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 half way 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 to enhance the Nespresso consumer experience by integrating sustainability into our value proposition.

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

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 COP 21 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
- 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 (AS6). We estimate that 56% of our capsules are valorized after use. However, sourcing “AS1 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
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CREATING SHARED VALUE IS AT THE HEART OF OUR CONSUMER PROPOSITION.

How does Nespresso take responsibility for sustainable consumption?

Efrain Ibañez and Arnaldo Cifuentes, AAA agronomist and farmer from Huehuetenango, Guatemala tasting coffee in the Lausanne boutique, Switzerland.
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

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

Our 2020 ambition and goals

Total company engagement

<table>
<thead>
<tr>
<th>Goal</th>
<th>2016 achievements</th>
<th>status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest CHF 500 million in The Positive Cup (2014-2020)</td>
<td>CHF 197 million</td>
<td></td>
</tr>
<tr>
<td>Empower everyone in our company to contribute to our sustainability agenda</td>
<td>Strategy in execution, employee training rolled out</td>
<td></td>
</tr>
<tr>
<td>Catalyse innovation through the Nespresso Sustainability Innovation Fund</td>
<td>Two projects co-funded in the NSF USD 9 million blended capital</td>
<td></td>
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“...you cannot have a sustainable proposition to your consumers if you are not implementing sustainability practices in your business.”

Arnaud Deschamps, Market Head, Nespresso France
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 González, Chief Customer Officer, Nespresso

Chef Theo Randall, tasting the new range of exclusive selection coffees, in a glass designed especially for Nespresso by Riedel

Daniel Delgado, AAA agronomist from Colombia, during a coffee tasting in Avenches factory, Switzerland
“Our sustainability investments are part of the brand experience and valued by consumers in every cup.”

Hélène Moncorger, Chief Financial Officer, Nespresso

OUR VALUE CHAIN
SUSTAINABLE PRODUCTION AND CONSUMPTION ARE INTEGRATED INTO OUR END TO END MODEL

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

Source
Scope
• Aluminium Tier 1 suppliers

Program
• Aluminium Stewardship Initiative (ASI)

Independent acknowledgement
• SMETA compliance
• ASI certification (from 2018)

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)

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 Grands Crus
• Two exclusive selections for fine dining

Independent acknowledgement
• >5.5 million Facebook fans
• >700 Michelin star restaurants

THE POSITIVE CUP
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 Action
- **SDG 15**: Natural Capital
- **SDG 16**: Peace
- **SDG 17**: Partnerships

**OUR JOURNEY**

**FOR 30 YEARS, WE HAVE BEEN 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.

**2000**

Prototypes of the first system to deliver barista coffee quality at home

**1986**

**OUR PORTIONED COFFEE SYSTEM WAS BORN**

The life cycle assessment highlights the importance of Scope 3 (emissions that are a consequence of our operations but are not owned or controlled by Nespresso)

**1991**

**THE FIRST RECYCLING SYSTEM** dedicated to Nespresso capsules in Switzerland

**2017**

The first Creating Shared Value report in accordance with the GRI Guidelines

**“We have identified 11 of the 17 Sustainable Development Goals where we can make a contribution.”**

Jérôme Pérez, Global Head of Sustainability, Nespresso
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.

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

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.

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.

85% of our employees feel engaged in the company (+7pp vs. 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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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.

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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 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 agribusiness 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 working with Harvard University on the Natural Capital Protocol, the Yale School of Forestry and Environmental Studies to analyse agroforestry benefits in Colombia, and we have supported a University of Cambridge postgraduate project to assess the return on investment of the AAA Program.

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.

USD 88m additional investment by partners in the regions where we source coffee (2007-2015)

What's next

Explore investment opportunities through the Nespresso Sustainability Innovation Fund in recycling and circular material management.
**GOVERNANCE**

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

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.

**LEADERSHIP**
- Nespresso Leadership Team
- Nespresso CSV Global Team
- Nespresso Operations Sustainability Council
- Nestle Brands and CSV Advisory

**Scope**
- The Positive Cup Strategy Partnerships
- Nestle Alignment

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

**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.


**CONSULTATION AND PARTNERSHIP**
- Nespresso Sustainability Advisory Board
- Nespresso Sustainability Innovation Fund
- Multi-stakeholder Coalitions

**Scope**
- Global/Local Advisory and Implementation

**COMMERCIAL OPERATIONS**
- Market Heads
- Local Sustainability Champions
- Coffee Ambassadors
- Technical Quality Managers

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

**COMMERCIAL OPERATIONS**
- Procurement Network
- Factory Managers
- SHE and Quality Managers

**Scope**
- Strategy implementation on site

**TECHNICAL OPERATIONS**
- AAA Regional Managers
- Agronomist Workforce

**Scope**
- Farmer Relationship Management
- Supplier implementation
- Sustainable Quality Management

**COFFEE FIELD OPERATIONS**
- 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

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

How does Nespresso ensure sustainable quality coffee?

AAA green coffee bags awaiting export at Cooperativa de Caficultores de Aguadas, Colombia
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

1-2% of worldwide coffee meets our quality standards

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

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.

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</td>
</tr>
<tr>
<td></td>
<td>CHF 2.6 million in innovative solutions</td>
</tr>
</tbody>
</table>

“The big challenge going forward is to engage consumers with the benefits of sustainable production.”
Lawrence Pratt, Senior Lecturer, INCAE Business School

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

Significance of Nespresso impact

Resilient farming communities
- Quality and productivity
- Economic stability
- Intergenerational succession
- Climate adaptation

Coffee landscape conservation
- Reforestation
- Biodiversity conservation
- Water stewardship

Consumer experience
- Transparency
- Terroir discovery
- Product innovation

Stakeholder concern
- Human rights
- Rural development
- Women’s empowerment
- Climate change

Company
- Responsible marketing
- Traceability
- Resource efficiency & waste
- Natural capital
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.

"We’re proud to have helped build AAA. It’s working to drive our shared mission and achieve meaningful social and environmental impacts."

Nigel Sizer, President, Rainforest Alliance

CHF 35m/year – yearly investment in technical assistance and premiums to farmers

The celebration of the late harvest coffee Naora, launched in 2012 with the community of Pinchote, Colombia

The Rainforest Alliance and Nespresso have been working together since 2003 in the design and development of the AAA Program. This collaboration led to the concept of Sustainable Quality and its deployment at farm level, combining the socio-environmental criteria of the Sustainable Agricultural Network (SAN) with the quality expertise of Nespresso. As part of more recent work, the collaboration also led to the piloting of the Rainforest Alliance/SAN climate module with the AAA farmers of the Huehuetenango cluster in Guatemala and the Monitoring and Evaluation tool of the AAA Program.

rainforest-alliance.org

san.ag/web
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, Narino 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.

Federaciondecafeteros.org

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.

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)

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

“Technical assistance, such as the kind provided by FNC and Nespresso on AAA is, in my view, essential to build trust with coffee producers.”

Roberto Velez, Chief Executive Officer, Colombian Coffee Growers Federation
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 incentivise 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, benefiting around 1,100 AAA and Fairtrade-certified farmers, of which 35% saved additional money. The popularity of the initiative means that non-AAA farmers are enrolling. To our knowledge, a further 35% saved additional money. The popularity of the initiative means that now even non-AAA farmers are enrolling. To our knowledge, a further 20% of the Colombian Government, on top of farmers’ investment into the savings plan.

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 central 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 Calexport 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

Central Mill, Jardin, Colombia

The objective of this 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 in an innovative solutions (savings plan and community milling) 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 Calexport and USAID:

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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.

*LAG Coordinadores Latino Americanos y del Caribe de Pequeños Productores y Trabajadores de Comercio Justo

What’s next

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

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. Risk Guard 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.

* Source: CRECE
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 terroirs 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.

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

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

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.

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 TASQ™ 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.

"Kenyan and Ethiopian coffees offer unique qualities. There are significant opportunities for improvement that require different ways of working."
William Warshauer, President, TechnoServe

Shemole and Challa Didamo receiving the AAA Farmer’s award 2014, Sidama, Ethiopia
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. At the end of 2016, 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.

**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.

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**SOUTH SUDAN, THE BOMA REGION:**

**CRADLE OF COFFEE**

The United States Agency for International Development (USAID) has contributed to a number of Nespresso projects in the areas of community resilience and economic development in Colombia.

In 2016, they signed a three-year partnership for USD 3.18 million with Nespresso and TechnoServe to strengthen efforts to rebuild the coffee industry in the new country of South Sudan.

The United States Agency for International Development (USAID) has contributed to a number of Nespresso projects in the areas of community resilience and economic development in Colombia.

**usaid.gov**

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**Jennifer Poni receiving the Nespresso Sustainability Award from Patrice Bula, Executive Vice President at Nestlé**

Jennifer Poni is a leader in South Sudan’s coffee industry and a trailblazer for women farmers in her community. Having fled the war in the 1970s, she is now the first AAA agronomist in South Sudan, working with TechnoServe, teaching best practices such as stumping and pruning. She shows farmers – and in particular women in the community – how they can reap the rewards of sustainable coffee growing.

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**A closer look at Jennifer Poni**

Agronomist Jennifer Poni is a leader in South Sudan’s coffee industry and a trailblazer for women farmers in her community. Having fled the war in the 1970s, she is now the first AAA agronomist in South Sudan, working with TechnoServe, teaching best practices such as stumping and pruning. She shows farmers – and in particular women in the community – how they can reap the rewards of sustainable coffee growing.

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**THE POSITIVE CUP**

**COMPANY**

**COFFEE**

**ALUMINIUM**

**CLIMATE**
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.

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.

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

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).

Interactive data reporting from F.A.R.M.S. used by management

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

THE POSITIVE CUP

Since 2009, Nespresso has put effort into building a comprehensive and robust monitoring and evaluation system using advanced technology.”

Carlos Ariel Garcia, Project Coordinator, CRECE

Progress report on the AAA Program

2016 ACHIEVEMENTS

Volume traceability

LATIN AMERICAN AND ASIAN FARMS

98% assessed

1.8 average non-compliant criteria (vs. 16 criteria)

FAIR LABOR ASSOCIATION

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).

• Protective clothing for agrochemical application
• Occupational safe storage
• Waste water treatment
THE SCOPE OF THE AAA PROGRAM

OVER 70,000 FARMERS ARE PART OF THE AAA PROGRAM

MEXICO
SINCE 2004
>1,300 FARMS
≈3,800HA

GUATEMALA
SINCE 2005
>1,300 FARMS
≈3,800HA

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

NICARAGUA
SINCE 2003
>60 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

SOUTH SUDAN
SINCE 2015
>700 FARMS
≈420HA

ETHIOPIA
SINCE 2012
>14,600 FARMS
≈3,900HA

KENYA
SINCE 2014
>7,400 FARMS
≈2,000HA

INDIA
SINCE 2011
>1,300 FARMS
≈32,000HA

INDONESIA
SINCE 2014
>970 FARMS
≈1,070HA

THE POSITIVE CUP

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 a manager of an association of around 70 coffee farmers in the area.

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

Arnoldo has transitioned from a family farm to a business farm with specific goals. This included the cultivation of specialty coffees, preserving the environment and satisfying the people involved, from his employees to the final consumer.

Diogo Dias Teixeira de Macedo
AAA Farmer in Brazil
Vale do Grama
AAA Farm size: 596ha
(220ha of coffee)
Joined AAA in 2009

Diogo has helped Diogo transition from a family farm to a business farm with specific goals. This included the cultivation of specialty coffees, preserving the environment and satisfying the people involved, from his employees to the final consumer.

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

Isaya has helped Isaya transition from a family farm to a business farm with specific goals. This included the cultivation of specialty coffees, preserving the environment and satisfying the people involved, from his employees to the final consumer.

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

82% of our coffee is sourced via the AAA Program

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

82% of our coffee is sourced via the AAA Program

300,000ha managed by AAA farmers

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

73% of the AAA farmers are smallholders located in Colombia and Ethiopia
OUR CHOICE OF ALUMINIUM REQUIRES ENGAGEMENT IN SOURCING AND RECYCLING

How does Nespresso unlock solutions for the circular use of aluminium?
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.

“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

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.

75% of the aluminium ever produced is still in use today

67% is the energy saving of using sustainably mined and refined (ASI) aluminium

Our 2020 ambition and goals

End to end sustainably managed aluminium

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<td>Offer convenient recycling solutions to all our consumers</td>
<td>86% collection capacity</td>
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<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>
</table>

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.

“Aluminium is a sustainable and even permanent material – it is produced, used and endlessly recycled without losing its intrinsic and valuable properties.”

Maarten G. Labberton, Packaging Director, European Aluminium Association

86% of the carbon footprint of aluminium occurs between mining and production

95% Producing aluminium from already-used aluminium saves energy by 95%
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 scraps 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
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 certain countries (e.g. Germany, Sweden and Finland) consumers simply dispose of their capsules in the same way they do for other household packaging – via the relevant Packaging Recovery Organisation (PRO) scheme. 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.

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

**CAPSULE LIFE CYCLE MANAGEMENT**

**RECYCLING IS A COLLECTIVE RESPONSIBILITY TO UNLOCK THE VALUE IN ALUMINIUM**

“**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.

**Progress report on used capsule valorization**

**2016 ACHIEVEMENTS**

- **56%** of post-consumption capsules are valorized
- **24%** from capsule collection capacity
- **32%** from other processes

**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 POSITIVE CUP**

The recycling at home solution in Switzerland

Since 1993, Nespresso has been working with Duales System Deutschland (DSD) in Germany to access the collective system for capsule recycling. DSD has been an important advocate and ambassador for the collection of small metal packaging materials, and more broadly for a new circular economy. This has enabled Nespresso to benefit from an aluminium packaging recovery system which generates a high 85% recovery rate in the country.

gruener-punkt.de

“Sitôt votre café terminé... ...il recommence une nouvelle vie.”

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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%
KEY PARTNER:
UPS
INCREASE OF RECYCLING RATE VS. 2015:
+4PP

FRANCE
RECYCLING IN PLACE SINCE:
1991
COLLECTION CAPACITY:
100%
KEY PARTNER:
BAREC
INCREASE OF RECYCLING RATE VS. 2015:
+8PP

SWITZERLAND
RECYCLING IN PLACE SINCE:
1991
COLLECTION CAPACITY:
100%
KEY PARTNER:
ECO-EMBALLAGES
INCREASE OF RECYCLING RATE VS. 2015:
EQUAL

25 YEARS CELEBRATION
OF RECYCLING
CONSUMER CAMPAIGN

2008
91%
ECO-EMBALLAGES
EQUAL

2010
100%
AUSTRALIA POST
+2PP

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. Consumers can recycle their capsules either through a UPS mailback program or by dropping off capsules at Nespresso boutiques or selected retail partners. In addition, the team is always looking for new ways to recycle the capsules to make it as convenient 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

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

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

G4-6, G4-9, G4-16

THE POSITIVE CUP

“Désormais, déposer vos capsules Nespresso dans le bac de recyclage, c’est possible !”
Nespresso Club Member, France

Countries with both dedicated and collective collection systems

Countries with a dedicated collection system

Countries with a collective collection system

The number of Technical Quality Managers overseeing recycling solutions worldwide

86%

G4-6, G4-9, G4-16

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G4-6, G4-9, G4-16
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.

With no action on climate, many coffee producing regions will lose suitability for cultivation of Arabicas by 2050. Dr. Aaron Davis, Senior Research Leader, UK Royal Botanic Gardens

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.

Our 2020 ambition and goals

Integrated actions on climate change

<table>
<thead>
<tr>
<th>2016 achievements</th>
<th>status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the carbon footprint of a cup of Nespresso by 28% vs. 2009</td>
<td>-19.4%</td>
</tr>
<tr>
<td>Insert 100% of our company’s operational carbon footprint (Scope 1 and 2 GHG emissions equivalent to the global volume of capsules sold)</td>
<td>100% inset</td>
</tr>
<tr>
<td>Strengthen coffee landscape resilience through extensive tree planting towards 5 million</td>
<td>1.4 million trees planted</td>
</tr>
</tbody>
</table>
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.

**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.

**Progress report on carbon mitigation**

**REDDUING 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>2021</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**INSETTING THE COMPANY’S OPERATIONAL CARBON FOOTPRINT**

(Scope 1 and 2, equivalent to the global volume of capsules sold since 2015)

<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>2021</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Coffee 19%**

**Packaging 18%**

**Operations (Scope 1 and 2) 3%**

**Operations (Scope 3) 8%**

**Consumer use of machine 47%**

**After use management 5%**

**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 AAA carbon M&E
- 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

“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.”

Sébastien Humbert, co-founder Quantis

**What is LCA?**

Life Cycle Assessment (LCA) is a recognised tool used to identify and quantify the key environmental impacts of a product. We use this methodology primarily to support our decisions on carbon mitigation actions, as well as to compare the environmental performance of different modes of coffee preparation in a consistent way.
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.

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.

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</td>
<td>-27%</td>
</tr>
<tr>
<td>Carbon footprint</td>
<td>-14%</td>
</tr>
<tr>
<td>Procured renewable electricity*</td>
<td>100%</td>
</tr>
</tbody>
</table>

*This excludes the fact that the Swiss electrical mix is composed at 56% of renewable source. Water consumption/carbon footprint reductions are based on volume/ton of product manufactured.

Boutiques are located in 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 implemented a LEED certification for our third factory to assess and strengthen our environmental efficiency.”

Daniele Jungling, Global Head of Operations, Nespresso
Nespresso has reinvented the way millions of people worldwide prepare coffee with machines designed to deliver an exceptional cup, every time. Our range spans compact machines for home use to professional devices for the business, hospitality and travel industries. All of them integrate advanced technologies to manage the exact balance of water temperature, pressure, quantity and speed.

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 plastics 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.

**Responsible supply chain**

Started in 2012, the assessment of all our direct machine suppliers against SMEA 4-Pillars (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.

**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 appliances, 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.

**What’s next**

- Secure SMETA compliance of Tier 2 suppliers by 2018
- Extend the refurbishment offer to four European countries
- Secure SMETA compliance of Tier 2 suppliers by 2018
- Extend the refurbishment offer to four European countries

**Final step of the machine refurbishment process**

**90% satisfaction with our after-sales service**

**250 after-sales centres worldwide**

**95% of the weight of our machines is recyclable**

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.
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.

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 NSIF co-financing models

What's next

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

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

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Identify needs and opportunities for agroforestry

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THE SCOPE OF OUR CLIMATE ACTIONS

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

GUATEMALA
AGROFORESTRY SINCE 2014
LOCAL IMPLEMENTER: PUR PROJET WITH ADESC AND FEDECAGUA
TREES: >290,000
FARMERS: >400
COVER EQ. IN HA: -580

COLOMBIA
AGROFORESTRY SINCE 2015
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 BOKASSO COOPERATIVE
TREES: >150,000
FARMERS: >520

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

BRAZIL
COALITION: CERRADO DAS AGUAS

A closer look at Manos Al Agua
The “Manos Al Agua” initiative is a five-year program (2013-2018) whose aim is to address climate change issues, as well as the impacts and dependencies of water of coffee production. The initiative has raised EUR 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/

Our partner
Since 2007, the World Bank Group has been an active partner of the Nespresso AAA Sustainable Quality™ Program. Together with one of their institutions, the International Finance Corporation (IFC) and the coffee supplier ECOM, they collaborated on a five-year partnership in Central America to accelerate the implementation of the AAA Program and the Rainforest Alliance certification. In 2016, the World Bank Group, through the IFC and BioCarbon Fund, committed to a USD 6 million financial contribution to the AAA Program aimed at accelerating the adaptation of Ethiopian coffee farmers to climate change. ifc.org biocarbonfund-isfl.org

“We see, despite the size of the challenges, leading companies finding ways to internalise Natural Capital impacts.”
Dean Sanders, Director, GoodBrand

THE POSITIVE CUP

G4-16, GA-ECT, EMMA-GA-08A

SDG Natural Capital SDG Climate Change SDG Partnerships

THE POSSITIVE CUP

G4-16, GA-ECT, EMMA-GA-08A

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THE POSSITIVE CUP

G4-16, GA-ECT, EMMA-GA-08A

SDG Natural Capital SDG Climate Change SDG Partnerships
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 substantially 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 Nespresso 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 Insituting 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 is 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 certified 1 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

April 2017

1 Certificate of Registration FS 34143 issued by BSI Assurance UK Limited
2 International Federation of Inspection Agencies – Compliance Code – Third Edition
ACUMEN
ACUMEN operates as a non-profit organisation that focuses on poverty eradication. The organisation raises charitable funds to invest in equity and debt in enterprises serving low-income people and covering the following areas of focus: access to water, energy, education, and medical care. acumen.org

ALUMINIUM STEWARDSHIP INITIATIVE
The Aluminium Stewardship Initiative (ASI) is a standards setting and certification organisation that recognises and fosters the responsible production, sourcing and stewardship of aluminium. As a member-based, global initiative, ASI is the result of producers, users and stakeholders in the aluminium value chain coming together to build consensus on “responsible aluminium”. aluminium-stewardship.org

ASPINWALL COFFEE
Aspinwall Coffee, the coffee division of the legendary Aspinwall & Co. Ltd, India, has been a trusted and respected name in coffee trading circles globally for more than half a century. Being one among the pioneering enterprises to have introduced coffee processing and trade from India, Aspinwall has never let its lure for coffee die down and is today a prominent exporter and processor of finest Indian coffee beans. aspinwallcoffee.com

BLASER CAFÉ AG
Blaser Café AG is a Swiss family run business based in Bern, Switzerland. Blaser has been working with Nespresso successfully in Brazil by developing key clusters: bourbon quality in Brazil and Allanasons in India), which have very strong partners in the area (Wolthers by developing key clusters: bourbon quality in Brazil and Allanasons in India), which have very strong partners in the area. Blaser has been successfully implemented the AAA Program in Brazil and Allanasons in India. blasercafe.ch

CAFÉXPORT
Caféxport has been Nespresso’s supplier since 2003 and successfully implemented the AAA Program in the region of Caldas-Antioquia in Colombia, including working with specific partners in the region, such as Excopafé and FNC to guarantee the advancement of the AAA Program and its farms. cafexport.net.co

CENTRO DE ESTUDIOS REGIONALES
CAFETEROS Y EMPRESARIALES (CRECE)
CRECE is an independent consulting and research firm based in Colombia. It has been instrumental in the development of the Monitoring and Evaluation Tool in the context of a defined Theory of Change. crece.org.co

CISA/MERCON
CISA/MERCON is a supplier of green coffee to the international coffee roasting industry. The operation in Nicaragua is led by CISA Exportadora, the largest coffee export company in the country. Nespresso works with CISA/MERCON, as part of the AAA Program, for a cluster in Nicaragua. merconcif Nugroup.com

CLARMONDIAL
Clarmondial is an independent investment advisory company that delivers financing solutions to sustainable natural resource management, particularly for agriculture and rural development in emerging markets. clarmondial.com

DUALES SYSTEM DEUTSCHLAND (DSD)
DSD was the first extended producer responsibility system (EPR) to put in place a collective packaging recycling system. dsaew.de

ECOM
Ecom-Agindustrial Corp. Ltd is a global commodity trading and processing company specialising in coffee, cotton and cacao in major producing and consuming countries, with ancillary agricultural operations in oilseeds. Ecom is one of the world’s top 3 merchants in coffee, one of the largest coffee millers in the world. ECOM implements the AAA Program in some clusters in Costa Rica, Mexico, Guatemala, Nicaragua, Brazil and India. ecomtrade.com

EFICO
Efico is a Belgium based company experienced in trading and commodity sustainability projects. Efico has been working with Nespresso since its creation in 1986 and before that on a project basis within Nestlé, and has a strong international background in green coffee over since 1926. It was chosen as supplier in Brazil and Guatemala and has successfully implemented the AAA Program in these countries. efico.com

FAIR LABOR ASSOCIATION
The Fair Labor Association (FLA) is a non-profit organisation committed to protecting workers’ rights and improving working conditions worldwide by promoting adherence to international labour standards. fairlabour.org

FAIRTRADE INTERNATIONAL
Fairtrade International is a non-profit, 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. fairtrade.net

FEDERACION NACIONAL DE CAFETEROS (FNC)
FNC is considered as one of the largest agricultural organisations representing and delivering support services to over 500,000 coffee growers in the country. Since 1927, it has provided an institutional framework for the sector which enabled Colombia to promote and export its high quality Arabica coffee to the international market. fnca@fnca.co

FIIT is a Guatemalan non-governmental and non-profit organisation established in 1990 that focuses on poverty eradication. The organisation raises charitable funds to invest in equity and debt in enterprises serving low-income people and covering the following areas of focus: access to water, energy, education, and medical care. fiitgt.com

FUNDACIÓN INTERAMERICANA DE INVESTIGACIÓN TROPICAL
FIT is a Guatemalan non-governmental and non-profit organisation established in 1990 that focuses on poverty eradication. The organisation raises charitable funds to invest in equity and debt in enterprises serving low-income people and covering the following areas of focus: access to water, energy, education, and medical care. fit.org

GOODBRAND
GoodBrand is a corporate social innovation consultancy. It helps challenges create impact – delivering value for society and for their brand and business. goodbrand.com

MERCON, as part of the AAA Program, is working with Nespresso in Brazil and has successfully implemented the AAA Program in these countries. merconcif Nugroup.com

Nespresso’s Sustainability Strategy and Stakeholder Relationship Manager, Julie Reneau, says: “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.”

THE POSITIVE CUP
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.
idhsustainabletrade.com

IMAFLORA
The Institute of Agricultural and Forest Management and Certification – Imaflora – is a civil 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. Imaflora 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.
iaflora.org

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.
incaed.org | cims-la.com

INSTITUTE 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 Osop – Civil Society Organization of Public Interest, and its headquarters is in Nazaré Paulista (SP).
ipe.org

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 Fundacion 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

NGK – NEUMANN KAFFEE GROUPE
Neumann Kaffee Gruppe (NGK) 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. NGK’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.
purprojet.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 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

OLM
OLM – Organization for Market Analysis, a not-for-profit organisation which gathers information, analyses and makes recommendations with the aim of promoting the improvement of market infrastructure. It studies sectoral and national market trends, and advisory services on how to develop more sustainable coffee production and consumption pathways.
olm.org

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.
planetguarantee.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 industry (4Cs). PPS’ 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 forestiers, 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 recognised 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.
sknc.net

SOFIES
Sofies is a sustainability consulting and project management firm composed of a team of 30+ 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.
techservesa.org

The World Bank Group
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 designing 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.

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.
v什麽fe.com

WBCSD
WBCSD 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. WBCSD has been an NSAB member since 2015.
wbcsd.org
**THE POSITIVE CUP SCOPE AND PERFORMANCE OVERVIEW**

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>
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<td>Farmers enrolled in AAA Program</td>
<td>6.3, 6.4, 6b, 8.3</td>
<td>71,216</td>
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<td>Number of farmers enrolled in the savings plan</td>
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<td>% AAA farms within 2km of High Conservation Value areas</td>
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<td>15.5, 15.9</td>
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<td>15.5, 15.9</td>
<td>10.5%</td>
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1 Average of the indicator monitored on 31 countries
2 The figure includes the volume with full traceability to farm (as well reported in the Nestlé in Society report 2016) and the African volume with mass balance traceability

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**Note:**
- **G4-EC7, G4-6, G4-9, G4-EC7, G4-6, G4-9, G4-FP2, G4-EN11, G4-EN23, G4-EN28, G4-EN8, G4-EN15, G4-EN15, G4-EN15**
- **G4-6, G4-9, G4-EC7, G4-FP2, G4-EN11, G4-EN23, G4-EN28, G4-EN8, G4-FP2**
### GRI G4 Content Index

#### General Standard Disclosures

<table>
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<th>Description</th>
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#### Organisational Profile

| GA-3       | TPC: Front cover of report | | | | | |
| GA-4       | TPC: Nestlé Nespresso S.A. > Our value chain p.14-15 | Our value chain: products and services | | | | |
| GA-6       | TPC: Coffee > The scope of the AAA Program p.42-43 | Where we operate | | | | |
| GA-7       | NCW: Our company www.nestle-nespresso.com/about-us/company | Ownership and legal form | | | | |
| GA-8       | TPC: Company > Our value chain p.16-17 | Our geographical markets, sectors served, customers and beneficiaries types | | | | |
| GA-9       | TPC: Company > Our people p.18-19 | The scale of our organisation (employees, operations, sales, products and services) | Net sales capitalisation | Non-disclosure of financial statement for Nespresso | Nespresso report of financials, net sales, net revenue is aggregated with Nestlé Financial Statements |
| GA-10      | TPC: Company > Our people p.18-19 | About this report > Our CSV performance: number of employees p.81 | The structure of our workforce | The split per category is not available | We are looking at how this information can be collected to include it in our 2020 CSV report |
| GA-11      | NCW: Corporate Production Centres Factsheet | | | | | |
| GA-12      | TPC: Company > Our value chain p.16-17 | Our supply chain | | | | |
| GA-13      | TPC: Coffee > Farmer relationship management p.30-31 | | | | | |
| GA-14      | TPC: Coffee > The AAA Program in East Africa p.36-37 | | | | | |
| GA-15      | TPC: Coffee > The scope of our recycling actions p.54-55 | | | | | |
| GA-16      | TPC: Coffee > The scope of our recycling actions p.54-55 | | | | | |
| GA-17      | TPC: Coffee > The scope of the AAA Program p.42-43 | | | | | |
| GA-18      | TPC: About this report > Methodology p.70 | | | | | |
| GA-19      | TPC: About this report > Methodology p.70 | | | | | |
| GA-20      | TPC: About this report > Methodology p.70 | | | | | |
| GA-21      | TPC: About this report > Methodology p.70 | | | | | |
| GA-22      | TPC: About this report > Methodology p.70 | | | | | |

#### Identified Material Aspects and Boundaries

| GA-17       | Nestlé Nespresso S.A. | Our organisation’s entities | | | | |
| GA-18       | TPC: About this report > Methodology p.70 | | | | | |
| GA-19       | TPC: About this report > Methodology p.70 | | | | | |
| GA-20       | TPC: About this report > Methodology p.70 | | | | | |
| GA-21       | TPC: About this report > Methodology p.70 | | | | | |
| GA-22       | TPC: About this report > Methodology p.70 | | | | | |

**Notes:**
- **GA:** General Standard Disclosures
- **TPC:** The Positive Cup – CSV Report 2016
- **NCW:** Nestlé Corporate Governance Report 2016
- **GFS:** Nestlé Financial Statements 2016
- **AR:** Nestlé’s Annual Review 2016
- **NiS:** Nestlé in Society 2016
- **CGR:** Nestlé’s Corporate Governance Report 2016
- **CFS:** Nestlé Financial Statements 2016
- **NG:** Nestlé’s Non-Governmental Sustainability Report 2016
**General Standard Disclosures**

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<td>Climate &gt; Sustainable machine design p.64-65</td>
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<tr>
<td>TPC</td>
<td>Environmental sustainability &gt; Our policies and standards p.110</td>
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<tr>
<td>G4EN2</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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</tr>
<tr>
<td>TPC</td>
<td>Aluminium &gt; Capsule life cycle management p.52-53</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Material aspect: Energy</td>
<td></td>
<td></td>
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<tr>
<td>ENRI-G4-DMA</td>
<td>Energy</td>
<td>Management approach of our energy use</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>TPC</td>
<td>Aluminium &gt; Our approach to aluminium stewardship p.50-51</td>
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<tr>
<td>TPC</td>
<td>Aluminium &gt; Capsule life cycle management p.52-53</td>
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<tr>
<td>TPC</td>
<td>Climate &gt; Life cycle assessment p.60-61</td>
<td></td>
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</tr>
<tr>
<td>TPC</td>
<td>Climate &gt; The environmental performance of our operations p.62-63</td>
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<tr>
<td>TPC</td>
<td>Climate &gt; Sustainable machine design p.64</td>
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<tr>
<td>TPC</td>
<td>Environmental sustainability &gt; Our policies and standards p.110</td>
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<tr>
<td>TPC</td>
<td>Climate &gt; Life cycle assessment p.60-61</td>
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<tr>
<td>TPC</td>
<td>Climate &gt; The environmental performance of our operations p.62-63</td>
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<tr>
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<td>Climate &gt; Sustainable machine design p.64</td>
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</tr>
<tr>
<td>G4EN7</td>
<td>Management approach of our energy use</td>
<td></td>
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</tr>
<tr>
<td>See our CDP 2016 Investor submission found on <a href="http://www.nestle.com/sustainability/sustainable-business">www.nestle.com/sustainability/sustainable-business</a></td>
<td>Reduction in energy requirements of products and services</td>
<td>Omitted numbers in pursuing</td>
<td>Our energy savings all along the value chain are translated in CO2 equivalent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TPC</td>
<td>See our CDP 2016 Investor submission found on <a href="http://www.nestle.com/sustainability/sustainable-business">www.nestle.com/sustainability/sustainable-business</a></td>
<td></td>
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</tr>
</tbody>
</table>

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**GRI G4 CONTENT INDEX**

- **THE POSITIVE CUP**
- **COMPANY**
- **COFFEE**
- **ALUMINIUM**
- **CLIMATE**

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**THE POSITIVE CUP – CSV Report 2016**

- **TPC**
- **Nestlé Financial Statements 2016**
- **CFS Nestlé’s Corporate Governance Report 2016**
- **AR Nestlé’s Annual Review 2016**
- **NiS Nestlé in Society 2016**
<table>
<thead>
<tr>
<th>SPECIFIC STANDARD DISCLOSURE</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>Environment</td>
<td>Proper management of water and waste water</td>
<td>Management approach of our water use</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4/EN8</td>
<td>Total water withdrawal at factory (in ,000m³): 526 including Surface water: 475, Ground water: 0, Municipal water:45, Run water: 7</td>
<td>Water withdrawal</td>
<td></td>
<td></td>
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<tr>
<td>Material aspect: Biodiversity</td>
<td>Strategy for biodiversity management and minimum impact on land in or adjacent to protected areas</td>
<td>Management approach of our impacts on biodiversity</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Material aspect: Emissions</td>
<td>Minimum emissions of greenhouse gases and of ozone-depleting substances and other significant air emissions</td>
<td>Management approach of our procurement and sourcing practices</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Material aspect: Product and services</td>
<td>Minimum impacts of our products and services during their use and end-of-life</td>
<td>Management approach of environmental impacts of products and services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material aspect: Overall</td>
<td>Our overall expenditures and investments for environmental protection</td>
<td>Management approach of our environmental expenditures</td>
<td></td>
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</tr>
</tbody>
</table>

**Identification of omission(s):**

- **Nestlé commitment on Water Stewardship:** The IBAT screening is currently still under progress with IUCN. We will update our 2020 CSV report as per the outcome of the action plan under progress.

**Page numbers and links:**

- TPC: Coffee > Innovation for community resilience p.32-33
- TPC: Coffee > Our approach to natural capital p.34-35
- TPC: Climate > The environmental performance of our operations p.63
- TPC: About this report > Our CSV Performance p.81
- TPC: Climate > Life cycle assessment p.60-61
- TPC: Climate > The environmental performance of our operations p.62-63
- TPC: Aluminium > Capsule life cycle management p.52-53
- TPC: Climate > Sustainable machine design p.64-65
- NiS: Environmental sustainability > Our policies and standards p.110
- TPC: About this report > Our CSV Performance p.81
- TPC: Company > Governance and management tools p.22-23
## SPECIFIC STANDARD DISCLOSURE

<table>
<thead>
<tr>
<th>Material aspect: Supplier environmental assessment</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>G4-1</td>
<td>a. TPC: Coffee &gt; Monitoring and evaluation p.41</td>
<td>Material aspect: Supplier environmental assessment</td>
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<td></td>
<td>b. TPC: Coffee &gt; The Nespresso AAA Sustainable Quality™ Program</td>
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<td></td>
<td>c. TPC: Coffee &gt; The Nespresso AAA Sustainable Quality™ Program</td>
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<td></td>
<td>d. TPC: Aluminium &gt; Our approach to aluminium stewardship p.55-51</td>
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<tr>
<td>G4-23</td>
<td>a. TPC: Coffee &gt; Monitoring and evaluation p.41</td>
<td>Environmental impacts in supply chain and actions taken</td>
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<td></td>
<td>b. TPC: Coffee &gt; Monitoring and evaluation p.41</td>
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<td>c. TPC: Coffee &gt; Monitoring and evaluation p.41</td>
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<td>d. TPC: Coffee &gt; Farmer relationship management p.30</td>
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<td>e. TPC: Coffee &gt; Farmer relationship management p.30-31</td>
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<td>f. TPC: Coffee &gt; Monitoring and evaluation p.41</td>
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<tr>
<td></td>
<td>g. TPC: About this report &gt; Our CSV Performance p.81</td>
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<tr>
<td>Social</td>
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<tr>
<td>Labour practices and decent work</td>
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<tr>
<td>G4-33</td>
<td>a. Total number and rate of new employees hired</td>
<td>Management approach for employment</td>
<td></td>
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<tr>
<td></td>
<td>b. Total number and rate of new employees hired</td>
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<tr>
<td></td>
<td></td>
<td>a. Indicator omitted</td>
<td>The information is currently not available</td>
<td>We are looking at how to include this information in our 2020 CSV report</td>
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<td></td>
<td></td>
<td>b. Report types of injury, rate (IR),</td>
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<td>- Gender</td>
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<td></td>
<td>- Region</td>
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<tr>
<td></td>
<td>a. Total number and rate of employee turnover</td>
<td>The information is currently not available</td>
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<tr>
<td></td>
<td>b. Total number and rate of employee turnover</td>
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<tr>
<td>Material aspect: Labour/management relations</td>
<td></td>
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<tr>
<td>LAAM- G4DNA</td>
<td>N6: Our people &gt; Our people strategy p.153</td>
<td>Management approach of labour and management relations</td>
<td></td>
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<tr>
<td></td>
<td>Our offices, boutiques and factories are subject to the certification OHSAS. By the end of 2016, all our premises certified with the exception of Canada, Germany, France and Luxembourg (covering around 80% of the Nespresso employee population)</td>
<td></td>
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<tr>
<td></td>
<td>N6: Our people &gt; Promoting positive employee relations p.171-172</td>
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<tr>
<td>G4LA4</td>
<td>N6: Our people &gt; Promoting positive employee relations p.171-172</td>
<td>Management approach of occupational health and safety</td>
<td></td>
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<tr>
<td></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>
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<tr>
<td>Material aspect: Occupational health and safety</td>
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<tr>
<td>LAOHS-G4- DMA</td>
<td>TPC: Company &gt; Our people p.18-19</td>
<td>Management approach of occupational health and safety</td>
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<tr>
<td></td>
<td>Our offices, boutiques and factories are subject to the certification OHSAS. By the end of 2016, all our premises to the exception of Canada, Germany, France and Luxembourg</td>
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</tr>
<tr>
<td>G4LA5</td>
<td>a. Recordable injury rate (Nespresso global: 4.3 per million hours worked), work-related fatalities: 0</td>
<td>Injuries, occupational diseases, absenteeism and fatalities</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>b. TPC: About this report &gt; Our CSV Performance p.81</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>a. Occupational diseases rate (ODR), lost day rate (LDR), absentee rate (AR), for the total workforce (that is, total employees plus supervised workers), by:</td>
<td></td>
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<td></td>
<td>- Region - Gender</td>
<td>The information is currently not available</td>
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<tr>
<td></td>
<td>b. Report types of injury, rate (IR),</td>
<td></td>
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<td></td>
<td></td>
<td>- Gender</td>
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<tr>
<td></td>
<td>a. The data is currently not available</td>
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<td></td>
<td></td>
<td>b. The data is currently not available</td>
<td></td>
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<tr>
<td>Material aspect: Training and education</td>
<td></td>
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<tr>
<td>LATE- G4DNA</td>
<td>TPC: Company &gt; Our people p.18-19</td>
<td>Management approach of training and education for our workforce</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>G4LA9</td>
<td>TPC: Company &gt; Our people p.18-19</td>
<td>Hours of training per employee</td>
<td>Gender Employee category</td>
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<td>We are looking at how to include this information in our 2020 CSV report</td>
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## SPECIFIC STANDARD DISCLOSURE

### Labour practices and decent work

<table>
<thead>
<tr>
<th>Material aspect: Diversity and equal opportunity</th>
<th>We foster diversity and equal opportunities to different age groups and minorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAIDO46-DMA</td>
<td>NCW: Nestle Code of Business Conduct</td>
</tr>
<tr>
<td></td>
<td>TPC: Company &gt; Our people p.18-19</td>
</tr>
<tr>
<td>G4LA12</td>
<td>a. TPC: Company &gt; Our people p.18-19</td>
</tr>
<tr>
<td></td>
<td>b. TPC: Company &gt; Our people p.18-19</td>
</tr>
<tr>
<td></td>
<td>Management approach of diversity and equal opportunity in our workforce</td>
</tr>
<tr>
<td></td>
<td>Composition of governance bodies and workforce according to different categories</td>
</tr>
<tr>
<td></td>
<td>a. Report the percentage of individuals within the organisation’s governance bodies in each of the following diversity categories:</td>
</tr>
<tr>
<td></td>
<td>- Gender</td>
</tr>
<tr>
<td></td>
<td>- Age group: under 30 years old, 30-50 years old, over 50 years old</td>
</tr>
<tr>
<td></td>
<td>- Minority groups</td>
</tr>
<tr>
<td></td>
<td>- Other indicators of diversity where relevant</td>
</tr>
<tr>
<td></td>
<td>b. Report the percentage of employees per employee category in each of the following diversity categories:</td>
</tr>
<tr>
<td></td>
<td>- Gender</td>
</tr>
<tr>
<td></td>
<td>- Age group: under 30 years old, 30-50 years old, over 50 years old</td>
</tr>
<tr>
<td></td>
<td>- Minority groups</td>
</tr>
<tr>
<td></td>
<td>- Other indicators of diversity where relevant</td>
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<td></td>
<td>This data is not available</td>
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<tr>
<td></td>
<td>We are looking at how this information can be collected to include it in our 2020 CSV report</td>
</tr>
<tr>
<td>Material aspect: Equal remuneration for women and men</td>
<td>We work to ensure equal gender opportunities in our workforce</td>
</tr>
<tr>
<td>LAIR46-DMA</td>
<td>TPC: Company &gt; Our people p.18-19</td>
</tr>
<tr>
<td>G4LA13</td>
<td>Ratio of basic salary and remuneration of women to men</td>
</tr>
<tr>
<td></td>
<td>Omission</td>
</tr>
<tr>
<td></td>
<td>This data is not available</td>
</tr>
<tr>
<td></td>
<td>We are looking at how this information can be collected to include it in our 2020 CSV report</td>
</tr>
<tr>
<td>Material aspect: Supplier assessment for labour practices</td>
<td>Ensuring our suppliers have acceptable labour practices</td>
</tr>
<tr>
<td>LAAG46-DMA</td>
<td>TPC: Coffee &gt; Monitoring and evaluation p.40</td>
</tr>
<tr>
<td></td>
<td>a. TPC: Coffee &gt; Monitoring and evaluation p.41</td>
</tr>
<tr>
<td></td>
<td>b. TPC: Coffee &gt; Monitoring and evaluation p.41</td>
</tr>
<tr>
<td></td>
<td>Management approach of our suppliers labour practices</td>
</tr>
<tr>
<td>G4LA15</td>
<td>a. TPC: Coffee &gt; Monitoring and evaluation p.41</td>
</tr>
<tr>
<td></td>
<td>b. TPC: Coffee &gt; Monitoring and evaluation p.41</td>
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<tr>
<td></td>
<td>c. TPC: Coffee &gt; Monitoring and evaluation p.41</td>
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<tr>
<td></td>
<td>d. TPC: Coffee &gt; Farmer relationship management p.30</td>
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<tr>
<td></td>
<td>e. TPC: Coffee &gt; Farmer relationship management p.30-31</td>
</tr>
<tr>
<td></td>
<td>Significant actual and potential negative impacts for labour practices in the supply chain and actions taken</td>
</tr>
<tr>
<td>Material aspect: Labour practices grievance mechanisms</td>
<td>Existence of grievance mechanisms regarding labour practices accessible by our suppliers workforce</td>
</tr>
<tr>
<td>LAAG46-DMA</td>
<td>N6S: Human rights and compliance &gt; Reporting of compliance violations p.148-149</td>
</tr>
<tr>
<td>G4LA16</td>
<td>Number of grievances about labour practices</td>
</tr>
<tr>
<td></td>
<td>Management approach of labour practices grievance mechanisms</td>
</tr>
<tr>
<td>Human rights</td>
<td>Ensuring no discrimination around race, colour, sex, religion, political opinion, national extraction or social origin</td>
</tr>
<tr>
<td>HR1ND46-DMA</td>
<td>NCW: Nestle’s Corporate Business Principles</td>
</tr>
<tr>
<td></td>
<td>TPC: Company &gt; What really matters p.11</td>
</tr>
<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>
</tr>
<tr>
<td></td>
<td>Number of incidents of discrimination and measures taken against them</td>
</tr>
</tbody>
</table>
## SPECIFIC STANDARD DISCLOSURE

<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>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human rights</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>Material aspect: Freedom of association and collective bargaining</strong></td>
<td></td>
<td>Absence of internal policies that may affect employees ability to join a trade union or bargain collectively</td>
<td>Management approach for ensuring freedom of association and collective bargaining</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>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</td>
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<td></td>
<td></td>
<td></td>
<td>b. TPC: Coffee &gt; Monitoring and evaluation p.40</td>
<td>TPC: Coffee &gt; The AAA Program in East Africa p.36 [not p. 38]</td>
<td></td>
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</tr>
<tr>
<td><strong>Material aspect: Child labour</strong></td>
<td></td>
<td>No child labour or young workers exposed to hazardous work</td>
<td>Management approach of child labour risks</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>a. 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 such non compliance have already occurred like in Guatemala, Ethiopia and Kenya</td>
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<td></td>
<td>b. TPC: Coffee &gt; Monitoring and evaluation p.40</td>
<td>TPC: Coffee &gt; The AAA Program in East Africa p.36</td>
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<td></td>
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<tr>
<td><strong>Material aspect: Forced or compulsory labour</strong></td>
<td></td>
<td>No forced or compulsory labour in our facilities or suppliers</td>
<td>Management approach of forced or compulsory labour risks</td>
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<td>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</td>
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<td>b. TPC: Coffee &gt; Monitoring and evaluation p.33</td>
<td>TPC: Coffee &gt; The AAA Program in East Africa p.36</td>
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<tr>
<td><strong>Material aspect: Supplier human rights assessment</strong></td>
<td></td>
<td>Availability of mechanisms to screen potential human rights violations in our suppliers</td>
<td>Management approach of our suppliers’ human rights assessment</td>
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<td></td>
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<td></td>
<td>a. TPC: Coffee &gt; Monitoring and evaluation p.40</td>
<td>TPC: Aluminium &gt; Our approach to aluminium stewardship p.50-51</td>
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<td>b. Establishment of sourcing programs which enable the evaluation of the sustainability (social and environmental) of our suppliers</td>
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<td></td>
<td>TPC: Coffee &gt; The Nespresso AAA Quality™ Program p.28</td>
<td>TPC: Aluminium &gt; Our approach to aluminium stewardship p.50-51</td>
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<td>c. TPC: Aluminium &gt; Our approach to aluminium stewardship</td>
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<td>d. TPC: Coffee &gt; The AAA Program in East Africa p.36</td>
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<td>e. TPC: Coffee &gt; The AAA Program in East Africa p.36</td>
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<td>f. TPC: Coffee &gt; The AAA Program in East Africa p.36</td>
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<tr>
<td><strong>Society</strong></td>
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<td><strong>Material aspect: Local communities</strong></td>
<td></td>
<td>Working to engage with local communities</td>
<td>Management approach of local communities engagement</td>
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</table>
**SPECIFIC STANDARD DISCLOSURE**

<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>
</tr>
</thead>
<tbody>
<tr>
<td>S01ACB-GA4DMA</td>
<td>AR: Corporate governance and compliance p.54 MD: Business principles and governance p.19-24</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>G4-SO7</td>
<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>Material aspect: Customer health and safety</strong></td>
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<td>MPCHS-GA4DMA</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>Selling products totally safe for consumption</td>
<td>Management approach for ensuring our customers health and safety</td>
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<td>PPS</td>
<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: Product and service labelling</strong></td>
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<td>PR/PSL-GA4DMA</td>
<td>We measure yearly our customer satisfaction with our products and services via a global survey. All information regarding the products description and ingredients are available on the outer packaging. Consumers can contact Nespresso via emails and call centres to ask any questions or escalate any comments regarding the products and services</td>
<td>Ensuring consumers access to complete information on our products</td>
<td>Management approach for ensuring our products and services proper labelling</td>
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<td>G4-MR5</td>
<td>TPC: Coffee &gt; What really matters p.27</td>
<td>Results of surveys measuring customer satisfaction</td>
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<td><strong>Material aspect: Marketing communications</strong></td>
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<td>G4-MR7</td>
<td>NCW: Human Rights and Compliance &gt; Reporting of compliance violations &gt; The Nestlé Integrity Reporting System p.14B</td>
<td>Incidents of non-compliance with regulations and voluntary codes concerning marketing communications (advertising, promotion, and sponsorship)</td>
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<td><strong>Material aspect: Customer privacy</strong></td>
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<td>G4-MR8</td>
<td>There have been no reportable breaches of customer data. Whilst there have been incidents with the potential to compromise customer data privacy, these incidents were resolved within 24-48h of being raised and there was no impact on customers</td>
<td>Complaints regarding breaches of customer privacy and losses of customer data</td>
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</table>
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 Juan Carlos Martínez and his son Juan de Dios Martínez with the Santander limited edition, Colombia
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 Mautnier
Alexis Narodetzky

BROCHURE
All wasted paper is recycled
Condat Mat Périgord paper FSC
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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CH-1007 Lausanne
Switzerland
Telephone: +41 21 796 9696

THE POSITIVE CUP
AAA farmer Isaya Lokalong Latiyo on his farm, South Sudan