



ECOLABORATION™ MID-TERM REPORT, JUNE 2011

PROGRESS TOWARD OUR 2013 ECOLABORATION™ CARBON TARGET

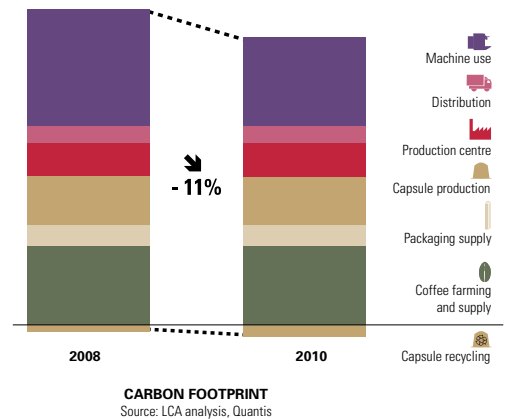


2013 COMMITMENT

- Between 2009 and 2013, we will reduce the carbon footprint per cup of Nespresso coffee by 20%.

2010 UPDATE

- By the end of 2010, we had reduced the carbon footprint per cup of coffee by 11%.



PROGRAM PROGRESS

- This progress came mainly through the introduction of new Nespresso machine ranges equipped with an automatic stand-by mode (such as the CitiZ range) or an automatic power-off function (such as PIXIE).
- Since 2009, all new Nespresso machine ranges, such as CitiZ, have been equipped with an automatic stand-by mode or power-off.
- PIXIE, our latest innovation, automatically switches off after nine minutes of inactivity, consuming 40% less energy than a model rated as "A" according to FEA/CECED labelling.
- We have built environmental efficiencies into our production centre in Avenches, Switzerland, where an innovative energy recovery system reduces the amount of energy needed to roast green coffee by approximately 15%.
- We supported the launch of a Climate Friendly farming module in Guatemala, which helps farmers go above and beyond the Sustainable Agriculture Network (SAN) standards to further mitigate their own greenhouse gas emissions.

WHAT WE LEARNED

- Life cycle assessment (LCA) studies show that the biggest environmental impact comes from using the Nespresso machine and growing the coffee. The main focus for Nespresso is on reducing the carbon emissions from these areas.
- Going beyond carbon, we are taking action to improve the environmental impact of every aspect of our business, from the cherry to the cup, including: coffee cultivation, our operations, our machines and the disposal of capsules.
- Recycling aluminium produces only 5% of the CO₂ emissions compared with primary production¹. That's why Nespresso is continuing to actively engage with its Club Members and encourage them to bring back their used capsules for recycling.

ON THE GROUND – FOCUS ON THE COFFEE VALUE CHAIN

- In partnership with the Colombian Coffee Federation (FNC), we have invested in upgrading thousands of installations, including around 10,000 sun driers, 5,000 fermentation tanks and 8,000 water treatment units in Cauca and Nariño, Colombia, to improve environmental management of coffee farms in the region.
- Beyond this, our focus on reducing our carbon footprint has led us to support the recent launch of a Climate Friendly farming training module in Guatemala. This education program was created by our partners, including the Sustainable Agriculture Network (SAN), a local university, our sourcing partner EFICO and many others. The module includes voluntary guidelines to help farmers mitigate their own greenhouse gas emissions and better prepare for the new challenges that climate change is already bringing to coffee growing regions.
- The warehousing facilities of our sourcing partner, EFICO, are equipped with a highly efficient system to cool, warm, ventilate and sterilize the environment and onsite green energy production is provided by 4,600 solar photovoltaic cells.
- As well as reducing the carbon footprint of our operations, we are building additional environmental efficiencies into our production centres and logistics networks. For example, at Avenches, nearly 7,300 cubic metres of rain water, equivalent to two and a half Olympic swimming pools, are collected per year in a special collection tank on the roof. That water is used for various activities, including flushing the toilets and watering the green areas.

¹ "Global Aluminium Recycling: A Cornerstone of Sustainable Development", International Aluminium Institute, 2006

NEXT CHALLENGES

- Our efforts to improve our environmental sustainability can only be successful if we have a deeper understanding of our impacts across our entire business. While we have robust measuring and reporting systems in place for our own operations, the impacts of coffee growing are not as well understood. That is why we are investing in a solid, integrated and long-term measurement and reporting program for our sustainability performance, particularly in the countries from where we source our coffee. For example, we are working with Quantis, a leading global LCA consultancy, on a project to measure qualitative and quantitative effects of TASQ™, our sustainability self-assessment tool for coffee farmers. TASQ™ includes criteria such as wastewater management and coffee replanting.
- We are also launching our own AAA Sustainable Quality™ database to gather, analyse and share information about sustainability with coffee farmers, to help them plan for the future. It will allow us to tailor support in environmental management to farmers' individual needs, as well as providing a global overview of our program implementation and the adoption of sustainability best practice (Cluster monitoring & decision tool, traceability and geo-localisation).
- Furthermore, to ensure that we are helping to protect biodiversity in coffee growing regions, we need to measure the impacts we have on local ecosystems. We are developing a long-term project with IUCN to better understand the biodiversity impacts of our operations in coffee countries of origin, especially around coffee growing. A part of this work involves designing a robust eco-monitoring system to evaluate possible future initiatives.

WHAT ECOLABORATION™ PARTNERS SAY:

"The approach that Nespresso is taking to measure their carbon footprint and to set realistic and measureable targets to reduce it throughout the entire value chain is a commendable approach to addressing a serious issue."

Yves Loerincik,
CEO, Quantis