



Bureau Veritas' Independent Assurance Statement

To: The Stakeholders of Nestlé S.A.

Introduction and objectives of the engagement

Bureau Veritas UK Limited ('Bureau Veritas') has been engaged by Nestlé S.A. (Nestlé) to provide independent assurance over the Nestlé in society: Full Report 2017 ('the CSV Report') published on Nestlé website (<https://www.nestle.com/csv>). The aim of this process is to provide assurance to Nestlé's stakeholders over the accuracy, reliability and objectivity of the reported information and that it covers the issues material to the business and its stakeholders.

Scope of work

The scope of our work was limited to assurance over performance data and information included in the CSV Report for the reporting period January 1, 2017 to December 31, 2017 (the 'Selected Information'). Subject to the limitations and exclusions listed in the next section, our review included:

- statements, information and performance data contained within the CSV Report;
- Nestlé's management approach of material issues and salient human rights;
- alignment of the reported data and information to the requirements of the GRI Standards for sustainability reporting and the corresponding GRI index;
- alignment of Nestlé's human rights disclosures to 'Tier 1' Assurance Indicators of the UN Guiding Principles (UNGP) Reporting Framework¹ and the corresponding UNGP Index published by Nestlé.

Assessment Standard

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard (2008) Type 2² at a moderate level of assurance.

Limitations and exclusions

Our work was limited to Nestlé's head office based activities where Nestlé consolidates and reconciles data provided by local markets/countries. The reliability of the reported data is dependent on the accuracy of data collection and monitoring arrangements at market/site level, not addressed as part of this assurance.

Excluded from the scope of our work is the following:

- Information related to activities outside the defined reporting period or scope;
- Company position statements (including any expression of opinion, belief, aspiration, expectation, aim or future intent);
- Historic text which was unchanged from previous years and did not relate to ongoing activities;
- Financial data taken from Nestlé's Annual Report and Accounts 2017 which is audited by an external financial auditor, including but not limited to any statements relating to tax, sales, and financial investments;
- Content of external websites or documents linked from the CSV Report and <https://www.nestle.com/csv> pages and Country or business unit specific CSV Reports of other Nestlé entities or joint ventures;
- Appropriateness of commitments and objectives chosen by Nestlé;
- Nespresso's investment amount on recycling infrastructure and the capsules recycling and collection rate. However, we reviewed the recycling process implemented by Nespresso;

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

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

- Data related to the 2014 baseline figures used to calculate percentage of traceable and responsibly sourced quantities for Pulp & Paper and Dairy categories;
- Data related to women trained on fundamental business and entrepreneurial skills;
- Quantity of Fresh milk equivalent purchased as part of Milk District model.

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

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

Responsibilities

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

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

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

Methodology and summary of work

As part of our independent assurance, our work included:

- Conducting interviews at Nestlé's Head Office in Vevey, Switzerland and via teleconference with over 55 personnel at various levels throughout the organisation and responsible for content included in the CSV report and/or the UNGP Index;
- Reviewing the internal systems, processes and controls to collect and report the Selected Information, including assessing the appropriateness of assumptions made, estimations techniques used and reporting boundaries;
- Reviewing a sample of the Selected Information to the corresponding source documentation;
- Reviewing a selection of market case studies featured within the CSV Report against corresponding source documentation;
- Confirming where relevant the accuracy of information with third parties and/or partner agencies;
- Assessing the disclosure and presentation of the Selected Information to ensure consistency with assured information;
- Evaluating the CSV report and GRI index against the GRI Standards for sustainability reporting; and
- Assessing Nestlé's reporting against the requirements of the Tier 1 indicators of UNGP Reporting Framework.

Conclusion

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

- The Selected information is not fairly stated in all material aspects;
- Nestlé does not adhere to the principles of inclusivity, materiality and responsiveness as per the AA1000 Accountability Principles Standard 2008;
- The underlying information collection systems and processes are not appropriate for the reported information;

Any material errors or misstatements identified during the engagement were corrected prior to the CSV Report and the UNGP Index being published.

Observations of good practice and positive developments

We have observed progress and identified good practices in the following areas during 2017:

- Nestlé has progressed to standardised tracking of product renovations under Nutrition, Health and Wellness (NHW), where only those renovations that are appropriately tracked on centralised systems will count towards reported progress.³ Nestlé will report percentage of total sales volume of renovated products going forward which would be more relevant for consumers and also align to GRI requirements;
- Nestlé launched Nestlé for Healthier Kids (N4HK), a new umbrella initiative integrating all of Nestlé's efforts dedicated to encouraging healthy behaviours in children;
- In line with its active membership of the RE100 global collaborative initiative, Nestlé continues to track and make good progress against its commitment to procure 100% of electricity from renewable energy using a robust data collection system;
- Nestlé is updating its human rights training with the support of the Danish Institute of Human Rights in order to ensure the continued relevance of the content and improve the accessibility of the subject nature;
- The CARE audit protocol has been updated to better incorporate human rights considerations and was piloted in 2017. This will contribute towards more effective monitoring of human rights performance on an ongoing basis across Nestlé operations;
- Nestlé has continued with the roll-out of the Know Your Numbers employee health scheme in 2017 and produced reliable data for its reporting through a system maintained by a third-party provider.

Key recommendations for 2018

- Nestlé reports on numerous data sets and corresponding teams apply different boundaries for their respective KPIs. Nestlé should consider including the definitions and scopes applied to these various data sets with the CSV report. This is specifically important for the responsible sourcing and traceability data as the definitions and calculation methodologies are different across various priority categories;
- Achievement of some of the commitments cannot be easily determined at a particular point in time. These commitments relate to continual improvement, enhancing or improving the performance, or strengthening of the systems in place. Nestlé should consider defining measurable objectives for these commitments;
- Nestlé should consider conducting sample sites and market level verification of the data being collected through surveys to enhance accuracy and reliability. This should be done for environmental KPIs (energy, carbon, water, waste) as a minimum but also other select KPIs which have local differences and do not have a uniform central data collection system.

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

- Bureau Veritas recommends that progress against the action plans for addressing Nestlé's salient human rights issues be documented in a standardised format and reported on regularly;
- Nestlé should consider reporting externally on individuals' objectives and incentives related to human rights at senior management level;
- Nestlé should clearly define the criteria and under what circumstances human rights issues should be presented to the board level/senior management

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

Inclusivity⁴

At the global level, Nestlé continues to run its programme of stakeholder convenings involving NGOs, foundations, government agencies, academia and the ESG investment community and gather their feedback

³ Due to transition towards new commitments for 2020 and inability to align revised reporting methodology across NHW, Nestlé business and joint ventures, progress will be publically reported from 2018 onwards.

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

on its activities. Nestlé conducted its first human rights impact assessment in an upstream supply chain with a palm oil supplier engaging 'rights-holders' including workers, community members and smallholders. Nestlé should look to enhance local level engagements to capture issues and feedback that may be relevant at regional level.

Materiality⁵

Nestlé has used the same materiality analysis which was conducted in 2016, as it was deemed to continue to be appropriate and relevant to the business. Nestlé has made efforts to streamline its CSV reporting to ensure greater accessibility of content and focus on what is most important to stakeholders. Nestlé plans to conduct a materiality refresher exercise next year in 2018 to update its material topics and ensure relevance.

We believe that this process continues to be relevant and is therefore representative of Nestlé's material issues in 2017.

Responsiveness⁶

Nestlé remains responsive to stakeholder concerns. As per last year, Nestlé has published a public response in the CSV Report to stakeholder recommendations made during its Stakeholder Convening held in London during March 2017. The protection of children in the supply chain and the need for immediate and effective measures to eradicate forced and child labour was one of the key recommendations identified during this convening. Nestlé subsequently published the 'Nestlé Cocoa Plan, Tackling Child Labour' report summarising its approach and progress to date examining and measuring the effectiveness of efforts so far to tackle this salient human rights issue in its cocoa supply chain.

Statement of Independence, Impartiality and Competence

Bureau Veritas is an independent professional services company that specializes in quality, environmental, health, safety and social accountability with over 185 years history. The assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified⁷ Quality Management System which complies with the requirements of ISO 9001:2008, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented a Code of Ethics which meets the requirements of the International Federation of Inspections Agencies (IFIA)⁸ across its business which ensures that all our staff maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities.. Bureau Veritas has a number of existing commercial contracts with Nestlé. Our assurance team does not have any involvement in projects with Nestlé outside those of an independent assurance scope and we do not consider there to be a conflict between the other services provided by Bureau Veritas and that of our assurance team.



London, March 2018

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

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

⁷ Certificate of Registration FS 34143 issued by BSI Assurance UK Limited

⁸ International Federation of Inspection Agencies – Compliance Code – Third Edition