CREATING SHARED VALUE FOR MORE THAN 10 YEARS
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A truly perfect coffee consumption experience creating pleasure for the consumer, value for stakeholders and positively impacting society.
Introduction

Nestlé is a leading coffee company, driven by innovation at every level. This innovation has enabled us to succeed in creating an entirely new market for portioned coffee, delivering small, highest-quality coffee within our wide range of Grand Cru coffee blends. Now, Nespresso has become not only the benchmark within its own sector, but also a reference point for quality and exclusivity for high-end consumer brands worldwide.

In this report, we hope to show you that our innovation goes way beyond our commitment to producing exceptional coffee, but extends to our unwavering determination to ensure that our growth is sustainable. In other words, it considers the needs of both the people involved and those of a resource-constrained planet.

At the heart of its value-added proposition, Nespresso recognizes the challenges of living in a world of constrained resources in which “business as usual” is no longer an option for a successful enterprise. Thus, our core strategy is to produce and sell the highest quality Grand Cru coffee while creating shared value (CSV) for coffee farmers, business partners and consumers. CSV is central to our strategy—driving us to innovate and re-engineer our business in order to respect stringent environmental standards and, at the same time, improve the lives of all those who are integral parts of our value chain.

A pioneer in high-quality coffee and espresso machines, Nespresso has sought to be equally innovative in its end-to-end approach to sustainability. Our leading-edge sustainability program, Ecolution™ launched in 2009, has aimed to improve economic, social and environmental impacts throughout its entire value chain. This platform has been focusing on a number of key areas, coffee sourcing, recycling and carbon reduction, while considering any and all opportunities for further improvement going forward, from the coffee cherry to the cup.

We realize there are big challenges ahead, many of them too daunting for any one company or organization to tackle alone. That is why we continue to engage in long-term alliances with our like-minded partners, such as NGOs, authorities, government agencies, coffee cooperatives and academics, leveraging our collective know-how and assets for the benefit not just of Nespresso, but for farmers, business partners, the environment and society as a whole.

While some might consider us too big to be trusted, we prefer to think ourselves as being just big enough to be a transformative force for coffee. That explains why, going forward, Nespresso remains passionate about delivering on our commitments to coffee farmers and consumers alike, around the world, looking further to minimize negative impacts while maintaining positive ones through new ambitious commitments up to 2030.

What stakeholders are saying about the Nespresso sustainability approach

We have always sought to engage and join forces with partners that have complementary skills sets and expertise. In so doing, we can build on our knowledge and strengths to drive relevant, impactful projects.

Guilhem Le Carffet | International Marketing and Strategy Director | Nestlé Nespresso S.A.

The innovative Nespresso programs, which help farmers achieve higher prices, better yields, and greater environmental performance and sustainability, is driven not by charity but by creating shared value. Nespresso will benefit strategically from the quality improvements that farmers achieve and coffee supplies that will be far more sustainable over time. It is this alignment between corporations and social challenges – not a mindset of separatism and isolation – which is the key to both economic and social progress.

Michael Porter | Professor in Business Strategy | Harvard Business School

Since working with Nespresso, we’ve come to appreciate its openness and willingness to engage with different stakeholders. The company has shown leadership in working together with others to remove obstacles on the road to greater sustainability.

Julia Murton-Lafriere | Director General | ICIN

Rainforest Alliance’s motivation to work with Nespresso was to transform the coffee sector. To bring high-quality farmers so they can make more money. And also to protect the environment... to protect drinking water, its protection against soil degradation, to protect wildlife and to provide good housing, good healthcare and food on the table for coffee-producing families.

Tensio Whelan | President | The Rainforest Alliance

Thanks to the AISA Program, I started to see a long-term vision. I learned to be an entrepreneur. I learned to run the farm as a small business.

Fabio Alonso Reyes | AISA Farmer in Antioquia | Colombia
Sustainability as a business imperative

Nespresso goes beyond sustainability to Creating Shared Value

Creating Shared Value (CSV) is the best way of going beyond sustainability to create long-term value for shareholders and society. Sustainability is central to securing the future prosperity of our company and the communities we work with. This is why producing the highest quality coffee for our Club Members, while improving the economic, environmental and social performance of our business.

Nespresso is committed to integrating sustainability across our business along the entire value chain, creating more shared value for farmers, other business partners, suppliers and consumers. Our sustainability platform operates in three main areas:

1. Research and innovation projects
2. On-the-ground deployment and implementation
3. Infrastructure and investment projects

Engage our employees

As sustainability is key to Nespresso, we created the Nespresso Scholars Program to engage our employees in sustainability. This allowed to share new ideas amongst our collaborators, while creating commitment towards a sustainable business.

Insights

To reach the objectives of the sustainability approach and integrate the concept of CSV within the company, new challenges must be addressed and innovative solutions must be found. Sustainability is therefore a driver and an enabler for innovation. This corresponds perfectly to the pioneering spirit of Nespresso.

Enhance the coffee experience

The coffee experience is without doubt primarily about taste and aroma. Our unique sourcing model and our work in producing countries clearly make the difference to enhance the Nespresso coffee experience. Sustainability contributes greatly in securing for Club Members high-quality products, for their never-ending enjoyment.

A collaborative approach

The underlying idea of our sustainability approach is to work together with our partners to protect the future of our Grands Crus coffee bases worldwide, while managing the social and environmental impacts of our business and improving the quality of coffee farmers and their communities. Sustainability is a journey we must take together. At the heart of the sustainability approach are the strong relationships with our committed and passionate partners. Each and every one of them play an essential role in realising our shared vision. We are working with many different partners around the world, including various NGOs, global financial institutions, specialised consultants and other businesses, among them the Rainforest Alliance, IFAM and Quantis, to name just a few.

Creating shared value

CSV is applied in Nespresso initiatives by:

- Securing the quality of the coffee supply
- Promoting innovation
- Engaging collaborators
- Enhancing the coffee experience
- Improving farmer welfare

Shared value for:

- Farmers
- Consumers
- Employees
- Communities
- Stakeholders

Doing business in a way that actively creates positive value for all stakeholders.

Managing and reducing the negative social and environmental impacts of doing business.

Ensuring compliance with national and international laws and regulations.
Sustainability as a key driver for innovation –
innovation as a key driver for sustainability

At Nespresso, sustainability and innovation are inextricably linked. Nespresso is continually pushing the boundaries by introducing new Grands Crus crafted to surprise and delight Club Members – each offering coffee lovers a new and pleasurable sensory experience.

The past 20 years have seen the development of more than 100 Grand Cru coffees. But Nespresso’s commitment to innovation is by no means confined to developing new taste sensations. It also involves the discovery of new terroirs, as well as extensive research into the correlation between different micro-climates, altitudes, coffee varieties and the impact of coffee aromas. Engaging with growers, and building the high level of trust required to collaborate on the development and implementation of new approaches and sustainable farming practices as well as enhanced traceability, has been crucial as well.

Nespresso successfully pioneered the AAA Sustainable Quality™ Program, a dedicated sourcing approach, in order to secure supplies of the highest quality coffee for the future while preserving the environment and improving the livelihood of the farmers. Through establishing a long-term direct relationship with coffee farmers.

To learn more: www.nestle-nespresso.com

1989
Nespresso S.A., a Nestlé Group company, is founded and launches a revolutionary system of pre-ground coffee inspired by Luigi Bezzera’s original espresso coffee concept.

1991
The first dedicated capsule collection system for aluminum recycling is introduced in Switzerland.

1994
The first Limited Edition Grand Cru is launched.

2003
The unique Nespresso AAA Sustainable Quality™ Program, designed to promote the sustainable production and supply of highest quality coffee, is launched.

2009
The new sustainability platform, Eco-Elaboration™, is created, expanding the sustainability effort across the entire value chain: from coffee sourcing to recycling and carbon accounting.

Launch of the third Grands Cru “Pure Origin” (Bolivaya de Colónia, Dulce de Brasil, India from India), extending the coffee range from 12 Grand Cru to 16. These three innovations were direct fruits of the AAA Program: Bolivaya enabled the regions of Cauca and Narino to belong to the AAA Program, thereby benefitting from premiums for quality, technical assistance and investments in new infrastructures. India was selected in 2005 as the new country of origin for Nespresso - India, where the AAA Program was also implemented. Dulce de Brasil was created thanks to the traceability of DNA to select the typical yellow and red bourbon that unifies its blend. This innovableness is one of the keys of the program.

2012
Nespresso is one of seven founding members of the Aluminium Stewardship Initiative (ASI), officially launched at the World Conservation Congress in Aix, South Korea. Within the ASI framework, Nespresso is working with the ICOS, civil society organizations and aluminum industry leaders to create a standard for aluminum sustainability by 2014.

2013
Nespresso Sustainability Advisory Board is created. The Grand Cru range for in-home enjoyment is extended to 23, enriching Club Members’ coffee tasting experience.
Engaging in long-term relationships with our stakeholders

Working together with our large and diverse network of stakeholders is the cornerstone of our sustainability approach. They range from people we regularly engage as part of our operations to those who support and challenge us to improve our sustainability performance.

We regularly engage with our Club Members and customers, the coffee farmers, communities and agronomists around our company, non-governmental organizations (NGOs), research firms that monitor and analyze our performance, the financial community, governments, academics and suppliers.

Main challenges:
- Educate and inform everyone within the company
- Make sure all stakeholders are aware of our sustainability efforts and understand what it means for them
- Ensure that everyone is fully engaged in this strategy

Governance focused on action

Rossano's commitment to sustainability rests with the CEO and the Leadership Team, who approve the direction and strategy. In July 2013, the company established the Rossano Sustainability Advisory Board (RSAB), composed of outside experts and thought leaders in the area of sustainability. Chaubote Chief Executive Officer Massimo Durante, RSAB was established to solidify views and provide insight and recommendations to develop the company’s long-term sustainability strategy, while serving as a tool for additional partnerships and prospective new initiatives.

We aim to have all employees involved in our sustainability journey – from the CEO on down throughout the supply chain and the various markets and, of course, in the countries of origin where the company sources its coffee. The Sustainability team is supported by outside experts when necessary.
Sustainability is embedded in our value chain from the coffee cherry to the cup, in order to offer Club Members the highest quality sustainable coffee.
Nespresso sustainability achievements

**Nespresso’s end-to-end approach**

Nespresso understands that integrating the concept of Creating Shared Value into its operations means that the entire value chain, from farmers to consumers, has to be considered. This is known as Nespresso in the end-to-end approach.

**Nespresso’s approach to setting priorities**

Creating Shared Value is a journey that must be embedded in the heart of an organisation. However, being efficient and making a difference also means being able to prioritise actions. Nespresso considers both the social and environmental dimensions as equally important in defining its strategy.

**Social dimension**

Consultations with sustainability experts have led this company to define its greatest social challenge as being with the coffee farmers, ensuring their livelihoods. Accordingly, this is where Nespresso focuses. Coffee farms typically are small family businesses, with less than three hectares of land on average. Most farmers have little education and few personal resources, often living in remote mountainous areas of developing countries. The emphasis is to improve their standard of living by increasing the premiums paid, investing in training on quality and productivity, to improve net income and in farm infrastructure.

On human rights and labour issues, Nespresso works with Rainforest Alliance criteria and certifies farmers to the ILO International Labour Organization’s Labour and human rights conventions.

**Environmental dimension**

Nespresso uses a life cycle assessment approach to determine where efforts to reduce its overall environmental impact should be focused. Results show that across the coffee value chain, the highest volumes of greenhouse gases (GHGs) come from three basic areas: use of the Nespresso machines, coffee growing, and pest and disease control. Other environmental indicators such as water consumption and the impact on biodiversity also have been assessed. The results for those indicators show similar conclusions to those for the carbon footprint, except for the coffee-growing step, which contributes significantly more to the indicators water consumption and impact on biodiversity. These issues are addressed through the three axes of the Ecolabelling™ Program.

Firstly, our work with machine design engineers and sustainable technology experts; secondly the AAA Program; and, finally, the company’s work with respect to capsule recycling and responsible aluminium sourcing.
Tomorrow’s challenges:
- Implement the AAA Program in Africa
- AAA criteria continuous implementation and improvement
- 100% AAA coffee sourcing
- Active communications with Club Members
- 100% sustainable aluminium sourcing
- 100% recycling capacity
Enhancing the Nespresso sustainability strategy

The Nespresso Sustainability Advisory Board (NSAB) is composed of experts and opinion leaders in the areas of sustainability, it has been established in 2013 and is supported by the 10-year AAA Program to solicit views and provide insights and recommendations to enhance the Nespresso long-term sustainability strategy, and to serve as a base for additional partnerships on new initiatives.

On 13th July 2013, global leaders in sustainability and long-time brand ambassador George Clooney joined Nespresso, as members of the company’s first Sustainability Advisory Board, to announce major new initiatives in the areas of farmer welfare and environmental stewardship.

Three new key initiatives

Nespresso has made good progress reaching each of its 2013 sustainability commitments. However, sustainability is a journey of continuous improvement and therefore we are determined to go further in the future to create shared value for the Nespresso community. In 2016, Nespresso set an ambition of providing the highest quality and most sustainable portioned coffee worldwide.

In 2017, the company announced its next objective: the Sustainable Coffee Cup, with ambitious commitments to be met by 2020.

The Nespresso 2020 commitments

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This strategy is based on the Nestlé approach to Creating Shared Value (CSV) and builds upon the significant steps that Nespresso has already taken over the last five years to improve farmer welfare and drive environmental sustainability in coffee sourcing and consumption.

Nespresso will invest CHF 500 million over a period of six years (2014–2020). Part of this investment will be used to establish a new Sustainable Development Fund, which will play a key role in channelising resources into specific sustainability projects. The new Nespresso targets focus on three main areas:

- Coffee sourcing and social welfare
- Aluminium sourcing, use and disposal
- Resilience to climate change

Nespresso commitments 2016–2020:

Coffee

- 100% sustainably sourced coffee
- 100% sustainably managed aluminium
- 100% carbon inserting

- Source 100% of the permanent range of Grand Crus coffee sustainably through the AAA Program
- Expand the capacity to roast all granular coffee
- Recycle Nespresso capsules collected by the company into new Nespresso capsul
- Source 100% of origal aluminium raw material
- Further reduce the carbon footprint by 10%
COFFEE

Pushing the boundaries of sustainable quality in countries of origin
Coffee sourcing
Nespresso AAA Sustainable Quality™ Program

1. Higher income and quality through premiums: Nespresso pays premiums for quality and sustainability to improve the livelihoods of smallholder coffee growers. Paying premiums for superior coffee and providing technical assistance encourages farmers to adopt and implement AAA required best practices.

2. Improved farm management and practices through supporting tools and technical assistance: Together with its partners, Nespresso has designed a range of practical farmer-centric tools and training to support farmers in their daily efforts to improve coffee quality and sustainability best practices.

3. Better social, environmental, and economic outcomes through mutually beneficial programs: The program is a voluntary initiative that depends on mutual support and trust between Nespresso and the coffee growers, as well as on a shared commitment to making progress. It is based on a continuous improvement approach through learning and scaling with our partners.

The AAA Sustainable Quality™ Program is a unique and innovative sourcing model developed with The Rainforest Alliance in 2003. It integrates farmers in the Nespresso value chain to protect the future of the highest quality coffee and secure the livelihoods of the farmers that grow them, while protecting the environment. The AAA Program distinguishes itself from other responsible-sourcing models by adding quality and productivity dimensions to sustainability principles (economic, social, and environmental).

- Continuous improvement: From farm management, quality yields, and income to quality of life and environmental protection.
- Long-term partnerships: With the coffee growers, coffee suppliers, development agencies, academic institutions, NGOs, local and national coffee federations and others.

Improving production costs, quality and yields through commitment to co-investment: Nespresso is committing significant funding with partners to facilitate specific projects such as infrastructure development and knowledge transfer, aiming to improve coffee quality and yields while reducing production costs and environmental impact.

Main challenges:
- Implementing the AAA Program for over 68,000 coffee farmers in eight countries of origin, mostly smallholders and often being located in remote areas.
- Approaching the Program into African countries, where buying processes limit traceability possibilities required by AAA.
- Developing a pioneering monitoring and impact-evaluation model due to lack of methodology and standards.

What is the Nespresso AAA Sustainable Quality™ Program?

The coffee grower is at the very centre of the Nespresso AAA Program.

AAA Program achievements

Nespresso committed in 2009 to sourcing 100% of its coffee from farms in its Nespresso AAA Sustainable Quality™ Program by the end 2013. In order to achieve this, Nespresso, together with its partners, has successfully integrated more than 200,000 hectares of coffee farms globally into the AAA Program. It means that these areas under cultivation are now part of an active sustainable-management program.

Since 2005, the number of coffee hectares in the AAA Program has increased from 10,000 to 290,000, and the number of farms from 200 to 50,000.

Main challenges:
- Source 100% of AAA coffee through the Program as Nespresso is continuously growing, sourcing from new regions and mostly smallholder farms, e.g. in Colombia and China.
- Secure increased volumes to meet consumer demand.
- Save costs by introduction of technology at a high level of efficiency.
- Minimize costs by improving the quality of coffee.
- Improve the social, environmental and economic outcomes in coffee-growing areas.

Percentage of annual volume of purchased coffee

<table>
<thead>
<tr>
<th>AAA</th>
<th>AAAAA</th>
</tr>
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<tbody>
<tr>
<td>2005</td>
<td>2006</td>
</tr>
<tr>
<td>10,000</td>
<td>20,000</td>
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<tr>
<td>Number of AAA farms</td>
<td>10,000</td>
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2007
Nespresso was listed in the Sustainable Brands list of the Sustainability-Most Admired Companies, the list of the highest-rated companies in Europe.

2012
Three farms from Colombia receive the Rainforest Alliance Sustainable Standard Green Globe Award.

2013
Three farms from Colombia receive the Rainforest Alliance Sustainable Standard Gold Certification.

2013
Two awards are given by Nespresso to the most improved AAA farms and farmers in Colombia to recognize their effort in improving the quality of coffee.

In 2013, the Nespresso AAA Farms and Agronomists Award is created, as all AAA estates, who meet the criteria, are to be certified annually.

"The coffee grower is at the very centre of the Nespresso AAA Program."
The AAA Program – a step-by-step approach

When coffee farmers join the Nespresso AAA Sustainable Quality™ Program, they must first complete a self-assessment of their current farm operations and activities. Straightforward and easy to follow, this assessment enables them to perform an initial evaluation of their farm performance in terms of sustainability and quality and provides an actionable diagnostic for improvement.

The Nespresso AAA Sustainable Quality™ Program is a voluntary initiative. Although Nespresso seeks active participation from farmers, there is no contractual obligation to join and no obligation to commercialize their coffee through Nespresso. When it has been demonstrated that a grower’s coffee meets the quality and aroma standards required by Nespresso, and the grower opts to join, the farm is considered to be in the AAA Program.

Participating farms will get support from Nespresso, through the TASSO™ tool for the Assessment of Sustainable Quality to implement the Nespresso quality criteria as well as the Rainforest Alliance sustainability criteria. The program also allows producers who have fulfilled the criteria to obtain Rainforest Alliance certification, which entitles them to an additional premium for the part of their harvest that is not sold to Nespresso.

Farm evaluation

Meeting highest coffee quality requirements

Enabling the AAA Program and creating technical assistance for quality and sustainability

Possibility of obtaining Rainforest Alliance certification

*The TASSO™ is the Nespresso tool for evaluating sustainability that covers best practice, such as traceability, protection of biodiversity, and employment conditions for workers. It serves as both a farm management, assessment and improvement framework. This unique methodology was co-developed with the Rainforest Alliance and other leading NGOs to assess farm performance against the SAN (Sustainable Agriculture Network) criteria on sustainability and highest quality farming. The results are subsequently verified by the Rainforest Alliance and SAN partners.

AAA Program criteria

The AAA Program sets rigorous environmental and social standards based on the Rainforest Alliance and the Sustainable Agriculture Network (SAN). The TASSO™ sustainability assessment screens 296 criteria covering 10 sustainability principles. The TASSO™ quality assessment covers up to 56 coffee bean quality criteria.

AAA farmers are supported in their efforts to improve and monitor their sustainability and quality performance with pragmatic and customized tools

2 Main challenge:
  * Encourage younger generations to continue farming and preserve the essential part of their coffee economy and cultural heritage
  * Ensure continuous sustainable farm management

Management - 33 criteria

Integrated waste management (16)

(196) Waste management

The vision and plans of waste management must be developed and the quantity generated by weight or volume must be recorded.

Self-management and contraception (17)

Water – 21 criteria

Water resource conservation (21)

Biodiversity – 26 criteria

Wildlife protection (13)

(192) Conservation of biodiversity

Tropical forests that provide habitat for wild life are conserved or protected through the farm during migration, useful for planting and retained as open land.

Ecosystem conservation (24)

Management systems (84)

Integrated crop management (16)

(198) Integrated Pest Management (IPM) programs, which include the use of non-chemical crop protection practices, monitoring of crop populations, training the personnel that does the monitoring and applying integrated pest management techniques, must be implemented.

Fair treatment and good conditions for workers (10)

Occupational health and safety (32)

(197) Commitment to health and safety goals on farm and the implementation of correct intervention actions.

Community relations (10)

(195) Community involvement

The farm must document and make available all complaints against the farm to external auditors as well as external bodies.
Coffee partnerships

Nespresso is working with a wide range of partners – including non-governmental organisations (NGOs), suppliers, academic and financial institutions – to establish the AAA guidelines, to raise awareness and ensure knowledge transfer to farmers, to finance new infrastructure projects and to continuously innovate and push the boundaries of sustainability. The AAA Program is independently verified by accredited organisations (e.g. Rainforest Alliance and Bureau Veritas).

Monitoring and evaluation of the AAA Program

Nespresso uses "Theory of Change" as a model to understand how to achieve its objectives aimed at securing a sustainable supply of quality coffee. Nespresso follows the progress of the AAA Program in real-time, through a series of initiatives including agronomist farm visits and action plans.

Nespresso has compiled detailed information in its centralised AAA database. With more than 10 million data entries accumulated since 2009, it contains information about each farm within the AAA Program, as well as quality and sustainability performance indicators. This enables the building of tailored action plans for farms and regions, specifically designed to achieve the strategic objectives of the AAA Program.

Compliance with the program, assessed through site visits by agronomists, is based on a farm's level of conformity with the AAA criteria. The graphic below reflects the compliance level of AAA farms whose data have been recorded in the AAA database since its creation.

79.8% overall AAA farms compliance

80.6% farms with fair trade certification
81.7% farms with UTZ certification
78.5% farms with Rainforest Alliance certification

Nespresso develops long-term direct relationships with coffee growers using innovative tools to monitor progress and define together actions plans.
Positive impacts

CREEC (Centro de Estudios Regionales, Ministerio de Agricultura) is an independent monitoring organization.

In Colombia, CREEC applied its sustainability index (sustainability impact model) to measure AAM performance versus a control sample. Based on a survey among more than 1,200 AAA farmers and non-AAA farmers, this study demonstrates significantly higher performance levels for AAA farms, with clear evidence of progress on social, environmental, and economic criteria.

Main challenges:
- Younger generation not motivated to stay in coffee
- Climate change: higher rainfall events and delays as well as unfair and temperature changes that affect quality and productivity.

Coffee growers’ satisfaction with sustainability initiatives (% satisfied)
- Control group: 82.5
- AAA: 80.9

The social index includes indicators that reflect good working practices, access to social services, and coffee farmers’ social perceptions. The difference in the social index for AAA farms was over 22% in 2011, in comparison to 2008.

The economic index includes variables associated with market knowledge, productivity, production costs, and farmers' economic perceptions. The difference in the economic index for AAA farms was approximately 22.5% in 2011, in comparison to 2008.

The environmental index includes good agricultural practices (GAP), soil and water conservation measures, and agroforestry. The difference in the environmental index for AAA farms was approximately 38.8% in 2011, in comparison to 2008.

Working together to build long-term shared value

Nespresso helps improve growers’ economic and social welfare in two ways: firstly, by increasing and expanding the market for high-quality coffees through continued innovation in the Global C Climate Range, then sharing the benefits of this growth by paying premiums and, secondly, by helping farmers increase the amount and quality of the coffee they grow sustainably—which means optimising production costs, while respecting the environment and human life. Nespresso pays a premium, approximately 30% to 40% above the standard market price and 10% to 15% above prices for coffees of similar quality.

The AAR Program seeks to shift farmers from an exclusive focus on revenues and coffee prices to a more balanced focus, which takes into account the various factors that impact how much money a farmer takes home. Through the Fair Farming Income (FFI) approach, farmers increase their incomes by means of improved productivity and quality, while at the same time reducing their costs through production efficiencies.

AAR Program requires farmers and other suppliers to commit to rigorous social requirements stipulated by the Rainforest Alliance, which include many of the requirements set by the International Labour Organization (ILO) concerning fair pay and working conditions, health and safety, protection and child labour, forced labour and discrimination, and the freedom to join unions, among others like, social co-operation at the local level. In addition, farmers receive training on a wide variety of skills—agriculture, business, certification, training, literacy, and health and wellness. A dedicated child labour task force has been created to regularly monitor this topic in the field and strive to achieve 100% compliance.

There are other unquantifiable but important benefits of the AAR Program that often are not captured by typical monitoring and evaluation research reports. For instance, farmers say they now take more care in the social, appreciate the better environment in which they now live (cleaner river water, for example), are more confident about their futures, and have more quality time to spend with their families.
Key challenges

There is a range of challenges, both macro (environment-related issues and issues related to the implementation of the program) which, combined, can make achievement of the AAA Program objectives complicated:

- Institutional intergovernmental relations
- Profitability
- Price volatility
- Political and social cause
- Climate change
- Small-scale farming
- Poverty
- Governance, transparency
- Access to financing
- Social protection
- Country infrastructure

Farms in the Magispos AAA Sustainable Quality® Program implement sustainability practices with the aim to protect and enhance ecosystem services linked to coffee cultivation based on the "14Q" criteria (90 different environmental criteria). Benefits for the environment are analyzed during agreement visits by the farms and recorded in the AAA database. The specific monitoring studies such as CREC environmental index (see page 43).

To complement these on-site assessments, it is also possible to quantify the potential environmental impacts using life cycle assessment methodology. Applying all the AAA criteria reduces the potential environmental impacts of coffee growing by 45% to 89% (depending on the environmental indicator considered), compared to coffee that does not comply with any of the stringent criteria.

Environmental life cycle assessment

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Environmental life cycle assessment helps illustrate how applying the AAA criteria for coffee production leads to a reduction of the environmental footprint.
Case studies – AAA Program in action

Central Mill – Jardin, Antioquia – Colombia

The central mill was completed in 2010. It includes a “sweat mill” where the natural fermentation and washing process to initia the coffee bean from the cherry takes place, as well as 3,000 square meters of solar drying capacity, where the green coffee beans, with parchment are sun-dried before being hulled, sorted and graded.

Achievements:
- Farmers have doubled the volume of coffee sold that is in accordance with the Nespresso quality and sustainability criteria, helping them secure higher premiums and increasing their net income by 17%.
- Farmers save approximately four hours per day during the harvest and avoid labor-intensive tasks.
- Water usage has been reduced by 63% (from 25 liters to 11 liters per kg of coffee).
- 100% wastewater is treated and leftover pulp re-used as compost.

Creating shared value in Cauca and Narino

Achievements:
- 1,968 wet-milling wastewater ecological treatment systems installed (SITROP): 22.33 household residual water treatment systems (Ignaque II).
- 3,322 household residual water treatment systems (Copacabana).
- 3,563 waste management systems.
- 4,226 benches.
- 1,708 teacake management.
- 4,371 maps of farms.
- 3,069 warehouses for improving storage conditions on the farms.
- 370 pieces of personal protective equipment (PPE).
- 1,120 additional staff hired.
- 4,700 farms are now connected to a financial infrastructure for coffee processing.
- 5,760 hectares renovated.
- 1.2 million plants delivered.
- 97 agronomists trained.

Ongoing commitments: In May 2012, Nespresso signed an agreement with the Colombian Coffee Federation (FNC), the Rainforest Alliance, Fundación Naturalia, Organo and Expecta to further strengthen the AAA Program in Colombia over a five-year period.
- An additional $5 million U.S. dollars co-investment with partners.
- 75% of Nespresso financial commitment to provide direct incentive premiums for farmers.
- 25% of Nestle’s commitment will be utilized to provide technical assistance and training.

Nespresso has built a successful long-term relationship with Colombian partners to improve quality, sustainability and social responsibility amongst farming communities.

Main challenge: Supporting over 40,000 small farms (1-3 hectares on average) with low productivity and profitability. Many of them not easily accessible.

Central America: cooperation with IFIC and ECOCM

Achievements:
Since 2007, around 5,600 farmers in four districts in Mexico, Guatemala, Costa Rica and Nicaragua have been trained in sustainability and productivity best practices.

The project, a partnership between Nespresso, International Finance Corporation (IFC), a member of the World Bank, Cofinuco and ECOCM, a coffee supplier, has helped farmers to improve in all three areas of the Nespresso AAA Sustainable Quality™ Program: quality, sustainability and productivity.

The IFC reports that “The initiative has since enabled more than 12,000 Central American farmers to sell to Nespresso, earning $2.7 million in sales premiums for the independently verified, high-quality coffee they now grow.”

Educational project with Root Capital

Achievements:
- Over 40 workshops were conducted, providing training in basic accounting, internal credit management, organizational management and overall financial literacy for over 300 farmers in Mexico, Nicaragua, Guatemala and Costa Rica.
- These farming groups are now benefiting from strategic plans, governance and the know-how to request loans needed to improve the sustainability of their farms.

Public-Private Partnerships (PPP)** initiatives. More than 20 PPPs have been established to date.

**PPP: Public-Private Partnership.
SYSTEM AND DISTRIBUTION

Taking responsibility for environmental performance across the entire value chain
Packaging – the benefits of aluminium

Neopressor has made aluminium its material of choice for packaging the coffee and preserves its high quality and aroma. The unique properties of aluminium have made it the perfect coffee contact and keep its freshness. The high-quality, aroma and flavour of the coffee. Aluminium can also be easily recycled without losing quality. Furthermore, results of a life cycle assessment comparing the environmental impacts of the Neopressor aluminium capsule with other capsule systems that are compatible with the Neopressor system showed that the aluminium capsule has a lower impact on the environment than the alternatives considered. Neopressor is proactively addressing related environmental issues by focusing on capsule recycling.

A peer-reviewed environmental life cycle assessment has been performed in 2011, comparing the environmental impacts of different capsule systems made with Neopressor machines (see figure below). The key findings are:

- Overall results showed that other materials wouldn’t bring any significant advantages.
- The consumer does not recycle the capsule (behavioral attitude is considered). For aluminium capsule systems, approximately 76.1% less environmental impact than the alternatives.
- The consumer does not recycle the capsule, the difference increases at least 11%.

- End-of-life alternatives have a significant influence on the final conclusions. Recycling allows for a much lower environmental impact for the aluminium capsule compared to landfilling or incineration (16%).
- The fact that the aluminium capsule plays a role as both consumer and barrier in another key factor. Capsules made of other materials often need secondary packaging to provide a barrier against oxygen and light, which means an additional impact and a logistic for distribution that is less efficient.

However, aluminium recycling is not the only way to improve environmental performance of capsules. It is true, even a small player as Neopressor takes a pioneering role in promoting more sustainable aluminium sourcing. Since 2020, Neopressor has been working together with the IUC (International Union for Conservation of Nature) and civil society organisations and aluminium industry leaders to develop the Aluminium Stewardship Initiative (ASI). The mission of the ASI is to foster greater sustainability and transparency throughout the aluminium industry. By the end of 2014, the ASI will set up a standard for sustainable aluminium sourcing to advance responsible aluminium practices in governance, as well as environmental and social performance.

Aluminium recycling

At aluminium offers significant benefits to protect quality, aroma and freshness of coffee, it enables Neopressor to avoid over-recycling their capsules. But, the production of aluminium (from bauxite ore) is a very energy-intensive process that consumes huge quantities of electricity. The energy needed to produce secondary aluminium is much less – only about 5% of what is required to produce primary metal. Accordingly, there is a strong incentive to reuse aluminium, knowing that it is infinitely recyclable. The main challenge is to ensure collection of the aluminium waste stream. Neopressor started its aluminium capsule recycling program in Switzerland with a dedicated recycling initiative launched in 1991. Since then, Neopressor has worked with numerous stakeholders to develop capsule collection schemes tailored to the recycling process and logistics of different countries around the world.

Neopressor has pursued various approaches to capsule collection:

- Collection points in Neopressor boutiques.
- Collection points at community house recycling centres.
- Doorstep collection of used capsules when new capsules are delivered, through the Neopressor Recycled@Home initiative.
- Collection points at Neopressor retail partner stores and pick-up points.

Capsule collection has also facilitated reinstalling used coffee grounds. For instance, coffee grounds can be burned to recover energy and used as fertilizer, burger or for soil perfusion. Producing new capsules from the aluminium recovered from used capsules is technically feasible. Neopressor is currently evaluating logistics and supplies to find the best options.

Recycling limits impacts on the environment. Neopressor is building on 20 years of recycling experience and has taken a leadership role in sustainable aluminium sourcing.

Main challenges:
- Improving recycling rate with increased engagement from Club Members
- Establishing new standard for a sustainable aluminium value chain

For more information:
- Recycling aluminium limits (up to 95%) less CO2 equivalent compared to primary aluminium
- Secondary aluminium (from recycling)
The Nespresso recycling system

Nespresso’s end-to-end approach

With some 14,000 collection points, Nespresso’s capacity for recycling used aluminium capsules continues to expand. The components of the recycling process, coupled with varying levels of public engagement and legislation, make a standardised approach to collecting used capsules difficult.

There are currently two options to collect capsules. By using the national packaging collection systems, customers can return the used capsules in their Nespresso machine or to a participating retail outlet. Nespresso has also introduced its own dedicated collection programme called "It’s Easy," which collects used capsules through a network of collection points across Europe.

Nespresso has taken its leadership in recycling to the next level by supporting innovation in recycling technology and developing partnerships to improve the recycling of aluminium in general. A good example is the Club for Aluminium and Steel Light Packaging (CEELA) joint initiative in France.

Supporting innovative recycling technologies

Nestlé has continued its leadership in recycling technology and has introduced the "Recycling@Home" programme, which collects used capsules through the mail. The programme has been successful in several countries, including Switzerland and Italy.

Nespresso has exceeded its objective to ensure a recycling capacity of 75% by 2013 by developing tailor-made capsule collection solutions.

Capacity continues to grow

Nespresso currently has capsule-recycling programs in 30 countries. Ensuring that adequate collection capacity is in place is a prerequisite to actively promoting recycling among customers.

For more information:

http://www.nespresso.com/recycling

A recycling centre collects capsules from the aluminium foil

© Nespresso 2014

Countries with capsule-recycling programs

- Argentina
- Brazil
- Canada
- USA
- Austria
- Belgium
- Finland
- France
- Germany
- Italy
- Ireland
- Luxembourg
- Poland
- Portugal
- Spain
- Netherlands
- Norway
- Sweden
- Switzerland
- UK
- Austria
- Belgium
- China
- Hong Kong
- Indonesia
- Japan
- Singapore
- South Korea
- United Arab Emirates
- United States

Status: 01/2014

A capsule collection point in Germany

Nestlé Aluminium recycling process in a compact,

white aluminium foil and aluminium capsule producer.

Nespresso has continued its leadership in recycling technology and has introduced the "Recycling@Home" programme, which collects used capsules through the mail. The programme has been successful in several countries, including Switzerland and Italy.
Design and optimisation

At Nespresso, the environmental impact of packaging is diminished by the production of the capsule and the secondary packaging, which is composed mainly of cardboard. Optimisation of material and space requirements is one of the top priorities of the logistics team. For both financial and efficiency reasons, smart packaging design is a win-win situation, as consuming less material and less space also means reducing the environmental footprint and streamlining costs. Capsules: Thanks to the double function (container and protection) of the capsule and its retail packaging, it is possible to store and transport approximately 25,000 capsules per cubic metre.

Secondary packaging at Nespresso: Nespresso is working to reduce its environmental impact through improved packaging design and responsible sourcing. For example, 100% of cardboard used in capsule sleeves (cardboard in which the capsule are packaged) and capsule shipping boxes follows the Nordic Responsible Sourcing Guidelines. This is a good way to ensure sustainability, not only in forestry but also in environmental management at mills. 100% of the printed material, such as brochures, 11kgs and sleeping bags are Forest Stewardship Council (FSC) certified.

Wire-side situation: ‘Less is More’ has reduced packaging sizes for all PREP cups and glass espresso cups by 50%, thereby significantly reducing the amount of cardboard used as well as space requirements for storage and logistics. Additionally, packaging sizes for eight additional accessories have been reduced by anywhere from 26% to 65%.

Machine packaging: For the KRs1 machine, packaging without polyethylene was designed and tested. The resulting life cycle assessment showed that replacing polyethylene by cardboard is not only always beneficial, as more cardboard is required to protect the machine. Guidelines are now in place for the design of all new machine packaging addressing both cost and environmental indicators.

Manufacturing and boutiques

Each new Nespresso manufacturing plant deploys the best available technologies, chosen with regard to both environmental and financial considerations. Saving energy makes a reduction in costs as well as a reduction of the facility’s environmental footprint. This focus is evident at Nespresso’s production and distribution centers, where a number of new technologies have been implemented.

At the production centre in Orbe, Switzerland, we have implemented a system that uses inner water to cool the factory. 100% of the green coffee is delivered to the factory by rail.

The following sustainability practices are in place at the production centre in Avenches, Switzerland:

- Advanced roasting techniques: see reducing energy consumption by 14% to 20%, compared with earlier technologies.
- An innovative energy-recovery system provides heat for the factory; using 200,000 m3 of natural gas per year.
- 100% of green coffee is delivered by rail, which is also the mode of transport favoured by the majority of other shipments.

Nespresso committed to obtain the LEED certification leadership in Energy & Environmental Design (LEED) certification process is under way at the company’s production centre in Romain, Switzerland, scheduled to become operational in 2015. LEED certification is recognised across the globe as the premier mark of achievement in green building. Among the initiatives being undertaken to qualify for LEED certification, the new facility will be connected to a district heating network that permanently utilises wood as a renewable fuel source, and will be supplied with electricity from sources approved for carbon-neutral generation.

The facility will be equipped with a solar panel array. The site will also support the community by providing an outdoor park for the local schoolchildren.

Nespresso is committed to reducing its carbon footprint through the implementation of sustainable production practices, which include:

- Reducing water consumption at our production plants by 50%.
- Conserving energy at our production plants by 10%.
- Reducing waste generation at our production plants by 20%.
- Using renewable energy sources for our production plants.

Sustainability in boutiques:
- At the end of 2013, Nespresso had an international network of more than 400 boutiques. Activities are being taken in various countries to reduce the environmental footprint of Nespresso’s retail operations.
- Recycling corner: a feature of all new and renovated Nespresso boutiques.
- A Nespresso boutique in Munich is BREEAM certified (the Building Research Establishment, Environmental Assessment Method is considered the world’s leading standard for sustainable buildings). The San Francisco boutique is LEED certified (gold standard).
- In 2013, LED lighting supplemented the use of halogen fixtures in new and renovated boutiques. The reduction both electricity consumption and the need for air conditioning.
- Nespresso has chosen a new air-conditioning supplier rated best in class in terms of energy consumption.

Implementing the most efficient technologies available is often a smart long-term investment. It reduces the environmental impacts as well as overall costs.
Coffee preparation

Based on the results of the life cycle assessment, the electricity consumption of coffee machine usage has been identified as the main area of impact to address in order to reduce the environmental footprint of a cup of coffee. The systematic introduction of stand-by and auto-power-off modes into machine ranges since 2009 has already led to a significant decrease in the machine’s electricity consumption and, thus, their environmental impact. Strengthening for continuous improvements, Nespresso constantly monitors the latest energy-efficient technologies with a view to incorporating them into the design of new Nespresso machines. In addition, Nespresso has been taking eco-design a step further by testing new packaging materials.

Sustainable machine milestones

- From 1998 to 2009: No environmental considerations with respect to machine design
- 2009: New models: auto stand-by after 30 minutes:
  - Essence: potential of recyclability of materials through WEEE*: 60%
  - 2010:
    - Auto power-off after nine minutes: Class A – 40%
    - Two out of six colors of PMSB materials made of post consumer recycled capsules with recycled aluminium
    - PWB machine: package in oranges only
    - Potential of recyclability of material through WEEE*: 52%
- 2012:
  - Auto stand-by after nine minutes: Class A – 40%
  - Launch of the L30 model: containing 20% post-consumer recycled ABS* content
  - Potential of recyclability of material through WEEE*: 58%
  - 3B3 machines (Zenos) with insulated thermoblock to save energy

*ABS: a strong, lightweight plastic
**WEEE: Waste Electrical and Electronic Equipment
Innovating to increase recycling

Increasing recycling capacity is not sufficient in itself to ensure that large numbers of consumers will recycle their coffee capsules. Club Members often face inconveniences ranging from lack of storage space and the absence of easy to access collection points to simply being unable – or unwilling – to take the time and effort required to sort and return their capsules. Hence, Nespresso is striving to develop innovative solutions that will make recycling as easy as possible. For example, a new Nespresso® iPhone App helps Club Members identify the closest collection points to return their used capsules for recycling.

Nespresso has also put in place a Recycling@Home initiative in 13 countries, where the postal service picks up used capsules when delivering a new order directly to the consumer’s home or office. Despite our best efforts, there will inevitably be some consumers who fail to recycle. However, Nespresso is addressing this behavioural challenge as well, and will continue working hard to inform and encourage recycling.

Engaging on sustainability

Nespresso regularly engages with Club Members to assess their satisfaction in regards to its sustainability strategy. The first-hand feedback and insights feed into understanding of client attitudes and expectations and helps Nespresso identify priority actions and communication needs.

However, getting the message across globally about some of Nespresso’s more complex sustainability initiatives – like the AAA Program, its partnership with the Rainforest Alliance or carbon footprint – is a challenge but also an opportunity to find innovative communication approaches to inform better the consumer on sustainability and increase engagement.

2 Main challenges:
- How to effectively communicate sustainability stories and challenges that matter to consumers.

Develop innovative programs where consumers can contribute together with Nespresso and its partners for a sustainable and positive impact.

When farmers meet consumers

As part of the 10th anniversary of the AAA Program, Nespresso launched its AIA Farmers and Agronomist Award. The winning agronomists and farmers from Colombia had the opportunity to visit Nespresso’s production centres and meet with Club Members in France and Switzerland in March 2013. These events were rich in emotion and exchanges. They added social value and a history to the cup of coffee that consumers drink every day, serving as well to connect Club Members to the farmers at the origin of the Nespresso Grand Cru.

In 2013, Nespresso also partnered with internationally renowned photographer and celebrated humanitarian to portray the farmers who consistently deliver the highest quality coffee to create Nespresso Grand Cru. The resulting “Soul of Coffee” exhibit was displayed at Berger de Sene in Paris and New Gardens in London, as well as in bohemian worldwide during the summer. This exhibit was designed to pay homage to coffee growers, their work, and commitment to quality and sustainability.

I wanted to say thank you for this encounter with Club Members in Switzerland. I am proud to see how my coffee is appreciated in Europe. I am touched to see the care you take to reveal the coffee we produce for you in this small capsule.

Rosa Elena Lopez de Soto ▪️ AAA farmer from Caldas ▪️ Colombia

After many years of integrating sustainability and creating shared value across its value chain, Nespresso aims to engage with consumers to go even further. The company is a major contributor to efforts aimed at pushing the boundaries of sustainability to achieve a greater positive impact.
Impressum

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