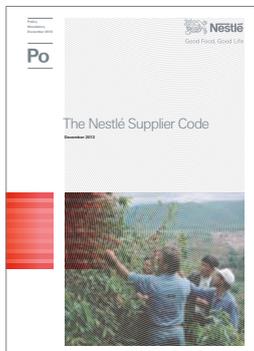


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Appendix to The Nestlé Supplier Code

Nestlé Commitment on the Responsible Use of Materials from Agricultural Origin

The following mandatory requirements complement the Nestlé Supplier Code and are applicable to all stages of the upstream value chain back to the primary production level.

The aim of the Commitment is to guide Nestlé's suppliers to improve their practices in the implementation of international standards and Nestlé own policies and commitments relating to responsible sourcing:

- Nestlé Supplier Code
- Nestlé Policy on Environmental Sustainability
- Nestlé Commitment on Climate Change
- Nestlé Commitment on Deforestation and Forest Stewardship
- Nestlé Commitment on Child Labour in Agricultural Supply Chains
- Nestlé Commitment on Rural Development
- Nestlé Commitment on Farm Animal Welfare
- Nestlé Commitment on Water Stewardship
- The International Bill of Human Rights
- The 8 ILO Core Conventions
- United Nations Global Compact Principles
- Nestlé Commitment on Land and Land Rights in Agricultural Supply Chains.

This Commitment comprises three sections:

1. The General Principles driving the overall concept "remove the worst, promote the best, improve the rest"
2. The General Requirements applying to all materials of agricultural, forestry, fishery and aquaculture origin
3. The list of key categories having additional material specific requirements.

General Principles

a) Continuous improvement:

Nestlé is committed to continuously increasing the share of raw and packaging material sourced in compliance with these requirements. All Nestlé suppliers are expected to engage in a process of continuous improvement and to verify their processes and practices against these requirements.

b) Transparency along the value chain

Nestlé expects its suppliers to conduct their business with Nestlé in an open and transparent way, which includes providing transparency of material flows throughout the entire upstream value chain providing evidence of product identity and that no adulteration has happened, with the overall objective to ensure the supply of responsibly produced products. Suppliers provide accurate information on all aspects covered by these requirements.

c) Supplier accountability and supplier support

Nestlé expects its suppliers to take ownership and leadership in developing and implementing continuous improvement measures against all aspects of these requirements. As appropriate, Nestlé will provide support to suppliers that are not yet able to comply but are committed to becoming compliant over time and demonstrate continuous and tangible progress.

d) Credible verification

In its extended value chains, Nestlé expects its suppliers to continuously monitor and verify their performance and continuous improvement against these requirements. In the case of high sustainability risks, Nestlé reserves the right to verify such monitoring and performance by independent assessments or certification.

General Requirements

1. Legal compliance

Suppliers¹ comply with all applicable laws and regulations.

2. Human rights and labour practices as stated in the Nestlé Supplier Code

a. No use of forced or child labour.

- i. There is no use of forced or compulsory labour as per ILO Conventions 29 and 105.
- ii. There is no use of child labour. Child labour refers to work that is mentally, physically, socially, morally dangerous or harmful to children or that improperly interferes with schooling needs as per Nestlé Supplier Code and ILO Conventions 138 and 182.

b. Workers' pay and conditions meet at least legal or mandatory industry standards.

- i. Workers' pay and benefits comply with minimum legal requirements or mandatory industry standards, including any applicable binding collective agreements.
- ii. Working conditions comply with applicable laws and industry norms, including working hours, housing (where applicable), water and sanitation, specific gender-related needs, medical and welfare provision.

c. Freedom of association and collective bargaining is respected, unless prevented by law.

- i. The rights of workers to freedom of association and collective bargaining are respected, consistent with applicable ILO Conventions 87 and 98 and those identified by the United Nations Universal Declaration of Human Rights.

d. Provision of safe and healthy workplace.

- i. Workers are provided with a safe and healthy workplace, including, as applicable, safe housing conditions. As a minimum, potable drinking water, adequate sanitation, emergency exits, essential safety equipment and access to emergency medical care are provided.

¹ The term "supplier" includes all sub-suppliers back to the primary production stage.

e. No discrimination on the basis of gender, race, ethnicity, age or religion.

- i. Hiring and employment practices do not discriminate on the ground of criteria such as race, colour, religion, sex, age, physical ability, maternity, religion, ethnicity, physical conditions or political views as per ILO Convention 111.

3. Conversion of natural vegetation

a. No sourcing from areas converted from natural forests¹ after 1 February 2013².

- i. Products are sourced from land that has not been converted from natural forest to other land use.

b. Identification and protection of High Conservation Values (HCVs)³.

- i. Products are sourced in a manner that maintains or enhances high conservation values in the surrounding landscape.
- ii. High carbon stocks (including above ground carbon values and soils that provide important carbon and water storage functions) are included as a high conservation value and Nestlé will develop appropriate criteria.
- iii. Suppliers will pay particular attention to high conservation values needed to preserve water stewardship, livelihoods, and species that require large contiguous habitats.
- iv. Suppliers will not source products from IUCN protected areas categories I-IV, UNESCO World Heritage Sites and wetlands on the Ramsar List.
- v. HCV areas have management plans that ensure the maintenance and/or enhancement of these areas and maximize connectivity of natural habitats within the landscape.

4. Environmental impacts

a. Impacts on water are mitigated by implementation of water management plans, and additional measures in water- stressed areas.

- i. Water withdrawal from the environment is minimized and water pollution is prevented.
- ii. Suppliers have carried out impact assessments that include water resource assessments, and are implementing management plans that include water management. Water management takes into account the human right to water as well as environmental flows and water quality.
- iii. Suppliers in water-stressed areas undertake additional measures with the objective of mitigation impacts of water consumption.

b. Use of chemicals is consistent with best agricultural practices.

- i. Growers comply with best practices relating to use of chemicals.
- ii. Pest and disease management is based on Integrated Pest Management programs that reduce the need for agrochemicals and provide appropriate safeguards for workers and high conservation value areas when agrochemicals are applied.

c. Soil management is consistent with best agricultural practises.

- i. Growers comply with best practices relating to soil management, taking into consideration soil structure and fertility, and soil erosion.
- ii. Fertilisers are applied in response to appropriate soil testing and in ways that minimize run-off of nutrients and emissions of GHG.
- iii. Soil carbon levels are maintained and measures taken to enhance them where these benefit soil health and crop growth.
- iv. Agrochemical use is minimised to deliver upon good soil conservation practices, whilst being consistent with the need to control invasive species and pests.

d. Suppliers identify and reduce their significant environmental impacts in a process of continuous improvement, which includes, as applicable, the following aspects:

- i. Waste is prevented, reused, recycled, recovered and/or disposed of in an environmentally sustainable way
- ii. Biodiversity is maintained and/or enhanced
- iii. Greenhouse gas emissions are reduced
- iv. Air emissions from processing plants are reduced
- v. Energy is used efficiently

1 See "Understanding Forest Conversion/Deforestation".

2 Earlier cut-off dates may apply to specific materials. See the Annexes for material-specific requirements.

3 The HCV Resource Network promotes a consistent, global, cross-sectoral and scheme-neutral approach to HCV: www.hcvnetwork.org Note that HCVs can include natural vegetation other than forest areas, such as highly biodiverse grasslands. Particular attention is paid to high conservation values needed to protect natural wetlands and water stewardship livelihoods.

5. Food waste and Post-Harvest Losses Food waste and post-harvest losses are minimized.

- i. Growers and processors adopt appropriate technology and systems to reduce post-harvest losses and food waste.
- ii. Suppliers and farmers should gather evidence to inform future interventions with the intention to focus attention in reducing post-harvest losses and other food waste along the value chain.
- iii. Where post-harvest losses do occur, efforts are made to reduce losses to an acceptable minimum.

6. Land use rights

a. Suppliers can demonstrate legal entitlement to land ownership or other pertinent land use rights.

- i. Land rights, including legal title and customary land, of local communities are respected.
- ii. Legal use rights to the land are clearly defined and demonstrable (e.g. documented through an ownership agreement, rental agreement, court order, etc.).

b. Agricultural and forestry developments and activities on local peoples' land are subject to the free, prior and informed consent of the affected local communities, including indigenous peoples¹.

- i. Producers maintain communication channels with local communities and traditional land users and there is a clearly established mechanism for raising and resolving grievances.

7. Creation of shared value for society and local communities and Rural Development

a. Farming, forestry, fishing and aquaculture activities contribute to sustainable rural development.

- i. There are demonstrable rural development benefits accruing to local communities as a consequence of the production activities.
- ii. Fair opportunities for employment and provision of goods and services are provided to the local population.

b. Small scale producer access to Nestlé's supply chains is not disadvantaged through application of responsible sourcing guideline.

- i. Small scale producers do not face undue or disproportionate obstacles to becoming a Nestlé supplier as a result of the implementation of these requirements.

8. Animal welfare

Animal welfare practices along the upstream value chain are guided by the General Principles for the Welfare of Animals in Livestock Production Systems developed by the World Organisation for Animal Welfare (OIE)², to be implemented in a process of continuous improvement. A science-based approach is applied to defining criteria and indicators to evaluating farm animal welfare on the basis of the "Five Freedoms":

1. Freedom from hunger, thirst and malnutrition.
2. Freedom from fear and distress.
3. Freedom from physical and thermal discomfort.
4. Freedom from pain, injury and disease.
5. Freedom to express normal patterns of behaviour of farmed animals.

Material Specific Requirements

Material specific requirements exist for 12 categories:

1. Palm Oil
2. Paper & Board
3. Sugar
4. Soya
5. Cocoa
6. Coffee
7. Dairy
8. Fish & Seafood
9. Meat, Poultry & Eggs
10. Vanilla
11. Hazelnuts
12. Shea

and are detailed in Nestlé operational policies applied in procurement. These are available on www.nestle.com/suppliers

1 For guidance see: FSC Guidelines for the implementation of free, prior, informed consent (2012); WWF: Free, prior, informed consent: guidelines and resources (2011): <http://assets.worldwildlife.org>.

2 Article 7.1.3. of the Terrestrial Animal Health Code, World Organisation of Animal Welfare (OIE).