# Contents

Module: Introduction ..... 2
Page: W0. Introduction ..... 2
Module: Current State ..... 5
Page: W1. Context ..... 5
Module: Risk Assessment ..... 13
Page: W2. Procedures and Requirements ..... 13
Module: Implications ..... 24
Page: W3. Water Risks ..... 24
Page: W4. Water Opportunities ..... 66
Module: Accounting ..... 72
Page: W5. Facility Level Water Accounting (I) ..... 72
Page: W5. Facility Level Water Accounting (II) ..... 74
Module: Response ..... 79
Page: W6. Governance and Strategy ..... 79
Page: W7. Compliance ..... 84
Page: W8. Targets and Initiatives ..... 86
Module: Linkages/Tradeoff ..... 95
Page: W9. Managing trade-offs between water and other environmental issues ..... 95
Module: Sign Off ..... 97

# Module: Introduction

## Page: W0. Introduction

### W0.1

#### Introduction

**Please give a general description and introduction to your organization**

• Nestlé is the world's largest food and beverage company. We have more than 2000 brands ranging from global icons to local favourites, and we are present in 191 countries around the world. Nestlé's purpose is enhancing quality of life and contributing to a healthier future. We want to help shape a better and healthier world. This is how we contribute to society while ensuring the long-term success of our company. Our values are reflected in the way we do business, always acting legally and honestly with respect both for our own people and those we do business with.
• Creating Shared Value remains the fundamental guiding principle for how Nestlé does business. CSV is the strategy tool that Nestlé uses to operationalise and manage all the actions it takes to ensure it creates value for shareholders and for society.
• Our focus areas are firmly embedded in our purpose of enhancing quality of life and contributing to a healthier future. Individuals and families, our communities and the planet as a whole are interconnected, and our efforts in each of these areas are supported through our 42 specific commitments, the vast majority of which have been reframed and feature objectives to 2020. These commitments will, in turn, enable us to meet our ambitions for 2030 in line with the timescale of the Sustainable Development Goals (SDGs): Help 50 million children live healthier lives; Help to improve 30 million livelihoods in communities directly connected to our business activities; Strive for zero environmental impact in our operations.
• The Nestlé Corporate Business Principles rule the way we do business and form the basis of our culture and values. The 10 principles, which provide the foundations for our commitments and our CSV strategy, incorporate the 10 United Nations Global Compact's (UNGC) Principles and are divided into five areas - consumers, human rights and labour practices, our people, suppliers and customers, and the environment.
1. Nutrition, Health & Wellness: Our core aim is to enhance the quality of consumers' lives every day, everywhere by offering tastier and healthier food and beverage choices and encouraging a healthy lifestyle. We express this via our corporate proposition Good Food, Good Life.
2. Quality assurance and product safety: Everywhere in the world, the Nestlé name represents a promise to the consumer that the product is safe and of high standard.
3. Consumer communication: We are committed to responsible, reliable consumer communication that empowers consumers to exercise their right to informed choice and promotes healthier diets. We respect consumer privacy.
4. Human rights in our business activities: We fully support the UNGC guiding principles on human rights and labour and aim to provide an example of good human rights and labour practices throughout our business activities.
5. Leadership and personal responsibility: Our success is based on our people. We treat each other with respect and dignity and expect everyone to promote a sense of personal responsibility. We recruit competent and motivated people who respect our values, provide equal opportunities for their development and advancement, protect their privacy and do not tolerate any form of harassment or discrimination.
6. Safety and health at work: We are committed to preventing accidents, injuries and illness related to work, and to protect employees, contractors and others involved along the value chain.
7. Supplier and customer relations: We require our suppliers, agents, subcontractors and their employees to demonstrate honesty, integrity and fairness, and to adhere to our non-negotiable standards. In the same way, we are committed to our own customers.
8. Agriculture and rural development: We contribute to improvements in agricultural production, the social and economic status of farmers, rural communities and in

production systems to make them more environmentally sustainable.
9. Environmental sustainability: We commit ourselves to environmentally sustainable business practices. At all stages of the product life cycle we strive to use natural resources efficiently, favour the use of sustainably managed renewable resources, and target zero waste.
10. Water: We are committed to the sustainable use of water and continuous improvement in water management. We recognise that the world faces a growing water challenge and that responsible management of the world's resources by all water users is an absolute necessity.

**W0.2**

**Reporting year**

**Please state the start and end date of the year for which you are reporting data**

| Period for which data is reported |
| --- |
| Fri 01 Jan 2016 - Sat 31 Dec 2016 |

**W0.3**

**Reporting boundary**

**Please indicate the category that describes the reporting boundary for companies, entities, or groups for which water-related impacts are reported**

Companies, entities or groups over which operational control is exercised

**W0.4**

**Exclusions**

**Are there any geographies, facilities or types of water inputs/outputs within this boundary which are not included in your disclosure?**

Yes

## W0.4a

### Exclusions

**Please report the exclusions in the following table**

| Exclusion | Please explain why you have made the exclusion |
|---|---|
| Head Offices | Nestlé does not consolidate yet at global level the water inputs/outputs in its Head Offices. We have already started the process of implementation of a new consolidation system that include Head Offices. We currently focus on our most material water inputs/outputs, and these occur in our industrial activities. |
| R&D | Nestlé does not consolidate yet at global level the water inputs/outputs in its R&D centres. We have already started the process of implementation of a new system that include R&D centres. We currently focus on our most material water inputs/outputs, and these occur in our industrial activities. |
| Distribution Centres | Nestlé does not consolidate yet at global level the water inputs/outputs in its Distribution Centres. We have already started the process of implementation of a new system that include Distribution Centres. We currently focus on our most material water inputs/outputs, and these occur in our industrial activities. |
| Some recently acquired factories | Some recent acquisitions that have not yet implemented the new reporting system to track the water withdrawals at corporate level. For new acquisitions, the Nestlé Environmental Requirements sets a timeframe for compliance with the implementation of tracking system at corporate level. |

## Further Information

Please see attach: - The Nestlé Corporate Business Principles - The Nestlé Policy on Environmental Sustainability - 2016 Nestlé Integrated Annual Report Pack outlining the company’s performance last year and its future ambitions. Our integrated annual report pack, contains the company's Annual Report 2016, the Corporate Governance Report 2016, the Compensation Report 2016, the Financial Statements 2016, the Nestlé in society: Creating Shared Value and meeting our commitments 2016 Report, the Nestlé Commitment on Climate Change and the Nestlé Commitment on Water Stewardship. All information is provided in CHF unless otherwise stated.

## Attachments

https://www.cdp.net/sites/2017/42/12942/Water 2017/Shared Documents/Attachments/Water2017/W0.Introduction/Commitment on climate change.pdf
https://www.cdp.net/sites/2017/42/12942/Water 2017/Shared Documents/Attachments/Water2017/W0.Introduction/Nestlé in Society Full Report 2016.pdf
https://www.cdp.net/sites/2017/42/12942/Water 2017/Shared Documents/Attachments/Water2017/W0.Introduction/Nestlé commitment to reduce food loss and waste.pdf
https://www.cdp.net/sites/2017/42/12942/Water 2017/Shared Documents/Attachments/Water2017/W0.Introduction/The Nestlé Policy on Environmental Sustainability.pdf
https://www.cdp.net/sites/2017/42/12942/Water 2017/Shared Documents/Attachments/Water2017/W0.Introduction/Nestlé Corporate Business Principles.pdf
https://www.cdp.net/sites/2017/42/12942/Water 2017/Shared Documents/Attachments/Water2017/W0.Introduction/Commitment on Water Stewardship.pdf
https://www.cdp.net/sites/2017/42/12942/Water 2017/Shared Documents/Attachments/Water2017/W0.Introduction/2016 Nestlé Integrated Annual Report Pack.pdf

# Module: Current State

## Page: W1. Context

### W1.1

**Please rate the importance (current and future) of water quality and water quantity to the success of your organization**

| Water quality and quantity | Direct use importance rating | Indirect use importance rating | Please explain |
|---|---|---|---|
| Sufficient amounts of good quality freshwater available for use | Vital for operations | Important | i) Primary uses: The direct use of sufficient amounts of good quality freshwater in our own operations is vital for Nestlé. In our more than 400 factories we use water for different purposes including cleaning, cooking and for our bottling water business. ii) Explanation of the rating: Sufficient amounts of good quality freshwater is a vital resource for Nestlé's operations and to the future of our business. i) Primary uses: The indirect use of sufficient amounts of good quality freshwater water is important for Nestlé. Farmers need water to grow and produce the agricultural raw material that we source from them. Consumers use water to prepare and consume our products. ii) Explanation of the rating: We understand that water is critical to the sustainability of our value chain: our employees, our suppliers, our customers and our consumers need access to safe drinking water and adequate sanitation. That is why we have rated it important. |
| Sufficient amounts of recycled, brackish and/or | Important | Important | i) Primary uses: The direct use of recycled, brackish and produced water available is mainly for processes in some factories, e.g. ingredient dissolving, boiler makeup and cleaning. For example, |

| Water quality and quantity | Direct use importance rating | Indirect use importance rating | Please explain |
|---|---|---|---|
| produced water available for use | | | the Zero Water technology implemented in Mexico, Brazil, USA and South Africa extracts water from milk. ii) Explanation of the rating: The direct use of this type of water is important for Nestlé as it can be treated and reused in our operations and help avoid water withdrawals. i) Primary uses: The indirect use of recycled water in many countries where Nestlé operates is for irrigation. According to the FAO, the use of reclaimed wastewater in agriculture has been reported in around 50 countries on what amounts to 10 percent of the world's irrigated land. ii) Explanation of the rating: recycled water is important for irrigation of the agricultural raw materials that we source as it can reduce withdrawals and help to increase the water availability for communities. |

**W1.2**

**For your total operations, please detail which of the following water aspects are regularly measured and monitored and provide an explanation as to why or why not**

| Water aspect | % of sites/facilities/operations | Please explain |
|---|---|---|
| Water withdrawals- total volumes | 76-100 | This indicator is monitored at 100% of our factories on a monthly basis as part of our environmental reporting process, primarily for internal purposes. The data is used to measure environmental performance and report it to the different stakeholders in the company (including top management) and publicly in our Annual Report, similarly to other business areas. This indicator is used to measure progress in water-related improvement programmes. |
| Water withdrawals- volume by sources | 76-100 | This indicator is monitored at 100% of our factories on a monthly basis as part of our environmental reporting process, primarily for internal purposes. The data is used to measure environmental performance and report it to the different stakeholders in the company (including top management) and publicly in our Annual Report, similarly to other business areas. This indicator is used to get a better understanding of the company's dependency on different sources of water. |
| Water discharges- total volumes | 76-100 | This indicator is monitored at 100% of our factories on a monthly basis as part of our environmental reporting process, primarily for internal purposes. The data is used to measure environmental |

| Water aspect | % of sites/facilities/operations | Please explain |
|---|---|---|
| | | performance and report it to the different stakeholders in the company (including top management) and publicly in our Annual Report, similarly to other business areas. |
| Water discharges- volume by destination | 76-100 | This indicator is monitored at 100% of our factories on a monthly basis as part of our environmental reporting process, primarily for internal purposes. The data is used to measure environmental performance and report it to the different stakeholders in the company (including top management) and publicly in our Annual Report, similarly to other business areas. This indicator is used to get a better understanding of the downstream impacts and opportunities of the company's water usage. |
| Water discharges- volume by treatment method | 76-100 | This indicator is monitored at 100% of our factories on a monthly basis as part of our environmental reporting process, primarily for internal purposes. In addition to volumes, we are also using indicators of water quality such as COD concentration to track our performance in this area. Moreover, we conduct periodical surveys and document actual treatments methods in our factories. |
| Water discharge quality data- quality by standard effluent parameters | 76-100 | This indicator is monitored at 100% of our factories on a monthly basis as part of our environmental reporting process, primarily for internal purposes. The data is used to measure environmental performance and report it to the different stakeholders in the company (including top management) and publicly in our Annual Report, similarly to other business areas. This indicator is used to get a better understanding of the downstream impacts and opportunities of the company's water usage. |
| Water consumption- total volume | 76-100 | This indicator can be computed from the data we collect at 100% of our factories on a monthly basis as part of our environmental reporting process, but it is not relevant for managing our operations. We prefer using water withdrawal, as it better reflects the dependency of our operations on water resources and therefore the risks associated to them. |
| Facilities providing fully-functioning WASH services for all workers | 76-100 | Nestlé has signed the WBCSD's WASH Pledge and is therefore committed to implementing it. As a consequence, we track our progress at 100% of all our sites on a quarterly basis through our EHS reporting process and system. |

**W1.2a**

**Water withdrawals: for the reporting year, please provide total water withdrawal data by source, across your operations**

| Source | Quantity (megaliters/year) | How does total water withdrawals for this source compare to the last reporting year? | Comment |
|---|---|---|---|
| Fresh surface water | 13770 | Higher | Change not substantive. |
| Brackish surface water/seawater | 0 | Not applicable | This water source is not used. |
| Rainwater | 39 | Higher | Rainwater is not adapted to food production, therefore it is hardly used by our organization and represents only a marginal volume of the total water withdrawal. |
| Groundwater - renewable | 76199 | About the same | Even though our production volume increased, we managed reducing our water usage, essentially through water efficiency programmes across our operations. This resulted in stabilizing groundwater usage. |
| Groundwater - non-renewable | 0 | Not applicable | This water source is not used. |
| Produced/process water | 0 | Not applicable | This water source is not used. |
| Municipal supply | 48168 | Much lower | Even though our production volume increased, we managed reducing our water usage, essentially through water efficiency programmes across our operations. This resulted in reducing substantially municipal water usage. |
| Wastewater from another organization | 0 | Not applicable | This water source is not used. |
| Total | 138176 | Lower | Even though our production volume increased, we managed reducing our water usage, essentially through water efficiency programmes across our operations. This resulted in reducing our overall water withdrawal. |

**W1.2b**

**Water discharges: for the reporting year, please provide total water discharge data by destination, across your operations**

| Destination | Quantity (megaliters/year) | How does total water discharged to this destination compare to the last reporting year? | Comment |
|---|---|---|---|
| Fresh surface water | 45374 | Much lower | Overall, our efforts to increase water efficiency resulted in our water discharge to fresh surface water to reduce substantially although our production volume has increased. |
| Brackish surface water/seawater | 0 | Not applicable | Destination not used. |
| Groundwater | 0 | Not applicable | Destination not used. |
| Municipal/industrial wastewater treatment plant | 32699 | About the same | Overall, our efforts to increase water efficiency resulted in our water discharge to municipal wastewater treatment plants to stabilize although our production volume has increased. |
| Wastewater for another organization | 0 | Not applicable | Destination not used. |
| Total | 78073 | Lower | Overall, our efforts to increase water efficiency result in our water withdrawal and water discharge to decrease although our production volume is increasing. |

**W1.2c**

**Water consumption: for the reporting year, please provide total water consumption data, across your operations**

| Consumption (megaliters/year) | How does this consumption figure compare to the last reporting year? | Comment |
|---|---|---|
| 60103 | About the same | The definition used for this indicator is: "water withdrawals" minus "water discharges". |

**W1.3**

**Do you request your suppliers to report on their water use, risks and/or management?**

Yes

**W1.3a**

**Please provide the proportion of suppliers you request to report on their water use, risks and/or management and the proportion of your procurement spend this represents**

| Proportion of suppliers % | Total procurement spend % | Rationale for this coverage |
|---|---|---|
| 26-50 | 76-100 | At Nestlé, Tier 1 suppliers are requested to demonstrate their processes and techniques to monitor water withdrawals during our Responsible Sourcing Audit using the SMETA4 Pillar standards. This serves as verifying their compliance with local regulations and the requirements of our Nestlé Supplier Code. In addition, we are asking these same suppliers to go through the Ecovadis assessment which provide a deep analysis of water management commitments and long term forecast (in term of usage). By the end of 2016, 59% of our total volume is covered with tier 1 supplier's audit in fully compliance with the standard (total suppliers audited 13100 Tier 1. i) company-specific explanation of how these suppliers were selected for reporting: at Nestlé, key suppliers are selected by spend and volume relevance to Nestlé.ii) details of the type of information requested from suppliers: the type of information requested from suppliers includes water withdrawals, measuring technology, trends and their ambitions to decrease water withdrawals.iii) how the information is used within the company: the information is used within Nestlé to check compliance with local regulations and the requirements of our Nestlé Supplier Code.iv) how suppliers are incentivised to report: Suppliers are incentivised to report by for example, suppliers are more likely to have more business volume / capture from Nestlé. |

**W1.3b**

**Please choose the option that best explains why you do not request your suppliers to report on their water use, risks and/or management**

| Primary reason | Please explain |
|---|---|
| | |

**W1.4**

**Has your organization experienced any detrimental impacts related to water in the reporting year?**

Yes

**W1.4a**

**Please describe the detrimental impacts experienced by your organization related to water in the reporting year**

| Country | River basin | Impact driver | Impact | Description of impact | Length of impact | Overall financial impact | Response strategy | Description of response strategy |
|---|---|---|---|---|---|---|---|---|
| Philippines | Other: Cagayan de oro | Phys-Flooding | Property damage | Unusual heavy rain brought about by a low pressure area and the tail-end of a weather cold front, caused massive flooding in Cagayan de Oro City and other parts of Misamis Oriantal. The flood caused damage to the entire Nestlé factory complex including damaged stocks and assets, rework stocks from the production, labor cost during shutdown, damaged spare parts, | 2 days | CHF 3.5m | Develop flood emergency plans<br>Other: Insurance against natural disasters | At Nestlé we take a comprehensive approach to assess and mitigate risk related to changes in physical climate parameters that could result in our operations disruptions. The management methods used include: i) In 2016, risk engineers experts inspected 227 Nestlé sites providing recommendations to improving standards of prevention to flooding, when relevant. ii) The Nestlé Global Property Loss Prevention Programme provides a consistent view of our |

| Country | River basin | Impact driver | Impact | Description of impact | Length of impact | Overall financial impact | Response strategy | Description of response strategy |
|---|---|---|---|---|---|---|---|---|
| | | | | recovery expenses and repair cost for the fence. | | | | exposure to property risks around the world to floods and storms, enabling us to make informed decisions about the future standards of prevention and protection throughout Nestlé sites when relevant. iii) Flood emergency plans are in place on a case by case in Nestlé sites exposed to flooding from any source. |
| United States of America | Other: Hawkins, Texas | Phys-Climate Change | Property damage | In April 2016, a storm struck one of Nestlé plants in Texas. The storm removed a section of roof over the warehouse area and destroyed critical air handling units over the production area, which followed with a saturation of production equipment with rainwater and insulating materials. | 4 months | CHF 86.3m | Infrastructure investment Other: Insurance against natural disasters | Storms pose a risk to Nestlé, as sites can be damaged and potentially production could be interrupted. The Nestlé Global Property Loss Prevention Programme provides a consistent view of our exposure to property risks around the world to storms, enabling us to make informed decisions about the future standards of prevention and protection throughout Nestlé sites when relevant. Storms emergency plans are in place on a case by case in Nestlé sites exposed to flooding from any source. |

**W1.4b**

**Please choose the option below that best explains why you do not know if your organization experienced any detrimental impacts related to water in the reporting year and any plans you have to investigate this in the future**

| Primary reason | Future plans |
|---|---|
| | |

**Further Information**

Additional text for question 1.4a, in the country of United States: The Water Stewardship Ladder has 3 steps:• As with Creating Shared Value, the base for our approach is compliance, such as having permits for our wells, not exceeding the extraction volumes authorised in our licences and respecting the limits for wastewater discharge;• Progress towards excellence comes from continuous improvements and increased efficiency, to eventually reach a best-in-class, or 'lighthouse', level; and• Where internal efforts are not enough to address wider challenges, we engage with local stakeholders, enabling collective action to secure the long-term sustainability of water resources. This final stage is the most challenging, as it requires a change from an internally focused mindset to an external-facing approach to managing water.

## Module: Risk Assessment

### Page: W2. Procedures and Requirements

**W2.1**

**Does your organization undertake a water-related risk assessment?**

Water risks are assessed

**W2.2**

**Please select the options that best describe your procedures with regard to assessing water risks**

| Risk assessment procedure | Coverage | Scale | Please explain |
|---|---|---|---|

| Risk assessment procedure | Coverage | Scale | Please explain |
|---|---|---|---|
| Comprehensive company-wide risk assessment | Direct operations and supply chain | All facilities and suppliers | The Nestlé Group Enterprise Risk Management Framework (ERM) is used to identify water risks and opportunities in order to minimize/seize their potential impact. A top-down assessment is performed at Group level once a year to create a good understanding of the company's mega-risks in business, social, physical, regulatory and reputational environments. This assessment also aims to allocate ownership to take relevant steps to address them. In addition, we are continuing to improve our local water stewardship efforts, by conducting water resource reviews across existing and new factories. The assessments investigate the impact of our direct operations on local water resources in 5 areas: *Quantity; *Quality; * Regulatory compliance; *Site protection; *Stakeholder relations. ERM involves our key suppliers. Nestlé is dependent on sustainable manufacturing/supply of finished goods for all product categories. A major event in one of Nestlé's key plants, at a key supplier, contract manufacturer, co-packer, and/or warehouse facility could potentially lead to a supply disruption and impact Nestlé's financial results. Business continuity plans are established and regularly maintained in order to mitigate against such an event. For all Nestlé suppliers, the Nestlé Suppliers Code requires them to comply with and all applicable legal environmental/including water requirements and to demonstrate continual improvement of their environmental/including water performance. |

**W2.3**

**Please state how frequently you undertake water risk assessments, at what geographical scale and how far into the future you consider risks for each assessment**

| Frequency | Geographic scale | How far into the future are risks considered? | Comment |
|---|---|---|---|
| Annually | Country | 3 to 6 years | The results of the Group Enterprise Risk Management Framework are presented annually to the Executive Board and to the Audit Committee and conclusions reported to the Board of Directors. In the case of an individual risk assessment identifying a risk which requires action at Group level, an ad hoc presentation is made to the Executive Board. Water performance and progress against targets are reported monthly to the EBM. The results may include specific risks on water as reported by Markets |
| Annually | River basin | >6 years | The Water Resource Review assessments investigate the impact of our direct operations on local water |

| Frequency | Geographic scale | How far into the future are risks considered? | Comment |
|---|---|---|---|
| | | | resources, at river basin level. They consider the mid-long term. In 2016, we have conducted 22 Water Resource Reviews . |
| Annually | Facility | 3 to 6 years | The Nestlé Global Property Loss Prevention Program provides an in depth identification of our exposure to property risks around the world climate change risks. This enables us to form decisions about the future standards of prevention and protection. They are conducted at site level and look into potential future risks (e.g. floods/natural catastrophes) to our operations. |

**W2.4**

**Have you evaluated how water risks could affect the success (viability, constraints) of your organization's growth strategy?**

Yes, evaluated over the next 1 year

**W2.4a**

**Please explain how your organization evaluated the effects of water risks on the success (viability, constraints) of your organization's growth strategy?**

-We have identified that increased stress of water is a risk that can impact Nestlé growth strategy. For example, in 2016, several greenfield sites have been screened to identify the less exposed of them to water stress areas, including our project for a new Veracruz coffee factory and Nantli Nutrition factory in Mexico. A tool is being developed in order to assess water risks at Brownfield sites. Finally, in terms of acquisition, Ethiopia for example, triggered strong Water Stewardship plans.
- The process by which the results of the water risk assessment inform the growth strategy:
We conduct water resource reviews in greenfield sites to helps us to analyze the impacts of a manufacturing facility upon a local water catchment. The formal process investigates water availability, water quality, regulatory compliance, site protection; and stakeholder relations in potential news sites for factories. This informs and leads our growth strategy.
- Why and how the growth strategy changed/did not change as a result of the risk(s) identified:
The growth strategy did not change. However, the results of the water resource studies inform the selection of final sites.

W2.4b

**What is the main reason for not having evaluated how water risks could affect the success (viability, constraints) of your organization's growth strategy, and are there any plans in place to do so in the future?**

| Main reason | Current plans | Timeframe until evaluation | Comment |
|---|---|---|---|

**W2.5**

**Please state the methods used to assess water risks**

| Method | Please explain how these methods are used in your risk assessment |
|---|---|
| FAO/AQUASTAT<br>Internal company knowledge<br>Life Cycle Assessment<br>Water Footprint Network<br>WRI water stress definition<br>WRI Aqueduct<br>WWF-DEG Water Risk Filter<br>Other: Alliance for Water Stewardship standard, Water Stress Indicator by Pfister, EarthStat Water Depletion method, UNEP World Conservation Monitoring Centre, WBCSD self-assessment tool, Nestlé Waters community, The Nestlé Global Property Loss Prevention Programme, Nestlé Water Resources Review, Nestlé Regulatory Affairs network and SWOT analyses, Nestlé Water task Force, Nestlé issue roundtable, Nestlé Farmer Connect network, Nestlé Sustainable Agriculture Initiative, Internal assessments, Relations guidebook, Nestlé Responsible Sourcing Guidelines, Nestlé SHE-PM | i) How the methods selected were integrated to assess risks: We use the Nestlé Combined Water Stress Index to assess water stress at any given location. The index takes an average of results from three leading water-stress indicators (WRI Aqueduct, WWF Water Risk Filter and ETH Pfister et al, 2009). This gives us a risk score, helping to determine the risk associated with reduced water quantity or quality. It also considers possible competition with other local water users. The other methods (LCA, FAO/AQUASTAT and internal knowledge) are used to assess risks and identify opportunities along in our value chain, including agriculture and consumption. ii) These methods were selected as they are internationally recognized methodologies to use in our risk assessment. In particular, we use WFN and FAO/AQUASTAT to estimate average water use for crops and LCA to estimate the environmental performance of our products along the value chain, including their water use. iii) The operational scope of the risk assessment covers the entire value chain of our product including agriculture, manufacturing and consumption. |

| Method | Please explain how these methods are used in your risk assessment |
|---|---|
| tracking tool, Responsible Sourcing Audit Program, Nestlé notional price of water, Nestlé Environmental Requirements, Nestlé Environmental Target Setting Programme, Nestlé Sustainability Category Profiles, Nescafé Plan, Nespresso TASQ water, the Nestlé Cocoa Plan, Nestlé stakeholder convenings, Nestlé Enterprise Risk Management Framework . | |

**W2.6**

**Which of the following contextual issues are always factored into your organization's water risk assessments?**

| Issues | Choose option | Please explain |
|---|---|---|
| Current water availability and quality parameters at a local level | Relevant, included | We systematically track/monitor water quantity and quality at local level through Nestlé Water Resources Review programmes. Long-term supply of water with high quality and sufficient quantity is essential for our factories. To raise awareness at local operational level, identify key issues and risks, and devise action plans for more sustainable water use, our Water Resources Review programme focuses on water quantity/quality; regulatory compliance; site protection; relationships with stakeholders. The method used to assess this issue includes the Nestlé Water Resources Review programmes. Water quantity and quality parameters at local level are reported on a monthly basis in our Safety, Health and Environmental Sustainability performance management tool. |
| Current water regulatory frameworks and tariffs at a local level | Relevant, included | Our business is based on compliance. The Nestlé Regulatory Affairs team works with a network of regulatory contacts in the markets. They track regulatory changes and estimate future potential regulatory changes on local level. Any changes/potential impacts are shared with Regulatory Affairs at country level. A regulatory database is managed where all relevant regulatory documents are gathered. It is updated as the local situation changes. This is included in all facilities with potential risk. The method used to assess this issue includes the Nestlé Regulatory Affairs network. |
| Current stakeholder conflicts concerning water resources at a local level | Relevant, included | Our activity aims at ensuring good relationship with local stakeholder on water-related topics and develop, community outreach programmes. Systematic tracking/monitoring is done through the Nestlé Issues Round Table which meets on a monthly basis. The Water task Force, chaired by Magdi Batato (EBM member), provides a solid crossfunctional basis for managing water issues including stakeholder conflicts |

| Issues | Choose option | Please explain |
|---|---|---|
| | | and implementing solutions. The methods used to assess this issue include the Nestlé Water task Force and Nestlé Issues Round Table. |
| Current implications of water on your key commodities/raw materials | Relevant, included | We work directly with around 719000 farmers. Through our Farmer Connect network, we have delivered water projects in a wide variety of locations, across all continents. Our global programme to support farmers and promote sustainable development – Nestlé Sustainable Agriculture Initiative – enables Nestlé to address some key challenges in water management and irrigation. The methods used to assess this issue include the Nestlé Sustainable Agriculture Initiative and Nestlé Farmer Connect. |
| Current status of ecosystems and habitats at a local level | Relevant, included | We have developed our understanding of the relationship between factories and biodiversity, and identified factories where we have a dependency/potential impact on important water areas. To know which factories were in high biodiversity/protected areas, we partnered with the UNEP World Conservation Monitoring Centre. Important Water Areas (IWA) located 25km upstream or downstream from Nestlé's manufacturing facilities are assessed. By looking at upstream and downstream biodiversity and water risk, we identified 13 factories where we will focus our future actions. We monitor the water withdrawals and discharges for all our factories including the 13 factories identified as located in important water areas. |
| Current river basin management plans | Relevant, included | At Nestlé Waters, we have introduced the Alliance for Water Stewardship (AWS) standard as the guiding framework to ensure sustainable water management in our direct operations. The AWS standard requires gathering information related to local catchment management plans and to engage with relevant local water authorities to support existing governance mechanisms. For example, the Sheikhupura factory in Pakistan and Ontario factory in US have already positively passed the AWS auditing process. |
| Current access to fully-functioning WASH services for all employees | Relevant, included | Safe drinking water and sanitation is a basic human right. Businesses have a clear role to play in helping to ensure that more people have access to safe water. Providing safe water, sanitation and hygiene (WASH) contributes to broad societal goals such as reducing mortality and morbidity, strengthening community resilience and preserving personal dignity. We support the World Business Council for Sustainable Development's (WBCSD) pledge to ensure safe access to water, sanitation and hygiene (WASH) in the workplace. Nestlé has supported the WBCSD in its aim to reach 50 signatory companies by 2016; to date, 42 signatories have adopted the WASH Pledge, representing 2.5 million employees in Europe, the United States, Africa, Asia and the Middle East. Internally, we are committed to achieving and maintaining WASH for all our employees. In 2015, more than 90% of employees had access to WASH; this rose to an estimated 100% in 2016. We remain in the process of continuing self-assessments across our facilities, identifying and correcting gaps through action plans. By 2017 – Implement all corrective action plans derived from the global roll-out of the WBCSD WASH Pledge self-assessment for safe water, sanitation and hygiene in the workplace at Nestlé premises. |
| Estimates of future changes in water availability at a local level | Relevant, included | At local level, a continuous water resource managing system is in place with daily monitoring done by Water Resources Champions or Factory Environmental Managers at each factory. The method used to assess this issue includes the Nestlé Combined Water Stress Index. We use Nestlé Combined Water Stress Index which estimates current and future physical water availability risks at watershed level for every site. In addition, external risk engineers inspect sites on a regular base to provide guidance on |

| Issues | Choose option | Please explain |
|---|---|---|
| | | improving standards of prevention/protection for risks related to water availability. |
| Estimates of future potential regulatory changes at a local level | Relevant, included | Our factories have to complete regulatory survey with potential future regulatory changes at local level, which are carefully assessed at a corporate level. Further regulatory strategies and action plans are established. Regulatory SWOT analyses are conducted in each country on a yearly basis. As part of the 2030 Water Resources Group, the work also provides practical tools to help stakeholders compare the impact, scale, cost, trade-offs and effectiveness of regulatory measures and technologies. The methods used to assess this issue include the Nestlé Regulatory Affairs network and internal regulatory SWOT analyses. |
| Estimates of future potential stakeholder conflicts at a local level | Relevant, included | The relation of Nestlé with local communities is absolutely essential. Water is a local, shared resource that must be carefully used and preserved by all actors in the community. Nestlé has started implementing our specially developed community relations guidebook at our bottled water production sites. The objective is to provide guidance to factory managers in engaging with local communities, identifying key local stakeholders and their needs and expectations, to build and maintain trust. The method used to assess this issue includes our community relations guidebook. |
| Estimates of future implications of water on your key commodities/raw materials | Relevant, included | The Sustainable Agriculture Initiative at Nestlé is our global programme to support farmers and promote sustainable development. It focuses on a range of commodities and enables us to address some key challenges in water management and irrigation. Water management plans form an integral part of our Responsible Sourcing Guideline for key commodities, underlining the important role that farmers in water stressed areas play. We have assessed the consumptive water use of our key commodities/raw materials, which is used as input to assess the future implications of water risks and opportunities in our supply. In addition, the Nestlé Group Enterprise Risk Management Framework (ERM) is used to identify water risks and opportunities in order to minimize/seize their potential impact The methods used to assess this issue include the Sustainable Agriculture Initiative at Nestlé and Nestlé Responsible Sourcing Guidelines and the Enterprise Risk Management Framework. |
| Estimates of future potential changes in the status of ecosystems and habitats at a local level | Relevant, included | The method used to assess this issue includes the Nestlé Global Property Loss Prevention Program. The Nestlé Global Property Loss Prevention Program provides an in depth identification of our exposure to property risks around the world including floods, storms. This enables us to form decisions about the future standards of prevention and protection. For sites which have identified ecosystems and habitats as a potential risk, they assess the financial implication of this risk and identify an action plan. |
| Scenario analysis of availability of sufficient quantity and quality of water relevant for your operations at a local level | Relevant, included | The Nestlé Combined Water Stress Index (CWSI) is used to rank our sites, develop action plans and continuously improve water management within our operations. The CWSI results in the analysis from four different publicly available tools (WRI-Aqueduct, WWF-WRF, EarthStat, Pfister-WSI). These tools provide information on water quantity and quality for every Nestlé manufacturing sites. By combining this information we are able to assess risks and opportunities linked to water. |
| Scenario analysis of regulatory and/or tariff changes at a local level | Relevant, included | The method used to assess this issue includes the Nestlé notional cost of water and Nestlé SHE-PM tracking tool. We conduct scenario analysis with potential impact regulatory or tariff changes in our |

| Issues | Choose option | Please explain |
|---|---|---|
| | | operations. We introduced the concept of notional cost to analyze water projects based on estimated water prices ranging from 1 to 5 CHF/m3 depending on the level of water stress index of the factory' location. The Nestlé SHE-PM tracking tool continuously monitors the cost of all purchased water and off-site treated water for all plants. |
| Scenario analysis of stakeholder conflicts concerning water resources at a local level | Relevant, included | The method used to assess this issue includes the Nestlé Water Resources Review programmes and the Community Relations Programme 2.0 (CRP 2.0). - Our Water Resources Review (WRR) programme focuses on five areas: water quantity, water quality; regulatory compliance; site protection; and relationships with other stakeholders. Specific to relationships with other stakeholders, the WRR programme is one activity helping estimate current and future scenario related to relationship with local stakeholders. - Building on Nestlé Waters' development of its CRP in 2015, we rolled out CRP 2.0 in 2016: 96% of the sites selected for a 2016 roll-out had implemented the programme by year end. CRP 2.0 is a tool that is designed to guide factory managers in deploying local engagement plans, with the aim to make Nestlé Waters a welcomed, trusted and value-creating member of each community in which we live and work. CRP 2.0 is composed of several steps, including: Identifying and classifying local stakeholders in the communities where we work; Interviewing stakeholders to assess real and perceived community concerns and expectations and identifying gaps; and implementing and tracking engagement and action plans to address the gaps. |
| Scenario analysis of implications of water on your key commodities/raw materials | Relevant, included | The method used to assess this issue includes the Nestlé Responsible Sourcing Audit Program. Through our Responsible Sourcing Audit Program, Critical Tier 1 suppliers have to fill a Sedex Ethical Assessment Questionnaire which do request information on water management policy, tools and effectiveness. Critical Tier 1 suppliers are all audited using SMETA 4 Pillars ethical standard which assess the way water is being consumed, used and released to the environment. The scenario analysis include t different options, for example whether water is consumed (monitor or not), used (treated or not, efficiency of operations), released to environment (treatment). |
| Scenario analysis of potential changes in the status of ecosystems and habitats at a local level | Relevant, included | To identify which factories are in high biodiversity areas that have a dependency/potential impact on important water areas, we partnered with the UNEP World Conservation Monitoring Centre. By looking at upstream and downstream biodiversity and water risk, the resulting internal database highlighted 13 factories where we will focus our future actions. The method used includes the UNEP-WCMC tools to identify high biodiversity/protected areas. Additionally, an assessment of the status of the factory and its relationship to the protected area was conducted based upon the experience and knowledge of market staff. This has allowed us to further refine our analysis and provided both a definitive list of protected areas (PAs) that we categorise as Important Water Areas, as well as providing next steps to improve Nestlé's performance and interactions with the PA management authorities. |
| Other | Relevant, included | The method used to assess water quality/quantity/regulatory issues includes the Nestlé Water Resources Review programmes. Our Water Resource Review Studies investigate the impact of our direct operation on local water resources in the area of site protection. We ensure measures to protect the water supply are understood and implemented. |

**W2.7**

**Which of the following stakeholders are always factored into your organization's water risk assessments?**

| Stakeholder | Choose option | Please explain |
|---|---|---|
| Customers | Relevant, included | We assess the environmental performance of our products from farm to consumer and beyond, including the water footprint. The water used by consumers to prepare or consume our products is factored in when assessing the hotspots of our products. Using product packaging and the internet, we are reaching out to consumers, providing them with meaningful and accurate environmental information about how simple changes in behaviour can reduce water use when preparing our products. For example, while consuming Nescafé, we provide consumers with top tips for: * Use only the right quantity of water to prepare the coffee; * Completely fill the dishwasher before using it; * Use refill packs to minimise the need for glass jars. The method used to assess this issue includes Life Cycle assessment and Nestlé LCA communication tool. Available at https://www.nescafe.com/the-future-of-coffee |
| Employees | Relevant, included | We strive to continually improve our water performance through training of employees and raising awareness. We have Nestlé W.A.T.E.R commitments in place, where one point is to actively engage employees, communities and consumers in the water imperative. In addition, water is one of the Nestlé corporate business principles. In 2016, environmental awareness training was conducted in 95 countries in which we operate. More than 5600 employees successfully completed our e-learning course in 2016, enhancing their knowledge on how water is a critical factor for human prosperity and how water availability can affect our value chain. The course also encourages participants to contribute towards water conservation. Course content is made available to all Nestlé employees through our intranet pages. The method used to assess this issue includes Nestlé corporate business principles and awareness training session and education to employees. |
| Investors | Relevant, included | We report water risks and responses in our Nestlé integrated annual pack that is sent to shareholders. We also have meeting/conference calls with investors that might have some specific questions on water issues. The method used to assess this issue includes the Nestlé integrated annual pack. |
| Local communities | Relevant, included | We want to create shared value for our business and for society. The wellbeing of rural communities, farmers, small entrepreneurs, suppliers is intrinsic to our success. Our activities support rural development, and at the same time strengthen our supply chain. We seek to raise awareness of water access and conservation in communities. One such country where we engaged with the local community in 2016 was Nigeria. Through Nestlé Waters, we engaged with the community in the Abaji region through several projects in 2016, including water stewardship, WASH and training center. By the end of 2016, more than 500000 beneficiaries in rural communities were provided access to safe water and sanitation through our partnership with IFRC. The method used to engage with local communities includes the Farmer Connect programme. For example, through capacity building programmes, we can engage with farmers so that we can |

| Stakeholder | Choose option | Please explain |
|---|---|---|
| | | develop a supply chain that meets our social, environmental and ethical requirements. The Community Relations Process [CRP] is another framework used to engage with communities around factories. Factories start in the scope of the CRP a regular dialogue with communities to identify potential impacts, but also the positive role that factories can play for the development of communities. The CRP has been rolled out in all Nestlé Waters Factories worldwide and introduced to food factories in Zone Americas. |
| NGOs | Relevant, included | At the global level, Nestlé organises every year at least one stakeholder evening to receive feedback on Nestlé's engagement in society. Water is typically the topic of one of the breakout sessions of the Stakeholder Convening. In addition to the global convening, some Nestlé markets such as the Central and Westafrican market cluster organise local events that come with a similar format. Every two years, we also organise a Global Creating Shared Value Forum which is a public event for stakeholders from different sectors around Nestlé's engagement in nutrition, rural development and water. The last Creating Shared Value Forum took place in Abidjan, Côte d'Ivoire, in June 2016. We conduct yearly materiality analysis based on level of stakeholder concern and level of potential impact on Nestlé along with the stakeholder convenings. We develop sustainable, technologically adapted community water management schemes, jointly with expert partners from NGOs. We deliver water, sanitation and hygiene projects in schools and villages near our operations around the world. We provide access to water and sanitation for more than 500'000 people. The method used to engage with NGOs includes Nestlé stakeholder convenings. In 2014, Nestlé became a founding member of the California Water Action Collaborative (CWAC), which today consists of 19 companies and environmental organisations. The coalition was set up as platform for food and beverage companies and non-profits, to identify areas of shared interest. The result has been collective action projects that aim to advance a sustainable water future in California for people, business, agriculture and nature. |
| Other water users at a local level | Relevant, included | The Water Resource Reviews help our people to gain a greater understanding/sense of ownership about water challenges in their locality. They also enabled us to identify 5 high priority areas within operations where water stewardship initiatives are needed, to reduce water related risks and strengthen stakeholder perception of our local contribution. Our Water Resource Reviews assess potential impacts on the right to water and sanitation of local communities and propose corrective action. The method used to assess this issue includes the Nestlé Water Resources Review programmes. We also attended the UNGC CEO Water Mandate's 2016 Working Conference in Stockholm, and participated in two projects through the California Water Action Collaborative (CWAC), an initiative driven by the Mandate. |
| Regulators | Relevant, included | We continue to maintain a strong presence at multistakeholder initiatives on water policy and challenges, seeking new shared solutions and promoting collective action on water efficiency. Many of our most senior people, including our Chairman, play a leading role in the 2030 Water Resources Group, which is currently chaired by Nestlé. It is a public-private-civil society collaboration that aims to address supply and demand issues in water-stressed locations by 2030 and it helps to strengthen expert capabilities across the world and raises the priority of water on national political agendas. The methods used to engage with regulators includes the Nestlé Regulatory Affairs network and internal regulatory SWOT analyses. |
| River basin management authorities | Relevant, included | We engage with river basin management authorities in the countries where we operate. For example, The "Manos al Agua" initiative is a 5 year program (2013-2018) which aims to address climate related risks, as well as the impacts and dependencies on water of coffee production. The initiative has raised EUR 20.5 million from a large range of stakeholders, |

| Stakeholder | Choose option | Please explain |
|---|---|---|
| | | including the public sector (Colombian and Dutch governments) and the private sector (Nestlé, Nespresso, The Colombian Coffee Growers Federation (FNC)) with the aim of creating a framework for an integrated approach to managing Natural Capital. A group of 85 experts – from Cenicafé, the Wageningen University and Research Centre, as well the extensionist service of the FNC – are operating the program. The program directly benefits 11,000 Colombian coffee-growing families in 25 watersheds and around 500,000 people (water users). Also, at the Kabini River Basin, India, we are launching a local policy dialogue, with the Government of Karnataka and experts such as the Alliance for Water Stewardship, Water Resources Group, and local NGOs to find ways of up-scaling initiatives to catchment scale. As part of our Intelligent water management project in Colombia, we are partnering with the Dutch Ministry of Foreign Affairs, the Colombian Federation of Coffee Growers, the Wageningen University and the Ministry of Rural Development to implement water stewardship actions, with an overall budget of EUR 20.5 million (CHF 24.6) over five years (2014–2018). The method used to assess this issue includes the Nestlé Water Resources Review programmes. |
| Statutory special interest groups at a local level | Relevant, included | Around the world, we engage at a local level in many ways to raise awareness on water conservation and improve community access to water and sanitation. It can involve investment in infrastructure, educational initiatives or simply providing bottled water during a time of crisis. To promote positive collective action, it is vital to ensure our initiatives are suited to the community and the water catchment they will support. For instance, in Pakistan as a part of a Community Engagement Programme and to support local communities, Nestlé Pakistan set up seven clean drinking water facilities in our operational areas. Located in Muzaffargarh, Kot Addu, Khanewal, Kabirwala and Sheikhupura (including Bhatti Dhilwan), these facilities provide clean drinking water to approximately 35 000 people every day. The methods used to assess this issue include the Nestlé Environmental Requirements and internal assessments. |
| Suppliers | Relevant, included | Through our entire supply chain, we are committed to engage with suppliers to promote water conservation practices. Our current water management strategy is embedded in a number of agricultural and operational sustainability programs, like the Nescafé Plan, Nespresso TASQ water, the Nestlé Cocoa Plan, Nestlé Sustainable Agriculture Initiatives and various local water initiatives. The methods used to assess this issue include Nescafé Plan, Nespresso TASQ water, the Nestlé Cocoa Plan, Nestlé Sustainable Agriculture Initiatives. |
| Water utilities at a local level | Relevant, included | Through our water resources review we also engage with water utilities and their experts in the technical management in order to evaluate their knowledge on the state of water resources, availability versus demand. In general our local management in the factories do only have regular exchange with them for administration procedures but we know cases where we work with them to support their work, for example in South Africa where we are supporting local municipalities with external staff and extraordinary maintenance of their infrastructures and also planning to invest in their utilities infrastructures instead of investing within our own wastewater treatment plant |
| Other | Relevant, included | Depending on a case, we also engage with other relevant stakeholders related to water i.e. scientists, water experts. e.g World Resource Institute. The methods used to assess this issue include Nestlé engagement programmes. |

W2.8

Please choose the option that best explains why your organisation does not undertake a water-related risk assessment

| Primary reason | Please explain |
| --- | --- |
| | |

**Further Information**

## Module: Implications

### Page: W3. Water Risks

**W3.1**

**Is your organization exposed to water risks, either current and/or future, that could generate a substantive change in your business, operations, revenue or expenditure?**

Yes, direct operations and supply chain

**W3.2**

**Please provide details as to how your organization defines substantive change in your business, operations, revenue or expenditure from water risk**

i) We define a substantive change by the potential impact it has on the business based on our assessment of the materiality and priority. An exceptional opportunity would improve and enhance Nestlé's global image, reputation, credibility, or have a longstanding positive impact on labour union, governmental, investor, customer activities. A major threat would have the opposite (negative) impacts. These assessments are performed together with the update of the Market & Business Strategies, every 2-3 years in the markets. If deemed necessary, the markets will also review their risk assessment in between e.g. once per year.
ii) The measure(s), metric(s) or indicator(s) used in the definition of substantive change: Nestlé determines priorities concerning risks and opportunities based on the assessment of the materiality and priority based on combined analysis of likelihood and impact. Likelihood has six levels: almost certain, highly probable, probable, fairly likely, unlikely, almost impossible, coded as A, B, C, D, E, F. Four impact ranges are defined: major, significant, moderate, negligible, coded as 4, 3, 2, 1. In

addition to threats (negative impact/contribution), we also analyse the impact of opportunities (positive impact/contribution).
iii) The threshold or amount of change in the metric/measure/indicator which indicates substantive change: Assessed risks by likelihood and impact are reflected on a Heat Map, which determines the different levels of priorities the company will take to mitigate risks and enhance the opportunities, including water stewardship. For example, all the risks coded (A,2), (A,3), (B,3), (C,3), (A,4), (B,4), (C,4), (D,4) are categorized as top priorities (high exposure) which are reported and concrete action plans to mitigate these threats must be in place.
iv) The definition applies for both our direct operations and our supply chain. In addition, for our operations, we identified the facilities located in High Priority Manufacturing. This selected facilities resulted from an assessment of water stress ranking combined with the water withdrawals for each factory, to produce a list of selected factories that represent the combination of biggest risk (location) and biggest impact (withdrawal volume).

**W3.2a**

**Please provide the number of facilities* per river basin exposed to water risks that could generate a substantive change in your business, operations, revenue or expenditure; and the proportion of company-widefacilities** this represents

| Country | River basin | Number of facilities exposed to water risk | Proportion of company-wide facilities that this represents (%) | Comment |
|---|---|---|---|---|
| Chile | Other: Maipo | 1 | Less than 1% | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| China | Huang He (Yellow River) | 1 | Less than 1% | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| China | Other: Huaihe | 1 | Less than 1% | This factory is part of a group of high priority manufacturing facilities that are located in areas |

| Country | River basin | Number of facilities exposed to water risk | Proportion of company-wide facilities that this represents (%) | Comment |
|---|---|---|---|---|
| | River Basin | | | of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| China | Other: Fujian | 1 | 1-5 | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| China | Yangtze River (Chang Jiang) | 1 | Less than 1% | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| Egypt | Nile | 1 | 1-5 | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| France | Rhone | 1 | 1-5 | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |

| Country | River basin | Number of facilities exposed to water risk | Proportion of company-wide facilities that this represents (%) | Comment |
|---|---|---|---|---|
| France | Rhine | 1 | 1-5 | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| India | Cauvery River | 1 | Less than 1% | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| Indonesia | Brantas | 1 | Less than 1% | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| Pakistan | Indus | 4 | 1-5 | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| Saudi Arabia | Other: Wadi Hanita | 1 | 1-5 | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective |

| Country | River basin | Number of facilities exposed to water risk | Proportion of company-wide facilities that this represents (%) | Comment |
|---|---|---|---|---|
| | | | | actions with appropriate parties. |
| Peru | Amazonas | 1 | Less than 1% | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| Turkey | Other: Susurluk | 1 | 1-5 | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| United States of America | Other: California - Tulare | 1 | 1-5 | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| United States of America | Other: California - Santa Ana | 1 | Less than 1% | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| United States of America | Trinity River (Texas) | 1 | 1-5 | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water |

| Country | River basin | Number of facilities exposed to water risk | Proportion of company-wide facilities that this represents (%) | Comment |
|---|---|---|---|---|
| | | | | commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| United States of America | Other: Hillsborough | 1 | 1-5 | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| United States of America | Mississippi River | 1 | 1-5 | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |
| United States of America | Sacramento River - San Joaquin River | 1 | Less than 1% | This factory is part of a group of high priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year. This group of factories is monitored by our Operations Water Task Force (OWTF). The OWTF is a corporate group which meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's water commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties. |

**W3.2b**

**For each river basin mentioned in W3.2a, please provide the proportion of the company's total financial value that could be affected by water risks**

| Country | River basin | Financial reporting metric | Proportion of chosen metric that could be affected | Comment |
|---|---|---|---|---|
| Chile | Other: Maipo | % global production volume | Less than 1% | |
| China | Huang He (Yellow River) | % global production volume | Less than 1% | |
| China | Other: Huaihe River Basin | % global production volume | Less than 1% | |
| China | Other: Fujian | % global production volume | 1-5 | |
| China | Yangtze River (Chang Jiang) | % global production volume | Less than 1% | |
| Egypt | Nile | % global production volume | 1-5 | |
| France | Rhone | % global production volume | 1-5 | |
| France | Rhine | % global production volume | 1-5 | |
| India | Cauvery River | % global production volume | Less than 1% | |
| Indonesia | Brantas | % global production volume | Less than 1% | |
| Pakistan | Indus | % global production volume | 1-5 | |
| Saudi Arabia | Other: Wadi Hanita | % global production volume | 1-5 | |
| Peru | Amazonas | % global production volume | Less than 1% | |
| Turkey | Other: Susurluk | % global production volume | 1-5 | |
| United States of America | Other: California - Tulare | % global production volume | 1-5 | |
| United States of America | Other: California - Santa Ana | % global production volume | Less than 1% | |
| United States of America | Trinity River (Texas) | % global production volume | 1-5 | |

| Country | River basin | Financial reporting metric | Proportion of chosen metric that could be affected | Comment |
|---|---|---|---|---|
| United States of America | Other: Hillsborough | % global production volume | 1-5 | |
| United States of America | Mississippi River | % global production volume | 1-5 | |
| United States of America | Sacramento River - San Joaquin River | % global production volume | Less than 1% | |

**W3.2c**

**Please list the inherent water risks that could generate a substantive change in your business, operations, revenue or expenditure, the potential impact to your direct operations and the strategies to mitigate them**

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| United States of America | Other: California - Tulare | Physical-Drought Reputational-Negative media coverage | Water supply disruption | Despite the 2016 heavy rain, the overexploitation of Californian aquifer still remains an important issue and will need focus in the years to come. Indeed, the US state of California | 1-3 years | Probable | High | Alignment of public policy positions with water stewardship goals Engagement with community Engagement with public policy makers | The cost of increased investment in new technology is high. It amount to CHF 9.4 million. | The strategy to address this risk includes: -Zero water factory: We have implemented zero water technology in Modesto Dairy factory, which is be able to extract water from milk and |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | regularly experiences severe droughts which can lead to drastic measures, such as mandatory order to reduce by 25% the water use in cities and towns most touched. Nestlé operates nine factories overall in California and employs 7000 people. Many people have expressed concern about the impact of our operations in California, and posed questions about our bottled water plants in Cabazon and Sacramento in particular. The state of California uses nearly 50 billion cubic metres (13 trillion gallons) of | | | | Establish site-specific targets Increased investment in new technology Promote best practice and awareness Strengthen links with local community | | recycle it (delivering expected 70’000m3 savings per annum). - Recycling water: By upgrading cooling tower technology in our water bottling factories in California, so that they use treated instead of drinkable water. - Implementing robust standards: We have started implementing the Alliance for Water Stewardship International Water Stewardship Standard in our Californian factories, which sets strict criteria for managing water |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | water a year, of which Nestlé's nine plants use less than 4 million cubic metres (1 billion gallons) – this is less than 0,008% of the total. Using water for bottled water is not a waste of water as people need to drink water. Moreover closing our bottled water operations won't fix the drought. We understand these concerns and are intensifying our efforts to reduce the amount of water we use, to use it as efficiently as possible – not just in California but across all of our manufacturing operations – and to share our | | | | | | in an environmentally, socially and economically beneficial way. The first factory plant to receive AWS certification is the Ontario site. -Working in partnership: We work with governments, UN bodies and other stakeholders to help address local and global water issues through public policy debate and collective action: We are a founding signatory of the UNGC's CEO Water Mandate; To develop a way to scale corporate water stewardship in California, we are also members of the |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | progress with interested parties. • The impact in California is expected to last more than 5 years. | | | | | | California Water Action Collaborative (CWAC). This group aims to create a platform for collaboration that helps improve water security in California for people, businesses, agriculture and nature. The cost provided consider the investment needed in water saving technologies to reduce water withdrawal as done in Lagos de Moreno Mexico. |
| Brazil | Sao Francisco | Physical-Drought Physical-Increased water stress Physical-Rationing of | Higher operating costs | The São Francisco Hydrographic Region (HR) has approximately 7.5% of the national territory, | Current-up to 1 year | Probable | Medium | Increased investment in new technology | The cost of increased investment in new technology is high. It | At our dairy factories in Brazil, we reuse the water extracted from milk to save resources. Milk |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | municipal water supply Reputational-Community opposition Reputational-Negative media coverage | | covering seven states: Bahia, Minas Gerais, Pernambuco, Alagoas, Sergipe, Goiás, and the Federal District. Due to the drought that has been occurring in the basin in recent years, the National Water Agency published on June 19, 2017, Resolution No. 1,043, which suspends water abstractions in the São Francisco river basin for all uses every Wednesday until November 30, when the end of the dry period is foreseen. This measure may be extended. Exception for human supply and animal | | | | | amount to CHF 9.4 million. | is composed of 80% water and, during the production of powdered (Ninho and Molico) and condensed (Moça®) milk products, we need to remove this water. But, instead of being disposed of, the whey is evaporated and treated, so it can be used to cool down equipment and for cleaning. In 2016, this reused water represented an avoidance of 10% of water withdrawal across 11 of Nestlé Brazil's dairy factories. We also benefit from directing the extracted whey to feed boilers and |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | watering. In this HR are located the factories of Montes Claros Moça® and Nescafé Dolce Gusto, the latter being the second zero water factory in the Brazil Market. The region where the plants are located has been suffering from prolonged periods of drought and rationing for industrial uses, with a reduction in the volumes of granting grants by environmental agencies. | | | | | | produce energy. Two factories in Brazil Market achieved the concept of Zero Water, when all the factory demand is supplied by the milk water reuse. Beyond initiatives of work to achieve water efficiency and sustainability across operations, Nestlé Brazil have been developing a Water Stewardship Plan through a Steering Committee that consolidate action on: Leading the Water Work group at UNCG Brazil Network, engaging with companies from many different |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | economy sectors to the implementation of CEO Water Mandate. Engaging with suppliers, especially in agriculture – define and start to implement action to improve water management in our upstream supply chain for high-priority locations. Develop of Guideline of Hydric Good Practices to milk farmers in partnership of EMBRAPA (Empresa Brasileira de Pesquisa Agropecuária). The cost provided consider the investment needed in water saving |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | technologies to reduce water withdrawal as done in Lagos de Moreno Mexico. |
| Philippines | Other: San Juan River | Regulatory-Mandatory water efficiency, conservation, recycling or process standards | Higher operating costs | At our Tanauan factory, which produces non-dairy creamer and Bear Brand Instant (BBI), the in-house wastewater treatment plant was struggling to cope with the organic-rich waste, and treating the waste elsewhere incurred significant additional costs. The impact is expected to last up to 1 year. | Current-up to 1 year | Probable | Low-medium | Infrastructure investment Increased investment in new technology | CHF 3.1 million was invested for the anaerobic digester for waste treatment. The scale is considered as medium. | Nestlé invested CHF 3.1 million in an anaerobic digester to treat the organic waste, and provide additional capacity to treat other potential waste. The cost was approved in our CAPEX system. The digester also produces 6100 kg of biogas a day, providing a source of energy across the factory, reducing expenditure on fossil fuels and reducing emissions by 1885 tonnes of CO2eq a year. |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | The upgrade will save Nestlé CHF 500000 a year and we are now looking at replicating the approach at other factories with high levels of organic waste. |
| Pakistan | Indus | Physical-Increased water stress Reputational-Community opposition | Brand damage | Pakistan is one of the most water-stressed countries in the world, access to clean drinking water is a key development challenge. This can trigger reputational risks for Nestlé. Indeed, more than 95% of the country's usable water is used for agriculture in rural areas, while only 2% is used by urban municipalities and 2% by industry. The | Current-up to 1 year | Probable | Medium | Engagement with community Engagement with other stakeholders in the river basin Infrastructure investment Greater due diligence Promote best practice and awareness Strengthen links with local community | The costs are considered as medium for the company. | To help manage water stewardship in our operations and throughout our supply chain, Nestlé Pakistan signed a partnership with World Wide Fund for Nature Pakistan (WWF-Pakistan). We are also implementing the Alliance for Water Stewardship (AWS) Standard at our Sheikhupura and Islamabad manufacturing |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | impact is expected to last up to 1 year. | | | | | | facilities. The process is expected to be completed in 2017. Once completed, the factory will be the first Nestlé site worldwide to be certified by the AWS. We have also found opportunities to strengthen public perceptions and improve access to water and sanitation around our facilities. For example, through our Community Engagement Programme, Nestlé Pakistan has established six drinking water facilities near our factories, providing clean water to |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | approximately 60000 people with plans to add two more, clean drinking water facilities in 2017. An eighth drinking water facility is currently being built in Allahabad, near our Kabirwala factory. Nestlé Pakistan has also entered into partnerships with Lahore University of Management Sciences (LUMS) Centre for Water Informatics and Technology, Sustainable Development Policy Institute (SDPI), a think tank, Agriculture Department on the Punjab government and National |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | Agriculture Research Centre (NARC). Nestlé Pakistan also won a grant for piloting the Water Sense Project where we have developed smart soil sensors that send information to the farmer's phone about which areas of land he should irrigate and how much water should they use. |
| South Africa | Other: Western Cape basin | Physical-Increased water stress | Higher operating costs | We have manufacturing operations in South Africa. In this region, climatic variation leading to reduced rain and increasing demand for water by other users (e.g. human | Current-up to 1 year | Probable | Medium | Engagement with public policy makers Engagement with suppliers Increased investment in new technology | The cost of the response strategy is estimated to CHF 6 million. The scale is large for the company. | Over and above the operational changes we have made to reduce our factories' water consumption, we are active at different levels across the country: We are implementing our zero water |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | consumption), can potentially lead to restrictions on water use; however industries have been exempted for now. During a drought period in 2009, Nestlé Mossel Bay factory was obliged to drastically reduce its water consumption. Luckily, production was not affected but this pushed the factory to optimise their water usage. A similar drought period could occur in the future. The impact is expected to last more than one year. | | | | | | withdrawal initiative at our Mossel Bay dairy factory in 2017, through which we plan to avoid using municipal water for production processes. The cost estimate of the response strategy includes the investment to implement Nestlé's ZerEau water withdrawal initiative in Mossel Bay. |
| Mexico | Other: Cuenca | Physical-Declining water | Higher operating | In Chiapas quality of surface | Current-up to 1 year | Probable | Medium-high | Increased investment in | The cost of the | We have invested in the |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | Frontera Sur | quality | costs | water is declining, resulting in higher production cost as clean water needs to be purchased to avoid disruption in production. This cost can be up to 3 times of the normal cost of water. | | | | new technology | response strategy is medium for the company. | water purification treatment facilities of our factory which are compliance with the parameters. The cost estimate has been derived from CAPEX investments required in order to treat the water. |
| Mexico | Other: Cuenca Lerma-Santiago Pacífico | Regulatory-Regulation of discharge quality/volumes leading to higher compliance costs Reputational-Litigation | Other: Higher compliance costs | 1/ We have identified the presence of chromium, arsenic, fluoride and nitrate in groundwater. The concentrations exceed the Mexican regulations and the water quality standards established by Nestlé in three factories: Querétaro, | 1-3 years | Probable | Low-medium | Infrastructure investment Water management incentives | The cost of the response strategy is medium for the company. | 1/ We have invested in the water purification treatment facilities of our factory which are compliance with the parameters. 2/ We have developed an internal Market plan / strategy to deliver volumes of water licensed by the Authority |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Querétaro Nutrition and Ocotlán. 2/ Changes in regulation can result in litigation in some factories. Extra fees will need to be paid to get water allowances that will allow increasing the production volume in the factories. This represents a risk as this could limit possible expansion of production. The potential business impact is an increase in operational cost estimated in MXP 70 million, representing the value of Guarantee quotas every two years. | | | | | | (CONAGUA) ensuring production volumes in factories. We have started the process with an external agency. This will prevent/reduce the cost of guarantee fees. |
| South Africa | Other: Multiple | Physical-Increased | Higher operating | South African is a water scarce | | Probable | Medium | Alignment of public policy | The cost of the | Develop the ZAR Water |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | water stress | costs | country with typically only half the average rainfall of other countries. This places pressure on all the water users within the various catchments in South Africa. | | | | positions with water stewardship goals Engagement with community Engagement with other stakeholders in the river basin Engagement with suppliers Promote best practice and awareness | response strategy is estimated at CHF 69 000. The scale is low. | Stewardship fund. Plan to compensate ZAR's internal water use through CSV projects beyond the factory fence. A CHF contribution per m3 is collected from local operations to fund water stewardship projects. Projects may be submitted continuously for review by the WSF Steering Committee. Projects must be conducted where they will make the biggest impact locally and example include efficient farm irrigation in Western Cape area & support WASH at local schools and |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | realise water savings in Potchefstroom. Dairy farmers |
| Mexico | Other: All Cuencas | Regulatory-Regulation of discharge quality/volumes leading to higher compliance costs Regulatory-Regulatory uncertainty | Higher operating costs | Changes in national regulation on water quality regulation for deep wells are being approved. The reference values are lower than the current regulation. NOM-127-SSA1-1994 | 1-3 years | Probable | High | Infrastructure investment | The cost of the response strategy is medium for the company. | We will be monitoring the approval of the new regulation. Once the new reference values are confirmed, the actions will be implemented to meet the new requirements. |

**W3.2d**

**Please list the inherent water risks that could generate a substantive change in your business operations, revenue or expenditure, the potential impact to your supply chain and the strategies to mitigate them**

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| Vietnam | Other: Dak Lak | Physical-Increased water stress | Other: Drop of groundwater level | Vietnam has been going through its worst drought in 30 years and the difficult conditions are expected to continue. The country's national weather centre reported that last year some areas received rainfall 86% lower than the year before. Coffee is the second largest export-earning crop in Vietnam, supporting the livelihoods of 2 million people. Irrigation of coffee plants is necessary to maintain a high yield, but it may decline in the future due to water scarcity and | 1-3 years | Highly probable | High | Engagement with customers<br>Engagement with public policy makers<br>Engagement with other stakeholders in the river basin<br>Infrastructure investment<br>Promote best practice and awareness | Nestlé invested 1 million EUR in this 5 years' program.The scale is considered as low - medium for the company. | Nestlé promotes comprehensive guidelines on water conservation to its Farmer Connect network in Vietnam, through its Nescafé Better Farming Practices developed with the NGO Rainforest Alliance. Working with the Swiss Agency for Development and Cooperation, the company helped to spread water-saving techniques to coffee farmers beyond its own supply network. We have worked in a public– |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | climate change. Vietnam is the biggest supplier of Robusta coffee for Nestlé's coffee-related activities. Each year, Nestlé buys 20% of Vietnam's total national Robusta production and supports around 12000 local farmers through our Farmer Connect programme. The study found that, on average, coffee farmers use 60% more water for irrigation than necessary during the dry season. They also incur financial and labour costs, | | | | | | private partnership with the SDC since 2011 to improve irrigation practices with Vietnam's coffee farmers, and educate those beyond our network about good agricultural practices and water management. Our five year partnership now serves more than 50000 farmers and by 2018, the project will deliver the following outcomes: Action Plan: In cooperation with the University of Neuchatel, a large-scale water supply and demand |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | having to buy petrol to operate well pumps and spend time watering their fields. This adds the costs of (i.e. labour and energy) CHF 49.5 per ton of green coffee beans, which may increase the coffee beans price and thus also increase the purchasing cost for Nestlé. | | | | | | study conducted in Dak Lak province found that groundwater resources are replenished 2 to 3 months after the dry season. •Early warning weather system: in cooperation with the Hanoi University of Science, a short-term weather prediction model was developed for the Central Highlands. It is currently being fine-tuned and tested. The weather forecast is updated every six hours and predicts up to 36 hours ahead. |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | •Farmer training programme: around 60 trainers have attended Train the Trainer sessions, and almost 7000 beneficiaries have been trained on Good Agricultural Practices topics. Participation rates in the farmer field school averaged around 80%.<br>•Policy advocacy: in cooperation with the National Agricultural Extension Centre, an agricultural forum focusing on water and fertiliser use in the coffee |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | sector was attended by around 200 farmers from the five Central Highland provinces, where they had the opportunity to directly interact with key coffee experts. The cost includes training to 125 extension officers, training on Good Agricultural Practices including water management to 50,000 coffee farming households, and establish 50 demo plots. |
| Colombia | Other: Magdalena River Basin; Projects in 25 river | Physical-Climate change Physical-Increased water scarcity | Supply chain disruption | Colombia is one of the major coffee producing countries where Nestlé | 4-6 years | Probable | Medium | Engagement with community Engagement with suppliers | The cost of response is estimated at CHF 24.6 million over five years | In cooperation with the Colombian Ministry of Rural Development, |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | basins | Physical-Increased water stress Physical-Seasonal supply variability/Inter annual variability | | sources its green beans, therefore the effects of climate change and water challenges on Colombian coffee sector have an impact on our sourcing of raw materials. Colombia endures a dual water challenge with both water shortage and excess, with 23% of the population facing problems of access to water during dry years and close to 10% affected by intense rain events. This water imbalance has a strong negative effect | | | | Infrastructure investment Increased investment in new technology Promote best practice and awareness Water management incentives | (2014–2018). To address these issues, Nescafé and Nespresso launched a major water stewardship initiative with the Dutch Ministry of Foreign Affairs, the Colombian Federation of Coffee Growers, the Wageningen University and the Ministry of Rural Development. The cost has been financed by this private public partnership. | the Colombian Federation of Coffee Growers, the Dutch Ministry of Foreign Affairs and the Wageningen University and Research Centre, the Intelligent Water Management (IWM) project seeks to make the Colombian coffee sector more resilient to the effects of climate change and water scarcity through improved environmental performance at a farm and watershed level. The programs focus on 4 areas: •Clean technology transfer – |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | on the productivity of farms, with harvest drops of up to 40%. In rural Colombia, 25% of the population is active in coffee farming, where 95% are smallholders. Since coffee is the country's main agricultural product, the effective implementation of an integrated water management system depends on the inclusion of the coffee sector as a pioneer and an axis stakeholder – especially since the occurrence | | | | | | saving water and discharging better-quality water after the coffee-washing process. Training on the economic management of farms and IWM has been given to hundreds of participating coffee producers, while 10 pioneering water-reuse systems have been constructed. The feasibility of a central mill as an alternative to individual mills was also assessed. •Healthy ecosystems – using agroforestry and |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | and severity of extreme events is likely to increase.• The impact in Colombia is estimated to last more than 5 years. It is both droughts and floods. | | | | | | bioengineering to minimise soil erosion and ensure the conservation of important water areas. Around 160 were selected for reforestation and agroforestry projects, and coffee plantlets were distributed to farmers to create nurseries. 15 sites prone to landslides were also selected for specific bioengineering restoration projects. •Knowledge generation – implementing a water and climate monitoring system and |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | preventing crop damage due to extreme weather events. All the equipment for 25 water and climate monitoring stations was installed at selected farms, and 2 rounds of water samples taken. •Cooperation and participation – collective action and advocacy through engagement with public and private sector organisations, academia and civil society. Action plans are under development, and 27 local Manos al Agua community participation |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | groups have been set up. The IWM program will now concentrate on training farmers and implementing specific actions in each of the 25 river basins - reforesting, bioengineering activities and the installation of climate monitoring stations. |
| Pakistan | Indus | Regulatory-Statutory water withdrawal limits/changes to water allocation | Higher operating costs | Lowering of water level may give rise to regulator changes to limit water withdrawal from ground resources. This may affect the volumes of production and may lead to newer water technologies to | >6 years | Probable | High | Increased investment in new technology | The cost of the response strategy is high for the company. | Conventionally, farmers across Pakistan cultivate rice by sowing seeds within nurseries, and then transplanting the seedlings into the puddled soil of the paddy fields. However, this |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | be implemented with potential increasing operational costs. | | | | | | approach requires large amounts of water, as well as labour and fuel. Also, in some areas, rice grown by traditional methods contains high levels of arsenic due to contamination from deep-well irrigated water. This is a serious issue for Nestlé Pakistan, which uses rice in its products. Working with the University of Agriculture in Faisalabad, we ran a six-month field trial to test the direct seeding of rice, rather than the traditional two-step approach. Twelve of the |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | most popular varieties of rice were sown under normal moisture conditions rather than in puddled soil. The results highlighted a number of benefits. Water use was cut by up to 50%, arsenic residues were down by more than 65%, and much less labour was required to nurture the seeds. Even tractor use was halved, helping reduce fuel consumption and greenhouse gas emissions, and the directly seeded plants took two weeks fewer to grow. Given the |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | encouraging results, we will be collaborating with our suppliers to promote this new method of farming, to ensure we can continue to provide consumers with the best rice possible. We will also conduct further field trials at different locations across the Punjab to continue to evaluate the suitability of the direct seeding method, and investigate variances in arsenic residues across different varieties of rice. |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| Cote d Ivoire | Other: Lak de Buyo | Physical-Increased water scarcity<br>Physical-Increased water stress<br>Reputational-Inadequate access to water, sanitation and hygiene | Supply chain disruption | Côte d'Ivoire's cocoa production accounts for approximately 40 per cent of the world's supply. Most cocoa is produced in the south-west of the country. The Earth Security Group published their finding that, supply shortages of cocoa are expected as early as 2020. Ghana and Côte d'Ivoire are Switzerland's top cocoa suppliers; both face production bottlenecks that threaten cocoa exports in the coming years. Swiss-based | 4-6 years | Probable | Medium | Engagement with community<br>Engagement with other stakeholders in the river basin<br>Strengthen links with local community | Nestlé became the IFRC's first corporate partner in Africa in 2002 and, in 2014, we renewed our partnership, committing CHF 5 million over five years to the IFRC. | Over the years of our collaboration, we have increasingly focused on improving access to clean water, sanitation and hygiene in rural communities, such as the cocoa-growing regions of Côte d'Ivoire and Ghana. Here, a programme of activities was introduced to improve health and hygiene awareness among vulnerable groups, including schoolchildren, teachers and local community members. 226 685 people in Côte d'Ivoire and Ghana |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | multinationals, including Nestlé, are going beyond traditional development and CSR approaches to think more creatively about business model innovations that will help smallholder farmers capture more value from the global chocolate market. The impact is expected to last approx. between 4-6 years. | | | | | | have now benefited from the initiative, which includes the improvement of water infrastructure, the provision or renovation of sanitation facilities, and the raising of awareness through hygiene awareness programmes in villages and schools. - The IFRC delivers developmental projects to increase the access to water, sanitation and hygiene for all under the framework of its Global Water and Sanitation Initiative (GWSI). Nestlé |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | also supports the GWSI indirectly through joint activities in international forums, internal coordination and management meetings and activities, and the launch of key publications. We are currently supporting the rapid mobile phone-based (RAMP) system in Côte d'Ivoire. Mobile technology and online platforms have become increasingly applicable to both humanitarian and developmental efforts in |

| Country | River basin | Risk driver | Potential impact | Description of potential impact | Timeframe | Likelihood | Magnitude of potential financial impact | Response strategy | Costs of response strategy | Details of strategy and costs |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | recent years, and the IFRC's RAMP system is being adapted and tested to meet the needs of GWSI projects. RAMP gives users real-time access to data, and provides quick analysis, visualisation and mapping tools. It has helped programme managers by increasing transparency and providing a platform for improved knowledge sharing. |

**W3.2e**

**Please choose the option that best explains why you do not consider your organization to be exposed to water risks in your direct operations that could generate a substantive change in your business, operations, revenue or expenditure**

| Primary reason | Please explain |
|---|---|
| | |

**W3.2f**

**Please choose the option that best explains why you do not consider your organization to be exposed to water risks in your supply chain that could generate a substantive change in your business, operations, revenue or expenditure**

| Primary reason | Please explain |
|---|---|
| | |

**W3.2g**

**Please choose the option that best explains why you do not know if your organization is exposed to water risks that could generate a substantive change in your business operations, revenue or expenditure and discuss any future plans you have to assess this**

| Primary reason | Future plans |
|---|---|
| | |

**Further Information**

Estimation of the proportion of raw materials that come from regions subject to water-related risk. Milk: Dairy is the single biggest category for us in terms of volume, with 14 million tonnes of fresh milk equivalent bought in 2016, through Farmer Connect and sourced from Tier 1 suppliers. We use milk and milk derivatives as ingredients in a range of our products, including ice cream, beverages, confectionery, infant nutrition and culinary products. We estimate that approximately 25% of

the milk comes from water-related risk including Mexico, Pakistan, India, USA, South Africa and Morocco. Cereals: In 2014, through our SAIN programme, we defined and began to implement an action plan to save water in our upstream supply chain for coffee. For example, we promote water conservation to our network of around 20000 Farmer Connect suppliers in Vietnam through our Nescafé Better Farming Practices (NBFP). Whilst we are advanced with our coffee action planning (Nescafé Better Farming Practices, Intelligent water management project), work is in progress to define and implement an action plan for Nestlé's sugar, rice and cereals supply chain. We are partnering with leading NGO, Proforest, to assess the risks in our sugarcane supply chain in the key sourcing regions of Mexico, Brazil, Thailand and India. We estimate that between 1-3% of rice comes from areas water-related risk including India: Samalkha; China: Shuangcheng; Thailand: Amata; Bangladesh: Sreepur. We estimate that between 20-30% of wheat comes from areas water-related risk including including India (Pant Nagar, Nanjangud, Bicholim, Tahliwal, China (Tianjin), USA: Little Chute, Mt Sterling, Chatsworth, Danville, Pakistan: Kabirwala, Sheikhupura. We estimate that between 20-30% of corn/maize comes from areas water-related risk including India: Samalkha, Moga, China: Tianjin, USA: Atlanta, Oklahoma City, Clinton, Dunkirk,South Africa: Isando, France: Montfort, Marconnelle, Quimperle

## Page: W4. Water Opportunities

### W4.1

**Does water present strategic, operational or market opportunities that substantively benefit/have the potential to benefit your organization?**

Yes

### W4.1a

**Please describe the opportunities water presents to your organization and your strategies to realize them**

| Country or region | Opportunity | Strategy to realize opportunity | Estimated timeframe | Comment |
|---|---|---|---|---|
| Switzerland | Cost savings<br>Ensuring supply chain resilience<br>Increased brand value<br>Improved community relations | i) To realize the opportunity to further Improve Nestlé's environmental performance and sustain economic development, Nestlé Waters launched the ECO-Broye programme to preserve natural resources around the source of its Henniez mineral water brand in 2009. ii) Nestlé's strategy to realise the opportunity is to develop an | 4-6 years | Three key initiatives focusing on complementary and integrated management of the region's environmental resources are at the core of the ECO Broye program. The first consists of an ecological network that allows species to be strengthen over long term by favouring biodiversity. Since 2012, 72 farmers foster this initiative, covering 2300 ha of |

| Country or region | Opportunity | Strategy to realize opportunity | Estimated timeframe | Comment |
|---|---|---|---|---|
| | | integrated management program around the source of Henniez to preserve the region's natural resources while stimulating local economic development. iii) The strategy started with the implementation of 3 initiatives focusing on complementary and integrated management of the region's environmental resources; please find details in the comment. • Establishing over 2000 hectares of ecological corridors between the natural habitat and farmland to protect local biodiversity; • Creating a natural filtration zone for a tributary of the River Broye, improving the quality of surface water and local streams by using plants able to absorb unwanted chemicals and minerals; and • A biogas production project, adjacent to the Nestlé Waters plant, converting the threat of organic waste from local farms and industry into an opportunity of clean energy. This will avoid an estimated 1750 tonnes of CO2eq, and save the factory around CHF 60000 a year. iv) The financial implications of this opportunity is a saving around CHF 60000 a year through the biogas production project. | | forests and agricultural area. In addition, two sub-projects are starting: The “Pomme de Terre” project aims to promote biodiversity through the establishment of old fruit trees species and hedges on the Domaine d’Henniez, whereas a “Stream Renaturation” project seeks to promote aquatic life in a little stream of the Domaine. The second initiative is the creation of a natural filtration area. Natural filtration by plants, allows the control of undesirable products present in surface waters. On top of avoiding potential contamination, it improves the quality of surface water through biological processes. Finally, the most ambitious initiative is the planned construction of a biomethanization unit to convert organic wastes into energy. It will not only generate large quantities of renewable energy in the form of electricity, but also replace an important part of the gas used in the bottling factory to generate heat. The post-processed liquid digestate will be recovered and applied as fertilizer on farmers’ fields according to cantonal plans (max. nitrogen units per hectare), which is contributing to preserve the groundwater integrity. |
| Pakistan | Increased brand value<br>Improved community relations | i) To realize the opportunity to help people understand the importance of water and facilitate a life-long commitment to water conservation, ii) Nestlé's strategy is to work with Project WET (Water Education for Teachers), a global water education organisation based in the United States, to spread important messages about water, water resources, water management and water protection to teachers, students, parents and children so that all generations will value water and work to sustain it for the future. iii) The strategy was implemented by providing funding and on-going operational support for the past two decades, helping extend the educational network | >6 years | Nestlé Pakistan launched Project WET in August 2015, marked by training sessions with partner institutions in Islamabad. Teachers are provided with a Project WET guide and a training kit, and learn how important water is for the human body and for planet Earth. By the end of 2015, about 5000 children and 100 teachers had been taught how to use water responsibly. Nestlé Pakistan educated 100 more teachers under this program and 25,000 more children in 2016 and the plan is to train 100 teachers and 20,000 school children for the year 2017. |

| Country or region | Opportunity | Strategy to realize opportunity | Estimated timeframe | Comment |
|---|---|---|---|---|
| | | across the United States, training more than 30,000 teachers a year, and extending this network far beyond North America. Today, Project WET works with corporate, NGO and government partners in more than 70 countries, and is expected to have reached 30k teachers and more than 2 million children in 2015. Besides, in partnership with the Project WET Foundation, Nestlé Waters initiates local TOGETHER 4 WATER events to educate children from localities near the company's bottling sites about the water cycle and the importance of preserving water. iv) In 2015, 25k children in 30 countries learned about the significance of water conservation during fun, educational activities led by over 1,000 Nestlé Waters employees. iv)Quantitative financial implications have not been estimated. | | |
| United States of America | Collective Action<br>Ensuring supply chain resilience<br>Increased brand value<br>Improved community relations<br>Increased shareholder value | Nestlé Waters North America is committed to increasing recycling rates and the responsible management of water sources, but recognises that plastic caps and bottles are not always being recycled and are often collected at coastal clean-up events. We began sponsoring a series of clean-ups through our regional springwater brands. We quickly realised that the best clean-up is the one that doesn't have to take place. So, as well as removing rubbish, debris and pollutants from shores and waterways across the country, we work with partners who collect and analyse data to inform the development of strategies that can prevent debris from getting there in the first place. iv)Quantitative financial implications have not been estimated. | 1-3 years | Recent efforts include those along the Hillsborough River in Florida, which supplies water to the Tampa Bay area, sustains a diverse ecosystem and serves as a recreation source. It is also fed by the source of our Zephyrhills® Natural Spring Water brand, so we have a major stake in improving the health of the river and creating shared value in the local communities. As part of the brand's 50th anniversary, Zephyrhills® team members joined thousands of volunteers for a series of river clean-ups and watershed education activities in the Hillsborough River watershed. Researchers from the University of Florida assessed and shared the results of recent and historical clean-up events in the watershed with local stakeholders, leading to the establishment of the Hillsborough River Trash Free Waters Partnership. Through this model for coordinated local action at the catchment level, we have engaged thousands of residents and removed litter from 70 sites. We have also worked with |

| Country or region | Opportunity | Strategy to realize opportunity | Estimated timeframe | Comment |
|---|---|---|---|---|
| | | | | partners at Keep Tampa Bay Beautiful to advance local ambitions for a waste-free waterway. Local municipalities and educational institutions are signing up to join this partnership to advance strategies to prevent debris from getting into the waterway to begin with. |
| Company-wide | Carbon management<br>Climate change adaptation<br>Competitive advantage<br>Cost savings<br>Ensuring supply chain resilience<br>Increased brand value<br>Improved community relations<br>Increased shareholder value<br>Improved water efficiency<br>Innovation<br>Social licence to operate | i) To realize the opportunity to improve Nestlé environmental improvement, we aim to use the most efficient technologies and apply best practices in order to further optimize energy and water. ii) As part of our Environmental Target Setting programme, we seek to utilise the improvement of our water management and transform it into opportunities for cost savings and improvement of environmental performance. iii & iv)The savings delivered by projects implemented in 2016 amounted to 990'627 GJ of energy, 2.3 million m3 of water and 50'878 tonnes of CO2eq. To help our factory teams improve their own environmental performance and meet our commitments, we have developed Do It Yourself, a web-based tool. This enables each factory to easily identify energy- and water-saving opportunities from a range of solutions that have been tried and tested in other parts of the Group. | >6 years | Examples of our Environmental Target Setting projects include: • Our Xiamen Factory in China ran an ETS in November 2016, identifying 53 projects that would generate annual savings exceeding 100'000 GJ of energy and 643'226 m3 of water, avoid 16'592 tonnes of CO2 and save CHF 1.6 million per year. Projects include examples such as Condensate Recovery, Optimization of the caustic circulation temperature and reducing bottle rinse water; • our Eau Claire factory in USA, conducted an ETS in May 2016, developing an action plan to save 76'440 GJ of energy and 160'521 m3 of water, avoid 5'539 tonnes of CO2 and save CHF 1 million a year. Main projects include heat recovery from boiler, energy recovery and rinse water recovery; • El Jadidq factory in Maghreb Market conducted an ETS in May 2016, identifying 27 projects that will generate annual savings of 46'220 GJ of energy and 146'780 m3 of water, avoid 16'270 tonnes of CO2 and save CHF 599k per year. |
| Company-wide | Collective Action<br>Competitive advantage<br>Increased brand value<br>Improved community relations<br>Increased shareholder value<br>R&D<br>Sales of new products/services<br>Social licence to operate | The company works on further collaborate with governments, NGOs, academics and industry worldwide to provide a better understanding of the benefits of water as key to healthy hydration. Quantitative financial implications have not been estimated. | 1-3 years | About 20% to 30% of the water we consume comes from our food, with the remainder from the fluids we drink. Nestlé considers that plain water – whether from a tap or a bottle – should be the preferred choice for daily hydration, as it does not add any calories to diets and believes that what you drink is as important to a healthy lifestyle as what you eat and how often you exercise. For example, our Nestlé Healthy Kids Global Programme is a key element in helping children and adolescents balance good nutrition and healthy hydration with an |

| Country or region | Opportunity | Strategy to realize opportunity | Estimated timeframe | Comment |
|---|---|---|---|---|
| | Staff retention<br>Other: Healthy hydration | | | active lifestyle. In 2016, this programme was active in 84 countries. |
| Company-wide | Competitive advantage<br>Increased brand value<br>Improved community relations<br>Increased shareholder value<br>Improved water efficiency<br>R&D<br>Social licence to operate<br>Staff retention | Our approach towards environmental sustainability and water stewardship not only helps us to achieve water withdrawal reduction, it is also recognized externally. Nestlé has won the Corporate Water Stewardship award at the 2015 Global Water Awards, voted on by audience members at the Global Water Summit in Athens. | >6 years | Nestlé puts an emphasis on developing and investing in new water-saving technologies as part of our work to achieve water efficiency and sustainability across our operations. Our 2030 ambition is to strive for zero environmental impact in our operations. |
| Other: Nestlé Waters | Collective Action<br>Competitive advantage<br>Ensuring supply chain resilience<br>Increased brand value<br>Improved community relations<br>Increased shareholder value<br>Improved water efficiency<br>Social licence to operate<br>Other: Improved water resources management; Education and awareness-raising; Public health | Based on the Water Stewardship Ladder, Nestlé Waters reinforced its Water Stewardship strategy. It is based on new, site-specific risk assessment tools with a focus on physical, regulatory and reputational risks. These risk assessments were conducted for all Nestlé Waters sites and will be repeated annually to measure performance. They give rise to comprehensive action plans that include both internal and external responses. Through collective action, we seek to mobilise local water stakeholders to address shared water challenges together, to ensure the long-term sustainability of the watersheds in which we operate. 2/ Nestlé Waters helps to educate children around the world about the importance of water and its preservation. Since 2014, over 130,000 students and 37,000 teachers have taken part in the project. 3/ Nestlé Waters works to promote the importance of drinking more water, whether bottled or tap, as part of a healthy lifestyle. We work with a number of stakeholders, including health authorities, public health experts | >6 years | The long-term success of our bottled water division is dependent on water resources of sufficient quantity and acceptable quality as well as a regulatory framework that champions sustainable water resources management. However, the way we are perceived by our stakeholders both locally and globally has a growing impact on our ability to grow our business. We must therefore continue to engage with local communities to support our licence to operate and to minimise misperceptions and negative sentiment with other external stakeholders. 2/ Children are the water stewards of the future and Nestlé Waters believes that educating them early is important to instil the right behaviours when it comes to appreciating and managing water responsibly. 3/ Water is essential to life yet many people do not drink enough water. Water should be the preferred hydration choice as it does not contain any calories and has an important role to play in the body's cognitive and physical functions. Indeed, studies have shown that the over-consumption of sugary beverages contributes |

| Country or region | Opportunity | Strategy to realize opportunity | Estimated timeframe | Comment |
|---|---|---|---|---|
| | | and competitors, to raise awareness of the vital role water plays in maintaining proper hydration and in leading a healthy lifestyle. For example, Nestlé Waters North America is a major supporter of the Partnership for a Healthier America's DRINK UP campaign that promotes drinking more water. Quantitative financial implications have not been estimated. | | to overweight and obesity. People need to drink water and as lifestyles become increasingly on-the-go, bottled water provides consumers with a portable, convenient, good-tasting hydration product that doesn't contain any calories. |

**W4.1b**

**Please choose the option that best explains why water does not present your organization with any opportunities that have the potential to provide substantive benefit**

| Primary reason | Please explain |
|---|---|
| | |

**W4.1c**

**Please choose the option that best explains why you do not know if water presents your organization with any opportunities that have the potential to provide substantive benefit**

| Primary reason | Please explain |
|---|---|
| | |

**Further Information**

## Module: Accounting

### Page: W5. Facility Level Water Accounting (I)

**W5.1**

**Water withdrawals: for the reporting year, please complete the table below with water accounting data for all facilities included in your answer to W3.2a**

| Facility reference number | Country | River basin | Facility name | Total water withdrawals (megaliters/year) at this facility | How does the total water withdrawals at this facility compare to the last reporting year? | Please explain |
|---|---|---|---|---|---|---|
| Facility 1 | Pakistan | Indus | 1580 Milk products and Ice cream | 1643 | Higher | Change not substantive. |
| Facility 2 | China | Han-Gang (Han River) | 6978 Milk products and Ice cream | 1119 | Much lower | Multiple water reduction projects were carried out in the factory. |
| Facility 3 | Pakistan | Indus | 1581 Milk products and Ice cream | 778 | Higher | Change not substantive. |
| Facility 4 | India | Cauvery River | 0452 Powdered and Liquid Beverages | 605 | About the same | No change |
| Facility 5 | China | Other: Huaihe River Basin | 1126 Milk products and Ice cream | 609 | About the same | No change |
| Facility 6 | India | Indus | 0451 Milk products and Ice cream | 810 | About the same | No change |
| Facility 7 | Saudi Arabia | Other: Wadi Hanita | 6270 Water | 1591 | About the same | No change |
| Facility 8 | United States of America | Other: California - Tulare | WF03 Water | 1035 | Much lower | Multiple water reduction projects were carried out in the factory. |

| Facility reference number | Country | River basin | Facility name | Total water withdrawals (megaliters/year) at this facility | How does the total water withdrawals at this facility compare to the last reporting year? | Please explain |
|---|---|---|---|---|---|---|
| Facility 9 | China | Other: Fujian | 6959 Milk products and Ice cream | 2785 | Much lower | Multiple water reduction projects were carried out in the factory. |
| Facility 10 | United States of America | Other: California - Santa Ana | WF17 Water | 677 | Much lower | Multiple water reduction projects were carried out in the factory. |
| Facility 11 | Chile | Other: Maipo | 0076 Milk products and Ice cream | 705 | About the same | No change |
| Facility 12 | United States of America | Trinity River (Texas) | WF25 Water | 1021 | About the same | No change |
| Facility 13 | United States of America | Other: Hillsborough | WF23 Water | 1542 | About the same | No change |
| Facility 14 | France | Rhone | 1816 Water | 3730 | Higher | Change not substantive. |
| Facility 15 | Indonesia | Brantas | 0227 Milk products and Ice cream | 1090 | About the same | No change |
| Facility 16 | France | Rhine | 3019 Water | 2776 | About the same | No change |
| Facility 17 | United States of America | Mississippi River | 5720 Powdered and Liquid Beverages | 2765 | About the same | No change |
| Facility 18 | Turkey | Other: Susurluk | 3888 Water | 2612 | About the same | No change |
| Facility 19 | China | Yangtze River (Chang Jiang) | 6979 Powdered and Liquid Beverages | 2983 | Much lower | Multiple water reduction projects were carried out in the factory. |
| Facility 20 | Egypt | Nile | 3168 Water | 1467 | Higher | Change not substantive. |
| Facility 21 | Peru | Amazonas | 0107 Milk products and Ice cream | 489 | Much lower | Multiple water reduction projects were carried out in the factory. |
| Facility 22 | Pakistan | Indus | 8552 Water | 414 | About the same | No change |
| Facility 23 | United States of America | Sacramento River - San Joaquin River | 5802 Milk products and Ice cream | 522 | About the same | No change |

**Further Information**

## Page: W5. Facility Level Water Accounting (II)

**W5.1a**

**Water withdrawals: for the reporting year, please provide withdrawal data, in megaliters per year, for the water sources used for all facilities reported in W5.1**

| Facility reference number | Fresh surface water | Brackish surface water/seawater | Rainwater | Groundwater (renewable) | Groundwater (non-renewable) | Produced/process water | Municipal water | Wastewater from another organization | Comment |
|---|---|---|---|---|---|---|---|---|---|
| Facility 1 | 0 | 0 | 0 | 1643 | 0 | 0 | 0 | 0 | |
| Facility 2 | 0 | 0 | 0 | 0 | 0 | 0 | 1119 | 0 | |
| Facility 3 | 0 | 0 | 0 | 778 | 0 | 0 | 0 | 0 | |
| Facility 4 | 605 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Facility 5 | 0 | 0 | 0 | 0 | 0 | 0 | 609 | 0 | |
| Facility 6 | 0 | 0 | 0 | 810 | 0 | 0 | 0 | 0 | |
| Facility 7 | 0 | 0 | 0 | 1591 | 0 | 0 | 0 | 0 | |
| Facility 8 | 0 | 0 | 0 | 1035 | 0 | 0 | 0 | 0 | |
| Facility 9 | 2785 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Facility 10 | 0 | 0 | 0 | 623 | 0 | 0 | 54 | 0 | |
| Facility 11 | 0 | 0 | 0 | 705 | 0 | 0 | 0 | 0 | |
| Facility 12 | 0 | 0 | 0 | 223 | 0 | 0 | 798 | 0 | |
| Facility 13 | 0 | 0 | 0 | 846 | 0 | 0 | 695 | 0 | |
| Facility 14 | 0 | 0 | 0 | 3730 | 0 | 0 | 0 | 0 | |
| Facility 15 | 0 | 0 | 0 | 1090 | 0 | 0 | 0 | 0 | |
| Facility 16 | 0 | 0 | 0 | 2771 | 0 | 0 | 5 | 0 | |
| Facility 17 | 0 | 0 | 0 | 0 | 0 | 0 | 2765 | 0 | |
| Facility 18 | 0 | 0 | 0 | 2612 | 0 | 0 | 0 | 0 | |
| Facility 19 | 2983 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Facility 20 | 0 | 0 | 0 | 1467 | 0 | 0 | 0 | 0 | |

| Facility reference number | Fresh surface water | Brackish surface water/seawater | Rainwater | Groundwater (renewable) | Groundwater (non-renewable) | Produced/process water | Municipal water | Wastewater from another organization | Comment |
|---|---|---|---|---|---|---|---|---|---|
| Facility 21 | 0 | 0 | 0 | 489 | 0 | 0 | 0 | 0 | |
| Facility 22 | 0 | 0 | 0 | 414 | 0 | 0 | 0 | 0 | |
| Facility 23 | 0 | 0 | 0 | 0 | 0 | 0 | 522 | 0 | |

**W5.2**

**Water discharge: for the reporting year, please complete the table below with water accounting data for all facilities included in your answer to W3.2a**

| Facility reference number | Total water discharged (megaliters/year) at this facility | How does the total water discharged at this facility compare to the last reporting year? | Please explain |
|---|---|---|---|
| Facility 1 | 691 | Much higher | Maintenance activities increased leading to a punctual, significant increase in water discharge. |
| Facility 2 | 803 | Much lower | The water discharge decreased from 1'147 to 803 megaliters, resulting in an absolute decrease of 30%. |
| Facility 3 | 421 | Higher | Change not substantive. |
| Facility 4 | 242 | Much lower | The water discharge decreased from 310 to 242 megaliters, resulting in an absolute decrease of 22%. |
| Facility 5 | 529 | Lower | Change not substantive. |
| Facility 6 | 977 | Higher | Change not substantive. |
| Facility 7 | 273 | Lower | Change not substantive. |
| Facility 8 | 120 | Much lower | The water discharge decreased from 188 to 120 megaliters, resulting in an absolute decrease of 36%. |
| Facility 9 | 1205 | Much lower | The water discharge decreased from 1'484 to 1'205 megaliters, resulting in an absolute decrease of 19%. |
| Facility 10 | 193 | Much lower | The water discharge decreased from 223 to 193 megaliters, resulting |

| Facility reference number | Total water discharged (megaliters/year) at this facility | How does the total water discharged at this facility compare to the last reporting year? | Please explain |
|---|---|---|---|
| | | | in an absolute decrease of 13%. |
| Facility 11 | 355 | Much lower | The water discharge decreased from 418 to 355 megaliters, resulting in an absolute decrease of 15%. |
| Facility 12 | 389 | About the same | No change. |
| Facility 13 | 480 | Higher | Change not substantive. |
| Facility 14 | 3287 | Much higher | Increased water withdrawal led to an increase in water discharge. |
| Facility 15 | 750 | Higher | Change not substantive. |
| Facility 16 | 831 | Lower | Change not substantive. |
| Facility 17 | 3072 | About the same | No change. |
| Facility 18 | 539 | Lower | Change not substantive. |
| Facility 19 | 2607 | Lower | Change not substantive. |
| Facility 20 | 616 | About the same | No change. |
| Facility 21 | 347 | Much lower | The water discharge decreased from 424 to 347 megaliters, resulting in an absolute decrease of 18%. |
| Facility 22 | 142 | Higher | Change not substantive. |
| Facility 23 | 372 | About the same | No change. |

**W5.2a**

**Water discharge: for the reporting year, please provide water discharge data, in megaliters per year, by destination for all facilities reported in W5.2**

| Facility reference number | Fresh surface water | Municipal/industrial wastewater treatment plant | Seawater | Groundwater | Wastewater for another organization | Comment |
|---|---|---|---|---|---|---|
| Facility 1 | 691 | 0 | 0 | 0 | 0 | |

| Facility reference number | Fresh surface water | Municipal/industrial wastewater treatment plant | Seawater | Groundwater | Wastewater for another organization | Comment |
|---|---|---|---|---|---|---|
| Facility 2 | 803 | 0 | 0 | 0 | 0 | |
| Facility 3 | 421 | 0 | 0 | 0 | 0 | |
| Facility 4 | 242 | 0 | 0 | 0 | 0 | |
| Facility 5 | 0 | 529 | 0 | 0 | 0 | |
| Facility 6 | 977 | 0 | 0 | 0 | 0 | |
| Facility 7 | 4 | 269 | 0 | 0 | 0 | |
| Facility 8 | 0 | 120 | 0 | 0 | 0 | |
| Facility 9 | 1205 | 0 | 0 | 0 | 0 | |
| Facility 10 | 0 | 193 | 0 | 0 | 0 | |
| Facility 11 | 79 | 276 | 0 | 0 | 0 | |
| Facility 12 | 0 | 389 | 0 | 0 | 0 | |
| Facility 13 | 0 | 480 | 0 | 0 | 0 | |
| Facility 14 | 3287 | 0 | 0 | 0 | 0 | |
| Facility 15 | 750 | 0 | 0 | 0 | 0 | |
| Facility 16 | 274 | 557 | 0 | 0 | 0 | |
| Facility 17 | 517 | 2555 | 0 | 0 | 0 | |
| Facility 18 | 539 | 0 | 0 | 0 | 0 | |
| Facility 19 | 2607 | 0 | 0 | 0 | 0 | |
| Facility 20 | 0 | 616 | 0 | 0 | 0 | |
| Facility 21 | 347 | 0 | 0 | 0 | 0 | |
| Facility 22 | 142 | 0 | 0 | 0 | 0 | |
| Facility 23 | 0 | 372 | 0 | 0 | 0 | |

**W5.3**

**Water consumption: for the reporting year, please provide water consumption data for all facilities reported in W3.2a**

| Facility reference number | Consumption (megaliters/year) | How does this compare to the last reporting year? | Please explain |
|---|---|---|---|
| Facility 1 | 953 | About the same | No change. |
| Facility 2 | 316 | Much lower | The water consumption decreased from 382 to 316 megaliters, resulting in a decrease of 17%. |
| Facility 3 | 357 | Higher | Change not substantive. |
| Facility 4 | 362 | Much higher | The water consumption increased from 258 to 362 megaliters, resulting in a decrease of 41%. |
| Facility 5 | 80 | Much higher | The water consumption increased from 44 to 80 megaliters, resulting in a decrease of 80%. |
| Facility 6 | 0 | About the same | No change. |
| Facility 7 | 1318 | About the same | No change. |
| Facility 8 | 915 | Lower | Change not substantive. |
| Facility 9 | 1580 | Much lower | The water consumption decreased from 1923 to 1580 megaliters, resulting in a decrease of 18%. |
| Facility 10 | 484 | Lower | Change not substantive. |
| Facility 11 | 350 | Much higher | The water consumption increased from 266 to 350 megaliters, resulting in an increase of 32%. |
| Facility 12 | 632 | Lower | Change not substantive. |
| Facility 13 | 1062 | Lower | Change not substantive. |
| Facility 14 | 443 | Much lower | The water consumption decreased from 665 to 443 megaliters, resulting in a decrease of 33%. |
| Facility 15 | 340 | About the same | No change. |
| Facility 16 | 1945 | About the same | No change. |
| Facility 17 | 0 | About the same | No change. |
| Facility 18 | 2073 | About the same | No change. |
| Facility 19 | 377 | Much lower | The water consumption decreased from 925 to 377 megaliters, resulting in a decrease of 59%. |
| Facility 20 | 851 | Higher | Change not substantive. |
| Facility 21 | 142 | Much higher | The water consumption increased from 109 to 142 megaliters, resulting in a decrease of 30%. |
| Facility 22 | 272 | Lower | Change not substantive. |
| Facility 23 | 150 | Lower | Change not substantive. |

**W5.4**

**For all facilities reported in W3.2a what proportion of their water accounting data has been externally verified?**

| Water aspect | % verification | What standard and methodology was used? |
|---|---|---|
| Water withdrawals- total volumes | 76-100 | The assurance was conducted in line with the requirements of the AA1000 Assurance standard (2008) Type 2 assurance. Please see assurance report: http://www.nestle.com/csv/performance/assurance |
| Water withdrawals- volume by sources | 76-100 | The assurance was conducted in line with the requirements of the AA1000 Assurance standard (2008) Type 2 assurance. Please see assurance report: http://www.nestle.com/csv/performance/assurance |
| Water discharges- total volumes | 76-100 | The assurance was conducted in line with the requirements of the AA1000 Assurance standard (2008) Type 2 assurance. Please see assurance report: http://www.nestle.com/csv/performance/assurance |
| Water discharges- volume by destination | 76-100 | The assurance was conducted in line with the requirements of the AA1000 Assurance standard (2008) Type 2 assurance. Please see assurance report: http://www.nestle.com/csv/performance/assurance |
| Water discharges- volume by treatment method | 76-100 | The assurance was conducted in line with the requirements of the AA1000 Assurance standard (2008) Type 2 assurance. Please see assurance report: http://www.nestle.com/csv/performance/assurance |
| Water discharge quality data- quality by standard effluent parameters | 76-100 | The assurance was conducted in line with the requirements of the AA1000 Assurance standard (2008) Type 2 assurance. Please see assurance report: http://www.nestle.com/csv/performance/assurance |
| Water consumption- total volume | 76-100 | The assurance was conducted in line with the requirements of the AA1000 Assurance standard (2008) Type 2 assurance. Please see assurance report: http://www.nestle.com/csv/performance/assurance |

**Further Information**

## Module: Response

### Page: W6. Governance and Strategy

**W6.1**

**Who has the highest level of direct responsibility for water within your organization and how frequently are they briefed?**

| Highest level of direct responsibility for water issues | Frequency of briefings on water issues | Comment |
|---|---|---|
| Board of individuals/Sub-set of the Board or other committee appointed by the Board | Scheduled - monthly | The Shared Water Plan Steering Committee is chaired by Magdi Batato - Executive Vice President of Operations, Eugenio Simioni – Head of Corporate Communication and Maurizio Patarnello – Deputy Executive Vice President of Nestlé Waters. The Shared Water Plan Steering Committee is in charge of setting the Water strategy at Nestlé with 2030 horizon. |

**W6.2**

**Is water management integrated into your business strategy?**

Yes

**W6.2a**

**Please choose the option(s) below that best explains how water has positively influenced your business strategy**

| Influence of water on business strategy | Please explain |
|---|---|
| Greater employee engagement | The Nestlé Commitment on Water Stewardship acknowledges our responsibilities as a major water user and outline the actions we need to implement both individual and collaborative for the sustainable management of shared water resources. |
| Establishment of sustainability goals | We have published a number of robust commitments to support our long-term goal of Creating Shared Value. They cover nutrition, health and wellness, rural development and responsible sourcing, water, environmental sustainability, our people, human rights and compliance. The commitments make it possible for stakeholders to hold us accountable, encouraging us to seek and achieve continuous improvement in our nutrition, water, rural development, sustainability and compliance |

| Influence of water on business strategy | Please explain |
|---|---|
| | performance. |
| Exploration of water valuation practices | To inform decision-making, we place a theoretical price on water, ranging from CHF 1 to CHF 5 per m3 depending on a factory's physical risk score, as generated by the Nestlé Combined Water Stress Index. We have extended our acceptable Return On Investment period for equipment funding that will deliver water savings. We are also stimulating innovation through the introduction of a Lighthouse Projects. This approach enables us to convert environmental and social benefits into a notional payback, helping us to prioritise resource allocation. We are continuing to extend our acceptable Return On Investment period for equipment funding that delivers water savings, recognising that such activities often require longer-term investment. |
| Introduction of water management KPIs | Working in consultation with our key functions, the Operations Water Task Force has introduced new objectives and KPIs. They are designed to underpin the delivery of one or more of our five W.A.T.E.R. stewardship commitments. We have also adopted internal key performance indicators to systematically measure progress. |
| Investment in staff/training | We are committed to provide environmental awareness session, including water, in all countries. In 2016, environmental awareness sessions including water topics were run in 95 countries. |
| Water resource considerations are factored into new product development | We systematically assess and optimise the environmental performance, including water, across the entire value chain at the earliest stage in the development of new and renovated products. We implemented a mandatory environmental rating system for all new product and process developments three years ago. This uses a five-point scale to evaluate potential impacts, both adverse and beneficial. It is designed to inform decisions at the earliest stage, before a project goes into development. |
| Water resource considerations are factored into new market exploration | Water resource reviews are conducted for new factories explorations. In 2016, we carried out 22 new Water Resource Reviews across our factories sites, with Water, Sanitation, and hygiene considerations integrated into the process. |
| Publicly demonstrated our commitment to water | The Nestlé Commitment on Water Stewardship and our objectives are publicly available. |
| Water is factored into procurement directives | The Nestlé Supplier Code includes water requirements. In particular, the Supplier shall optimise its consumption of natural resources, including energy and water. Supplier shall implement and demonstrate sound measures to prevent pollution and minimise generation of solid waste, wastewater and air emissions. Prior to discharge or disposal, supplier shall characterize and treat wastewater and solid waste appropriately and according to applicable laws and regulations. |
| Greater supplier diversification | Business Continuity plans are in place in areas where water has been identified as a material risk for the company. |
| Tighter operational performance standards | We have further strengthened our requirements for water quality and effluent discharge. |
| Tighter supplier performance standards | We have strengthened the requirements for suppliers. As stated in the reissued Nestlé Supplier Code, the Supplier shall optimise its consumption of natural resources, including energy and water. |
| Exploration of environmental impact | We assess the environmental sustainability impact/performance of all our new and renovated products. |
| Greater employee engagement | We conduct trainings, awareness sessions that cover water stewardship. In 2016, environmental awareness training was conducted in 95% of the countries where we operate. A total of 5611 employees successfully completed our e-learning course, and we held Environmental Sustainability Leadership workshops in Guatemala, the Middle East, Nicaragua, Panama, Spain, |

| Influence of water on business strategy | Please explain |
|---|---|
| | Switzerland and Thailand. |

**W6.2b**

**Please choose the option(s) below that best explains how water has negatively influenced your business strategy**

| Influence of water on business strategy | Please explain |
|---|---|
| Increased capital expenditure | i) Nestlé-specific explanation of how this influence has impacted the business: Water issues can negatively influence our business strategy by increasing capital expenditure. Despite increases in rain and snowfall in 2016, California remains in a severe drought. Its Water Resources Board announced in 2014 the escalation of state-wide water use restrictions for municipalities, farmers, businesses and individuals. In California, Nestlé operates five water-bottling plants and four facilities where food or petcare products are manufactured. Droughts have impacted the business as various media and social media channels reported on the need for transparency of water use reporting and questioned the amount of water we use for bottling and where it goes. ii) Outcome of this influence: Our response includes a comprehensive water stewardship programme in California which is expected to save more than half a million m3 of water a year. In particular, we are transforming the Nestlé USA milk factory in the city of Modesto into a 'zero water' factory, meaning the plant will not use any local freshwater resources for its operations. By 2017, this CHF 9.4 million investment should save more than 70'000m3 of water a year. At our ice-cream factories in Bakersfield and Tulare, we are introducing advanced technology to treat water for use in our refrigeration systems which will save 98000m3 a year. We are a founding member of the California Water Action Collaborative (CWAC). |
| Other: Fees for water allowances | i) Nestlé-specific explanation of how this influence has impacted the business: Changes in regulation can result in litigation in some factories. In Mexico, extra fees will need to be paid to get water allowances that will allow increasing the production volume in Nestlé factories. This represents a risk as this could limit possible expansion of production. ii) Outcome of this influence: In Mexico, the potential business impact is an increase in operational cost estimated in MXP 4million representing the value of Guarantee quotas. |

**W6.2c**

**Please choose the option that best explains why your organization does not integrate water management into its business strategy and discuss any future plans to do so**

| Primary reason | Please explain |
|---|---|
| | |

**W6.3**

**Does your organization have a water policy that sets out clear goals and guidelines for action?**

Yes

**W6.3a**

**Please select the content that best describes your water policy (tick all that apply)**

| Content | Please explain why this content is included |
|---|---|
| Publicly available<br>Company-wide<br>Performance standards for direct operations<br>Performance standards for supplier, procurement and contracting best practice<br>Commitment to customer education<br>Incorporated within group environmental, sustainability or EHS policy | The Nestlé Policy on Environmental Sustainability identifies water preservation as a key focus area. It is complemented with the Nestlé Commitment to Water Stewardship. Both document are publicly available and cover the content selected as water is a key focus area of Creating Shared Value, our approach of doing business. Water is critical to the future success of our business and our value chain. Water is a business opportunity, an operational challenge and a societal issue that is of deep concern to us all. Water is essential to grow the agricultural raw materials we source, to run our operations and for consumers to prepare and enjoy our products. Responsible water stewardship is critical for all of us and to the future of our business. We respect the human right to water and sanitation, and are helping to facilitate the sustainable management of water catchments where we source our goods, where our factories are located, and where our suppliers and consumers live. The Nestlé policy covering the content selected is company-wide and applies to all geographies and sites. The Nestlé Environmental requirements |

| Content | Please explain why this content is included |
|---|---|
| Acknowledges the human right to water, sanitation and hygiene<br>Other: employee education, systematic assessment of water performance when developing or renovating products | includes performance standard for sites, including requirements for water quality and effluent discharge. Nestlé requires suppliers to optimise its consumption of water. |

**W6.4**

**How does your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) during the most recent reporting year compare to the previous reporting year?**

| Water CAPEX (+/- % change) | Water OPEX (+/- % change) | Motivation for these changes |
|---|---|---|
| +22 | +3.5 | The increase in Water CAPEX is influenced by the investments in California. In 2016, we assigned CHF 31.6 million to water-saving initiatives and are currently conducting 516 water-saving programmes across our factories, saving around a projected 3.7 million m3 of water a year. |

**Further Information**

## Page: W7. Compliance

**W7.1**

**Was your organization subject to any penalties, fines and/or enforcement orders for breaches of abstraction licenses, discharge consents or other water and wastewater related regulations in the reporting year?**

Yes, not significant

**W7.1a**

**Please describe the penalties, fines and/or enforcement orders for breaches of abstraction licenses, discharge consents or other water and wastewater related regulations and your plans for resolving them**

| Facility name | Incident | Incident description | Frequency of occurrence in reporting year | Financial impact | Currency | Incident resolution |
|---|---|---|---|---|---|---|
| 0914 | Fine | Wastewater quality parameters out of range. | 1 | 4500 | EUR(€) | No specific action required, simply continued monitoring of parameters as part of normal operations. |
| 5802 | Fine | Wastewater quality parameters out of range. | 5 | 29000 | USD($) | No specific action required, simply continued monitoring of parameters as part of normal operations. |
| 5415 | Fine | Wastewater quality parameters out of range. | 1 | 200 | USD($) | No specific action required, simply continued monitoring of parameters as part of normal operations. |
| 5878 | Fine | Wastewater quality parameters out of range. | 1 | 1000 | USD($) | No specific action required, simply continued monitoring of parameters as part of normal operations. |
| WF25 | Fine | Wastewater quality parameters out of range. | 1 | 1305 | USD($) | No specific action required, simply continued monitoring of parameters as part of normal operations. |
| 5806 | Fine | Wastewater quality parameters out of range. | 1 | 400 | USD($) | No specific action required, simply continued monitoring of parameters as part of normal operations. |

**W7.1b**

**What proportion of your total facilities/operations are associated with the incidents listed in W7.1a?**

1%

**W7.1c**

**Please indicate the total financial impacts of all incidents reported in W7.1a as a proportion of total operating expenditure (OPEX) for the reporting year. Please also provide a comparison of this proportion compared to the previous reporting year**

| Impact as % of OPEX | Comparison to last year |
|---|---|
| 0.00 | No change |

**Further Information**

## Page: W8. Targets and Initiatives

**W8.1**

**Do you have any company wide targets (quantitative) or goals (qualitative) related to water?**

Yes, targets and goals

**W8.1a**

**Please complete the following table with information on company wide quantitative targets (ongoing or reached completion during the reporting period) and an indication of progress made**

| Category of target | Motivation | Description of target | Quantitative unit of measurement | Base-line year | Target year | Proportion of target achieved, % value |
|---|---|---|---|---|---|---|
| Other: Work to achieve water efficiency across our operations | Water stewardship | By 2016 – Carry out 45 new water resources reviews in selected manufacturing facilities, and all greenfield sites. Nestlé manages a programme of Water Resource Reviews for factory sites that helps us to analyse the impacts of a manufacturing facility upon a local water catchment. The formal process investigates: •Water availability (including some key aspects related to the human right to water and sanitation); •Water quality; •Regulatory compliance; •Site protection; and •Stakeholder relations. After the review, corrective actions are undertaken, as needed. | Other: Water resources reviews conducted | 2014 | 2016 | 100% |
| Other: Raise awareness on water conservation and improve access to water and sanitation across our value chain. | Water stewardship | As the world's largest food and beverages company, Nestlé can shape sustainable consumption and steward resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is supported by the following commitments: • Work to achieve water efficiency and sustainability across our operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular: By 2016 – 350 000 beneficiaries in local communities have access to water, sanitation or hygiene projects around our manufacturing facilities. | Other: beneficiaries in local communities have access to water, sanitation or hygiene projects around our manufacturing facilities | 2005 | 2016 | 100% |
| Other: Raise awareness on water conservation and improve access to water and sanitation across our value chain. | Water stewardship | As the world's largest food and beverages company, Nestlé can shape sustainable consumption and steward resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is | Other: beneficiaries in local communities have access to water, sanitation or hygiene projects around our manufacturing facilities | 2005 | 2020 | 85% |

| Category of target | Motivation | Description of target | Quantitative unit of measurement | Base-line year | Target year | Proportion of target achieved, % value |
|---|---|---|---|---|---|---|
| | | supported by the following commitments: • Work to achieve water efficiency and sustainability across our operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular: By 2020 – 600 000 beneficiaries in local communities will have access to water, sanitation or hygiene projects around our manufacturing facilities. | | | | |
| Other: Improving water efficiency | Water stewardship | By 2020 – Reduce direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 35% in our manufacturing operations versus 2010. | % reduction per product | 2010 | 2020 | 71% |

**W8.1b**

**Please describe any company wide qualitative goals (ongoing or reached completion during the reporting period) and your progress in achieving these**

| Goal | Motivation | Description of goal | Progress |
|---|---|---|---|
| Other: Work to achieve water efficiency across our operations | Water stewardship | By 2020 – Implement detailed guidelines on human rights to water and sanitation due diligence in all Nestlé markets and key agricultural supply chains. | The progress of this goal is on-going. We fully respect and support the human right to water and sanitation. In 2016, we continued to work on our guidelines on how our markets and factories can reflect this support across their supply chains. The guidelines are expected to be launched in 2017. |
| Providing access to WASH in workplace | Water stewardship | As the world's largest food and beverages company, Nestlé can shape sustainable consumption and steward | The progress of this goal is on-going. We work with expert partners to improve access to water and sanitation across |

| Goal | Motivation | Description of goal | Progress |
|---|---|---|---|
| | | resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is supported by the following commitments: • Work to achieve water efficiency and sustainability across our operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular: By 2017 - Implement all corrective action plans derived from the global roll-out of the WBCSD WASH Pledge self-assessment for safe water, sanitation and hygiene in the workplace at Nestlé premises. | our value chain. We support education initiatives to help our employees, communities, suppliers and consumers make better-informed decisions on how to protect water. |
| Other: Work to achieve water efficiency across our operations | Water stewardship | As the world's largest food and beverages company, Nestlé can shape sustainable consumption and steward resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is supported by the following commitments: • Work to achieve water efficiency and sustainability across our operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular: By 2016 – Define water stewardship initiatives and start implementation in five high-priority locations. | The goal has been completed. We target initiatives that allow us to favour water stewardship together with other catchment users. By the end of 2016, visible progress had been made in Pakistan, Mexico and California, USA. |
| Other: Work to achieve water efficiency across our operations | Water stewardship | As the world's largest food and beverages company, Nestlé can shape sustainable consumption and steward resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is supported by the following commitments: • Work to achieve water efficiency and sustainability across our | The progress of this goal is on-going. We understand that our investment in multi-stakeholder initiatives can make a real difference to the wellbeing of local water supplies. |

| Goal | Motivation | Description of goal | Progress |
|---|---|---|---|
| | | operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular, by 2020 – Implement 10 new water stewardship initiatives in selected locations, with specific focus on High-Priority Manufacturing Facilities (HPMF). | |
| Other: Work to achieve water efficiency across our operations | Water stewardship | As the world's largest food and beverages company, Nestlé can shape sustainable consumption and steward resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is supported by the following commitments: • Work to achieve water efficiency and sustainability across our operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular: By 2016 – Implement water savings projects in 100% of high-priority manufacturing facilities. | The progress of this goal is on-going. By year-end, we implemented water-saving projects at 21 out of 24 sites, saving 1.8 million m3 of water. The remaining three sites are Chinese factories recently acquired through a joint venture project, which has seen issues with internal target-setting and reporting. These issues have now been resolved. The sites underwent a Corporate Water Target Setting audit in late 2016, which highlighted how the factories delivered important savings in the past (even if not reported in our system) and also identified significant water saving projects for future implementation. |
| Engagement with public policy makers to advance sustainable water policies and management | Shared value | As the world's largest food and beverages company, Nestlé can shape sustainable consumption and steward resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is supported by the following commitments: • Work to achieve water efficiency and sustainability across our operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular: By 2016 – Continue to build the 2030 Water Resources Group Public Private Partnership by adding two | The goal has been completed. We currently chair the 2030 WRG, and many of our most senior people, including our Chairman, play a leading role in the group, whose governing council meets annually. In 2016, the WRG launched programmes in Brazil (São Paulo state), Ethiopia and Vietnam. |

| Goal | Motivation | Description of goal | Progress |
|---|---|---|---|
| | | more countries per year and further develop and publicise the Global Catalogue on Good Practices | |
| Engagement with public policy makers to advance sustainable water policies and management | Water stewardship | As the world's largest food and beverages company, Nestlé can shape sustainable consumption and steward resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is supported by the following commitments: • Work to achieve water efficiency and sustainability across our operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular: By 2020 – Continue to build the 2030 Water Resources Group Public–Private Partnership by adding one more country per year. | The progress of this goal is on-going. We currently chair the 2030 WRG, and many of our most senior people, including our Chairman, play a leading role in the group, whose governing council meets annually. In 2016, the WRG launched programmes in Brazil (São Paulo state), Ethiopia and Vietnam. |
| Engagement with public policy makers to advance sustainable water policies and management | Water stewardship | As the world's largest food and beverages company, Nestlé can shape sustainable consumption and steward resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is supported by the following commitments: • Work to achieve water efficiency and sustainability across our operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular: By 2016 – Support the launch of the CEO Water Mandate Guide on Good Practices for Business on the Human Right to Water and Sanitation and pilot test the Guide in our water due diligence in selected markets. | The goal has been completed. Nestlé is a founding signatory of the UNGC CEO Water Mandate, which was set up to help companies develop, implement and disclose their water sustainability policies and practices. We actively participate in the Mandate's workstreams on Policy Engagement, Water Disclosure and the Human Right to Water, and hope to contribute to a new Supply Chain workstream when it is launched. Over the last couple of years, we have contributed to the publication and launch of the CEO Water Mandate Corporate Water Disclosure Guidelines, and the Guidance for Companies on Respecting the Human Rights to Water and Sanitation: Bringing a Human Rights Lens to Corporate Water Stewardship, which is designed to help companies translate their responsibility to respect the human right to water and sanitation into their water management policies and practices. This second CEO Mandate document has been used to guide our approach to water due diligence, forming the basis for our own Human Right to Water and Sanitation Guidelines. These were finalised at the end of |

| Goal | Motivation | Description of goal | Progress |
|---|---|---|---|
| | | | 2015 to embed our commitment across our operations. The guidelines provide consistent directives on how Nestlé markets and factories can respect and support the human right to water and sanitation throughout our supply chain. |
| Engagement with public policy makers to advance sustainable water policies and management | Water stewardship | As the world's largest food and beverages company, Nestlé can shape sustainable consumption and steward resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is supported by the following commitments: • Work to achieve water efficiency and sustainability across our operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular: By 2020 – Actively support the development of CEO Water Mandate local networks in at least three Nestlé markets | The progress of this goal is on-going. |
| Other: Advocate for effective water policies and stewardship | Water stewardship | As the world's largest food and beverages company, Nestlé can shape sustainable consumption and steward resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is supported by the following commitments: • Work to achieve water efficiency and sustainability across our operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular: By 2017 – Support the World Resources Institute (WRI) in the development of an open source valuation methodology to determine the 'Sustainable Cost of Water' | The progress of this goal is on-going. |
| Providing access to | Water | As the world's largest food and beverages company, | The progress of this goal is on-going. To date, 42 |

| Goal | Motivation | Description of goal | Progress |
|---|---|---|---|
| WASH in workplace | stewardship | Nestlé can shape sustainable consumption and steward resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is supported by the following commitments: • Work to achieve water efficiency and sustainability across our operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular: By 2016 – Support the World Business Council for Sustainable Development (WBCSD) to achieve 50 signatories of the WASH Pledge. | signatories have adopted the WASH Pledge, representing 2.5 million employees in Europe, the United States, Africa, Asia and the Middle East. Internally, we are committed to achieving and maintaining WASH for all our employees. In 2015, more than 90% of employees had access to WASH; this rose to an estimated 100% in 2016. We remain in the process of continuing self-assessments across our facilities, identifying and correcting gaps through action plans. |
| Other: Advocate for effective water policies and stewardship | Water stewardship | As the world's largest food and beverages company, Nestlé can shape sustainable consumption and steward resources for future generations. We focus our efforts on reducing water use across our operations, using sustainably managed and renewable resources and working towards our goal of zero waste. Our work is supported by the following commitments: • Work to achieve water efficiency and sustainability across our operations • Advocate for effective water policies and stewardship • Treat the water we discharge effectively • Engage with suppliers, especially those in agriculture • Raise awareness on water conservation, and improve access to water and sanitation across our value chain In particular: By 2016 – Initiate the roll-out process of the Alliance for Water Stewardship's International Water Stewardship Standard by implementing it in at least five locations. | The goal has been completed. The AWS International Water Stewardship Standard is a universal reference tool for any organisation to use as a framework for evaluating its water stewardship practices against a series of environmental, social and economic criteria. This year we applied the AWS Standard principles at four selected high-priority locations (India, Pakistan, South Africa and Mexico) that were chosen due to water scarcity and reputational concerns. We also rolled out the AWS standard in North America. |
| Other: Advocate for effective water policies and stewardship | Water stewardship | By 2020 – Continue supporting the AWS Standard by implementing it in five new locations. | The progress of this goal is on-going. |
| Sustainable agriculture | Water stewardship | By 2016 – Work with the Sustainable Agriculture Initiative Platform (SAI) and the Sustainable Food Lab (SFL) to | The goal has been completed. A year after the project was launched, Nestlé participated in the initial phase, mapping |

| Goal | Motivation | Description of goal | Progress |
|---|---|---|---|
| | | implement the Water Risk Assessment and Mitigation collaboration initiative in at least one sourcing area of agricultural raw materials. | sourcing information from founding companies and additional experts, and in 2016, we have supported the SAI Platform in implementing its mitigation efforts. Nestlé Waters North America has direct involvement in two of the four initial projects identified by CWAC: American River Headwaters Restoration and Corporate Water Stewardship and the California Water. |
| Sustainable agriculture | Water stewardship | By 2020 – Apply the new 'Farm and Catchment-Level Assessment' tool prepared by the Sustainable Agriculture Initiative Platform (SAI) in at least five agriculture supply sourcing locations. | The progress of this goal is on-going. |
| Other: Treat the water we discharge effectively | Water stewardship | By 2016 – Implement the new and strengthened Nestlé Environmental Requirements for water quality and effluent discharge in all factories in order to help protect the environment. | The goal has been completed. At the end of 2016, we improved the average discharged water quality to 72 mg COD (Chemical Oxygen Demand) per litre versus 2015. Since 2006, we have reduced water discharge per tonne of product by 55%. All our factories either have their own on-site wastewater treatment plant or are linked to a municipal facility. Where required, we invest in our plants to keep them up to our standards, spending CHF 22.5 million in 2016 on maintenance and improved treatment facilities. We have invested CHF 107 million in water treatment projects since 2010. We aim to minimise waste generation and recover value from by-products; more than 96% of sludge is recovered or reused. We have improved water effluents training at our operations, engage internally through Safety, Health and Environmental Sustainability workshops and work with stakeholders to identify how best to protect the environment while promoting sustainability. |
| Other: Treat the water we discharge effectively | Water stewardship | By 2017 – Monitor the implementation of the new and strengthened Nestlé Environmental Requirements (NER) for water quality and effluent discharge in all factories in order to help protect the environment. | The progress of this goal is on-going. |
| Engagement with suppliers to help them improve water stewardship | Water stewardship | By 2020 - Implement all action plans defined for improved water management in our upstream supply chain for coffee, sugar, dairy and cereals in high-priority locations. | The progress of this goal is on-going. Through SAIN, we address water issues and promote remediation measures for key water management challenges, including drought and flooding resilience, wastewater and organic waste treatment, and agricultural intensification tools. We are in the process of implementing water management initiatives |

| Goal | Motivation | Description of goal | Progress |
|---|---|---|---|
| | | | for coffee, sugar, dairy and cereals in water-stressed areas. |

W8.1c

Please explain why you do not have any water-related targets or goals and discuss any plans to develop these in the future

**Further Information**

## Module: Linkages/Tradeoff

### Page: W9. Managing trade-offs between water and other environmental issues

**W9.1**

**Has your organization identified any linkages or trade-offs between water and other environmental issues in its value chain?**

Yes

**W9.1a**

**Please describe the linkages or trade-offs and the related management policy or action**

| Environmental issues | Linkage or trade-off | Policy or action |
|---|---|---|
| Energy | Linkage | Food production requires water and energy; water extraction and distribution requires energy; and energy production requires water. i) Nestlé specific description of the linkages: We use water to cool power equipment, and water supply and treatment, and pumping water requires energy. Our Environmental Target Setting programme aims to improve the environmental performance of our factories based on a thorough assessment of baseline energy and water consumption. The savings delivered by projects implemented in 2016 amounted to 990'627 GJ of energy, 2.3 million m3 of water and 50'878 tonnes of CO2eq. ii) Detail on the actions: At Nestlé, teams of experts are sent to factories to identify energy, water and greenhouse gas emissions reduction opportunities. Examples of energy- and CO2eq-saving projects implemented in 2016 include: The installation of a new biomass boiler in Morocco, (12'238 t of CO2 annually); a new dryer heat recovery in USA (1'356 t CO2); and a more efficient energy recovery system in China (1'090 t CO2). iii) Description of the policy for managing this linkages: According to The Nestlé Policy on Environmental sustainability: We aim to use the most efficient technologies and apply best practices in order to further optimise energy and water consumption, minimise waste generation, utilise sustainably managed renewable energy sources, recover value from by-products and control and eliminate emissions, including greenhouse gases. |
| Food Waste prevention and reduction | Linkage | i) Nestlé specific description of the linkages: About one third of global food production is either wasted or lost every year. Food waste not only generates superfluous greenhouse gas emissions and wastage of water but also affects farmer income as well as the availability and cost of food. Hence, it contributes to inequality and undermines rural development. Ever since its foundation in 1866, Nestlé has contributed to reducing food waste by transforming perishable raw materials such as milk, coffee beans and cocoa into safe, tastier and healthier value-adding food products. ii) Detail on the actions Over the last 10 years, Nestlé has reduced 76%, per tonne of product, the amount of waste for disposal generated in its factories. In 2016, 182 factories achieved zero waste for disposal. iii) Description of the policy for managing these linkages: As the leading Nutrition, Health and Wellness company, Nestlé is committed to further playing its part in helping to reduce food loss and waste. Not only will this help Nestlé to secure supply of the agricultural raw materials it sources, but it will also have a positive impact on society by supporting rural development, water conservation, and food security. This is in line with Nestlé's Creating Shared Value approach to doing business. |
| Biofuels | Trade-off | i) Nestlé specific description of the trade-off: Increased use of biofuels puts increasing pressure on water resources in at least two ways: water use for the irrigation of crops used as feedstocks for biodiesel production; and water use in the production of biofuels in refineries, mostly for boiling and cooling. Nestlé is a strong supporter of sustainable and efficient water and energy use. The current production of biofuel relies on the extensive use of food and feed crops such as maize and wheat. The large scale expansion of these agricultural raw materials for biofuel production will aggravate the problem of water scarcity, as every litre of biofuel made from irrigated maize or soybeans requires between 500 and 5,000 litres of water. This causes an unsustainable boost in the use of freshwater by agriculture, which already uses 70% of available sources. Furthermore, depending on crop type and geography, greenhouse gas savings compared to fossil fuel can be very small. ii) Detail on the actions: Nestlé continues to advocate against the use of crops for fuel rather than food, as the growing use of biofuels is a significant factor in the destruction of rainforests. iii) Description of the policy for managing this trade-off. Therefore our strong policy claim: no food for fuel. |
| Energy | Trade- | i) Nestlé specific description of the trade-off: A site level, Nestlé has identified trade-offs between usage of water and energy. |

| Environmental issues | Linkage or trade-off | Policy or action |
|---|---|---|
| | off | For instance, in many Nestlé factories the reduction of steam consumption allows to minimise water withdrawal as well as energy consumption. Trade-offs between water, energy and carbon are also taken into consideration, such as treating waste water which will allow the recycling of water but at the cost of additional energy usage. ii)Detail on the actions The impact of these factors on the environment may vary depending on local conditions (such as water scarcity in a region) and need to be evaluated based on all of the inputs, not just the impact a project or initiative has on one of the factors. iii) Description of the policy for managing this trade-off. These are taken into account through its Change Management process, which includes investments projects and innovation/renovation of products and processes. For each new product or process developed, R&D teams have to assess related environmental impacts, which include water withdrawal and energy consumption and these are part of an internal process. Nestlé also strives to improve factoryies environmental performance through internal tools and procedures and in some situations with the support from external consultants and suppliers. Linkages between water and energy are taken into consideration. |
| Ecosystem quality | Trade-off | i) Nestlé specific description of the trade-off: Nestlé has been conducting Life Cycle Assessments to assess the environmental impacts of its major product categories, from farm to consumer in order to increase the environmental performance of its products throughout their life cycle. ii)Detail on the actions: To optimise the environmental performance of its products, Nestlé not only considers the environmental impacts of its manufacturing operations but also those associated with the other steps in the value chain. Nestlé therefore applies a life cycle approach, systematically assessing its product categories from farm to fork and beyond. We advocate a multi-disciplinary approach not just looking at GHG emissions but also at water and natural resources, human health, and ecosystem quality. iii) Description of the policy for managing this trade-off: Nestlé aims to use natural resources efficiently at all stages of the life cycle is, to favour the use of sustainably-managed renewable resources and to target zero waste. |

**Further Information**

## Module: Sign Off

### Page: Sign Off

**W10.1**

**Please provide the following information for the person that has signed off (approved) your CDP water response**

| Name | Job title | Corresponding job category |
|---|---|---|
| Magdi Batato | Executive Vice President of Operations - Chief Operating Officer (Head of Operations) | Chief Operating Officer (COO) |

## W10.2

**Please indicate that your organization agrees for CDP to transfer your publicly disclosed data regarding your response strategies to the CEO Water Mandate Water Action Hub.**

**Note: Only your responses to W1.4a (response to impacts) and W3.2c&d (response to risks) will be shared and then reviewed as a potential collective action project for inclusion on the WAH website.**

**By selecting Yes, you agree that CDP may also share the email address of your registered CDP user with the CEO Water Mandate. This will allow the Hub administrator to alert your company if its response data includes a project of potential interest to other parties using water resources in the geographies in which you operate. The Hub will publish the project with the associated contact details. Your company will be provided with a secure log-in allowing it to amend the project profile and contact details.**

Yes

## Further Information

**CDP 2017 Water 2017 Information Request**