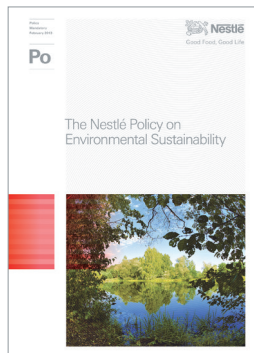


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Appendix to The Nestlé Policy on Environmental Sustainability

Nestlé Commitment on Deforestation and Forest Stewardship

Forests cover over four billion hectares globally and provide important ecosystem services such as carbon storage, water regulation and quality, and a home for pollinator insects. Nearly 90% of terrestrial biodiversity is found in forests. One billion people rely upon forests partially or wholly for their livelihoods, many of them the world's poor, whilst forests are also the foundation for a wide range of commercial activities.

Forests continue to be lost, primarily in the biodiversity-rich tropical zone, at rates that have remained largely static for the last 20 years. The causes are a complex mixture of factors including pressure for land for the rural and urban poor to improve their livelihoods, forest industry expansion, and importantly, agricultural expansion. Degradation, a loss of forest quality without the loss of total forest cover is also a major problem though much less documented. Degradation and habitat fragmentation are particularly impacting upon species that require large contiguous forest areas.

Nestlé buys a range of products that originate from: land where crops are integrated within forests; land that has been converted from forests in the past; and directly from forests. In addition Nestlé Waters owns and leases some forests and land surrounding some of the water sources for its mineral water business. These are managed to ensure the purity and long term sustainability of the water resource.

Nestlé has long had a commitment to environmentally sustainable business practices, focusing on water preservation, natural resources efficiency, biodiversity conservation, air emissions reduction, climate change adaptation, and

zero waste. The success of Nestlé is intimately connected with the health of the forests and forested landscapes from which it sources some of its raw materials. Nestlé recognises that the standards and practices followed by its suppliers can impact positively or negatively upon the forests, through the expansion of agriculture or forest plantations into forested areas, and the stewardship of forests from where raw materials are sourced.

Nestlé believes that improving the sustainability of our raw materials will create shared value across the supply chain from local communities all the way through to consumers. The shared value will include *inter alia* maintenance and restoration of ecosystem services, improved net small farmer income, and stronger relations between the different actors in the supply chain. It has therefore produced this commitment on forests in order to describe its commitments to both tackle deforestation and improve the standard of forest stewardship, through the responsible purchasing of products from forests and forested landscapes. Further detailed guidance on implementation of this commitment is provided in more detailed Responsible Sourcing Guidelines.

This commitment has been drawn up in consultation with expert external stakeholders. It is applicable to all Nestlé majority owned companies. Nestlé will discuss with Joint Venture partners the extension of this commitment to joint venture operations.

Nestlé Principles on Deforestation and Forest Stewardship

Nestlé understands that its most significant influence on forests is through its sourcing of paper and board, and agricultural commodities. Nestlé's ambition therefore, is to ensure that its products have not led to deforestation and that Nestlé and its suppliers are responsible stewards¹ of the forests and forested areas from which they are sourcing materials. Achieving this involves ensuring that the forest areas and ecosystems that supply materials are either protected, or where managed, have been assessed for their conservation value and appropriate management responses applied.

To this end Nestlé will ensure that all its raw materials sourced from forested areas:

- Have not led to deforestation²
- Have not led to the loss of high conservation values³
- Have been produced in compliance with The Nestlé Corporate Business Principles and The Nestlé Supplier Code⁴
- Have led to the creation of shared value for society and local communities⁵

The raw materials considered to have the highest impact on deforestation and forest stewardship, and therefore the priorities for Nestlé to work on, are: paper & board, timber, palm oil, and soya.

Other commodities including inter alia, meat & dairy products, cocoa, coffee and cassava are also problematic in some places, and will be tackled accordingly country by country. Biofuel is a further commodity associated internationally with deforestation and conversion of high conservation value areas. Nestlé's purchases of biofuel are limited to transportation fuels which contain legally stipulated biofuel content, over which Nestlé has little influence. Nestlé is very concerned about the impacts on food security and environmental degradation and is advocating against the use of food crops for biofuels. A separate commitment on biofuels is available.

Nestlé Specific Commitments

In furtherance of the above commitments, Nestlé will:

- Develop Responsible Sourcing Guidelines (RSGs) for different commodities that define how we will meet these principles on deforestation and forest stewardship.
- Set annual improvement targets and progress milestones for each RSG.
- Mobilise resources and work closely with the companies and suppliers who provide Nestlé with raw materials to help them meet these Forest Stewardship Principles. For our suppliers we will require that they are able to trace, through to the source, using a verifiable chain of custody system, and to implement a time bound action plan to meet the RSGs.

We consider three years as sufficient time for suppliers to show material progress towards delivering traceability and meeting our RSGs, and five years as the maximum time that it should take to be able to demonstrate compliance. We will support suppliers who are willing to proceed towards meeting the RSGs, and exclude suppliers who are unwilling to comply with them. We will conduct regular field audits of existing suppliers to determine their performance against the RSGs.

- Utilise independent third party verification or certification schemes, to facilitate the demonstration of compliance against Nestlé's RSGs. Such schemes are not the end-point, only a tool to facilitate measurement of progress. We will regularly review and approve certification schemes for Nestlé use, based on the following criteria: they deliver compliance with national and international laws and treaties; are scientifically based; they demonstrate a consistent high standard across the world; have a balanced multi-stakeholder governance; have the broad support of NGOs; include respect for the rights and title of indigenous peoples and local communities; have the active support and inclusion of small owners; have the ability to exclude forest conversion and other controversial sources; include the High Conservation Value concept; incorporate third party verification and chain of custody.
- Use the "cut off" dates established by Forest Stewardship Council (FSC), the Roundtable on Sustainable Palm Oil (RSPO) and Roundtable on Responsible Soy (RTRS) for conversion of forests and High Conservation Value areas, to determine when Nestlé will not source product from plantations/farms converted from forest land. For those commodities where no suitable scheme, or recognised cut-off date exists, we will set our own cut-off date, and communicate that publicly.
- Promote these principles through Nestlé's farm level extension services including assisting small-holder farmers and communities to improve their tenure and stewardship of their trees and forests.
- Communicate these principles and RSGs to suppliers and stakeholders, and provide regular and transparent feedback on the performance against the RSGs in annual reports and on the website.
- Increase the transparency to consumers and customers of our commitments on forest stewardship and deforestation through category and product brand communications, including web, point of sale and on-pack use of certification logos. We will ensure that any communications on responsible sourcing of commodities only communicates that the products are independently certified

to internationally recognised third party multi-stakeholder certification schemes⁶. Only schemes approved by an executive board member of Nestlé will be used and communicated.

- Engage with external stakeholders to improve our understanding of the issues, adapt our commitments and achieve our goals. This will include multi-stakeholder fora such as the Roundtable on Sustainable Palm Oil, and the Roundtable on Responsible Soy. Nestlé will support the High Conservation Value Resource Network, and forest certification schemes to develop their coverage of water and carbon values, and improve their inclusiveness to small-holder forest owners.
- Nestlé shares the Consumer Goods Forum commitment to global zero-net deforestation by 2020. Nestlé will work with industry platforms, government and civil society stakeholders on the broader global effort to tackle deforestation, and use its influence to support funding mechanisms and other practical schemes that will assist countries and local communities to conserve their natural assets.

- 1 The term “stewardship” is used to embrace the concept of “duty of care”.
- 2 “Deforestation” is the clearing of forests for the expansion of agriculture or forest plantations. It is used interchangeably with “forest conversion” in this paper.
- 3 High conservation values are as defined by the HCV Resource Network, plus the concept of High Carbon Stocks.
- 4 The Nestlé Corporate Business Principles set out Nestlé’s support for and commitment to compliance with laws and international norms, in particular on Business Integrity, Human Rights, Labour Practices, Health & Safety and Environmental Sustainability. The Nestlé Supplier Code, based on these principles is applicable to all the suppliers of products and services to Nestlé.
- 5 Further information on Creating Shared Value is available on www.nestle.com Nestlé focuses on water, rural development and nutrition.
- 6 Further information is available in the Brands and CSV Communications Standard