

# Bureau Veritas' Independent Assurance Statement

To: The Stakeholders of Nestlé S.A.



## Introduction and objectives of the engagement

Bureau Veritas UK Limited ('Bureau Veritas') has been engaged by Nestlé S.A. ('Nestlé') to provide independent Moderate level assurance over selected ESG performance indicators in the Creating Shared Value and Sustainability Report 2023 (the 'CSV Report') and the Nutritional Value Transparency Key Performance Indicators (KPIs) published on the Nestlé website <https://www.nestle.com/nutrition-health/portfolio-transparency> ('Nutritional Transparency KPIs'). The objective of our engagement is to provide assurance to Nestlé's stakeholders over the accuracy, reliability and objectivity of the reported information and that it covers the issues material to the business and its stakeholders.

## Scope of work

The scope of our work was limited to assurance over performance data, included in the CSV Report and Nutritional Transparency KPIs for the reporting period January 1, 2023, to December 31, 2023 (the 'Selected Information'). Subject to the limitations and exclusions listed in the section below, our review included:

- Selected ESG performance indicators contained within the CSV Report, including:
  - Water stewardship:
    - Water related incidents
    - Nestlé Waters sites certified to the AWS<sup>1</sup> Standard
    - Nestlé Waters volumetric water benefits delivered by implementing local water stewardship projects
  - Responsible sourcing:
    - Number of farmers in the Nestlé Cocoa Plan
    - Farmers trained on practices
  - Advancing human rights:
    - Regional Indicators for Côte d'Ivoire and Ghana: Households covered by a CLMRS<sup>2</sup> to prevent and address child labour risks; Children covered by a CLMRS to prevent and address child labor risks; Total children who received support during the year; Total children who have received support since program began; Children identified who reported no longer engaging in activities posing a risk of child labor at the two most recent follow-up visits
  - Supporting balanced and sustainable diets:
    - Sanctions (with a threshold of CHF<sup>3</sup> 10 million) due to products' labelling or marketing violations
    - Compliance with Nestlé Marketing Communication to Children Policy: TV, Websites, Social media, Influencers, Average total

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<sup>1</sup> Alliance for Water Stewardship (AWS)

<sup>2</sup> The Child Labor Monitoring and Remediation System (CLMRS).

<sup>3</sup> Swiss Francs (CHF)

- Food safety and quality:
  - Ingredients sourced from Tier 1 supplier facilities certified to a Global Food Safety Initiative (GFSI) recognized food safety certification program
  - Number of food safety recalls issued
  - Global Food Safety Initiative audits: (1) non-conformance rate; (2) associated corrective action rate for major non-conformances; (3) associated corrective action rate for minor non-conformances
- Our diverse and inclusive culture:
  - Percentage of women on company board
  - Chairperson is a woman
  - Gender balance in board leadership
  - Chief executive officer (CEO) is a woman
  - Woman chief financial officer (CFO) or equivalent
  - Percentage of women executive officers
  - Chief diversity officer (CDO)
  - Percentage of women in total management
  - Percentage of women in senior management
  - Percentage of women in middle management
  - Percentage of women in non-managerial positions
  - Percentage of women in total workforce
  - Percentage of women total promotions
  - Percentage of Women IT/Engineering
  - Percentage of new hires that are women
  - Percentage of women attrition
  - Number of weeks of fully paid primary parental leave offered
  - Number of weeks of fully paid secondary parental leave offered
  - Parental leave retention rate
  - Flexible working policy
  - Employee resource groups for women
  - Unconscious bias training
  - Annual anti-sexual harassment training
- Employer of choice:
  - Markets offering Employee Assistance Program (EAP) to support employee's mental health and wellbeing
  - Markets providing supportive measures for employees working with cancer
  - Number of primary and secondary caregivers having used paid parental leave
  - Retention of primary and secondary caregivers having used paid parental leave after one year
  - Total employees covered by collective bargaining agreements
  - Employees reached through the global employee health promotion communication campaigns

- Employees having watched #HealthyLives videos
- Views of #HealthyLives videos
- Views of HealthTalks webinars
- Activations in Pleaz platform to support mental health and physical activity
- Employees having access to My Health Numbers program
- Employees having participated to My Health Numbers program
- Canteens offering a healthy meal
- Markets offering a nap room or equivalent to rest
- Recordable illness rate: Recordable illness rate per million hours worked; Total recordable fatalities from illnesses; Total irreversible illnesses
- The foundations of ethical business:
  - Total monetary value of financial political contributions made by the organization in Switzerland
  - CARE<sup>4</sup> social audit program: Number of data breaches notified to authorities; Locations covered by CARE audits; CARE audits performed; CARE audit improvement opportunities identified; CARE audit gaps closed.
- Community giving (CHF):
  - Financial aid;
  - Product donations;
  - Total community giving investment
- Nutritional Transparency KPIs published on the Nestlé website, including:
  - Europe:
    - France (% net sales 2023): Specialised nutrition; Nutri-Score A; Nutri-Score B; Nutri-Score C; Nutri-Score D; Nutri-Score E; Other
    - Germany (% net sales 2023): Specialised nutrition; Nutri-Score A; Nutri-Score B; Nutri-Score C; Nutri-Score D; Nutri-Score E; Other
    - UK (% net sales 2023): Specialised nutrition; Non-HFSS; HFSS; Other
  - Asia and Oceania:
    - Australia/New Zealand (% net sales 2023): Specialised nutrition; HSR 3.5 and above; HSR between 1.5 and 3.0; HSR less than 1.5; Other
    - Malaysia (% net sales 2023): Specialised nutrition; Healthier Choice; No Logo; Other
    - Singapore (% net sales 2023): Specialised nutrition; Healthier Choice; No Logo; Other
    - Thailand (% net sales 2023): Specialised nutrition; Healthier Choice; No Logo; Other
  - Latin America:
    - Argentina (% net sales 2023): Specialised nutrition; 0 Warning legends; 1 Warning legends; 2 Warning legends; 3 Warning legends; 4 Warning legends; 5 Warning legends; Other
    - Brazil (% net sales 2023): Specialised nutrition; 0 Warning legends; 1 Warning legends; 2 Warning legends; 3 Warning legends; Other

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<sup>4</sup> Compliance Assessment of Human Resources (CARE)

- Chile (% net sales 2023): Specialised nutrition; 0 Warning legends; 1 Warning legends; 2 Warning legends; 3 Warning legends; 4 Warning legends; Other
  - Mexico (% net sales 2023): Specialised nutrition; 0 Warning legends; 1 Warning legends; 2 Warning legends; 3 Warning legends; 4 Warning legends; 5 Warning legends; Other
  - Peru (% net sales 2023): Specialised nutrition; 0 Warning legends; 1 Warning legends; 2 Warning legends; 3 Warning legends; Other
- Nestlé’s management approach to its material issues;

### **Reporting Criteria**

The Selected Information has been prepared in reference to relevant best practice reporting frameworks such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), as well as internal definitions set by Nestlé for tracking and monitoring the progress against its ESG (Environment, Social, Governance) performance indicators.

Nutritional Value Transparency Key Performance Indicators published have been prepared in accordance with reporting criteria “Reporting Scope and Methodology for Nutritional Value Transparency” available [here](#), aligning with recognised and externally referenceable nutrition profiling systems.

### **Limitations and exclusions**

Our work was subject to the following exclusions:

- Financial data, including financial data that feeds into the calculation of Selected Information as these are audited by an external financial auditor and are relied on as accurate for the purposes of our scope of work. This includes but is not limited to any statements relating to production, sales, revenue, salaries, payments, and financial investments;
- Information related to activities outside the defined reporting period or scope;
- Company position statements (including any expression of opinion, belief, aspiration, expectation, aim or future intent) and any Nestlé or third-party anecdotes or testimonials;
- Content of external websites or documents linked from the CSV Report and <https://www.nestle.com/csv> pages, and country or business unit specific Reports of other Nestlé entities or joint ventures;
- Appropriateness of any new targets, commitments, and objectives established and communicated by Nestlé; and
- Appropriateness of definitions and any internal reporting criteria adopted by Nestlé for its disclosures.

The following limitations should be noted:

Our work was limited to Nestlé’s Head Office activities where Nestlé consolidates and reconciles data provided by its markets, countries of operation, suppliers and other third parties. The reliability of the reported data is dependent on the accuracy of data collection and monitoring arrangements at market and site level, not addressed as part of this assurance. The exception being the Nutritional Transparency KPIs published on the Nestlé website, which are reported and reviewed at a market-level.

This Moderate level assurance engagement relies on a risk based selected sample of the Selected Information and the associated limitations that this entails.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

### **Responsibilities**

The preparation and presentation of the Selected Information in the CSV Report are the sole responsibility of the management of Nestlé.

Bureau Veritas was not involved in the drafting of the CSV Report. Our responsibilities were to:

- Provide Moderate level assurance as per AA1000 over the accuracy, reliability and objectivity of the information contained within the CSV Report;
- Form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- Report our detailed conclusions and recommendations in an internal report to Nestlé's management.

### **Assessment Standard**

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard (AA1000AS v3), Type 2 at a Moderate level of assurance<sup>5</sup>.

### **Summary of work performed**

As part of our independent assurance, our work included:

- Conducting interviews with approximately 40 personnel responsible for content included in the CSV Report remotely via virtual meetings;
- Reviewing documentary evidence provided by Nestlé;
- Agreeing a selection of the Selected Information to the corresponding source documentation;
- Evaluating the design of internal systems, processes and controls to collect and report the Selected Information including assessing the appropriateness of assumptions made, estimation techniques used and reporting boundaries;
- Reviewing Nestlé's systems for quantitative data aggregation and analysis;
- Reperforming a selection of aggregation calculations of the Selected Information;
- Confirming where relevant the accuracy of information with third parties and/or partner agencies;
- Assessing the disclosure and presentation of the Selected Information to ensure consistency with assured information.

A 5% materiality threshold was applied to quantitative ESG performance indicators (a subset of the Selected Information) included within the scope of this assurance.

It should be noted that the procedures performed for a Moderate level assurance engagement vary in nature and timing from, and are less in extent than for, a High level assurance engagement. Consequently, the level of assurance obtained for a Moderate level assurance engagement, is substantially lower than the assurance that would have been obtained had a High level assurance engagement been performed.

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<sup>5</sup> Type 2 moderate level Assurance: an engagement in which the assurance provider gives findings and conclusions on the principles of Inclusivity, Materiality and Responsiveness and verifies the reliability of specified sustainability performance information (v3 Standard). For further information see <https://www.accountability.org/standards/aa1000-assurance-standard>

## **Conclusion**

Based on the scope of work and subject to the limitations and exclusions described above, nothing has come to our attention to indicate that:

- The Selected Information is not fairly stated in all material aspects;
- Nestlé does not adhere in its reporting to the principles of inclusivity, materiality, responsiveness and impact as per the AA1000 Accountability Principles (2018);

Any material errors or misstatements identified during the assurance engagement were corrected prior to the CSV Report being published.

## **Observations of good practice and positive developments**

We have observed progress and identified good practices in the following areas during 2023:

- For the third year in a row, Nestlé is utilising, and has further improved, its centralised platform to report its ESG performance indicators on an annual basis. This tracks the provenance of each indicator and incorporates a documented internal approval step for added control and consistency. The platform acts as a single source of truth for ESG performance indicators and puts into practice recommendations made in prior years by Bureau Veritas.
- Nestlé have in place a system of quarterly monitoring for selected ESG performance indicators which are understood to factor into the performance bonus for the Executive Board.
- Nestlé developed their governance structures to introduce a new Employee Health and Well-being Council and a new Human Rights Steering Committee
- Nestlé published externally their performance against a number of additional diversity, equality and inclusion indicators for the first time in 2023, in line with the Bloomberg Gender-Equality Index Key Performance Indicators. This development gives stakeholders a more complete view of Nestlé's performance across this material topic.
- Nestlé increased the number of indicators reported under several of its material topics this year, including under the Employer of Choice chapter which demonstrates its continual focus on care and wellbeing of its people by providing a conducive working environment.
- Nestlé have expanded the scope of their Community Giving reporting to include product donations from salvage stock, in-kind services and logistics, and volunteering. These actions demonstrate progress towards Nestlé generating a more complete picture of their Community Giving.
- In 2023, Nestlé updated several of their policies and strategy documents, for example their Marketing Communication to Children Policy to place restrictions to its marketing of indulgent products to children under the age of 16 (up from 13-year-olds previously).

## **Observations and recommendations for 2023**

We have identified opportunities for continual improvement in the following areas during 2023:

- Whilst Nestlé have published reporting criteria in relation to some of its ESG performance indicators for transparency, the definitions, data, scope, and methodologies to measure and report on all of the ESG performance indicators should be clearly set out and published by Nestlé. In particular, where cut off dates are applied to dynamic datasets to provide a snapshot status at the time of reporting, as is the case with CARE audit, for example, this should also be established in externally accessible reporting criteria.
- In line with the Bloomberg Gender Equality Index Key Performance Indicator's Nestlé disclose their requirements for employees to complete select mandatory trainings

annually, however, tracking showed that not all trainings reached 100% completion in 2023. Nestlé has the opportunity to strengthen its procedures around mandatory trainings, so the steps taken if employees do not complete trainings are clearly documented and communicated internally.

- Nestlé should look to continue its efforts to streamline and automate data collection and calculations across all its ESG performance indicators. This includes, for example, continuing to develop the data collection on the number of non-conformances and corrective actions directly from certification bodies undertaking GFSI audits.
- As Nestlé’s list of ESG performance indicators is expected to evolve, based on the changing sustainability landscape, Nestlé should consider the following:
  - Continue its efforts in relation to the Taskforce on Nature Related Financial Disclosures (TNFD) and Science Based Targets for Nature, to work towards setting measurable objectives on nature-related impacts;
  - Monitor and report on employee acquisition and retention, as well as the effectiveness of its People Strategy 2025. In this particular respect, given the increase in importance of talent acquisition and retention as a material topic in 2022;
- Nestlé has the opportunity to strengthen its communication and better showcase its efforts and progress on certain topics within the CSV Report. This is the case, for example, in relation to its carbon reduction and offsetting approach, in particular, Nestlé’s movement away from relying on carbon offsetting and carbon neutral product claims.

### **Findings and conclusions concerning adherence to the AA1000 assurance principles, 2018 of Inclusivity, Materiality, Responsiveness, and Impact:**

#### **Inclusivity<sup>6</sup>**

Nestlé continues to engage with its global stakeholder network on a regular basis through various channels adopted by its Markets and at Head office level. As part of its 2022 materiality assessment, 55 internal and external stakeholders, spanning suppliers, customers, NGOs, investors, board members, were engaged with to establish the most pressing issues for the organisation to address. The CSV Report provides an overview of the full spectrum of Nestlé’s stakeholders, and examples of engagements across core topics in 2023. In some instances, these include examples of communications and campaigns related to core topics, such as climate and nutrition, rather than a two-way dialogue for capturing priorities. It would be beneficial to understand the nature of inputs on ESG and CSV related topics being raised, as important by different stakeholder groups. Nestlé could also consider whether it would be beneficial to set metrics to measure the effectiveness of stakeholder engagement conducted and potentially expand its coverage of stakeholder engagement with consumers of products to also feed into strategic stakeholder engagement and materiality process.

#### **Materiality<sup>7</sup>**

Nestlé conducts a full materiality assessment on a biennial basis, the last one of which was conducted for 2022. In 2023, Nestlé conducted a high-level review of their material topics, this led to a shift in the Nestlé CSV Report to focus on the relevant ESG topics only, and movement of topics with a commercial focus to instead be addressed in the Nestlé Annual Review, including “customer satisfaction”, “systematic and critical risk management”, “management of the legal and regulatory environment”, “changing consumption patterns”, “business models and innovation and technology”, “cybersecurity and information security”, and “organizational set-up and efficiency”. The review also led to the removal of “air emissions” as a material topic, which was identified as low materiality for internal and external stakeholders in the 2022

<sup>6</sup> **Inclusivity** is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

<sup>7</sup> **Materiality** is determining the relevance and significance of an issue to an organisation and its stakeholders.

materiality assessment and determined by Nestlé to be managed effectively as part of GHG emission reduction initiatives. Bureau Veritas believes that these updates to the materiality matrix are appropriate and relevant to the business in 2023, and that it is fairly represented and reflected in the CSV Report. A cross reference linking the material issues, to the relevant sections of the CSV Report, helps to identify where these have been woven into the narrative and bridges the differences in terminology. Nestlé should continue preparing to complete a double materiality assessment, in line with upcoming regulatory disclosure requirements.

### **Responsiveness<sup>8</sup>**

Nestlé remains responsive to stakeholder concerns through its annual publication of the CSV Report and the evolution of its list of annually reported ESG performance indicators. Of note, Nestlé have responded to calls for further transparency on its DE&I performance, as required from the Bloomberg Gender Equality Index. In addition, to publishing their first nutrition strategy in 20 years “Good for You strategy”, updating their Marketing Communication to Children Policy and releasing Salient Issue Action Plans. Nestlé could consider disclosing how two-way dialogue with its stakeholders contributed to the development of these documents. As above-mentioned, due to the increase in importance of talent acquisition and retention as a material topic in the 2022 materiality assessment, Nestlé may consider reporting on employee acquisition and retention rates beyond parental leave retention rate, as well as the effectiveness of its People Strategy 2025, in relation to this topic more comprehensively.

### **Impact<sup>9</sup>**

Nestlé continues to report on and has expanded its list of ESG performance indicators that it will report on annually moving forward to showcase accountability externally and manage its impacts. Bureau Veritas believes the CSV Report is a fair representation of Nestlé performance and impacts in 2023. For example, Nestlé reports for the first time on a number of DE&I indicators, a number of health and wellbeing indicators, the percentage of primary supply chains including cocoa and coffee assessed as deforestation-free, quality of effluents treated internally and discharged to the environment, and political contributions. Nestlé also disclosed its TCFD Summary and Index, as well as tables of its 2023 Creating Shared Value and Sustainability key performance indicators as part of the 2023 CSV Report. This makes the CSV Report a clearer and more comprehensive standalone document. Where there have been changes to targets being set, for example Nestlé’s net zero commitment where there have been scope 3 categories removed from the scope of the KPI in line with SBT guidance, Nestlé might seek to share additional drivers behind the change, to provide further context to stakeholders. Additionally, whilst Nestlé have published reporting criteria in relation to some of its ESG performance indicators, Nestlé should look to expand this to cover all of the ESG performance indicators reported, for increased transparency on definitions, scope, boundary etc.

### **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 190 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 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, quality reviews and applicable legal and regulatory requirements.

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<sup>8</sup> **Responsiveness** is the extent of an organisation’s response to stakeholder issues and is realised through decisions, actions, and communication with stakeholders.

<sup>9</sup> **Impact** relates to the organisations approach to monitor, measure and be accountable for how their actions affect their broader ecosystems.



Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies Compliance Code 3rd ed., 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.



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