



# 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 2021 (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, 2021 to December 31, 2021 (the 'Selected Information'). Subject to the limitations and exclusions listed in the section below, our review included:

- Statements, information and performance data contained within the Report; and
- Nestlé's management approach to its material issues;

## **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 assurance<sup>1</sup>.

## **Reporting Criteria**

The Selected Information has been prepared in accordance with relevant best practice reporting frameworks such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board, as well as internal definitions set by Nestlé for tracking and monitoring the progress against its ESG (Environment, Social, Governance) performance indicators.

## **Limitations and exclusions**

Our work was subject to the following exclusions:

- Any data and directly related text regarding the following as these are understood to be outside our scope of work:
  - Percentage deforestation free for primary supply chain, including for the five commodities Palm Oil, Pulp and Paper, Soya, Meat and Sugar;
  - Percentage key ingredients sustainably produced; percentage certified sustainable palm oil; tonnes of cocoa sourced annually through the Nestlé Cocoa Plan; percentage of cocoa sourced through the Nestlé Cocoa Plan; percentage coffee produced sustainably; percentage Nespresso coffee AAA sourced; and percentage Nescafé coffee sustainably sourced;
  - Percentage plastic packaging designed for recycling, percentage of global plastic use by weight and type as a percentage of total; percentage recycled plastic in plastic packaging; and percentage virgin plastic reduction;

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<sup>1</sup> 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 (v3 Standard). For further information see <https://www.accountability.org/standards/aa1000-assurance-standard>



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- Energy use, including total energy consumed, percentage renewable electricity at all sites, percentage of energy consumed that is renewable energy, and percentage of energy consumed that was supplied from grid electricity;
  - Scope 1, Scope 2 and Scope 3 Greenhouse Gas (GHG) emissions, including reduction and removals in CO<sub>2</sub>e, million trees secured for planting in 2021, and million tonnes CO<sub>2</sub> secured through tree-planting projects initiated.
  - Water use, including total water withdrawn and consumer, direct water withdrawals per tonne of product, water withdrawals at our factories by product category;
  - Percentage in Corporate Key Positions that are female;
  - Number of servings sold of affordable nutrition (also known as popularly positioned products/PPP) with micronutrient fortification;
  - Youth and agripreneurship, including millions of young people around the world to access economic opportunities, apprenticeship and traineeship opportunities, job opportunities for people under 30, number of young people impacted through digital events, and young farmers trained through the agripreneurship program.
- Tonnes of cocoa sourced annually through the Nestlé Cocoa Plan;
  - The text “Key ingredients applies to 14 key agricultural raw materials that cover 95% of our annual sourcing by volume: coffee; cocoa; dairy; sugar; cereals and grains; hazelnuts; palm oil; pulp and paper; soya; vegetables; spices; coconut; fish and seafood; and meat poultry and eggs.”;
  - The claim that 100% of eggs sourced in Europe are cage free;
  - The claim that Chemical fertilizer (mainly nitrogen) usage was lowered by 70% under the case study *Net zero farm pilot, South Africa*;
  - 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) and any Nestlé or third party anecdotes or testimonials;
  - Financial data, including but not limited to any statements relating to tax, sales, production, revenue, 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 any new targets, commitments, and objectives established and communicated by Nestlé; and
  - Appropriateness of definitions and any internal reporting criteria adopted by Nestlé for its disclosures.

The following limitations should be noted:

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. 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.

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.



## **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 remote 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;
- 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;
- Confirming where relevant the accuracy of information with third parties and/or partner agencies; and
- Assessing the disclosure and presentation of the Selected Information to ensure consistency with assured information.

## **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 2021:

- Nestlé have refined the list of ESG performance indicators against which they will report on annually, drawing on a broader set of relevant best practice standards as well as current and evolving sustainability trends and regulatory frameworks;
- Nestlé has reinforced its ESG governance and oversight at the corporate level through the establishment of an ESG Committee and ESG Strategy and Deployment Unit reporting directly to the Executive Board on a periodic basis;
- Nestlé has streamlined and improved compliance reporting through the launch and roll out of Speak Up which replaces both Tell Us and the Internal Reporting System. All reporting of compliance concerns is



now managed through an independent third party and data is no longer partially collected via the Markets, thereby enhancing protection of anonymity and improving verifiability;

- Nestlé has launched its Human Rights Framework Roadmap, which has revised the list of salient issues applicable to Nestlé and set out enablers which will facilitate the development and implementation of action plans ensuring that Nestlé's approach to due diligence across its operations and value chains continues to be fit for purpose. In particular, the Roadmap includes setting an ESG target for the Executive Board that comprises incentives around human rights by 2023, picking up on prior recommendations from Bureau Veritas and other third parties.

### **Key observations and recommendations for 2021**

- While the overarching strategy "Our Promise" has been outlined, the Report is lacking a comprehensive overview in terms of clear targets and objectives underpinning progress towards Nestlé's 2030 ambitions and the new focus on a just transition to regenerative food systems at scale. For continuity and visibility, a section integrating all new commitments and annual progress towards these could be made more visible in future reports.
- As Nestlé has identified an updated set of ESG performance indicators, the definitions, data, scope and methodologies to measure and report on all of these should also be clearly set out and published by Nestlé for transparency.
- For some of the 2020 commitments that were extended the Report includes whether these have been met or not thereby showcasing accountability. However, in other cases, such as "improve food availability and dietary diversity for farmers in five priority sourcing locations", "implement all action plans defined for improved water management in our upstream supply chain for coffee, sugar, dairy and cereals in high-priority locations" and "reduce the sodium we add in our products by 10% to support individuals and families in meeting global recommendations" the Report instead includes a transition to a new commitment or general commentary on its continued relevance to the business. The Report would have benefited from a more explicit communication on the status of these to close the loop on past commitments fully.
- Nestlé should look to collate and report all of its Human Resources data at one snapshot in time to avoid any discrepancies (even if immaterial) and ensure the various categories of breakdowns being reported reconcile and align with one another.

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

#### **Inclusivity<sup>2</sup>**

Nestlé continues to engage with its global stakeholder network on a regular basis through various channels adopted by its Markets and at Head office level. The launch of the new strategy "Our Promise" included an online consultation with over 200 live attendees representing various stakeholder groups. Moreover, in 2022 Nestlé partook in the UN Food Systems Summit and co-organised three dialogues on the following: regenerative farming, affordable nutrition and the right to food, and innovation, including working with youth and universities to transform food systems. During 2021 Nestlé also continued to maintain dialogue through the Key Opinion Leaders (KOL) Labs which aim to gain expert feedback on Nestlé's sustainability goals. Finally, building on its work exploring ways to achieve living incomes for cocoa farmers in 2020, in 2021 Nestlé hosted a consultation with over 20 stakeholders including NGOs, government departments, academics, multi-stakeholder groups, and associations, on its Living Income Acceleration Program.

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<sup>2</sup> **Inclusivity** is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.



### Materiality<sup>3</sup>

Nestlé conducts a full materiality assessment on a biennial basis, the last one of which was conducted for 2020 reporting. In 2021, Nestlé engaged an external consultancy to conduct a 'Materiality Refresh' which included an independent review to confirm the continued applicability of the 2020 outcomes for 2021 reporting. Based on this and Bureau Veritas own assessment, we believe that the materiality assessment conducted by Nestlé in 2020 continues to be relevant and is appropriate to Nestlé's reporting in 2021. The Report would benefit from showing a clearer linkage between Nestlé's material issues previously identified and the ESG performance indicators being reported on moving forward.

### Responsiveness<sup>4</sup>

Nestlé remains responsive to stakeholder concerns through its annual publication of the Report. Key Opinion Leader Recommendations (KOL) recommendations continue to inform brand strategies on sustainability considerations as seen, for example, through the increase in investment, development and launch of plant-based products and alternatives during 2021. This reporting year also saw the establishment of a dedicated role to feedback to the business and respond to external challenges and issues that may arise through media. Finally, material sustainability issues are addressed by the newly established ESG Strategy and Deployment Unit, reporting monthly to the ESG Committee and engaging as needed throughout the year with the Executive Board.

### Impact<sup>5</sup>

Nestlé has defined a new list of ESG performance indicators that it will report on annually moving forward to showcase accountability externally and manage its impacts. Whilst reporting on the impacts of initiatives such as The Child Labour and Remediation Monitoring System in select cocoa supply chains and the Nescafé Plan, projects to remove and reduce packaging waste, and youth upskilling and employment as part of Nestlé Needs YOUth and Global Youth Alliance continued to be areas of focus in 2021, this year saw an elevated emphasis on implementing regenerative farming and the notion of food systems transformation at scale. For example, Nestlé recognises the significant contribution of dairy product sourcing on its value chain emissions and, as well as looking into alternatives, is trialling Dairy Net Zero farms with the aim of eventually mitigating this impact.

### 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 certified<sup>6</sup> 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.

Bureau Veritas has implemented a Code of Ethics which meets the requirements of the International Federation of Inspections Agencies (IFIA)<sup>7</sup> 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.

<sup>3</sup> **Materiality** is determining the relevance and significance of an issue to an organisation and its stakeholders.

<sup>4</sup> **Responsiveness** is the extent of an organisation's response to stakeholder issues and is realised through decisions, actions and communication with stakeholders.

<sup>5</sup> **Impact** relates to the organisations approach to monitor, measure and be accountable for how their actions affect their broader ecosystems.

<sup>6</sup> Certificate available upon request

<sup>7</sup> International Federation of Inspection Agencies – Compliance Code – Third Edition



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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.



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