



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 2018 Creating Shared Value progress report ('the CSV Report') published on Nestlé website (<https://www.nestle.com/csv>). The aim of our engagement is to provide assurance to Nestlé's stakeholders over the accuracy, reliability and objectivity of the reported information and that it covers the issues material to the business and its stakeholders.

Scope of work

The scope of our work was limited to assurance over performance data and information included in the CSV Report for the reporting period January 1, 2018 to December 31, 2018 (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 its material issues;
- alignment of the reported data and information to the requirements of the GRI Standards for sustainability reporting and the corresponding GRI index;
- alignment of Nestlé's human rights disclosures to 'Tier 1' Assurance Indicators of the UN Guiding Principles (UNGP) Reporting Framework;¹ and
- alignment of Nestlé's renewable energy reporting against RE100 criteria².

Assessment Standard

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard (2008) Type 2³ 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 its markets/countries of operation with the exception of select environmental indicators mentioned in the methodology section below. 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 2018 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;

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

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

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

- Appropriateness of definitions and any internal reporting criteria adopted by Nestlé for its disclosures;
- Data on legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation reported under GRI disclosure 206-1;
- Data on deforestation free supply chain reported in section “Protecting natural capital”;
- Data on marketing expenditure on healthier categories in section “Marketing Healthy Choices”.

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 report to Nestlé’s 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 50 personnel at various levels throughout the organisation and responsible for content included in the CSV report;
- Conducting desktop based remote data verification of 10 sampled manufacturing sites for select environmental indicators – energy, waste, water, greenhouse gases emissions;
- Reviewing the internal systems, processes and controls to collect and report the Selected Information, including assessing the appropriateness of assumptions made, estimations techniques used and reporting boundaries;
- Reviewing a sample of the Selected Information to the corresponding source documentation;
- Reviewing a selection of market case studies featured within the 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 and RE100 criteria.

Conclusion

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

- The Selected information is not fairly stated in all material aspects;
- Nestlé does not adhere to the principles of inclusivity, materiality 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 being published.

Observations of good practice and positive developments

We have observed progress and identified good practices in the following areas during 2018:

- Following last year's recommendation, Nestlé has conducted sample site-level data verification for environmental KPIs (energy, GHG, water, waste) for increased reliability and accuracy of this data;
- Nestlé has started utilising the external benchmark, Health Star Rating, to assess the nutritious content of its products. Moreover, Nestlé aligns itself with the Access to Nutrition Index to define what products can be classed as 'healthy' under this ranking system, which allows for direct comparison across the product portfolios of food and beverage companies;
- The shift from upstream supply chain social auditing to human rights impact assessments in the hazelnut, cocoa, and palm oil supply chains between 2017 and 2018 is demonstrative of Nestlé's evolving approach to tackling labour issues in the supply chain, with growing focus on closing the gaps identified during previous audits and engaging more effectively and directly with rights-holders;
- Nestlé has demonstrated transparency on its ongoing efforts in responsibly sourced palm oil supply chain by publishing a list of suspended suppliers.

Key recommendations for 2019

- Nestlé should look to enhance reporting on economic, environmental and social impacts of its material issues. This would contribute towards moving to impact based approach and also help to address the new 'Impact' principle as per AA1000 introduced in 2018;
- Nestlé has been evolving methodologies to measure and report on its objectives and have internal guidelines to follow for the same. As it has been previously recommended, Nestlé should publish the definitions and methodology applied to calculate the various parameters alongside the CSV Report. This is specifically important for data sets under nutrition and also the topics of responsible sourcing and traceability, where definitions, assumptions, and calculation methodologies are different across an expanding list of raw materials identified as priority categories;
- Nestlé should look to define the objectives and their tracking in a way that they remain relevant and consistent across the commitment period, particularly when they relate to continual improvement, enhancing or improving the performance, strengthening of the systems in place or engaging in constructive dialogue with relevant stakeholders.

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

- As per last year's recommendation, Nestlé should consider reporting externally on individuals' objectives and incentives related to human rights at senior management level;
- As Nestlé undergoes changes in its corporate level governance structure and dismantling of the Communities Leadership Committee at the end of 2018, it should ensure that human rights and, more specifically, the momentum to address human rights impacts, continues to receive attention at Executive Board level;
- Nestlé's salient human rights issues were identified during 2015. It is recommended that Nestlé refreshes the assessment to ascertain any changes to its human rights impacts and determine the continued relevance or priority status of the current salient human rights issues.

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

Inclusivity⁴

Nestlé held a Creating Shared Value Forum in Brazil in 2018, as an opportunity to engage with a wide range of stakeholders. Further, in 2018 Nestlé engaged with stakeholder groups including investors, NGOs, technical experts, employees, customers and consumers to capture their feedback into the material issues

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

determination. Nestlé further engages with variety of stakeholders through various surveys and ongoing initiatives in its supply chain.

Materiality⁵

Nestlé has conducted a fresh materiality analysis in 2018 which included an assessment of stakeholders' interest and the business interests. Nestlé also carried out a value chain mapping to ascertain which areas in the value chain are impacted most by its operations and material issues.

We believe that this updated materiality process is appropriate and relevant to Nestlé in 2018.

Responsiveness⁶

Nestlé remains responsive to stakeholder concerns through its annual publication of the CSV Report and have updated its objectives and commitments based on stakeholder expectations. Nestlé has adopted new commitments as well to address the rising interests and stakeholder concerns in specific areas and have included them in their 2018 CSV reporting. Nestlé has also published actions taken from its responsible supply chain activities. We encourage Nestlé to publish further responses to queries and concerns raised by stakeholders during various engagement activities conducted through the year.

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, 19 March 2019



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