

Bureau Veritas' Independent Assurance Statement

To: The Stakeholders of Nestlé S.A.

Introduction

Bureau Veritas UK has been engaged to provide external assurance to the stakeholders of Nestlé SA (Nestlé) over its Creating Shared Value Report 2008: *"Nutritional needs and quality diets"* (the CSV Nutrition Report) and the Creating Shared Value content (and highlighted Key Initiatives) presented on pages 12 to 23 and page 76 in the Nestlé Management Report 2008 (the CSV Section of the Management Report).

The preparation of both the CSV Section of the Management Report and the CSV Nutrition Report is the sole responsibility of Nestlé. Our aim is to provide assurance to stakeholders on the accuracy, reliability and objectivity of the information therein and to express our overall opinion as per the scope of assurance. The objectives, scope, methodology, limitations and exclusions of our work are detailed below.

Objectives of Assurance

The objectives were to:

1. provide reasonable assurance over the stated content of both the CSV Section of the Management Report and the CSV Nutrition Report for the reporting period;
2. provide an impartial commentary on the reporting process and associated systems and, where appropriate, propose recommendations for future development;
3. provide an initial assessment of the implementation of Creating Shared Value (CSV) policies and processes at the market level.

Nestlé recognises the need for a robust, transparent assurance process to ensure continued credibility and to act as a tool to drive continual performance improvement in its CSV implementation and associated external reporting. Therefore, in addition to impartial commentary on the reporting processes, we also comment on Nestlé's responses to the recommendations made in our previous assurance statement. We also provide further recommendations, elaborated in a separate report to the management of Nestlé.

Scope and methodology

The scope of the assurance included:

1. a review of relevant CSV activities undertaken by Nestlé over the reporting period January to December 2008;
2. a review of information relating to Nestlé's CSV issues, responses, performance data, case studies and underlying systems to manage relevant information and data;

3. an evaluation of Safety, Health and Environmental (SHE) data and systems across a sample of global operational sites; and
4. a pilot assessment of the implementation of CSV related policies and processes at Nestlé market level.

To conduct the assurance we undertook the following:

- ▶ verification of performance data and factual information contained within the CSV Section of the Management Report and the CSV Nutrition Report;
- ▶ interviews and follow-up communication with 25 key management staff predominantly at Nestlé's Head Office in Vevey, Switzerland;
- ▶ review of processes for identification and collation of relevant information, report content and performance data from global group operations;
- ▶ visits (by Bureau Veritas' global auditor network) to approximately 3% of operational factories spanning nine countries, to evaluate Safety, Health and Environmental (SHE) data management, reliability and accuracy;
- ▶ a visit to Nestlé South Africa to review the understanding and implementation of CSV policies and related processes presented within the CSV Section of the Management Report and the CSV Nutrition Report at a market level; and
- ▶ visits to both Malaysia and Indonesia to review compliance with the World Health Organisation (WHO) International Code of Marketing of Breast Milk Substitutes (1981) and subsequent World Health Assembly (WHA) resolutions. Specific assurance statements and recommendations can be found at <http://www.babymilk.nestle.com>

Opinion

Based on our work, it is our opinion that the CSV Section of the Management Report:

- ▶ further advances Nestlé's CSV related reporting with responses to some of the key challenges and issues it faces, providing readers with additional understanding and context;
- ▶ includes information that is reliable, understandable and clearly presented, and provides a reasonable account of relevant activities and performance over the reporting period from across the business on CSV related activities;
- ▶ provides a summary account of Nestlé's CSV activities and as such addresses key stakeholder concerns. However, it should be noted that due to the brevity of the content within the Report, all relevant stakeholder concerns are not addressed in full; and
- ▶ presents a continuation of discussions around main issues introduced in the 2008 CSV report (albeit in précis format), and as such does not omit any subject area considered to be of material importance. However, the "Our people" content of the Report does not fully demonstrate how Nestlé is undertaking its diversity or employee development activities; this could be strengthened with relevant narrative and/or case studies to support the reported CSV

Performance Indicators (PI).

Based on our work, it is our opinion that the CSV Nutrition Report:

- ▶ further advances Nestlé's CSV related reporting with responses to key challenges and issues it faces in response to nutritional concerns, providing readers with additional understanding and context;
- ▶ includes information that is reliable, understandable and clearly presented, providing a comprehensive account of Nutrition based activities that are core to the CSV strategy, and performance by Nestlé over the reporting period;
- ▶ identifies and reports upon issues that are discussed as the most urgent and pressing in the world today, and to which Nestlé needs to be a significant contributor; and
- ▶ is orientated towards the scientific/public health community as the audience of main interest, and to whom Nestlé's response is clear and comprehensive.

Understanding and implementation of CSV policies and related processes in Nestlé South Africa

Last year we recommended that Nestlé should consider the status of CSV practice across [its] global operations, and how this could be extended beyond the corporate platform to ensure that appropriate mechanisms are applied for capturing internal and external material issues consistently. This will enable balanced and increasingly global reporting.

We undertook an assessment of the implementation of CSV related policies and processes within Nestlé South Africa between 12 – 14 January 2008 which included 18 interviews with senior managers and other employees at Nestlé South Africa offices in Johannesburg and its manufacturing site in Clayville.

It is our opinion that Nestlé South Africa is taking a proactive approach to issues of material concern and that activities in the South African market are clearly linked to corporate objectives. Noting that a strong regulatory environment exists in South Africa in relation to employment and social issues, Nestlé South Africa's CSV activities demonstrably link into each stage of the Nestlé value chain as defined in the CSV strategy.

The positioning of Nestlé as a Nutrition, Health and Wellness company is well understood in Nestlé South Africa and key programmes and policies reported upon in the CSV Nutrition Report, such as 60:40+, Nutrition Foundation (NF) and Popularly Positioned Products (PPP), are being implemented within the market in line with the expectations of the Head Office. However, Head Office guidance in some areas, such as Popularly Positioned Products (PPP), may not always account for cultural/business differences at a market level which Nestlé needs to recognise to fully realise the benefits.

Progress and Recommendations

- ▶ Nestlé has provided a more balanced account of its present position and performance this year, in particular through its decision to include discussion around the challenges it faces in key areas of its activities;
- ▶ There has been some improved clarity in the reporting of governance, accountability and management structures through the brief inclusion of information relating to its established risk management processes. However, looking forward to the provision of the next full CSV report this remains an area where Nestlé needs to demonstrate to stakeholders how different issues are being prioritised;
- ▶ Safety, Health and Environment (SHE) data reporting has progressed over the reporting period and the provision of an updated guidance document from Head Office to all operations has improved communication and understanding of requirements at a site level;
- ▶ We applaud Nestlé's responsiveness to address the concerns raised over reporting of indirect CO₂, thereby enabling a determination of its materiality in relation to direct CO₂ emissions;
- ▶ Beyond the inclusion of indirect CO₂ no new Performance Indicators (PI) have been reported this year, although we are aware that some are under development. Again, the provision of the next full CSV report will provide a better platform to definitively link PI to strategy (see below);
- ▶ By only reporting performance data against some PI without including supporting text in the body of the report in some cases, Nestlé does not fully demonstrate to stakeholders how issues are being considered in some of its day-to-day operations. The annual reporting of PI and CSV related activities should not become an isolated process but instead be used to manage progress and demonstrate integration of material issues across all business activities;
- ▶ We recommend that the future reporting of "Nutritional needs and quality diets" is reviewed to ensure that associated activities and challenges are presented in the context of all relevant product categories adequately reflecting Nestlé's range of products; and
- ▶ Although Nestlé has continued to include some details of both its own (i.e. CARE) and industry-led (i.e. European Advertising Standards Alliance) compliance auditing activities, this still represents an area that Nestlé should elaborate on to further improve transparency of its compliance checking, non-conforming areas and the associated remedial actions taken.

This opinion has been formed on the basis of, and is subject to, the inherent limitations outlined below in this independent assurance statement. The assurance work was planned and carried out to provide reasonable, rather than absolute, assurance and we believe it provides a reasonable basis for our conclusions.

Limitations and exclusions

Excluded from the scope of our work is information relating to:

- ▶ activities outside the defined reporting period and scope;
- ▶ statements of commitment to, or intention to, undertake action in the future;
- ▶ statements of position, opinion, belief and / or aspiration;
- ▶ additional content on www.nestle.com/csv;
- ▶ any information hyperlinked from the web-based Report; and
- ▶ report content that presents the opinions of external parties.

Much of the operating financial data in the CSV Nutrition Report is taken from Nestlé's Annual Reporting and accounts, which is separately audited by an external auditor and therefore excluded from the scope of the Bureau Veritas assurance.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the Report.

Statement by Bureau Veritas of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in quality, health, safety, social and environmental management advice and compliance with over 180 years history in providing independent assurance services and an annual turnover in 2008 of Euros 2.5 billion.

Bureau Veritas has implemented a Code of Ethics across its business which is intended to ensure that all our staff maintains high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest.

Bureau Veritas has a number of existing commercial contracts with Nestlé. Our assurance team does not have any involvement in any other projects with Nestlé outside those of an independent assurance scope and we do not consider there to be a conflict between the other services provided by Bureau Veritas and that of our assurance team.

Our assurance team completing the work for Nestle has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information, systems, and with over 25 years combined experience in this field an excellent understanding of good practice in corporate responsibility reporting and assurance.

Bureau Veritas UK Ltd.

London, March, 2009

