



Bureau Veritas' Independent Assurance Statement

To: The Stakeholders of Nestlé S.A.

Introduction and objectives of the engagement

Bureau Veritas UK Limited ('Bureau Veritas') has been engaged by Nestlé S.A. ('Nestlé') to provide independent assurance over the Creating Shared Value and Sustainability Report 2020 (the 'Report') published on Nestlé's website. The aim of our engagement is to provide assurance to Nestlé's stakeholders over the accuracy, reliability and objectivity of the reported information and that it covers the issues material to the business and its stakeholders.

Scope of work

The scope of our work was limited to assurance over performance data and information included in the Report for the reporting period January 1, 2020 to December 31, 2020 (the 'Selected Information'). Subject to the limitations and exclusions listed in the next section, our review included:

- Statements, information and performance data contained within the Report;
- Nestlé's management approach to its material issues;
- Alignment of the reported data and information to the requirements of the GRI Standards for sustainability reporting and the corresponding GRI index;
- Alignment of Nestlé's human rights disclosures to 'Tier 1' Assurance Indicators of the United Nations Guiding Principles (UNGP) Reporting Framework;¹ and
- Alignment of Nestlé's renewable energy reporting against RE100 criteria².

Assessment Standard

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard (AA1000AS v3), Type 2 at a moderate level of assurance³.

Reporting Criteria

The Selected Information has been prepared in accordance with the relevant Global Reporting Initiative (GRI) standards as well as internal definitions set by Nestlé for tracking and monitoring the progress of their commitments. The definitions for Nestlé's greenhouse gas (GHG) reporting are aligned with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition). Nestlé publishes the full GRI index and the materiality matrix alongside the Report.

Limitations and exclusions

Unless expressly stated in the Methodology section below, our work was limited to Nestlé's head office activities where Nestlé consolidates and reconciles data provided by its markets, countries of operation, suppliers and other third parties.

¹ The UNGP Reporting Framework comprises comprehensive guidance for companies to report on how they respect human rights. For further information see <https://www.ungpreporting.org/framework-guidance/>

² As per the RE100 Technical Advisory Group guidance on 'Making credible renewable electricity usage claims', April 2016.

³ Type 2 moderate level Assurance: an engagement in which the assurance provider gives findings and conclusions on the principles of Inclusivity, Materiality and Responsiveness and verifies the reliability of specified sustainability performance information (AA1000AS (2008) Standard). For further information see www.accountability.org/standards/aa1000as/



The reliability of the reported data is dependent on the accuracy of data collection and monitoring arrangements at market/site level, not addressed as part of this assurance.

Our work was subject to the following exclusions:

- Information related to activities outside the defined reporting period or scope;
- Company position statements (including any expression of opinion, belief, aspiration, expectation, aim or future intent);
- Historic text which was unchanged from previous years and did not relate to ongoing activities;
- Financial data, including but not limited to any statements relating to tax, sales, salaries, payments, and financial investments;
- Content of external websites or documents linked from the Report and <https://www.nestle.com/csv> pages, and country or business unit specific Reports of other Nestlé entities or joint ventures;
- Appropriateness of commitments and objectives chosen by Nestlé;
- Appropriateness of definitions and any internal reporting criteria adopted by Nestlé for its disclosures;
- Data on legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation reported under GRI disclosure 206-1;
- Data related to the responsible sourcing and traceability of Vanilla due to divestment of Froneri business.

Our work was subject to the following limitations:

- The Bureau Veritas assessment of Nestlé's No-deforestation commitment, in particular the percentage of relevant raw materials assessed as deforestation-free, reported in sections "Protecting natural capital", "Implement responsible sourcing" and the Report Appendix, was based on the following:
 - Definitions and boundaries set by Nestlé which do not definitively state that no deforestation has occurred in direct supply chains but used risk-based tools and methodologies to reach a conclusion of 'assessed as deforestation free';
 - Nestlé's scope does not include Soy animal feed and Meat by-products as these are considered indirect supply chains by Nestlé;
- For the objective – "By 2020: Achieve zero waste for disposal in our sites", 18 sites were considered to be out of scope by Nestlé for the purpose of commitment assessment because of COVID related delays and lack of infrastructure in the countries of operation;
- For the objective – "By 2020: Remove all artificial colours from our products", 0.26% was deemed out of scope by Nestlé for the purpose of commitment assessment because of technical feasibility; and
- Currently, there is no numerical tracking of the commitment below, which has been marked as achieved by Nestlé based on qualitative assessment of activities in terms of new pack designs and product forms introduced throughout the commitment period - "By 2020: Gradually increase the proportion of guidance on portions provided through product form, pack design, serving device or dispenser to make it even more intuitive than on-pack messaging".

This moderate level assurance engagement relies on a risk based selected sample of the Selected Information and the associated limitations that this entails.

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



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Responsibilities

The preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of Nestlé.

Bureau Veritas was not involved in the drafting of the Report. Our responsibilities were to:

- Provide moderate level assurance as per AA1000 over the accuracy, reliability and objectivity of the information contained within the Report;
- Form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- Report our detailed conclusions and recommendations in an internal report to Nestlé's management.

Methodology and summary of work

As part of our independent assurance, our work included:

- Conducting virtual interviews with Nestlé's Head Office in Vevey, Switzerland and over 50 personnel at various levels throughout the organisation and responsible for content included in the Report;
- Conducting desktop based remote data verification of 10 sampled manufacturing sites for selected environmental indicators – energy, waste, water, GHG emissions;
- Reviewing the internal systems, processes and controls to collect and report the Selected Information, including assessing the appropriateness of assumptions made, estimations techniques used and reporting boundaries;
- Reviewing a sample of the Selected Information to the corresponding source documentation;
- Reviewing a selection of market case studies featured within the Report against corresponding source documentation;
- Confirming where relevant the accuracy of information with third parties and/or partner agencies;
- Assessing the disclosure and presentation of the Selected Information to ensure consistency with assured information;
- Evaluating the Report and GRI index against the GRI Standards for sustainability reporting; and
- Assessing Nestlé's reporting against the requirements of the 'Tier 1' indicators of UNGP Reporting Framework and RE100 criteria.

Conclusion

Based on the scope of work, nothing came to our attention to suggest that:

- The Selected information is not fairly stated in all material aspects;
- Nestlé does not adhere to the principles of inclusivity, materiality, responsiveness and impact as per the AA1000 Accountability Principles (2018);
- The underlying information collection systems and processes are not appropriate for the reported information;

Any material errors or misstatements identified during the assurance engagement were corrected prior to the Report being published.



Observations of good practice and positive developments

We have observed progress and identified good practices in the following areas during 2020:

- Nestlé demonstrated both its agility as a business and dedication to Creating Shared Value ('CSV') in the context of the global Covid-19 pandemic, continuing to drive progress against its objectives and successfully closing the majority of its 2020 Commitments.
- Nestlé has further strengthened its commitments towards planet through their commitments to water stewardship, recyclable/reusable packaging and launching the Net Zero Roadmap to support their commitment of reducing climate impacts;
- Nestlé reinforced its Human Rights governance at the corporate level through the introduction of a cross-functional Human Rights committee and the launch of a new Human Rights Framework and Roadmap to support their evolving Human Rights Due Diligence program.
- Nestlé has in response to prior feedback undertaken notable system improvements to streamline and strengthen the reporting of human resources and workforce datasets so that these are consistent.
- Nestlé has newly developed a centralised system for tracking and reporting its Nestlé Needs Youth data. This investment reinforces its continued focus and commitment to the development of youth and the future workforce.

Key observations and recommendations for 2021

- As majority of Nestlé's CSV commitments concluded in 2020, we encourage Nestlé to advance on its CSV strategy and put in place robust and ambitious commitments and objectives and timely external communication on the same.
- Nestlé should ensure that the supporting criteria for the upcoming commitments are clearly documented to ensure consistency and comparability throughout the commitment period. The definitions, methodologies and scope to measure and report should be clearly set out and published on Nestlé's website for full transparency and verifiability.
- As per previous years, Nestlé continues to use different baselines to calculate percentages traceable, responsibly sourced, and assessed as deforestation free for the raw materials in scope. Whilst some raw materials have moved to actual full year procurement data, others continue to use either partial or full 2018, 2019, or 2020 data and/or extrapolations. In addition, reporting in terms of fresh equivalents for the relevant raw materials where this would apply is also inconsistent. Nestlé should continue to drive for alignment and the use of actual, full year year data across all commodities.

Recommendations for alignment of Human Rights reporting to the UNGP reporting framework:

- The Report states some of the constraints that the covid-19 pandemic caused on Nestlé's ability to deliver and drive progress in certain respects during 2020. Nestlé should consider studying and reporting how the halting of activities even temporarily could in some cases pose an elevated risk to human rights, particularly in supply chains, and the new or changing nature of human rights issues emerging across different supply chains because of the same;
- As per previous year's recommendation, Nestlé should consider reporting externally on individuals' objectives and incentives related to human rights at senior management level; and
- Nestlé have implemented grievance mechanisms for reporting human rights issues. Nestlé should consider reporting more comprehensively their engagement with affected stakeholders, their methods of monitoring and reporting these issues and the actions taken in response to grievances.



Findings and conclusions concerning adherence to the AA1000 assurance principles, 2018 of Inclusivity, Materiality, Responsiveness and Impact:

Inclusivity⁴

Nestlé engages with its global stakeholder network on a regular basis through various channels adopted by its markets and at Head office level. During 2020, Nestlé maintained dialogue through the year by the launching the Key Opinion Leaders (KOL) Labs which sought to gain expert feedback on Nestlé's sustainability goals. In March 2020, Nestlé hosted a virtual workshop to explore ways to achieve living incomes for cocoa farmers. The stakeholders engaged by Nestlé included employees, consumers, suppliers, communities, governments, non-governmental organizations (NGOs), shareholders, trade associations and academia.

Materiality⁵

Nestlé conducted a full materiality assessment in 2020 to update its material topics. The materiality assessment was conducted by an independent third party in order to ensure impartiality. The process involved conducting a number of internal and external interviews in order to ascertain the material issues relevant to stakeholders. We believe that the materiality assessment conducted by Nestlé in 2020 continues to be relevant and is appropriate to Nestlé's reporting in 2020.

Responsiveness⁶

Nestlé remains responsive to stakeholder concerns through its annual publication of the Report and their progress against their stated commitments. Recommendations from the Key Opinion Leaders forums have been used to inform brand strategies on sustainability issues. Material sustainability issues are also discussed at Executive Board meetings and with Nestlé's CSV Council which influences how Nestlé responds to these issues.

Impact⁷

Nestlé carries out their value chain mapping to ascertain which areas in the value chain are impacted most by its operations and determines corresponding material issues. Nestlé publishes its material issues and the commitments taken in each of the areas as well as the performance on those commitments on an annual basis in the Report to manage their impacts. Some of the examples include measuring and reporting against the commitments on net zero GHG emissions by 2050, publishing a detailed Net-Zero roadmap with corresponding investment committed, tackling plastic waste, RE100, responsible sourcing, human rights and decreasing sugars, sodium and fats in foods and beverages.

Statement of Independence, Impartiality and Competence

Bureau Veritas is an independent professional services company that specializes in quality, environmental, health, safety and social accountability with over 190 years history. The assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified⁸ Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

⁴ **Inclusivity** is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

⁵ **Materiality** is determining the relevance and significance of an issue to an organisation and its stakeholders.

⁶ **Responsiveness** is the extent of an organisation's response to stakeholder issues and is realised through decisions, actions and communication with stakeholders.

⁷ **Impact** relates to the organisations approach to monitor, measure and be accountable for how their actions affect their broader ecosystems.

⁸ Certificate available upon request



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Bureau Veritas has implemented a Code of Ethics which meets the requirements of the International Federation of Inspections Agencies (IFIA)⁹ across its business which ensures that all our staff maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities. Bureau Veritas has a number of existing commercial contracts with Nestlé. Our assurance team does not have any involvement in 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.



London, 22 March 2021



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⁹ International Federation of Inspection Agencies – Compliance Code – Third Edition