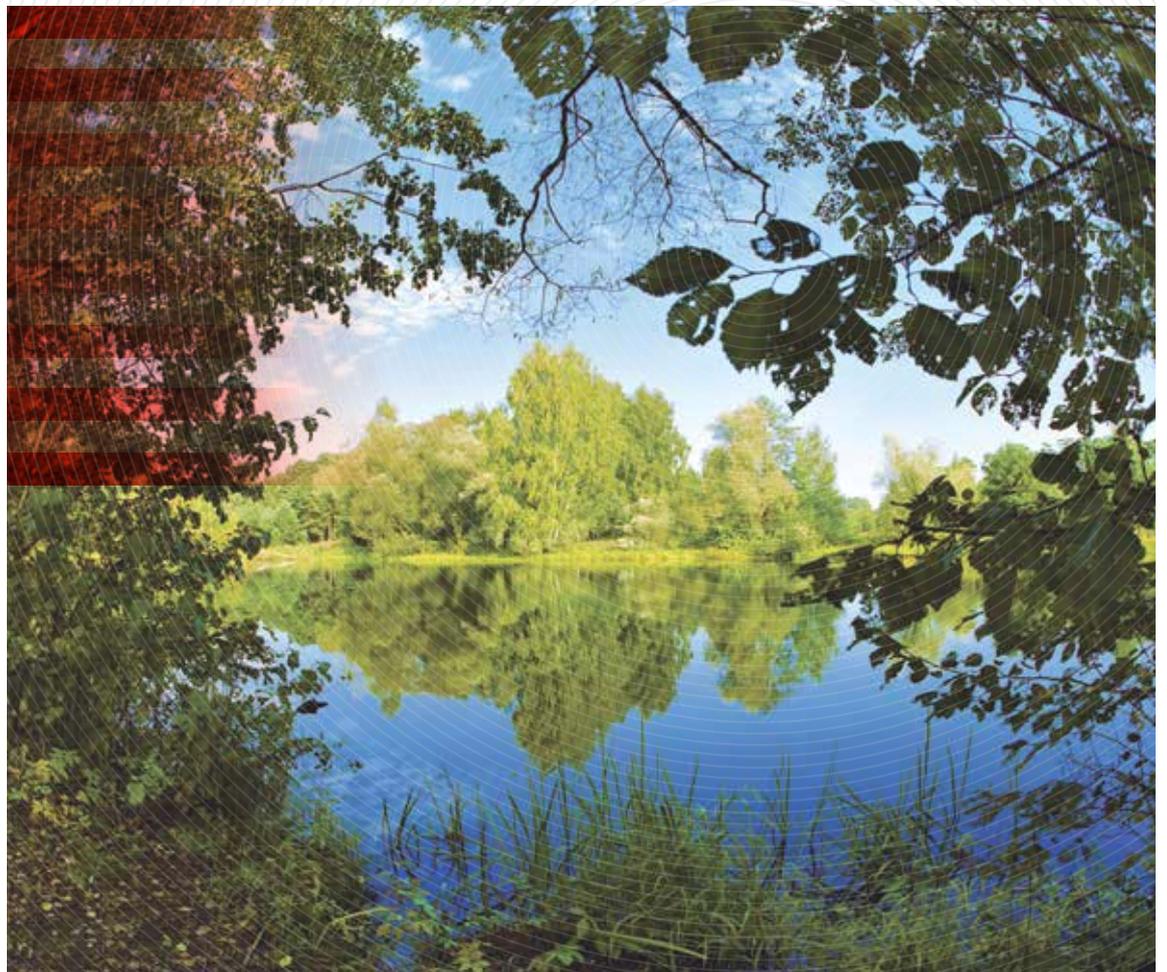


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The Nestlé Policy on Environmental Sustainability



Issuing department

Safety, Health and Environmental Sustainability

Target audience

Public, all employees

Approver

Executive Board of Nestlé S.A.

Repository

All Nestlé Principles and Policies, Standards and Guidelines can be found in the Centre online repository at:

<http://intranet.nestle.com/nestledocs>

This policy is also registered as GI-14.000.

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Appendices

This policy is complemented with more detailed commitments on specific environmental issues available at www.nestle.com

We make Nestlé resourceful

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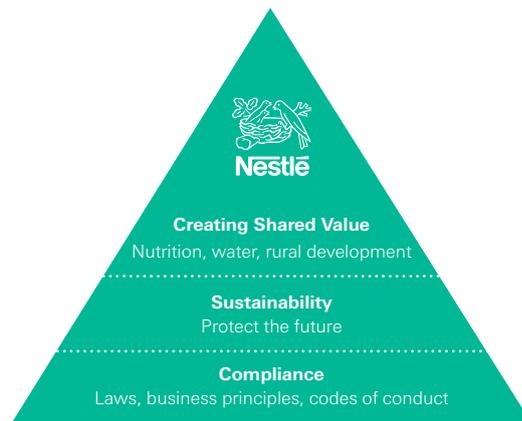
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Commitment of the CEO to environmentally sustainable business practices

At Nestlé, the recognised world's leading Nutrition, Health and Wellness company, we believe that to be successful over the long-term we need to create value for our shareholders and for society as a whole. We call this Creating Shared Value (CSV). As an essential prerequisite for CSV we not only have to comply with all applicable legal requirements and *The Nestlé Corporate Business Principles* but also ensure that the principle of sustainable development is embedded in our activities, brands and products.



This means protecting the future by making the right choices in an environment where water is increasingly scarce, natural resources are constrained and biodiversity is declining. All of these elements are vital for feeding a growing world population and for the development of Nestlé. Moreover, climate change may exacerbate our Planet's environmental challenges. Nestlé is therefore committed to:

- full compliance with all applicable legal environmental requirements and our internal requirements where specific environmental legislation is non-existent or insufficient;
- the continual improvement of the environmental performance of our activities, products and services and prevention of pollution through the *Nestlé Environmental Management System* (NEMS) which complies with the international ISO 14001 standard;
- the systematic assessment and optimisation of environmental impacts in the design of new and renovated products;
- the responsible sourcing of ingredients, packaging materials and other goods and services from suppliers who comply with the *Nestlé Supplier Code* and demonstrate continual improvement of their environmental performance;

so that Nestlé's products will be not only tastier and healthier but also better for the environment along their value chain.

This also means delighting consumers by giving them another reason to trust Nestlé and enjoy our products, and living up to employees' and external stakeholders' expectations about our environmental responsibility and practices.

Nestlé is therefore committed to:

- meaningful and accurate environmental information and dialogue based on scientific evidence about our products, activities and services at corporate, market and product brand level;
- independent environmental auditing, verification and certification of our practices and along our supply chain;
- environmental awareness training and education for our employees, alongside effective communication with employees and recognition of their initiatives and achievements towards environmental improvement;
- proactive long-term engagement and partnerships with stakeholders, including regulators, scientists, customers, business partners, civil society organisations and the community, in order to define, implement and evaluate solutions to the complex environmental challenges we are facing.

As the Chief Executive Officer of Nestlé, I am determined to provide the leadership and resources to make sure that this commitment is fully integrated throughout the Company.

Paul Bulcke
Chief Executive Officer

Meeting our commitment

We apply a product life cycle approach involving our partners from farm to consumer and beyond. Specific to our food and beverage business we focus on water preservation, natural resources efficiency, biodiversity conservation, air emissions reduction, climate change adaptation, and zero waste.

1. Research and Development

Nestlé Research and Development centres have two primary objectives: to create new products and processes and to improve those that already exist.

In order to have environmental sustainability being more and more built into products, our *Sustainability by Design Programme* systematically assesses and optimises the environmental performance across the entire value chain at the earliest stage in the development of new and renovated products.

Our global *Sustainability by Design Network* champions the continuous improvement of this programme across the different businesses and categories.

2. Sourcing of Raw Materials

Nestlé sources its raw materials either directly from farmers or from primary processors or traders. We prefer to use agricultural materials which are locally available. We foster environmental sustainability in the supply chain through:

- the *Responsible Sourcing Audit Programme* which requests key vendors to demonstrate compliance with Nestlé's environmental standards through independent third party audits; if corrective actions are required Nestlé, together with auditors, will guide vendors in upgrading their practices;
- the *Responsible Sourcing Traceability Programme* which promotes transparency in our extended supply chains back to the farm or feedstock, implementing our commitments on no-deforestation, responsible use of water, sustainable fisheries and animal welfare, and addressing other specific environmental aspects;
- the *Farmer Connect Programme* which supports the farming communities where we source agricultural raw materials, and provides technical assistance on sustainable production methods; we also optimise the delivery of raw materials up to the factory;
- the *Sustainable Agriculture Initiative at Nestlé* which shares best practices and lessons learned.

3. Manufacturing

Manufacturing comprises all processes that are necessary to transform perishable raw materials into safe and value-added food products for consumers.

Building on the ISO 14001 certification of our factories, we aim to do more with less by eliminating all types of waste, with a key focus on what is valuable for both the environment and our consumers. We thus improve our overall efficiency, quality and environmental performance.

We aim to use the most efficient technologies and apply best practices in order to further optimise energy and water consumption, minimise waste generation, utilise sustainably-managed renewable energy sources, recover value from by-products and control and eliminate emissions, including greenhouse gases.

We use safe natural refrigerant alternatives for industrial refrigeration installations and implement new solutions to improve their performance.

We incorporate environmental sustainability objectives when we build, construct and renovate facilities.

4. Packaging

The packaging of our products is crucial to prevent food waste, guarantee our high quality standards and inform our consumers. We:

- optimise the weight and volume of our packaging;
- lead the development and use of materials from sustainably-managed renewable resources considering packaging and product performance requirements;
- support initiatives to recycle or recover energy from used packaging;
- use recycled materials where there is an environmental benefit and it is appropriate.

5. Distribution

Delivering the products in highest quality and on time from the factory to customer is a vital part of our business. To continuously enhance efficiency and environmental performance in distribution, we:

- optimise distribution networks and route planning across all our operations;
- explore opportunities to improve transportation, e.g. use sea and rail instead of road;
- expand driver training both from a safety and environmental efficiency perspective, use telematics and latest technology on our vehicles where practical, and recommend the same to our suppliers;
- support the development and use of safe and efficient natural refrigerant solutions for commercial applications and progressively phase out HFCs appliances.

6. Marketing & Consumer Communication

Marketing's most fundamental commitment is to delight consumers every day, everywhere, thereby building trust. As part of building trust, we:

- integrate environmental sustainability into our products, and brand communication where applicable;
- help consumers make informed choices through credible, substantiated communication;
- leverage relevant contact points (e.g. digital, packaging and point-of-sale) to inform consumers of environmental improvements, as well as action they can take when using our products and handling used packaging;
- support and shape the development of environmental communication best practices and standards, working in collaboration with industry, government and public forums.

7. Corporate Communication

Communication on the topic of environmental sustainability is an increasingly important part of our corporate communication strategy involving media relations and engagement with non-governmental organisations, special interest groups, governments and public authorities.

Our Nestlé in Society website features our activities on environmental sustainability and water.

A strategic priority for us is to engage stakeholders and develop key partnerships. Our proactive engagement with stakeholders on environmental topics includes regular external stakeholder convenings and meetings.

We also seek to nurture constructive relations with organisations critical of the Company's environmental performance.

8. Human Resources

We educate all employees to live by the Nestlé corporate business principle on environmental sustainability *We make Nestlé resourceful* and therefore, we:

- train all employees on this policy;
- create conducive workplace conditions that help all employees take personal responsibility for protecting the environment by promoting application of this policy to day-to-day activities at the workplace as well as at home;
- ensure environmental sustainability is covered as part of relevant training, workshops and meetings to raise commitment of our employees, suppliers, business partners and the community at large;
- promote corporate and personal responsible behaviour towards the environment through publishing success stories and recognising positive initiatives to embed these practices within Nestlé and the local community.

9. Regulation

We carefully monitor, evaluate and communicate regulatory developments so that they are reflected in our strategies. To promote an effective regulatory system with respect to environmental sustainability, we:

- engage with regulators and other relevant stakeholders to foster environmentally efficient and effective laws and regulations;
- support internationally recognised standards and voluntary initiatives designed to protect the environment;
- oppose discriminatory measures;
- favour the harmonisation of environmental laws, regulations and standards in order to develop trade and help consumers' understanding.

Governance

The Board of Directors (BoD) is the ultimate governing body of the Company. The BoD delegates to the CEO the power to manage the Company in line with its Articles of Association stating that Nestlé shall, in pursuing its business purpose, aim for long-term, sustainable value creation. The CEO chairs the Executive Board (EB) and delegates to its members individually the powers necessary for carrying out their responsibilities. The BoD and the EB are assisted by a number of governance bodies covering environmental sustainability, including the BoD Audit Committee as well as, at executive level, the Operations Sustainability Council, R&D Council for Sustainability and Nutrition, Brands & CSV Advisory Team, Issues Round Table and Group Compliance Committee.

The CSV Alignment Board, chaired by the CEO, oversees the strategic implementation of CSV across all Nestlé businesses. It leads the development and evolution of Nestlé's CSV and environmental sustainability objectives and strategies, while reverting to the EB for input and confirmation. It also liaises and ensures coherence with our CSV Advisory Board composed of internationally recognised experts in corporate strategy, nutrition, water and rural development who give independent input to our activities.

This policy is implemented through the NEMS. Management is accountable for NEMS implementation within their area of responsibility. NEMS is based on a continual improvement management cycle and is depicted in the following spiral:

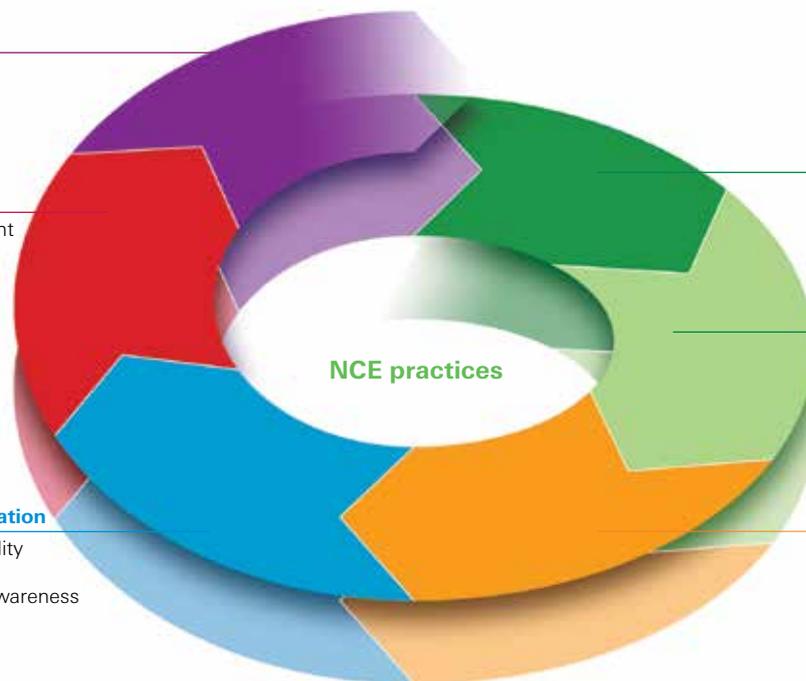
4.6 Management review

4.5 Checking

- 4.5.1. Monitoring and measurement
- 4.5.2. Evaluation of compliance
- 4.5.3. Non-conformity, corrective action and preventive action
- 4.5.4. Control of records
- 4.5.5. Internal audit

4.4 Implementation and operation

- 4.4.1. Resources, roles, responsibility and authority
- 4.4.2. Competence, training and awareness
- 4.4.3. Communication
- 4.4.4. Documentation
- 4.4.5. Control of documents
- 4.4.6. Operational control
- 4.4.7. Emergency preparedness and response



4.1 General requirements

4.2 Environmental policy

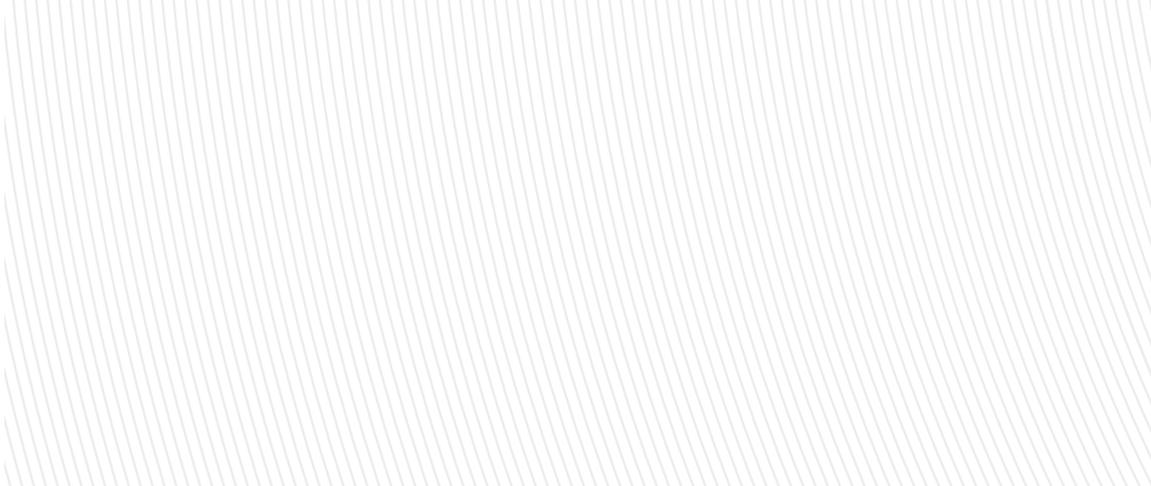
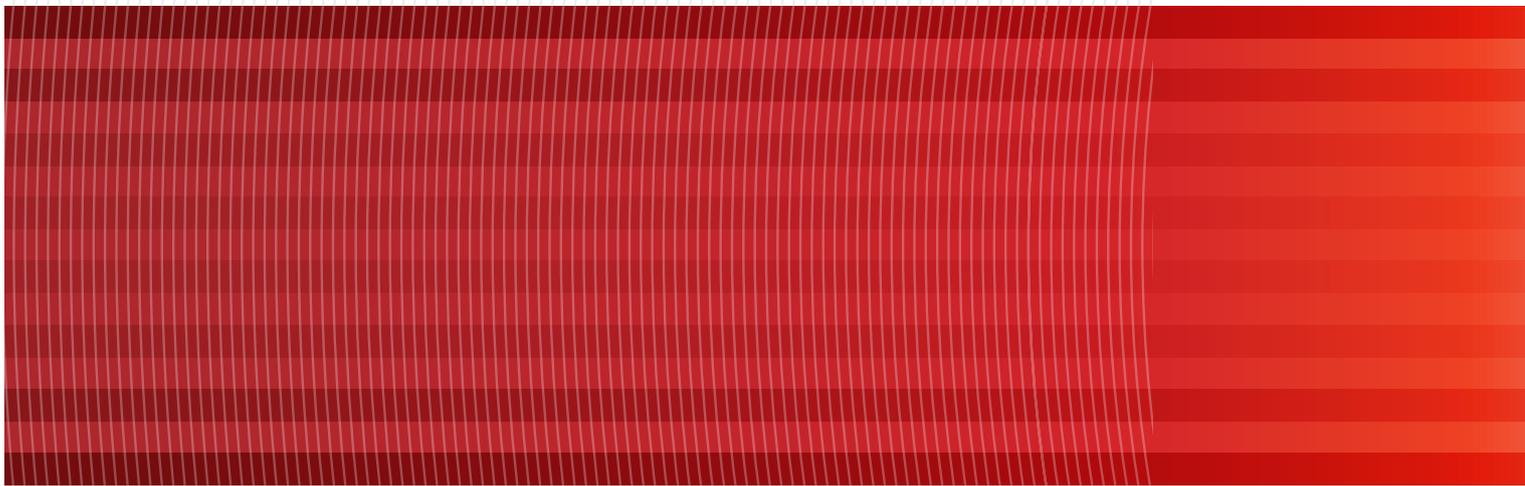
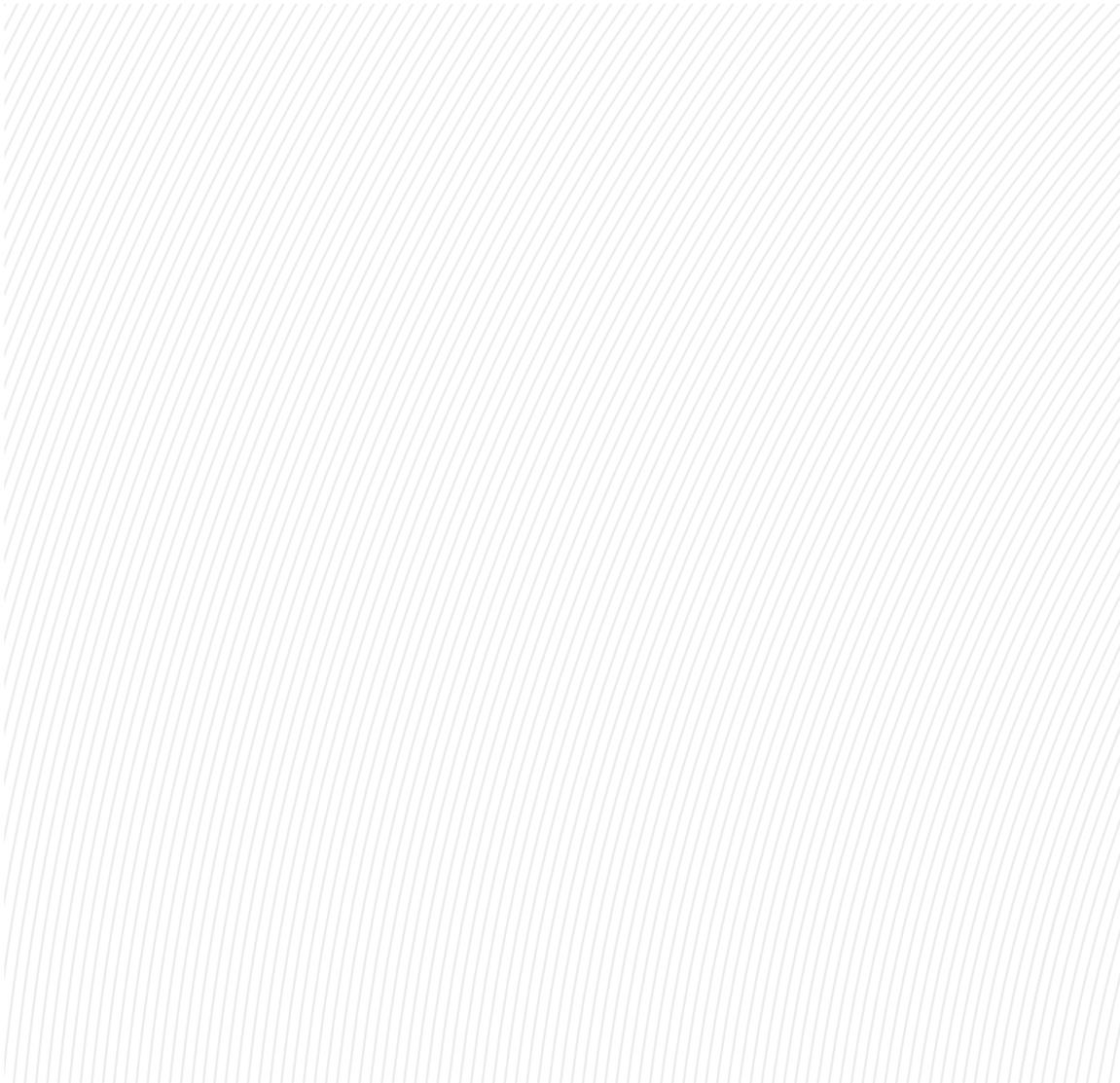
4.3 Planning

- 4.3.1. Environmental aspects
- 4.3.2. Legal and other requirements
- 4.3.3. Objectives, targets and programme(s)

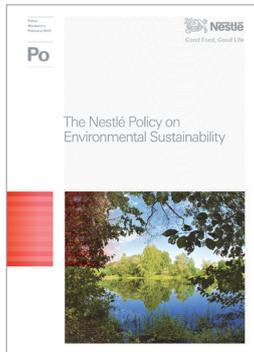
The effectiveness of NEMS will rest on the use of the methodologies, models and tools provided by our Nestlé Continuous Excellence (NCE) initiative. Through the application of NCE practices, we improve our efficiency, quality and productivity, which translates into doing more with fewer resources and less waste. In addition, NCE fosters a systemic, employee-involved,

continuous improvement culture that will help us further develop more environmentally sustainable business practices in the years to come.

To ensure a consistent and coherent implementation worldwide, Nestlé submits all its manufacturing sites to ISO 14001 certification by independent accredited bodies and is expanding this programme to all its units.



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Appendix to The Nestlé Policy on Environmental Sustainability

Nestlé Commitment on Water Stewardship

Nestlé recognises that the long term success of the company is built upon effective water stewardship in the watersheds where its raw materials are sourced from, where its factories are located, and where suppliers and consumers live. It believes that effective water stewardship will require that provisions are made firstly for water to meet the human right to water, then to ensure that ecosystems are able to function, and finally to ensure that water is used efficiently for agricultural and industrial use. Nestlé believes that Governments have to take the lead in establishing over-arching water policies within which Nestlé and other water users can operate. Nestlé is willing to assist in this process, is committed to develop its business in a way that facilitates effective water stewardship in the geographies that it sources from and operates within, and is committed to focus upon measures that are cost effective and relevant within a watershed. Water is an important natural resource for Nestlé: agriculture is the major user of water and Nestlé is one of the worlds' largest buyers of agricultural raw materials from farms and forests. Nestlé uses water at over 460 factories globally, and consumers use water to prepare and consume our products.

Nestlé has a long history of leadership on water stewardship¹ through continuous improvement in the efficient use of water at its factory operations and innovative programmes with farmers. More recently it has been an advocate for collaborative action globally and at a watershed level on water stewardship. In 2010, Nestlé formally reconfirmed its public support for the human right to water.

The Nestlé Commitment on Water Stewardship has been prepared to guide and align Nestlé's efforts to complement Nestlé's Corporate Business Principles, the Nestlé Policy on Environmental Sustainability, the Nestlé Supplier Code, Responsible Sourcing Guidelines, and Water Guidelines for Suppliers of Agricultural Raw Materials. This Commitment should be specifically read in conjunction with the Nestlé Commitment on Natural Capital.

Specifically Nestlé commits to:

1. Work to achieve water efficiency across our operations, by
 - Ensuring that our operations do not compromise the right to water of local communities
 - Excelling in the efficient use of water in all our facilities
 - Conducting water resource reviews across existing and new factory sites
 - Concentrating interventions in priority watersheds
 - Stimulating innovation in water use efficiency by investing in "Lighthouse Projects"
 - Implementing programmes to reduce water withdrawal, reuse water and use alternative water sources such as rainwater harvesting

¹ Water Stewardship for a water user is about acknowledging the responsibilities and implementing the actions, individually and/or collectively, needed for the sustainable management of shared water resources within a watershed.

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2. Advocate for effective water policies and stewardship, by
 - Engaging in and supporting public policy dialogues at the global level, such as the 2030 Water Resources Group, the Alliance for Water Stewardship, and the CEO Water Mandate.
 - Engaging in collaborative policy and water conservation activities at a national/ sub-national/watershed levels
 - Improving corporate reporting on water stewardship
 - Promote products and behaviours that can help consumers to lower their use of water; and provide them with information to help them minimise water use when preparing our products
 - Sharing good practices for sustainable water use with other companies and other stakeholders
 3. Treat the water we discharge effectively, by
 - Setting strict targets for water discharge quality, for water returning to the environment
 - Operating treatment plants, where municipal infrastructure is inadequate or insufficient to meet our environmental standards
 - Ensuring that our operations do not compromise the right to water & sanitation of local communities
 4. Engage with suppliers, especially those in agriculture by
 - Incorporating water management requirements into the agricultural commodity Responsible Sourcing Programme and the Tier 1 Supplier Audit Programme
 - Prioritising interventions per commodities (eg sugar), especially in water scarce locations and important water areas
 - Providing training and support to farmers on water quality, reducing water usage as well as retaining soil moisture
 - Undertaking R&D activities on plant varieties and processing to reduce water usage
 5. Raise awareness of water access and conservation, by
 - Supporting our employees to understand and make better informed decisions that will lead to effective water stewardship
 - Supporting the human right to water and sanitation by ensuring that all Nestlé facilities provide access to clean water and sanitation to their employees, and assist the provision of clean water and improved sanitation to priority communities adjacent to selected factories and locations² where Nestlé is sourcing agricultural commodities
 - Supporting education programmes (such as Project WET) at schools and in local communities
 6. Report publicly on a regular basis on the progress of meeting this Commitment

2 As defined in the Rural Development Framework