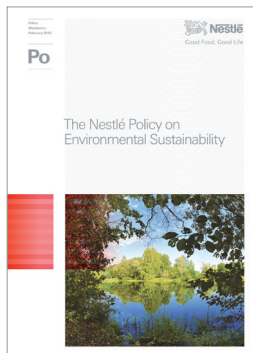


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Appendix to The Nestlé Policy on Environmental Sustainability

Nestlé Commitment on Natural Capital

Nestlé is one of the largest users of agricultural raw materials from farms and forests. Agricultural practices are a major contributor to the loss of natural capital through the conversion of forests, grasslands and wetlands, the overuse of chemicals and water, and soil degradation. In addition to its agricultural raw material procurement Nestlé uses seafood from the oceans, and operates over 460 factories globally, some situated in areas of high biodiversity and many in rural areas.

Natural Capital is the sum total of nature's resources and services, and is the basis upon which economic activity is built. There are three aspects of natural capital: biodiversity¹; ecosystem services²; and inert resources such as fossil fuel and mineral deposits.

Nestlé recognises that the long term success of the company is dependent upon the products and services provided natural capital. Whilst the use of non-renewable resources such as fossil fuels leads to a permanent loss of natural capital, it believes that agricultural and fisheries practices can be undertaken in a manner such that the impacts are sustainable in the long term – in other words within the limits of natural systems. In addition our rural factories have a supporting role to play, as protecting and enhancing natural capital is an essential element of strengthening rural development.

Nestlé is committed to 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. Nestlé is committed

to develop its business in a way that safeguards natural capital, and in particular biodiversity and ecosystem services.

This public Commitment has been prepared to guide and align Nestlé's efforts to complement The Nestlé Corporate Business Principles, The Nestlé Policy on Environmental Sustainability, The Nestlé Supplier Code, and the company's commitments on Responsible Sourcing Guidelines for Forest Based Materials, and Water Use in Agriculture.

Specifically Nestlé commits to:

1. Act as a responsible steward of Natural Capital, by:
 - Ensuring the environment is covered as part of relevant training, workshops and meetings to raise commitment of our employees, suppliers, business partners and the community at large.
 - Ensuring that its operations maintain or enhance high conservation values in the locations upon which its operations are located or dependent.
 - Providing guidance to farmers on sustainable agricultural practices to: manage and conserve water and soil; conserve and restore biodiversity; and reduce discharges and wastage.

1 Under the Convention on Biological Diversity, biodiversity is defined as "the variability among living organisms, which includes the diversity at ecosystem, species and genetic levels".
2 Ecosystem services include the formation of soil, the regulation of the water cycle and climate and the pollination of plants.

- Implementing commodity procurement practices which incorporate safeguards such that: wild commercially exploited species are harvested at sustainable levels; products have not led to deforestation; there is sound stewardship of water resources; and waste is eliminated.
 - Ensuring that ingredients used from genetic resources or traditional knowledge have been sourced based upon free prior and informed consent and with mutually agreed terms.
 - Continually reducing fossil energy, improving the consumption of water, and reducing waste throughout the direct operations of the company (factories, distribution centres, & offices).
 - Supporting the effective management of legally protected areas and internationally recognised areas (UNESCO World Heritage Sites and RAMSAR Sites) and proposed new national designations.
 - For factories located within, or dependent upon, legally protected areas:
 - i. Work with the protected area authorities to ensure that there is effective management of the area, to maintain or enhance its biodiversity and dependent communities.
 - ii. Monitor and report upon the status of the protected area and actions we have taken to improve the status of biodiversity and management of the protected area.
 - In circumstances where a proposed project is located within a legally protected area or an internationally recognized area, in addition to the above points Nestlé will:
 - i. Demonstrate that the proposed development is legally permitted.
 - ii. Consult with the protected area managers, local community and other stakeholders on the project.
 - iii. Ensure that the operations are consistent with any government recognized management plan. Where management plans are absent Nestlé will work with the protected area managers, local community and other stakeholders to prepare one.
2. Report on risks and responses
- Identify the value of externalities³, both in our direct operations and through our supply chains, and integrate these into our business planning framework. We will communicate the material risks and our strategic responses more clearly to investors and society.
 - Report publicly on a regular basis on the progress of meeting this Commitment.

3 Externalities are defined as the impacts (negative or positive) of business activities on third parties, resulting from an activity for which the third party is not adequately compensated (or does not pay).