

# The Positive Cup

BECAUSE COFFEE CAN HAVE A POSITIVE IMPACT

CREATING SHARED VALUE REPORT



COMPANY

COFFEE

ALUMINIUM

CLIMATE

How can a cup of coffee deliver greater value for society and the environment?

The terroir of the Nespresso Rosabaya, Grand Cru, Cauca, Colombia



THE QUALITY OF OUR GRANDS CRUS  
IS ROOTED IN SUSTAINABILITY

▲  
Nespresso CEO, Jean-Marc Duvoisin, and AAA agronomist, Paul Karanga, visiting AAA farmers Susan Waithira and Patrick Gitau in Kenya

# THE POSITIVE CUP

is our conviction to make each cup of *Nespresso* an extraordinary coffee experience, creating pleasure for consumers and benefits for wider society and the environment.

It is a privilege for me, as CEO of Nestlé *Nespresso*, to present the company's Creating Shared Value report, setting out the work we have been doing to drive the sustainability of our business, creating shared value together with, and for, our partners.

The success of our company is well known, in the coffee industry and wider business community. The power of innovation and a commitment to excellence has propelled the strong performance of *Nespresso* over the last 30 years. The same level of commitment to innovation and excellence, by all our employees, has also driven our engagement in sustainability. This report sets out our strategy, commitments and achievements – as well as identifying where progress is still needed.

## Why is sustainability so important to us?

Because it is at the core of our business model and our Creating Shared Value approach. *Nespresso's* innovation in portioned coffee preparation has created a new and exceptional coffee experience for consumers, one which they appreciate and value. Our continuous quest to offer superior and unique profiles and aromas requires a continuous improvement of coffee quality. This also increases the value for the farmers producing it. Therefore, we can say that our commitment to sustainable quality has led to the “decommoditisation” of *Nespresso* coffee.

We also know that we must engage in the sustainable development of these coffee regions. Smallholder coffee farmers are exposed to unacceptable levels of uncertainty and risk to their livelihoods, stemming chiefly from climate change and economic volatility. Through our unique *Nespresso* AAA Sustainable Quality™ Program, developed together with the Rainforest Alliance, we lessen these risks, creating favourable conditions for over 70,000 farmer partners benefiting from premiums, the expert assistance of agronomists, plus a wealth of other pioneering initiatives. One I derive great pride in is the introduction of the first ever retirement scheme for coffee farmers, developed together with the Colombian Coffee Growers Federation, the Colombian Government, and supported by the cooperative in Caldas and Fairtrade International.

And finally we are aware of the changing expectations of citizens and civil society regarding the role of business, particularly in the context of the COP21 agreement and the establishment of the UN Sustainable Development Goals.

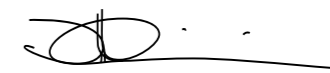
Through our engagement, we aim to show the important role the private sector can play. That means bringing new ideas, innovative approaches, resources and a commitment to addressing issues that ultimately affect us all. In short, being pioneers of sustainable consumption and in this endeavour we aim to be leaders in sustainability in our sector and encourage others to follow.

One of the great privileges of my role is the opportunity to partner with individuals and teams from NGOs and the development sector. I never cease to be inspired by their passion and engagement and I thank our partners, some of whom have joined us on the *Nespresso* Sustainability Advisory Board, for supporting our journey.

I am pleased to be able to report that at this half way stage, we are on track with the targets we set ourselves in 2014 for achievement by 2020. In fact, I can say with some confidence that we are already innovating beyond the formal quantitative objectives that we set.

The Positive Cup is our multifaceted strategy, embodying the belief that every cup of coffee can have a positive impact. The last couple of years have shown the perfect illustration of this and what we mean by Creating Shared Value. Our Grand Cru Suluja ti South Sudan was launched in a number of markets – the first coffee to be exported from the country. Despite the recent developments and return to armed conflict in South Sudan, we continue to be committed to local communities. We also remain firmly committed to our strategy of coffee revival. In 2017 we launched Aurora de la Paz, a Pure Origin coffee from Caquetá in Colombia, an area exposed to the civil conflict. This has been made possible by the peace process and *Nespresso's* commitment to deploy the AAA Program among the affected farming communities of the region, thus supporting the post conflict agenda.

In all of this work, we are guided by the purpose of our parent company, Nestlé, to enhance quality of life and contribute to a healthier future. I invite you to discover our strategy in this report and encourage you to share feedback, in the hope that together we can continue to make positive impacts in the years to come.



Jean-Marc Duvoisin  
CEO, Nestlé *Nespresso*

# SUMMARY

Throughout 30 years of rapid growth, we have been learning how to integrate sustainability into our activities, seeking to improve our operations and generate positive impact. We call this approach **The Positive Cup**, which is how *Nespresso* brings to life the Nestlé company purpose, “to enhance quality of life and contribute to a healthier future”.

The Positive Cup reinforces the way the *Nespresso* model creates shared value. It ensures our activities deliver economic value for the company, preserving the environment for future generations while supporting social progress for all stakeholders. It has led to the “decommoditisation” of coffee and provided an opportunity to enhance the *Nespresso* consumer experience by integrating sustainability into our value proposition.

## What really matters

The topics identified during our materiality assessment process set out on page 71, has led us to define the following ambitions:

- Ensure sustainable coffee sourcing, contributing to improve the livelihoods of farmers and the resilience of their communities
- Unlock solutions for the circular use of aluminium with a focus on sourcing and recycling
- Take actions on climate change mitigation and adaptation, improving our environmental performance
- Engage everyone in our company, our partners and our consumers, in the benefits of sustainable production and consumption

## How we are doing

Each section of the report sets out the detail of our programs, where we are on track against our ambitions and associated goals, as well as where further progress is still required.

The key highlights are:

- We have identified 11 of the 17 UN Sustainable Development Goals (SDGs) where our programs can make a contribution
- The report sets out our collaboration with some of our 45 partners in designing and delivering solutions to sustainability challenges in our value chain
- Since 2014, we have invested CHF 197 million in deploying our programs and expanding capabilities – for example our team of over 300 agronomists
- We have set up the *Nespresso* Sustainability Innovation Fund (NSIF), already supporting projects like climate-smart agriculture in East Africa with the World Bank-BioCarbon Fund





- We now source 82% of our coffee through the *Nespresso* AAA Sustainable Quality™ Program, supporting AAA farms towards compliance with certification standards. We have grown the share of certified coffee volume from zero to 41% in eight years. We have also started to design solutions for the wider deployment of AAA in the context of the traceability constraints of the East African supply chain
- We have contributed to the multi-stakeholder process which is defining new standards for sustainable aluminium (ASI). We estimate that 56% of our capsules are valorized after use. However, sourcing “ASI certified” aluminium towards 100% will take longer than planned and further substantial progress on capsule valorization depends on the expansion of collective systems
- We have planted 1.4 million trees in AAA coffee producing regions over the past two years. This investment has enabled us to inset 100% of our company’s operational carbon footprint. Given the capabilities required in the field and the time needed for appropriate community engagement, we have reset our goal, which is now towards 5 million trees by 2020

## What’s next

Based on the learning and experiences gained over recent years, we have identified a number of key priorities:

- Further expand the collective collection systems to improve the valorization and recycling rates of capsules after use – consistent with initiatives like the EU Circular Economy package
- Continue to integrate community and landscape level actions into the AAA Program, such as expanding our agroforestry initiatives
- Build on the *Nespresso* Sustainability Innovation Fund to design and accelerate co-financing solutions for proven business models such as community milling
- Set science-based targets for carbon reduction and improve our monitoring and evaluation systems in the context of COP21 and SDG 13
- Continue the programs which engage employees and consumers in our sustainability initiatives such as promoting recycling, sharing the benefits of sustainable quality coffees and offering specific revival coffees from regions such as Cuba and Caquetá in Colombia

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COMPANY

CREATING SHARED VALUE IS AT THE HEART OF OUR CONSUMER PROPOSITION

How does Nespresso take responsibility for sustainable consumption?

Efrain Ibañez and Arnoldo Cifuentes, AAA agronomist and farmer from Huehuetenango, Guatemala tasting coffee in the Lausanne boutique, Switzerland

WHAT REALLY MATTERS  
**LONG-TERM SUCCESS  
 REQUIRES ACTION  
 BEYOND CORE  
 OPERATIONS**

Throughout 30 years of rapid growth we have been learning how to improve our sustainability performance. Our impacts mostly occur beyond the immediate sphere of our production and commercial operations, requiring us to engage with stakeholders upstream and downstream in our value chain.

Implementing our Positive Cup ambition involves all of our people – especially those engaging Nespresso Club Members in all that we do. A wide range of strategic partnerships has been integral to our progress over the years. More recently, we launched the Nespresso Sustainability Innovation Fund to catalyse innovation, and we strengthened our internal processes and governance to improve decision-making.



**97%**  
 97% of the carbon footprint of a cup of Nespresso comes from activities that occur beyond our core operations (e.g. on coffee farms, during the consumption phase)

**88%**  
 88% of our people would recommend Nespresso as a place of work

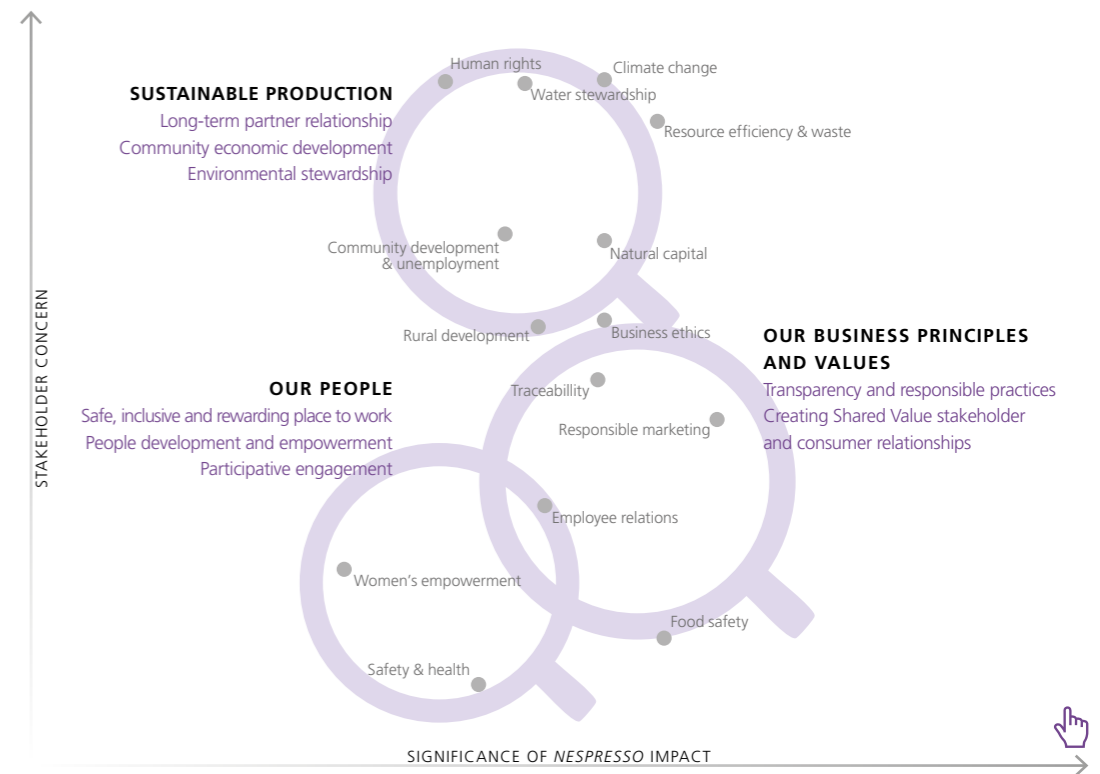
**“You cannot have a sustainable proposition to your consumers if you are not implementing sustainability practices in your business.”**

Arnaud Deschamps, Market Head, Nespresso France

**What really matters**

To integrate sustainable production into our consumer value proposition

Building on the insights from our materiality assessment, our main focus as a portioned coffee company is ensuring the sustainable production of coffee and aluminium and engaging consumers in the value of sustainable consumption. Our employees have direct relationships with coffee farmers and Club Members. This gives us more opportunities to take action in areas we do not directly control but where our business has significant dependencies and impacts.



**Our 2020 ambition and goals**

Total company engagement

	2016 achievements	status
Invest CHF 500 million in The Positive Cup (2014-2020)	CHF 197 million	●
Empower everyone in our company to contribute to our sustainability agenda	Strategy in execution, employee training rolled out	●
Catalyse innovation through the Nespresso Sustainability Innovation Fund	Two projects co-funded in the NSIF USD 9 million blended capital	●

● Achieved ● On track for 2020 ● Not on track for 2020

# CREATING SHARED VALUE THE POSITIVE CUP REINFORCES THE WAY THE NESPRESSO MODEL CREATES SHARED VALUE

Nespresso's innovation in portioned coffee preparation has created a new and exceptional coffee experience for consumers, one which they appreciate and value.

This required the supply of superior coffees which are cultivated in specific terroirs. They are roasted and blended with meticulous attention to detail and their quality is protected by our aluminium capsules. The origins of our Grands Crus are unique and not interchangeable, so we cannot and do not buy our coffee as a commodity, instead building long-term relationships with individual farmers. Our approach is to support producers to better manage their farms, their businesses and their land. By doing so, we secure the supply of higher quality crops that meet the specific Nespresso quality and aroma requirements. This not only delivers a better in-cup result for our consumers but also greater income, security and stability for the farmers.

This has led to the "decommoditisation" of Nespresso coffees, improving the quality and bringing more value to farmers producing the unique profiles of coffee we depend on. It is our expression of "Creating Shared Value", a way of doing business defined by Michael Porter and adopted by Nestlé.

▲ *Chef Theo Randall, tasting the new range of exclusive selection coffees, in a glass designed especially for Nespresso by Riedel*

*"We want each and every consumer to be able to appreciate the quality and the authenticity of our Grands Crus."*

Alfonso Gonzalez, Chief Customer Officer, Nespresso

▲ *Daniel Delgado, AAA agronomist from Colombia, during a coffee tasting in Avenches factory, Switzerland*

OUR VALUE CHAIN  
**SUSTAINABLE PRODUCTION  
 AND CONSUMPTION ARE  
 INTEGRATED INTO OUR  
 END TO END MODEL**

*“Our sustainability investments are part of the brand experience and valued by consumers in every cup.”*

Hélène Moncorger, Chief Financial Officer, Nespresso

**SUSTAINABLE PRODUCTION**

**Grow**

- Scope
- 12 countries
  - > 70,000 farmers
  - > 300 agronomists

- Program
- AAA Sustainable Quality™

- Independent acknowledgement
- The Rainforest Alliance
  - Fairtrade International
  - Fairtrade USA

**Source**

- Scope
- Aluminium Tier 1 suppliers

- Program
- Aluminium Stewardship Initiative (ASI)

- Independent acknowledgement
- SMETA compliance
  - ASI certification (from 2018)

**Retail**

- Scope
- 63 countries, > 11,000 employees
  - 25 Customer Relationship Centres
  - > 600 boutiques

- Program
- The Positive Boutique

- Independent acknowledgement
- OHSAS certification

**Make**

- Scope
- Three production centres in Switzerland, > 1,000 employees

- Independent acknowledgement
- ISO 22000, ISO 14001 and OHSAS certification
  - CDP climate change and water, DJSI reporting

**SUSTAINABLE CONSUMPTION**

**Experience**

- Scope: Classic line
- 24 permanent Grands Crus
  - Nine limited editions and variations
  - Two coffee revival Grands Crus (Cuba, South Sudan)

- Scope: Vertuo line
- 20 permanent Grands Crus

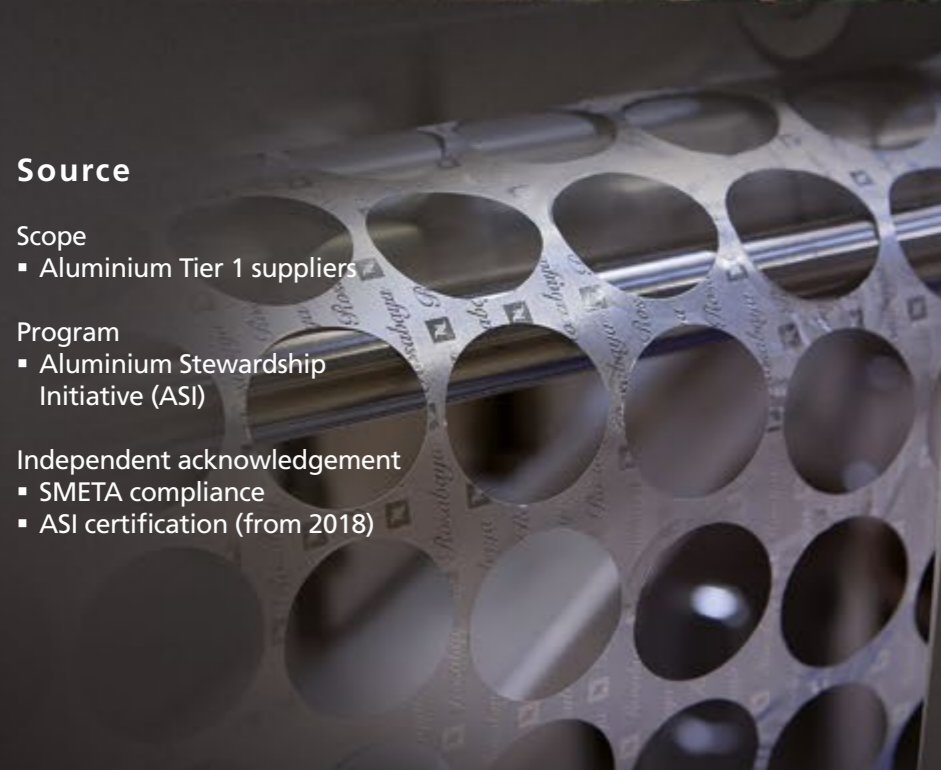
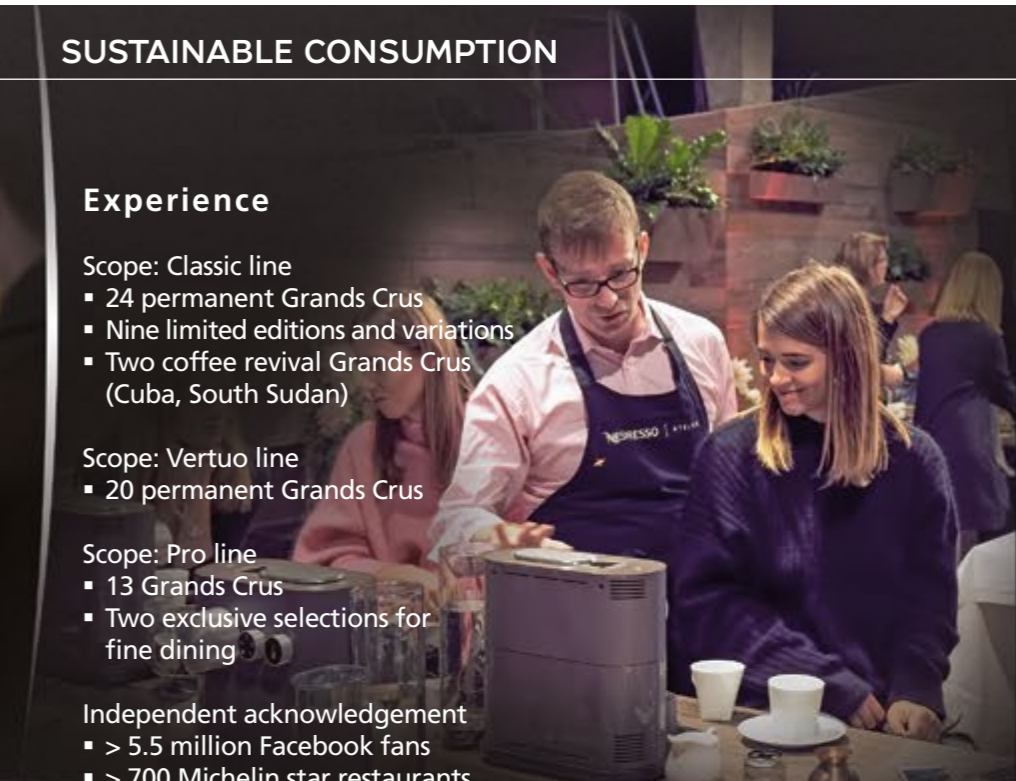
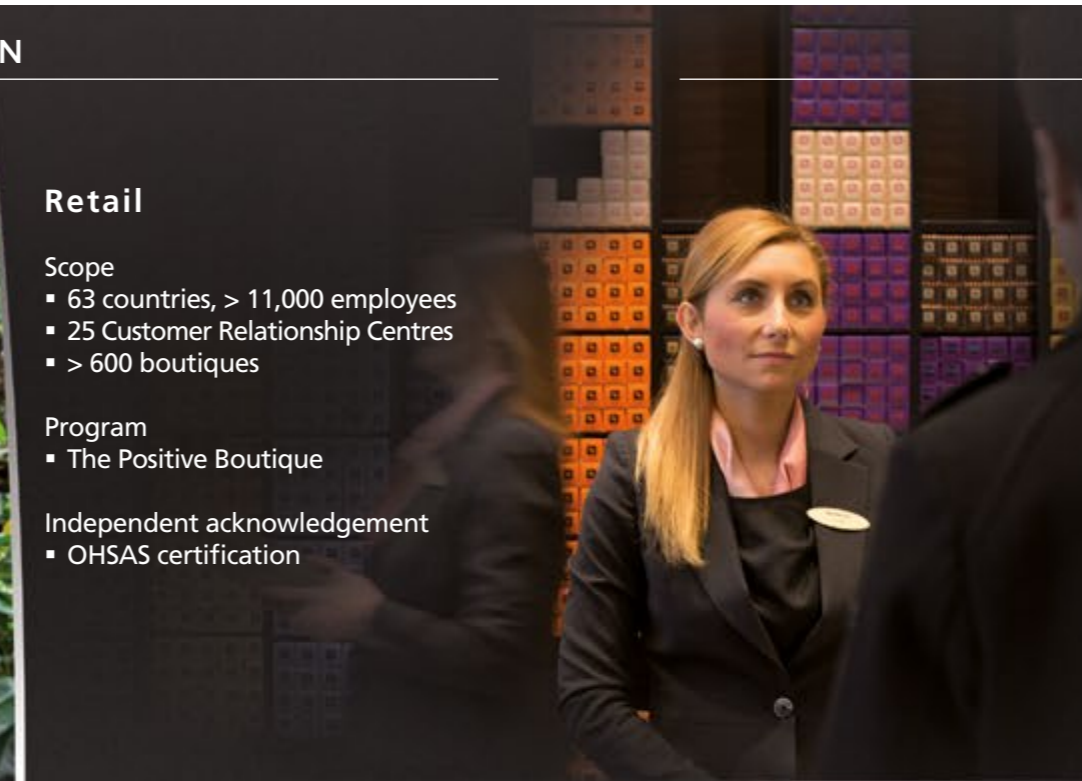
- Scope: Pro line
- 13 Grands Crus
  - Two exclusive selections for fine dining

- Independent acknowledgement
- > 5.5 million Facebook fans
  - > 700 Michelin star restaurants

**Remake**

- Scope
- Over 85% of Nespresso Club Members have access to a capsule collection point

- Independent acknowledgement
- Third party verification tool for capsule collection and recycling (from 2017)





# OUR JOURNEY FOR 30 YEARS, WE HAVE BEEN LEARNING AND ADAPTING HOW WE INTEGRATE SUSTAINABILITY INTO OUR ACTIVITIES

*“We have identified 11 of the 17 Sustainable Development Goals where we can make a contribution.”*

Jérôme Pérez, Global Head of Sustainability, Nespresso

From developing our first prototype in the 1970s to our present day initiatives, we have been learning how to integrate sustainability into our business. Moving forwards, we are seeking to align our ambitions and goals with those of the UN Sustainable Development Goals (SDGs) – adopted by 193 Member States as the global priorities towards 2030.

Our Positive Cup ambitions seek to contribute to 11 of the 17 SDGs. Two of these goals (SDG 12, Sustainable Consumption and Production, and SDG 8, Decent Work and Inclusive Growth) set the direction for the role of a consumer products company such as ours. Other goals are also material to our value chain and business principles. All 17 SDGs are outlined here with our customised descriptions and are referenced using their icons throughout the report.

**1970s**  
Prototypes of the first system to deliver barista coffee quality at home

**1986**  
**OUR PORTIONED COFFEE SYSTEM WAS BORN**



**1991**  
**THE FIRST RECYCLING SYSTEM**  
dedicated to Nespresso capsules in Switzerland



**2005**  
The life cycle assessment highlights the importance of Scope 3 (emissions that are a consequence of our operations but are not owned or controlled by Nespresso)

**2003**  
**THE NESPRESSO AAA SUSTAINABLE QUALITY™ PROGRAM**



**1993**  
Nespresso joins the collective recycling system in Germany with the support of Duales System Deutschland

**2014**  
**THE POSITIVE CUP: A CHF 500M INVESTMENT INTO POSITIVE IMPACT**  
Total company engagement  
Resilient coffee farms and communities  
End to end sustainably managed aluminium  
Integrated actions on climate change

**2012**  
**asi** Aluminium Stewardship Initiative  
The Aluminium Stewardship Initiative (ASI) for responsible aluminium sourcing and material stewardship

**2009**  
**WE SET OUR PLAN FOR CREATING SHARED VALUE**  
80% AAA coffee sourcing  
75% capsule collection capacity  
-20% GHG emission/cup

**2030**  
**SUSTAINABLE DEVELOPMENT GOALS**

- OUR APPLICATION OF THE SDGs**
- SDG 1 End Poverty
  - SDG 2 Promote Sustainable Agriculture
  - SDG 4 Learning Opportunities for All
  - SDG 5 Gender Equality
  - SDG 6 Water Stewardship
  - SDG 8 Decent Work and Inclusive Growth
  - SDG 12 Sustainable Consumption and Production
  - SDG 13 Climate Change
  - SDG 15 Natural Capital
  - SDG 16 Peace
  - SDG 17 Partnerships

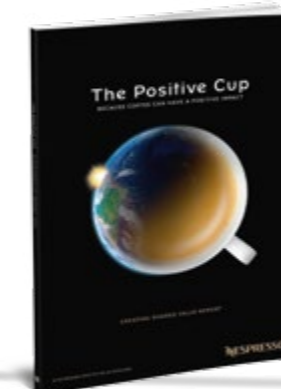


Grand Cru, Suluja ti South Sudan

**2015**  
**NESPRESSO BRINGS SUSTAINABLE CONSUMPTION TO THE LONG CUP**  
with the roll out of the Vertuo system



**2016**  
**THE NESPRESSO SUSTAINABILITY INNOVATION FUND (NSIF)**  
USAID and the World Bank become the first partners to join the NSIF



**2017**  
The first Creating Shared Value report in accordance with the GRI Guidelines

OUR PEOPLE  
**RESPONSIBLE AND INCLUSIVE BUSINESS IS ESSENTIAL FOR OUR PEOPLE AND A SOURCE OF INSPIRATION**

We have grown significantly and now employ around 13,000 people. With this comes a responsibility for our people's wellbeing and development, as well as a need to accommodate the changing expectations of a future workforce. We have found that the more we engage in sustainability, the more our people want to get involved.



Coffee Specialist, Filipa Perfeito, presenting *Suluja ti South Sudan*, Nespresso boutique, Lausanne, Switzerland

THE POSITIVE CUP

Beyond a shared passion for coffee and the brand, Nespresso employees are getting more engaged in the implementation of The Positive Cup strategy. Over recent years, this has led to consistent operational progress on recycling, coffee sourcing and environmental performance. More than this, as most of our employees deal with consumers everyday, their active participation in the program enriches the consumer experience.

**Nespresso employees interact with customers everyday**

The vast majority of Nespresso people are based in boutiques or Customer Relationship Centres, listening to and helping customers. This enables them to give direct feedback and to generate ideas on how we can improve our products and the overall brand experience. Since 2014, hundreds of these ideas have been embraced with the aim of delivering a better quality of service and improved customer satisfaction.



**Our people expect and appreciate a safe workplace**

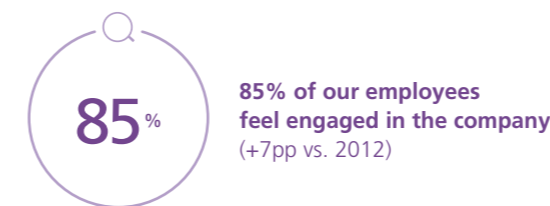
Our boutique managers play an active role in promoting a safe environment. Not only for employees but also for the thousands of customers visiting our boutiques every week. What we call "the recordable injury rate" – the log of accidents that occur within the business – covers our employees but also extends to the care of our customers too.

**We promote greater participation of women in our business and value chain**

Gender balance is a major focus for us, above all in leadership positions. While the global male/female balance is 43/57, this is not yet reflected in the gender ratios of senior positions. Importantly, in coffee field operations, we have learned that the presence of female agronomists is key for the participation of women farmers in training. Women excel in the adoption and implementation of best practices on farms. Today, women agronomists at our suppliers comprise 30% of our global field workforce.

**Our development programs promote a coffee and sustainability culture**

On average, Nespresso employees spend 34.3 hours per annum in training (2016). Coffee know-how and sustainability awareness are the two topics on which all employees are trained when they first join Nespresso. Customer-facing employees follow a three-year curriculum including a specific module on sustainability. As part of their career path, customer-facing employees can develop into the role of "coffee ambassador", disseminating the expertise of sustainable quality coffee throughout the company.



**Responsible business is even more important for millennials**

Nespresso employees have an average age of 33. In line with local needs and culture, our market-based teams develop employee engagement programs: from "green week" events generating ideas around social and environmental challenges, to volunteering, academic programs and origin country experiences. In 2016 Nespresso USA piloted the Nespresso Coffee Leadership Program, a curriculum with NY University Stern School of Business aimed at empowering employees to address societal challenges through their role as business managers.



Since 2013, the University of Cambridge Institute for Sustainability Leadership has been an important stakeholder engaged in ongoing Nespresso consultation processes like the Sustainability Advisory Board or the MBA Challenge. Equally, seven senior executives from the Nespresso Leadership, including the CEO, have attended The Prince of Wales' Business & Sustainability program, highlighting the need for business engagement in issues such as climate change, inclusive growth and resource security.

cisl.cam.ac.uk

**"Each and everyone is involved because we consider sustainability as a company-wide project."**

Laz Martinez, Global Head of Human Resources, Nespresso



The 2016 MBA Challenge winners from Saïd Business School, University of Oxford

**A closer look at the Nespresso Sustainability MBA Challenge**

Since 2013, the Nespresso Sustainability MBA Challenge has given us the opportunity to engage with the next generation of business leaders enrolled in international MBA schools, increasing their awareness of the issues and opportunities around sustainable enterprise. Participation has increased year after year and we now attract more than 80 schools annually. Challenges have dealt with topics as wide ranging as climate strategy, the circular economy and consumer engagement in sustainability. Finalists are invited to present their ideas and recommendations to a jury of academics, as well as to an audience of Nespresso employees. The winning team travels to a AAA coffee region to see the AAA Program at work in the field. The MBA Challenge is managed together with the Center for Intelligence in Markets and Sustainability at the INCAE Business School in Costa Rica.



PARTNERSHIPS FOR IMPACT  
**PARTNERSHIPS DRIVE INNOVATION AND AMPLIFY IMPACT**

Long-term collaboration has been instrumental in us making real progress and in strengthening our capabilities. The Nespresso AAA Sustainable Quality™ Program and our aluminium management initiatives are both practical illustrations of this.



Signature of a multi-stakeholder agreement for the farmers savings plan, Aguadas, Colombia

Our latest initiative, the Nespresso Sustainability Innovation Fund, aims to engage further, with a wide range of impact investors and social finance institutions.

**Collaboration leads to capability building and an inclusive approach**

Our track record in sustainable coffee sourcing, together with our long-standing partnership with the Rainforest Alliance, is the most important example of how we have built mutual capability on sustainability. Today, more than 30 operational coffee partners and over 70,000 farmers apply the best practices of sustainable quality coffee production. Throughout this report, you will find partner profiles which detail our collaborations, while a full list of partners is outlined at the end.

**To address difficult systemic challenges, multiple stakeholders work together**

Over the past five years, Nespresso has been involved in setting up and participating in a range of coalitions with organisations that bring relevant expertise and a strong commitment to transform practices for a more sustainable future. Today, Nespresso is part of five multi-stakeholder platforms working on coffee landscape and aluminium stewardship topics:

- The **Manos al Agua** platform in Colombia to build knowledge on Natural Capital and integrated landscape management [manosalagua.com](http://manosalagua.com)
- The **Consórcio Cerrado das Águas** in Brazil to leverage efforts of landscape stakeholders and build resilient watersheds [Learn more on page 34-35.](#)
- The **International Platform for Insetting (IPI)** in France to share best practices on how to manage socio-environmental costs within the value chain [insettingplatform.com](http://insettingplatform.com)
- The **Aluminium Stewardship Initiative (ASI)** to set a standard for responsible aluminium sourcing and material management [aluminium-stewardship.org](http://aluminium-stewardship.org)
- The **Club de l'Emballage Léger en Aluminium et en Acier (CELAA)** in France to establish recycling facilities [celaa.fr](http://celaa.fr)

**Academic expertise is an important source of knowledge**

Over the years, Nespresso has partnered with a range of academic institutions to build knowledge related to agri-business and Natural Capital. Our long-term partner, INCAE business school, and its Sustainable Markets Intelligence Center (CIMS) have been instrumental in better understanding the model of smallholder coffee farming and the contribution of the AAA Program to improving livelihoods.

For the past three years, Wageningen University has been the academic partner of the Manos al Agua platform, bringing strong expertise on water footprinting and water management. Since 2015, the centre for climate risk at Columbia University has been working with us on the development of a crop insurance model, tailored to the needs of coffee smallholders.

In addition, we are evaluating the benefits of agroforestry on communities and landscape via impact analysis managed by our partner Pur Projet with Harvard University and the Yale School of Forestry and Environmental Studies.



**USD 88m additional investment by partners** in the regions where we source coffee (2007-2015)

**Investors will be critical to amplify positive impact**

Between 2007 and 2015, Nespresso leveraged its operational investments in coffee producing countries through a series of public-private partnerships channelling USD 87 million additional investment into the regions and communities where we source AAA coffee. In 2015, the Nespresso Sustainability Innovation Fund was launched to innovate in blended sustainability financing solutions – finding new financial mechanisms to attract investors into socio-environmental projects that result in positive impacts.

*“The nature of the challenges requires a joint approach – Nespresso cannot solve these problems alone.”*

Guillaume Le Cunff, President, Nespresso USA



**A closer look at the Nespresso Sustainability Innovation Fund (NSIF)**

The NSIF is a new facility, launched in 2015, which directs a portion of the CHF 500 million investment in The Positive Cup, towards innovative sustainability initiatives which amplify the positive impact of our actions. It is designed as a source of blended capital to co-invest with institutional donors and impact investors, focusing initially on the areas of resilience and economic development. The NSIF has already doubled its initial seed capital of USD 10 million, with investments by USAID in South Sudan (USD 3.2 million) and the World Bank Group in Ethiopia (USD 6 million).



**What's next**

Explore investment opportunities through the Nespresso Sustainability Innovation Fund in recycling and circular material management.

GOVERNANCE  
**SUSTAINABILITY IS INTEGRATED INTO OUR REGULAR BUSINESS MANAGEMENT PROCESSES**

Nestlé’s purpose is to enhance quality of life and contribute to a healthier future. This drives The Positive Cup, enabling sustainable consumption, supporting resilience of coffee farming communities and taking care of natural resources for future generations. At Nespresso, a governance structure is in place to deliver these impacts. Sustainability is discussed at all our monthly operational meetings.

**LEADERSHIP**

- Nespresso Leadership Team
- Nespresso CSV Global Team
- Nestlé Operations Sustainability Council
- Nestlé Brands and CSV Advisory

**Scope**

- The Positive Cup Strategy Partnerships
- Nestlé Alignment



CHF 197m already invested of the CHF 500m commitment (2014-2020)

**COMMERCIAL OPERATIONS**

- Market Heads
- Local Sustainability Champions
- Coffee Ambassadors
- Technical Quality Managers

**Scope**

Local strategy implementation (recycling, machines, boutiques and consumer engagement)

**Management program**

- The Nestlé Responsible Sourcing audits (S.M.E.T.A; Ecovadis)
- The Nestlé Quality Management System (N.Q.M.S)
- The Nestlé Corporate Compliance Assessment of Human Resources (C.A.R.E)
- The Nespresso Recycling Management System

**TECHNICAL OPERATIONS**

- Procurement Network
- Factory Managers
- SHE and Quality Managers

**Scope**

Strategy implementation on site

**Management program**

- The Nestlé Quality Management System (N.Q.M.S)
- The Nestlé Corporate Compliance Assessment of Human Resources (C.A.R.E)
- The Nestlé Environmental Management System (N.E.M.S)
- The Nestlé Responsible Sourcing Audits (S.M.E.T.A; Ecovadis)

**COFFEE FIELD OPERATIONS**

- AAA Regional Managers
- Agronomist Workforce

**Scope**

- Farmer Relationship Management
- Supplier implementation
- Sustainable Quality Management

**Management program**

The Nespresso AAA Sustainable Quality™ Program

**CONSULTATION AND PARTNERSHIP**

- Nespresso Sustainability Advisory Board
- Nespresso Sustainability Innovation Fund
- Multi-stakeholder Coalitions

**Scope**

Global/Local Advisory and Implementation

*“Governance means integration of sustainability into our business but it also means being open to external advice.”*

Daniel Weston, Global Head of Creating Shared Value, Nespresso



NSAB members 2016, New York, USA

**A closer look at**

The Nespresso Sustainability Advisory Board (NSAB)



Set up in 2013, the NSAB comprises leading NGOs, academics, international organisations and our brand ambassador, George Clooney. The Board meets formally once per year and the agenda is framed around:

- Progress against our public commitments
- Concerns on strategy execution and gaps
- Discussion around future opportunities

Other external experts are invited to present and interact with the Board to ensure a wide range of views are represented. All discussions are non-binding and serve more to channel external advice on the role of the private sector on societal challenges. Every year, the NSAB discussions focus on coffee production, aluminium management and climate risks.

Today, the members are: brand ambassador George Clooney, Cambridge Institute for Sustainability Leadership, Colombian Coffee Growers Federation (FNC), Fair Labor Association (FLA), Fairtrade International, Fair Trade USA, INCAE Business School, International Union for Conservation of Nature (IUCN), TechnoServe, Rainforest Alliance, World Business Council for Sustainable Development.



Coffee specialist explaining the circular use of aluminium, Lausanne Boutique, Switzerland



A team of AAA agronomists, Colombia



Participants in a consultation process pre NSAB 2015, London, UK



# COFFEE

OVER A DECADE OF COLLABORATION HAS BEEN CRITICAL IN DELIVERING SUSTAINABLE QUALITY



How does *Nespresso* ensure sustainable quality coffee?

AAA green coffee bags awaiting export at Cooperativa de Caficultores de Aguadas, Colombia

# WHAT REALLY MATTERS OUR PROMISE TO CONSUMERS DEPENDS ON RESILIENT FARMING COMMUNITIES

To fulfil our commitment to Nespresso consumers, we depend on a reliable source of the highest quality coffee. Working closely with farmers, cooperatives and other partners strengthens the resilience of our coffee producing regions – especially to economic uncertainties and climate change. The Nespresso AAA Sustainable Quality™ Program was launched in 2003 with the Rainforest Alliance. It fosters long-term relationships with farmers, embeds sustainable practices on farms and the surrounding landscapes, and improves the yield and quality of harvests. At the same time, it contributes by bettering the livelihoods of farmers and their communities. It is now being implemented in East Africa, in line with our commitment for 100% AAA sourced coffee by 2020.



Harvest time for AAA farmer  
Diego María Lopez, Cauca, Colombia



Only 1-2% of worldwide coffee meets our quality standards



17%, the share of consumers willing to pay more for sustainable production (Euromonitor 2016)

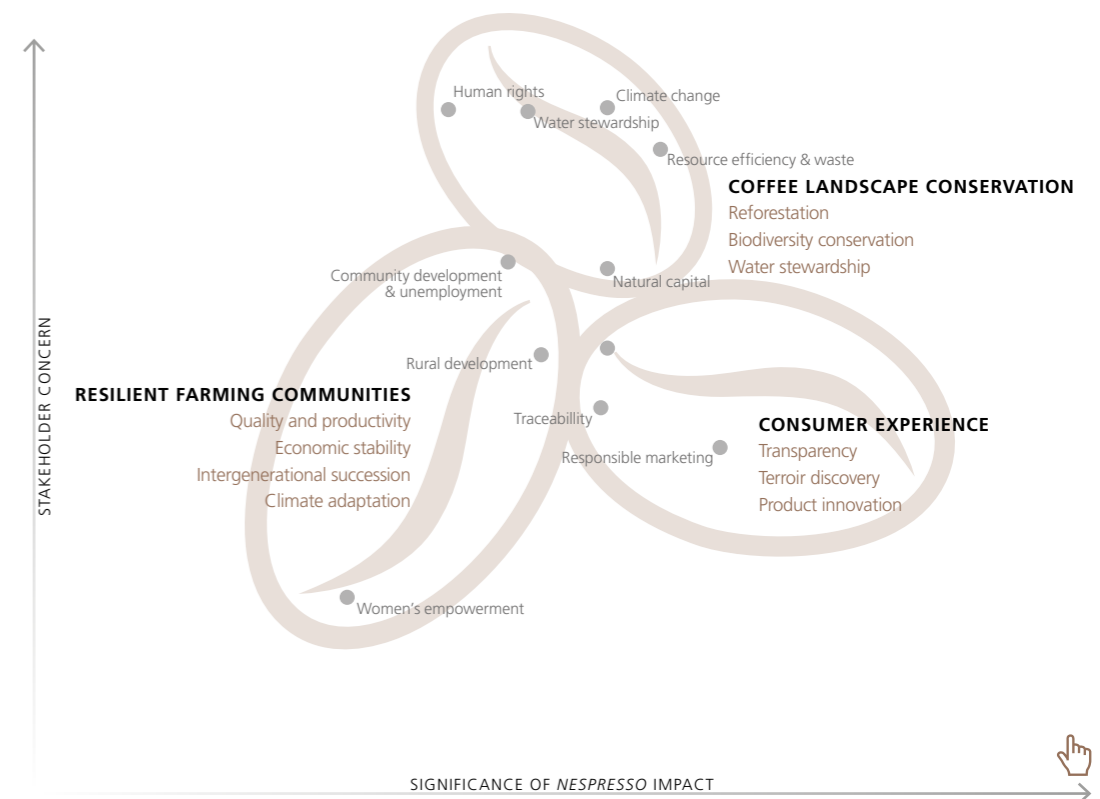
*“The big challenge going forward is to engage consumers with the benefits of sustainable production.”*

Lawrence Pratt, Senior Lecturer, INCAE Business School

## What really matters

To ensure consumer appreciation of sustainable quality coffee

Our Grands Crus coffees are recognised for their exceptional taste and flavour profiles. Behind this is a long-standing commitment to sustainable coffee production, which helps protect the future supply of our coffees. Using our materiality assessment as a basis, we work with stakeholders in the coffee sector to support resilient agricultural communities and to protect vital ecosystems and landscapes. We are also building the value of sustainable quality coffee into the consumer experience.



## Our 2020 ambition and goals

Resilient coffee farms and communities

	2016 achievements	status
Source towards 100% of our permanent coffees through the AAA Sustainable Quality™ Program	82% AAA sourced coffee	●
Increase the share of certified coffees in AAA	+5 pp (vs. 2014)	●
Expand our value proposition to rare origins and pursue innovative solutions to better livelihoods for farmers	Two origins: Cuba, South Sudan CHF 2.6 million in innovative solutions	●

● Achieved ● On track for 2020 ○ Not on track for 2020

THE NESPRESSO AAA SUSTAINABLE QUALITY™ PROGRAM  
**THE AAA SUSTAINABLE QUALITY™ PROGRAM IS OUR SOLUTION FOR BUILDING RESILIENCE**

The AAA Program is a quality coffee sourcing program, designed and implemented specifically for Nespresso in collaboration with the Rainforest Alliance and launched in 2003. Through long-standing partnerships with farmers, coffee suppliers and cooperatives, with support from NGOs, it has evolved considerably over time. Sustainable farm management is still at its heart, but today it also focuses on community and landscape resilience and the wider systemic challenges facing the sector.



**Wider systemic solutions**

The AAA Program participates in a range of multi-stakeholder coalitions that leverage the collective resources of farmer organisations, academics, municipalities and governments to bring comprehensive solutions addressing challenges in the sector.

**Resilient communities and landscapes**

The AAA Program acts as a platform for partners to build community and landscape resilience against wider 'off farm' risk factors, developing solutions for both social welfare and climate adaptation.

**Farm management**

The AAA Program supports the implementation of sustainable agricultural practices at farm level by investing in technical assistance, paying premiums directly to coffee producers and co-financing infrastructure for both quality and sustainability improvements.



CHF 35m/year – yearly investment in technical assistance and premiums to farmers

The three levels of AAA intervention: Cauca landscape, Colombia; coffee processing at the community mill in Jardin, Antioquia, Colombia; a AAA farmer harvesting coffee in Cauca, Colombia

*“We’re proud to have helped build AAA. It’s working to drive our shared mission and achieve meaningful social and environmental impacts.”*

Nigel Sizer, President, Rainforest Alliance

**Quality and sustainability go hand in hand**

Experience has taught us that there is no quality without socio-economic and environmental sustainability, and vice versa. The three pillars of the AAA Program encapsulate this learning.

**A Firm commitment to quality**

Everything starts with quality. It is the major driver for farmers to access differentiated markets and increase farm revenues. Practices such as harvest and post harvest processing, traceability, and also input management and varietal selection affect the quality of the crop. Farmers are rewarded with price premiums when their coffees are approved as high quality.

**A Practical support for productivity**

Greater productivity of high quality coffees directly impacts farmer revenues. On top of quality practices, renovation and cost management also contribute to higher yields and profitability. Consistent farm management over the long-term leads to income stability.

**A Clear focus on social and environmental sustainability**

Taking care of the socio-economic and environmental conditions of the farm is critical to secure consistent quality and a responsible supply chain. Practices such as working conditions, water stewardship, biodiversity protection and climate resilience contribute to long-term stability and improved livelihoods.

**The AAA approach is delivering positive impacts at farm level**

Five years after the initial launch of the AAA Program in Colombia, Nespresso commissioned an independent study to evaluate the impact on farmers. Undertaken by research institute CRECE between 2009 and 2012, it showed that the AAA Program delivered positive impacts versus conventional coffee farming on social (+22.6%), environmental (+52.1%) and economic (+41.0%) indices.

The Rainforest Alliance and Nespresso have been working together since 2003 in the design and development of the AAA Program. This collaboration led to the concept of Sustainable Quality and its deployment at farm level, combining the socio-environmental criteria of the Sustainable Agricultural Network (SAN) with the quality expertise of Nespresso. As part of more recent work, the collaboration also led to the piloting of the Rainforest Alliance/SAN climate module with the AAA farmers of the Huehuetenango cluster in Guatemala and the Monitoring and Evaluation tool of the AAA Program.

[rainforest-alliance.org](http://rainforest-alliance.org)  
[san.ag/web](http://san.ag/web)



The celebration of the late harvest coffee Naora, launched in 2012 with the community of Pinchote, Colombia

## FARMER RELATIONSHIP MANAGEMENT AAA IS FIRST AND FOREMOST A FARMER RELATIONSHIP PROGRAM

Sustainable quality practices are fundamental for farmers building an economically viable coffee farming business. Through a process of continuous improvement and collaborative effort, farmers are encouraged to learn-by-doing, with the support of our agronomists and trainers.



▲ Daniel Augusto Delgado, an FNC AAA agronomist, training farmer Nilson Jair Díaz Muñoz on agricultural practices

THE POSITIVE CUP

Since 2003, Nespresso has been investing at farm level – providing technical assistance, paying premiums and delivering specific socio-environmental projects to generate better and more sustainable quality.

### A farmer's journey towards sustainable quality

As soon as coffee farmers join the AAA Program, they receive technical assistance in the form of training sessions, individualised guidance and a customised action plan. In return, there is a very clear expectation that they will commit to achieving a set of socio-environmental, quality and productivity practices as defined in the Tool for the Assessment of Sustainable Quality™ (TASQ™ CORE). A premium is paid for the quantity of approved coffee they sell. However, an important principle of the AAA Program is that farmers are under no obligation to sell their coffee to Nespresso.



The Colombian Coffee Growers Federation (FNC) is a long-standing partner of Nespresso for the implementation of the AAA Program in Colombia. We jointly invested in regions like Cauca, Nariño and Santander, distributing high quality coffee plant material and implementing water treatment systems and have partnered on a significant water stewardship program in 25 water basins in the country. The nature of this relationship has allowed us to work together on innovations such as the late harvest Naora Limited Edition and Aurora de la Paz, a special coffee related to the peace process in the country.

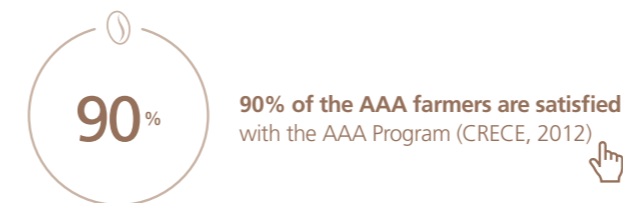
[federaciondecafeteros.org](http://federaciondecafeteros.org)

### The AAA Farmers Award – a recognition of excellence and dedication

Every year since 2013, we have celebrated the outstanding achievements of exceptional farmers and agronomists from every producing country. They are welcomed to Switzerland to discover the other end of the value chain: visiting our production centres, meeting Nespresso employees, and discussing their coffees with Club Members in boutiques.



AAA farmers, Miller Hurtatiz and Marc-Aurelio Alonso, rewarded for their dedication



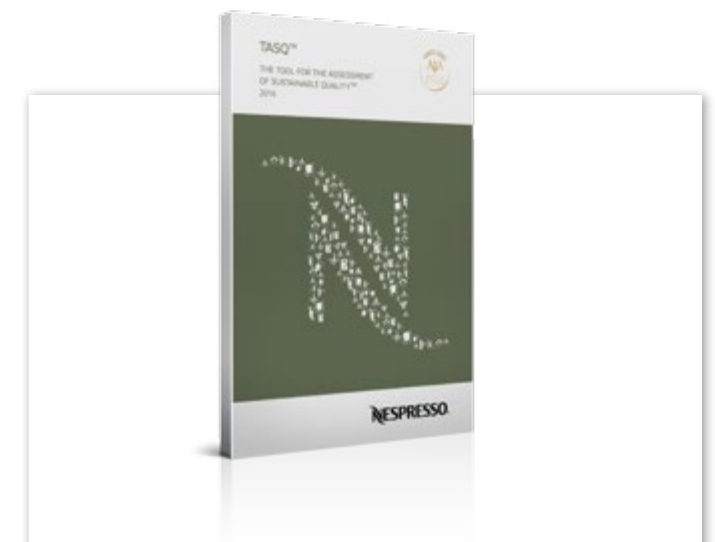
### The critical role of suppliers and cooperatives

Coffee suppliers and cooperatives play a central role in the deployment of the AAA program, not only in the commercialisation of coffee but also in training and in monitoring the progress of the farms.

These partnerships are organised through the “AAA shared commitment”, a mutual agreement that places importance on the long-term relationships with producers, transparency, economic traceability to farms and agronomist workforce management.

*“Technical assistance, such as the kind provided by FNC and Nespresso on AAA is, in my view, essential to build trust with coffee producers.”*

Roberto Velez, Chief Executive Officer, Colombian Coffee Growers Federation



### A closer look at Tool for the Assessment of Sustainable Quality (TASQ™)

The TASQ™ assists farmers on their journey towards sustainable quality and comprises three elements:

- Pre-requisites for entry – no child labour, no forced labour and no incidence of harassment and abuse
- TASQ™ CORE consists of 39 criteria which must be met within a three-year time frame
- TASQ™ ADVANCED consists of additional criteria, guiding farmers to further improve quality, productivity and sustainability and advancing them to a possible certification. Certified farmers receive additional premiums, not only for the coffee they sell to Nespresso, but also for the certified coffee they sell elsewhere





INNOVATION FOR COMMUNITY RESILIENCE

## THE AAA PROGRAM PROMOTES COLLABORATIVE INNOVATION FOR LONG-TERM COMMUNITY STABILITY

Smallholder coffee farmers are exposed to uncertainties that hinder long-term planning and investments in their farms. Volatility of exchange rates and market prices, and inconsistency in crop quality have direct impacts on farm revenue. More and more, these risks are exacerbated by external factors such as climate change, especially where economic securities such as crop insurance and pensions are not in place. As a result, the sector becomes less attractive to the next generation of coffee producers.

AAA farmers at the launch of the Farmer Retirement Savings Plan, Aguadas, Colombia, 2014

Over recent years, the AAA Program has evolved to extend its support beyond farm level. This means contributing to strengthening community resilience and providing more security at a local level – with encouraging results already being observed in Colombia. The following innovations have been piloted in specific AAA regions to test the potential for scalability.

### Farmers can now plan for retirement

Social surveys in the Caldas region of Colombia, highlighted the fact that only 10% of the coffee farmers had access to a pension while their average age was 53\*. In 2014 Nespresso contributed to develop the first-ever retirement savings plan for smallholder coffee farmers. The long-term relationship established through the AAA Program, served as a solid foundation for its implementation. This initiative also seeks to incentivise the next generation to enter the industry. Developed together with the Colombian Ministry of Labour, the Aguadas Coffee Growers Cooperative and Fairtrade International (FLO), the scheme provides farmers an additional 20% from the Colombian Government, on top of farmers' investment into the savings plan.

At the end of 2016, Nespresso had contributed USD 2.2 million, benefiting around 1,100 AAA and Fairtrade-certified farmers, of which 35% saved additional money. The popularity of the initiative means that now even non-AAA farmers are enrolling. To our knowledge, a further two cooperatives have independently adopted a similar mechanism.

\*Source: CRECE



Fair Trade USA has been collaborating with Nespresso since 2013 to promote smallholder organisation and community-led development projects in areas where farmers lack formal organisational structures, such as cooperatives. Working closely with the Colombian Coffee Federation, Fair Trade USA has certified more than 6,800 smallholder farmers in the Southern Colombian regions of Cauca and Nariño. In 2016, the newly-formed Fair Trade committees, elected by the farmers themselves, decided to invest their development funds in potable water projects and collective procurement actions to facilitate access to agricultural nutrients for improved productivity.

fairtradeusa.org

### Community milling for Sustainable Quality – to improve livelihoods and water stewardship

In many cases, smallholder farmers process coffee cherries on their own farms as there is no centralised infrastructure available to deliver the crop. “Wet milling” at farm level is hard work because the cherries are fragile and need to be processed within a few hours of the harvest to protect quality. This means long working days and creates a significant risk to the quality, and consequently the value, of the production. Moreover, it requires proper water treatment installations that are often not in place, leading to water contamination for the community. A successfully managed centralised mill presents significant benefits. Some of these are reflected in the following results obtained with the Jardin community mill, a collaboration between the farmers, the cooperative of Antioquia, and Nespresso's partners Cafexport and USAID.

- 100% increase in the volume of AAA quality coffee
- 17% increase in farmer income
- 60% reduction in water usage
- 100% of waste water is properly treated
- Three hours of time gained per farmer per day during harvest season



CHF 2.6m invested in innovative solutions (savings plan and community milling)



Central Mill, Jardin, Colombia

The objective of this first mill in Jardin was to test the operational feasibility of centralised coffee processing in Colombia. In 2015, a second initiative was launched with the objective to pilot a financial model supported by impact investment for scalability. In collaboration with Acumen and the farmers' group “El Desarrollo”, we invested in a new community mill in Huila (Colombia) which started production in September 2016. Results are currently being monitored.

“With the retirement savings plan, the coffee farmers and their children can see a future.”

Dario Soto, Chief Executive Officer, Fairtrade International



Fairtrade International (FLO), the producer network of Latin America\* and Nespresso have been collaborating since 2013 to further promote farmers' organisation and empowerment within the AAA Program. This work also led to the design and implementation of a savings plan for the retirement of coffee smallholders in the region of Caldas, Colombia. The success of this program relied on the collaborative engagement of local and national institutions.

\*CLAC: Coordinadora Latino Americana y del Caribe de Pequeños Productores y Trabajadores de Comercio Justo

fairtrade.net

### A closer look at crop insurance

Coffee smallholders do not have access to insurance schemes that protect against climate change risks. Nespresso has partnered with Blue Marble Microinsurance to create a tailored crop insurance proposition. PlaNet Guarantee and the International Research Institute for Climate and Society (Columbia University) started to develop the basis for an index-based insurance system that provides compensation when the weather index reaches certain pre-determined levels. Nespresso and Blue Marble Microinsurance are collaborating with these partners and with AgriLogic to refine this concept and implement a complete insurance proposition. In 2017, this proposition will be piloted with AAA producers in the Caldas region of Colombia.

### What's next

- Consolidate the learning of Huila community mill business model for scaling
- Test the crop insurance model in Caldas

OUR APPROACH TO NATURAL CAPITAL  
**QUALITY COFFEES ARE  
 HIGHLY DEPENDENT  
 ON HEALTHY  
 ECOSYSTEMS**

Every business relies on services provided by nature and functioning ecosystems. However, commercial activities impact on these environmental systems. The Natural Capital movement aims to encourage government, civil society and the private sector to work together to value and manage these environmental assets.



▲ The map represents the proximity of AAA farmers in Nariño to the protected area of Galeras (inside the red line)

**Our approach to Natural Capital seeks to understand our impacts and how to steer our operation to protect and restore the natural resources that coffee stakeholders, and more generally communities, depend upon.**

**A need to act beyond the AAA farm borders**

The distinct flavours of our Grands Crus derive from the terroirs in which they originate. This approach to sourcing has highlighted the need to encourage the sustainable use of land beyond the boundaries of AAA farms. That's why the AAA Program has, since its inception, promoted environmental practices which protect and restore ecosystems. However, to focus our actions and maximise positive impacts, a better understanding of Natural Capital values – such as biodiversity, water and soil – and our role as a landscape stakeholder, have become essential ingredients of our strategic planning. To put this into practice, we are testing various tools and approaches to guide our actions on the ground.

**From biodiversity assessment to biological corridors**

The Integrated Biodiversity Assessment Tool (IBAT) provides insight into biodiversity risks and opportunities with biodiversity. In 2016, with the support of IUCN, 40,000 Colombian AAA farms were mapped in IBAT. 10% of these appeared to be positioned within 2km of Key Biodiversity Areas (KBA). To complete the assessment, IUCN is currently identifying the critical biodiversity values for which these 10% of AAA farmers have a role to play. This includes, for example, the AAA farmers of the Galeras area in Nariño, Colombia, who joined a national effort to build biological corridors supported by the Global Environment Facility (GEF) and the World Bank.

A comprehensive screening of the AAA farmers' practices will make it possible to identify the opportunities that the AAA Program brings to biodiversity.

[ibat-alliance.org](http://ibat-alliance.org)



**The International Union for the Conservation of Nature (IUCN)** and Nespresso began working together in 2009. Today, our collaboration focuses on better understanding our impacts and dependencies on nature and communities, as well as exploring an integrated landscape management approach. In 2016, the piloting of the Natural Capital Protocol (NCP) for businesses aimed to explore how to value Natural Capital for improved decision-making. Equally, it allowed the IFC Colombian pilot to understand the links and relationships between government, business and the financial sector relating to Natural Capital.

IUCN played an instrumental role in coordinating the development of the first sustainable aluminium standard for the industry in 2015.

[iucn.org](http://iucn.org)

[naturalcapitalcoalition.org/protocol](http://naturalcapitalcoalition.org/protocol)



**What's next**

- Develop a financing model for the Brazil Cerrado consortium
- Screen the AAA sourcing regions against risks and opportunities related to Natural Capital
- Rollout the biodiversity assessment framework using IBAT

**“Integrated landscape management is critical for protecting biodiversity and ensuring community stability.”**

Inger Andersen, Director General, IUCN



Coffee landscape in the region of Cerrado Mineiro, Brazil

**A closer look at  
 Consórcio Cerrado das Águas**

Nespresso commissioned IUCN in 2013 to conduct an Ecosystems Services Review (ESR) of the Cerrado Mineiro region. This review had the ambition to understand how sustainable coffee agriculture could significantly contribute to the conservation and use of biodiversity and water. The learnings resulted in the establishment of a cross-sector platform “Cerrado das Águas” to enable collective actions in integrated landscape management and positive impact. The platform's stakeholders have agreed to explore the innovative approach known as “No Net Loss (NNL)/Net Positive Impact (NPI)”.

The approach requires an understanding of the critical services supplied by the landscape. By the end of 2016, with the support of Imaflores, the local SAN partner, the consortium had designed an “NPI” action plan, which is now being piloted in Patrocínio.

\*<https://portals.iucn.org/library/sites/library/files/documents/2015-003.pdf>

THE AAA PROGRAM IN EAST AFRICA  
**AAA IN EAST AFRICA  
 FULFILS OUR  
 100% SUSTAINABLY  
 SOURCED COFFEE  
 COMMITMENT**

Initially deployed in Latin America and Asia, the AAA Program has acquired solid credentials over 13 years. In line with our commitment to 100% AAA sourcing, it has been expanded into East Africa – an area known as the “cradle of coffee”. Its coffees are recognised as some of the world’s finest and are in high demand on the international coffee market.



▲ Shemole and Challa Didamo receiving the AAA Farmer's award 2014, Sidama, Ethiopia

THE POSITIVE CUP

The specific nature of the coffee trading model in Kenya and Ethiopia, with limited traceability to farm and limited opportunity to build direct relationships with coffee producers, makes it difficult to implement the AAA Program in its current form. In addition, typical farms are small in scale and have low productivity. Therefore, in keeping with the principles of the AAA Program, Nespresso works at community milling level, intervening through technical assistance at farm level, in the regions producing our coffee.

**AAA in East Africa is building capacity to act at farm and mill level**

The focus of the technical assistance is twofold, upgrading wet mill practices in terms of sustainable quality and driving farm level productivity and resilience. Since 2012, TechnoServe has been instrumental on the ground in the deployment of the AAA Program. Over 90 AAA agronomists have been recruited and trained and around 1,000 demonstration plots were set up to demonstrate practically the positive impact of best practices.



**Support at farm level focuses on productivity increases**

Pruning and plant rejuvenation are key practices which significantly boost coffee tree yield. Yet only around a quarter of smallholders are currently applying these practices. This highlights a significant opportunity to improve farm revenue, bringing wider community benefits. Demonstration plots help farmers see the benefits first-hand and are a critical part of the training we provide.

Our first assessment, based on a sample of farmers, shows that many of them are adopting yield-driving practices such as composting and pruning.

*“Kenyan and Ethiopian coffees offer unique qualities. There are significant opportunities for improvement that require different ways of working.”*

William Warshauer, President, TechnoServe



**Support at mill level focuses on social and environmental compliance**

On the whole, non-compliance is mainly related to environmental criteria. Many wet mills in Ethiopia and Kenya use outdated processing technologies that overuse water and do not treat waste water discharge appropriately. New techniques and technologies are being implemented as solutions. Beyond the environmental performance, agronomists assess compliance with social TASQ™ CORE criteria. This enables early detection and mitigation of non-compliance.

**What's next**

- Expand record-keeping training for smallholders
- Rollout of the fair treatment awareness campaign

TechnoServe and Nespresso have been working together since 2006 to implement better business skills and agronomy solutions for AAA farming communities. Their robust technical assistance model and strong field presence has helped in adapting and expanding the AAA Program to the African context. They are instrumental in operationalising the Nespresso Creating Shared Value approach, with the contribution to the re-establishment of coffee supply chains in South Sudan and the introduction of the Cuban Grand Cru coffee in the USA.

[technoserve.org](http://technoserve.org)

**A closer look at Abebech Kassaye**

Old and unproductive coffee trees are the reality for smallholder farmers in Ethiopia. Historically, very few were prepared to cut these trees at the base for rejuvenation because of the fear of losing the little production they may get the following year. Yet rejuvenation results in the trees producing substantially more coffee within just two years. After participating in some AAA training in 2015, Abebech Kassaye, an AAA farmer, changed her mind and said: “When I observed the stumped coffee trees in the demonstration plot, I was convinced that I could harvest a small crop in just change year. I would like to be a model farmer for others... to encourage my community to adopt agronomic activities on their farms too.”

Abebech is an outstanding example of how women farmers can play a critical role in the local community and its coffee sector.



AAA farmer, Abebech Kassaye together with TechnoServe country manager Mefthe Tadesse

# COFFEE REVIVAL QUALITY COFFEE REVIVAL CAN OFFER A MORE RESILIENT FUTURE FOR FARMING COMMUNITIES

Quality coffee cultivation has been in decline in some regions, where it was once a thriving agricultural sector. Sometimes these regions are home to rare, even uncatalogued varieties of wild coffee (Arabica and Robusta). Their microclimate gives rise to unique taste profiles.



A farmer drying coffee in the Eastern Cuban region which produces Cafecito de Cuba, Cuba

Together with our partner TechnoServe, we have been exploring the potential of these lost coffee origins, in terms of rarity of quality and flavour, as well as the economic development opportunity for local communities. This has led to a focus on what we call "Coffee Revival" – an opportunity to re-inject economic dynamism and market access to catalyse wider community development. These initiatives give Nespresso consumers access to rare coffees and contribute to a more resilient future for farming communities.

## Cafecito de Cuba: rediscovering quality with character

Cuba has produced some of the greatest Arabica coffee in the world. With fertile soil and ideal climate conditions, the country offers an excellent coffee growing environment. In recent decades, Cuban coffee has not been available in commercial export volumes. In 2015, Nespresso started to explore the opportunity to strengthen trade relations with the smallholder coffee sector in the east of the country.

Cafecito de Cuba was launched as the first coffee from Cuba available in the US market for over 50 years, after the opening up of commercial links between the countries. At the end of 2016, Nespresso initiated a plan to support the development of sustainable coffee farming practices for smallholder farmers. This benefits both the farmers and their communities, as well as making the exceptional character of Cuban coffee available to consumers around the world.

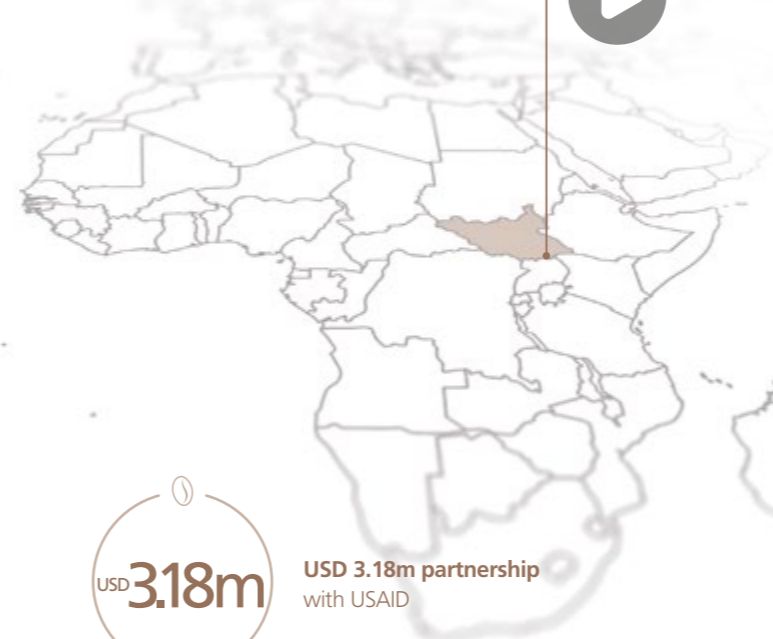
## What's next

Contribute to the post-conflict settlement in Colombia with the launch of the Grand Cru, Aurora de la Paz

## Suluja ti South Sudan: reviving rare coffees

South Sudan's coffee industry was largely destroyed during 40 years of civil war. Part of the "cradle of coffee", it is one of the only places in the world where Arabica and Robusta coffees grow in the wild. Encouraged by George Clooney – himself heavily engaged in the development of the region – Nespresso partnered with TechnoServe and the Ministry of Agriculture of the Republic of South Sudan to revive high quality coffee production in the country. The work began in 2011 and by the end of 2013, the country's first coffee cooperatives were established and the first three wet mills constructed. In October 2015, with the launch of the Grand Cru Suluja ti South Sudan, Nespresso became the first roaster to offer South Sudanese coffee to consumers abroad. Despite the recent developments and return to armed conflict in the region, we continue to be committed to the revival of the coffee sector.

### SOUTH SUDAN, THE BOMA REGION: CRADLE OF COFFEE



USD 3.18m  
USD 3.18m partnership with USAID

>2,000  
We aim to enroll over 2,000 smallholder farmers in the AAA Program by 2020

*"I was moved by your work in South Sudan. It's the only good news I've heard from there for a while."*

Sharon Waxman, President, Fair Labor Association (FLA)



The United States Agency for International Development (USAID) has contributed to a number of Nespresso projects in the areas of community resilience and economic development in Colombia.

In 2016, they signed a three-year partnership for USD 3.18 million with Nespresso and TechnoServe to strengthen efforts to rebuild the coffee industry in the new country of South Sudan.

usaid.gov



Jennifer Poni receiving the Nespresso Sustainability Award from Patrice Bula, Executive Vice President at Nestlé

## A closer look at Jennifer Poni

Agronomist Jennifer Poni is a leader in South Sudan's coffee industry and a trailblazer for women farmers in her community. Having fled the war in the 1970s, she is now the first AAA agronomist in South Sudan, working with TechnoServe, teaching best practices such as stumping and pruning. She shows farmers – and in particular women in the community – how they can reap the rewards of sustainable coffee growing.

## MONITORING AND EVALUATION TOOLS AND TECHNOLOGY FACILITATE THE MONITORING AND STEERING OF AAA IMPACT

Since 2009, Nespresso has been engaged in better understanding the effects of the AAA Program. In 2015, a comprehensive “Theory of Change” was developed to define the pathway between field activities and long-term impact.



Interactive data reporting from F.A.R.M.S. used by management

A monitoring and evaluation tool provides third party verification of AAA progress as well as insight into the critical drivers of change.

### Our management system provides feedback and insight on AAA impact

The activities at AAA farm level (including commercial transactions, agronomist visits and farm assessments) are consolidated in a management system named F.A.R.M.S. (Farm Advanced Relationship Management System). When visiting farmers, AAA agronomists use the mobile application of F.A.R.M.S. The interface provides an at-a-glance status of the farm including objectives, achievements, performance and the agronomist’s previous review. This information is accessible globally and provides a consolidated status of the AAA Program’s deployment.

Since the end of 2015, the farm assessment by AAA agronomists has been complemented with data collected by the Sustainable Agricultural Network (SAN), into a consolidated monitoring and evaluation tool (M&E). Developed together with the Rainforest Alliance and CRECE, the M&E tool helps qualify the underlying drivers of change and integrates new insights across the coffee supply chain.

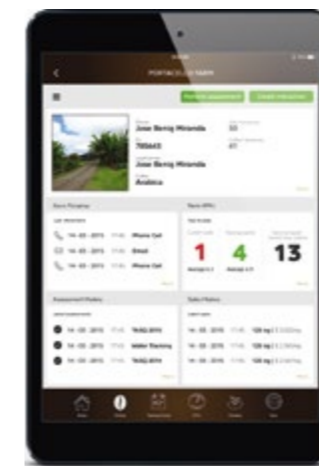
Around 140 data points per farm are monitored to report the performance of the AAA Program in five areas: coffee quality and farm productivity, social wellbeing, environmental protection, farmer livelihood and satisfaction. Following a pilot phase in two regions of Colombia in 2015, the tool has been deployed in Latin America and Asia.

### What’s next

- Build carbon footprint related data into the M&E tool
- Align the methodology of reporting AAA volume and progress in Africa with Latin American and Asian reporting

### Fair treatment compliance is a critical foundation of AAA

The Tool for the Assessment of Sustainable Quality, TASQ™ incorporates as pre-requisites, critical practices regarding fair treatment such as harassment, child labour, minimum wage, and freedom of association. Failure to comply at any point in time with any of these criteria triggers an alert within the F.A.R.M.S. and a mitigation plan is put in place by a specific taskforce. After non-compliance is assessed and confirmed, farmers or wet mills are given 90 days to resolve the issue, with another assessment undertaken within this period to re-verify compliance. If this is not achieved, farms are excluded from the AAA Program.



A farm’s performance scorecard – available to agronomists via the F.A.R.M.S.

**Fair Labor Association (FLA)** has been instrumental in reviewing the social criteria of TASQ™, our farm assessment tool. Moreover, the organisation also developed all methodologies relating to the implementation of the social module. The president of Fair Labor Association is a board member of the Nespresso Sustainability Advisory Board (NSAB).

fairlabor.org

*“Since 2009, Nespresso has put effort into building a comprehensive and robust monitoring and evaluation system using advanced technology.”*

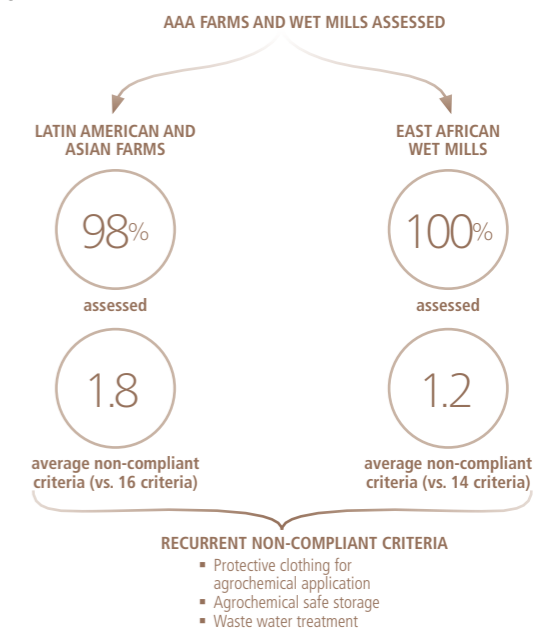
Carlos Ariel Garcia, Project Coordinator, CRECE

### Progress report on the AAA Program

#### 2016 ACHIEVEMENTS Volume traceability



#### Compliance vs. socio-environmental criteria



THE SCOPE OF THE AAA PROGRAM  
**OVER 70,000 FARMERS  
 ARE PART OF THE AAA PROGRAM**

*“The efficiency of AAA is that it offers a global framework adapted to local challenges.”*

Paulo Barone, Head of AAA operations, Nespresso

**MEXICO**  
 SINCE 2004  
 >1,300 FARMERS  
 ≈3,800HA

**GUATEMALA**  
 SINCE 2005  
 >880 FARMERS  
 ≈6,500HA


**COSTA RICA**  
 SINCE 2003  
 >3,700 FARMERS  
 ≈22,400HA

**NICARAGUA**  
 SINCE 2009  
 ≈60 FARMERS  
 4,800HA

**COLOMBIA**  
 SINCE 2004  
 >37,800 FARMERS  
 ≈63,200HA

**BRAZIL**  
 SINCE 2005  
 >2,600 FARMERS  
 ≈133,000HA

**PERU**  
 SINCE 2014  
 ≈100 FARMERS  
 ≈1,700HA



Arnoldo maintains his family-run farm, where he grows a small assortment of Arabica coffee varieties, such as Bourbon, intercropped with other plants such as citrus and shade trees. Since 2011, he has held a leadership role as manager of an association of around 70 coffee farmers in the area.

Arnoldo Cifuentes Matías  
 AAA Farmer in Guatemala, Huehuetenango  
 Farm size: 2ha  
 Joined AAA in 2014

**SOUTH SUDAN**  
 SINCE 2015  
 >700 FARMERS  
 ≈420HA

**ETHIOPIA**  
 SINCE 2012  
 >14,600 FARMERS  
 ≈3,900HA

**KENYA**  
 SINCE 2014  
 >7,400 FARMERS  
 ≈2,000HA

**INDIA**  
 SINCE 2011  
 >1,300 FARMERS  
 ≈32,000HA

**INDONESIA**  
 SINCE 2014  
 >970 FARMERS  
 ≈1,070HA



Since starting to work with Nespresso, Isaya has used the revenue from coffee to pay school fees, cover hospital bills and hire farm labour. He also used his 2014 harvest earnings to invest in a brick-making business, as he plans to create a more diverse and secure income for his family.

Isaya Lokolong Latiyo  
 Coffee Farmer in South Sudan, Yei  
 Farm size: 2.5ha (1ha of coffee)  
 Joined AAA in 2014



Titin is considered a leader within the farmer group of her cluster (with 49 farmer members). Thanks to her pioneering spirit, she has inspired other women to become independent farmers and to improve farmer livelihoods. She has been awarded by the cluster with the “Women Pioneer Coffee Farmer Award 2015”.

Titin Uhan  
 AAA Farmer in Indonesia  
 Farm size: 2ha  
 Joined AAA in 2014




AAA has helped Diogo transition from a family farm to a business farm with specific goals. This included the cultivation of specialty coffees, preserving the environment and satisfying the people involved, from his employees to the final consumer.

Diogo Dias Teixeira de Macedo  
 AAA Farmer in Brazil, Vale do Grama  
 AAA Farm size: 596ha (220ha of coffee)  
 Joined AAA in 2009





## ALUMINIUM

OUR CHOICE OF ALUMINIUM REQUIRES  
ENGAGEMENT IN SOURCING  
AND RECYCLING

How does *Nespresso*  
unlock solutions for  
the circular use  
of aluminium?

WHAT REALLY MATTERS

# ALUMINIUM HAS THE POTENTIAL TO BE AN ICON FOR SUSTAINABLE CONSUMPTION

To protect the flavours and freshness of our highest quality coffees from the adverse effects of light, air and humidity, aluminium is the best material available today. Moreover, it is robust, yet lightweight, and can be infinitely recycled.

Our decision to use this material for our capsules is sometimes questioned. We therefore recognise our responsibility to continue to invest in and promote its sustainable usage.

Together with IUCN and other partners, Nespresso initiated the aluminium industry's first global standard regarding traceability and socio-environmental performance. And alongside a range of local partners, we invest in dedicated recycling channels as well as collective schemes, to unlock circular solutions with the aim of achieving sustainable consumption.



*“The future will be about innovation towards a circular economy.”*

Peter Bakker, President and Chief Executive Officer, World Business Council for Sustainable Development (WBCSD)



75% of the aluminium ever produced is still in use today

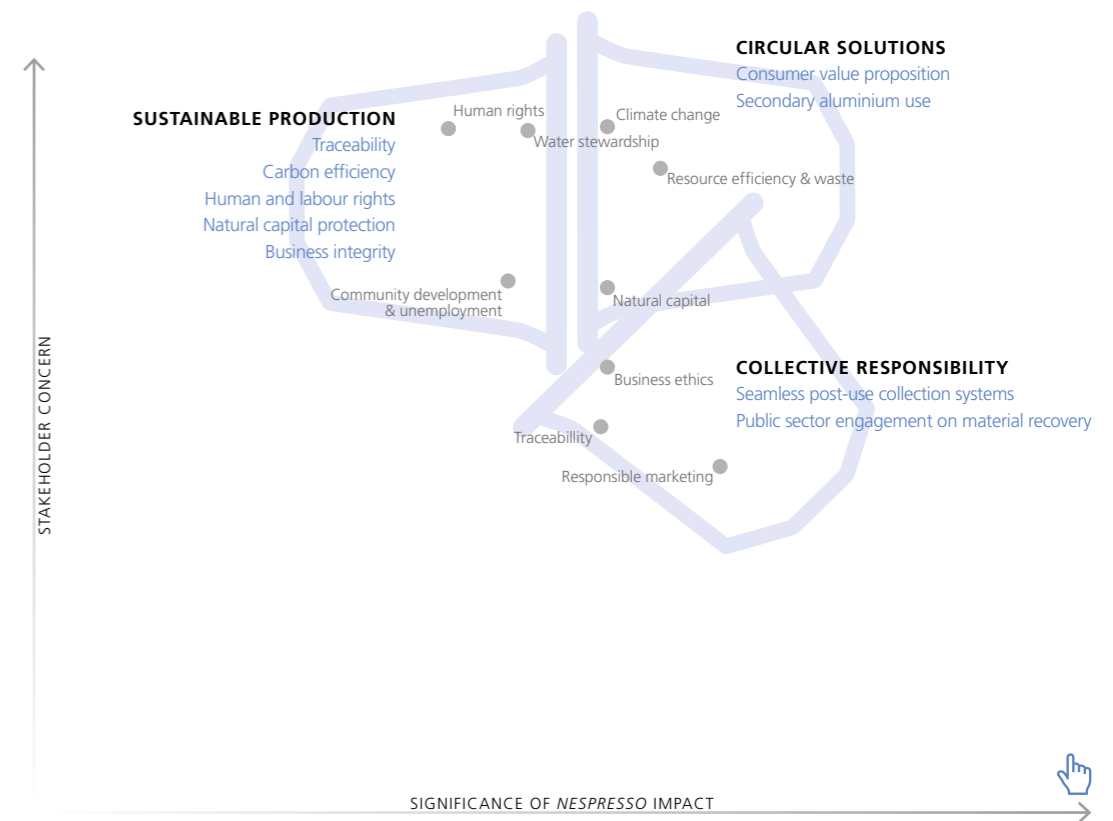


67% is the energy saving of using sustainably mined and refined (ASI) aluminium

## What really matters

To promote sustainable production and the circular use of aluminium

Our aluminium capsules have become iconic as a hallmark of design and quality. Using the materiality assessment as a basis, we are working proactively with civil society and supply chain stakeholders to tackle the upstream challenges of sustainable aluminium production, for the primary aluminium we use. Equally, we work at national and municipal level to maximise the circular potential of capsules after use thereby increasing secondary aluminium use.



## Our 2020 ambition and goals

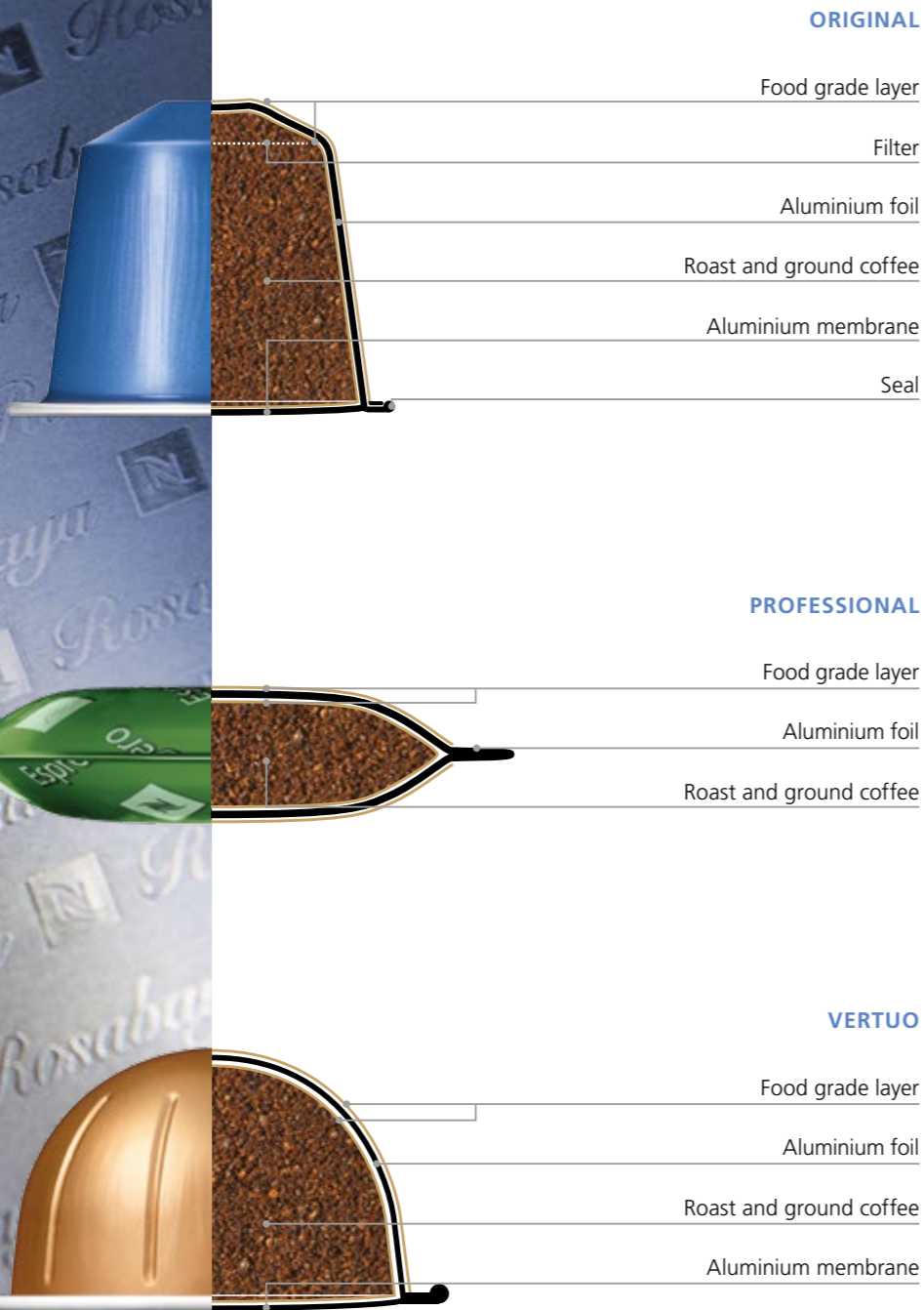
End to end sustainably managed aluminium

	2016 achievements	status
Offer convenient recycling solutions to all our consumers	86% collection capacity	●
Continue to increase capsule recycling rate Unlock the circular use of aluminium	+9 pp (vs. 2009) Capsule to capsule supply chain in place	●
Source "ASI certified" aluminium towards 100%	ASI Performance Standard now available	●

● Achieved ● On track for 2020 ● Not on track for 2020



THE BENEFITS OF ALUMINIUM  
**ALUMINIUM PROTECTS AROMAS AND FLAVOURS AND IS INFINITELY RECYCLABLE**



Aluminium foil used for the capsule membrane

*“Aluminium is a sustainable and even permanent material – it is produced, used and endlessly recycled without losing its intrinsic and valuable properties.”*

Maarten G. Labberton, Packaging Director, European Aluminium Association

**Aluminium keeps coffee fresh**

Aluminium has been widely used for decades to wrap sensitive food products such as butter, chocolate, roast and ground coffees. It's ideally suited as it prevents exposure to oxygen, moisture and light, which would degrade the quality of our coffees. More generally, it protects any food from degradation, reducing waste.

In our capsules, the coffee is not in direct contact with the aluminium foil due to a food grade protection. Therefore, aluminium can never migrate into the cup during the brewing process.

**Aluminium is infinitely recyclable**

Aluminium offers usage versatility and performance. As a result of its intrinsic characteristics of robustness and recyclability, 75% of the aluminium ever produced is still in use today. Aluminium “lightweights” transport to reduce fuel consumption and resists corrosion to last for decades in the construction and automotive industries, in solar panels and more. No matter how long it is used for, recycled aluminium retains the same technical properties as primary aluminium.

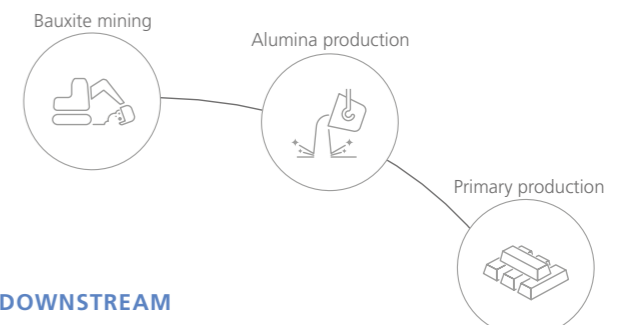
Investing in effective recycling systems at scale and engaging with the public is critical to make the most of these properties.

**Aluminium remains our preference for quality and sustainability**

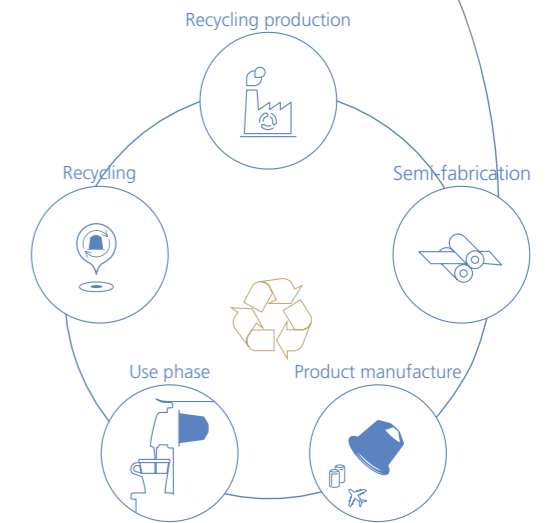
Nespresso uses aluminium because it embodies both functional and environmental attributes. It protects the aromas and flavours of our coffees to ensure every cup is of consistent quality. And it's not just recyclable but infinitely recyclable. We choose to continue to use this material and commit to actively contributing to the creation of a responsible aluminium supply chain, as well as implementing material stewardship principles in our business.

**A closer look at the aluminium supply chain**

**UPSTREAM PRIMARY PRODUCTION**



**DOWNSTREAM MANUFACTURING/RECYCLING**



86% of the carbon footprint of aluminium occurs between mining and production



Producing aluminium from already-used aluminium saves energy by 95%

## OUR APPROACH TO ALUMINIUM STEWARDSHIP THE ALUMINIUM STEWARDSHIP INITIATIVE (ASI) DRIVES THE RESPONSIBLE AND TRACEABLE SOURCING OF ALUMINIUM

In 2009, Nespresso approached the International Union for the Conservation of Nature (IUCN) to trigger the development of a global standard for sustainable aluminium production and sourcing. The resulting partnership inspired 13 other companies and 14 civil society and stakeholder organisations to get involved (2013-2014) to create what is now known as the Aluminium Stewardship Initiative.

The formation of ASI has led to the development of a certification program, designed to address the challenges within the aluminium sector and to generate positive impacts on communities, biodiversity and climate. The ASI Performance Standard and ASI Chain of Custody Standard form the core of the certification program. Nespresso representatives currently serve on the ASI Board and the Standards Committee.



### Lower carbon footprint of “ASI certified” aluminium

Due to its energy intensity, the production of primary aluminium from bauxite has a high carbon footprint. Materials Stewardship and Greenhouse Gas Emissions (Principles 4 and 5 of the ASI Performance Standard) will play a key role in reducing the carbon footprint of ASI aluminium – which in turn will result in the reduction of the carbon footprint of a Nespresso capsule. Principle 4 ensures that aluminium production scraps and after-use products will be managed to produce aluminium, while avoiding bauxite from mining impacts and energy usage. Principle 5 commits companies – specifically primary aluminium companies – to reduce and limit their GHG emissions from a life cycle perspective.

### “ASI certified” means biodiversity conservation in mining

The ASI compliant companies in mining have committed to managing biodiversity impacts (Principle 8). This requires them to:

1. Avoid and minimise the negative impacts of mining activities
2. Undertake on-site rehabilitation and restoration where feasible
3. Fully compensate for any residual impacts, such that no overall biodiversity loss results from a development project

ASI companies have also committed to never undertaking development within World Heritage sites.

### “ASI certified” means human rights respected upstream in the value chain

Topics relating to human rights are highly material in the mining and industrial sectors of aluminium. The ASI Performance Standard embeds three principles related to human rights.

Emissions, Effluents and Waste (Principle 6) commits companies to minimise emissions and effluents that have adverse effects on people or the environment and to manage waste effectively – in accordance with the waste mitigation hierarchy. Human Rights (Principle 9) commits companies to take appropriate action to assess, prevent and remedy potential adverse impacts on human rights – in-line with international protocols. Labour Rights (Principle 10) commits companies to provide workers with decent work and to treat them with dignity and respect, in-line with ILO conventions.

### “ASI certified” will provide full transparency and traceability of the aluminium in our capsules

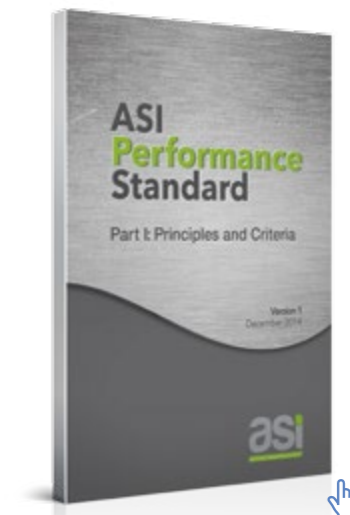
Until now, our suppliers have been assessed against SMETA 4-Pillars (Sedex Members Ethical Trade Audit). These cover national compliance and best practice in labour, health and safety, and environmental and business ethics practices. By the end of 2015, our direct capsule suppliers had achieved full SMETA compliance (Tier 1). The ASI certification program will enable compliance with a wider scope of sustainable practices in the value chain and lead to improved transparency and traceability up to the bauxite mining phase.

### What's next

- ASI to launch the full certification program by the end of 2017
- Nespresso to encourage suppliers to self-assess their performance against the ASI Performance Standard
- Nespresso to source “ASI certified” aluminium towards 100% by latest 2025

*“ASI has raised the bar for multi-stakeholder collaboration on end to end material management.”*

Giulia Carbone, Deputy Director, Business and Biodiversity Programme, IUCN



### A closer look at ASI Principles

The ASI legal entity was created in 2015 as an independent, multi-stakeholder, membership-based organisation with a mission to collaboratively foster responsible production, sourcing and stewardship of aluminium. Civil society organisations have joined ASI as members to help build the program to ensure it is credible and rigorous. 11 principles underpin the ASI Performance Standard which will be complemented by the ASI Chain of Custody Standard.

- GOVERNANCE
  - ① Business Integrity
  - ② Policy and Management
  - ③ Transparency
- ENVIRONMENT
  - ④ Material Stewardship
  - ⑤ Greenhouse Gas Emissions
  - ⑥ Emissions, Effluents and Waste
  - ⑦ Water
  - ⑧ Biodiversity
- SOCIAL
  - ⑨ Human Rights
  - ⑩ Labour Rights
  - ⑪ Occupational Health and Safety

Discover more at [aluminium-stewardship.org](http://aluminium-stewardship.org)

Aluminium blocks from collected capsules to be recycled, Switzerland

CAPSULE LIFE CYCLE MANAGEMENT  
**RECYCLING IS A COLLECTIVE RESPONSIBILITY TO UNLOCK THE VALUE IN ALUMINIUM**



The recycling at home solution in Switzerland

THE POSITIVE CUP

*Nespresso's first capsule recycling initiative began in Switzerland in 1991. Ever since, we have been developing partnerships and driving initiatives that fit the context of the markets in which we operate.*

**Nespresso and the local infrastructure build capsule collection capacity**



Collaboration between Nespresso, policymakers and local municipalities provides the capacity for capsule collection i.e. the capacity to collect capsules after use in a way that is convenient for consumers. In certain countries (e.g. Germany, Sweden and Finland) consumers simply dispose of their capsules in the same way they do for other household packaging – via the relevant Packaging Recovery Organisation (PRO) scheme. In countries where this is not yet feasible, Nespresso partners with and incentivises the relevant PRO to collect and recycle the capsules. Where neither of these options is open to us, we have established ad-hoc collection options in Nespresso boutiques, and across various pick-up points and local waste centres. We also partner with postal services or courier companies to collect used capsules directly at home. Collective capsule collection systems make both environmental and economic sense – they improve the circular use and re-use of materials such as aluminium and are more cost effective solutions on a cost per collected capsule basis.



In 2016, Nespresso spent CHF 24.6m on collecting and recycling capsules – an increase of CHF 6.3m over 2015



Since 1993, Nespresso has been working with **Duales System Deutschland (DSD)** in Germany to access the collective system for capsule recycling. DSD has been an important advocate and ambassador for the collection of small metal packaging materials, and more broadly for a new circular economy. This has enabled Nespresso to benefit from an aluminium packaging recovery system which generates a high 85% recovery rate in the country.

[gruener-punkt.de](http://gruener-punkt.de)

G4-12, G4-EC7, EN-28, EN-31, EN/EM-G4-DMA, EN/MA-G4-DMA, EN/OV-G4-DMA, EN/SEA-G4-DMA, G4-EN2 EN/EN-G4-DMA, G4-EN/PS-G4-DMA

**“In Germany, Nespresso capsules can be put into household recycling bins. Modern technology can sort out the capsules for aluminium recycling.”**

Dr. Markus van Halteren, Managing Director, “Der Grüne Punkt” Duales System Deutschland

**56% of our used capsules are valorized**

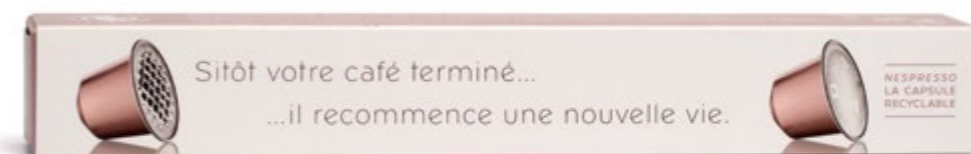
Approximately 56% of Nespresso capsules sold today are used to create value after consumption. Almost half of these are recycled directly. The remainder are valorized to generate energy, and the aluminium from almost half of those capsules is subsequently recycled.

Our focus is on continuing to increase capsule collection capacity as well as informing consumers on how to recycle their used capsules. The combination of these actions will translate into improving the circular use of aluminium.

**Capsules can become new capsules**

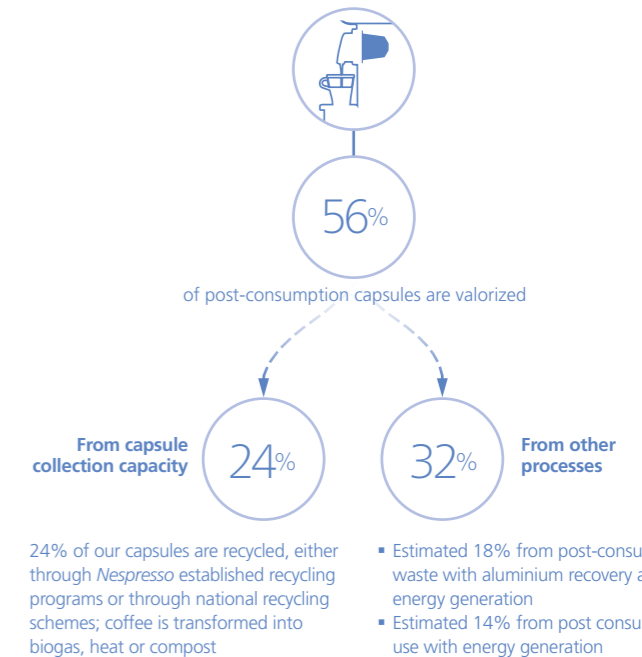
The recycled aluminium which is most suitable for the manufacture of Nespresso capsules is the aluminium from used Nespresso capsules, which are made from the same specific alloy. Therefore, wherever capsule collection channels exist – and it makes environmental and economic sense – we promote a circular approach to the management of used Nespresso capsules.

In 2013 we began piloting the feasibility of this capsule-to-capsule approach, which became operational in 2015, and has led to the production of 10 million capsules. Whilst the volume is still limited, this initiative has been widely publicised on-pack to draw our consumers’ attention to the benefits of the circular use of materials and recycling.



**Progress report on used capsule valorization**

**2016 ACHIEVEMENTS**



**What's next**

- Drive the recycling rate of capsules in line with the increased target of the EU Circular Economy Package, through extended collective collection systems
- Implement independent third party verification tool for capsule collection capacity and recycling rate

# THE SCOPE OF OUR RECYCLING ACTIONS PRACTICAL LOCAL SOLUTIONS HELP OUR CLUB MEMBERS TO RECYCLE CAPSULES

*“When I discovered I could recycle the capsule, I bought a machine.”*  
Nespresso Club Member, France

**USA**  
RECYCLING IN PLACE SINCE: 2010  
COLLECTION CAPACITY: 100%  
KEY PARTNER: UPS  
INCREASE OF RECYCLING RATE VS. 2015: +4PP



Judith is the Technical and Quality Director of Nespresso USA. Together with her team, she has reached a 100% recycling capacity rate in the USA. Customers can recycle their capsules either through a UPS mailback program or by dropping off capsules at Nespresso boutiques or selected retail partners. In addition, the team is always looking for new ways to recycle the capsules to make it as convenient as possible for consumers.

**SWITZERLAND**  
RECYCLING IN PLACE SINCE: 1991  
COLLECTION CAPACITY: 100%  
KEY PARTNER: BAREC  
INCREASE OF RECYCLING RATE VS. 2015: +8PP



25 YEARS CELEBRATION OF RECYCLING CONSUMER CAMPAIGN



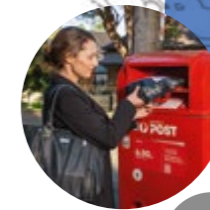
Katarzyna is the Sustainability Manager of Nespresso France. With the support of the market head, she established the CELAA, a group committed to the recycling of small aluminium and steel packaging in collaboration with Eco-Emballages, the national framework organisation for collective recycling in France. Consumers are encouraged to use the collective system via a communication campaign named "Trop Facile" (too easy).



**FRANCE**  
RECYCLING IN PLACE SINCE: 2008  
COLLECTION CAPACITY: 91%  
KEY PARTNER: ECO-EMBALLAGES  
INCREASE OF RECYCLING RATE VS. 2015: EQUAL



Marta is the Technical Quality Manager for Australia. Together with her team and the marketing team, she has developed recycling solutions with Australia Post, enabling consumers to post their used capsules back to Nespresso for recycling.



**AUSTRALIA**  
RECYCLING IN PLACE SINCE: 2010  
COLLECTION CAPACITY: 100%  
KEY PARTNER: AUSTRALIA POST  
INCREASE OF RECYCLING RATE VS. 2015: +2PP



86% global collection capacity, with a target of 100% for 2020



33 The number of Technical Quality Managers overseeing recycling solutions worldwide

- Countries with a collective collection system
- Countries with both dedicated and collective collection systems
- Countries with a dedicated collection system



## CLIMATE

CLIMATE CHANGE DEMANDS  
INTEGRATED ACTIONS TO ENSURE  
SUSTAINABLE QUALITY COFFEE

How does *Nespresso*  
contribute to  
global actions on  
climate change?

## WHAT REALLY MATTERS COFFEE CULTIVATION DEPENDS ON A STABLE CLIMATE

The effects of climate change are becoming apparent in coffee producing regions. We take this seriously, acknowledging the fact that every cup of coffee has a footprint. Life cycle assessment steers our efforts to reduce the main drivers of this footprint – from aluminium stewardship to coffee machine design to sustainable coffee production. We also work continuously to improve the environmental performance of our factories and boutiques. On AAA farms, agroforestry is proving an important part of the solution for climate change adaptation. The carbon sequestration of the planted trees helps to further mitigate the footprint of every cup of Nespresso.

Members of the Nespresso and Pur Projet teams visiting an agroforestry model farm in Coorg AAA cluster, India

*“With no action on climate, many coffee producing regions will lose suitability for cultivation of Arabicas by 2050.”*

Dr. Aaron Davis, Senior Research Leader, UK Royal Botanic Gardens



3%, the share of Nespresso's operations (Scope 1 and 2) in the carbon footprint of a cup of Nespresso (Quantis, LCA 2013)

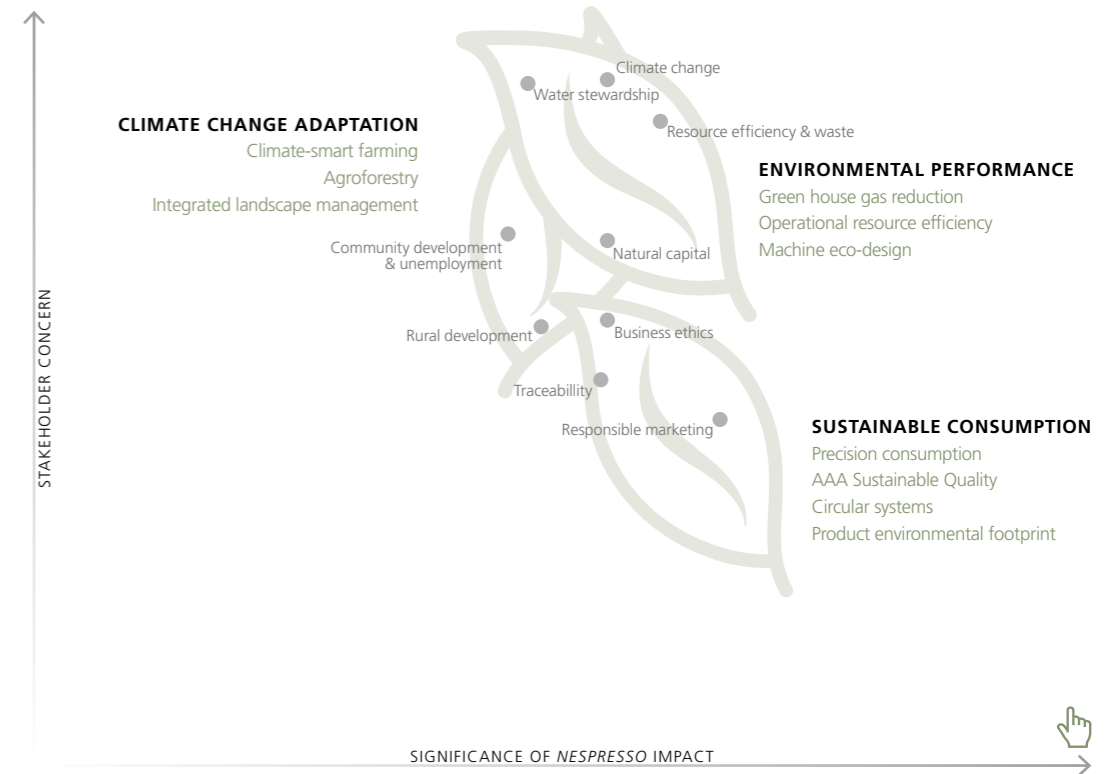


At least 65% of Arabica volume at risk with climate change

### What really matters

To take consistent action in our value chain to address the causes and consequences of climate change

The regions where we source our highest quality coffees are particularly vulnerable to the adverse effects of climate change. That's why, using the knowledge gained from our materiality assessment, we are working together with farmers and other partners to build resilience into AAA farming landscapes. Equally, we recognise our responsibility to continuously improve the environmental performance of a Nespresso cup of coffee. We are also involving our Club Members in the value of carbon neutral and sustainable quality coffee.



### Our 2020 ambition and goals

Integrated actions on climate change

	2016 achievements	status
Reduce the carbon footprint of a cup of Nespresso by 28% vs. 2009	-19.4%	🕒
Inset 100% of our company's operational carbon footprint (Scope 1 and 2 GHG emissions equivalent to the global volume of capsules sold)	100% inset	●
Strengthen coffee landscape resilience through extensive tree planting towards 5 million	1.4 million trees planted	🕒

● Achieved 🕒 On track for 2020 🕒 Not on track for 2020

LIFE CYCLE ASSESSMENT  
**LIFE CYCLE ASSESSMENT STEERS OUR APPROACH TO CARBON EFFICIENCY**

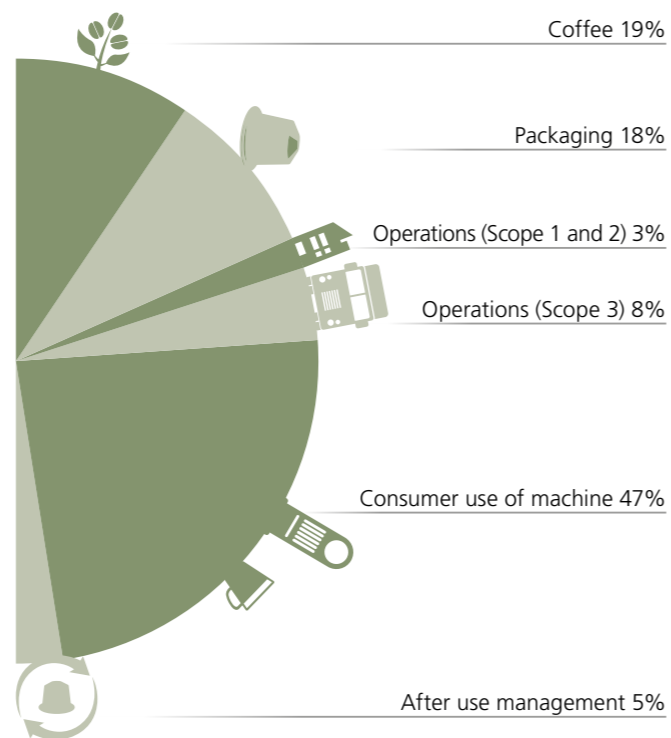
Life Cycle Assessment (LCA) is a recognised tool used to identify and quantify the key environmental impacts of a product. We use this methodology primarily to support our decisions on carbon mitigation actions, as well as to compare the environmental performance of different modes of coffee preparation in a consistent way.



**Portioned coffee, a precise consumption**

It is often assumed that portioned coffee is a poor choice for the environment. However, independent research shows this not to be the case. Most of the environmental impact of a cup of coffee is in Scope 3 – the sourcing of the coffee and the energy used in preparation. When a comparative life cycle assessment of different preparation and consumption options is made, the environmental performance of portioned coffee can actually be the same or even greater than that of other roast and ground solutions. Because some filter coffee preparation heats more water than is needed and makes more coffee than is consumed, the footprint per cup can be higher. In these cases a cup of Nespresso may have a better environmental performance. The precise portioning and on-demand preparation mean that comparatively less coffee and less energy is required per cup. This “precision consumption” is important in that even with the packaging required for portioning, the impact of coffee and energy used is reduced. The overall footprint is further improved when the portion packaging is recycled or otherwise valorized after use.

**LIFE CYCLE ASSESSMENT OF A CUP OF NESPRESSO**  
 Expressed in % CO<sub>2</sub> eq. per cup (Quantis, LCA 2013)



**Our carbon mitigation actions**

All the initiatives outlined in this report – from AAA coffee sourcing to aluminium sourcing and usage, to machines and operations – contribute towards carbon reduction. However, these reductions alone will not deliver The Positive Cup vision. That’s why in addition, we are actively investing in projects in our AAA supply chain that can create further positive impacts, including generating carbon credits. This is called *insetting* and, as a first step, we are investing in agroforestry as a means to deliver it. This involves the planting of native species of trees in and around AAA coffee farms – equivalent to Nespresso’s Scope 1 and 2 emissions.



Maria Ramirez, wife of AAA farmer Marcos Gabriel Ruiz, participating in the agroforestry insetting project in Guatemala

**A closer look at Life Cycle Assessment (LCA)**

LCA is a methodology which enables the evaluation of the environmental performance of a specific product’s consumption. Within LCA, Nespresso has chosen the carbon indicator to guide integrated and consistent actions on climate change. Although the LCA approach is framed as per ISO 14040, there is a certain flexibility in its application, use of assumptions and no standardised inclusion of certain steps of the value chain. Nespresso has applied conservative assumptions for calculating the environmental performance, in line with Nestlé guidelines. As we collect actual data, the accuracy of the product’s carbon footprint is improved, enabling more focused actions.

*“A cup of Nespresso coffee can result in a lower environmental footprint than other ways of consuming coffee.”*

Sébastien Humbert, co-founder Quantis

**Progress report on carbon mitigation**

**REDUCING THE CARBON FOOTPRINT OF A CUP OF NESPRESSO**  
 (Scope 1, 2 and 3 GHG emissions)



**INSETTING THE COMPANY’S OPERATIONAL CARBON FOOTPRINT**  
 (Scope 1 and 2, equivalent to the global volume of capsules sold since 2015)



We started to work with Quantis in 2005 to conduct our first product life cycle assessment. This helped us to understand the intrinsic benefits of precise and on demand preparation as well as to identify opportunities for further improvement of environmental performance.

quantis-intl.com

**What’s next**

- Carbon reduction target to be achieved latest 2021, due to delayed “ASI certification” and the need for carbon footprint M&E of AAA farms
- Define post 2020 science-based goals in line with COP21
- Review the LCA methodology incorporating the latest European “Product Environmental Footprint” knowledge for the carbon roadmap post 2020

THE ENVIRONMENTAL PERFORMANCE OF OUR OPERATIONS  
**OUR FACTORIES, DISTRIBUTION AND BOUTIQUES ARE SUBJECT TO CONTINUOUS ENVIRONMENTAL PERFORMANCE IMPROVEMENTS**

Our three factories are located in Switzerland while our network of boutiques span 63 countries. Together these areas are relatively small contributors to our overall environmental impact. However, as they are under our direct control, we strive to reduce these impacts even further.

We seek to enhance environmental performance in every way we can – through the reduction or reuse of the resources we consume.

**Our logistics team explore and implement evolving best practices**

To transport green coffee from port warehouse to production centre, we only use rail transport. We also continue to explore ways to improve the environmental performance of our supply and distribution network. 20 initiatives have been identified which will contribute to our carbon mitigation roadmap, including: an extension of the rail solution beyond Switzerland, the optimisation of pallet content in containers, and the use of non-fossil combustibles by our transport providers.



**Boutiques build on LEED/BREEAM certification learnings**

Building on the learnings of BREEAM certification in our Munich boutique and LEED certification in our San Francisco boutique, we collaborated with consulting agency ESA, to establish a performance scorecard for boutiques in 2015. As well as incorporating best practice guidelines on waste management, the scorecard will help identify areas for improvement in water, energy consumption and the sourcing of materials.

**What's next**

- Define a renewable electricity procurement roadmap globally
- Enlarge the scope of zero waste to landfill, to distribution centres and boutiques
- Expand our biogas approach to include our capsule recycling partners

**The environmental performance of our factories improves even as production volumes grow**

Although our three Nespresso factories are relatively modern, we continue to explore opportunities for even greater resource efficiency.

The recovery of rainwater and rinsing water has led to a 27% reduction in “drinking” water consumption per ton of product manufactured. Our zero waste to landfill target was reached in 2014. In 2016, 96% went to recycling channels while 4% was incinerated, resulting in energy recovery.

Electricity consumption in our manufacturing sites is managed using best practices: the recovery of heat during manufacturing, the use of gravity, the use of natural lighting or LED, and photovoltaic panels installed on factory roofs. The net energy recovery can directly benefit local households as our factories are connected to the grid.

Environmental performance data for our factories is aggregated within Nestlé’s reporting, for external ratings like [CDP climate change](#), [CDP water](#), and Dow Jones Sustainability Index.



The Biogas plant of Henniez, Switzerland

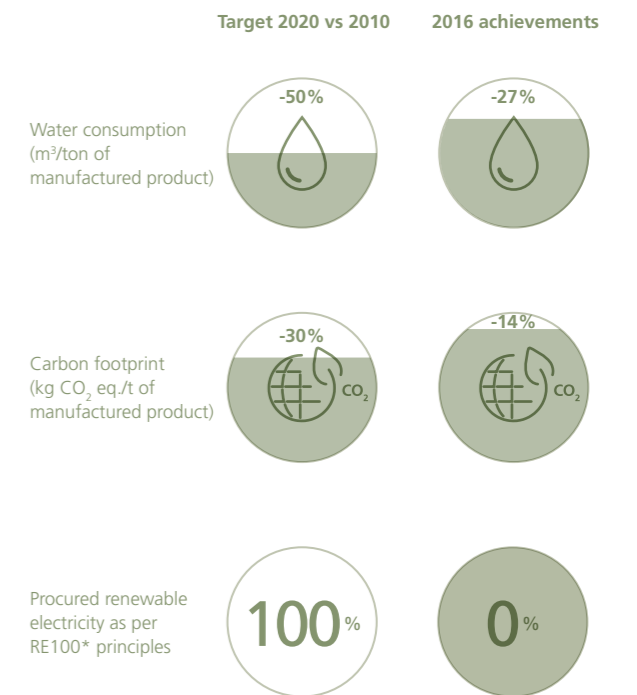
**A closer look at**  
 how coffee grounds generate electricity

Since 2016, the coffee ground waste from our factories and recycled capsules in Switzerland, has been processed at the Henniez biogas plant in Switzerland. Representing more than 10% of the biogas fuel input by volume, the coffee grounds generate close to 60% of the output (2.1 million m<sup>3</sup> per year). The plant supplies electricity to the Henniez water bottling plant as well as the equivalent of 1,000 households’ electricity requirements, before being composted for the farming community. An energetic assessment has shown that one recycled capsule entering a biogas factory generates as much energy as the production of one capsule made from recycled aluminium.

*“We implemented a LEED certification for our third factory to assess and strengthen our environmental efficiency.”*

Daniele Jungling, Global Head of Operations, Nespresso

**Progress report on**  
 factory environmental performance



\*RE100 is a global initiative of businesses committed to 100% renewable electricity



Solar panels on the roof of Nespresso factory, Romont, Switzerland



CIRCULAR AND ECO-DESIGN MACHINE  
**NESPRESSO MACHINES ARE DESIGNED TO BE ROBUST, REPAIRABLE AND ENERGY EFFICIENT**

Nespresso has reinvented the way millions of people worldwide prepare coffee with machines designed to deliver an exceptional cup, every time. Our range spans compact machines for home use to professional devices for the business, hospitality and travel industries. All of them integrate advanced technologies to manage the exact balance of water temperature, pressure, quantity and speed.



▲ Nespresso machine evolution over time

Together with our partners in machine design, Nespresso experts strive to not only meet the quality demands of our consumers but also to improve the environmental performance of our machines. The life cycle of machines is analysed to spur innovation in the three key areas of “Reduce, Reuse, Recycle”.

**Increased reliability and more compact machines**

Machine reliability is essential for achieving consumer satisfaction and loyalty, and reducing waste. Our technical department works closely with machine manufacturers to produce robust, well-functioning devices. Today, 10 times fewer machines are returned due to defects than five years ago. Over the past 12 years, newer designs has led to significant reductions in weight and volume. Launched in 2016, the Inissia machine is around half the weight and one-third of the volume of its equivalent early 2000 machine.

**Energy efficiency**

Thermo block improvement for energy efficiency

The energy consumption of our machine in-use is the biggest contributor to the carbon footprint of a cup. That's why since 2009, all Nespresso machines for private consumers save energy by switching to an automatic stand-by mode after just a few minutes of inactivity. Our professional machines, which brew coffees all day long, must remain ready-to-use for much longer. These feature an insulated water heater, which reduces energy consumption by 30%.

**Recycled materials for parts**

Recycled plastics

When there is no requirement to use virgin plastic, we aim to use post-consumer recycled plastics (PCR) to reduce demand on natural resources. In our latest innovations, the frame, capsule container, drip-tray and a number of other small parts are made with PCR – comprising 40% of the total weight of plastic.

*“From a technical perspective, durability is built into these machines, cup after cup, up to 9,000 times.”*

Marco Restelli, Global Head of Product Development, Nespresso

**Responsible supply chain**

Started in 2012, the assessment of all our direct machine suppliers against SMETA 4-Pillars (Sedex Members Ethical Trade Audit) has resulted in 92% compliance by the end of 2016. Mainly located in Europe, these suppliers are sourcing parts from Asian factories which will be assessed in the next phase.

**Refurbished machines can brew up to 15,000 cups**

Our machines are designed to brew at least 9,000 coffees – around 10 years with average use. Since defects are a part of life for any appliances, we have set up 250 after sales centres in key markets. When a consumer calls Nespresso to report a problem with their machine, we make an initial phone diagnosis which usually resolves it. If physical repair work is needed, we organise a pick up at home, sending it to one of our after sales centres. Within a week, the machine is repaired, descaled, cleaned and returned to the consumer, thereby lengthening its life.

We recently tested a new approach – refurbishing pre-owned machines to offer to consumers in exchange of their defective ones. This extends the lifetime of all coffee machines by two-thirds, creating a total lifetime brewing capacity of 15,000 cups.



**What's next**

- Secure SMETA compliance of Tier 2 suppliers by 2018
- Extend the refurbishment offer to four European countries



Final step of the machine refurbishment process

**A closer look at machine refurbishment for increased consumer satisfaction**

At the end of 2015, France and Canada introduced the refurbishment offer to consumers calling after-sales. Those with a defective machine receive an equivalent model with an extra six-month warranty the following day and can upgrade it with a minimum financial contribution. The defective machine is collected and, if repairable, is usually reintegrated into the refurbishment cycle. If not, it proceeds to end of life recycling. In France, 20% of consumers choose the refurbishment option and 80% of the machines returned have been refurbished and integrated back into refurbished stock. The remaining 20% were recycled.

**95% of the weight of our machines is recyclable**

When a machine is not repairable, it enters the recycling channel – either at a boutique or an official collection point for electronics in the relevant market. In principle, 95% of the weight of the machine is recyclable. However, current electronic recycling systems recycle only 60% of the weight. The materials recovered are potentially reused as new machine parts.

## AGROFORESTRY FOR CLIMATE ADAPTATION WE OPERATIONALISE AGROFORESTRY AS OUR NATURE-BASED SOLUTION FOR CLIMATE ADAPTATION

Extreme weather patterns are already causing significant damage to coffee communities while threatening the supply of the highest quality coffee our consumers expect. It's imperative to strengthen the resilience of farming communities by acting at source.



Irene Chapuel working in the Corsavida nursery providing shade trees for the agroforestry program in the Cauca region, Colombia

Our existing and ongoing contribution to renovation programs which create disease resistant coffee plants is now complemented by the more systematic deployment of an agroforestry and reforestation program. This agricultural best practice offers multiple benefits, integrating actions on the farm with those that impact the wider landscape.

### Our priority is climate resilience for coffee communities

Climate change is already affecting farmers all around the world, with adverse weather patterns and high incidence of disease resulting in decreases in quality and declines in productivity. Our role is to work with our partners and farming communities to maintain quality and productivity despite these adverse effects.

### The multiple benefits of agroforestry

Scientists have identified and researched a wide range of positive impacts of agroforestry at farm and landscape level, including carbon sequestration, water replenishment and pollinator habitat conservation. Given the complexity of comprehensive monitoring and evaluation processes, in the initial phase we have decided to focus on two environmental (soil quality, carbon sequestration) and one socio-economic (revenue diversification) indicator.

### Soil quality monitoring in Cauca, Colombia

Pur Projet collaborates with the Yale School of Forestry and Environmental Studies in the United States to assess the impact of agroforestry and reforestation on soil quality and fertility. Having defined and tested the scientific protocol in 2015, soil quality will be monitored over the next 10 years in the Cauca region of Colombia.

### Socio-economic study in Sidama, Ethiopia

Pur Projet collaborates with Harvard University to monitor the outputs of the agroforestry project for timber and fruit production, and to evaluate if they have an impact on a series of livelihood indicators including net income, food security, and self-sufficiency. Drivers such as access to markets and gender equity are also considered in the evaluation. After developing a monitoring and evaluation methodology, the baseline data was collected in 2016 and will be monitored yearly.

### Carbon sequestration monitoring

The Nespresso agroforestry projects are verified by a third-party against the standard "Solidarity Reforestation". The validation audits initially check that the projects are designed and developed according to best practices, and the carbon sequestration potential is assessed. Regular verification audits, which occur every three to five years over 30 years, confirm the carbon sequestration volumes on the basis of actual biomass monitoring.



### Our approach to financing

Nespresso is committed to fully financing the planting of trees in the AAA coffee supply chain, equivalent to our operational GHG emissions (Scope 1 and 2). Furthermore, we are piloting a carbon neutral value proposition for French consumers. We are making an additional investment to inset the carbon footprint of a cup of Nespresso, equivalent to the total number of Nespresso capsules sold in France. This financial commitment has leveraged co-investment from IDH (the sustainable trade initiative) and the World Bank Group.

Based on the knowledge gained over the initial two years of these projects, specifically the challenges of implementation undertaken with local communities, we have revised our goal to be towards five million trees planted by 2020.

### What's next

- Identify needs and opportunities for agroforestry within our sourcing operations
- Explore NSIF co-financing models

*"The benefits of trees go way beyond carbon – we've listed at least 100 social, economic and environmental benefits."*

Tristan Lecomte, Founder, Pur Projet



Pur Projet and Nespresso have been working together since 2013 to implement an extensive agroforestry program with the AAA coffee producers of three countries: Colombia, Guatemala and Ethiopia. The program aims to deliver insetting. Pur Projet is a co-founder of the International Platform for Insetting, a coalition of civil and private sector organisations committed to improving positive impacts through insetting.

purprojet.com



Arnaud Deschamps, Nespresso France, Tristan Lecomte from Pur Projet and other business leaders attending the launch of the IPI platform at COP21 in Paris

### A closer look at International Platform for Insetting



The International Platform for Insetting's mission is to be a catalyser to help develop and certify Insetting projects worldwide. It was launched at the Paris Climate Conference (COP21) in December 2015. In 2016, IPI developed a Standard to allow private sector organisations engaged in Insetting to have their programs and projects certified and registered. In May 2015, Nespresso joined as a founding member and given our strong belief in the benefits of an insetting approach, we volunteered our Agroforestry Program as a pilot for a more systemic governance and accreditation process. The details of the pilot are publicly available on the IPI website, registered using the blockchain technology.

insettingplatform.com

THE SCOPE OF OUR CLIMATE ACTIONS

**WE ARE INCREASINGLY CONNECTING OUR LOCAL AAA CLIMATE SOLUTIONS TO WIDER NATURAL CAPITAL COALITIONS**

*“We see, despite the size of the challenges, leading companies finding ways to internalise Natural Capital impacts.”*

Dean Sanders, Director, GoodBrand

**GUATEMALA**

AGROFORESTRY SINCE 2014  
 LOCAL IMPLEMENTER: PUR PROJET WITH ADESC AND FEDECOCAGUA  
 TREES: >290,000  
 FARMERS: >800  
 COVER EQ. IN HA: ~580



USD **5.7m**

USD 5.7m – Nespresso investment in climate actions (2014-2016)

**COLOMBIA**

AGROFORESTRY SINCE 2014  
 LOCAL IMPLEMENTER: PUR PROJET WITH FNC  
 TREES: >670,000  
 FARMERS: >2,700  
 COVER EQ. IN HA: ~2,150



RENOVATION PROJECTS WITH RESISTANT MATERIAL: 2008-2013

COALITION “MANOS AL AGUA”  
 TREES: >160,000  
 COVER EQ. IN HA: ~500



**INDONESIA**

AGROFORESTRY SINCE 2016  
 LOCAL IMPLEMENTER: OLAM  
 TREES: >63,000  
 COMMUNITY: >1,300 INDIVIDUALS  
 COVER EQ. IN HA: ~80



**ETHIOPIA**

AGROFORESTRY SINCE 2015  
 LOCAL IMPLEMENTER: PUR PROJET WITH BOKASSO COOPERATIVE  
 TREES: >150,000  
 FARMERS: >520

AGROFORESTRY SINCE 2016  
 LOCAL IMPLEMENTER: TECHNOSEERVE  
 TREES: >90,000  
 FARMERS: >5,000

CLIMATE SMART AGRICULTURE: TECHNOSEERVE AND THE BIOCARBON FUND INITIATIVE FOR SUSTAINABLE FOREST LANDSCAPES

**1m**

1 million trees to be planted with TechnoServe in Ethiopia and Kenya (2016-2018)

**BRAZIL**

COALITION: CERRADO DAS AGUAS



**A closer look at Manos Al Agua**

The “Manos al Agua” initiative is a five-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, 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 Cenicafe, 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). [manosalagua.com](http://manosalagua.com)



**Our partner**

Since 2007, the World Bank Group has been an active partner of the Nespresso AAA Sustainable Quality™ Program. Together with one of their institutions, the International Finance Corporation (IFC) and the coffee supplier ECOM, they collaborated on a five-year partnership in Central America to accelerate the implementation of the AAA Program and the Rainforest Alliance certification. In 2016, the World Bank Group, through the IFC and BioCarbon Fund, committed to a USD 6 million financial contribution to the AAA Program aimed at accelerating the adaptation of Ethiopian coffee farmers to climate change.

[ifc.org](http://ifc.org)  
[biocarbonfund-isfl.org](http://biocarbonfund-isfl.org)



# ABOUT THIS REPORT

▲ *Liliansa Franco, Colombian AAA agronomist, visiting the Nespresso Avenches Factory, Switzerland*

## MATERIALITY – METHODOLOGY

This is our first Creating Shared Value report, created “in accordance” with GRI’s G4 Sustainability Reporting Guidelines and the Food Processing Sector Disclosure. The report addresses material issues or those that reflect significant economic, environmental and social impacts, and those issues that substantively influence the assessments of our stakeholders. Materiality assessment is about identifying the issues that are significant for our business and also matter to our stakeholders. We plot the economic, social and environmental issues that are of most concern to our stakeholders, against the impacts that our business generates for the economy, society and the environment. The resulting matrix highlights the material issues to be considered by our business, which may be ongoing, evolving or new. This assessment is used to help select the information to feature in the report, thereby meeting stakeholder expectations. At the end of 2015, we built a process to establish our first materiality assessment based on the GRI Reporting Principles for Defining Report Content. The process is explained below.

### Understanding what really matters

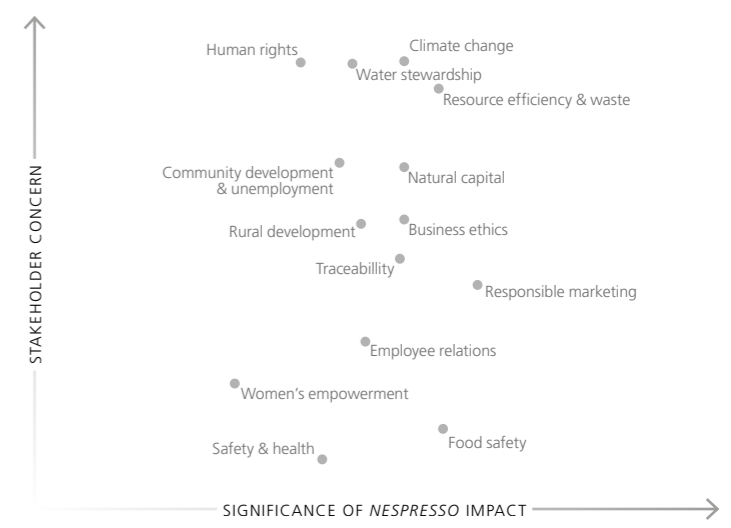
**Nespresso stakeholders’ consultations**  
As a regular way of managing our sustainability strategy and related impacts, we engage in ongoing dialogue with our internal and external stakeholders to understand their opinion and views about our organisation, processes, goals and ambitions. Over the last two years (2014-2016), this has involved some 140 external stakeholders and 50 internal stakeholders. In addition, regular media screening and consumers’ opinion surveys are conducted on these topics. The outcome of these consultations allowed us to identify and rank our stakeholders’ concerns. It also highlighted gaps within some stakeholder groups, as well as GRI sustainability aspects not sufficiently represented and discussed in the consultation processes. To rectify this, phone interviews were conducted with selected stakeholders – mostly groups under-represented in the earlier process. These interviews confirmed the outcome of the first wave, while ensuring that all GRI aspects were being followed.

**Alignment with Nestlé’s materiality**  
In 2014, Nestlé undertook a stakeholder-led materiality process, with 19 issues identified as being the most material. The definition of each material issue is available in the Nestlé in Society report 2015 p.12 to 16. As an operating unit of the Nestlé Group, many of Nespresso’s and Nestlé’s stakeholders, operations, impacts and dependencies are common. Thus, we built on the experience and comprehensive consultation process carried out by Nestlé to finalise our materiality assessment. It led us to align the specific phrasing of the material aspects with those of the Nestlé Group and fine-tune their ranking.

**Wider opinion leaders’ views**  
Additional desk research was undertaken to complement the above and identify current sustainability challenges, opportunities and trends. This was centred on a range of studies like EY megatrends, WEF risk assessments 2016, and Globescan sustainability surveys.

### Identifying what really matters

**Prioritisation of impacts**  
The three processes defined here – Nespresso stakeholders’ consultation, alignment with Nestlé’s materiality and wider opinion leaders’ views, resulted in a rating of each material aspect – from significant to moderate to major. A weighted average of these ratings defined the final plotting in the matrix.



**Validation**  
The draft of the materiality assessment was circulated for validation to the members of the Nespresso Sustainability Advisory Board (NSAB), as part of the pre-reading materials for the board meeting.

**Interpretation**  
In every chapter of this report, the materiality assessment has been interpreted through a specific lens: Company, Coffee, Aluminium and Climate. This has enabled us to highlight “what really matters” at the beginning of each chapter and the related actions for that specific topic. This then steers the subsequent content and coverage within the remainder of the chapter.

## BUREAU VERITAS ASSESSMENT

*“It is our opinion that Nespresso has established appropriate systems for the collection, aggregation and analysis of sustainability data.”*

Bureau Veritas

### Assurance

This report is subject to independent assurance by Bureau Veritas. The aim of this process is to provide reassurance to *Nespresso* stakeholders of the accuracy, reliability and objectivity of the reported information, and that it covers the issues material to the business.

### Independent assurance statement

#### Introduction and objectives of work

Bureau Veritas UK Ltd. (Bureau Veritas) has been engaged by Nestlé Nespresso SA (*Nespresso*) to provide limited assurance over selected sustainability performance indicators for inclusion in its 2016 Sustainability Report and website. This Assurance Statement applies to the related information included within the scope of work described below.

#### Scope of assurance

The scope of our work was limited to assurance over the following content included within *Nespresso*'s Creating Shared Value Report 2016 – The Positive Cup (“the Report”) for the period 1 January 2016 to 31 December 2016 (the “Selected Information”):

1. *Nespresso*'s processes related to the following:
  - Review of *Nespresso*'s materiality analysis
  - Review of the used coffee pods collection and recycling process as well as data collection process
  - Review of Product lifecycle emissions model
  - Review of *Nespresso*'s Insetting program
  - Check of the Report's alignment with GRI G4 “in accordance with core option” requirements
2. Specific indicators:
  - AAA Program facts and figures
  - Headcount numbers (including diversity data)
  - Public private partnerships data in coffee producing countries
  - Total reportable injuries and work related fatalities
  - Energy consumption
  - Scope 1 and Scope 2 Greenhouse gas emissions

#### Assessment standard

We performed our work in accordance with a comprehensive internal protocol that guides our verification activities. Our methodology is based on international best practice and incorporates the requirements of the most widely used assurance international standards including AA1000 Assurance Standard, ISAE3000, and ISO14064-3. Our conclusions are for ‘limited’ assurance as set out in ISAE 3000.

#### Limitations and exclusions

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period
- Positional statements (expressions of opinion, belief, aim or future intention by *Nespresso*) and statements of future commitment
- Other information included in *Nespresso*'s Report

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. Our work was limited to head office based activities and understanding how *Nespresso* 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. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

#### Responsibilities

The preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of *Nespresso*. Bureau Veritas was not involved in the drafting of the Report. Our responsibilities were to:

- Obtain limited assurance about whether the Selected Information has been prepared in accordance with internationally acceptable definitions of the relevant indicators
- Form an independent conclusion based on the assurance procedures performed and evidence obtained
- Report our conclusions and findings to the *Nespresso*'s management in the form of a management report

#### Methodology followed and summary of work performed

As part of our independent verification, we undertook the following activities:

- Reviewed the process followed by *Nespresso* in identifying the organisation's material sustainability issues
- Examined the data collection and consolidation processes used to compile the Selected Information, including assumptions made, and the data scope and reporting boundaries
- Conducted interviews with relevant personnel of *Nespresso* Head Office
- Reviewed documentary evidence produced by *Nespresso*
- Assessed the disclosure and presentation of the Selected Information to ensure consistency with assured information
- Checked the alignment of the reported data and information to the requirements of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines

#### Conclusion

On the basis of our methodology and the activities described above, nothing has come to our attention to indicate that the Selected Information is not fairly stated in all material respects. It is our opinion that *Nespresso* has established appropriate systems for the collection, aggregation and analysis of sustainability data.

#### Statement of independence, integrity and competence

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

Bureau Veritas operates a certified<sup>1</sup> 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 and applies a Code of Ethics, which meets the requirements of the International Federation of Inspection Agencies (IFIA)<sup>2</sup>, across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities.

The assurance team for this work conducted the verification independently and to our knowledge does not have any conflict of interest due to any other Bureau Veritas projects with *Nespresso*.



**BUREAU  
VERITAS**

Bureau Veritas UK Ltd.  
London  
April 2017

<sup>1</sup> Certificate of Registration FS 34143 issued by BSI Assurance UK Limited

<sup>2</sup> International Federation of Inspection Agencies – Compliance Code – Third Edition

## OUR GLOBAL PARTNERS



### ACUMEN

Acumen operates as a non-profit organisation that focuses on poverty eradication. The organisation raises charitable funds to invest equity and debt in enterprises serving low-income people and covering the following areas of focus: access to water, energy, education, and medical care.

[acumen.org](http://acumen.org)



### ALUMINIUM STEWARDSHIP INITIATIVE

The Aluminium Stewardship Initiative (ASI) is a standards setting and certification organisation that recognises and fosters the responsible production, sourcing and stewardship of aluminium. As a member-based, global initiative, ASI is the result of producers, users and stakeholders in the aluminium value chain coming together to build consensus on "responsible aluminium".

[aluminium-stewardship.org](http://aluminium-stewardship.org)



### ASPINWALL COFFEE

Aspinwall Coffee, the coffee division of the legendary Aspinwall & Co. Ltd, India, has been a trusted and respected name in coffee trading circles globally for more than half a century. Being one among the pioneering enterprises to have introduced coffee processing and trade from India, Aspinwall has never let its lure for coffee die down and is today a prominent exporter and processor of finest Indian coffee beans.

[aspinwallcoffee.com](http://aspinwallcoffee.com)



### BLASER TRADING AG

Blaser Trading AG is a Swiss family run business based in Bern, Switzerland. Blaser has been working with Nespresso successfully in Brazil by developing key clusters: bourbon quality in Vale da Grama and Arabica in Cerrado. It has very strong partners in the area (Wolthers in Brazil and Allanasons in India), which have successfully implemented the AAA Program.

[blasertrading.ch](http://blasertrading.ch)



### BLUE MARBLE MICROINSURANCE

Blue Marble Microinsurance is a consortium of eight insurance companies that aims to provide socially impactful, commercially viable insurance protection to the underserved. Blue Marble develops microinsurance ventures that address societal problems, including food security, financial inclusion and the advancement of microentrepreneurs.

[bluemarblemicro.com](http://bluemarblemicro.com)



### CAFEXPORT

Cafexport has been Nespresso's supplier since 2003 and successfully implemented the AAA Program in the region of Caldas-Antioquia in Colombia, including working with specific partners in the region, such as Expocafé and FNC to guarantee the advancement of the AAA Program and its farms.

[cafexport.weebly.com](http://cafexport.weebly.com)



### CENTRO DE ESTUDIOS REGIONALES CAFETEROS Y EMPRESARIALES (CRECE)

CRECE is an independent consulting and research firm based in Colombia. It has been instrumental in the development of the Monitoring and Evaluation Tool in the context of a defined Theory of Change.

[crece.org.co](http://crece.org.co)



### CISA/MERCON

CISA/MERCON is a supplier of green coffee to the international coffee roasting industry. The operation in Nicaragua is led by CISA Exportadora, the largest coffee export company in the country. Nespresso works with CISA/MERCON, as part of the AAA Program, for a cluster in Nicaragua.

[merconcoffeegroup.com](http://merconcoffeegroup.com)



### CLARMONDIAL

Clarmondial is an independent investment advisory company that delivers financing solutions to sustainable natural resource management, particularly for agriculture and rural development in emerging markets.

[clarmondial.com](http://clarmondial.com)



### DUALES SYSTEM DEUTSCHLAND (DSD)

DSD was the first extended producer responsibility system (EPR) to put in place a collective packaging recycling system.

[gruener-punkt.de](http://gruener-punkt.de)



### ECOM

Ecom Agroindustrial Corp. Ltd is a global commodity trading and processing company specialising in coffee, cotton and cocoa in major producing and consuming countries, with ancillary agricultural operations in oilseeds. Ecom is one of the world's top 3 merchants in coffee, one of the largest coffee millers in the world. ECOM implements the AAA Program in some clusters in Costa Rica, Mexico, Guatemala, Nicaragua, Brazil and India.

[ecomtrading.com](http://ecomtrading.com)



### EFICO

Efico is a Belgium based company experienced in trading and commodity sustainability projects. Efico has been working with Nespresso since its creation in 1986 and before that on a project basis within Nestlé, and has a strong international background ever since 1926. It was chosen as supplier in Brazil and Guatemala and has successfully implemented the AAA Program in these countries.

[efico.com](http://efico.com)



### FAIR LABOR ASSOCIATION

The Fair Labor Association (FLA) is a non-profit organisation committed to protecting workers' rights and improving working conditions worldwide by promoting adherence to international labour standards.

[fairlabor.org](http://fairlabor.org)



### FAIRTRADE INTERNATIONAL

Fairtrade International is a non profit, multi-stakeholder association involving 25 member and associate member organisations (labelling initiatives and producer networks), traders, and external experts. Its mission is to connect producers and consumers, promote fairer trading conditions and empower producers to combat poverty.

[fairtrade.net](http://fairtrade.net)



### FAIR TRADE USA

Fair Trade USA is a leading third-party certifier of Fair Trade products in the United States. It audits and certifies transactions between U.S. companies and their international suppliers to guarantee that the farmers and workers producing Fair Trade Certified goods are paid fair prices and wages, work in safe conditions, protect the environment and receive community development funds to empower and uplift their communities. Nespresso is working with Fair Trade USA as part of the AAA Program in Cauca-Nariño, Colombia.

[fairtradeusa.org](http://fairtradeusa.org)



### FUNDACIÓN INTERAMERICANA DE INVESTIGACIÓN TROPICAL

FIIT is a Guatemalan non-governmental and non-profit organisation established in March 1987 which promotes scientific research, protection of natural ecosystems and sustainable management of natural and agricultural ecosystems in the short, medium and long-term.

[fiitgt.com](http://fiitgt.com)



### FEDERACION NACIONAL DE CAFETEROS (FNC)

FNC is considered as one of the largest agricultural organisations representing and delivering support services to over 500,000 coffee growers in the country. Since 1927, it has provided an institutional framework for the sector which enabled Colombia to promote and export its high quality Arabica coffee to the international market.

[federaciondecafeteros.org](http://federaciondecafeteros.org)



### GOODBRAND

GoodBrand is a corporate social innovation consultancy. It helps challengers create impact – delivering value for society and for their brand and business.

[goodbrand.com](http://goodbrand.com)

## OUR GLOBAL PARTNERS



### IDH

IDH accelerates and up-scales sustainable trade by building impact oriented coalitions of front running multinationals, civil society organisations, governments and other stakeholders. Nespresso has cooperated with IDH as part of its Agroforestry Program as well as its AAA Program in Ethiopia.

[idhsustainabletrade.com](http://idhsustainabletrade.com)



### IMAFLORA

The Institute of Agricultural and Forest Management and Certification – Imaflora – is a civil non-profit association, founded in Piracicaba, in the interior of São Paulo, in 1995. Born under the premise that the best way to conserve tropical forests is to give them an economic destination, combined with good management practices and responsible management of natural resources. Imaflora believes that environmental certification is one of the tools that respond to part of the challenge with strong inducer power of local sustainable development in the forestry and agricultural sectors.

[imaflora.org](http://imaflora.org)



### INCAE BUSINESS SCHOOL AND CIMS

INCAE Business school is a non-profit organisation based in Costa Rica, devoted to teaching and research endeavours in the fields of business and economics, with training programs for leaders. CIMS is a non-profit organisation based in Costa Rica focused on sustainable agricultural value chains and smallholder farmers throughout Latin America. It provides evidence-based research and strategic advice to the private, public and NGO sectors.

[incae.edu](http://incae.edu) | [cims-la.com](http://cims-la.com)



### INSTITUTE IPE

IPÉ – Instituto de Pesquisas Ecológicas is a Brazilian non-governmental organisation that works for the conservation of the country's biodiversity, through science, education and sustainable business. Founded in 1992, it holds the title of Oscip – Civil Society Organization of Public Interest, and its headquarters is in Nazaré Paulista (SP).

[ipe.org](http://ipe.org)



### INTERNATIONAL RESEARCH INSTITUTE FOR CLIMATE AND SOCIETY (IRI, COLUMBIA UNIVERSITY)

IRI's mission is to enhance society's capability to understand, anticipate and manage the impacts of climate in order to improve human welfare and the environment, especially in developing countries. The IRI conducts this mission through strategic and applied research, education, capacity building, and by providing forecasts and information products with an emphasis on practical and verifiable utility and partnership.

[iri.columbia.edu](http://iri.columbia.edu)



### IUCN

IUCN is a membership union composed of both government and civil society organisations. It harnesses the experience, resources and reach of its 1,300 member organisations and the input of some 15,000 experts. IUCN is the global authority on the status of the natural world and the measures needed to safeguard it.

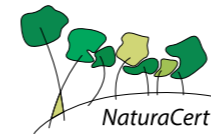
[iucn.org](http://iucn.org)



### KANCHA

Kancha S.A.S. is an organisation specialised in change management and organisational development. It provides solutions through consulting, facilitation, coaching, training, and the development and implementation of strategies designed to transfer knowledge. By documenting this, people are able to harness the knowledge base of their organisation.

[kancha.info](http://kancha.info)



### NATURACERT

NaturaCert is an initiative of Fundación Natura, which has been designed to offer services of certification and verification of national and international standards for Colombian sustainable agricultural products. NaturaCert's mission is to promote the conservation and sustainable use of biodiversity through the provision of these services, to contribute to the strengthening and competitiveness of the products and services of its clients.

[naturacert.org](http://naturacert.org)



### NKG – NEUMANN KAFFEE GROUPE

Neumann Kaffee Gruppe (NKG) is the worldwide leading green coffee service group. With its unique cross-cultural network they are present in all important coffee production and consuming markets around the globe. All companies operate as independent profit centres offering a broad range of quality services and products along the green coffee value chain. NKG's business activities are geared towards creating long-term profitability and responsible business conduct. It stands for reliability and fairness when bringing together the interests of producers and roasters.

[nkg.net](http://nkg.net)



### OLAM

Olam is one of the world's largest coffee companies, with over 20 years in the business and a strong presence in almost all of the large coffee-producing regions which is well-supported by an extensive network of marketing offices across the world's coffee consuming countries. It provides a comprehensive supply chain solution that links millions of coffee growers to roaster clients, specialising in every supply chain stage from procurement, wet and dry milling, classification, transportation and risk management, to marketing processed coffees in its target markets.

[olamgroup.com](http://olamgroup.com)



### PLANET GUARANTEE

PlaNet Guarantee is a platform for innovation in the field of inclusive insurance and social protection. Operating as a consulting and brokerage firm, PlaNet Guarantee implements innovations in the fields of health, life, index insurance and is operating in Africa, Latin America and Asia. Its vision is a rapid generalisation of inclusive social protection in the world, with a mission to design and implement innovative and technological solutions that push the boundaries of insurance accessibility. PlaNet Guarantee has developed solutions in credit insurance, life insurance, crop index insurance and health insurance.

[planetguarantee.com](http://planetguarantee.com)



### PRODUCTOS Y PROCESOS SUSTENTABLES

Productos y Procesos Sustentables is the official accredited entity in Mexico which offers and provides audits and certification services under the requirements established by the Sustainable Agriculture Network, Rainforest Alliance Certified, Tool Assessment Sustainable Quality (TASQ) tool and common code for the coffee community (4Cs). PPS' objective is to promote social development and the sustainable use of natural resources.

[sustentables.org](http://sustentables.org)



### PUR PROJET

Pur Projet is a social business which assists companies and communities in the deployment of ecosystem projects, with the objective of delivering long-term resilience within their value chain. PUR Projet is B Corp certified.

[purprojet.com](http://purprojet.com)

## OUR GLOBAL PARTNERS



### QUANTIS

Quantis guides top organisations to define, shape and implement intelligent environmental sustainability solutions through the life cycle thinking. Quantis delivers resilient strategies, robust metrics, useful tools, and credible communications.

[quantis-intl.com](http://quantis-intl.com)



### RAINFOREST ALLIANCE

The Rainforest Alliance's ambitious mission is to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices, and consumer behaviour. Since 1987 its work has been guided by understanding that the health of the Earth is linked to the well-being of those whose livelihoods depend on the land and forests. The Rainforest Alliance provides training to farmers and foresters, works with businesses committed to sustainability, and motivates citizens to adopt sustainable lifestyles

[rainforest-alliance.org](http://rainforest-alliance.org)



### ROOT CAPITAL

Root Capital is an agricultural impact investor that grows rural prosperity in poor, environmentally vulnerable places in Africa and Latin America by lending capital, delivering financial training, and strengthening market connections for small and growing agricultural businesses.

[rootcapital.org](http://rootcapital.org)



### SAN

The Sustainable Agriculture Network (SAN) is an association of NGOs that started its activities in 1997, and was legally established with headquarters in Mexico in January 2010. The SAN is a group of international non-profit organisations working for the conservation of biodiversity and rural development. Its vision of the world is one where agricultural activity contributes to biodiversity conservation and sustainable livelihoods.

[san.ag](http://san.ag)



### SKN – CARIBECAFE

SKN Caribecafe has a long tradition in Colombia, active in the coffee export activity for more than 65 years and recognised as a reliable and quality oriented Colombian coffee supplier. Their mission is to contribute to Colombian coffee activity by further developing their role as distributors of Colombian coffee while working for the social, economic and general welfare of the coffee community. Since 2003, SKN has participated in sustainability projects in several coffee zones, the AAA Nespresso Program in Huila being the largest, most comprehensive program under execution.

[nkg.net](http://nkg.net)



### SOFIES

Sofies is a sustainability consulting and project management firm composed of a team of 30+ consultants and a large network of partners and experts.

[sofiesgroup.com](http://sofiesgroup.com)



### TECHNOERVE

TechnoServe is a leader in harnessing the power of the private sector to help people lift themselves out of poverty. A non-profit organisation operating in 29 countries, TechnoServe works with enterprising people in the developing world to build competitive farms, businesses and industries. With nearly 50 years of proven results, TechnoServe has helped millions to create lasting prosperity for their families and communities.

[technoserve.org](http://technoserve.org)



### THE WORLD BANK GROUP AND INTERNATIONAL FINANCE CORPORATION

The World Bank Group, established in 1944, is an international organisation made up of 189 member countries and consisting of five financial institutions with the mission to end extreme poverty within a generation and boost shared prosperity. One of its institutions, IFC, is the largest global development institution focused exclusively on the private sector. IFC helps developing countries achieve sustainable growth by financing investment, mobilising capital in international financial markets, and providing advisory services to businesses and governments.

[worldbank.org](http://worldbank.org)



### TOTAL IMPACT CAPITAL

TOTAL Impact Capital specialises in sourcing and developing private investment opportunities that are socially and financially attractive. It also designs innovative, sustainable financial solutions for governments and non-profits to support their missions.

[totalimpactcapital.com](http://totalimpactcapital.com)



### UNIVERSITY OF CAMBRIDGE – INSTITUTE FOR SUSTAINABILITY LEADERSHIP

The Institute for Sustainability Leadership within the University of Cambridge's School of Technology is dedicated to working with leaders from business, government and civil society on the critical global challenges of the 21st century.

[cisl.cam.ac.uk](http://cisl.cam.ac.uk)



### USAID

USAID is the lead U.S. Government agency that works to end extreme global poverty and enable resilient, democratic societies to realise their potential. Recognising coffee's contribution to poverty reduction and development, USAID devotes significant resources to improving the productivity and incomes of smallholder coffee producers in Africa, Latin America, and Asia, in particular through Feed the Future, the U.S. Government's global hunger and food security initiative. USAID is the largest donor to South Sudan.

[usaid.gov](http://usaid.gov)



### VOLCAFE

Volcafe is one of the world's largest and oldest sourcing companies for green coffee, supplying Nespresso with coffee from two countries. Since 2005, Volcafe has been implementing the Nespresso AAA Sustainable Quality™ Program in two clusters in Costa Rica, providing training and technical assistance to over 1,800 farmers. Since 2012, Volcafe has also implemented the AAA Program in the Cundinamarca cluster in Colombia.

[volcafespecialty.com](http://volcafespecialty.com)



### WBCSD

WBCSD is a global, CEO-led organisation of forward-thinking companies that galvanises the global business community to create a sustainable future for business, society and the environment. WBCSD has been an NSAB member since 2015.

[wbcسد.org](http://wbcسد.org)



## THE POSITIVE CUP SCOPE AND PERFORMANCE OVERVIEW

The performance table below summarises all the indicators that reflect the progress of our activities and our impacts over the years. They are reported for the calendar year ending 31 December 2016. To ease the reading, we have indicated the correlation between our indicators, the Global Reporting Initiative (GRI) indicators and the Sustainable Development Goals criteria. In the table, "Baseline date" represents the start point for monitoring.

Indicators	GRI indicator	SDG	2016	Baseline	Baseline date
<b>Company</b>					
Investments in The Positive Cup (in ,000 CHF; cumulative)	G4-EC7	1.3, 1.5	197,276	59,686	2014
Number of markets where we operate	G4-6		63	4	2003
Number of employees, excluding agents employees	G4-9		13,135	330	2003
Recordable injury rate (per million hours worked)	G4-LA6	8.8	4.3	7.9	2004
Number of boutiques			603	1	2000
Number of production centres			3	1	1986
Number of Grand Cru permanent range			57	4	1986
Number of Facebook fans (millions)			5.7	0.2	2009
% of our consumers satisfied with the Nespresso brand (scoring 7 to 10) <sup>1</sup>	G4-PR5		94%		

Indicators	GRI indicator	SDG	2016	Baseline	Baseline date
<b>Coffee</b>					
Investments in technical assistance and premiums (in ,000 CHF; cumulative)	G4-EC7	1.3, 1.5	107,938	33,726	2014
Number of AAA agronomists			342	20	2005
Number of countries with AAA Program		6.3, 6.4, 6b, 8.3	12	5	2005
Farmers enrolled in AAA Program		6.3, 6.4, 6b, 8.3	71,216	1,500	2005
Area managed under AAA in ,000ha		2.4, 6.3, 6.4, 6b, 15.3, 15.5	300	10	2009
Percentage volume sourced from the AAA Program <sup>2</sup>		6.3, 6.4, 6b, 8.3, 12.7, 15.3	82%	10%	2005
Percentage volume in accordance with responsible production standards	G4-FP2	6.3, 6.4, 6b, 8.3, 15.3	41%	0%	2009
AAA agronomist positions held by women		5.5	30%	0%	2005
Number of farmers enrolled in the savings plan		1.3, 8.3	1100	0	2014
Coffee revival origins		8.3	2	0	2014
% AAA farms within 2km of High Conservation Value areas	G4-EN11	15.5, 15.9	10.0%		2016

<sup>1</sup> Average of the indicator monitored on 38 countries

<sup>2</sup> The figure includes the volume with full traceability to farm (as well reported in the Nestlé in Society report 2016) and the African volume with mass balance traceability

Indicators	GRI indicator	SDG	2016	Baseline	Baseline date
<b>Aluminium</b>					
Investments in collection and recycling systems (in ,000 CHF; cumulative)	G4-EC7	12.2	59,254	16,377	2014
Capsule collection capacity		8.4, 12.2	86%	24.30%	2009
Percentage of ASI certified aluminium purchased		8.4, 12.2, 12.7	0%		2014
Used capsule valorisation			56%		2016
Capsule recycling rate	G4-EN 28	8.4, 12.2	24%	15%	2009

Indicators	GRI indicator	SDG	2016	Baseline	Baseline date
<b>Climate</b>					
Investments in climate adaptation solutions (in ,000 CHF; cumulative)	G4-EC7	15.2, 15.3	5,750	923	2014
Carbon footprint reduction per cup of Nespresso		12.2	-19.4%	0%	2009
Number of trees planted within AAA landscapes (in ,000, cumulative)		15.2, 15.3	1,441	130	2014
Total on site water withdrawal (m <sup>3</sup> per ton of product)	G4-EN8	8.4, 12.2	7.6	19.1	2010
Total on site energy consumption (Gigajoules per ton of product)*		8.4, 12.2	4.0	4.7	2010
Direct and indirect GHG emissions (kg CO <sub>2</sub> per ton of product, Scope 1 and 2)*	G4-EN15	8.4, 12.2	96	123	2010
Waste for disposal (kg per ton of product)	G4-EN23	12.2, 12.5	0	0	2010

\* Reporting boundary includes only Nespresso factories

# GRI G4 CONTENT INDEX



## GENERAL STANDARD DISCLOSURES

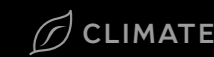
Indicators	Page number (or link)	Description	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Strategy and analysis</b>						
G4-1	TPC: Introduction > CEO statement p.5	CEO statement about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability				
<b>Organizational profile</b>						
G4-3	TPC: Front cover of report	Name of the organisation				
G4-4	TPC: Nestlé Nespresso S.A. > Our value chain p.14-15 NCW: Facts and figures www.nestle-nespresso.com/about-us/facts-and-figures	Our value chain: products and services				
G4-5	NCW: Our Company www.nestle-nespresso.com/about-us/our-company	Location of our headquarters				
G4-6	TPC: Coffee > The scope of the AAA Program p.42-43 TPC: Coffee > The scope of our recycling actions p.54-55 TPC: Company > Our value chain p.16-17 NCW: Global Presence www.nestle-nespresso.com/about-us/global-presence	Where we operate				
G4-7	NCW: Our company www.nestle-nespresso.com/about-us/our-company CGR: Company > Group structure and shareholders p.3-4	Ownership and legal form				
G4-8	TPC: Company > Our value chain p.16-17 AR: Nestlé Food and Beverage p.24 AR: Principal key figures and sales by area p.45, 48 CFS: Companies of the Nestlé Group p.149 NCW: Facts and figures www.nestle-nespresso.com/about-us/facts-and-figures	Our geographical markets, sectors served, customers and beneficiaries types				
G4-9	TPC: Company > Our people p.18-19 TPC: Aluminium > The scope of our recycling actions p.54-55 TPC: Coffee > The scope of the AAA Program p.42-43 TPC: About this report > Our CSV performance: number of employees p.81	The scale of our organisation (employees, operations, sales, products and services)	Net sales capitalisation	Non-disclosure of financial statement for Nespresso	Nespresso report of financials, net sales, net revenue is aggregated with Nestlé Financial Statements	
G4-10	TPC: Company > Our people p.18-19 TPC: About this report > Our CSV performance: number of employees p.81 NCW: News and features > Nespresso Corporate Production Centres Factsheet www.nestle-nespresso.com/asset-library/documents/nespresso%20-%20corporate%20production%20centres%20factsheet.pdf	The structure of our workforce	The total workforce is not reported by region and gender	The split per category is not available	We are looking at how this information can be collected to include it in our 2020 CSV report	
G4-11	NiS: Our people > Promoting positive employee relations p.172	Existence of bargaining agreements				
G4-12	TPC: Company > Our value chain p.16-17 TPC: Coffee > Farmer relationship management p.30-31 TPC: Coffee > The AAA Program in East Africa p.36-37 TPC: Aluminium > The benefits of aluminium p.48-49 TPC: Aluminium > Capsule life cycle management p.52-53	Our supply chain				
G4-13	N/A – This is our first GRI report	Significant changes since last reporting period				
G4-14	NCW: Business Principles www.nestle-nespresso.com/about-us/business-principles NiS: Environmental sustainability > Our policies and standards p.110	Our approach to precautionary principle				Nespresso should consider providing more details about its application of the precautionary principle
G4-15	TPC: Company > Partnerships for impact p.20-21 NiS: Creating Shared Value > Our contribution to global goals p.10 NiS: Creating Shared Value > Collaborations and partnerships p.23	Our economic, environmental and social charters, principles and initiatives				
G4-16	TPC: Coffee > p.29, 30, 33, 35, 36, 39, 41 TPC: Company > Partnerships for impact p.20-21 TPC: Aluminium > Our approach to aluminium stewardship p.50-51 TPC: Aluminium > p. 52, 54 TPC: Climate > Agroforestry for climate adaptation p.67 TPC: Climate > The scope of our climate actions p.68-69	Significant memberships in associations and national or international advocacy organisations				
<b>Identified material aspects and boundaries</b>						
G4-17	Nestlé Nespresso S.A.	Our organisation's entities				
G4-18	TPC: About this report > Methodology p.70	Our materiality assessment				
G4-19	TPC: Company > What really matters p.10 TPC: About this report > Methodology p.70	Our material aspects				
G4-20	TPC: About this report > Methodology p.70	Boundaries of our material aspects inside the organisation				Nespresso should consider reporting on boundaries of material aspects
G4-21	TPC: About this report > Methodology p.70	Boundaries of our material aspects along our supply chain				Nespresso should consider reporting on boundaries of material aspects
G4-22	There are no restatements of information as this is our first GRI report	Significant changes in materiality since previous report				
G4-23	There are no restatements of information as this is our first GRI report	Significant changes in scope and aspect boundaries since previous report				

# GRI G4 CONTENT INDEX

GENERAL STANDARD DISCLOSURES						
Indicators	Page number (or link)	Description	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Stakeholder engagement</b>						
G4-24	TPC: About this report > Methodology p.70 TPC: Company > Governance and management tools p.22	Our stakeholders				
G4-25	TPC: About this report > Methodology p.70 TPC: About this report > Our partners p.74, p.76 and p.78	Identification of our stakeholders				
G4-26	TPC: About this report > Methodology p.70 TPC: Company > Our value chain p.16 TPC: Company > Our people p.18 TPC: Company > Governance p.22 TPC: About this report > Our partners p.76 and p.78 NIS: Nestlé in society: Creating Shared Value > Responding to stakeholders p.22	Our approach to stakeholder engagement				
G4-27	TPC: Company > What really matters p.10 TPC: About this report > Methodology p.70 TPC: About this report > Our partners p.76 and p.78	Our answers to stakeholders' main concerns				
<b>Report profile</b>						
G4-28	This report covers Nespresso's global operations for the year ending 31 December 2016. Where we refer to a "market", it means our business and/or activities at the level of a country or countries	Reporting period				
G4-29	N/A – This is our first GRI report	Previous report date				
G4-30	GRI full report updated in 2021 (2020 strategy achievements) GRI summary report published yearly (includes highlights of the year, commitments status and GRI quantitative indicators)	Reporting cycle				
G4-31	TPC: About this report > Impressum p.101	Contact point for questions				
G4-32	a. This report is prepared 'in accordance' with the core option of the Global Reporting Initiative's (GRI) G4 guidelines, and the Food Processing Sector Supplement b. TPC: About this report > GRI indicator table p.84-97 c. TPC: About this report > Bureau Veritas assessment p.72-73	"In accordance" option chosen, content index and external assurance report				
G4-33	TPC: About this report > Bureau Veritas assessment p.72-73	Informations on external assurance for the report				
<b>Governance</b>						
G4-34	TPC: Company > Governance p.22-23 NCW: Nespresso management website www.nestle-nespresso.com/about-us/management	Our governance structure				
<b>Ethics and integrity</b>						
G4-56	NCW: Business Principles www.nestle-nespresso.com/about-us/business-principles NIS: Human rights and compliance p.132-150 NIS: Human rights and compliance > Anti-corruption p.147 NIS: Our people > Our people strategy p.153-154 NIS: Creating Shared Value > Business ethics p.15	Our values, principles, standards and norms				

# GRI G4 CONTENT INDEX

SPECIFIC STANDARD DISCLOSURE						
Indicators	Page number (or link)	Description	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Economic</b>						
<b>Material aspect: Economic performance</b>		<b>How we create and distribute economic value</b>				
EC/EP-G4-DMA	NIS: Creating Shared Value: a long-term perspective p.9-11 TPC: Introduction > CEO statement p.5 TPC: Introduction > Ambitions and Goals p.6 TPC: Company > Creating Shared Value p.12-13	Management approach of our economic performance				
G4-EC2	TPC: Climate chapter p.56-69	Impact of climate change in economic performance				
<b>Material aspect: Market presence</b>		<b>Redistribution of wealth to local communities</b>				
EC/MP-G4-DMA	Our global presence has a significant impact on local economies employment both directly and in our supply chain NCW: Facts and figures <a href="http://www.nestle-nespresso.com/about-us/facts-and-figures">www.nestle-nespresso.com/about-us/facts-and-figures</a> NIS: Our people > Promoting positive employee relations > Supporting a living wage p.171	Management approach of our market presence				
G4-EC6	–	Senior management hired from the local community	Indicator omitted	The information is currently unavailable	We are looking at how this information can be collected to include it in our 2020 CSV report	
<b>Material aspect: Indirect economic impacts</b>		<b>Positive indirect economic impacts at national, regional or local level generated by Nespresso's operations</b>				
EC/IEI-G4-DMA	Our value chain generates significant indirect economic impacts, both positive and negative TPC: Coffee > What really matters p.26 TPC: Aluminium > What really matters p.46 TPC: Climate > What really matters p.58	Management approach of our indirect economic impacts				
G4-EC7	TPC: Coffee > The Nespresso AAA Sustainable Quality™ Program, p.28-29 TPC: Aluminium > Capsule life cycle management p.52-53 TPC: Climate > The scope of our climate actions p.68-69 TPC: About this report > Our CSV Performance p.81 The investments related to the services in place are commercial engagements These investments aim to generate positive impacts	Development and impact of infrastructure investments and services supported				
<b>Material aspect: Procurement/sourcing practices</b>		<b>Procurement practices that allow trust and stability among suppliers</b>				
EC/PSP-G4-DMA	TPC: Coffee > What really matters by TPC: Coffee chapter p.24-43 TPC: Coffee > What really matters p.24-43 TPC: Aluminium > What really matters p.46-47 TPC: Aluminium > Our approach to aluminium stewardship p.50-51	Management approach of our procurement and sourcing practices				
FP2	TPC: Company > Our value chain p.14 TPC: About this report > Our CSV Performance p.81	Purchased volume in accordance with responsible production standards				
<b>Environment</b>						
<b>Material aspect: Materials</b>		<b>Conserving global resources, reducing materials intensity</b>				
EN/MA-G4-DMA	TPC: Company > What really matters p.10-11 TPC: Aluminium > What really matters p.46-47 TPC: Aluminium > Capsule life cycle management p.52-53 TPC: Climate > Sustainable machine design p.64-65 NIS: Environmental sustainability > Our policies and standards p.110	Management approach of our materials use				
G4-EN2	TPC: Climate > Sustainable machine design p.64-65 TPC: Aluminium > Capsule life cycle management p.52-53	Recycled input materials	Omitted for aluminium	We do not disclose the volume of procured recycled aluminium for commercial confidentiality		
<b>Material aspect: Energy</b>		<b>Energy use and requirements implying a minimum impact</b>				
EN/EN-G4-DMA	TPC: Aluminium > Our approach to aluminium stewardship p.50-51 TPC: Aluminium > Capsule life cycle management p.52-53 TPC: Climate > Life cycle assessment p.60-61 TPC: Climate > The environmental performance of our operations p.62-63 TPC: Climate > Sustainable machine design p.64-65 NIS: Environmental sustainability > Our policies and standards p.110	Management approach of our energy use				
G4-EN7	TPC: Climate > Life cycle assessment p.60-61 TPC: Climate > The environmental performance of our operations p.62-63 TPC: Climate > Sustainable machine design p.64 See our CDP 2016 Investor submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">www.nestle.com/csv/performance/external-assessments</a> (Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)	Reduction in energy requirements of products and services	Omitted numbers in joules	Our energy savings all along the value chain are translated in CO <sub>2</sub> equivalent.		



# GRI G4 CONTENT INDEX



SPECIFIC STANDARD DISCLOSURE						
Indicators	Page number (or link)	Description	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Environment</b>						
<b>Material aspect: Water</b>		<b>Proper management of water and waste water</b>				
ENWA-G4-DMA	Nestlé commitment on Water Stewardship: <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-water-stewardship.pdf">www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-water-stewardship.pdf</a> TPC: Coffee > What really matters p.26-27 TPC: Coffee > Innovation for community resilience p.32-33 TPC: Coffee > Our approach to natural capital p.34-35 TPC: Climate > The environmental performance of our operations p.63 TPC: About this report > Our CSV Performance p.81	Management approach of our water use				
G4-EN8	Total water withdrawal at factory ( in ,000m³): 526 including Surface water: 475; Ground water: 0; Municipal water:45; Rain water: 7  TPC: Climate > The environmental performance of our operations p.62-63	Water withdrawal				
<b>Material aspect: Biodiversity</b>		<b>Strategy for biodiversity management and minimum impact on land in or adjacent to protected areas</b>				
EN/BI-G4-DMA	TPC: Coffee > Our approach to Natural Capital p.34-35	Management approach of our impacts on biodiversity				
G4-EN13	a. TPC: Coffee > Our approach to Natural Capital p.34-35 a. b. d. TPC: About this report > Our CSV Performance p.81	Habitats protected or restored	c. Indicator omitted	The IBAT screening is currently still under progress with IUCN	We will update our 2020 CSV report as per the outcome of the action plan under progress	
<b>Material aspect: Emissions</b>		<b>Minimum emissions of greenhouse gases and of ozone-depleting substances and other significant air emissions</b>				
EN/EM-G4-DMA	TPC: Aluminium > Our approach to aluminium stewardship p.50-51 TPC: Aluminium > Capsule life cycle management p.52-53 TPC: Climate > Life cycle assessment p.60-61 TPC: Climate > The environmental performance of our operations p.62-63 TPC: Climate > Sustainable machine design p.64-65 NIS: Environmental sustainability > Our policies and standards p.110	Management approach of our procurement and sourcing practices				
G4-EN18	a. TPC: Climate > What really matters p.58-59 b. TPC: Climate > What really matters p.58-59 c. TPC: Climate > Life cycle assessment p.60 d. CO <sub>2</sub> equi. includes CO <sub>2</sub> , N <sub>2</sub> O, CH <sub>4</sub>	Greenhouse gas (GHG) emissions intensity				
<b>Material aspect: Product and services</b>		<b>Minimum impacts of our products and services during their use and end-of-life</b>				
EN/PS-G4-DMA	TPC: Aluminium > What really matters p.46-47 TPC: Aluminium > Capsule life cycle management p.52-53 Cardboard packaging has not been considered with a high materiality for this report, nevertheless the sourcing of corrugated carbon and paper is covered within the Nestlé responsible sourcing guideline. Equally, 100% of the cardboard used by our factories is recycled at its end-of-life	Management approach of environmental impacts of products and services				
G4-EN28	TPC: Aluminium > Capsule life cycle management p.52-53 TPC: About this report > Our CSV Performance p.81	Recycling of products sold and packaging				Nespresso should include more information regarding the data collection process in compliance with criterion b.
<b>Material aspect: Overall</b>		<b>Our overall expenditures and investments for environmental protection</b>				
EN/OV-G4-DMA	TPC: Company > What really matters p.10-11 TPC: Coffee > What really matters p.26-27 TPC: Aluminium > What really matters p.46-47 TPC: Climate > What really matters p.58-59	Management approach of our environmental expenditures				
G4-EN31	TPC: Company > Governance and management tools p.22-23 TPC: Coffee > The Nespresso AAA Quality™ Program p.28 TPC: Aluminium > Capsule life cycle management p.52 TPC: Climate > The scope of our climate actions p.68-69	Expenditures for environmental protection				

# GRI G4 CONTENT INDEX

SPECIFIC STANDARD DISCLOSURE						
Indicators	Page number (or link)	Description	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Environment</b>						
<b>Material aspect: Supplier environmental assessment</b>		<b>Managing our suppliers potential or actual impacts on the environment</b>				
EN/SEA-G4-DMA	a. TPC: Coffee > Monitoring and evaluation p.40 b. Establishment of sourcing programs which enable the evaluation of the sustainability (social and environmental) of our suppliers TPC: Coffee > The Nespresso AAA Sustainable Quality™ Program TPC: Aluminium > Our approach to aluminium stewardship p.50-51	Management approach for our suppliers' environmental assessment				
G4-EN33	a. TPC: Coffee > Monitoring and evaluation p.41 b. TPC: Coffee > Monitoring and evaluation p.41 c. TPC: Coffee > Monitoring and evaluation p.41 d. TPC: Coffee > Farmer relationship management p.30 e. TPC: Coffee > Farmer relationship management p.30-31 TPC: Coffee > Monitoring and evaluation p.41 TPC: About this report > Our CSV Performance p.81	Environmental impacts in supply chain and actions taken				Nespresso should present the information in a way that is compatible with criteria d and e
<b>Social</b>						
<b>Labour practices and decent work</b>		<b>Appropriate working conditions in our operations and along our supply chain</b>				
LAVEM-G4-DMA	NiS: Our people > Our people strategy p.153 Our offices, boutiques and factories are subject to the certification OHSAS. By the end of 2016, all our premises certified with the exception of Canada, Germany, France and Luxembourg (covering around 80% of the Nespresso employee population)	Management approach of employment				
G4-LA1	a. b. 3,264; 26.6%	a. Total number and rate of new employees hired b. Total number and rate of employee turnover	a. Indicator omitted	The information is currently not available	We are looking at how this information can be collected to include it in our 2020 CSV report	
<b>Material aspect: Labour/management relations</b>		<b>Our employees are satisfied and motivated thanks to proper human resources management</b>				
LAVLMR-G4-DMA	TPC: Company > Our people p.18-19 NiS: Our people > Promoting positive employee relations p.171-172	Management approach of labour and management relations				
G4-LA4	NiS: Our people > Promoting positive employee relations p.171-172 Before making operational changes that could substantially affect our employees, we provide a period of notice outlining the proposed changes. While a minimum period and provisions for consultation and negotiation are specified in collective agreements in 28 countries, in others, it depends on local laws. On average, the minimum period is 38 days	Minimum notice regarding operational changes				
<b>Material aspect: Occupational health and safety</b>		<b>Assisting our workforce members regarding occupational diseases and injuries through education, training, prevention or treatments</b>				
LAVOHS-G4-DMA	TPC: Company > Our people p.18-19 Our offices, boutiques and factories are subject to the certification OHSAS. By the end of 2016, all our premises to the exception of Canada, Germany, France and Luxembourg	Management approach of occupational health and safety				
G4-LA6	a. Recordable injury rate Nespresso global: 4.3 per million hours worked, work related fatalities: 0 c. Injuries and illnesses are classified and reported according to a global Nestlé standard, which is based on the United States OSHA record keeping standard TPC: About this report > Our CSV Performance p.81	Injuries, occupational diseases, absenteeism and fatalities	a. Occupational diseases rate (ODR), lost day rate (LDR), absentee rate (AR), for the total workforce (that is, total employees plus supervised workers), by: - Region - Gender b. Report types of injury, injury rate (IR), occupational diseases rate (ODR), lost day rate (LDR), absentee rate (AR) and work-related fatalities for independent contractors working on-site to whom the organisation is liable for the general safety of the working environment, by: - Region - Gender	a. The data is currently not available per region and per gender b. The data is currently not available	We are looking at how this information can be collected to include it in our 2020 CSV report	
<b>Material aspect: Training and education</b>		<b>Improving our human capital and organisation development through internal training and education programs</b>				
LAVTE-G4-DMA	TPC: Company > Our people p.18-19	Management approach of training and education for our workforce				
G4-LA9	TPC: Company > Our people p.18-19	Hours of training per employee	Gender Employee category	This data is not available	We are looking at how this data can be collected to include it in our 2020 CSV report	

# GRI G4 CONTENT INDEX

SPECIFIC STANDARD DISCLOSURE						
Indicators	Page number (or link)	Description	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Social</b>						
<b>Labour practices and decent work</b>						
<b>Material aspect: Diversity and equal opportunity</b>		<b>We foster diversity and equal opportunities to different age groups and minorities</b>				
LA/DEO-G4-DMA	NCW: Nestlé Code of Business Conduct <a href="https://www.nestle-nespresso.com/about-us/business-principles">https://www.nestle-nespresso.com/about-us/business-principles</a> TPC: Company > Our people p.18-19	Management approach of diversity and equal opportunity in our workforce				
G4-LA12	a. TPC: Company > Our people p.18-19 b. TPC: Company > Our people p.18-19	Composition of governance bodies and workforce according to different categories	a. Report the percentage of individuals within the organisation's governance bodies in each of the following diversity categories: - Gender - Age group: under 30 years old, 30-50 years old, over 50 years old - Minority groups - Other indicators of diversity where relevant b. Report the percentage of employees per employee category in each of the following diversity categories: - Gender - Age group: under 30 years old, 30-50 years old, over 50 years old - Minority groups - Other indicators of diversity where relevant	This data is not available	We are looking at how this information can be collected to include it in our 2020 CSV report	
<b>Material aspect: Equal remuneration for women and men</b>		<b>We work to ensure equal gender opportunities in our workforce</b>				
LA/ER-G4-DMA	TPC: Company > Our people p.18-19	Management approach of equal remuneration for women and men in our workforce				
G4-LA13	–	Ratio of basic salary and remuneration of women to men	Omission	This data is not available	We are looking at how this information can be collected to include it in our 2020 CSV report	
<b>Material aspect: Supplier assessment for labour practices</b>		<b>Ensuring our suppliers have acceptable labour practices</b>				
LA/SALP-G4-DMA	a. TPC: Coffee > Monitoring and evaluation p.40 b. Establishment of sourcing programs which enable the evaluation of the sustainability (social and environmental) of our suppliers TPC: Coffee > The Nespresso AAA Quality™ Program p.28 TPC: Aluminium > Our approach to aluminium stewardship p.50-51	Management approach of our suppliers labour practices				
G4-LA15	a. TPC: Coffee > Monitoring and evaluation p.41 TPC: Aluminium > Our approach to aluminium stewardship b. TPC: Coffee > Monitoring and evaluation p.41 c. TPC: Coffee > Monitoring and evaluation p.41 d. TPC: Coffee > Farmer relationship management p.30 e. TPC: Coffee > Farmer relationship management p.30-31 TPC: Coffee > Monitoring and evaluation p.41	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken				Nespresso should present the information in a way that is compatible with criteria d and e
<b>Material aspect: Labour practices grievance mechanisms</b>		<b>Existence of grievance mechanisms regarding labour practices accessible by our suppliers workforce</b>				
LA/LPGM-G4-DMA	NIS: Human rights and compliance > Reporting of compliance violations p.148-149	Management approach of labour practices grievance mechanisms				
G4-LA16	NIS: Human rights and compliance > Reporting of compliance violations p.148-149	Number of grievances about labour practices				
<b>Human rights</b>						
<b>Material aspect: Non-discrimination</b>		<b>Ensuring no discrimination around race, colour, sex, religion, political opinion, national extraction or social origin</b>				
HR/ND-G4-DMA	NCW: Nestlé's Corporate Business Principles: <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf">www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf</a> TPC: Company > What really matters p.11 NIS: Our people > Combating discrimination p.172	Management approach of non-discrimination				
G4-HR3	In 2016, we had two complaints alleging harassment against management team members (whether at global or local level). Both complaints were investigated and found to be without merit	Number of incidents of discrimination and measures taken against them				

# GRI G4 CONTENT INDEX

SPECIFIC STANDARD DISCLOSURE						
Indicators	Page number (or link)	Description	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Social</b>						
<b>Human rights</b>						
<b>Material aspect: Freedom of association and collective bargaining</b>		<b>Absence of internal policies that may affect employees ability to join a trade union or bargain collectively</b>				
HR/FACB-G4-DMA	NCW: Nestlé's Corporate Business Principles: <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf">www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf</a> TPC: Company > What really matters p.11 TPC: Coffee > Monitoring and evaluation p.41	Management approach for ensuring freedom of association and collective bargaining				
G4-HR4	a. 0 occurrence of the violation of this criteria has been recorded, however we remain vigilant in the sourcing regions where large farms or wet mills employ many workers such as Brazil, Guatemala, Ethiopia, Kenya and India b. TPC: Coffee > Monitoring and evaluation p.40 TPC: Coffee > The AAA Program in East Africa p.36 (not p. 38)	Identification of freedom of association limitations in operations and suppliers and measures taken				
<b>Material aspect: Child labour</b>		<b>No child labour or young workers exposed to hazardous work</b>				
HR/CL-G4-DMA	NCW: Nestlé's Corporate Business Principles <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf">www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf</a> TPC: Company > What really matters p.11 TPC: Coffee > Monitoring and evaluation p.41 TPC: Coffee > Farmer relationship management p.31	Management approach of child labour risks				
G4-HR5	a. b. Five occurrences of the violation of this criteria has been recorded in Colombian coffee sector (field operations): three solved, one in progress and one exclusion from the program. We remain vigilant in the sourcing regions where such non compliance have already occurred like in Guatemala, Ethiopia and Kenya c. TPC: Coffee > Monitoring and evaluation p.40 TPC: Coffee > The AAA Program in East Africa p.36	Identification of child labour in operations and suppliers and measures taken				
<b>Material aspect: Forced or compulsory labour</b>		<b>No forced or compulsory labour in our facilities or suppliers</b>				
HR/FCL-G4-DMA	NCW: Nestlé's Corporate Business Principles <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf">www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf</a> TPC: Company > What really matters p.11 TPC: Coffee > Monitoring and evaluation p.41 TPC: Coffee > Farmer relationship management p.31	Management approach of forced or compulsory labour risks				
G4-HR6	a. 0 occurrence of the violation of this criteria has been, however we remain vigilant in the sourcing regions where such non compliance have already occurred like in Guatemala, Ethiopia and Kenya b. TPC: Coffee > Monitoring and evaluation p.33 TPC: Coffee > The AAA Program in East Africa p.36	Risks of compulsory labour and measures taken				
<b>Material aspect: Supplier human rights assessment</b>		<b>Availability of mechanisms to screen potential human rights violations in our suppliers</b>				
HR/SHRA-G4-DMA	a. TPC: Coffee > Monitoring and evaluation p.40 b. Establishment of sourcing programs which enable the evaluation of the sustainability (social and environmental) of our suppliers TPC: Coffee > The Nespresso AAA Quality™ Program p.28 TPC: Aluminium > Our approach to aluminium stewardship p.50-51	Management approach of our suppliers' human rights assessment				
G4-HR11	a. TPC: Coffee > Monitoring and evaluation p.41 TPC: Aluminium > Our approach to aluminium stewardship b. TPC: Coffee > Monitoring and evaluation p.41 c. TPC: Coffee > Monitoring and evaluation p.41 d. TPC: Coffee > Farmer relationship management p.30 e. TPC: Coffee > Farmer relationship management p.30-31 TPC: Coffee > Monitoring and evaluation p.41	Significant actual and potential negative human rights impacts in the supply chain and actions taken				Nespresso should present the information in a way that is compatible with criteria d and e
<b>Society</b>						
<b>Material aspect: Local communities</b>		<b>Working to engage with local communities</b>				
SO/LC-G4-DMA	TPC: Coffee > What really matters > p.26 TPC: Coffee > Innovation for communities resilience > p.32 TPC: Coffee > The AAA Program in East Africa > p.36 TPC: Coffee > Coffee revival > p.38	Management approach of local communities engagement				
G4-SO1	100% of our coffee operations have projects which engage with local community as part of the deployment of the AAA Program	Percentage of operations with implemented local community engagement, impact assessments, and development programs				



# GRI G4 CONTENT INDEX

SPECIFIC STANDARD DISCLOSURE						
Indicators	Page number (or link)	Description	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Social</b>						
<b>Material aspect: Anti-competitive behaviour</b>		<b>Working to avoid current or future anti-competitive behaviour</b>				
SO/ACB-G4-DMA	AR: Corporate governance and compliance p.54 NIS: Business principles and governance p.19-24	Management approach to avoid anti-competitive behaviour				
G4-SO7	There are three ongoing claims against us, of which two were initiated by the same competitor	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices				
<b>Product responsibility</b>						
<b>Material aspect: Customer health and safety</b>		<b>Selling products totally safe for consumption</b>				
PR/CHS-G4-DMA	This is our responsibility to ensure that the products we retail on the markets are proper for consumption and free of any kind of contamination. We have a quality management system in place to ensure the quality and safety of our products and our factories are certified ISO 22000	Management approach for ensuring our customers health and safety				
FP5	100% of production volume is manufactured in sites certified by an independent third party TPC: Company > Our value chain, p.14-15	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards				
<b>Material aspect: Product and service labelling</b>		<b>Ensuring consumers access to complete information on our products</b>				
PR/PSL-G4-DMA	We measure yearly our customer satisfaction with our products and services via a global survey All information regarding the products description and ingredients are available on the outer packaging Consumers can contact Nespresso via emails and call centres to ask any questions or escalate any comments regarding the products and services	Management approach for ensuring our products and services proper labelling				
G4-PR5	TPC: Coffee > What really matters p.27 TPC: About this report > Our CSV Performance p.81	Results of surveys measuring customer satisfaction				
<b>Material aspect: Marketing communications</b>		<b>Implementing loyal and trustful advertising and marketing practices</b>				
PR/MC-G4-DMA	NCW: Nestlé Business Principles <a href="http://www.nestle-nespresso.com/about-us/business-principles">www.nestle-nespresso.com/about-us/business-principles</a> NIS: Nutrition, Health and Wellness > Responsible marketing p.52-56	Management approach about marketing communications				
G4-PR7	NIS: Human Rights and Compliance > Reporting of compliance violations > The Nestlé Integrity Reporting System p.148 NIS: Human Rights and Compliance > Reporting of compliance violations > Tell us p.149	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications (advertising, promotion, and sponsorship)				
<b>Material aspect: Customer privacy</b>		<b>Ensuring total protection of customers privacy and data</b>				
PR/CP-G4-DMA	NCW: Nespresso's Privacy and personal data policy <a href="https://www.nestle-nespresso.com/info/privacy-policy">https://www.nestle-nespresso.com/info/privacy-policy</a> NIS: Human Rights and Compliance > Data Privacy p.149	Management approach for ensuring privacy to our customers				
G4-PR8	There have been no reportable breaches of customer data. Whilst there have been incidents with the potential to compromise customer data privacy, these incidents were resolved within 24-48h of being raised and there was no impact on customers	Complaints regarding breaches of customer privacy and losses of customer data				



*We dedicate this report to the most important partners of all – the AAA farmers and agronomists. They share our passion for high quality and sustainable coffees and contribute to make every cup enjoyed by our consumers, a positive cup.*

*The Nespresso Team*

*AAA farmer, Juan Carlos Martínez, and his son Juan de Dios Martínez, with the Santander limited edition, Colombia*



## IMPRESSUM

In case of doubt or differences of interpretation, the English version shall prevail over a translated version.

### CONCEPT & CONTENT

Nestlé Nespresso, Sustainability Team

### GRI COMPLIANCE

Nestlé Nespresso, Sustainability Team with Sofies

### VISUAL & VERBAL IDENTITY

Nestlé Nespresso, Sustainability Team with creative agency Magic Pencil

### PHOTOGRAPHY

Christian Lamontagne  
Emmanuel Nguyen Ngoc  
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### BROCHURE

All wasted paper is recycled  
Arctic Volume FSC paper  
Cover 300 gsm, printed four colours recto/verso with soft touch lamination recto  
Inside pages 115 gsm, printed four colours and satinated varnish recto/verso

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▲ AAA farmer Isaya Lokolong Latiyo on his farm, South Sudan

