



Carbon Disclosure Project (CDP5) Greenhouse Gas Emissions Questionnaire: Nestlé response May 2007

For further information about the Carbon Disclosure Project please visit: www.cdproject.net

General Introduction

If you would like to give an introduction to your answers, please enter it here:

Nestlé has been committed for long to environmentally sound business practices, as stated in The Nestlé Policy on the Environment first issued in 1991. This includes reduction of greenhouse gas emissions and other air emissions. Nestlé's invests an average of CHF 40 million annually to reduce air emissions. As a result, since the start of the negotiations leading to the 'Kyoto Protocol' in 1997, the CO₂ emissions from our manufacturing sites were reduced by 14%. During the same period, our production volume has almost doubled to 38.24 million tonnes, resulting in a GHG eco-efficiency improvement of 56%. More detailed information is available on www.environment.nestle.com

Section A – 1 Climate Change Risks, Opportunities and Strategy

Question 1(a)(i) – Regulatory risks

For this question, please state the time period and where possible the associated financial implications. What commercial risks does climate change present to your company including regulatory risks associated with current and/or expected government policy on climate change e.g. emissions limits or energy efficiency standards?

According to generally accepted information, climate change poses a variety of potential risks. Change in ecological balance and in weather patterns may possibly result in shortages in agricultural raw materials, shortages in water, floods, cyclones, ..., which may disrupt the supply chain, including means of transport. Cost of natural resources and energy may increase dramatically. Availability and reliability of both electricity and natural gas may be jeopardised. The energy sector is one of the largest sources of CO₂ emissions, energy prices increase as utility companies try to pass on their increased compliance costs. Another non negligible impact is the administrative burden of participation in emission trading. Moreover, climate change may affect local communities and food consumption habits.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 1(a)(ii) - Physical risks

For this question, please state the time period and where possible the associated financial implications. What commercial risks does climate change present to your company including physical risks to your business operations from scenarios identified by the Intergovernmental Panel on climate Change or other expert bodies, such as sea level rise, extreme weather events and resource shortages?

As already mentioned in question 1 (a) (i), extreme weather events, changes in weather patterns, rising temperatures, sea level rise and other related phenomena may possibly result in shortages in agricultural raw materials and freshwater, which may disrupt the supply chain, including means of transport. Cost of natural resources and energy may increase dramatically in certain regions. Availability and reliability of both electricity and natural gas may be jeopardised locally. Nestlé carefully investigates possible impacts on its activities of such changes on a case by case basis when conducting risk assessment and/or claims related investigations. In addition, Nestlé has developed an exposure related data base where floods and other natural hazards exposures are documented and continuously updated.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?



No

Question 1(a)(iii) - Other risks

For this question, please state the time period and where possible the associated financial implications. Apart from any regulatory and physical risks you have described in your answers to questions 1(a)(i) and 1(a)(ii) above, what other commercial risks does climate change present to your company including shifts in consumer attitude and demand?

Climate change may affect local communities and food consumption habits.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 1(b) - Opportunities

For this question, please state the time period and where possible the associated financial implications. What commercial opportunities does climate change present to your company for both existing and new products and services?

Consumption of some products can increase/decrease because of the weather evolution. The consumer habits changes could be seen as risks and/or opportunities. An other opportunity is to improve the energy efficiency worldwide throughout the activities.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 1(c) - Strategy

For this question, please state the time period and where possible the associated financial implications. Please detail the objectives and targets of the strategies you have undertaken or are planning to take to manage the risks and opportunities you have detailed in questions 1(a) and 1(b) above. Please include adaptation to physical risks.

Food industry is not a significant direct emitter of greenhouse gases in comparison to other industrial sectors such as power plants, metal, cement, ..., and other sectors such as agriculture, transportation. As stated in The Nestlé Policy on the Environment, Nestlé complies with applicable environmental legislation. Nestlé works with authorities and consultants to assist the installations included in the EU-ETS in each Member State in order to ensure compliance with legislation. Nestlé's first priority is to continue to improve its energy efficiency worldwide throughout its activities (manufacturing, logistics, administration) which results in a continuous reduction of greenhouse gas emissions. In addition, fuel shift, e.g. from coal to gas, further reduces greenhouse gas emissions. As a result, Nestlé has been so far a net seller of GHG emission allowances in the European Union. However, as the energy sector is one of the largest sources of CO₂ emissions, energy prices increase as utility companies try to pass on their increased compliance costs. Another non negligible impact is the administrative burden of participation in emission trading. Nestlé factories in developing countries present a significant opportunity to invest in clean development projects (combustion plant fuel switching, co-generation plants, new process technologies, etc) which will generate tradable emission allowances that can be sold to improve capital investment payback. Nestlé closely monitors legal development and ISO work in the area of greenhouse gas emissions and periodically update its cost / benefit analysis, in order to be able to minimise the financial impact of the EU-ETS, e.g. through CDM and JI projects. In addition, Nestlé has initiated many initiatives, including the Sustainable Agriculture Initiative, to define sustainable agriculture practices and help farmers implementing these.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No



Section A – 2 Greenhouse Gas Emissions Accounting

Question 2(a)(i) – Methodology – Accounting Year

Please state the accounting year used to report GHG emissions:

Financial accounting year: 31 December 2006

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 2(a)(ii) – Methodology

Please state the methodology by which emissions are calculated:

Other

Please provide additional information below:

To measure progress towards its eco-efficiency objective, Nestlé performs periodical factory environmental surveys, a systematic, comprehensive and uniform approach for assessing the environmental performance of its factories. In the past, many individual Nestlé factories had used different methods to track environmental performance. To consolidate data, to benchmark best practices and to allow internal and external reporting, a system was established that defines standardised environmental performance indicators (EPIs) across Nestlé. In 1997, all manufacturing sites were required to report their performance results annually and consolidation of EPIs began on a Group wide basis. Because of the significant difference in products, the pharmaceutical group, Alcon, was not included at this stage. The consolidated Group EPIs cover manufacturing operations and include greenhouse gases emissions. Greenhouse gases have been defined as the sum of all on-site emissions of CO₂ - the main greenhouse gas - from combustion processes used to manufacture Nestlé products. These CO₂ emissions can result from burning of fuels in boilers, roasters, dryers and electric generators. We just launched a new version of our KPI tracking tool software. We will have all the KPI's align with the GHG protocol. We began to report this year so we will have data available for 2007 at the end of the year.

Please state the reporting boundaries for the data provided in this questionnaire

Option 3 – entities owned by the company

Please provide additional information below:

Nestlé currently only capture direct GHG emissions. Our data capture process was revised to capture electricity indirect GHG emissions and will be expanded in time to capture other indirect GHG emissions.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 2(a)(iii) – Methodology – External verification

Please state whether the information provided has been externally verified or audited:

Yes

Nestlé environmental performance indicators have been validated by an independent verification company. Intertek CSeR Group was selected by Nestlé to provide an independent verification of the effectiveness of the systems and processes employed to generate and report Nestlé 2006 environmental performance indicators. The Independent



Assurance Statement, available at www.environment.nestle.com, confirms that the information presented and the data collection system used by Nestlé appear to be reliable and the underlying trends are substantially correct.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 2(a)(iv) – Methodology – Variations in emissions

Please provide an explanation for any significant variations in emissions from year to year eg: due to major acquisitions, divestments, introduction of new technologies etc

435 factories are covered in the reporting data for 2006 (less than 5% variation with 2005). Like for 2005, the scope doesn't include the pharmaceutical Nestlé factories (per tonne data not comparable). Nestlé's success in reducing greenhouse gas emissions has been the result of: - focused efforts on energy reduction, - fuel replacement initiatives, - co-generation activities, - the phase-out of ozone depleting substances. The CO₂ emissions from Nestlé manufacturing operations were reduced by more than 14% since the start of the negotiations leading to the 'Kyoto Protocol' in 1997. During this period, Nestlé production volumes increased by more than 55%.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 2(b) – Scope 1 and Scope 2 GHG Protocol - Year 1 answers

Please state your direct and indirect GHG emissions in metric tonnes CO₂e for global and Annex B countries. If you are having difficulty reporting your emissions figures in CO₂e metric tonnes please see the further guidance on answering the CDP5 questionnaire available [here](#).

Please enter the accounting year used to report GHG emissions details below:

31 December 2006

Total Global Emissions

Total Emissions Annex B countries

Scope 1 activity emissions globally

4050000 CO₂e metric tonnes

Scope 1 activity emissions Annex B

2002000 CO₂e metric tonnes

Scope 2 activity emissions globally

We will be able to give the 2007 values because of a new way to report and calculate data (new version of the software). In 2006 we don't have any value for this scope

Scope 2 activity emissions Annex B

We will be able to give the 2007 values because of a new way to report and calculate data (new version of the software). In 2006 we don't have any value for this scope

Please state the MWh of electricity purchased and consumed by your company globally.



Please state the MWh of electricity purchased and consumed by your company in Annex B countries.

Please state the percentage of purchased and consumed MWh of electricity from renewables globally.

Please state the percentage of purchased and consumed MWh of electricity from renewables in Annex B countries.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

Yes.

At Nestlé, manufacturing is a very important part of the supply chain. In nearly 500 factories around the world, perishable raw materials are transformed into safe, convenient, high quality food products. Air emissions are sometimes generated from the manufacturing process, for example from cooking operations or energy production. In Nestlé factories, the objective is to maximise eco-efficiency, i.e. to maximise the production of goods, while at the same time, minimising consumption of resources and reducing waste and emissions.

Question 2(c) – Scope 3 of GHG Protocol - Year 1 answers

Please enter the accounting year used to report GHG emissions details below.

31 December 2006

If possible, please provide estimates in metric tonnes CO₂e for the following categories of emissions: Use/disposal of company's products and services

Food products are generally entirely consumed and only product packaging remains after consumption. Nestlé is firmly committed to continue progress in finding packaging solutions that will contribute to a better environment. Reducing the amount of packaging material needed for a product, while safeguarding safety and quality, is a continuing key objective and priority for Nestlé. Packaging material savings from 1991 to 2006 amounted to 315 000 tonnes and CHF 560 million. These savings have enabled to reduce emissions at the packaging disposal stage. In addition to packaging source reduction, Nestlé supports industrial and government efforts to promote integrated waste management, optimising resource conservation and limiting the amount of waste material that goes to landfills. It provides a practical and sustainable system that integrates waste streams, collection and treatment methods, environmental benefits and economic optimisation. Reuse, recycling, composting, energy recovery and landfilling are part of integrated waste management.

Your supply chain

We encourage our agricultural raw material suppliers to optimise their energy usage, as part of sustainable agriculture practices. It should be noted that agricultural raw materials used to manufacture food products absorb CO₂ during their growth.

External distribution/logistics

At every step along the supply chain, Nestlé addresses environmental aspects. Comprehensive environmental surveys of Nestlé distribution sites and transportation activities have been conducted throughout the world. Nestlé initiated a pilot with Schenker, one of the leading international integrated logistics companies, to determine the environmental impact per unit of product delivered in one of their European land transport networks. The results of this study showed that transport generated on average some 15 kg of CO₂ emissions per tonne of product delivered. This represents about 10% of CO₂ generated during the manufacturing process and is equivalent to emissions released by a standard passenger car travelling for 100 kilometres. Guidelines for reducing the environmental impact of supply chain are in place and regularly updated. For example, practical information is provided on reducing energy consumption, thus emissions, in warehouses through use and maintenance of appropriate insulation and through better operating practices.

Employee business travel



No measurement

Other

Please provide details of the sources of emissions if you have entered a figure in the "Other" box

Please provide further information about your measurement of scope 3 emissions.

We are working on different project to expand our reporting process: include the supply chain in our environment key performance reporting process, Life Cycle Assessment of our main products...

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Section B – 3 Additional Greenhouse Gas Emissions Accounting

Question 3(a) – Scope 1 and Scope 2 GHG Protocol emissions per country

Using the methodology set out in 2(a), please state your emissions per country. NB : If it is not practical for you to list emissions on a full country by country basis, please list here countries with significant emissions in the context of your business and combine the remainder under "rest of world". If you already have this information in another format (e.g Excel) please attach it.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 3(b) – Facilities covered by the EU Emissions Trading Scheme

Please provide details of total emissions in metric tonnes CO₂e for all facilities covered by the EU ETS and details of allowances issued under the applicable National Allocation Plans

Emissions from the total of all facilities covered by EU ETS figure in metric tonnes CO₂e

455000metric tonnes CO₂e

Total number of allowances issued under all National Allocation Plans applicable to installations covered by the EU ETS

588000metric tonnes CO₂e

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

Yes

The allowance is for 2008. This includes more factories than the 2006 emission value. The scope is not corresponding.

Question 3(c) – EU ETS impact

What has been the impact on your profitability of the EU Emissions Trading Scheme?

Nestlé has been so far a net seller of GHG emission allowances in the European Union. Nestlé factories in developing countries present a significant opportunity to invest in clean development projects (combustion plant fuel switching, co-generation plants, new process technologies, etc) which will generate tradable emission allowances that can be sold to improve capital investment payback.



Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Section B – 4 Greenhouse Gas Emissions Management

Question 4(a)(i) Reduction programmes

What emission reduction programs does your company have in place? Please include any reduction programs related to your operations, energy consumption, supply chain and product use/disposal.

Does your company have an emissions reduction program?

Yes

What is the baseline year for the emissions reduction program? (YYYY format eg. 1990)

1997

If you do not use a baseline year for your reduction programme, please provide details of your reference point for the programme here.

We are fixing energy saving targets every year.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 4(a)(ii) Reduction programmes

What are the emissions reduction targets and over what period do those targets extend?

Emissions reductions target (%)

5%

Time frame for reduction target

One year

Further information.

In 2006 the energy efficiency improvement target was 5%. Nestlé achieved 8.8% reduction of its energy rate and as much as 10.6% CO2 reduction per kg of product. The target for 2007 is 3% considering the result already achieved and the potential of reduction. This will result again in CO2 reduction above 3%.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 4(a)(iii) Reduction programmes

What investment has been/will be required to achieve the targets. (In US \$)

32000000US\$

Over what time period? (In years)



1

More detail

Investments cover many different projects around the world. Some are long term and some are short term, e.g. using fuel with a lower sulphur content, moving to gas, and ensuring that boiler operations are optimised.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 4(a)(iv) Reduction programmes

What emissions reductions and associated costs or savings have been achieved to date as a result of the program?

Like said before, the CO₂ emissions from Nestlé manufacturing operations were reduced by more than 14% since the start of the negotiations leading to the 'Kyoto Protocol' in 1997. During the same period, our production volume has almost doubled to 38.24 million tonnes, resulting in a GHG eco-efficiency improvement of 56%.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 4(a)(v) Reduction programmes

What renewable energy and energy efficiency activities are you undertaking to manage your emissions?

Nestlé is committed to realizing further savings in energy consumption and has set internal targets for continuous improvement. This will result in further reduction of CO₂ emissions. This was also achieved through the gradual replacement of coal or oil-fired boilers by cleaner gas-fired boilers. As an additional result, the air acidification potential of sulfur oxide equivalents (SO_x) reduced substantially by 40% since 1998. A particular highlight was the commissioning of a state-of-the-art co-generation plant at our Himeji Nescafé factory in Japan. This installation has won several prestigious awards due to its extremely high energy efficiency of 92% and the significant reduction of CO₂ emissions by 32 000 tonnes, equivalent to the amount discharged by 6 700 households. Another milestone was the conversion of our Nescafé and Milo factory in Graneros (Chile) to natural gas. This project was accepted as one of the first examples under the Kyoto Protocol for establishing a methodology to generate tradable "emission credits" in a developing country. The emission rights were subsequently sold to a Japanese power generator. Besides, Nestlé is now extending his long experience in natural refrigerants for industrial applications to smaller, commercial refrigeration units and has started building and testing ice cream freezers with CO₂ refrigeration systems. This natural substance fulfils most requirements expected from a modern refrigerant, and, unlike currently available solutions such as HFCs or HCFCs, it has a negligible impact on the environment and is inherently safe even under the most extreme conditions. Reducing the environmental impact of transport is of high importance to Nestlé. Nestlé initiated a pilot with Schenker, one of the leading international integrated logistics companies, to determine the environmental impact per unit of product delivered in one of their European land transport networks. The results of this study showed that transport generated on average some 15 kg of CO₂ emissions per tonne of product delivered. This represents about 10% of CO₂ generated during the manufacturing process and is equivalent to emissions released by a standard passenger car travelling for 100 kilometres. Actions have been defined to reduce the transport-related environmental impact by giving further consideration to types of vehicle used, distances driven, fuel type used, loading degrees, etc. Other examples of Nestlé environmental achievements are available on www.environment.nestle.com.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No



Question 4(b) Emissions trading

What is your company's strategy for trading in the EU Emissions Trading Scheme, CDM/JI projects and other trading systems (e.g. CCX, RGGI, etc), where relevant? Explain your involvement for each of the following:

EU ETS

Nestlé factories in developing countries present a significant opportunity to invest in clean development projects (combustion plant fuel switching, co-generation plants, new process technologies, etc) which will generate tradable emission allowances that can be sold to improve capital investment payback.

CDM/JI

We develop a guideline for CDM. It explained many concepts and gives very helpful information to better understand the process related to this type of projects and the Nestlé's current potential to this matter. Nestlé has opportunities to generate CDM and JI projects within their own plants and installations. A list of potential countries eligible for CDM and JI projects has been developed. JI and CDM projects at Nestlé sites contribute to the sustainable development in the country and positively support Nestlé's environmental image .Relevant project types for Nestlé comprise:

- the increase of energy efficiency (in the use of steam or heat)
- fuel switch to gas or biomass,
- installation of cogeneration.

CCX
RGGI
Others
More detail

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 4(c) Emissions intensity

Please state which measurement you believe best describes your company's emissions intensity performance? What are your historical and current emissions intensity measurements? What are your targets?

Best measurement of emissions intensity for you company:

We are continuously improving our measurement process. As described before we are now collecting energy data on a monthly basis. To ensure the quality of our data, we developed a customized software to harmonize our way to calculate the emissions. The scope of the data collection is becoming larger.

Historical intensity details

We measure and publish emissions intensity against production, in kg CO2e / tonne of product:

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006
Intensity	212	197	191	178	155	142	133	118	106

The constant reduction of emissions intensity since 1998 confirms the effectiveness of our emissions reduction strategy.

Current intensity details

In 2006 the emission ratio was: 106 kg of CO2 per tonne of product

Target details



Target in 2006: 5% reduction for the year (over-achieved). Our target for energy consumption in 2007 is: reducing 3%

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 4(d) Energy costs

What are the total costs of your energy consumption e.g. from fossil fuels and electric power? What percentage of your total operating costs does this represent?

Total costs of energy consumption (in US\$)

980000000US\$

Percentage of total operating costs (%)

More Details.

Energy cost for the 435 sites = 1.194 billion CHF. This represents 1.2% of sales.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 4(e) Planning

Do you estimate your company's future emissions? If so please provide details of these estimates and summarize the methodology for this. How do you factor the cost of future emissions into capital expenditure planning? Have these considerations made an impact on your investment decisions?

Do you estimate your company's future emissions?

Yes

Please provide details of these estimates and summarize the methodology for this or provide details of why you do not estimate your company's future emissions.

Environmental impact of investments, including related GHG emissions, are carefully assessed by R&D according to a methodology named Preliminary Environmental and Safety Impact Survey.

How do you factor the cost of future emissions into capital expenditure planning?

The value of CO2 emissions is based on average trading price and used to calculate the pay-back of investment.

Have these considerations made an impact on your investment decisions?

Yes

Please provide details below:

Value of CO2 emissions right have shorten the pay back of some investment.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No



Section B – 5 Climate Change Governance - Responsibility

Question 5(a)(i) Responsibility

Which Board Committee or other executive body has overall responsibility for climate change?

Mr. J. Lopez, Nestlé Executive Vice President, Nestlé S.A. Responsible for Operations , is in charge of climate change related issues. Nestlé Environmental Officers at national level and at the international head-office are in charge of managing climate change related issues. Their compensation is linked to attainment of energy savings, thus of GHG reduction targets. Information on The Nestlé Policy on the Environment, performance and activities, including these related to GHG emissions, are available in the annual Nestlé Management Report as well as on Nestlé internet site (www.environment.nestle.com).

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 5(a)(ii) Responsibility

What is the mechanism by which the Board or other executive body reviews the company's progress and status regarding climate change?

Following the objectives and the KPI's. Periodical ad hoc meetings to discuss evolution, results and perspective, as well as regular meetings of the Operations Sustainability Committee.

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

Question 5(b) Individual performance

Do you provide incentive mechanisms for managers with reference to activities relating to climate change strategy, including attainment of GHG targets?

Yes

If so, please provide details.

To measure progress towards its eco-efficiency objective, Nestlé performs periodical factory environmental surveys, a systematic, comprehensive and uniform approach for assessing the environmental performance of its factories. To consolidate data, to benchmark best practices and to allow internal and external reporting, a system was established that defines standardised environmental performance indicators (EPIs) across Nestlé. In 1997, all manufacturing sites were required to report their performance results annually and consolidation of EPIs began on a Group wide basis. From 2005 some KPI's are reported monthly (like energy consumption)

Would you like to provide any additional information relating to this question that you have not provided elsewhere?

No

General Information

Please add any general information and attachments that are not related to a specific question but that you would still like to include with your response here.

.....