

WORKING TOGETHER FOR A SUSTAINABLE FUTURE

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Nespresso is embedding sustainability throughout its value chain

AT A GLANCE

A COMMITMENT TO SUSTAINABILITY

Nespresso believes that each cup of Nespresso coffee should not only deliver a moment of pleasure for consumers, but also create long-term shared value and a greater, positive impact on society and the environment. Nespresso aims to offer the highest quality and most sustainable portioned coffee worldwide.

A LONG-TERM HOLISTIC APPROACH

Nespresso began integrating sustainability in its business model in 2003 with the launch of its unique coffee sourcing approach, the Nespresso AAA Sustainable Quality™ Program. In 2009, willing to go further, Nespresso launched Ecolaboration™, a company-wide program to drive sustainable development throughout its value chain.

DRIVING POSITIVE IMPACTS

Nespresso has built on these significant steps taken from 2003 to 2013 to launch The Positive Cup, the new Nespresso sustainability strategy for 2014 to 2020. It aims to accelerate the company's sustainability focus and create significant benefits for the business, society and the environment. It targets the areas of coffee sourcing and social welfare; aluminium sourcing, use and disposal of used Nespresso capsules; and climate.

WORKING TOGETHER

Nespresso works closely with stakeholders throughout the value chain, combining skills and expertise to foster more positive impact. Comprised of international experts and thought leaders in the area of sustainability, the Nespresso Sustainability Advisory Board (NSAB) helps to inform and shape the Nespresso long-term sustainability strategy, and serves as a basis for partnerships on sustainability initiatives.



SUSTAINABILITY

A KEY DRIVER FOR NESPRESSO

Sustainability is central to the future prosperity of Nespresso as a company and the communities with which it works. This means producing the highest quality coffee for consumers, while creating long-term social, economic and environmental value for farmers, shareholders and society, from the coffee cherry to the cup and beyond.

The Nespresso sustainability journey started in 1991 with the implementation of the first capsule collection systems in Switzerland. Nespresso began embedding sustainability into its value chain in 2003, with the launch of its unique coffee sourcing approach, the Nespresso AAA Sustainable Quality™ Program.

Building upon the Nestlé principle of Creating Shared Value (CSV), Nespresso launched the company-wide program Ecolaboration™ in 2009 to drive sustainable development throughout its value chain, from coffee farming to consumption. Major sustainability commitments were successfully met to significantly enhance the company's sustainability performance by the end of 2013.

As of 2015, over 80% of the coffee Nespresso was sourced from AAA farms, with over 70,000 coffee farmers participating in the AAA Program. Nespresso more than tripled since 2009 its capacity to collect over 86% of Nespresso capsules sold worldwide for recycling and reduced the carbon footprint of a cup of Nespresso coffee by 20%.

A pioneer in premium portioned coffee, Nespresso has transformed the way millions of people enjoy their coffee by offering a precise and efficient system of extracting and consuming coffee, reducing coffee, water and energy waste from traditional ways of preparing coffee.

Nespresso believes that every cup of Nespresso coffee should not only deliver moments of pleasure but also restore, replenish and revive environmental and human resources. This is The Positive Cup vision: a cup of coffee that can create shared value and a greater, positive impact on society and the environment.

◀ In Colombia, AAA farmers have a net income 46% higher on average than non-AAA farmers, thanks to the price premium paid by Nespresso for the high quality of their crop and the support to increase crop productivity.

For more information on *Nespresso* sustainability initiatives, please visit:
www.nestle-nespresso.com/sustainability

CREATING POSITIVE IMPACT WITH THE POSITIVE CUP

The Positive Cup is the sustainability vision *Nespresso* set for 2014 to 2020 to become the highest quality and most sustainable portioned coffee worldwide. The Positive Cup sees a new set of ambitious goals to create shared value for *Nespresso* communities while mitigating the company’s impact on the environment.

Nespresso will engage actively in the areas of coffee sourcing and social welfare; aluminium sourcing, use and disposal; and climate. The Positive Cup sustainability strategy builds on the significant steps the company has taken since 2003 to improve farmer welfare and drive environmental sustainability in coffee farming and consumption.

Specifically, by 2020 *Nespresso* aims to:

COFFEE – 100% SUSTAINABLY SOURCED COFFEE

- Source 100% of the permanent range of Grand Cru coffees sustainably through the *Nespresso* AAA Sustainable Quality™ Program by significantly expanding the AAA Program in Ethiopia, Kenya and South Sudan.
- Support coffee farmers through the AAA Program to improve their environmental performance, and achieve and maintain high certification standards (in water management, biodiversity and fair treatment of workers, for example).
- Pursue innovative solutions to farmer welfare, including through a pilot retirement savings plan for farmers in Colombia.

ALUMINIUM – 100% SUSTAINABLY MANAGED ALUMINIUM

- Expand the capacity to collect used *Nespresso* capsules to 100% wherever the company does business and increase recycling rates.
- Recycle *Nespresso* capsules collected by the company into new *Nespresso* capsules each time it makes sense environmentally (for example, in UK, France, Switzerland, Belgium, Luxembourg, Netherlands, Austria and Italy).
- Source 100% of virgin aluminium capsule material compliant with the new Aluminium Stewardship Initiative standard, developed within a multi-stakeholder program co-founded by *Nespresso* together with the International Union for Conservation of Nature (IUCN) and other industry leaders.

CLIMATE – 100% CARBON EFFICIENT OPERATIONS

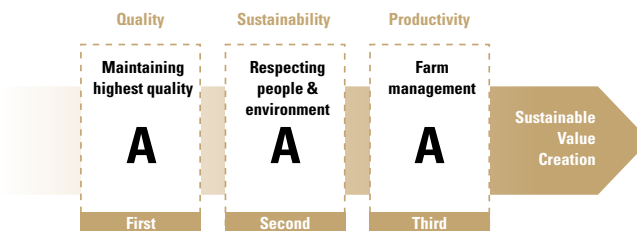
- Further reduce by 10% the carbon footprint of the company.
- Strengthen coffee farm resilience to climate change and help reverse the degradation of natural ecosystems through an extensive agroforestry program in the AAA regions.
- Become 100% carbon efficient in our operations by compensating our residual operational carbon footprint through the same agro-forestry program. This mechanism consists in planting trees within *Nespresso* value chain so that the environmental benefits delivered by the trees on top of carbon sequestration (for instance, soil regeneration, water availability...) can benefit the *Nespresso* value chain partners. Agroforestry represents also an economic benefit for the farmers (diversification of income thanks to the planting of timber and fruit trees).

Farm assessment workshop with coffee farmers ▼



IMPROVING SOCIAL AND ENVIRONMENTAL SUSTAINABILITY AT FARM LEVEL: THE AAA SUSTAINABLE QUALITY™ PROGRAM

Nespresso implements its sustainability vision at farm level through the *Nespresso* AAA Sustainable Quality™ Program, developed together with the NGO the Rainforest Alliance, a leader in conservation and sustainable agricultural practices. Launched in 2003, the AAA Program aims to ensure the supply of highest quality coffees for *Nespresso* Grands Crus while protecting the environment and improving the livelihoods of coffee farmers and their families.



The program’s three “A”s correspond to the three pillars of its approach: quality, sustainability and productivity. *Nespresso* establishes long-term direct relationships with coffee farmers in the program, helping them to not only implement sustainable farming practices, but also improve quality and productivity through training, technical assistance and direct investments.

- Over 80% of *Nespresso* green coffee was sourced through the *Nespresso* AAA Sustainable Quality™ Program at the end of 2015, with more than 290,000 hectares of sustainably grown coffee across 12 countries.
- At the end of 2015, over 70,000 farmers had joined the AAA program, up from 26,000 farmers in 2009.
- The AAA Program is implemented in Brazil, Colombia, Costa Rica, Ethiopia, Guatemala, India, Indonesia, Kenya, Mexico, Nicaragua, Peru and South Sudan.
- Measurements of the impacts of the AAA Program in Colombia made by the independent monitoring organisation CRECE between 2009 and 2011 found that AAA farms had 22.6% better social conditions, 41% better economic conditions and 52% better environmental conditions than non-AAA farms. Net income levels were found to be 46% higher for AAA farmers than non-AAA farmers.

Nespresso is taking action to optimise its environmental performance across its entire business

EXPANDING GLOBAL CAPACITY TO RECYCLE USED CAPSULES

Nespresso is a firm believer in the benefits of aluminium as the best material to protect the aromas and freshness of its Grand Cru coffees. Recognising its obligations to respect the environment and safeguard the earth's resources, *Nespresso* has made capsule recycling a central sustainability priority. Around the world *Nespresso* is developing customised solutions that make returning used *Nespresso* capsules for recycling as easy as possible for consumers.

- In 2015, 39 countries had systems in place to collect used capsules, reaching over 86% collection capacity, thanks to more than 14,000 dedicated collection points in *Nespresso* boutiques and within the community, and over 88,000 UPS drop off locations in the USA.
- In Switzerland, *Nespresso* has been putting systems in place to collect used *Nespresso* capsules for recycling since 1991. In Germany, *Nespresso* consumers have been able to recycle their capsules through the Green Dot recycling scheme since 1993. This has since been expanded to add Sweden and Finland.
- *Nespresso* is encouraging the recycling of used capsules through the Recycling@Home doorstep collection initiative in select regions. So far, 15 countries in Europe, the Middle East and Asia now have such a system in place.
- As a co-founding partner of CELAA (Club for Aluminium and Steel Light Packaging), *Nespresso* has been instrumental since 2009 in advancing technology and policy regarding recycling of small-scale metal packaging in France.



◀ Returning used capsules to a *Nespresso* boutique for recycling



▲ A recycling centre separates coffee grounds from the aluminium of used *Nespresso* capsules. The aluminium is remelted to make new aluminium products. Meanwhile, spent coffee grounds can be used as compost fertiliser and heating briquettes, to create biogas, or even to purify water.

REDUCING CARBON FOOTPRINT

Nespresso is taking action to optimise its environmental performance across its entire business through various initiatives. Since 2005, *Nespresso* has used a scientific approach called life cycle assessment (LCA) to assess its environmental impacts, identify areas of improvement and measure progress in reducing its carbon footprint.

- *Nespresso* has reduced the carbon footprint of a *Nespresso* cup of coffee by 20.7% between 2008 and 2012.
- Since 2009, all new *Nespresso* machine ranges have been equipped with an automatic stand-by mode or power-off function.
- The PIXIE, U and *Inissia* machine ranges automatically switch off after 9 minutes of inactivity, consuming 60% less energy than a model rated as "A" according to FEA / CECED standards.
- *Nespresso* has built environmental efficiencies into its production centres in Switzerland. The production centre in Orbe features a system that uses river water to cool the factory. The Avenches facility is heated using an innovative energy recovery system from its roasters that saves approximately 230,000 m³ of gas per year. In Romont, the heat recuperated from the roasters partly heats the facility and will be partly redistributed to the homes in the area.
- Although it represents less than 5% of the *Nespresso* carbon footprint, *Nespresso* is committed to improving the sustainability of its distribution logistics. For example, 100% of the green coffee is delivered by rail to all production centres. *Nespresso* is also reducing its environmental impact throughout Europe by implementing the best combinations of rail, road and sea transport to move products between *Nespresso* production centres and regional distribution warehouses. By the end of 2013, *Nespresso* reduced its transport-related CO₂ emissions in Europe by about 13% compared with 2010.



100% of the green coffee is ▲ delivered by rail to production centres.



▲ Since 2009, all new *Nespresso* machine ranges have been equipped with an automatic stand-by mode or power-off function, consuming between 40 to 60% less energy than a model rated as "A" according to FEA / CECED standards.

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WORKING TOGETHER FOR A SUSTAINABLE FUTURE

The sustainability milestones *Nespresso* has achieved so far are essential, but they are only part of a continuous journey that must be taken together. *Nespresso* works with civil society organisations, global financial institutions, academic bodies and other businesses in its on-going commitment to create shared value for *Nespresso* communities.

- Comprised of international experts and thought leaders in the area of sustainability, the *Nespresso* Sustainability Advisory Board (NSAB) provides insight and recommendations on the *Nespresso* long-term sustainability strategy, and serves as a basis for additional partnerships on new initiatives. Board members include, amongst others, representatives from the Colombian Coffee Growers Federation (FNC), Fairtrade International, INCAE Business School, the International Union for Conservation of Nature (IUCN), the Rainforest Alliance and TechnoServe.
- As a co-founding partner of the Aluminium Stewardship Initiative (ASI), since 2009 *Nespresso* has worked with the IUCN, civil society organisations and aluminium industry leaders to foster greater sustainability and transparency throughout the aluminium industry. Announced at the end of 2014, the new ASI Performance Standard sets criteria for responsible environmental and social performance, and business ethics across the entire aluminium value chain.
- Leading environmental consultants Quantis have conducted various life cycle assessments (LCAs) of *Nespresso* operations since 2008. This rigorous scientific approach helps *Nespresso* understand the scope of its environmental impacts, make informed decisions to improve its environmental performance and measure progress in reducing its carbon footprint.

WHAT THE EXPERT SAYS

"The Nespresso innovative program, which helps farmers achieve higher prices, better yields, and greater environmental performance and sustainability, is not driven by charity but by creating value. Nespresso will benefit strategically from the quality improvements that farmers achieve and coffee supplies that will be far more sustainable over time. It is this alignment between corporations and social challenges, not a mindset of separation and trade-offs, which is the key to both economic and social progress."

*Michael Porter,
 Professor of Business Strategy,
 Harvard Business School*



ON FARM AGRICULTURAL BEST PRACTICES

By working with independent partners like the Rainforest Alliance and the Sustainable Agriculture Network (SAN), *Nespresso* currently has a network of more than 300 agronomists able to provide efficient support to farmers through dedicated tools, training, assessments, tailor-made action plans and verification processes. The agronomists encourage the farmers to renovate their coffee plants with the most adapted varieties, to organize their plantation with optimal distance between the plants, to prune the coffee trees in order to increase their productivity and to plant shade trees to protect their coffee crop for example.

SUSTAINABLY MANAGING ALUMINIUM

The new ASI Performance Standard sets criteria to drive responsible environmental & social performance, and business ethics across the entire aluminium value chain.

(<http://aluminium-stewardship.org/>)

