological corridors supported by the Global Environment Facility (GEF) and the World Bank.

A comprehensive screening of the AAA farmers’ practices will make it possible to identify the opportunities that the AAA Program brings to biodiversity.

The International Union for the Conservation of Nature (IUCN) and Nespresso began working together in 2009. Today, our collaboration focuses on better understanding our impacts and dependencies on nature and communities, as well as exploring an integrated landscape management approach. In 2016, the piloting of the Natural Capital Protocol (NCP) for businesses aimed to explore how to value Natural Capital for improved decision-making. Equally, it allowed the IFC Colombian pilot to understand the links and relationships between government, business and the financial sector relating to Natural Capital.

IUCN played an instrumental role in coordinating the development of the first sustainable aluminium standard for the industry in 2015.

Our approach to Natural Capital seeks to understand our impacts and how to steer our operation to protect and restore the natural resources that coffee stakeholders, and more generally communities, depend upon.

Every business relies on services provided by nature and functioning ecosystems. However, commercial activities impact on these environmental systems. The Natural Capital movement aims to encourage government, civil society and the private sector to work together to value and manage these environmental assets.

A closer look at Consórcio Cerrado das Águas

Nespresso commissioned IUCN in 2013 to conduct an Ecosystem Services Review (ESR) of the Cerrado Mineiro region. This review had the ambition to understand how sustainable coffee agriculture could significantly contribute to the conservation and use of biodiversity and water. The learnings resulted in the establishment of a cross-sector platform “Cerrado das Águas” to enable collective actions in integrated landscape management and positive impact. The platform’s stakeholders have agreed to explore the innovative approach known as “No Net Loss (NNL)/Net Positive Impact (NPI)”. The approach requires an understanding of the critical services supplied by the landscape. By the end of 2016, with the support of Imaflora, the local SAN partner, the consortium had designed an “NPI” action plan, which is now being piloted in Patrocinio.

What’s next

- Develop a financing model for the Brazil Cerrado consortium
- Screen the AAA sourcing regions against risks and opportunities related to Natural Capital
- Rollout the biodiversity assessment framework using IBAT

TechnoServe and Nespresso have been working together since 2006 to implement better business skills and agronomy solutions for AAA farming communities. Their robust technical assistance model and strong field presence has helped in adapting and expanding the AAA Program to the African context. They are instrumental in operationalising the Nespresso Creating Shared Value approach, with the contribution to the re-establishment of coffee supply chains in South Sudan and the introduction of the Cuban Grand Cru coffee in the USA.

**The specific nature of the coffee trading model in Kenya and Ethiopia, with limited traceability to farm and limited opportunity to build direct relationships with coffee producers, makes it difficult to implement the AAA Program in its current form. In addition, typical farms are small in scale and have low productivity. Therefore, in keeping with the principles of the AAA Program, Nespresso works at community milling level, intervening through technical assistance at farm level, in the regions producing our coffee.**

**AAA in East Africa is building capacity to act at farm and mill level**

The focus of the technical assistance is twofold, upgrading wet mill practices in terms of sustainable quality and driving farm level productivity and resilience. Since 2012, TechnoServe has been instrumental on the ground in the deployment of the AAA Program. Over 90 AAA agronomists have been recruited and trained and around 1,000 demonstration plots were set up to demonstrate practically the positive impact of best practices.

**Support at farm level focuses on productivity increases**

Pruning and plant rejuvenation are key practices which significantly boost coffee tree yield. Yet only around a quarter of smallholders are currently applying these practices. This highlights a significant opportunity to improve farm revenue, bringing wider community benefits. Demonstration plots help farmers see the benefits first-hand and are a critical part of the training we provide.

Our first assessment, based on a sample of farmers, shows that many of them are adopting yield-driving practices such as composting and pruning.

**Support at mill level focuses on social and environmental compliance**

On the whole, non-compliance is mainly related to environmental criteria. Many wet mills in Ethiopia and Kenya use outdated processing technologies that overuse water and do not treat waste water discharge appropriately. New techniques and technologies are being implemented as solutions. Beyond the environmental performance, agronomists assess compliance with social TASS™ CORE criteria. This enables early detection and mitigation of non-compliance.

**What’s next**

- Expand record-keeping training for smallholders
- Rollout of the fair treatment awareness campaign

A closer look at Abebech Kassaye

Old and unproductive coffee trees are the reality for smallholder farmers in Ethiopia. Historically, very few were prepared to cut these trees at the base for rejuvenation because of the fear of losing the little production they may get the following year. Yet rejuvenation results in the trees producing substantially more coffee within just two years. After participating in some AAA training in 2015, Abebech Kassaye, an AAA farmer, changed her mind and said: “When I observed the stumped coffee trees in the demonstration plot, I was convinced that I could harvest a small crop in just change year. I would like to be a model farmer for others... to encourage my community to adopt agronomic activities on their farms too.”

Abebech is an outstanding example of how women farmers can play a critical role in the local community and its coffee sector.
Together with our partner TechnoServe, we have been exploring the potential of these lost coffee origins, in terms of rarity of quality and flavour, as well as the economic development opportunity for local communities. This has led to a focus on what we call “Coffee Revival” – an opportunity to re-inject economic dynamism and market access to catalyse wider community development. These initiatives give Nespresso consumers access to rare coffees and contribute to a more resilient future for farming communities.

**Cafecito de Cuba: rediscovering quality with character**

Cuba has produced some of the greatest Arabica coffee in the world. With fertile soil and ideal climate conditions, the country offers an excellent coffee growing environment. In recent decades, Cuban coffee has not been available in commercial export volumes. In 2015, Nespresso started to explore the opportunity to strengthen trade relations with the smallholder coffee sector in the east of the country. Cafecito de Cuba was launched as the first coffee from Cuba available in the US market for over 50 years, after the opening up of commercial links between the countries. Despite the recent developments and return to armed conflict in the region, we continue to be committed to the revival of the coffee sector.

**Suluja ti South Sudan: reviving rare coffees**

South Sudan’s coffee industry was largely destroyed during 40 years of civil war. Part of the “cradle of coffee”, it is one of the only places in the world where Arabica and Robusta coffees grow in the wild. Encouraged by George Clooney – himself heavily engaged in the development of the region – Nespresso partnered with TechnoServe and the Ministry of Agriculture of the Republic of South Sudan to revive high quality coffee production in the country. The work began in 2011 and by the end of 2013, the country’s first coffee cooperatives were established and the first three wet mills constructed. In October 2015, with the launch of the Grand Cru Suluja ti South Sudan, Nespresso became the first roaster to offer South Sudanese coffee to consumers abroad. Despite the recent developments and return to armed conflict in the region, we continue to be committed to the revival of the coffee sector.

**What's next**

Contribute to the post-conflict settlement in Colombia with the launch of the Grand Cru, Aurora de la Paz.

**The Positive Cup**

**SDG Peace**

THE POSITIVE CUP
Fair treatment compliance is a critical foundation of AAA

The Tool for the Assessment of Sustainable Quality, TASQ™ incorporates as pre-requisites, critical practices regarding fair treatment such as harassment, child labour, minimum wage, and freedom of association. Failure to comply at any point in time with any of these criteria triggers an alert within the F.A.R.M.S and a mitigation plan is put in place by a specific taskforce. After non-compliance is assessed and confirmed, farmers or wet mills are given 90 days to resolve the issue, with another assessment undertaken within this period to re-verify compliance. If this is not achieved, farms are excluded from the AAA Program.

What’s next
- Build carbon footprint related data into the M&E tool
- Align the methodology of reporting AAA volume and progress in Africa with Latin American and Asian reporting

Fair Labor Association (FLA) has been instrumental in reviewing the social criteria of TASQ™, our farm assessment tool. Moreover, the organisation also developed all methodologies relating to the implementation of the social module. The president of Fair Labor Association is a board member of the Nespresso Sustainability Advisory Board (NSAB).

Progress report on the AAA Program

2016 ACHIEVEMENTS

Volume traceability

- LATINO AMERICAN AND ASIAN FARMS
  - 98% assessed
  - average non-compliant criteria (vs. 16 criteria)
- EAST AFRICAN WET MILLS
  - 100% assessed
  - average non-compliant criteria (vs. 14 criteria)

Compliance vs. socio-environmental criteria

- A farm's performance scorecard – available to agronomists via the F.A.R.M.S.

Since 2009, Nespresso has been engaged in better understanding the effects of the AAA Program. In 2015, a comprehensive “Theory of Change” was developed to define the pathway between field activities and long-term impact.

A monitoring and evaluation tool provides third party verification of AAA progress as well as insight into the critical drivers of change.

Our management system provides feedback and insight on AAA impact

The activities at AAA farm level (including commercial transactions, agronomist visits and farm assessments) are consolidated in a management system named F.A.R.M.S. (Farm Advanced Relationship Management System). When visiting farmers, AAA agronomists use the mobile application of F.A.R.M.S. The interface provides an at-a-glance status of the farm including objectives, achievements, performance and the agronomist’s previous review. This information is accessible globally and provides a consolidated status of the AAA Program’s deployment.

Since the end of 2015, the farm assessment by AAA agronomists has been complemented with data collected by the Sustainable Agricultural Network (SAN), into a consolidated monitoring and evaluation tool (M&E). Developed together with the Rainforest Alliance and CRECE, the M&E tool helps qualify the underlying drivers of change and integrates new insights across the coffee supply chain.

Around 140 data points per farm are monitored to report the performance of the AAA Program in five areas: coffee quality and farm productivity, social wellbeing, environmental protection, farmer livelihood and satisfaction. Following a pilot phase in two regions of Colombia in 2015, the tool has been deployed in Latin America and Asia.

What’s next
- Build carbon footprint related data into the M&E tool
- Align the methodology of reporting AAA volume and progress in Africa with Latin American and Asian reporting

Since 2009, Nespresso has been engaged in building a comprehensive and robust monitoring and evaluation system using advanced technology.

Carlos Ariel Garcia, Project Coordinator, CRECE
THE SCOPE OF THE AAA PROGRAM

OVER 70,000 FARMERS ARE PART OF THE AAA PROGRAM

MEXICO
SINCE 2004
-1,300 FARMS
≈8,800HA

GUATEMALA
SINCE 2005
-14 FARMS
≈3,800HA

COSTA RICA
SINCE 2003
-3,700 FARMS
≈22,400HA

NICARAGUA
SINCE 2006
-600 FARMS
≈4,600HA

COLOMBIA
SINCE 2004
-37,800 FARMS
≈63,200HA

PERU
SINCE 2014
-100 FARMS
≈1,700HA

BRAZIL
SINCE 2005
-2,600 FARMS
≈133,000HA

ARGENTINA
SINCE 2001
-2,000 FARMS
≈50,500HA

41% of our coffee comes from farms which are Rainforest Alliance Certified™, Fairtrade-certified and/or Fairtrade Certified™

73% of the AAA farmers are smallholders located in Colombia and Ethiopia

300,000ha managed by AAA farmers

“The efficiency of AAA is that it offers a global framework adapted to local challenges.”
Paulo Barone, Head of AAA operations, Nespresso

Arnoldo maintains his family-run farm, where he grows a small assortment of Arabica coffee varieties, such as Bourbon, intercropped with other plants such as citrus and shade trees. Since 2011, he has held a leadership role as manager of an association of around 70 coffee farmers in the area.

Arnoldo Cifuentes Mattas
AAA Farmer in Guatemala, Huisatamango
Farm size: 2ha
Joined AAA in 2014

Since starting to work with Nespresso, Isaya has used the revenue from coffee to pay school fees, cover hospital bills and hire farm labour. He also used his 2014 harvest earnings to invest in a brick-making business, as he plans to create a more diverse and secure income for his family.

Isaya Lokolong Latiyo
Coffee Farmer in South Sudan, Yei
Farm size: 2.5ha (1ha of coffee)
Joined AAA in 2014

Titin is considered a leader within the farmer group of her cluster (with 49 farmer members). Thanks to her pioneering spirit, she has inspired other women to become independent farmers and to improve farmer livelihoods. She has been awarded by the cluster with the “Women Farmer Coffee Farmer Award 2015”.

Titin Uhan
AAA Farmer in Indonesia
Farm size: 2ha
Joined AAA in 2014

82% of our coffee is sourced via the AAA Program
OUR CHOICE OF ALUMINIUM REQUIRES ENGAGEMENT IN SOURCING AND RECYCLING

How does Nespresso unlock solutions for the circular use of aluminium?
"The future will be about innovation towards a circular economy."

Peter Bakker, President and Chief Executive Officer,
World Business Council for Sustainable Development (WBCSD)

**WHAT REALLY MATTERS**

**ALUMINIUM HAS THE POTENTIAL TO BE AN ICON FOR SUSTAINABLE CONSUMPTION**

To protect the flavours and freshness of our highest quality coffees from the adverse effects of light, air and humidity, aluminium is the best material available today. Moreover, it is robust, yet lightweight, and can be infinitely recycled.

Our decision to use this material for our capsules is sometimes questioned. We therefore recognise our responsibility to continue to invest in and promote its sustainable usage.

Together with IUCN and other partners, Nespresso initiated the aluminium industry’s first global standard regarding traceability and socio-environmental performance. And alongside a range of local partners, we invest in dedicated recycling channels as well as collective schemes, to unlock circular solutions with the aim of achieving sustainable consumption.

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**CIRCULAR SOLUTIONS**

<table>
<thead>
<tr>
<th>SUSTAINABLE PRODUCTION</th>
<th>COLLECTIVE RESPONSIBILITY</th>
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<tbody>
<tr>
<td>Traceability</td>
<td>Public sector engagement on material recovery</td>
</tr>
<tr>
<td>Carbon efficiency</td>
<td>Responsible procurement</td>
</tr>
<tr>
<td>Human and labour rights</td>
<td>Business ethics</td>
</tr>
<tr>
<td>Natural capital protection</td>
<td>Human rights</td>
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<tr>
<td>Business integrity</td>
<td>Community development &amp; empowerment</td>
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<td></td>
<td>Water stewardship</td>
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<td></td>
<td>Human rights &amp; unemployment</td>
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**STAKEHOLDER CONCERN**

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<tbody>
<tr>
<td>Resource efficiency &amp; waste</td>
<td>Climate change</td>
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<td>Natural capital</td>
<td>Business ethics</td>
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<tr>
<td>Private sector</td>
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</tbody>
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**WHAT really matters**

To promote sustainable production and the circular use of aluminium

Our aluminium capsules have become iconic as a hallmark of design and quality. Using the materiality assessment as a basis, we are working proactively with civil society and supply chain stakeholders to tackle the upstream challenges of sustainable aluminium production, for the primary aluminium we use. Equally, we work at national and municipal level to maximise the circular potential of capsules after use thereby increasing secondary aluminium use.

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**Our 2020 ambition and goals**

**End to end sustainably managed aluminium**

<table>
<thead>
<tr>
<th>2016 achievements</th>
<th>status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer convenient recycling solutions to all our consumers</td>
<td>86% collection capacity</td>
</tr>
<tr>
<td>Continue to increase capsule recycling rate</td>
<td>+9 pp (vs. 2009)</td>
</tr>
<tr>
<td>Unlock the circular use of aluminium</td>
<td>Capsule to capsule supply chain in place</td>
</tr>
<tr>
<td>Source “ASI certified” aluminium towards 100%</td>
<td>ASI Performance Standard now available</td>
</tr>
</tbody>
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**THE POSITIVE CUP**

Achieved  On track for 2020  Not on track for 2020
Aluminium keeps coffee fresh

Aluminium has been widely used for decades to wrap sensitive food products such as butter, chocolate, roast and ground coffees. It’s ideally suited as it prevents exposure to oxygen, moisture and light, which would degrade the quality of our coffees. More generally, it protects any food from degradation, reducing waste.

In our capsules, the coffee is not in direct contact with the aluminium foil due to a food grade protection. Therefore, aluminium can never migrate into the cup during the brewing process.

Aluminium is infinitely recyclable

Aluminium offers usage versatility and performance. As a result of its intrinsic characteristics of robustness and recyclability, 75% of the aluminium ever produced is still in use today. Aluminium “lightweights” transport to reduce fuel consumption and resists corrosion to last for decades in the construction and automotive industries, in solar panels and more. No matter how long it is used for, recycled aluminium retains the same technical properties as primary aluminium.

Investing in effective recycling systems at scale and engaging with the public is critical to make the most of these properties.

Aluminium remains our preference for quality and sustainability

Nespresso uses aluminium because it embodies both functional and environmental attributes. It protects the aromas and flavours of our coffees to ensure every cup is of consistent quality. And it’s not just recyclable but infinitely recyclable. We choose to continue to use this material and commit to actively contributing to the creation of a responsible aluminium supply chain, as well as implementing material stewardship principles in our business.
OUR APPROACH TO ALUMINIUM STEWARDSHIP

THE ALUMINIUM STEWARDSHIP INITIATIVE (ASI) DRIVES THE RESPONSIBLE AND TRACEABLE SOURCING OF ALUMINIUM

In 2009, Nespresso approached the International Union for the Conservation of Nature (IUCN) to trigger the development of a global standard for sustainable aluminium production and sourcing. The resulting partnership inspired 13 other companies and 14 civil society and stakeholder organisations to get involved (2013-2014) to create what is now known as the Aluminium Stewardship Initiative.

The formation of ASI has led to the development of a certification program, designed to address the challenges within the aluminium sector and to generate positive impacts on communities, biodiversity and climate. The ASI Performance Standard and ASI Chain of Custody Standard form the core of the certification program. Nespresso representatives currently serve on the ASI Board and the Standards Committee.

Lower carbon footprint of “ASI certified” aluminium

Due to its energy intensity, the production of primary aluminium from bauxite has a high carbon footprint. Materials Stewardship and Greenhouse Gas Emissions (Principles 4 and 5 of the ASI Performance Standard) will play a key role in reducing the carbon footprint of ASI aluminium – which in turn will result in the reduction of the carbon footprint of a Nespresso capsule. Principle 4 ensures that aluminium production scrap and after-use products will be managed to produce aluminium, while avoiding bauxite from mining impacts and energy usage. Principle 5 commits companies – specifically primary aluminium companies – to reduce and limit their GHG emissions from a life cycle perspective.

“ASI certified” means biodiversity conservation in mining

The ASI compliant companies in mining have committed to managing biodiversity impacts (Principle 8). This requires them to: 1. Avoid and minimise the negative impacts of mining activities 2. Undertake on-site rehabilitation and restoration where feasible 3. Fully compensate for any residual impacts, such that no overall biodiversity loss results from a development project.

ASI companies have also committed to never undertaking development within World Heritage sites.

“ASI certified” means human rights respected upstream in the value chain

Topics relating to human rights are highly material in the mining and industrial sector of aluminium. The ASI Performance Standard embeds three principles related to human rights.

Emissions, Effluents and Waste (Principle 6) commits companies to minimise emissions and effluents that have adverse effects on people or the environment and to manage waste effectively – in accordance with the waste mitigation hierarchy. Human Rights (Principle 9) commits companies to take appropriate action to assess, prevent and remedy potential adverse impacts on human rights – in line with international protocols. Labour Rights (Principle 10) commits companies to provide workers with decent work and to treat them with dignity and respect, in line with ILO conventions.

“ASI certified” will provide full transparency and traceability of the aluminium in our capsules

Until now, our suppliers have been assessed against SMETA 4-Pillars (Sedex Members Ethical Trade Audit). These cover national compliance and best practice in labour, health and safety, and environmental and business ethics practices. By the end of 2015, our direct capsule suppliers had achieved full SMETA compliance (Tier 1). The ASI certification program will enable compliance with a wider scope of sustainable practices in the value chain and lead to improved transparency and traceability up to the bauxite mining phase.

What’s next

• ASI to launch the full certification program by the end of 2017
• Nespresso to encourage suppliers to self-assess their performance against the ASI Performance Standard
• Nespresso to source “ASI certified” aluminium towards 100% by latest 2025

“ASI has raised the bar for multi-stakeholder collaboration on end to end material management.”

Giulia Carbone, Deputy Director, Business and Biodiversity Programme, IUCN

A closer look at ASI Principles

The ASI legal entity was created in 2015 as an independent, multi-stakeholder, membership-based organisation with a mission to collaboratively foster responsible production, sourcing and stewardship of aluminium. Civil society organisations have joined ASI as members to help build the program to ensure it is credible and rigorous. 11 principles underpin the ASI Performance Standard which will be complemented by the ASI Chain of Custody Standard.

Discover more at aluminium-stewardship.org
Nespresso’s first capsule recycling initiative began in Switzerland in 1991. Ever since, we have been developing partnerships and driving initiatives that fit the context of the markets in which we operate.

Nespresso and the local infrastructure build capsule collection capacity

Collaboration between Nespresso, policymakers and local municipalities provides the capacity for capsule collection i.e. the capacity to collect capsules after use in a way that is convenient for consumers. In countries where this is not yet feasible, Nespresso partners with and incentivises the relevant PRO to collect and recycle the capsules. Where neither of these options is open to us, we have established ad-hoc collection options in Nespresso boutiques, and across various pick-up points and local waste centres. We also partner with postal services or courier companies to collect used capsules directly at home. Collective capsule collection systems make both environmental and economic sense – they improve the circular use and re-use of materials such as aluminium and are more cost effective solutions on a cost per collected capsule basis.

CAPSULE LIFE CYCLE MANAGEMENT

RECYCLING IS A COLLECTIVE RESPONSIBILITY TO UNLOCK THE VALUE IN ALUMINIUM

In 2016, Nespresso spent CHF 24.6m on collecting and recycling capsules – an increase of CHF 6.3m over 2015.

In Germany, Nespresso capsules can be put into household recycling bins. Modern technology can sort out the capsules for aluminium recycling.”
Dr. Markus van Halteren, Managing Director, Der Grüne Punkt® Duales System Deutschland

56% of our used capsules are valorized

Approximately 56% of Nespresso capsules sold today are used to create value after consumption. Almost half of these are recycled directly. The remainder are valorized to generate energy, and the aluminium from almost half of those capsules is subsequently recycled. Our focus is on continuing to increase capsule collection capacity as well as informing consumers on how to recycle their used capsules. The combination of these actions will translate into improving the circular use of aluminium.

Capsules can become new capsules

The recycled aluminium which is most suitable for the manufacture of Nespresso capsules is the aluminium from used Nespresso capsules, which are made from the same specific alloy. Therefore, wherever capsule collection channels exist – and it makes environmental and economic sense – we promote a circular approach to the management of used Nespresso capsules.

In 2013 we began piloting the feasibility of this capsule-to-capsule approach, which became operational in 2015, and has led to the production of 10 million capsules. Whilst the volume is still limited, this initiative has been widely publicised on-pack to draw our consumers’ attention to the benefits of the circular use of materials and recycling.

WHAT’S NEXT

• Drive the recycling rate of capsules in line with the increased target of the EU Circular Economy Package, through extended collective collection systems
• Implement independent third party verification tool for capsule collection capacity and recycling rate
THE SCOPE OF OUR RECYCLING ACTIONS
PRACTICAL LOCAL SOLUTIONS HELP OUR CLUB MEMBERS TO RECYCLE CAPSULES

USA
RECYCLING IN PLACE SINCE: 2010
COLLECTION CAPACITY: 100%
INCREASE OF RECYCLING RATE VS. 2015: +4PP

SWITZERLAND
RECYCLING IN PLACE SINCE: 1991
COLLECTION CAPACITY: 100%
INCREASE OF RECYCLING RATE VS. 2015: +8PP
25 YEARS CELEBRATION OF RECYCLING CONSUMER CAMPAIGN

FRANCE
RECYCLING IN PLACE SINCE: 2008
COLLECTION CAPACITY: 91%
INCREASE OF RECYCLING RATE VS. 2015: EQUAL

AUSTRIA
RECYCLING IN PLACE SINCE: 2010
COLLECTION CAPACITY: 100%
INCREASE OF RECYCLING RATE VS. 2015: +2PP

2010
100%
AUSTRALIA POST
+2PP

86% global collection capacity, with a target of 100% for 2020

Katarzyna is the Sustainability Manager of Nespresso France. With the support of the market head, she established the CELAA, a group committed to the recycling of small aluminium and steel packaging in collaboration with Eco-Emballages, the national framework organisation for collective recycling in France. Consumers are encouraged to use the collective system via a communication campaign named “Trop Facile” too easy.

Judith is the Technical and Quality Director at Nespresso USA. Together with her team, she has reached a 100% recycling rate in the USA. Customers can recycle their capsules either through a UPS mailback program or by dropping them off at selected Nespresso boutiques or selected UPS partners. In addition, the team is always looking for new ways to recycle the capsules as conveniently as possible for consumers.

Marta is the Technical Quality Manager for Australia. Together with her team and the marketing team, she has developed recycling solutions with Australia Post, enabling consumers to post their used capsules back to Nespresso for recycling.

THE POSITIVE CUP
Limited Edition
T aschenmesser VICTORINOX


„When I discovered I could recycle the capsule, I bought a machine.“
Nespresso Club Member, France

“The number of Technical Quality Managers overseeing recycling solutions worldwide
33

Countries with both dedicated and collective collection systems
Countries with a dedicated collection system

Countries with a collective collection system
CLIMATE CHANGE DEMANDS INTEGRATED ACTIONS TO ENSURE SUSTAINABLE QUALITY COFFEE

How does Nespresso contribute to global actions on climate change?
WHAT REALLY MATTERS

COFFEE CULTIVATION DEPENDS ON A STABLE CLIMATE

The effects of climate change are becoming apparent in coffee producing regions. We take this seriously, acknowledging the fact that every cup of coffee has a footprint. Life cycle assessment steers our efforts to reduce the main drivers of this footprint – from aluminium stewardship to coffee machine design to sustainable coffee production. We also work continuously to improve the environmental performance of our factories and boutiques. On AAA farms, agroforestry is proving an important part of the solution for climate change adaptation. The carbon sequestration of the planted trees helps to further mitigate the footprint of every cup of Nespresso.

“What really matters

To take consistent action in our value chain to address the causes and consequences of climate change.

The regions where we source our highest quality coffees are particularly vulnerable to the adverse effects of climate change. That’s why, using the knowledge gained from our materiality assessment, we are working together with farmers and other partners to build resilience into AAA farming landscapes. Equally, we recognise our responsibility to continuously improve the environmental performance of a Nespresso cup of coffee. We are also involving our Club Members in the value of carbon neutral and sustainable quality coffee.
We started to work with Quantis in 2005 to conduct our first product life cycle assessment. This helped us to understand the intrinsic benefits of precise and on demand preparation as well as to identify opportunities for further improvement of environmental performance.

Portioned coffee, a precise consumption

It is often assumed that portioned coffee is a poor choice for the environment. However, independent research shows this not to be the case. Most of the environmental impact of a cup of coffee is in Scope 3 – the sourcing of the coffee and the energy used in preparation. When a comparative life cycle assessment of different preparation and consumption options is made, the environmental performance of portioned coffee can actually be the same or even greater than that of other roast and ground solutions. Because some filter coffee preparation heats more water than is needed and makes more coffee than is consumed, the footprint per cup can be higher. In these cases a cup of Nespresso may have a better environmental performance. The precise portioning and on-demand preparation mean that comparatively less coffee and less energy is required per cup. This “precision consumption” is important in that even with the packaging required for portioning, the impact of coffee and energy used is reduced. The overall footprint is further improved when the portion packaging is recycled or otherwise valorized after use.

LIFE CYCLE ASSESSMENT OF A CUP OF NESPRESSO

Expressed in % CO₂ eq. per cup (Quantis, LCA 2013)

Coffee 19%
Packaging 18%
Operations (Scope 1 and 2) 3%
Operations (Scope 3) 8%
Consumer use of machine 47%
After use management 5%

Our carbon mitigation actions

All the initiatives outlined in this report – from AAA coffee sourcing to aluminium sourcing and usage, to machines and operations – contribute towards carbon reduction. However, these reductions alone will not deliver The Positive Cup vision. That’s why in addition, we are actively investing in projects in our AAA supply chain that can create further positive impacts, including generating carbon credits. This is called insetting and, as a first step, we are investing in agroforestry as a means to deliver it. This involves the planting of native species of trees in and around AAA coffee farms – equivalent to Nespresso’s Scope 1 and 2 emissions.

“A cup of Nespresso coffee can result in a lower environmental footprint than other ways of consuming coffee.”
Sébastien Humbert, co-founder Quantis

Progress report on carbon mitigation

Reducing the carbon footprint of a cup of Nespresso
(Scope 1, 2 and 3 GHG emissions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Goal</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>2020</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

A closer look at Life Cycle Assessment (LCA)

LCA is a methodology which enables the evaluation of the environmental performance of a specific product’s consumption. Within LCA, Nespresso has chosen the carbon indicator to guide integrated and consistent actions on climate change. Although the LCA approach is framed as per ISO 14040, there is a certain flexibility in its application, use of assumptions and no standardised inclusion of certain steps of the value chain. Nespresso has applied conservative assumptions for calculating the environmental performance, in line with Nestlé guidelines. As we collect actual data, the accuracy of the product’s carbon footprint is improved, enabling more focused actions.

What’s next

- Carbon reduction target to be achieved latest 2021, due to delayed “ASI certification” and the need for carbon footprint M&E of AAA farms
- Define post 2020 science-based goals in line with COP21
- Review the LCA methodology incorporating the latest European “Product Environmental Footprint” knowledge for the carbon roadmap post 2020
THE ENVIRONMENTAL PERFORMANCE OF OUR OPERATIONS

OUR FACTORIES, DISTRIBUTION AND BOUTIQUES ARE SUBJECT TO CONTINUOUS ENVIRONMENTAL PERFORMANCE IMPROVEMENTS

Our three factories are located in Switzerland while our network of boutiques span 63 countries. Together these areas are relatively small contributors to our overall environmental impact. However, as they are under our direct control, we strive to reduce these impacts even further.

We seek to enhance environmental performance in every way we can – through the reduction or reuse of the resources we consume.

Our logistics team explore and implement evolving best practices

To transport green coffee from port warehouse to production centres, we only use rail transport. We also continue to explore ways to improve the environmental performance of our supply and distribution network. 20 initiatives have been identified which will contribute to our carbon mitigation roadmap, including: an extension of the rail solution beyond Switzerland, the optimisation of pallet content in containers, and the use of non-fossil combustibles by our transport providers.

Boutiques build on LEED/BREEAM certification learnings

Building on the learnings of BREEAM certification in our Munich boutique and LEED certification in our San Francisco boutique, we collaborated with consulting agency ESA, to establish a performance scorecard for boutiques in 2015. As well as incorporating best practice guidelines on waste management, the scorecard will help identify areas for improvement in water, energy consumption and the sourcing of materials.

What’s next

• Define a renewable electricity procurement roadmap globally
• Enlarge the scope of zero waste to landfill to distribution centres and boutiques
• Expand our biogas approach to include our capsule recycling partners

The environmental performance of our factories improves even as production volumes grow

Although our three Nespresso factories are relatively modern, we continue to explore opportunities for even greater resource efficiency.

The recovery of rainwater and rinsing water has led to a 27% reduction in “drinking” water consumption per ton of product manufactured.

Our zero waste to landfill target was reached in 2014. In 2016, 96% went to recycling channels while 4% was incinerated, resulting in energy recovery.

Electricity consumption in our manufacturing sites is managed using best practices: the recovery of heat during manufacturing, the use of gravity, the use of natural lighting or LED, and photovoltaic panels installed on factory roofs. The net energy recovery can directly benefit local households as our factories are connected to the grid.

Environmental performance data for our factories is aggregated within Nestlé’s reporting, for external ratings like CDP climate change, CDP water, and Dow Jones Sustainability Index.

Solar panels on the roof of Nespresso factory, Romont, Switzerland

“…a LEED certification for our third factory to assess and strengthen our environmental efficiency.”

Daniele Jungling, Global Head of Operations, Nespresso

Progress report on factory environmental performance

<table>
<thead>
<tr>
<th>Target 2020 vs 2010</th>
<th>2016 achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption (m³/ton of manufactured product)</td>
<td>-27%</td>
</tr>
<tr>
<td>Carbon footprint (kg CO₂ eq./t of manufactured product)</td>
<td>-15%</td>
</tr>
<tr>
<td>Procured renewable electricity as per RE100 principles</td>
<td>100%</td>
</tr>
</tbody>
</table>

*RE100 is a global initiative of businesses committed to 100% renewable electricity

A closer look at how coffee grounds generate electricity

Since 2016, the coffee ground waste from our factories and recycled capsules in Switzerland, has been processed at the Henniez biogas plant in Switzerland. Representing more than 10% of the biogas fuel input by volume, the coffee grounds generate close to 60% of the output (2.1 million m³ per year). The plant supplies electricity to the Henniez water bottling plant as well as the equivalent of 1,000 households’ electricity requirements, before being composted for the farming community. An energetic assessment has shown that one recycled capsule entering a biogas factory generates as much energy as the production of one capsule made from recycled aluminium.

The Biogas plant of Henniez, Switzerland

Zero waste to landfill in our manufacturing sites

CDP climate change
Together with our partners in machine design, Nespresso experts strive to not only meet the quality demands of our consumers but also to improve the environmental performance of our machines. The life cycle of machines is analysed to spur innovation in the three key areas of “Reduce, Reuse, Recycle”.

**Increased reliability and more compact machines**

Machine reliability is essential for achieving consumer satisfaction and loyalty, and reducing waste. Our technical department works closely with machine manufacturers to produce robust, well-functioning devices. Today, 10 times fewer machines are returned due to defects than five years ago. Over the past 12 years, newer designs have led to significant reductions in weight and volume. Launched in 2016, the Inissia machine is around half the weight and one-third of the volume of its equivalent early 2000 machine.

**Energy efficiency**

Thermo block improvement for energy efficiency

The energy consumption of our machine in-use is the biggest contributor to the carbon footprint of a cup. That’s why since 2009, all Nespresso machines for private consumers save energy by switching to an automatic stand-by mode after just a few minutes of inactivity. Our professional machines, which brew coffees all day long, must remain ready-to-use for much longer. These feature an insulated water heater, which reduces energy consumption by 30%.

**Recycled materials for parts**

When there is no requirement to use virgin plastic, we aim to use post-consumer recycled plastics (PCRP) to reduce demand on natural resources. In our latest innovations, the frame, capsule container, drip-tray and a number of other small parts are made with PCRP – comprising 40% of the total weight of plastic.

**Refurbished machines can brew up to 15,000 cups**

Our machines are designed to brew at least 9,000 coffees – around 10 years with average use. Since defects are a part of life for any appliance, we have set up 250 after sales centres in key markets. When a consumer calls Nespresso to report a problem with their machine, we make an initial phone diagnosis which usually resolves it. If physical repair work is needed, we organise a pick up at home, sending it to one of our after sales centres. Within a week, the machine is repaired, descaled, cleaned and returned to the consumer, thereby lengthening its life.

We recently tested a new approach – refurbishing pre-owned machines to offer to consumers in exchange of their defective ones. This extends the lifetime of all coffee machines by two-thirds, creating a total lifetime brewing capacity of 15,000 cups.

**Responsible supply chain**

Started in 2012, the assessment of all our direct machine suppliers against SMETA 4-Pills (Sedex Members Ethical Trade Audit) has resulted in 92% compliance by the end of 2016. Mainly located in Europe, these suppliers are sourcing parts from Asian factories which will be assessed in the next phase.

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**What’s next**

- Secure SMETA compliance of Tier 2 suppliers by 2018
- Extend the refurbishment offer to four European countries
- Reduce CO2 emissions by 20% with Thermo block improvement for energy efficiency
- Reduce Scroll Pump noise by 20% through acoustic improvement
- Reduce CO2 emissions by 20% through Scroll Pump improvement
- Recycled 20% of the total weight of plastic in our frames
- Recycled 20% of the total weight of plastic in our capsule containers
- Recycled 40% of the total weight of plastic in our drip-tray
- Recycled 20% of the total weight of plastic in our other small parts
- Recycled 20% of the total weight of plastic in our packaging
- Recycled 20% of the total weight of plastic in our recycling
- Recycled 20% of the total weight of plastic in our recycling

**Final step of the machine refurbishment process**

When a machine is not repairable, it enters the recycling channel – either at a boutique or an official collection point for electronics in the relevant market. In principle, 95% of the weight of the machine is recyclable. However, current electronic recycling systems recycle only 60% of the weight. The materials recovered are potentially reused as new machine parts.

**A closer look at machine refurbishment for increased consumer satisfaction**

At the end of 2015, France and Canada introduced the refurbishment offer to consumers calling after-sales. Those with a defective machine receive an equivalent model with an extra six-month warranty the following day and can upgrade it with a minimum financial contribution. The defective machine is collected and, if repairable, is usually reintegrated into the refurbishment cycle. If not, it proceeds to end of life recycling. In France, 20% of consumers choose the refurbishment option and 80% of the machines returned have been refurbished and integrated back into refurbished stock. The remaining 20% were recycled.

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AGROFORESTRY FOR CLIMATE ADAPTATION
WE OPERATIONALISE AGROFORESTRY AS OUR NATURE-BASED SOLUTION FOR CLIMATE ADAPTATION

Extreme weather patterns are already causing significant damage to coffee communities while threatening the supply of the highest quality coffee our consumers expect. It’s imperative to strengthen the resilience of farming communities by acting at source.

Our existing and ongoing contribution to renovation programs which create disease resistant coffee plants is now complemented by the more systematic deployment of an agroforestry and reforestation program. This agricultural best practice offers multiple benefits, integrating actions on the farm with those that impact the wider landscape.

Our priority is climate resilience for coffee communities

Climate change is already affecting farmers all around the world, with adverse weather patterns and high incidence of disease resulting in decreases in quality and declines in productivity. Our role is to work with our partners and farming communities to maintain quality and productivity despite these adverse effects.

The multiple benefits of agroforestry

Scientists have identified and researched a wide range of positive impacts of agroforestry at farm and landscape level, including carbon sequestration, water replenishment and pollinator habitat conservation. Given the complexity of comprehensive monitoring and evaluation processes, in the initial phase we have decided to focus on two environmental (soil quality, carbon sequestration) and one socio-economic (revenue diversification) indicator.

Soil quality monitoring in Cauca, Colombia

Pur Projet collaborates with the Yale School of Forestry and Environmental Studies in the United States to assess the impact of agroforestry and reforestation on soil quality and fertility. Having defined and tested the scientific protocol in 2015, soil quality will be monitored over the next 10 years in the Cauca region of Colombia.

Socio-economic study in Sidama, Ethiopia

Pur Projet collaborates with Harvard University to monitor the outputs of the agroforestry project for timber and fruit production, and to evaluate if they have an impact on a series of livelihood indicators including net income, food security, and self-sufficiency. Drivers such as access to markets and gender equality are also considered in the evaluation. After developing a monitoring and evaluation methodology, the baseline data was collected in 2016 and will be monitored yearly.

Carbon sequestration monitoring

The Nespresso agroforestry projects are verified by a third-party against the standard “Solidarity Reforestation”. The validation audits initially check that the projects are designed and developed according to best practices, and the carbon sequestration potential is assessed. Regular verification audits, which occur every three to five years over 30 years, confirm the carbon sequestration volumes on the basis of actual biomass monitoring.

1.4m
Around 1.4 million trees planted
(2014-2016)

Our approach to financing

Nespresso is committed to fully financing the planting of trees in the AAA coffee supply chain, equivalent to our operational GHG emissions (Scope 1 and 2). Furthermore, we are piloting a carbon neutral value proposition for French consumers. We are making an additional investment to inset the carbon footprint of a cup of Nespresso, equivalent to the total number of Nespresso capsules sold in France. This financial commitment has leveraged co-investment from IDH (the sustainable trade initiative) and the World Bank Group.

Based on the knowledge gained over the initial two years of these projects, specifically the challenges of implementation undertaken with local communities, we have revised our goal to be towards five million trees planted by 2020.

What’s next

- Identify needs and opportunities for agroforestry within our sourcing operations
- Explore KOI co-financing models

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What’s next

1.4m
Around 1.4 million trees planted
(2014-2016)
GUATEMALA
AGROFORESTRY SINCE 2014
LOCAL IMPLEMENTER: PUR PROJET WITH ADESC AND FEDECACUA
TREES: >290,000
FARMERS: >400
COVER EQ. IN HA: -580

COLOMBIA
AGROFORESTRY SINCE 2014
LOCAL IMPLEMENTER: PUR PROJET WITH FNC
TREES:  >670,000
FARMERS: >2,700
RENOVATION PROJECTS WITH RESISTANT MATERIAL: 2008-2013
COALITION "MANOS AL AGUA"
TREES: >160,000
COVER EQ. IN HA: -500

ETHIOPIA
AGROFORESTRY SINCE 2015
LOCAL IMPLEMENTER: PUR PROJET WITH TECHNOSERVE
TREES: >90,000
FARMERS: >5,000
CLIMATE SMART AGRICULTURE: TECHNOSERVE
AND THE BIOCARBON FUND INITIATIVE FOR SUSTAINABLE FOREST LANDSCAPES

INDONESIA
AGROFORESTRY SINCE 2016
LOCAL IMPLEMENTER: "OLAM"
TREES: >63,000
COMMUNITY: >1,300 INDIVIDUALS
COVER EQ. IN HA: -80

A closer look at Manos Al Agua
The “Manos Al Agua” initiative is a five-year program (2013-2018) which aims to address climate-related risks, as well as the impacts and dependencies of water of coffee production. The initiative has raised €20.5 million from a large range of stakeholders, including the public sector (Colombian and Dutch governments) and the private sector (Nestlé, Nespresso, The Colombian Coffee Growers Federation (FNC)) with the aim of creating a framework for an integrated approach to managing Natural Capital. A group of 85 experts – from Cenicafé, the Wageningen University and Research Centre, as well the extensionist service of the FNC – are operating the program. The program directly benefits 11,000 Colombian coffee-growing families in 25 watersheds and around 500,000 people (water users).
manosalagua.com

“...leading companies finding ways to internalise Natural Capital impacts…”
Dean Sanders, Director, GoodBrand

THE POSITIVE CUP
WE ARE INCREASINGLY CONNECTING OUR LOCAL AAA CLIMATE SOLUTIONS TO WIDER NATURAL CAPITAL COALITIONS

THE SCOPE OF OUR CLIMATE ACTIONS

1 million trees to be planted with TechnoServe in Ethiopia and Kenya (2016-2018)

USD 5.7m – Nespresso investment in climate actions (2014-2016)

USD 5.7m – Nespresso investment in climate actions (2014-2016)
This is our first Creating Shared Value report, created “in accordance” with GRI's G4 Sustainability Reporting Guidelines and the Food Processing Sector Disclosure. The report addresses material issues or those that reflect significant economic, environmental and social impacts, and those issues that substantively influence the assessments of our stakeholders. Materiality assessment is about identifying the issues that are significant for our business and also matter to our stakeholders. We plot the economic, social and environmental issues that are of most concern to our stakeholders, against the impacts that our business generates for the economy, society and the environment. The resulting matrix highlights the material issues to be considered by our business, which may be ongoing, evolving or new. This assessment is used to help select the information to feature in the report, thereby meeting stakeholder expectations. At the end of 2015, we built a process to establish our first materiality assessment based on the GRI Reporting Principles for Defining Report Content. The process is explained below.

Understanding what really matters

Nespresso stakeholders’ consultations

As a regular way of managing our sustainability strategy and related impacts, we engage in ongoing dialogue with our internal and external stakeholders to understand their opinion and views about our organisation, processes, goals and ambitions. Over the last two years (2014-2016), this has involved some 140 external stakeholders and 50 internal stakeholders. In addition, regular media screening and consumers’ opinion surveys are conducted on these topics. The outcome of these consultations allowed us to identify and rank our stakeholders’ concerns. It also highlighted gaps within some stakeholder groups, as well as GRI sustainability aspects not sufficiently represented and discussed in the consultation processes. To rectify this, phone interviews were conducted with selected stakeholders – mostly groups under-represented in the earlier process. These interviews confirmed the outcome of the first wave, while ensuring that all GRI aspects were being followed.

Alignment with Nestlé’s materiality

In 2014, Nestlé undertook a stakeholder-led materiality process, with 19 issues identified as being the most material. The definition of each material issue is available in the Nestlé in Society report 2015 p.12 to 16. As an operating unit of the Nestlé Group, many of Nespresso’s and Nestlé’s stakeholders, operations, impacts and dependencies are common. Thus, we built on the experience and comprehensive consultation process carried out by Nestlé to finalise our materiality assessment. It led us to align the specific phrasing of the material aspects with those of the Nestlé Group and fine-tune their ranking.

Wider opinion leaders’ views

Additional desk research was undertaken to complement the above and identify current sustainability challenges, opportunities and trends. This was carried on a range of studies like EY megatrends, WEF risk assessments 2016, and Globescan sustainability surveys.

Identifying what really matters

Prioritisation of impacts

The three processes defined here – Nespresso stakeholders’ consultation, alignment with Nestlé’s materiality and wider opinion leaders’ views, resulted in a rating of each material aspect – from significant to moderate to major. A weighted average of these ratings defined the final plotting in the matrix.

Validation

The draft of the materiality assessment was circulated for validation to the members of the Nestle Sustainability Advisory Board (NSAB), as part of the pre-reading materials for the board meeting.

Interpretation

In every chapter of this report, the materiality assessment has been interpreted through a specific lens: Company, Coffee, Aluminium and Climate. This has enabled us to highlight “what really matters” at the beginning of each chapter and the related actions for that specific topic. This then steers the subsequent content and coverage within the remainder of the chapter.
Assurance
This report is subject to independent assurance by Bureau Veritas. The aim of this process is to provide reassurance to Nespresso stakeholders of the accuracy, reliability and objectivity of the reported information, and that it covers the issues material to the business.

Independent assurance statement
Introduction and objectives of work
Bureau Veritas UK Ltd. (Bureau Veritas) has been engaged by Nestlé Nespresso SA (Nespresso) to provide limited assurance over selected sustainability performance indicators for inclusion in its 2016 Sustainability Report and website. This Assurance Statement applies to the related information included within the scope of work described below.

Scope of assurance
The scope of our work was limited to assurance over the following content included within Nespresso’s Creating Shared Value Report 2016 – The Positive Cup (“the Report”) for the period 1 January 2016 to 31 December 2016 (the “Selected Information”):

1. Nespresso’s processes related to the following:
   • Review of Nespresso’s materiality analysis
   • Review of the used coffee pods collection and recycling process as well as data collection process
   • Review of Product lifecycle emissions model
   • Review of Nespresso’s Inserting program
   • Check of the Report’s alignment with GRI G4 “in accordance with core option” requirements

2. Specific indicators:
   • AAA Program facts and figures
   • Headcount numbers (including diversity data)
   • Public private partnerships data in coffee producing countries
   • Total reportable injuries and work related fatalities
   • Energy consumption
   • Scope 1 and Scope 2 Greenhouse gas emissions

Assessment standard
We performed our work in accordance with a comprehensive internal protocol that guides our verification activities. Our methodology is based on international best practice and incorporates the requirements of the most widely used assurance international standards including AA1000 Assurance Standard, ISAE3000, and ISO14064-3. Our conclusions are for ‘limited’ assurance as set out in ISAE 3000.

Limitations and exclusions
Excluded from the scope of our work is any verification of information relating to:
• Activities outside the defined verification period
• Positional statements (expressions of opinion, belief, aim or future intention by Nespresso) and statements of future commitment
• Other information included in Nespresso’s Report

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. Our work was limited to head office based activities and understanding how Nespresso consolidates and reconciles data provided by local markets/countries. The reliability of the reported data is dependent on the accuracy of data collection and monitoring arrangements at market/site level, not addressed as part of this assurance. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities
The preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of Nespresso. Bureau Veritas was not involved in the drafting of the Report. Our responsibilities were to:
• Obtain limited assurance about whether the Selected Information has been prepared in accordance with internationally acceptable definitions of the relevant indicators
• Form an independent conclusion based on the assurance procedures performed and evidence obtained
• Report our conclusions and findings to the Nespresso’s management in the form of a management report

Methodology followed and summary of work performed
As part of our independent verification, we undertook the following activities:
• Reviewed the process followed by Nespresso in identifying the organisation’s material sustainability issues
• Examined the data collection and consolidation processes used to compile the Selected Information, including assumptions made, and the data scope and reporting boundaries
• Conducted interviews with relevant personnel of Nespresso Head Office
• Reviewed documentary evidence produced by Nespresso
• Assessed the disclosure and presentation of the Selected Information to ensure consistency with assured information
• Checked the alignment of the reported data and information to the requirements of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines

Conclusion
On the basis of our methodology and the activities described above, nothing has come to our attention to indicate that the Selected Information is not fairly stated in all material respects. It is our opinion that Nespresso has established appropriate systems for the collection, aggregation and analysis of sustainability data.

Statement of independence, integrity and competence
Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 185 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified1 Quality Management System which complies with the requirements of ISO 9001:2008, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA)2, across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities.

The assurance team for this work conducted the verification independently and to our knowledge does not have any conflict of interest due to any other Bureau Veritas projects with Nespresso.

Bureau Veritas UK Ltd.
London
April 2017

1Certificate of Registration FS 34143 issued by BSI Assurance UK Limited
2International Federation of Inspection Agencies – Compliance Code – Third Edition
THE POSITIVE CUP

“The Positive Cup is much more than a company project. We are thankful to our partners for their considerable efforts and commitment to our long-term vision.”

Julie Reneau, Sustainability Strategy and Stakeholder Relationship Manager, Nespresso

The Aluminium Stewardship Initiative (ASI) is a multi-stakeholder association involving 25 member and associate member organisations (labelling initiatives and producer networks), traders, and external experts. Its mission is to connect producers and consumers, promote fairer trading conditions and empower producers to combat poverty.
OUR GLOBAL PARTNERS

IDH
IDH accelerates and up-scales sustainable trade by building impact-oriented coalitions of front running multinationals, civil society organisations, governments and other stakeholders. Nespresso has cooperated with IDH as part of its Agroforestry Program as well as its AAA Program in Ethiopia.

imaflora.org
IMAFLORA
The Institute of Agricultural and Forest Management and Certification – imaflora – is a non-profit association, founded in Piracicaba, in the interior of São Paulo, in 1995. Born under the premise that the best way to conserve tropical forests is to give them an economic destination, combined with good management practices and responsible management of natural resources. Imafloara believes that environmental certification is one of the tools that respond to part of the challenge with strong inducer power of local sustainable development in the forestry and agricultural sectors.

INCAE BUSINESS SCHOOL AND CIMS
INCAE Business school is a non-profit organisation based in Costa Rica, devoted to teaching and research endeavours in the fields of business and economics, with training programs for leaders. CIMS is a non-profit organisation based in Costa Rica focused on sustainable agricultural value chains and smallholder farmers throughout Latin America. It provides evidence-based research and strategic advice to the private, public and NGO sectors.

imaflora.org

INSTITUTO IPE
IPE – Instituto de Pesquisas Ecológicas is a Brazilian non-governmental organisation that works for the conservation of the country’s biodiversity, through science, education and sustainable business. Founded in 1992, it holds the title of ONG – Civil Society Organization of Public Interest, and its headquarters is in Nazaré Paulista (SP).

GETAF
INTERNATIONAL RESEARCH INSTITUTE FOR CLIMATE AND SOCIETY
(IRI, COLUMBIA UNIVERSITY)
IRI’s mission is to enhance society’s capability to understand, anticipate and manage the impacts of climate in order to improve human welfare and the environment, especially in developing countries. The IRI conducts this mission through strategic and applied research, education, capacity building, and by providing forecasts and information products with an emphasis on practical and verifiable utility and partnership.

IRI Columbia.edu

IUCN
IUCN is a membership union composed of both government and civil society organisations. It harnesses the experience, resources and reach of its 1,300 member organisations and the input of some 15,000 experts. IUCN is the global authority on the status of the natural world and the measures needed to safeguard it.

IUCN.org

KANCHA
Kancha S.A.S. is an organisation specialised in change management and organisational development. It provides solutions through consulting, facilitation, coaching, training, and the development and implementation of strategies designed to transfer knowledge. By documenting this, people are able to harness the knowledge base of their organisation.

Kancha.info

NATURACERT
NaturaCert is an initiative of Fundación Natura, which has been designed to offer services of certification and verification of national and international standards for Colombian sustainable agricultural products. NaturaCert’s mission is to promote the conservation and sustainable use of biodiversity through the provision of these services, to contribute to the strengthening and competitiveness of the products and services of its clients.

NaturaCert.org

NKG – NEUMANN KAFFEE GROUPE
Neumann Kaffee Gruppe (NKG) is the worldwide leading green coffee service group. With its unique cross-cultural network they are present in all important coffee production and consuming markets around the globe. All companies operate as independent profit centres offering a broad range of quality services and products along the green coffee value chain. NKG’s business activities are geared towards creating long-term profitability and responsible business conduct. It stands for reliability and fairness when bringing together the interests of producers and roasters.

NeumannKaffeeGruppe.com

OLAM
Olam is one of the world’s largest coffee companies, with over 20 years in the business and a strong presence in almost all of the large coffee-producing regions which is well-supported by an extensive network of marketing offices across the world’s coffee consuming countries. It provides a comprehensive supply chain solution that links millions of coffee growers to roaster clients, specialising in every supply chain stage from procurement, wet and dry milling, classification, transportation and risk management, to marketing processed coffees in its target markets.

OlamGroup.com

Pur Projet
Pur Projet is a social business which assists companies and communities in the deployment of ecosystem projects, with the objective of delivering long-term resilience within their value chain. PUR Projet is B Corp certified.

purprojet.com

PlaNet Guarantee
PlaNet Guarantee is a platform for innovation in the field of inclusive insurance and social protection. Operating as a consulting and brokerage firm, PlaNet Guarantee implements innovations in the fields of health, life, index insurance and is operating in Africa, Latin America and Asia. Its vision is a rapid generalisation of inclusive social protection in the world, with a mission to design and implement innovative and technological solutions that push the boundaries of insurance accessibility. PlaNet Guarantee has developed solutions in credit insurance, life insurance, crop index insurance and health insurance.

Planet Guarantee.com

PRODUCTOS Y PROCESOS SUSTENTABLES
Productos y Procesos Sustentables is the official accredited entity in Mexico which offers and provides audits and certification services under the requirements established by the Sustainable Agriculture Network, Rainforest Alliance Certified, Tool Assessment Sustainable Quality (TASQ) tool and common code for the coffee community (4Cs). PPS’s objective is to promote social development and the sustainable use of natural resources.

Sustentables.org

PUR PROJET
Pur Projet is a social business which assists companies and communities in the deployment of ecosystem projects, with the objective of delivering long-term resilience within their value chain. PUR Projet is B Corp certified.

PurProjet.com
OUR GLOBAL PARTNERS

QUANTIS
Quantis guides top organisations to define, shape and implement intelligent environmental sustainability solutions through the life cycle thinking. Quantis delivers resilient strategies, robust metrics, useful tools, and credible communications. quantis.com

RAINFOREST ALLIANCE
The Rainforest Alliance's ambitious mission is to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices, and consumer behaviour. Since 1987, its work has been guided by understanding that the health of the Earth is linked to the well-being of those whose livelihoods depend on the land and forests. The Rainforest Alliance provides training to farmers and foresters, works with businesses committed to sustainability, and motivates citizens to adopt sustainable lifestyles. rainforest-alliance.org

ROOT CAPITAL
Root Capital is an agricultural impact investor that grows rural prosperity in poor, environmentally vulnerable places in Africa and Latin America by lending capital, delivering financial training, and strengthening market connections for small and growing agricultural businesses. rootcapital.org

SAN
The Sustainable Agriculture Network (SAN) is an association of NGOs that started its activities in 1997, and was legally established with headquarters in Mexico in January 2010. The SAN is a group of international non-profit organisations working for the conservation of biodiversity and rural development. Its vision of the world is one where agricultural activity contributes to biodiversity conservation and sustainable livelihoods. san.org

SKN – CARIBECAFE
SKN Caribecafe has a long tradition in Colombia, active in the coffee export activity for more than 65 years and recognized as a reliable and quality oriented Colombian coffee supplier. Their mission is to contribute to Colombian coffee activity by further developing their role as distributors of Colombian coffee while working for the social, economic and general welfare of the coffee community. Since 2003, SKN has participated in sustainability projects in several coffee zones, the AAA-Nespresso Program in Huila being the largest, most comprehensive program under execution. skncaribe.com

SOFIES
Sofies is a sustainability consulting and project management firm composed of a team of 10+ consultants and a large network of partners and experts. sofiesgroup.com

TECHNOSERVE
TechnoServe is a leader in harnessing the power of the private sector to help people lift themselves out of poverty. A non-profit organisation operating in 29 countries, TechnoServe works with enterprising people in the developing world to build competitive farms, businesses and industries. With nearly 50 years of proven results, TechnoServe has helped millions to create lasting prosperity for their families and communities. technoserve.org

THE WORLD BANK GROUP AND INTERNATIONAL FINANCE CORPORATION
The World Bank Group, established in 1944, is an international organisation made up of 189 member countries and consisting of five financial institutions with the mission to end extreme poverty within a generation and boost shared prosperity. One of its institutions, IFC, is the largest global development institution focused exclusively on the private sector. IFC helps developing countries achieve sustainable growth by financing investment, mobilising capital in international financial markets, and providing advisory services to businesses and governments. worldbank.org

TOTAL IMPACT CAPITAL
TOTAL Impact Capital specialises in sourcing and developing private investment opportunities that are socially and financially attractive. It also designs innovative, sustainable financial solutions for governments and non-profits to support their missions. totalimpactcapital.com

UNIVERSITY OF CAMBRIDGE – INSTITUTE FOR SUSTAINABILITY LEADERSHIP
The Institute for Sustainability Leadership within the University of Cambridge’s School of Technology is dedicated to working with leaders from business, government and civil society on the critical global challenges of the 21st century. isl.cam.ac.uk

USAID
USAID is the lead U.S. Government agency that works to end extreme global poverty and enable resilient, democratic societies to realise their potential. Recognising coffee’s contribution to poverty reduction and development, USAID devotes significant resources to improving the productivity and incomes of smallholder coffee producers in Africa, Latin America, and Asia, in particular through Feed the Future, the U.S. Government’s global hunger and food security initiative. USAID is the largest donor to South Sudan. usaid.gov

VOLCAFE
Volcafe is one of the world’s largest and oldest sourcing companies for green coffee, supplying Nespresso with coffee from two countries. Since 2005, Volcafe has been implementing the Nespresso AAA Sustainable Quality™ Program in two clusters in Costa Rica, providing training and technical assistance to over 1,800 farmers. Since 2012, Volcafe has also implemented the AAA Program in the Cundinamarca cluster in Colombia. volcafespecialty.com

WBSCD
WBSCD is a global, CEO-led organisation of forward-thinking companies that galvanises the global business community to create a sustainable future for business, society and the environment. WBSCD has been an NSAB member since 2015. wbscd.org

THE POSITIVE CUP
G4-25, G4-26, G4-27

78/79
The performance table below summarises all the indicators that reflect the progress of our activities and our impacts over the years. They are reported for the calendar year ending 31 December 2016. To ease the reading, we have indicated the correlation between our indicators, the Global Reporting Initiative (GRI) indicators and the Sustainable Development Goals criteria. In the table, “Baseline date” represents the start point for monitoring.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>GRI indicator</th>
<th>SDG</th>
<th>2016</th>
<th>Baseline</th>
<th>Baseline date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in The Positive Cup (in 1,000 CHF, cumulative)</td>
<td>G4-EC7 1.3, 1.5</td>
<td>197,276</td>
<td>59,866</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Number of markets where we operate</td>
<td>G4-6</td>
<td>63</td>
<td>4</td>
<td>2003</td>
<td></td>
</tr>
<tr>
<td>Number of employees (excluding agents employees)</td>
<td>G4-8</td>
<td>13,135</td>
<td>330</td>
<td>2003</td>
<td></td>
</tr>
<tr>
<td>Recordable injury rate (per million hours worked)</td>
<td>G4-AC6 8.8</td>
<td>4.3</td>
<td>7.9</td>
<td>2004</td>
<td></td>
</tr>
<tr>
<td>Number of boutiques</td>
<td>603</td>
<td>1</td>
<td>2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of production centres</td>
<td>3</td>
<td>1</td>
<td>1986</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Grand Cru permanent range</td>
<td>67</td>
<td>4</td>
<td>1986</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Facebook fans (millions)</td>
<td>5.7</td>
<td>0.2</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of our consumers satisfied with the Nespresso brand (scoring 7 to 10)</td>
<td>94%</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators</th>
<th>GRI indicator</th>
<th>SDG</th>
<th>2016</th>
<th>Baseline</th>
<th>Baseline date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coffee</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in technical assistance and premiums (in 1,000 CHF, cumulative)</td>
<td>G4-EC7 1.3, 1.5</td>
<td>107,938</td>
<td>33,726</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Number of AAA agronomists</td>
<td>342</td>
<td>20</td>
<td>2005</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of countries with AAA Program</td>
<td>6.3, 6.4, 6b, 8.3</td>
<td>12</td>
<td>5</td>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>Farmers enrolled in AAA Program</td>
<td>6.3, 6.4, 6b, 8.3</td>
<td>71,216</td>
<td>1,500</td>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>Area managed under AAA in 1,000ha</td>
<td>2.4, 6.3, 6.4, 6b, 8.3, 15.3, 15.5</td>
<td>300</td>
<td>10</td>
<td>2009</td>
<td></td>
</tr>
<tr>
<td>Percentage volume sourced from the AAA Program</td>
<td>6.3, 6.4, 8b, 8, 8.3, 12.7, 15.3</td>
<td>82%</td>
<td>12%</td>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>Percentage volume in accordance with responsible production standards</td>
<td>G4-FP2 6.3, 6.4, 6b, 8, 8.3, 15.3</td>
<td>41%</td>
<td>0%</td>
<td>2009</td>
<td></td>
</tr>
<tr>
<td>AAA agronomist positions held by women</td>
<td>5.9</td>
<td>0%</td>
<td></td>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>Number of farmers enrolled in the savings plan</td>
<td>1.3, 8.3</td>
<td>1,100</td>
<td>0</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Coffee revival origins</td>
<td>8.3</td>
<td>2</td>
<td>0</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>% AAA farms within 2km of High Conservation Value areas</td>
<td>G4-EN11 15.5, 15.9</td>
<td>10.0%</td>
<td></td>
<td>2016</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators</th>
<th>GRI indicator</th>
<th>SDG</th>
<th>2016</th>
<th>Baseline</th>
<th>Baseline date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aluminium</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in collection and recycling systems (in 1,000 CHF, cumulative)</td>
<td>G4-EC7 12.2</td>
<td>59,254</td>
<td>16,337</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Capsule collection capacity</td>
<td>G4-6, 12.2</td>
<td>86%</td>
<td></td>
<td>2003</td>
<td></td>
</tr>
<tr>
<td>Percentage of AAA certified aluminium purchased</td>
<td>G4-AC6 12.2, 12.7</td>
<td>0%</td>
<td></td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Used capsule valorisation</td>
<td>56%</td>
<td></td>
<td></td>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>Capsule recycling rate</td>
<td>G4-EN28 8.4, 12.2</td>
<td>24%</td>
<td>15%</td>
<td>2009</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators</th>
<th>GRI indicator</th>
<th>SDG</th>
<th>2016</th>
<th>Baseline</th>
<th>Baseline date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Climate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in climate adaptation solutions (in 1,000 CHF, cumulative)</td>
<td>G4-EC7 15.2, 15.3</td>
<td>5,750</td>
<td>923</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Carbon footprint reduction per cup of Nespresso</td>
<td>G4-AC6 12.2</td>
<td>-19.4%</td>
<td>0%</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Number of trees planted within AAA landscapes (in 1,000, cumulative)</td>
<td>G4-EN11 15.2, 15.3</td>
<td>1,441</td>
<td>130</td>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>Total on site water withdrawal (m3 per ton of product)</td>
<td>G4-EN11 8.4, 12.2</td>
<td>7.6</td>
<td>19.1</td>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>Total on site energy consumption (Gigajoules per ton of product)</td>
<td>G4-EN28 8.4, 12.2</td>
<td>4.0</td>
<td>4.7</td>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>Direct and indirect GHG emissions (kg CO2 per ton of product, Scope 1 and 2)*</td>
<td>G4-EN11 8.4, 12.2</td>
<td>96</td>
<td>123</td>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>Waste for disposal (kg per ton of product)</td>
<td>G4-EN23 12.2, 12.5</td>
<td>0</td>
<td>0</td>
<td>2010</td>
<td></td>
</tr>
</tbody>
</table>

* Reporting boundary includes only Nespresso factories.
## GENERAL STANDARD DISCLOSURES

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Identified omission(s)</th>
<th>Reason(s) for omission(s)</th>
<th>Explanation for omission(s)</th>
<th>External assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>GA-1</td>
<td>TPC: Introduction &gt; CEO statement p.5</td>
<td>CEO statement about the relevance of sustainability to the organisation and the organisation’s strategy for addressing sustainability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GA-3</td>
<td>TPC: Front cover of report</td>
<td>Name of the organisation</td>
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<td>GA-4</td>
<td>TPC: Nestlé Nespresso S.A. &gt; Our value chain p.14-15</td>
<td>Our value chain: products and services</td>
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<td>GA-5</td>
<td>NCW: Our Company <a href="http://www.nestle-nespresso.com/about-us-company">www.nestle-nespresso.com/about-us-company</a></td>
<td>Location of our headquarters</td>
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<td>GA-6</td>
<td>TPC: Coffee &gt; The scope of the AAA Program p.42-43</td>
<td>Where we operate</td>
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<td>GA-7</td>
<td>NCW: Our company <a href="http://www.nestle-nespresso.com/about-us-company">www.nestle-nespresso.com/about-us-company</a></td>
<td>Ownership and legal form</td>
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<td>GA-8</td>
<td>TPC: Company &gt; Our value chain p.18-19</td>
<td>Net sales capitalisation</td>
<td>Net sales of our organisation is aggregated with Nestlé in our financial statements</td>
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<td>GA-9</td>
<td>TPC: Company &gt; Our people p.18-19</td>
<td>The scale of our organisation (employees, operations, sales, products and services)</td>
<td>Non-disclosure of financial statement for Nespresso</td>
<td>Net sales of our organisation is aggregated with Nestlé</td>
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<td>GA-10</td>
<td>TPC: Company &gt; Our people p.18-19</td>
<td>The structure of our workforce</td>
<td>The split per category is not available</td>
<td>We are looking at how this information can be collected to include it in our 2020 CSV report</td>
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<td>GA-11</td>
<td>NCW: Our people &gt; Promoting positive employee relations p.172</td>
<td>Existence of bargaining agreements</td>
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<td>GA-12</td>
<td>TPC: Coffee &gt; Farmer relationship management p.30-31</td>
<td>Our supply chain</td>
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<td>GA-13</td>
<td>TPC: Coffee &gt; The AAA Program in East Africa p.36-37</td>
<td>The scope of our recycling actions p.54-55</td>
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<td>TPC: Coffee &gt; The AAA Program p.42-43</td>
<td>About this report &gt; Our CSV performance: number of employees p.81</td>
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<tr>
<td>GA-15</td>
<td>TPC: Company &gt; Partnerships for impact p.39-41</td>
<td>Existence of bargaining agreements</td>
<td></td>
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<td>GA-16</td>
<td>TPC: Coffee &gt; farmer approach to aluminium stewardship p.53-54</td>
<td>Our supply chain</td>
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<td>GA-17</td>
<td>TPC: Coffee &gt; Farmer relationship management p.30-31</td>
<td>The scale of our organisation (employees, operations, sales, products and services)</td>
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<td>GA-18</td>
<td>TPC: Coffee &gt; Farmer relationship management p.30-31</td>
<td>The structure of our workforce</td>
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<td>GA-19</td>
<td>TPC: Our value chain: products and services</td>
<td>Our material aspects</td>
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<td>GA-20</td>
<td>TPC: About this report &gt; Methodology p.70</td>
<td>Boundaries of our material aspects inside the organisation</td>
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<td>GA-21</td>
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<td>Boundaries of our material aspects along our supply chain</td>
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<td>GA-22</td>
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<td>Significant changes in materiality since previous report</td>
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<td>GA-23</td>
<td>TPC: About this report &gt; Methodology p.70</td>
<td>Significant changes in scope and aspect boundaries since previous report</td>
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### GENERAL STANDARD DISCLOSURES

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Page number (or link)</th>
<th>Description</th>
<th>Identified omission(s)</th>
<th>Reason(s) for omission(s)</th>
<th>Explanation for omission(s)</th>
<th>External assurance</th>
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<td><strong>Stakeholder engagement</strong></td>
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<td>G4-24 TPC:</td>
<td>About this report &gt; Methodology p.70</td>
<td>Our stakeholders</td>
<td></td>
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<tr>
<td>G4-25 TPC:</td>
<td>Company &gt; Governance and management tools p.22</td>
<td>Identification of our stakeholders</td>
<td></td>
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<td>G4-26 TPC:</td>
<td>About this report &gt; Methodology p.70</td>
<td>Our approach to stakeholder engagement</td>
<td></td>
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<td>G4-27 TPC:</td>
<td>About this report &gt; Methodology p.70</td>
<td>Our answers to stakeholders’ main concerns</td>
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<td><strong>Report profile</strong></td>
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<td>G4-28</td>
<td>This report covers Nespresso’s global operations for the year ending 31 December 2016. Where we refer to a “market”, it means our business and/or activities at the level of a country or countries</td>
<td>Reporting period</td>
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<td>G4-29</td>
<td>NA – This is our first GRI report</td>
<td>Previous report date</td>
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<td>G4-30</td>
<td>GRI full report, updated in 2021 (2020 strategy achievements) GRI summary report published yearly (includes highlights of the year, commitments status and GRI quantitative indicators)</td>
<td>Reporting cycle</td>
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<td>Contact point for questions</td>
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<td>G4-32 a.</td>
<td>This report is prepared ‘in accordance’ with the core option of the Global Reporting Initiative’s (GRI) G4 guidelines, and the Food Processing Sector Supplement</td>
<td>“In accordance” option chosen, content index and external assurance report</td>
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<td>Information on external assurance for the report</td>
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<td><strong>Governance</strong></td>
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<td>Our governance structure</td>
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<td>G4-34 TPC:</td>
<td>Company &gt; Governance p.22-23</td>
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<td>NCW:</td>
<td>Nespresso management website <a href="http://www.nestle-nespresso.com/about-us/management">www.nestle-nespresso.com/about-us/management</a></td>
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<td><strong>Ethics and integrity</strong></td>
<td>NCW:</td>
<td>Our values, principles, standards and norms</td>
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## SPECIFIC STANDARD DISCLOSURE

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<tr>
<th>Indicators</th>
<th>Description</th>
<th>Identified omission(s)</th>
<th>Reason(s) for omission(s)</th>
<th>Explanation for omission(s)</th>
<th>External assurance</th>
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<td><strong>Economic</strong></td>
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<td>Material aspect: Economic performance</td>
<td>How we create and distribute economic value</td>
<td>Management approach of our economic performance</td>
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<td>EC/EP-G4-DMA</td>
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<td>TPC: Introduction &gt; CEO statement p.5</td>
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<td>TPC: Company &gt; Creating Shared Value p.12-13</td>
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<td>G4EC2</td>
<td>Climate chapter p.56-69</td>
<td>Impact of climate change in economic performance</td>
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<td>Material aspect: Market presence</td>
<td>Redistribution of wealth to local communities</td>
<td>Management approach of our market presence</td>
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<td>TPC: Our global presence has a significant impact on local economies both directly and in our supply chain</td>
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<td>NiS: Our people &gt; Promoting positive employee relations &gt; Supporting a living wage p.171</td>
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<td>G4EC5</td>
<td>Senior management hired from the local community</td>
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<td>We are looking at how this information can be collected to include it in our 2020 CSV report</td>
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<td>Positive indirect economic impacts at national, regional or local level generated by Nespresso’s operations</td>
<td>Management approach of our indirect economic impacts</td>
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<td>TPC: Our value chain generates significant indirect economic impacts, both positive and negative</td>
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<td>TPC: Coffee &gt; What really matters p.26</td>
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<td>TPC: Aluminium &gt; What really matters p.46</td>
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<td>TPC: Climate &gt; What really matters p.58</td>
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<td>G4EC7</td>
<td>Coffee &gt; The Nespresso AAA Sustainable Quality™ Program, p.28-29</td>
<td>Development and impact of infrastructure investments and services supported</td>
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<td>TPC: About this report &gt; Our CSV Performance p.81</td>
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<td>The investments related to the services in place are commercial engagements These investments aim to generate positive impacts</td>
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<td>Material aspect: Procurement/sourcing practices</td>
<td>Procurement practices that allow trust and stability among suppliers</td>
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<td>P2</td>
<td>Company &gt; Our value chain p.14</td>
<td>Purchased volume in accordance with responsible production standards</td>
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<td><strong>Environment</strong></td>
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<td>Material aspect: Materials</td>
<td>Conserving global resources, reducing materials intensity</td>
<td>Management approach of our materials use</td>
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<td>TPC: Climate &gt; Sustainable machine design p.64-65</td>
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<td>N6: Environmental sustainability &gt; Our policies and standards p.110</td>
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<td>G4H2</td>
<td>Climate &gt; Sustainable machine design p.64-65</td>
<td>Recycled input materials</td>
<td>Omitted for aluminium</td>
<td>We do not disclose the volume of procured recycled aluminium for commercial confidentiality</td>
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<td>Energy use and requirements implying a minimum impact</td>
<td>Management approach of our energy use</td>
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<td>TPC: Climate &gt; The environmental performance of our operations p.62-63</td>
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<td>TPC: Climate &gt; Sustainable machine design p.64-65</td>
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<td>N6: Environmental sustainability &gt; Our policies and standards p.110</td>
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<td>G4N7</td>
<td>Climate &gt; Life cycle assessment p.60-61</td>
<td>Reduction in energy requirements of products and services</td>
<td>Omitted numbers in pulses</td>
<td>Our energy savings all along the value chain are translated in CO2 equivalent.</td>
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<tr>
<td>TPC: Climate &gt; The environmental performance of our operations p.62-63</td>
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<td>See our CDP 2016 Investor submission found on <a href="http://www.nestle.com/csv/performace/external-assessments">www.nestle.com/csv/performace/external-assessments</a></td>
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<td>Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link</td>
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<td>Explanation for omission(s)</td>
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<td>Environment</td>
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<td>Material aspect: Water</td>
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<td>EN/WA-G4-DMA</td>
<td>Total water withdrawal at factory (in ,000m3): 526 including Surface water: 475; Ground water: 0; Municipal water:45; Rain water: 7</td>
<td>Water withdrawal</td>
<td>TP: Climate &gt; The environmental performance of our operations p.62-63</td>
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<td>Material aspect: Biodiversity</td>
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<td>EN/Bi-G4-DMA</td>
<td>TPC: Coffee &gt; Our approach to Natural Capital p.34-35, a. b. d. TPC: About this report &gt; Our CSV Performance p.81</td>
<td>Management approach of our impacts on biodiversity</td>
<td>Habitats protected or restored</td>
<td>TP: Nestlé's commitment on Biodiversity Management and minimum impact on land in or adjacent to protected areas, TPC: Coffee &gt; Our approach to Natural Capital p.34-35, Management approach of our impacts on biodiversity</td>
<td>We will update our 2020 CSV report as per the outcome of the action plan under progress</td>
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<td>Material aspect: Emissions</td>
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<td>Material aspect: Product and services</td>
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<td>Material aspect: Overall</td>
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<td>Description</td>
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<td>Reason(s) for omission(s)</td>
<td>Explanation for omission(s)</td>
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<td><strong>Environment</strong></td>
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<tr>
<td>EN05a-01</td>
<td>Managing our suppliers potential or actual impacts on the environment</td>
<td>Environment impacts in supply chain and actions taken</td>
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<td>Nespresso should prevent the information in a way that is compatible with criteria d and e</td>
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<tr>
<td>EN05b-01</td>
<td>Management approach for our suppliers’ environmental assessment</td>
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<tr>
<td><strong>Social</strong></td>
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<tr>
<td>LA06a-01</td>
<td>Our employees are satisfied and motivated thanks to proper human resources management</td>
<td>Management approach of employment</td>
<td></td>
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<tr>
<td>LA38a-01</td>
<td>Before making operational changes that could substantially affect our employees, we provide a period of notice outlining the proposed changes. While a minimum period and provisions for consultation and negotiation are specified in collective agreements in 28 countries, in others, it depends on local laws. On average, the minimum period is 38 days</td>
<td>Minimum-notice regarding operational changes</td>
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<tr>
<td>LA06b-01</td>
<td>Minimum-notice regarding operational changes</td>
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<td><strong>Material aspect: Labour/management relations</strong></td>
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<tr>
<td>LA06c-01</td>
<td>Management approach of labour and management relations</td>
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<tr>
<td>LA06d-01</td>
<td>Minimum-notice regarding operational changes</td>
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<td><strong>Material aspect: Occupational health and safety</strong></td>
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<tr>
<td>LA06e-01</td>
<td>Management approach of occupational health and safety</td>
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<td><strong>Material aspect: Training and education</strong></td>
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<tr>
<td>LA06f-01</td>
<td>Management approach of training and education for our workforce</td>
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<td>Indicators</td>
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<td><strong>Labour practices and decent work</strong></td>
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<tr>
<td>Material aspect:</td>
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<tr>
<td>Diversity and equal opportunity</td>
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<tr>
<td>We foster diversity and equal opportunities to different age groups and minorities</td>
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<tr>
<td>G4LA12 a.</td>
<td>TPC: Company &gt; Our people p.18-19</td>
<td>Composition of governance bodies and workforce according to different categories</td>
<td>a. Report the percentage of individuals within the organization's governance bodies in each of the following diversity categories:</td>
<td>Gender - Age group: under 30 years old, 30-50 years old, over 50 years old - Minority groups - Other indicators of diversity where relevant</td>
<td>This data is not available</td>
</tr>
<tr>
<td>b.</td>
<td>TPC: Company &gt; Our people p.18-19</td>
<td></td>
<td>b. Report the percentage of employees per employee category in each of the following diversity categories:</td>
<td>Gender - Age group: under 30 years old, 30-50 years old, over 50 years old - Minority groups - Other indicators of diversity where relevant</td>
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<tr>
<td><strong>Material aspect: Equal remuneration for women and men</strong></td>
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<tr>
<td>We work to ensure equal gender opportunities in our workforce</td>
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<tr>
<td>LAER-G4DM</td>
<td>TPC: Company &gt; Our people p.18-19</td>
<td>Management approach of equal remuneration for women and men in our workforce</td>
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<tr>
<td>G4LA13</td>
<td>Ratio of basic salary and remuneration of women to men</td>
<td>Omission</td>
<td>This data is not available</td>
<td>We are looking at how this information can be collected to include it in our 2020 CSV report</td>
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<tr>
<td><strong>Material aspect: Supplier assessment for labour practices</strong></td>
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<tr>
<td>Ensuring our suppliers have acceptable labour practices</td>
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<tr>
<td>LAGAP-G4DM</td>
<td>a. TPC: Coffee &gt; Monitoring and evaluation p.40</td>
<td>Management approach of our suppliers labour practices</td>
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<tr>
<td>b. Establishment of sourcing programs which enable the evaluation of the sustainability (social and environmental) of our suppliers</td>
<td>TPC: Coffee &gt; The Nespresso AAA Quality™ Program p.28 TPC: Aluminium &gt; Our approach to aluminium stewardship p.50-51</td>
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<tr>
<td>G4LA15 a.</td>
<td>TPC: Coffee &gt; Monitoring and evaluation p.41</td>
<td>Significant actual and potential negative impacts for labour practices in the supply chain and actions taken</td>
<td>TPC: Coffee &gt; Farmer relationship management p.30-31</td>
<td>Nespresso should present the information in a way that is compatible with criteria d and e</td>
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<td>b.</td>
<td>TPC: Coffee &gt; Monitoring and evaluation p.41</td>
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<td>c.</td>
<td>TPC: Coffee &gt; Monitoring and evaluation p.41</td>
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<td>d.</td>
<td>TPC: Coffee &gt; Farmer relationship management p.30-31</td>
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<td>e.</td>
<td>TPC: Coffee &gt; Monitoring and evaluation p.41</td>
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<td><strong>Material aspect: Labour practices grievance mechanisms</strong></td>
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<tr>
<td>Existence of grievance mechanisms regarding labour practices accessible by our suppliers workforce</td>
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<tr>
<td>LAAPG-G4DM</td>
<td>N6: Human rights and compliance &gt; Reporting of compliance violations p.148-149</td>
<td>Management approach of labour practices grievance mechanisms</td>
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<tr>
<td>G4LA16</td>
<td>N6: Human rights and compliance &gt; Reporting of compliance violations p.148-149</td>
<td>Number of grievances about labour practices</td>
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<tr>
<td><strong>Human rights</strong></td>
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<tr>
<td><strong>Material aspect: Non-discrimination</strong></td>
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<tr>
<td>Ensuring no discrimination around race, colour, sex, religion, political opinion, national extraction or social origin</td>
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<tr>
<td>G4HR3</td>
<td>In 2016, we had two complaints alleging harassment against management team members (whether at global or local level). Both complaints were investigated and found to be without merit</td>
<td>Number of incidents of discrimination and measures taken against them</td>
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</tbody>
</table>
### Social

#### Human rights

**Material aspect: Freedom of association and collective bargaining**

| TPC | Company > What really matters p.11 |
| TPC | Coffee > Monitoring and evaluation p.41 |

**Absence of internal policies that may affect employees’ ability to join a trade union or bargain collectively**

- Management approach for ensuring freedom of association and collective bargaining

| G4-HB4 | a. 0 occurrence of the violation of this criteria has been recorded, however we remain vigilant in the sourcing regions where large farms or wet mills employ many workers such as Brazil, Guatemala, Ethiopia, Kenya and India |
| TPC | Coffee > Monitoring and evaluation p.40 |
| TPC | Coffee > The AAA Program in East Africa p.36 (not p.38) |

**Identification of freedom of association limitations in operations and suppliers and measures taken**

| G4-HB4 | a. b. Few occurrences of the violation of this criteria has been recorded in Colombian coffee sector (field operations): three solved, one in progress and one exclusion from the program. We remain vigilant in the sourcing regions where such non compliance have already occurred like in Guatemala, Ethiopia and Kenya |
| TPC | Coffee > Monitoring and evaluation p.40 |
| TPC | Coffee > The AAA Program in East Africa p.36 |

#### Child labour

**Material aspect: Child labour**

| TPC | Company > What really matters p.11 |
| TPC | Coffee > Monitoring and evaluation p.41 |
| TPC | Coffee > Farmer relationship management p.31 |

**No child labour or young workers exposed to hazardous work**

- Management approach of child labour risks

| G4-HB5 | a. b. Five occurrences of the violation of this criteria has been recorded in Colombian coffee sector (field operations): three solved, one in progress and one exclusion from the program. We remain vigilant in the sourcing regions where such non compliance have already occurred like in Guatemala, Ethiopia and Kenya |
| TPC | Coffee > Monitoring and evaluation p.40 |
| TPC | Coffee > The AAA Program in East Africa p.36 |

**Identification of child labour in operations and suppliers and measures taken**

| G4-HB5 | a. b. Five occurrences of the violation of this criteria has been recorded in Colombian coffee sector (field operations): three solved, one in progress and one exclusion from the program. We remain vigilant in the sourcing regions where such non compliance have already occurred like in Guatemala, Ethiopia and Kenya |
| TPC | Coffee > Monitoring and evaluation p.40 |
| TPC | Coffee > The AAA Program in East Africa p.36 |

#### Forced or compulsory labour

**Material aspect: Forced or compulsory labour**

| TPC | Company > What really matters p.11 |
| TPC | Coffee > Monitoring and evaluation p.41 |
| TPC | Coffee > Farmer relationship management p.31 |

**No forced or compulsory labour in our facilities or suppliers**

- Management approach of forced or compulsory labour risks

| G4-HB6 | a. 0 occurrence of the violation of this criteria has been recorded, however we remain vigilant in the sourcing regions where such non compliance have already occurred like in Guatemala, Ethiopia and Kenya |
| TPC | Coffee > Monitoring and evaluation p.33 |
| TPC | Coffee > The AAA Program in East Africa p.36 |

**Risks of compulsory labour and measures taken**

| G4-HB6 | a. 0 occurrence of the violation of this criteria has been recorded, however we remain vigilant in the sourcing regions where such non compliance have already occurred like in Guatemala, Ethiopia and Kenya |
| TPC | Coffee > Monitoring and evaluation p.33 |
| TPC | Coffee > The AAA Program in East Africa p.36 |

#### Supplier human rights assessment

**Material aspect: Supplier human rights assessment**

| TPC | Company > What really matters p.11 |
| TPC | Coffee > Monitoring and evaluation p.41 |
| TPC | Coffee > Farmer relationship management p.31 |

**Availability of mechanisms to screen potential human rights violations in our suppliers**

- Management approach of our suppliers’ human rights assessment

| G4-HB8 | a. Coffee > Monitoring and evaluation p.42 |
| b. Establishment of sourcing programs which enable the evaluation of the sustainability (social and environmental) of our suppliers |
| TPC | Coffee > The Nespresso AAA Quality™ Program p.28 |
| TPC | Aluminium > Our approach to aluminium stewardship p.55-51 |

**Significant actual and potential negative human rights impacts in the supply chain and actions taken**

- Nespresso should prevent the information in a way that is compatible with criteria d and e

| G4-HB9 | a. Coffee > Monitoring and evaluation p.41 |
| b. Aluminium > Our approach to aluminium stewardship |
| TPC | Coffee > The AAA Program in East Africa p.36 |

#### Local communities

**Material aspect: Local communities**

| TPC | Company > What really matters p.11 |
| TPC | Coffee > Innovation for communities resilience > p.32 |
| TPC | Coffee > The AAA Program in East Africa p.36 |
| TPC | Coffee > Coffee revival > p.38 |

**Working to engage with local communities**

- Management approach of local communities engagement

| G4-GC1 | 100% of our coffee operations have projects which engage with local community as part of the deployment of the AAA Program |

**Percentage of operations with implemented local community engagement, impact assessments, and development programs**

| G4-GC1 | 100% of our coffee operations have projects which engage with local community as part of the deployment of the AAA Program |

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**GRI G4 CONTENT INDEX**
## SPECIFIC STANDARD DISCLOSURE

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Paginated (or link)</th>
<th>Description</th>
<th>Identified omission(s)</th>
<th>Reason(s) for omission(s)</th>
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<td>SOACB-</td>
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<td></td>
<td>AR: Corporate governance and compliance p.54</td>
<td>Working to avoid current or future anti-competitive behaviour</td>
<td>Management approach to avoid anti-competitive behaviour</td>
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<td></td>
<td>NS: Business principles and governance p13-24</td>
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<tr>
<td>G4-S07</td>
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<td>There are three ongoing claims against us, of which two were initiated by the same competitor</td>
<td>Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices</td>
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<td><strong>Product responsibility</strong></td>
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<td></td>
<td>This is our responsibility to ensure that the products we retail on the markets are proper for consumption and free of any kind of contamination. We have a quality management system in place to ensure the quality and safety of our products and our factories are certified ISO 22000</td>
<td>Management approach to ensuring our customers health and safety</td>
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<td>P5</td>
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<td>100% of production volume is manufactured in sites certified by an independent third party</td>
<td>Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards</td>
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<td><strong>Material aspect: Customer health and safety</strong></td>
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<td>We measure yearly our customer satisfaction with our products and services via a global survey</td>
<td>Management approach for ensuring our products and services proper labelling</td>
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<td>PR/MC-</td>
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<tr>
<td><strong>Material aspect: Customer privacy</strong></td>
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<td><strong>Material aspect: Marketing communications</strong></td>
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**Note:** The table above provides a summary of the specific standard disclosures for each material aspect, including the indicators used, the description of the issue, and the reasons and explanations for the identified omissions. Additional references to the relevant documents or sections within the report are also included.
We dedicate this report to the most important partners of all – the AAA farmers and agronomists. They share our passion for high quality and sustainable coffees and contribute to make every cup enjoyed by our consumers, a positive cup.

The Nespresso Team
AAA farmer Isaya Lokalong Latiyo on his farm, South Sudan

In case of doubt or differences of interpretation, the English version shall prevail over a translated version.

CONCEPT & CONTENT
Nestlé Nespresso, Sustainability Team

GRI COMPLIANCE
Nestlé Nespresso, Sustainability Team with Sofies

VISUAL & VERBAL IDENTITY
Nestlé Nespresso, Sustainability Team with creative agency Magic Pencil

PHOTOGRAPHY
Christian Lamontagne
Emmanuel Nguyen Ngoc
Patricia Rincon Mautner
Alexis Narodetzky

BROCHURE
All wasted paper is recycled
Arctic Volume FSC paper
Cover 300 gsm, printed four colours recto/verso with soft touch lamination recto
Inside pages 115 gsm, printed four colours and satinated varnish recto/verso

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Sustainability and Corporate Communications
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Switzerland
Telephone: +41 21 796 9696

AAA farmer Isaya Lokalong Latiyo on his farm, South Sudan

THE POSITIVE CUP