

# NESPRESSO AAA SUSTAINABLE QUALITY™ PROGRAM

PROTECTING THE FUTURE OF OUR HIGHEST QUALITY COFFEES

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The Nespresso AAA Program counts over 70,000 coffee farmers across 12 countries

## AT A GLANCE

### HOLISTIC APPROACH TO SUSTAINABLE COFFEE FARMING

Launched in 2003 in collaboration with the NGO the Rainforest Alliance, the Nespresso AAA Sustainable Quality™ Program is a unique green coffee sourcing approach that combines a focus on quality and sustainability.

### EMPOWERING COFFEE GROWERS AND THEIR COMMUNITIES

The AAA Program empowers coffee farmers by investing in community infrastructures, paying cash premiums for superior coffee and best agricultural practices, and providing farmers training, financing and technical assistance to continuously improve quality, sustainability and productivity – the three pillars represented by the “triple As” in the program’s name. This approach drives improvements in social, environmental and economic conditions for coffee farmers and farming communities.

### CREATING SHARED VALUE THROUGH LONG-TERM RELATIONSHIPS

Nespresso nurtures on-going, direct relationships with coffee farmers through the AAA Program. Nespresso purchases the same best quality aroma profiles from the same farmers, harvest after harvest, instead of buying coffee through the mainstream commodity market used by the wider coffee industry. By knowing what it buys and where it comes from, Nespresso can guarantee consumers consistent taste and quality in each of its Grand Cru coffees.

### GLOBAL INITIATIVE TAILORED TO LOCAL CONTEXTS

Nespresso adapts the AAA Program to local contexts through a deep understanding of the local ecosystem and social and economic factors. At the end of 2015, the AAA Program counted over 70,000 coffee farmers in 12 coffee-growing countries.

### UPSCALING SUSTAINABILITY

By significantly expanding the AAA Program especially in Ethiopia and Kenya, Nespresso aims to increase the amount of coffee it sources for its permanent Grand Cru range through the AAA Program from over 80% in 2015 to 100% in 2020.



**Nespresso AAA Sustainable Quality™ Program: The long-standing collaboration between Nespresso and the Rainforest Alliance aims to ensure the supply of highest quality coffee while protecting the natural environment and improving the livelihoods of coffee farmers and their communities.**



### TRAINING & TECHNICAL ASSISTANCE ▲

AAA agronomists work closely with farmers in devising tailor-made action plans to improve quality, sustainability and productivity. The AAA Program depends on mutual support, trust and a shared commitment to making progress.

## SECURING HIGH QUALITY COFFEE WHILE IMPROVING FARMER LIVELIHOOD

Sustainability is a business imperative for Nespresso, a company that relies on a natural resource to deliver quality and consistency to consumers. Because of our strict coffee selection process and our sourcing based on select terroirs, we estimate that only 1-2%<sup>1</sup> of the coffee grown globally meets our specific taste and aroma profiles, and quality requirements. Protecting the future supply of these highest quality coffees for Nespresso consumers is essential to the future growth of the business. More sustainable coffee farming increases the ability to produce higher volumes of consistent quality coffee far into the future.

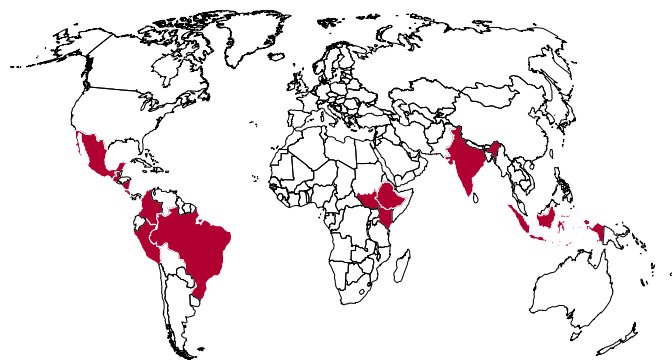
Coffee farmers, especially smallholders, are vulnerable to volatile market conditions for coffee, unpredictable weather patterns and rising farm management costs. Additionally, the effects of poverty and urbanisation in certain coffee growing regions make it hard for farmers to plan for the future.

Working closely with the NGO the Rainforest Alliance, Nespresso developed its own holistic sustainable sourcing model to fit its business needs and requirements. Combining Nespresso coffee and quality expertise with the Rainforest Alliance’s know-how in sustainability and best farming practices, the Nespresso AAA Sustainable Quality™ Program was launched in 2003.

<sup>1</sup> The World Bank estimated in a report about 10 years ago that 10-20% of the worldwide coffee crop be considered gourmet coffee, a category defined by the industry. Since Nespresso has very strict taste criteria, a sourcing approach based on terroir specificities and a quality management process more stringent than for the gourmet coffee category, we estimate that within this particular gourmet coffee category, only another 10-20% of the coffee matches our taste and quality requirements. This is why we estimate that only 1-2% of the worldwide coffee crop matches our requirements.

For more information on *Nespresso* sustainability initiatives, please visit: [www.nestle-nespresso.com/sustainability](http://www.nestle-nespresso.com/sustainability)

**NESPRESSO AAA COUNTRIES ▼**



- AAA countries**  
(Over 70,000 farmers participating at the end of 2015)
- Brazil
  - Ethiopia
  - Indonesia
  - Nicaragua
  - Colombia
  - Guatemala
  - Kenya
  - Peru
  - Costa Rica
  - India
  - Mexico
  - South Sudan

The AAA Program implements a vision of quality based on sustainability, which integrates the spheres of environmental conservation, social equity and economic viability. By creating long-term shared value for smallholder coffee farmers, the program also aims to make farming attractive to younger generations.

**UNIQUE BUSINESS MODEL BASED ON CREATING SHARED VALUE**

The *Nespresso* AAA Sustainable Quality™ Program shares many of the same goals and principles as other responsible sourcing programs. However, in addition to sustainability criteria, the AAA Program adds quality and productivity dimensions to sustainability.

The program’s name was inspired by the AA standard, a hallmark of coffee quality found in Kenya and other high quality coffee sources. *Nespresso* added the third A to represent environmental, social and economic standards. Today, each A stands for the program’s three driving principles:

**FIRST A: QUALITY**

Quality is the essence of the AAA approach. The program helps coffee farmers achieve and maintain best agricultural practices, including post-harvesting practices and traceability.

**SECOND A: SUSTAINABILITY**

The AAA Program integrates a broad range of ecological considerations, such as water and soil conservation, deforestation prevention and wildlife preservation. Social standards include occupational safety, fair treatment of workers and the prohibition of child labour.

**THIRD A: PRODUCTIVITY**

Productivity is an essential ingredient for economically viable and sustainable coffee farming. The AAA Program provides farmers with technical support and training in best practices to increase productivity and reduce costs. *Nespresso* also invests in infrastructures and development projects to further address yield improvement.

**DIRECT RELATIONSHIPS AND CONTINUOUS IMPROVEMENT**

Farmers who join the AAA Program make a long-term commitment to continuous improvement. To enter the AAA Program, farmers must produce coffee that meets specific *Nespresso* aroma profile and quality standards.

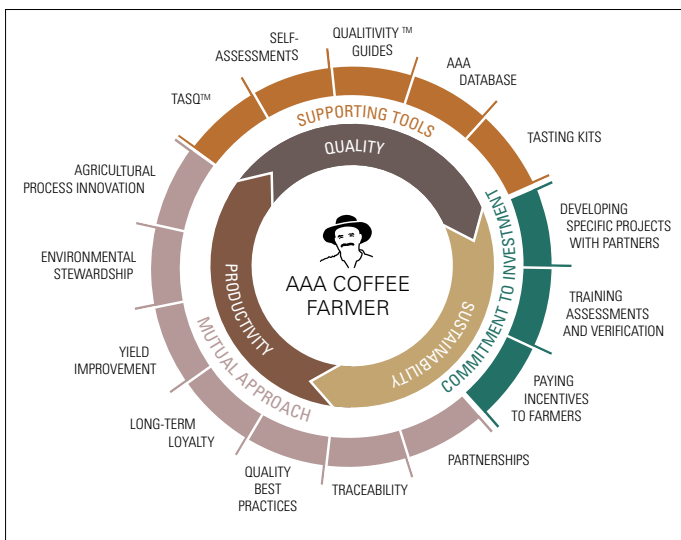
One of the most important drivers behind improvement at farm level is the *Nespresso* commitment to building long-term relationships. Supporting this endeavour is a network of more than 300 agronomists in the field who offer individualised training and technical assistance to help farmers improve coffee quality, sustainable agriculture and farm productivity. This support is delivered through the Tool for the Assessment of Sustainable Quality (TASQ™), a unique methodology developed by *Nespresso* with the Rainforest Alliance and other leading NGOs.

The TASQ™ cycle combines farmer self-assessment with external evaluations of farm performance by agronomists. TASQ™ addresses criteria for social and environmental sustainability as defined with the Rainforest Alliance and the Sustainable Agriculture Network (SAN). These include 296 SAN criteria as well as additional country-specific criteria set by *Nespresso* addressing local agricultural practices, coffee processing and harvesting.<sup>2</sup>

The 296 SAN criteria adopted by *Nespresso* include:

- 56 economic criteria, such as farm management, traceability and training.
- 90 environmental criteria, such as conservation, wildlife protection, soil and waste management.
- 150 social criteria, such as health & safety, working conditions and community relations.

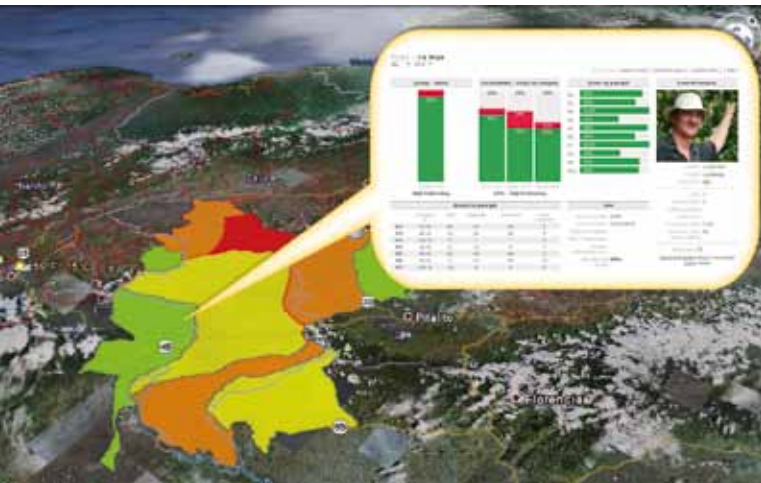
*Nespresso* AAA agronomists work closely with each farmer in devising tailor-made action plans to fulfil the TASQ™ criteria. Their first priority is meeting the minimum requirements to remain in the AAA Program: 36 critical criteria on farm and crop management, ecosystem conservation, wildlife protection, working conditions and child labour.



**A FARMER-CENTRIC APPROACH ▲**  
*Nespresso* devised a set of farmer-centric business processes and tools that support the AAA Program’s three strategic pillars.

**Nespresso pays on average a premium price of around 30% to 40% above the standard market price**

Agronomists continue to support farmers as they work at their own pace to comply with the remaining TASQ™ criteria covering the three pillars of coffee quality, sustainability and productivity. Partners from the Rainforest Alliance and SAN audit the results. Once all TASQ™ critical criteria have been met, farmers can apply for Rainforest Alliance certification.



**COFFEE CHAIN TRANSPARENCY ▲**

*Nespresso knows what it buys, how it tastes and where it comes from. A comprehensive AAA database allows Nespresso to trace green coffee back to individual farms, and track the farms' progress in sustainable agriculture practices and farm management improvement.*

**TRACEABILITY ALONG THE VALUE CHAIN ▼**

*To ensure the payment of the AAA premium price, Nespresso encourages producers to have systems in place guaranteeing that high quality coffee produced and sold to Nespresso is separated from other coffees. Separation involves harvesting practices, installations, storing and transport processes. It also requires that coffee growers document every transaction. Farmer training is provided in this area.*



The Nespresso AAA Sustainable Quality™ Program is a voluntary initiative. Although Nespresso seeks active participation from farmers, there is no contractual obligation to join and no obligation to commercialise their coffee through Nespresso. The AAA Program depends on mutual support, trust and a shared commitment to making progress. Loyalty is earned and not bought.

**PREMIUMS FOR HIGHEST QUALITY AND BEST PRACTICES**

Unlike some programs that set a minimum price, Nespresso pays on average a premium price of around 30% to 40% above the standard market price and 10% to 15% above coffees of similar quality. Farmers who gain Rainforest Alliance certification through the AAA Program are guaranteed an additional cash premium.

By encouraging a growing number of farmers to achieve Rainforest Alliance certification, Nespresso has helped create a new supply of Rainforest Alliance Certified™ coffee that farmers can sell for a premium in the market. This certification is beneficial for farmers as they have the opportunity to secure additional premiums for the coffee that they do not sell to Nespresso, thus increasing their incomes.

**DEVELOPMENT PROJECTS IN COFFEE GROWING COMMUNITIES**

Nespresso is working with many strategic partners to implement its sustainability vision. In addition to coffee farmers themselves, partners include local coffee suppliers, regional coffee cooperatives and national coffee federations, development agencies, NGOs, and academic institutions. Stakeholders work together to find solutions to specific challenges and to stimulate market innovation and growth. Technical assistance and development projects address issues like water management, better fertilisation, new coffee varieties and harvesting techniques. Examples include:

**AAA FARMER FUTURE PROGRAM: A RETIREMENT SAVINGS PLAN FOR COLOMBIAN COFFEE FARMERS**

Nespresso goes beyond farm level to pursue innovative long-term solutions to coffee farmer welfare. As part of the AAA Farmer Future Program, Nespresso has established a groundbreaking pilot retirement savings plan for coffee farmers taking part in the Nespresso AAA Sustainable Quality™ Program in Caldas, Colombia in 2014, through a public-private partnership with the Colombian Ministry of Labour, the Aguadas Coffee Growers' Cooperative, Expocafé and Fairtrade International.

**AGROFORESTRY: ECOSYSTEM REVITALISATION**

An agroforestry program, launched in 2013 in cooperation with Pur Projet and the Rainforest Alliance, is helping Nespresso to mitigate the impacts of climate change and reduce the carbon footprint of coffee farming. The program aims to protect, regenerate and improve coffee ecosystems to support climate change resilience. Furthermore, it aims to generate economic benefits for coffee farmers thanks to crop diversification and carbon certification.

2 For more information, see the Generic TASQ™ Tool: [http://www.nestle-nespresso.com/asset-libraries/Documents/NESPRESSO\\_TASQ\\_AAA\\_2013.pdf](http://www.nestle-nespresso.com/asset-libraries/Documents/NESPRESSO_TASQ_AAA_2013.pdf)

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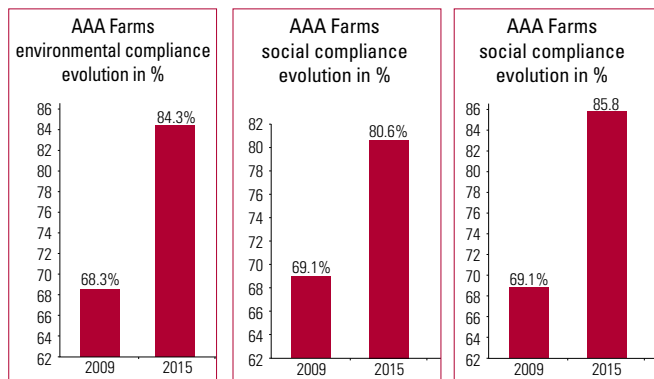
### EXPANDING THE AAA PROGRAM IN AFRICA: IMPROVING INFRASTRUCTURE, TRACEABILITY AND SUSTAINABLE QUALITY

By 2020, Nespresso aims to source 100% of its green coffee through the Nespresso AAA Sustainable Quality™ Program. The expansion of the AAA Program in Kenya and Ethiopia will play a key role in reaching this objective. Farmer training in collaboration with Nespresso partner TechnoServe aims to boost productivity and coffee quality through better and more sustainable practices.

Nespresso is also involved in reviving high quality coffee production in the Republic of South Sudan, by contributing to economic development and creating supply. The initial focus is on improving yields and coffee quality, by establishing central wet mills, training farmers on agricultural best practices and developing commercial channels to enable the sale and export of South Sudanese coffee. Nespresso was the first company to offer coffee from South Sudan following its independence.

### POSITIVE MEASURABLE IMPACTS

Independent monitoring organisation CRECE surveyed over 1,000 Colombian coffee farmers on the impacts of the Nespresso AAA Sustainable Quality™ Program.<sup>3</sup> It found that between 2009 and 2011, AAA farms demonstrated 22.6% better social conditions, 41% better economic conditions and 52% better environmental conditions than non-AAA farms. Net income levels were found to be 46% higher for AAA farmers than non-AAA farmers<sup>4</sup>.



#### ▲ CONTINUOUS IMPROVEMENT ON AAA FARMS

By empowering farmers and providing them with continuous support thanks to the agronomists, the AAA Program has improved the social, economic and environmental conditions of participating coffee farms. In 2015, overall compliance of all the AAA farms to AAA Program criteria (based on SAN standards) reached 85%.

<sup>3</sup> The survey was conducted according to guidelines specified by COSA (The Committee on Sustainability Assessment), an international non-profit organisation providing accurate measurement of recognised sustainability indicators along social, economic and environmental lines. [thecosa.org](http://thecosa.org)

<sup>4</sup> For more info, see the CRECE executive summary: <http://www.nestle-nespresso.com/sustainability/research/monitoring-the-sustainability-performance-of-the-aaa-program>

### WHAT THE EXPERT SAYS

"The Nespresso AAA Sustainable Quality™ Program, in collaboration with the Rainforest Alliance, is one of the most rigorous and comprehensive programs in the coffee industry with real investments in the farmers, and in a partnership with them, to create shared value and a new world."

Tensie Whelan,  
Former President, Rainforest Alliance

### VOICES FROM THE FIELD

"Nespresso is a key buyer for us since the cooperative positions itself as a high quality producer. For the last five years, Nespresso has paid the best prices for our coffee. Thanks to higher prices, more coffee growers have more incentives to adopt better farming practices. Small producers in our region have benefited enormously from the Nespresso AAA Program. Prior to the program, limited market access for their high quality coffee meant they had to sell at a lower price."

Oscar Daniel Sanchez,  
Agronomist, Alto Occidente Coffee Growers Cooperative of Caldas,  
Colombia

"The AAA Program pays better prices for quality. It has also taught me a lot of things I had never considered before, with respect to the environment and running my farm. Now I know my costs as well as my income. I have also learned how to care better for nature: to grow coffee under shade trees, to plant vetiver to help keep the rivers and streams clean and to dispose of waste properly. The AAA Program has taught me how to look after my farm so that it is still producing in the future for our children and grandchildren."

Álvaro Chavarría Zumbado,  
Coffee grower in La Giorgia,  
Costa Rica

#### QUALITY AT THE HEART OF THE AAA PROGRAM ▼

Nespresso and its farmer partners take great care of the AAA coffee to ensure its quality through the implementation of agricultural and process best practices.

