

TICKER: NESN

GICS SUB-INDUSTRY: Packaged Foods & Meats

COUNTRY: CH

LAST UPDATE: Oct 26, 2017

MEDIA REVIEW: Conducted weekly; no new updates since date of Last Update*

LOWEST SCORE

LOWEST FLAG

1/10

0

PERFORMANCE DASHBOARD

Significant Controversies by Indicator

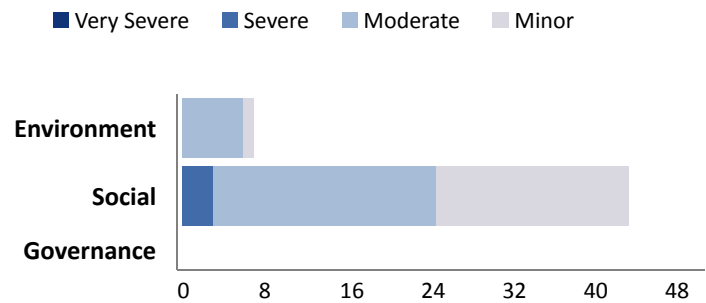
| | Flag | Score |
|--|------|-------|
| Environment | Y | 3 |
| Supply Chain Management | Y | 4 |
| Water Stress | Y | 3 |
| Social | O | 1 |
| Customers | O | 1 |
| Anticompetitive Practices | O | 1 |
| Marketing & Advertising | Y | 3 |
| Product Safety & Quality | Y | 4 |
| Human Rights & Community | Y | 4 |
| Impact on Local Communities | Y | 4 |
| Labor Rights & Supply Chain | O | 1 |
| Child Labor | O | 1 |
| Collective Bargaining & Union | Y | 4 |
| Supply Chain Labor Standards | O | 1 |
| Governance | G | 10 |
| No controversies were uncovered. | | |

Summary

Nestle S.A. is involved in controversies related to its Labor Rights, Customers, Environment and Human Rights impacts. It faces significant concerns related to Supply Chain Labor Standards, Child Labor, Anticompetitive Practices, Marketing & Advertising, and Water Stress.

Global Compact Compliance: Watch List

of Controversy Cases by ESG Pillar (51 in total)



MOST RECENT UPDATES (past 12 months)

| Controversy Headline | Type of Update | Assessment | Indicator | Last Reviewed |
|---|-----------------|------------|------------------------------|----------------|
| Arkansas, US: Settlement of Lawsuit Alleging Failure to Pay for Overtime Work | New Information | Minor | Labor Management Relations | October 2017 |
| Spain: EUR 10.6 Million Penalty for Fixing Milk Prices Paid to Farmers | | Severe | Anticompetitive Practices | October 2017 |
| Tongi, Bangladesh: Fire at Packaging Factory Killed More Than 30 Workers and Injured 70 | | Severe | Supply Chain Labor Standards | October 2017 |
| Child Labor in the Cocoa Supply Chain | | Severe | Child Labor | September 2017 |
| Philippines: Greenpeace Report Alleged Water Pollution from Plastic Waste Found in Manila Bay | | Minor | Biodiversity & Land Use | September 2017 |

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

MOST SIGNIFICANT CONTROVERSIES

| Controversy Headline | Assessment | Indicator |
|---|-------------------|------------------------------|
| Spain: EUR 10.6 Million Penalty for Fixing Milk Prices Paid to Farmers | Severe | Anticompetitive Practices |
| Tongi, Bangladesh: Fire at Packaging Factory Killed More Than 30 Workers and Injured 70 | Severe | Supply Chain Labor Standards |
| Child Labor in the Cocoa Supply Chain | Severe | Child Labor |

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Environment

Controversies

Y 3

ENVIRONMENT CONTROVERSIES Y 3

| Indicators | Flag | Score | Assessment |
|-----------------------------------|------|-------|------------------|
| Biodiversity & Land Use | G | 8 | Minor |
| Energy & Climate Change | G | 5 | Moderate |
| Operational Waste (Non-Hazardous) | G | 10 | No Controversies |
| Other (Environment) | G | 10 | No Controversies |
| Supply Chain Management | Y | 4 | Moderate |
| Toxic Emissions & Waste | G | 10 | No Controversies |
| Water Stress | Y | 3 | Moderate |

| Biodiversity & Land Use | | | | | Flag | Score* | Type | Assessment |
|-------------------------|-------------|--------|----------|-------|------|--------|----------------|------------|
| | Very Severe | Severe | Moderate | Minor | | | | |
| # of Cases: | 0 | 0 | 0 | 1 | G | 8 | Non-Structural | Minor |

Minor Cases:

| Last Reviewed | Score | Status | Headline | Source |
|----------------|-------|---------|---|---|
| September 2017 | 8 | Ongoing | Philippines: Greenpeace Report Alleged Water Pollution from Plastic Waste Found in Manila Bay | 22 Sep 2017_AGENCE FRANCE PRESSE -- ENGLISH |

| Energy & Climate Change | | | | | Flag | Score* | Type | Assessment |
|-------------------------|-------------|--------|----------|-------|------|--------|----------------|------------|
| | Very Severe | Severe | Moderate | Minor | | | | |
| # of Cases: | 0 | 0 | 1 | 0 | G | 5 | Non-Structural | Moderate |

Moderate Cases:

| | |
|---|-----------------|
| Last Reviewed: | April 2017 |
| Date Initiated: | May 2014 |
| Assessment: | Moderate |
| Type: | Non-Structural |
| Status: | Ongoing |
| Flag: G | Score: 5 |
| Global Compact Compliance: | Pass |

[Oxfam: Food and Beverage Companies Linked to Increasing GHG Emissions](#)

Impact & Basis of Assessment

Scale of Impact: Extensive

Nature of Harm: Minimal

As part of Oxfam International's GROW Campaign, the NGO released a report in May 2014 titled 'Standing on the Sidelines' which looked into the involvement of food and beverage companies in climate

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

change issues and increasing greenhouse gas (GHG) emissions. The report identified ten companies, including Nestle SA, that accounted for approximately 264 million tons of GHG released annually as a result of their global operations. Oxfam criticized these companies for failing to take the lead in reducing emissions within their supply chains, particularly in addressing deforestation issues and agricultural emissions.

The GROW Campaign also produces a 'Behind The Brands' Scorecard which assesses the top ten food and beverage companies' (including Nestle) agricultural sourcing policies. The scorecard looks at seven themes including climate change risks. From the scorecard's launch in February 2013 to March 2015, Nestle's score on climate issues improved from a '5' to an '8'. According to Oxfam, the company had implemented solid policies addressing deforestation, agricultural emissions, and advocacy engagement. The group however noted that the company had yet to improve on renewable energy goals and setting science-based targets for emission reductions.

UPDATES:

01 Apr 2017: 2016 Sustainability Report. (Nestle)

Nestle, in its 2016 sustainability report, presented its commitment to addressing climate change. Details of these commitments are in the Company Response section.

22 Oct 2015: Company Communication. (Nestle S.A.)

According to Nestle, since 2005, it has reduced its direct GHG emissions per tonne of product by 40 percent.

01 Mar 2015: Behind The Brands. (Oxfam)

20 May 2014: Standing On The Sidelines, Why food and beverage companies must do more to tackle climate change. (Oxfam)

Company Response: Acknowledged or settled controversy.

Apr 2017: According to Nestle, it has made the reduction of GHG emissions as one of the focus areas of The Nestle Policy on Environmental Sustainability. As part of this policy, it aims to reduce GHG emissions per tonne of product in each product category to achieve a 35 percent reduction by 2020. According to the company, this reduction would be achieved by buying renewable electricity, increasing renewable energy share, building and streamlining transportation and the operation of warehouses, and using natural refrigerants.

Oct 2015: Nestle stated that it integrated climate change into its company-wide risk management processes. As part of its policy on Environmental Sustainability, GHG emission reduction and climate change are focus areas; notably, since 2005, the company's direct GHG emissions per tonne of product was reduced by 40 percent. Lastly, Nestle supports initiatives such as 'Caring for Climate', a multi-stakeholder effort to address climate change. The company would continue such efforts by contributing to the global topic and by strengthening its public commitments on climate change.

Source: 01 Apr 2017_Nestle 2016 Sustainability Report

| Supply Chain Management | Very Severe | Severe | Moderate | Minor | Flag | Score* | Type | Assessment |
|-------------------------|-------------|--------|----------|-------|------|--------|------|------------|
| | # of Cases: | 0 | 0 | 2 | 0 | Y | 4 | Structural |

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Moderate Cases:

| | |
|---|-----------------|
| Last Reviewed: | September 2017 |
| Date Initiated: | January 2001 |
| Assessment: | Moderate |
| Type: | Structural |
| Status: | Ongoing |
| Flag: Y | Score: 4 |
| Global Compact Compliance: | Pass |

Mighty Earth Report: Sourcing of Cocoa from Illegal Deforested National Parks and Forests in West Africa

Impact & Basis of Assessment

Scale of Impact: Extremely Widespread
Nature of Harm: Very Serious
Extenuating Circumstance: Yes

NGO Mighty Earth published a report titled "Chocolate's Dark Secret, How the Cocoa Industry Destroys National Parks" in September 2017 which traced the links between the cocoa industry in West Africa and agribusinesses such as Barry Callebaut and Cargill to chocolate companies such as Nestle, Hershey, and Mondelez. According to Mighty Earth's investigation, the expansion of the cocoa industry in Ghana and the Ivory Coast resulted in massive deforestation where national parks and protected forests had been illegally cleared. From 2001 to 2014, 291,254 acres of protected areas were cleared, with Ghana losing 7,000 square kilometers of forest, of which one-quarter of the deforestation linked to cocoa farming. The deforestation also threatened the habitats of animals such as elephants, pygmy hippos, leopards, and crocodiles and made them more susceptible to poaching.

Sourcing Links

During its investigation, Mighty Earth and another independent team visited the following protected areas: Goin Debe Forest, Scio Forest, Mt. Peko National Park, Mt. Sassandra Forest, Tia Forest, and the Marahoue National Park. In these areas, the team found that the process of deforestation starts when illegal settlers clear the forests for cocoa cultivation. After harvest, cocoa beans are transported to middlemen and cooperatives who sell these products to traders such as Olam, Cargill, and Barry Callebaut. These companies then ship cocoa to chocolate companies like Nestle, Hershey, and Mondelez. Mighty Earth accused the companies of turning a blind eye to the problem of deforestation.

Apart from these findings, Mighty Earth also found that apart from the problematic cultivation and sourcing of cocoa, rapid deforestation in these areas were also propagated by the governments' failure to effectively address the issue, alongside allegations of bribery within government agencies such as Sodefor, the Ivory Coast's agency responsible for safeguarding classified forests.

UPDATES:

01 Sep 2017: Chocolate's Dark Secret, How the Cocoa Industry Destroys National Parks. (Mighty Earth)

Company Response: No Company response identified.

Source: 01 Sep 2017_Mighty Earth

Criticisms over Palm Oil Sourcing

Impact & Basis of Assessment

Scale of Impact: Extensive
Nature of Harm: Serious
Extenuating Circumstance: Yes

Nestle has faced criticisms from environmental NGOs for its sourcing of palm oil. Palm oil extraction has led to cases of severe deforestation, human rights abuses (i.e. child and forced labor) and loss of endangered wildlife in tropical countries. In Malaysia and Indonesia, where 85 percent of palm oil is grown and sourced, reports indicated that palm oil plantations continue to expand at an alarming rate, effectively depleting Sumatran forests.

| | |
|---|-----------------|
| Last Reviewed: | July 2017 |
| Date Initiated: | January 2011 |
| Assessment: | Moderate |
| Type: | Structural |
| Status: | Ongoing |
| Flag: Y | Score: 4 |
| Global Compact Compliance: | Pass |

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Nestle sourced from palm oil producer IOI. In April 2016, the Roundtable on Sustainable Palm Oil (RSPO) suspended IOI's certification in light of the ongoing violations of three of the company's subsidiaries in Indonesia. The subsidiaries allegedly violated national laws and RSPO standards on land clearing and planting procedures, including clearing operations without the proper environmental permits. Since that time, Nestle stopped purchases from IOI.

UPDATES:

21 Jul 2017: Pepsico, Unilever and Nestlé accused of complicity in illegal rainforest destruction. (The Guardian)

A study published by the Rainforest Action Network (RAN) called on Unilever and other companies to enforce the policy of 'no deforestation' in the Sumatra rainforest in Indonesia. The RAN alleged that the companies continued to source palm oil from Indonesian companies, PT Agra Bumi Niaga (ABN) and PT Enselem Swaita (ES). According to the RAN study, ABN, a logging company allegedly continued to clear the Leuser ecosystem within the Sumatran rainforest affecting the habitat of orangutans, rhinos, tigers and elephants while ES continued to process and sell the palm oil. Between June 2016 and April 2017, RAN disclosed that the Sumatran forest cover had been reduced from 420 hectares to 88 hectares.

27 Mar 2017: Nestlé "very concerned" over deforestation links to Wilmar palm oil. (FOODNAVIGATOR.COM)

According to a report by the Rainforest Action Network (RAN), Nestle supplier Wilmar International has been sourcing from a palm oil company that has been operating in the Leuser Ecosystem in Indonesia. The RAN investigation found that local company PT Agra Bumi Niaga illegally cleared land in the ecosystem.

11 Oct 2016: Nestlé pilots new system to support 'Zero Deforestation' commitments. (Nestle Press Release)

Nestle, in partnership with The Forest Trust, Airbus, and SarVision, has piloted a system using satellite and radar systems to monitor situations within its supply chain. According to the company's press release, this system will help the company identify areas where deforestation has been occurring.

19 Jul 2016: Cargill to Suspend Palm Purchases From Malaysia's IOI Group. (Jakarta Globe)

31 Dec 2015: Creating Shared Value Report. (Nestle)

22 Oct 2015: Company Communication. (Nestle S.A.)

Nestle has emphasized its zero-deforestation policy.

16 Oct 2014: New global declaration 'insufficient' tackle deforestation. (Forests)

Nestle was a signatory to the New York Declaration on Forests, a United Nations-sponsored initiative that tackles climate change. The declaration called for a specific deadline to end deforestation by 2030. Critics of this action plan stated that the timeline "would allow deforestation to continue for a decade and a half."

Dec 2013: A coalition of 40 institutional investors sent a letter (as coordinated by Green Century Capital Management, a US-based investment advisory firm) to major consumer goods companies, including Nestle, urging them to adopt policies for sourcing palm oil from certified sustainable suppliers. They further urged the companies to adopt purchasing policies that go beyond the RSPO standards, to ensure that suppliers had not been linked to instances of deforestation, peat development and human rights violations.

Sep 2013: The Rainforest Action Network (RAN) launched a campaign to urge 20 food companies, including Nestle, to create a better system in tracking the sourcing practices of its palm oil suppliers. The group demanded that the companies engage with their suppliers, particularly those based in Indonesia

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and Malaysia. A full detail of the RAN's campaign were also included in its report entitled "Conflict Palm Oil: How US Snack Food Brands are Contributing to Orangutan Extinction, Climate Change and Human Rights Violations", which identified both environmental and human rights violations associated with palm oil sourcing. In response to these NGO campaigns, Nestle has undertaken a number of initiatives to purchase palm oil from sustainable sources.

Since 2011, Nestle has been working with Greenpeace, the Forest Trust, and the palm oil company Golden Agri-Resources (GAR) to develop standards for responsible sourcing of palm oil that are higher than those of the Roundtable on Sustainable Palm Oil (RSPO). The company formed a partnership with Forest Trust in 2010 to review its supply chain for links to deforestation. Nestle has specific guidelines for palm oil sourcing, including provisions to protect peat lands and high carbon stock forests.

Company Response: Acknowledged or settled controversy.

Jul 2017: Nestle stated that the company and Wilmar initiated an investigation into the allegations of palm oil sourcing based on the RAN study. The company planned to assess its supply chain and if its suppliers source from the 2,000-hectare concession of PT ABN.

Dec 2015: According to Nestle's Creating Shared Value (CSV) report, in October 2015, it organized a multi-stakeholder study tour together with Golden Agri-Resources, Musim Mas, and NGOs Rainforest Action Network, Greenpeace, and the Forest Peoples Programme in Sumatra, Indonesia to facilitate dialogue to address concerns related to palm oil. These challenges include concerns with traceability, smallholder clearing, problematic labor practices, community conflict, and encroachment of protected areas. Following this exchange, the company would look into applying findings in its Responsible Sourcing Programme.

The CSV report also disclosed Nestle's palm oil requirements for suppliers where the latter should:

- Comply with local laws;
- Ensure that supplies do not come from cleared forests (after November 2005);
- Respect the FPIC of local/indigenous communities;
- Protect HCV forests and peatlands;
- Comply with RSPO standards.

Oct 2015: Nestle does not condone deforestation and the destruction of peatlands. The company's Commitment on No Deforestation ensures that its products (raw materials and packaging) are not associated with deforestation. It has also committed to the sustainable sourcing of commodities including palm oil, soya, and paper, via its Responsible Sourcing Guideline or RSG (implemented alongside the Nestle Supplier Code). Through the RSG, the company implemented a process to fully trace its supply chains back to the origin. As of 2014, 82 percent and 13 percent of the palm oil the company sourced was traceable to the mill and plantation, respectively. The company aims to achieve a 95 percent mill traceability by 2015.

Aug 2013: Nestle told MSCI that it has made a public commitment that by 2015, it would source palm oil only from certified sustainable sources. It noted however that by year-end 2013, it would be sourcing 100% RSPO-certified palm oil, two years ahead of its commitment.

Source: 21 Jul 2017_The Guardian

Water Stress

| | Very Severe | Severe | Moderate | Minor |
|-------------|-------------|--------|----------|-------|
| # of Cases: | 0 | 0 | 3 | 0 |

Flag **Score*** **Type** **Assessment**
Y **3** **Structural** **Moderate**

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Moderate Cases:

| | |
|----------------------------|-----------------|
| Last Reviewed: | September 2017 |
| Date Initiated: | April 2017 |
| Assessment: | Moderate |
| Type: | Non-Structural |
| Status: | Ongoing |
| Flag: G | Score: 5 |
| Global Compact Compliance: | Pass |

Michigan, US: Criticisms over Proposed Increase in Water Extraction from Osceola County

Impact & Basis of Assessment

Scale of Impact: Extensive
Nature of Harm: Minimal

Water advocates criticized Nestle's proposal to increase its groundwater extraction in Osceola County, Michigan, arguing that the increase in pumping activities could result in a decrease in water levels in the wetlands and could affect the brook trout population in the area. In April 2017, Nestle filed a request to increase its water withdrawal from a well in the county's Chippewa and Twin creeks from 150 to 400 gallons per minute. In an analysis, NGO Flow (For Love of Water) argued that the permit application showed no (or little) impact on the environment, and contained insufficient information.

The Michigan Department of Environmental Quality had been reviewing the permit and conducted a public hearing regarding the matter in April 2017. Nestle also filed a separate permit for a pumping station, which the township zoning board rejected in June 2017.

UPDATES:

[accessed 18 Sep 2017]: Plan to Increase Water Sourcing at Osceola Township Section. (Nestle Website)

22 Jun 2017: Nestle zoning appeal rejected OSCEOLA TOWNSHIP. (KALAMAZOO GAZETTE (MICHIGAN))

12 Apr 2017: FLOW Urges State Denial of Nestle Corporation's Water Grab. (TARGETED NEWS SERVICE)

Company Response: Other.

Sep 2017: According to Nestle, water is plentiful in Osceola Township, and the conditions are ideal for supplying water due to "its abundance, high precipitation rates and the ability of geologic conditions to replenish groundwater supplies." In addition, the company also noted that it has extensively studied the well and surrounding environment to carefully monitor conditions. It has also installed 100 monitoring points to collect hydrologic data to monitor wetland and aquatic communities.

Source: 18 Sep 2017_Nestle Website

| | |
|----------------------------|-----------------|
| Last Reviewed: | November 2016 |
| Date Initiated: | January 1988 |
| Assessment: | Moderate |
| Type: | Structural |
| Status: | Ongoing |
| Flag: Y | Score: 4 |
| Global Compact Compliance: | Pass |

California: Forest Service Investigation into Expired Water Permit

Impact & Basis of Assessment

Scale of Impact: Extremely Widespread
Nature of Harm: Minimal

The U.S. Forest Service (USFS) launched an investigation against Nestle in April 2015 after it found that the company continues to draw water from the San Bernardino National Forest despite the expiration of water permit. According to the Desert Sun report, Nestle's water permit in the area expired in 1988. In this light, environmentalists raised concerns about the lack of oversight in tracking the permits and the water tapping activities, amid California's drought problem. In early 2016, the Forest Service stated that it would award Nestle with a five-year permit to operate in the San Bernardino mountains. This proposal was opposed by environmental groups Center for Biological Diversity, the Story of Stuff Project and The Courage Campaign. A federal judge declared in September 2016 that the permit is valid.

In June 2016, the state Water Resources Board in California launched a separate investigation into the company's water rights to extract from the San Bernardino National Forest.

UPDATES:

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

01 Nov 2016: Company Communication. (Nestle)

22 Sep 2016: Judge sides with Forest Service in Nestle case; Groups alleged permit to bottle water in area expired, wanted operation stopped. (INLAND VALLEY DAILY BULLETIN (ONTARIO, CA))

05 Jun 2016: State looking at Nestle water rights in SB National Forest. (INLAND VALLEY DAILY BULLETIN-ONTARIO, CA)

22 Oct 2015: Company Communication. (Nestle S.A.)

11 Apr 2015: US Forest Service investigates expired Nestle water permit. (ASSOCIATED PRESS STATE & LOCAL)

Company Response: Acknowledged or settled controversy.

Nov 2016: Nestle told MSCI ESG Research that its has been working closely with the USFS to ensure that its Arrowhead business continues to operate sustainably in the long-term. The company also paid the assessed permit fee on a timely basis and would continue to comply with the permit's requirements.

Oct 2015: Nestle emphasized its commitment to responsible water management. With regard to sourcing from the San Bernardino National Forest, the company noted that its water use is limited to Strawberry Canyon, one of the many canyons in the forest; and only use water that flows to the surface of the spring. In 2014, the company used 23 million gallons of water, which represents less than ten percent of measured water flow by the US Geological Survey monitoring gauge located at the canyon. The company also regularly monitors spring water flows and other environmental conditions at its site in the canyon.

Source: 01 Nov 2016_Company Communication

British Columbia, Canada: Criticism over Water Withdrawals on the Kawkawa Lake Watershed

Impact & Basis of Assessment

Scale of Impact: Extensive

Nature of Harm: Medium

Nestle Waters Canada, a Nestle S.A. unit, has faced criticisms from the public that its bottling operations in British Columbia depletes local water supplies. The company withdraws water from the Kawkawa Lake sub-watershed, which is located near the District of Hope, a municipality that has been experiencing a drought and where residential water use is under Stage IV restrictions as of 2015. In 2016, as part of the province's Water Modernization Act, Nestle would start paying CAD 2.25 (USD 1.73) per million liters of water extracted in British Columbia. The company bottles approximately 265 million liters of water from the province annually.

In July 2015, a campaign signed by more than 200,000 petitioners/residents, urged the British Columbia government to set a higher water usage rate to promote conservation. Campaigners argued that while residents were being asked to conserve water usage due to the ongoing drought, companies, including Nestle could extract millions of liters at "basically pennies". Lastly, campaigners also criticized the CAD 2.25 rate, comparing it to the water access rates in other provinces- CAD 46.25 per million liters in Saskatchewan; CAD 70 per million liters in Quebec; and CAD 140 per million liters in Nova Scotia.

UPDATES:

22 Oct 2015: Company Communication. (Nestle S.A.)

[accessed 19 Jul 2015]: Is Nestlé depleting local water supplies in British Columbia? Section. (Nestle Website)

Last Reviewed: October 2015

Date Initiated: January 2005

Assessment: **Moderate**

Type: Structural

Status: Ongoing

Flag: **Y** Score: 4

Global Compact Compliance: Pass

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Nestle denied that its bottling operations in the province has contributed to water depletion.

13 Jul 2015: Petition signed by thousands is urging the government to charge Nestlé more to access B.C water. (CBC News)

10 Jul 2015: Nestlé faces renewed criticism as B.C. drought continues; Companies like Nestlé will pay \$2.25 to bottle a million litres of water starting in 2016. (CBC News)

06 Mar 2015: Outrage boils over as B.C. government plans to sell groundwater for \$2.25 per million litres. (The Province)

Company Response: Acknowledged or settled controversy.

Oct 2015: Nestle stated that it is committed to water preservation. In British Columbia, the company only draws groundwater, extraction of which is monitored on a daily basis (withdrawals, aquifer levels, spring flows, surface water levels, aquatic indicators). Generally, in Canada, the company reduced its water usage (to produce a one liter bottle) by 11 percent since 2008, as a result of its annual investment on equipment and other processes. Globally, Nestle implements water stewardship programs that ensure the long-term sustainability of water sources. These programs are based on two phases: understanding risks specific to the site and implementing action plans to mitigate the risk. The company aims to implement its water stewardship programs across all sites by the end of 2016.

Jul 2015: Nestle stated that it supports the implementation of British Columbia's Water Modernization Act, and agrees that it should pay for water it withdraws. In response to criticisms that the company's bottling operations contribute to water depletion, the company stated that it withdraws less than one percent of the available groundwater in the Kawkawa Lake sub-watershed. Nestle also releases a yearly hydrologic monitoring report on withdrawals, which concluded that its operations have no negative impact on the sub-watershed.

Source: 22 Oct 2015_Company Communication

| | | |
|--------------------------------------|--|---|
| <p>Environment Management</p> | <p>The company's performance on the Environmental pillar is above median compared to its industry peers on the MSCI World Index.</p> | <p>Environment Pillar Score: 5.8</p> <p>Percentile: 91st</p> |
|--------------------------------------|--|---|

To provide context for the company's controversy involvement, we reference here our evaluation of the company's capacity to manage its environmental challenges as assessed by MSCI ESG Research's ESG Ratings Analysis. This assessment focuses on strategy and governance, initiatives, and performance. For details on the company's environmental management performance, please refer to the MSCI ESG Ratings profile of the company.

Management Metrics

| | |
|---|-------------------------|
| Sustainably managing natural resources and raw materials use: | N/A |
| Reports carbon emissions to the Carbon Disclosure Project (CDP): | Yes |
| Evidence of Using Alternative Water Sources: | Yes |
| Environmental Management System (EMS) | ISO 14001 or equivalent |
| Has programs or taken actions to improve the energy efficiency of its operations: | N/A |

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Social

Controversies

0 1

CUSTOMERS CONTROVERSIES 0 1

| Indicators | Flag | Score | Assessment |
|---------------------------|------|-------|------------------|
| Anticompetitive Practices | 0 | 1 | Severe |
| Customer Relations | G | 8 | Minor |
| Marketing & Advertising | Y | 3 | Moderate |
| Other (Customers) | G | 10 | No Controversies |
| Privacy & Data Security | G | 8 | Minor |
| Product Safety & Quality | Y | 4 | Moderate |

Anticompetitive Practices

| | Very Severe | Severe | Moderate | Minor | Flag | Score* | Type | Assessment |
|-------------|-------------|--------|----------|-------|------|--------|------------|------------|
| # of Cases: | 0 | 1 | 3 | 1 | 0 | 1 | Structural | Severe |

Severe Cases:

| | |
|----------------------------|---------------|
| Last Reviewed: | October 2017 |
| Date Initiated: | January 2000 |
| Assessment: | Severe |
| Type: | Structural |
| Status: | Concluded |
| Flag: Y | Score: 2 |
| Global Compact Compliance: | Pass |

Spain: EUR 10.6 Million Penalty for Fixing Milk Prices Paid to Farmers

Impact & Basis of Assessment

Scale of Impact: Extremely Widespread
Nature of Harm: Medium

Spain's National Commission of Markets and Competition (CNMC) ordered 11 dairy companies, including Nestle Espana, to pay an aggregate penalty of EUR 88.2 million (USD 97.3 million) in March 2015 in relation to price-fixing allegations. According to the CNMC, from 2000 to 2013, the companies shared sensitive information about customers, trading practices and prices. They also allegedly colluded to fix conditions and prices paid to farmers who supply unpasteurized milk. The CNMC stated that due to such practices, the market was distorted and farmers were hit the hardest.

Nestle was levied an EUR 10.6 million (USD 11.7 million) penalty and it stated that it plans to appeal the case.

UPDATES:

06 Oct 2017: No new information available.

26 Oct 2016: No new information available.

22 Oct 2015: Company Communication. (Nestle S.A.)

According to Nestle, information regarding an independent study on the milk price differences (among competitors) and fluctuations during the time period in question was not considered by the CNMC. Its appeal on the case was still ongoing.

08 Mar 2015: Nestle to appeal Spanish pricing accusations. (JUST-FOOD GLOBAL NEWS)

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

06 Mar 2015: Spanish regulator fines Danone, Nestle, Lactalis for price collusion. (JUST-FOOD GLOBAL NEWS)

Company Response: Denied allegations.

Oct 2015: Nestle maintains that it did not violate antitrust laws in Spain. The company also expressed its commitment to providing a guaranteed market to dairy farmers in Spain.

Source: 22 Oct 2015_Company Communication

Moderate Cases:

| | |
|--|-----------------|
| Last Reviewed: | October 2015 |
| Date Initiated: | January 2006 |
| Assessment: | Moderate |
| Type: | Structural |
| Status: | Ongoing |
| Flag: Y | Score: 4 |
| Global Compact Compliance: | Pass |

France: EUR 56.1 Million Penalty For Fixing Prices of Yogurt Products

Impact & Basis of Assessment

Scale of Impact: Extremely Widespread
Nature of Harm: Minimal

France's competition authority ordered 11 dairy companies, including Lactalis Nestle, to pay an aggregate penalty of EUR 192.7 million (USD 204 million) for allegedly colluding to fix the prices of yogurt products. According to the agency, from 2006 to 2012, the companies agreed to set the wholesale prices of the items. Lactalis, which was levied an EUR 56.1 million (USD 60 million) penalty, stated that it would appeal the decision.

UPDATES:

22 Oct 2015: Company Communication. (Nestle S.A.)

Appeal on the case was still pending.

12 Mar 2015: French 'yoghurt cartel' fined for fixing prices. (The Local, France)

Company Response: Other.

Oct 2015: Nestle told MSCI that the appeal filed by Lactalis Nestle was still pending.

Source: 22 Oct 2015_Company Communication

| | |
|--|-----------------|
| Last Reviewed: | October 2015 |
| Date Initiated: | January 2003 |
| Assessment: | Moderate |
| Type: | Structural |
| Status: | Ongoing |
| Flag: Y | Score: 4 |
| Global Compact Compliance: | Pass |

Germany: EUR 338 Million Penalty Against 21 Companies over Alleged Sausage Cartel

Impact & Basis of Assessment

Scale of Impact: Extremely Widespread
Nature of Harm: Minimal

Bundeskartellamt, Germany's competition watchdog, penalized 21 companies including Nestle's Herta subsidiary, an aggregate of EUR 338 million (USD 457.6 million) alleging that since 2003, the firms colluded to fix prices on sausages and ham. According to the agency, manufacturers met regularly (so-called Atlantic Group) to discuss prices and market developments. Nestle filed an appeal to the ruling.

UPDATES:

22 Oct 2015: Company Communication. (Nestle S.A.)

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Nestle's appeal to the ruling was still ongoing.

18 Jul 2014: GERMANY: Nestle, Bell, Zur Muhlen Gruppe to appeal sausage cartel verdict. (just-food global news)

Company Response: Denied allegations.
 Oct 2015: Nestle stated that neither the company nor its employees engaged in the alleged cartel.

Source: 22 Oct 2015_Company Communication

Greece: EUR 30 Million Penalty for Anti-Competitive Practices over Instant Coffee Products

Impact & Basis of Assessment
Scale of Impact: Extensive
Nature of Harm: Medium

The Greek Competition Competition ordered Nestle's Nestle Hellas unit to pay a EUR 30 million (USD 38 million) penalty in February 2009 for allegedly abusing its dominant market position in instant coffee products. According to the agency, from 2002 to 2006, Nestle Hellas had deals with supermarkets, restaurants, and distributors that thwarted competition. Nestle filed an appeal to the ruling.

UPDATES:

22 Oct 2015: Company Communication. (Nestle S.A.)

13 Feb 2009: Nestle To Fight \$38M Greek Antitrust Fine. (Law360)

Company Response: Acknowledged or settled controversy.
 Oct 2015: Nestle told MSCI that in 2007, Nestle Hellas amended its retail practices and agreements in relation to instant coffee products. This compliance was confirmed by the competition agency in 2014.

Source: 22 Oct 2015_Company Communication

| | |
|---|-----------------|
| Last Reviewed: | October 2015 |
| Date Initiated: | January 2002 |
| Assessment: | Moderate |
| Type: | Structural |
| Status: | Ongoing |
| Flag: Y | Score: 4 |
| Global Compact Compliance: | Pass |

Minor Cases:

| Last Reviewed | Score | Status | Headline | Source |
|---------------|-------|-----------|--|--|
| November 2015 | 8 | Concluded | Canada: Alleged Price-Fixing of Chocolates | 19 Nov 2015_THE GLOBE AND MAIL (CANADA); 17 Sep 2013_The Canadian Press; 21 Jun 2013_Agence France Presse; 01 Jun 2013_Inside Counsel; 19 Feb 2013_Reuters |

| Customer Relations | Very Severe | Severe | Moderate | Minor | Flag | Score* | Type | Assessment |
|--------------------|-------------|--------|----------|-------|------|--------------------------------------|------|----------------|
| | # of Cases: | 0 | 0 | 0 | 2 | G | 8 | Non-Structural |

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Minor Cases:

| Last Reviewed | Score | Status | Headline | Source |
|---------------|-------|---------|---|-----------------------------------|
| August 2017 | 8 | Ongoing | California, US: Proposed Class Action Suit over Violation of the Fair Debt Collection Practices Act | 25 Aug 2017_CLASS ACTION REPORTER |
| March 2017 | 8 | Ongoing | US: Proposed Class Action Alleging Overcharging in Prescription Pet Food | 15 Mar 2017_CLASS ACTION REPORTER |

Marketing & Advertising

| | Very Severe | Severe | Moderate | Minor | Flag | Score* | Type | Assessment |
|-------------|-------------|--------|----------|-------|------|--------|------------|------------|
| # of Cases: | 0 | 0 | 4 | 3 | Y | 3 | Structural | Moderate |

Moderate Cases:

| | |
|----------------------------|-----------------|
| Last Reviewed: | September 2017 |
| Date Initiated: | October 2014 |
| Assessment: | Moderate |
| Type: | Non-Structural |
| Status: | Ongoing |
| Flag: G | Score: 5 |
| Global Compact Compliance: | Pass |

[US: FTC Investigation and Related Lawsuit into Misleading Claims Regarding Gerber Good Start Gentle Line](#)

Impact & Basis of Assessment

Scale of Impact: Extremely Widespread
Nature of Harm: Minimal

The U.S. Federal Trade Commission launched an investigation in October 2014 against Gerber Products Co., a subsidiary of Nestle, alleging misleading claims regarding the company's Gerber Good Start Gentle line of products. Gerber claimed that the baby formula could reduce the risk of allergies (e.g. eczema). The FTC argued that even if Gerber's marketing claim was rejected by the Food and Drug Administration (FDA), the company continued to market the claim as FDA-approved. As of January 2016, the company and the FTC were undergoing a mediation process.

One Gerber customer also filed a class action suit against the company in connection to this marketing controversy. In February 2016, a US district judge gave tentative approval to certify the class. The final certification approval was deferred pending the FTC mediation.

UPDATES:

18 Sep 2017: GERBER PRODUCTS: Bid to Strike Class Claims in "Greene" Denied. (CLASS ACTION REPORTER)

03 Jul 2017: GERBER PRODUCTS: "Hobbs" Alleges False Ad of Good Start Gentle. (CLASS ACTION REPORTER)

23 Mar 2017: NESTLE: Plans to Vigorously Defend Suit Over Gerber Good Start. (CLASS ACTION REPORTER)

12 Sep 2016: GERBER PRODUCTS: "Slocum" Suit Escapes from Federal Jurisdiction. (CLASS ACTION REPORTER)

A district court judge remanded the case back to a Missouri state court over subject matter jurisdiction.

26 Feb 2016: GERBER PRODUCTS: Judge Certifies Class Suit Over Baby Formula. (CLASS ACTION REPORTER)

Company Response: Denied allegations.

Source: 18 Sep 2017_CLASS ACTION REPORTER

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Last Reviewed: August 2017
Date Initiated: August 2017

Assessment: **Moderate**
Type: Non-Structural
Status: Concluded
Flag: **G** Score: 6
Global Compact Compliance: Pass

Pakistan: Show Cause Notices Regarding the Misleading Marketing of Fruit Juice Products

Impact & Basis of Assessment

Scale of Impact: Extensive
Nature of Harm: Minimal

The Competition Commission of Pakistan (CCP) issued show cause notices in August 2017 to six companies, including Nestle Pakistan, over allegations that the companies deceptively market juice products as 100 percent natural, to contain vitamins, or do not have artificial components. Following a complaint, the CCP made a formal inquiry and found that the companies' claims were misleading. It directed the companies to ensure that advertising claims be based on "competent and reliable scientific evidence, particularly if the product involves health and safety claims."

UPDATES:

26 Aug 2017: CCP serves show cause notice on 6 fruit juice manufacturers for misleading people. (RIGHT VISION NEWS)

Source: 26 Aug 2017_RIGHT VISION NEWS

Last Reviewed: November 2016
Date Initiated: November 2016

Assessment: **Moderate**
Type: Non-Structural
Status: Ongoing
Flag: **G** Score: 5
Global Compact Compliance: Pass

Chile: Lawsuit Filed by Regulator Sernac over Advertising Violations

Impact & Basis of Assessment

Scale of Impact: Extensive
Nature of Harm: Minimal

Sernac, Chile's consumer protection agency, filed a lawsuit against Nestle in November 2016, alleging violations of advertising laws. In particular, the agency alleged that the company displayed cartoon characters in high-sugar products, which violated marketing standards for children's foods.

UPDATES:

24 Nov 2016: Chile watchdog sues Nestle, Kellogg, Mars over advertising "violations". (JUST-FOOD GLOBAL NEWS)

Company Response: No Company response identified.

Source: 24 Nov 2016_JUST-FOOD GLOBAL NEWS

Last Reviewed: November 2016
Date Initiated: January 1977

Assessment: **Moderate**
Type: Structural
Status: Ongoing
Flag: **Y** Score: 4
Global Compact Compliance: Pass

IBFAN Boycott: Alleged Breach of Marketing Standards on Infant Milk Promotion

Impact & Basis of Assessment

Scale of Impact: Extensive
Nature of Harm: Minimal

Nestle remains involved in a long-running controversy concerning the proper marketing of infant formula. Consumer boycott activities, spearheaded by the International Baby Food Action Network (IBFAN), have been ongoing as of July 2015. IBFAN, which consists of interest groups that aim to reduce infant mortality, has encouraged the boycott of Nestle products, claiming that the company's aggressive marketing of infant formula (as opposed to breastfeeding) has contributed to the unnecessary death of infants. The group further claimed that Nestle has targeted health workers, as well as mothers to promote its products, in violation of the World Health Organization's (WHO) International Code of Marketing of Breastmilk Substitutes (ICMBS).

UPDATES:

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

01 Nov 2016: Company Communication. (Nestle S.A.)

22 Oct 2015: Company Communication. (Nestle S.A.)

Nestle stated that several stakeholders such as the United Reformed Churches (URC), General Synod of the Church of England, the Royal College of Midwives, and the Methodist Ethical Investment Committee ended their support of the boycott. The company noted that URC ended the boycott support following Nestle's inclusion in the FTSE4Good in 2011.

[accessed 19 Jul 2015]: Why was a Nestlé boycott launched? Section. (Nestle Website)

Nestle stated that it follows the ICMBBS, and has revised its policies that encourages breastfeeding based on WHO recommendations.

16 Apr 2015: Nestle Chairman and board exposed by IBFAN at shareholder meeting. (Baby Milk Action Press Release)

During Nestle's 2015 annual shareholder meeting, members of IBFAN challenged the company's chairman to stop promoting infant formula by changing claims included in product packaging that the formula is a 'gentle start' for infants.

29 Sep 2014: The 'tiger' who exposed Nestlé's formula scandal in Pakistan. (The Express Tribune)

In September 2014, a film titled 'Tigers' adapted the story of a former infant milk salesperson in Pakistan who allegedly discovered that the formula he was selling was contaminated, and infants have died of malnutrition, diarrhea, and dehydration. According to reports, the film was based on the life story of a former Nestle employee. Nestle countered that the film misrepresented facts about its marketing activities in Pakistan in the 1990s. It also maintained that based on an independent third-party audit of its activities in Pakistan in 1999, its activities were compliant with the ICMBBS.

16 May 2014: Breaking the Rules, Stretching the Rules. (IBFAN)

IBFAN's 2014 report presented alleged violations of the ICMBBS by baby food companies, including Nestle. Reported non-compliance include the promotion of infant formula via the sponsorship of professional associations, promotional activities in social media sites, aggressive marketing for growing-up milks, and the encouragement of mixed feeding, among others.

Company Response: Acknowledged or settled controversy.

Nov 2016: Nestle, in a statement to MSCI ESG Research, noted that it has been the first infant formula manufacturer to be included in the FTSE4Good Responsible Investment Index and has met the index's rigorous criteria on the responsible marketing of breastmilk substitutes (BMS) since 2011. The company also ranked first in the 2016 Access to Nutrition Index in relation to its marketing of BMS.

Oct 2015: Nestle stated that as implemented by countries, it follows the ICMBBS. For 152 higher-risk countries (in terms of infant mortality and malnutrition), the company implements its own Policy and Instructions on the Implementation of the WHO Code, when it is stricter than the national code for the marketing of breastmilk substitutes. It has also voluntarily restricted the marketing of infant formula for children under 12 months for the 152 high-risk countries.

Oct 2015: With regard to the allegations made in the Tigers film, audits made by an independent party Bureau Veritas did not confirm claims made in the movie.

May 2014: In response to IBFAN's report, Nestle conducted an internal investigation and found 24 instances of non-compliance with the WHO Code. According to the company, eight activities were discontinued prior to the release of the report, while six were executed by third parties of which Nestle did not have a commercial relationship. The company likewise requested that the activities be ceased. The remaining ten instances required remediation and had been addressed.

Source: 01 Nov 2016_Company Communication

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Minor Cases:

| Last Reviewed | Score | Status | Headline | Source |
|----------------|-------|---------|--|------------------------------------|
| September 2017 | 8 | Ongoing | Portland and Connecticut, US: Proposed Class Action Suit Alleging False Advertising of Poland Spring Water Product to Contain 100 Percent Spring Water | 12 Sep 2017_ THE ASSOCIATED PRESS |
| April 2017 | 8 | Ongoing | California, US: Proposed Class Action Suit Alleging Misleading Advertisement of Lean Cuisine Meals Not Having Preservatives | 07 Apr 2017_ CLASS ACTION REPORTER |
| January 2017 | 8 | Ongoing | New York, US: Proposed Class Action Suit Alleging Misleading Advertisement of Lean Cuisine Meals Not Having Preservatives | 23 Jan 2017_ CLASS ACTION REPORTER |

| Privacy & Data Security | Very Severe | Severe | Moderate | Minor | Flag | Score* | Type | Assessment |
|-------------------------|-------------|--------|----------|-------|------|--------|------|----------------|
| | # of Cases: | 0 | 0 | 0 | 1 | G | 8 | Non-Structural |

Minor Cases:

| Last Reviewed | Score | Status | Headline | Source |
|---------------|-------|---------|--|------------------------------------|
| June 2017 | 8 | Ongoing | California, US: Proposed Class Action Suit Alleging Violation of the Telephone Consumer Protection Act for Sending Unsolicited Text Messages | 28 Jun 2017_ CLASS ACTION REPORTER |

| Product Safety & Quality | Very Severe | Severe | Moderate | Minor | Flag | Score* | Type | Assessment |
|--------------------------|-------------|--------|----------|-------|------|--------|------|----------------|
| | # of Cases: | 0 | 0 | 5 | 8 | Y | 4 | Non-Structural |

Moderate Cases:

| | |
|----------------------------|-----------------|
| Last Reviewed: | April 2017 |
| Date Initiated: | October 2016 |
| Assessment: | Moderate |
| Type: | Non-Structural |
| Status: | Ongoing |
| Flag: G | Score: 5 |
| Global Compact Compliance: | Pass |

Rajasthan, India: Cerelac Wheat Product Found to be Substandard

Impact & Basis of Assessment

Scale of Impact: Extensive

Nature of Harm: Minimal

In October 2016, the Chief Medical and Health Officer (CMHO) of Rajasmand district in Rajasthan reported that Nestle India's Cerelac Wheat product failed a quality check regarding its 'total protein' content. In an interview with The Indian Express, the CMHO stated that the investigation was still ongoing. The company refuted this finding.

UPDATES:

18 Apr 2017: Nestle India rejects Rajasthan food regulator's report on 'substandard' Cerelac. (THE ECONOMIC TIMES)

17 Apr 2017: Soft drink to oil, state food monitors find 9 products of top firms 'substandard'. (INDIAN EXPRESS)

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Company Response: Denied allegations.

Apr 2017: Nestle India contested the CMHO's findings and asked the claims to be dropped. The company further noted that the product was also compliant with all labeling requirements.

Source: 18 Apr 2017_*THE ECONOMIC TIMES*

France: Survey Results Revealed High Acrylamide Levels for Toddler Biscuit Product**Impact & Basis of Assessment**

Scale of Impact: Extensive

Nature of Harm: Minimal

A survey conducted by NGOs SumOfUs, Changing Markets, and WECF Network in France revealed that Nestle's P'tit Biscuit product for toddlers contained acrylamide levels in excess of the European Union's benchmark levels. The groups found that the P'tit Biscuit samples contained 226.1 micrograms per kilogram of acrylamide, which was above the EU level of 200 µg/kg.

UPDATES:

16 Feb 2017: Nestlé baby biscuits exceed EU benchmark levels for acrylamide: French survey. (FOODNAVIGATOR.COM)

Company Response: No Company response identified.

Source: 16 Feb 2017_*FOODNAVIGATOR.COM*

India: Maggi Instant Noodles Return to Market After Being Withdrawn Due to Alleged High Levels of Lead; No Illnesses Reported**Impact & Basis of Assessment**

Scale of Impact: Extremely Widespread

Nature of Harm: Minimal

Nestle India, a Nestle S.A. unit, withdrew its Maggi 2-minute noodle product in India in June 2015 following concerns that the product contained excessive lead levels. In May 2015, the Uttar Pradesh state government ordered the recall of 200,000 noodle packs after the state's Food Safety and Drug Administration found excessive lead and monosodium glutamate levels in the product. Following the agency's announcement, the central government's Food Safety and Standards Authority (FSSAI) banned the product and initiated its own investigation, also warning the company and product endorsers of enforcement actions if proven that the product had health risks and that advertisements were misleading. Several states and the Nepalese government also banned the product from sale (and import) in the wake of the controversy. On the other hand, inspections by the UK, Canada, and Singapore governments found that lead in Maggi noodles manufactured in India were within the permissible limits.

In August 2015, the Bombay High Court overturned the FSSAI ban but also ordered a new round of product testing. Subsequently, in November 2015, after the National Accreditation Board for Testing Calibration Laboratories cleared all Maggi samples submitted for testing, the company announced that the product would return to the market following a five-month ban.

Nestle India remains a respondent in a INR 6.3 billion (USD 96.3 million) complaint filed with the National Customer Disputes Redressal Commission in relation to the alleged substandard Maggi products.

UPDATES:

Last Reviewed: February 2017
Date Initiated: February 2017

Assessment: **Moderate**
Type: Non-Structural
Status: Ongoing
Flag: **G** Score: 5
Global Compact Compliance: Pass

Last Reviewed: October 2016
Date Initiated: May 2015

Assessment: **Moderate**
Type: Non-Structural
Status: Ongoing
Flag: **G** Score: 5
Global Compact Compliance: Pass

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

04 Oct 2016: Supreme Court allows Nestle to destroy Maggi stock. (INDIAN EXPRESS)

21 Sep 2016: Nestle seeks Supreme Court nod to destroy 550 tonnes of Maggi Noodles. (The Times of India)

22 Jan 2016: NESTLE INDIA: Supreme Court Stays Maggi Class Action Proceedings. (CLASS ACTION REPORTER)

09 Nov 2015: Maggi returns to market after five months. (INDIA BLOOMS)

26 Oct 2015: FSSAI to seek Maggi reports from laboratories. (THE PIONEER (INDIA))

The states of Gujarat and Karnataka lifted the ban on Maggi, following reports that all samples submitted by Nestle for testing passed the government's safety standards.

22 Oct 2015: Company Communication. (Nestle S.A.)

21 Aug 2015: Centre files 640cr suit against Nestle. (THE TIMES OF INDIA (TOI))

19 Aug 2015: Maggi ban: Consumer court issues notice to Nestle India, orders fresh sample testing. (THE ECONOMIC TIMES)

15 Aug 2015: Indian High Court overturns ban of Nestle's Maggi noodles. (JUST-FOOD GLOBAL NEWS)

04 Aug 2015: Mysore lab confirms FDA tests on Maggi noodles. (THE TIMES OF INDIA (TOI))

An independent external laboratory commissioned by the FSSAI confirmed that the analysis conducted by the state of Goa's Food and Drugs Administration found that Maggi noodle samples tested contained lead content below the permissible limit.

29 Jul 2015: Nestle replaces India MD after Maggi scandal. (JUST-FOOD GLOBAL NEWS)

Following the controversy over Maggi's lead content, Nestle announced that the Indian unit's managing director would be replaced by the CEO and chairman of Nestle Philippines.

04 Jul 2015: Gujarat Government Extends Maggi Ban for One More Month. (INDIA RETAIL NEWS)

29 Jun 2015: Food authority justifies ban on Maggi in court. (THE TIMES OF INDIA (TOI))

In response to Nestle's petition that challenged the FSSAI's ordered ban of the Maggi noodle product, the agency filed an affidavit stating that the ban was ordered to protect the "larger public interest of consumers and the duty cast by law to ensure wholesomeness of food in India." The FSSAI further noted that it found Nestle's claims of a having a strict quality control procedure as incorrect since the company failed to detect the presence of lead in its products.

26 Jun 2015: MSG found in four Maggi samples from Ludhiana. (THE TIMES OF INDIA (TOI))

15 Jun 2015: Maggi Ban to Cost Nestle India Over Rs 3.2 Billion. (INDIA RETAIL NEWS)

09 Jun 2015: Maggi row escalates: FIR against Nestle directors, Amitabh, Madhuri, Preity; The case has been filed in the Metropolitan Magistrate Court in Andheri, Mumbai. (DNA)

08 Jun 2015: Criminal case filed against Nestle India, its 9 directors and brand ambassadors over Maggi. (AFTERNOON VOICE (INDIA))

07 Jun 2015: MSG in all 20 Maggi samples in state, lead levels high in 5. (TIMES OF INDIA (ELECTRONIC EDITION))

05 Jun 2015: Nestlé Pulls Maggi Noodles From Shelves Across India. (The New York Times)

02 Jun 2015: Tests Show No Excessive Lead in Maggi: Nestle. (ECONOMIC TIMES (E-PAPER EDITION))

01 Jun 2015: Centre probes hazardous elements in Nestle's Maggie: Paswan. (THE INDIAN AWAAZ)

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Company Response: Acknowledged or settled controversy.

Oct 2015: Nestle stated that it continues to collaborate with the FSSAI and other stakeholders.

Jun 2015: Nestle stated that based on extensive tests on its Maggi noodles product by internal and external laboratories, the product does not contain excessive lead. It would share the laboratory results with authorities.

Source: 04 Oct 2016_INDIAN EXPRESS

UK: Claims that New SMA Milk Powder Formula Made Children Sick

Impact & Basis of Assessment

Scale of Impact: Extremely Widespread

Nature of Harm: Minimal

In April 2016, a mother based in the UK created an online petition asking Nestle to ban its SMA Pro infant formula. According to the complainant, after she switched her child to the infant formula, the child suffered from diarrhea and was constantly nauseous. According to reports, the omega-3 fish oil derived component of the product, which was added in January 2016, was the cause of the illness. The petition gathered 12,000 signatories as of April 2016.

UPDATES:

06 Apr 2016: Parents claim Nestle's SMA powder 'made their children violently sick'. (ITV)

Company Response: Denied allegations.

Source: 06 Apr 2016_ITV

Brazil: Administrative Case Filed by Ministry of Justice over Slack Filling

Impact & Basis of Assessment

Scale of Impact: Extremely Widespread

Nature of Harm: Minimal

Brazil's Ministry of Justice filed an administrative case against Nestle in January 2016 alleging that the company reduced content for its Choclover ice cream without alerting customers or reducing the packaging size, in violation of the consumer protection code.

UPDATES:

10 Jan 2016: Brazil accuses Unilever, Nestle and PepsiCo of slack filling. (JUST-FOOD GLOBAL NEWS)

Company Response: No Company response identified.

Source: 10 Jan 2016_JUST-FOOD GLOBAL NEWS

Last Reviewed: April 2016
Date Initiated: January 2016

Assessment: **Moderate**
Type: Non-Structural
Status: Ongoing
Flag: **G** Score: 5
Global Compact Compliance: Pass

Last Reviewed: January 2016
Date Initiated: January 2016

Assessment: **Moderate**
Type: Non-Structural
Status: Ongoing
Flag: **G** Score: 5
Global Compact Compliance: Pass

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Minor Cases:

| Last Reviewed | Score | Status | Headline | Source |
|---------------|-------|-----------|--|---------------------------------------|
| July 2017 | 9 | Concluded | Product Recall: 12,300 Units of AccuPure Floor Standing Filtration Dispensers; Units Could Overheat and Pose Burn Hazards, No Reported Injuries | 28 Jul 2017_TARGETED NEWS SERVICE |
| July 2017 | 9 | Concluded | Alfare (Product Recall, China): Two Batches, For Insufficient Selenium Content | 27 Jul 2017_China Daily |
| July 2017 | 9 | Concluded | Australia: FoE Commissioned Study Found Potentially Toxic Nanoparticles in NAN HA 1 Gold and Nature's Way Kids Smart 1 Baby Milk | 01 Jul 2017_The Sydney Morning Herald |
| April 2017 | 8 | Ongoing | California, US: Proposed Class Action Suit over Slackfill in Candy Products | 17 Apr 2017_CLASS ACTION REPORTER |
| April 2017 | 9 | Concluded | Product Recall (US): KITKAT Chocolate Bites as Bags Were Mispacked with Peanut Butter Bites | 14 Apr 2017_STATES NEWS SERVICE |
| April 2017 | 9 | Concluded | Product Recall (US): 2,305 Cases of Butterfinger Candy Bar; Products May Contain Plastic Pieces | 12 Apr 2017_US OFFICIAL NEWS |
| March 2017 | 9 | Concluded | Product Recall (US): 82 Cases of Haagen-Dazs 3 fl. oz. Dark Chocolate Ice Cream Bars Due to Mismatched Packaging | 13 Mar 2017_TARGETED NEWS SERVICE |
| February 2017 | 9 | Concluded | Product Recall (Korea): Gerber 3rd Foods Roasted Vegetable & Chicken Dinner Product Due to Unapproved Additives | 14 Feb 2017_KOREA TIMES |

HUMAN RIGHTS & COMMUNITY CONTROVERSIES Y 4

| Indicators | Flag | Score | Assessment |
|----------------------------------|---------------------------------------|-------|------------------|
| Civil Liberties | G | 10 | No Controversies |
| Human Rights Concerns | G | 10 | No Controversies |
| Impact on Local Communities | Y | 4 | Moderate |
| Other (Human Rights & Community) | G | 10 | No Controversies |

| Impact on Local Communities | Very Severe | Severe | Moderate | Minor | Flag | Score* | Type | Assessment |
|-----------------------------|-------------|--------|----------|-------|------|---------------------------------------|------|------------|
| | # of Cases: | 0 | 0 | 2 | 1 | Y | 4 | Structural |

Moderate Cases:

| | |
|---|-----------------|
| Last Reviewed: | October 2015 |
| Date Initiated: | January 2005 |
| Assessment: | Moderate |
| Type: | Structural |
| Status: | Ongoing |
| Flag: Y | Score: 4 |
| Global Compact Compliance: | Pass |

British Columbia, Canada: Criticism over Water Withdrawals on the Kawkawa Lake Watershed; Residents Concerned over Drought Conditions and Water Usage Rates

Impact & Basis of Assessment

Scale of Impact: Extensive
Nature of Harm: Minimal

Nestle Waters Canada, a Nestle S.A. unit, has faced criticisms from the public that its bottling operations in British Columbia depletes local water supplies. The company withdraws water from the Kawkawa Lake

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

sub-watershed, which is located near the District of Hope, a municipality that has been experiencing a drought and where residential water use is under Stage IV restrictions as of 2015. In 2016, as part of the province's Water Modernization Act, Nestle would start paying CAD 2.25 (USD 1.73) per million liters of water extracted in British Columbia. The company bottles approximately 265 million liters of water from the province annually.

In July 2015, a campaign signed by more than 200,000 petitioners/residents, urged the British Columbia government to set a higher water usage rate to promote conservation. Campaigners argued that while residents were being asked to conserve water usage due to the ongoing drought, companies, including Nestle could extract millions of liters at "basically pennies". Lastly, campaigners also criticized the CAD 2.25 rate, comparing it to the water access rates in other provinces- CAD 46.25 per million liters in Saskatchewan; CAD 70 per million liters in Quebec; and CAD 140 million liters in Nova Scotia.

UPDATES:

22 Oct 2015: Company Communication. (Nestle S.A.)

[accessed 19 Jul 2015]: Is Nestlé depleting local water supplies in British Columbia? Section. (Nestle Website)

Nestle denied that its bottling operations in the province has contributed to water depletion.

13 Jul 2015: Petition signed by thousands is urging the government to charge Nestlé more to access B.C water. (CBC News)

10 Jul 2015: Nestlé faces renewed criticism as B.C. drought continues; Companies like Nestlé will pay \$2.25 to bottle a million litres of water starting in 2016. (CBC News)

06 Mar 2015: Outrage boils over as B.C. government plans to sell groundwater for \$2.25 per million litres. (The Province)

Company Response: Acknowledged or settled controversy.

Oct 2015: Nestle stated that it is committed to water preservation. In British Columbia, the company only draws groundwater, extraction of which is monitored on a daily basis (withdrawals, aquifer levels, spring flows, surface water levels, aquatic indicators). Generally, in Canada, the company reduced its water usage (to produce a one liter bottle) by 11 percent since 2008, as a result of its annual investment on equipment and other processes. Globally, Nestle implements water stewardship programs that ensure the long-term sustainability of water sources. These programs are based on two phases: understanding risks specific to the site and implementing action plans to mitigate the risk. The company aims to implement its water stewardship programs across all sites by the end of 2016.

Jul 2015: Nestle stated that it supports the implementation of British Columbia's Water Modernization Act. In response to criticisms that the company's bottling operations contribute to water depletion, the company stated that it withdraws less than one percent of the available groundwater in the Kawkawa Lake sub-watershed. Nestle also releases a yearly hydrologic monitoring report on withdrawals, which concluded that its operations have no negative impact on the sub-watershed.

Source: 22 Oct 2015_ Company Communication

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

| | |
|---|-----------------|
| Last Reviewed: | October 2015 |
| Date Initiated: | April 2015 |
| Assessment: | Moderate |
| Type: | Structural |
| Status: | Ongoing |
| Flag: Y | Score: 4 |
| Global Compact Compliance: | Pass |

California: Residents Call for the Halting of Bottling Operations in the Midst of the State's Drought Crisis

Impact & Basis of Assessment
Scale of Impact: Extremely Widespread
Nature of Harm: Minimal

An online community group called Courage Campaign in California stated that it has collected more than 150,000 signatures from residents demanding Nestle to end its bottling operations in California, as the state faces a drought problem. The group argued that the amount of water the company uses for its Arrowhead and Pure Life bottled water brands is approximately 700 million gallons annually (or equivalent to the amount of water being used by two California golf courses every year). Lastly, the group also called on the company for its "unconscionable" use of the state's water and selling it for a profit.

UPDATES:

22 Oct 2015: Company Communication. (Nestle S.A.)

15 May 2015: Nestle pledges to use less water in Calif.; Technology will help plants save millions of gallons. (USA TODAY)

30 Apr 2015: Why are we drinking bottled water from the driest parts of California?; Some of the biggest names in bottled water are plundering dried-up public lands for their product - and the state keeps looking the other way. (THE GUARDIAN)

19 Apr 2015: California drought spurs protest over 'unconscionable' bottled water business; Report finds lax oversight, with some operations unlicensed for years Petition against Nestlé bottling operations garners 150,000 signatures. (THE GUARDIAN)

10 Apr 2015: Group seeks to stop Nestle s water-bottling operations. (SAN BERNARDINO SUN (CALIFORNIA))

Company Response: Acknowledged or settled controversy.

Oct 2015: Nestle stated that it is implementing a comprehensive water stewardship plan to mitigate the effects of the drought in California. It has invested in technological advancements and conservation measures that could enhance the operational efficiencies of its California manufacturing plants, so that these would use less water. Its conservation measures project to save 144 million gallons of water annually in the state, and reduce water withdrawals by 13 percent from 2014 levels. The company is also working with the World Resources Institute and other stakeholders to ensure long-term sustainable water use.

May 2015: Nestle stated that its bottled water operations in California accounts for only 10 percent of the state's overall water use. The company also detailed that it implemented conservation measures in 2014 that is projected to save approximately 1.4 million gallons of water in California annually.

Source: 22 Oct 2015_Company Communication

Minor Cases:

| Last Reviewed | Score | Status | Headline | Source |
|---------------|-------|-----------|--|---------------------------|
| May 2016 | 9 | Concluded | Oregon, US: Opposition to Planned Bottling Plant in Light of Drought Conditions | 18 May 2016_Seattle Times |

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

LABOR RIGHTS & SUPPLY CHAIN CONTROVERSIES 0 1

| Indicators | Flag | Score | Assessment |
|--------------------------------------|------|-------|------------------|
| Child Labor | 0 | 1 | Severe |
| Collective Bargaining & Union | Y | 4 | Moderate |
| Discrimination & Workforce Diversity | G | 6 | Moderate |
| Health & Safety | G | 10 | No Controversies |
| Labor Management Relations | G | 5 | Moderate |
| Other (Labor Rights & Supply Chain) | G | 10 | No Controversies |
| Supply Chain Labor Standards | 0 | 1 | Severe |

| Child Labor | | | | | Flag | Score* | Type | Assessment |
|-------------|-------------|--------|----------|-------|------|--------|------------|------------|
| | Very Severe | Severe | Moderate | Minor | | | | |
| # of Cases: | 0 | 1 | 1 | 0 | 0 | 1 | Structural | Severe |

Severe Cases:

| | |
|---|----------------|
| Last Reviewed: | September 2017 |
| Date Initiated: | January 1990 |
| Assessment: | Severe |
| Type: | Structural |
| Status: | Ongoing |
| Flag: 0 | Score: 1 |
| Global Compact Compliance: | Watch List |

Child Labor in the Cocoa Supply Chain

Impact & Basis of Assessment
Scale of Impact: Extremely Widespread
Nature of Harm: Serious
Extenuating Circumstance: Yes

Along with other companies that source cocoa from West Africa, Nestle has faced criticisms for failing to sufficiently address serious labor rights issues in cocoa farms, particularly those related to child labor. Children working in cocoa farms are subjected to long work hours, using dangerous tools and carrying heavy loads. NGOs also reported that children might also be tasked in spraying pesticides on cocoa trees or the burning of fields to clear them for plantations. In 2001, the Harkin-Engel Protocol was established in response to the labor abuses in the cocoa industry. The protocol aimed to develop industry-wide standards and independent monitoring, reporting, and public certification programs to eliminate the worst forms of child labor in the cocoa industry. Nestle is a signatory in the protocol.

A September 2015 report by the Fair Labor Association (FLA), as commissioned by Nestle, revealed that Ivory Coast farms that supply to Nestle continue to employ child workers, some younger than 15 years old. At one farm, the FLA also found evidence of forced labor.

Together with Cargill and Archer-Daniels-Midland, the company was also a respondent in a 2005 lawsuit filed on behalf of three children from Mali, who alleged that they were trafficked into Cote d'Ivoire and forced to work under slave-like working conditions at cocoa farms. In March 2017, a US court dismissed the lawsuit, noting the lack of evidence linking the companies in the labor issue overseas.

UPDATES:

29 Sep 2017: Nestle releases first report on progress to eliminate child labour in its supply chain. (Business & Human Rights Resource Centre (Main))

12 Jun 2017: Nestlé comes out top in report assessing chocolate companies for their progress tackling child labor. (FOODNAVIGATOR.COM)

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

A report published by non-profit organizations Stop the Traffik and Baptist World Aid Australia titled "A Matter of Taste found Nestlé's Child Labor Monitoring and Remediation System' commended Nestle in the company's efforts to monitor child labor practices in its supply chain. According to the groups, Nestle was transparent on reporting on its progress in its Child Labor Monitoring and Remediation System. In this program, the company was promoting best practices in addressing child labor that could be carried out by the Fair Labour Association.

14 Mar 2017: US judge dismisses lawsuit against Nestlé, Cargill & Archer Daniels Midland over alleged child slavery in Côte d'Ivoire. (Business & Human Rights Resource Centre (Main))

[accessed 23 Nov 2016]: Child Labour Section. (Nestle S.A. Website)

Nestle has provided updates on its action plan for addressing child labor within its supply chain. Details of this statement can be found on the Company Response section below.

26 Sep 2016: 2015 ASSESSMENTS OF NESTLÉ COCOA SUPPLY CHAIN IN IVORY COAST. (Fair Labor Association)

The Fair Labor Association (FLA) annually conducts an assessment of Nestle's cocoa supply chain in the Ivory Coast. For 2015, the FLA noted that Nestle showed progress in addressing concerns related to farmers, child labor remediation, and health & safety policy and procedures development. The group, however, noted that the company needs further improvement in other areas of concern such as the code and grievance system for workers, lack of workers' access to protective equipment, and issues with the certification premium by cooperatives.

13 Jan 2016: Washington: SCOTUS Decides Not to Review 9th Circuit's Controversial Doe v. Nestle Decision. (US OFFICIAL NEWS)

The U.S. Supreme Court decided not to review the Ninth Circuit Court's ruling against the chocolate companies in the child labor lawsuit. The SC ruling remanded the lawsuit back to the California district court where plaintiffs could amend their complaint. The complaint asserted the application of the Alien Tort Statute wherein U.S. companies could be held liable for human rights abuses that occurred in other countries where they have had or continue to have operations.

22 Oct 2015: Company Communication. (Nestle S.A.)

Nestle stated that it has made it a priority to address the child labor problem in its supply chain.

30 Sep 2015: United States : Consumers File Suit Against Nestle, Hershey's and Mars for Alleged Child Labor Used in Chocolate Production. (TENDERSINFO)

California customers who bought chocolate products from Nestle, Hershey Company, and Mars filed three proposed class action suits against the companies, alleging violations of state laws in terms of failing to disclose Ivory Coast suppliers who allegedly employ child laborers.

02 Sep 2015: Child labour on Nestlé farms: chocolate giant's problems continue; Auditors completing their annual report continue to find evidence of child labour on Ivory Coast farms supplying NestléTerry Collingsworth; the David taking on the corporate Goliaths. (THE GUARDIAN)

The FLA report commissioned by Nestle revealed that Ivory Coast farms that supply to the company continue to employ child workers. Of the 260 farms visited by the group, they found 56 child laborers, one of whom was subjected to forced labor. The FLA stated that farms also lacked an age verification system that would prevent the use of child labor.

31 Aug 2015: KitKat commits to only sustainable cocoa by early 2016. (FOODNAVIGATOR.COM)

Nestle announced that starting the first quarter of 2016, it would use only 100 percent sustainable cocoa for its KitKat chocolate brand.

08 Sep 2014: US: Child slavery lawsuit against Nestle allowed to proceed. (just-food global news)

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Dec 2013: A lawsuit against a unit of Nestle SA (NESN) and two other companies alleging children were forced to work as slave labor on cocoa plantations in Ivory Coast was reinstated by a federal appeals court. The lawsuit was originally filed in 2005 by Global Exchange, a human rights organization, and also targeted Archer-Daniels-Midland and Cargill. In 2010, a California District Court dismissed the claims against the companies. The appeals panel said the judge erred in tossing the case and allowed the plaintiffs to amend and refile it. In November 2011, EarthRights International filed an amicus brief with the U.S. Court of Appeals for the Ninth Circuit on behalf the three children from Mali, who alleged that they were trafficked into Cote d'Ivoire and forced to work under slave conditions on cocoa farms. EarthRights asserted that Nestle knew about conditions on the cocoa plantations and was liable for violations of international law under the U.S. Alien Tort Statute (ATS). Nestle has stated that the lawsuit was without merit.

Jun 2012: The Fair Labor Association (FLA), a Washington-based civil organization, released its recommendations to Nestle in conclusion to the child labor probe requested by the company during the first quarter of the year. FLA stated that child labor persisted in Ivory Coast cocoa farms despite efforts by Nestle to counter the practice. Included in the 11-point recommendation made by the organization were the development of a stronger supplier code and the creation of a cocoa plan that advocated for the enhancement of cocoa yields as well as the improvement of the living conditions of farmers. Further, FLA stated that the country's labor program has been largely influenced by the lack of local labor laws and of livelihood alternatives for the children. In response, Nestle implemented the first phase of action plan that would be completed by 2016.

Historical Information:

In 2001, in response to growing criticism from human rights activists and NGOs, corporations sourcing cocoa from West Africa agreed to sign the Harkin-Engel Protocol, an agreement between the US Congress, NGO's, and chocolate companies. The Protocol proposed a framework and industry-funded programs to stop the use of child labor on cocoa farms by July 2005. The protocol aimed to develop industry-wide standards and independent monitoring, reporting, and public certification programs to eliminate the "worst forms" of child labor in the cocoa industry.

Company Response: Acknowledged or settled controversy.

Sep 2017: In its Tackling Child Labour 2017 Report, Nestle stated that tackling child labor has been a part of its Nestle Cocoa Plan, an integral part in how it does business. During the year, the company expanded its Child Labour Remediation and Monitoring System (CLMRS), which was pioneered in Côte d'Ivoire in 2014, to Ghana. It would report progress in Ghana in 2018. According to the report, the implementation of the CLMRS resulted in a 51 percent reduction in child labor as of 2017. The company has also invested in Community Liason People (CLPs) to educate communities about the dangers of child labor. At the time of the report, approximately 163,407 community members have attended CLP sessions. Lastly, Nestle continues to work with communities to send children back to school. Efforts in the program include building or refurbishing schools, providing assistance in securing birth certificates and handing out school kits.

Nov 2016: Nestle opposes all forms of child exploitation. The company has committed to preventing and eliminating instances of child labor within its supply chain by working with affected stakeholders to develop solutions. By 2015, the company has completed training sessions for farmers on child labor practices. It also aims to fully implement child monitoring and remediation systems at all cooperatives by 2016. By 2018, the company aims to complete all child labor risk assessments for all of its 12 high-priority raw ingredients.

Oct 2015: As part of the company's Nestle Cocoa Plan, it set up a CLMRS in Côte d'Ivoire in 2014. This aims to identify children at risk at cocoa communities and work with families to address the problem. Under the CLMRS, 22 farmer cooperatives were established. The company also helps create opportunities for children such as access to education. In 2014, Nestle built or refurbished 2,908 schools which have benefited 11,000 children.

Sep 2015: Nestle stated that it has identified approximately 3,933 child workers at cocoa farms, half of whom it has included in its Child Labour Monitoring and Remediation System. This program, among other inclusions, provides schooling kits to the children.

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Apr 2013: Nestle told MSCI that after creating a Cocoa Plan in 2009, the first phase of an action plan, developed with the FLA, was implemented in 2012. The initial efforts include monitoring the use of child labor, education on the company's supplier code and providing assistance to increase farm profitability. Regular reporting on the efforts will be provided. The company will roll out the monitoring system by 2016. Additionally, Nestle committed CHF 110 million between 2010 and 2019 for sustainability initiatives related to cocoa. The company has also partnered with the World Cocoa Foundation to build 40 schools over a four-year period. As of year-end 2012, the monitoring systems were piloted at 2 locations, approximately 190 supplier and staff were trained and 10 schools had been built.

Source: 29 Sep 2017_Business & Human Rights Resource Centre (Main); 12 Jun 2017_FOODNAVIGATOR.COM; 14 Mar 2017_Business & Human Rights Resource Centre (Main); 23 Nov 2016_Nestle Website; 26 Sep 2016_Fair Labor Association; 13 Jan 2016_US Official News; 22 Oct 2015_Company Communication; 30 Sep 2015_TENDERSINFO; 02 Sep 2015_THE GUARDIAN; 31 Aug 2015_FoodNavigator; 08 Sep 2014_just-food global news; 19 Dec 2013_Bloomberg News; 18 Apr 2013_Nestle Communication with MSCI; 07 Mar 2013_FoodNavigator; 17 Jul 2012_EarthRights International; 30 Jun 2012_The Globe and Mail (Canada); 03 Feb 2012_NYTimes; 28 Nov 2011_The Associated Press

Moderate Cases:

| | |
|---|-----------------|
| Last Reviewed: | June 2017 |
| Date Initiated: | February 2015 |
| Assessment: | Moderate |
| Type: | Structural |
| Status: | Ongoing |
| Flag: Y | Score: 4 |
| Global Compact Compliance: | Pass |

Amnesty International (Indonesia): Child Labor Practices at Wilmar Plantations and Suppliers

Impact & Basis of Assessment

Scale of Impact: Extensive
Nature of Harm: Serious
Extenuating Circumstance: Yes

A November 2016 report published by Amnesty International (AI) looked into labor practices at two Wilmar palm oil subsidiaries in Indonesia, as well as three of its suppliers. The subsidiaries investigated were PT Perkebunan Milano (PT Milano) and PT Daya Labuhan Indah. The three suppliers were PT Sarana Prima Multi Niaga (SPMN)- a TSH Resources subsidiary, PT Abdi Budi Mulia (ABM), and PT Hamparan Masawit Bangun Persada (PT Hamparan). According to the report, the following companies source from Wilmar: Archer-Daniels-Midland, Colgate-Palmolive, Kellogg, Nestle, Reckitt Benckiser, Unilver, and Procter & Gamble.

The AI researchers, who visited North Sumatra and Central Kalimantan in February, October, and November 2015, interviewed 120 plantation workers and found serious labor and human rights violations at the plantations, including child labor.

AI documented instances of children working at the plantations to help their parents. According to AI, in order to meet targets, workers seek help from family members to complete their tasks. At the plantations, children are exposed to hazardous work, including carrying heavy loads. They are also exposed to injury risks from transporting produce and from exposure to chemicals.

UPDATES:

15 Jun 2017: Company Communication. (Nestle)

30 Nov 2016: The Great Palm Oil Scandal. (Amnesty International)

Company Response: Other.

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Jun 2017: Nestle told MSCI ESG Research that during the drafting of the Amnesty report, it had engaged extensively with the NGO, including supplying information related to its business relationship with Wilmar. The company is also working closely with Wilmar to improve the latter's palm oil traceability. In the past six years, the company also worked with The Forest Trust to improve the transparency and traceability of suppliers in the palm oil sector to address human and labor rights issues.

Source: 15 Jun 2017_Company Communication

Collective Bargaining & Union

| | Very Severe | Severe | Moderate | Minor |
|-------------|-------------|--------|----------|-------|
| # of Cases: | 0 | 0 | 2 | 1 |

Flag **Y** Score* **4** Type **Structural** Assessment **Moderate**

Moderate Cases:

Last Reviewed: May 2017
 Date Initiated: May 2017
 Assessment: **Moderate**
 Type: Non-Structural
 Status: Ongoing
 Flag: **G** Score: 5
 Global Compact Compliance: Pass

Toronto, Canada: Employees Strike over Conditions of Part-Time Workers

Impact & Basis of Assessment

Scale of Impact: Extensive
 Nature of Harm: Medium

More than 360 Nestle Canada workers in Toronto went on a strike in May 2017 following a labor dispute with management. Workers had been under contract negotiations with the company, where employees have criticized the use of temporary workers who were working in a full-time capacity. Employees called on the company to provide permanent contracts to temporary workers. They were also seeking for improved wages and other benefits.

UPDATES:

01 May 2017: Nestlé Canada workers on strike. (CANADA NEWSWIRE)

Company Response: Other.

May 2017: A Nestle spokesperson stated that the company hopes to resolve the matter quickly and fairly.

Source: 01 May 2017_CANADA NEWSWIRE

Last Reviewed: November 2016
 Date Initiated: November 2016

Assessment: **Moderate**
 Type: Structural
 Status: Ongoing
 Flag: **Y** Score: 4
 Global Compact Compliance: Pass

Oklahoma, US: Lawsuit Filed by Unionized Workers over Failure to Comply With Rescinded Attendance Policy

Impact & Basis of Assessment

Scale of Impact: Extensive
 Nature of Harm: Medium

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Approximately 200 unionized Nestle workers in Edmond, Oklahoma filed a lawsuit against the company in November 2016, alleging that Nestle failed to comply with a 2014 arbitration board ruling regarding a no-fault attendance policy. In January 2014, Nestle implemented the policy whereby employees who incurred 12 points based on tardiness or absences (regardless of circumstance) were automatically fired. Four workers were terminated as a result of the new rule.

Workers challenged this policy and during the same year, an arbitrator, announced that the policy was rescinded. However, according to the new complaint, the company had failed to rescind the policy and reinstate terminated workers, among other infractions.

UPDATES:

17 Nov 2016: Edmond workers sue Nestle Purina. (THE JOURNAL RECORD- OKLAHOMA CITY, OK)

Company Response: No Company response identified.

Source: 17 Nov 2016_ THE JOURNAL RECORD (OKLAHOMA CITY, OK)

Minor Cases:

| Last Reviewed | Score | Status | Headline | Source |
|---------------|-------|-----------|---|------------------------------------|
| July 2016 | 9 | Concluded | Turkey: Workers' Strike over Wage Dispute | 06 Jul 2016_ JUST-FOOD GLOBAL NEWS |

| Discrimination & Workforce Diversity | Very Severe | Severe | Moderate | Minor | Flag | Score* | Type | Assessment |
|--------------------------------------|-------------|--------|----------|-------|------|--------|------|----------------|
| | # of Cases: | 0 | 0 | 1 | 0 | G | 6 | Non-Structural |

Moderate Cases:

| | |
|----------------------------|-----------------|
| Last Reviewed: | March 2017 |
| Date Initiated: | September 2015 |
| Assessment: | Moderate |
| Type: | Non-Structural |
| Status: | Concluded |
| Flag: G | Score: 6 |
| Global Compact Compliance: | Pass |

Florida, US: USD 300,000 Settlement of EEOC Gender Discrimination Lawsuit

Impact & Basis of Assessment
Scale of Impact: Low
Nature of Harm: Serious

Nestle Waters, a Nestle division, agreed to pay USD 300,000 in March 2017, to resolve a gender discrimination lawsuit filed by the U.S. Equal Employment Opportunity Commission (EEOC) on behalf of a former zone manager at the firm. In the EEOC lawsuit filed in 2015, the plaintiff was allegedly denied promotion in favor of a male colleague. During a zone consolidation in Florida, the plaintiff was also laid off while all other male zone managers retained their positions.

UPDATES:

13 Mar 2017: NESTL WATERS NORTH AMERICA TO PAY \$300,000 TO SETTLE SEX DISCRIMINATION LAWSUIT. (STATES NEWS SERVICE)

21 Sep 2015: EEOC Sues Nestlé Waters North America for Sex Discrimination. (US Equal Employment Opportunity Commission (EEOC))

Company Response: Acknowledged or settled controversy.

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Source: 13 Mar 2017_STATES NEWS SERVICE

| Labor Management Relations | Very Severe | Severe | Moderate | Minor | Flag | Score* | Type | Assessment |
|----------------------------|-------------|--------|----------|-------|------|--------|------|----------------|
| | # of Cases: | 0 | 0 | 1 | 1 | G | 5 | Non-Structural |

Moderate Cases:

| | |
|----------------------------|-----------------|
| Last Reviewed: | July 2015 |
| Date Initiated: | July 2015 |
| Assessment: | Moderate |
| Type: | Non-Structural |
| Status: | Ongoing |
| Flag: G | Score: 5 |
| Global Compact Compliance: | Pass |

UK: Opposition to Proposed Changes in the Pension Scheme

Impact & Basis of Assessment

Scale of Impact: Extremely Widespread
Nature of Harm: Minimal

In July 2015, Unite and GMB, unions representing Nestle employees in the UK, have expressed their opposition to the company's planned closure of the workers' defined benefit scheme. The company plans to replace the scheme with a defined contribution (or money purchase) scheme, which the unions claimed could decrease retirement income for approximately 7,600 employees. The unions also called for a suspension of the consultation process regarding the planned closure, stating that actuarial valuation of the current scheme in December 2015 is essential for the workers to determine which aspect of the scheme would be subject to change.

UPDATES:

29 Jul 2015: Detrimental Nestle Pension Changes Should Be Put 'on Hold', Until Fund is Valued. (TARGETED NEWS SERVICE)

Source: 29 Jul 2015_TARGETED NEWS SERVICE

Minor Cases:

| Last Reviewed | Score | Status | Headline | Source |
|---------------|-------|-----------|--|-----------------------------------|
| October 2017 | 9 | Concluded | Arkansas, US: Settlement of Lawsuit Alleging Failure to Pay for Overtime Work | 11 Oct 2017_CLASS ACTION REPORTER |

| Supply Chain Labor Standards | Very Severe | Severe | Moderate | Minor | Flag | Score* | Type | Assessment |
|------------------------------|-------------|--------|----------|-------|------|--------|------|----------------|
| | # of Cases: | 0 | 1 | 3 | 1 | O | 1 | Non-Structural |

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Severe Cases:

| | |
|---|----------------|
| Last Reviewed: | October 2017 |
| Date Initiated: | September 2016 |
| Assessment: | Severe |
| Type: | Non-Structural |
| Status: | Ongoing |
| Flag: Y | Score: 2 |
| Global Compact Compliance: | Pass |

Tongi, Bangladesh: Fire at Packaging Factory Killed More Than 30 Workers and Injured 70**Impact & Basis of Assessment**

Scale of Impact: Extensive
Nature of Harm: Very Serious
Extenuating Circumstance: Yes

A boiler room fire at Tampaco Foils Limited's factory in Tongi, Bangladesh resulted in the death of at least 39 workers and injured 70 others. According to reports, Tampaco, a packaging company, is a supplier to foreign and local brands including Nestle, Mondelez, and British American Tobacco. Bangladesh's factory inspection department launched an investigation to determine the cause of the fire. Media reports noted that chemicals were stored on the ground floor, which might have caused the fire to spread faster.

UPDATES:

06 Oct 2017: No new information available.

12 Oct 2016: INSIGHT-Deadly Bangladesh blaze shows up safety gaps 3 years after factory collapse. (Reuters)

According to media reports, Bangladesh's safety department extended Tampaco's operating license twice without physically visiting the site.

11 Sep 2016: UPDATE 2-Search begins after Bangladesh factory fire, death toll rises. (Reuters)

Company Response: Other.

Oct 2016: Nestle stated that it would work with authorities to determine how similar incidents would be avoided in the future. The company also noted that in 2012, the Tampaco facility passed a fire safety audit by SGS, an independent party. Nestle was in the process of facilitating the next audit when the fire occurred.

Source: 12 Oct 2016_Reuters

Moderate Cases:

| | |
|---|-----------------|
| Last Reviewed: | June 2017 |
| Date Initiated: | February 2015 |
| Assessment: | Moderate |
| Type: | Structural |
| Status: | Ongoing |
| Flag: Y | Score: 4 |
| Global Compact Compliance: | Pass |

Amnesty International (Indonesia): Labor Abuses at Wilmar Plantations and Suppliers**Impact & Basis of Assessment**

Scale of Impact: Extensive
Nature of Harm: Serious
Extenuating Circumstance: Yes

A November 2016 report published by Amnesty International (AI) looked into labor practices at two Wilmar palm oil subsidiaries in Indonesia, as well as three of Wilmar's suppliers. The subsidiaries investigated were PT Perkebunan Milano (PT Milano) and PT Daya Labuhan Indah. The three suppliers were PT Sarana Prima Multi Niaga (SPMN)- a TSH Resources subsidiary, PT Abdi Budi Mulia (ABM), and PT Hamparan Masawit Bangun Persada (PT Hamparan). According to the report, the following companies source from Wilmar: Archer-Daniels-Midland, Colgate-Palmolive, Kellogg, Nestle, Reckitt Benckiser, Unilver, and Procter & Gamble.

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

The AI researchers, who visited North Sumatra and Central Kalimantan in February, October, and November 2015, interviewed 120 plantation workers and found serious labor and human rights violations at the plantations. They documented violations such as child labor, gender discrimination, dangerous work environments, and low level wages both at supplier sites and at Wilmar subsidiaries.

UPDATES:

15 Jun 2017: Company Communication. (Nestle)

30 Nov 2016: The Great Palm Oil Scandal. (Amnesty International)

Company Response: Other.

Jun 2017: Nestle told MSCI ESG Research that during the drafting of the Amnesty report, it had engaged extensively with the NGO, including supplying information related to its business relationship with Wilmar. The company is also working closely with Wilmar to improve the latter's palm oil traceability. In the past six years, the company also worked with The Forest Trust to improve the transparency and traceability of suppliers in the palm oil sector to address human and labor rights issues.

Nov 2016: In a statement to AI, Nestle stated that while from 2010 to 2012 it suspended some trade with Wilmar due to environment concerns, its engagement with Wilmar presented commitments that the latter would change its practices. Nestle also noted that it had been monitoring Wilmar for human/labor rights concerns since 2010. The company further pointed to the robustness of its risk assessment system, which included suspending transactions with suppliers found to be in violation of labor standards.

Source: 15 Jun 2017_ Company Communication

Thailand: Forced Labor in Fishing Boats Supplying to Tuna and Pet Food Companies

Impact & Basis of Assessment

Scale of Impact: Extremely Widespread
Nature of Harm: Very Serious
Extenuating Circumstance: Yes

The Thai fishing industry has been associated with extreme forms of human rights and labor rights abuses. Investigative reports from the New York Times and The Guardian shed light on the living and working conditions of migrant workers (including child laborers) aboard Thai fishing boats. Workers, mostly trafficked from Myanmar and Cambodia, were beaten for small infractions, were subjected to almost 22-hour shifts, and were provided with one meal throughout the day, among other human rights abuses. There were also reports that workers were killed when they disobeyed the boat's captain, or worse when they got sick, or were deemed lazy. Lastly, workers were also allegedly kept on "prison islands", an example of which is the island of Benjina in Indonesia, while ships were docked at ports for repairs.

A July 2015 New York Times (NYT) report associated Thai Union Frozen's Songkla Canning Public Company subsidiary with the controversy. According to a former fisherman, fish caught by the last boat he was employed on was bound for Songkla. Thai Union in turn supplies fish to pet food brands Iams, Meow Mix, and Fancy Feast (a Nestle brand). A March 2015 Associated Press (AP) report also raised similar allegations.

UPDATES:

18 Mar 2017: Nestle, Mars vow to clean up pet food supply chains. (Taipei Times - Business)

24 Feb 2017: One step at a time, Nestle slowly changes its ways. (The Sydney Morning Herald)

| | |
|---|-----------------|
| Last Reviewed: | March 2017 |
| Date Initiated: | March 2015 |
| Assessment: | Moderate |
| Type: | Structural |
| Status: | Ongoing |
| Flag: Y | Score: 4 |
| Global Compact Compliance: | Pass |

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

23 Mar 2016: Action Plan to Tackle Seafood Supply Chain Abuses. (Nestle S.A.)

23 Nov 2015: Nestle confirms labor abuse among its Thai seafood suppliers. (THE ASSOCIATED PRESS)

After a year-long internal investigation conducted by Nestle regarding the forced labor issue in its supply chain, the company confirmed findings that were similar to the NYT and AP reports in 2015. Verite, an NGO commissioned by Nestle to conduct on-the-ground interviews, detailed the same human/labor rights abuses aboard fishing vessels. Nestle stated that it would make the results of the investigation public. It will also implement measures to protect the workers.

28 Aug 2015: Nestle says has no tolerance for 'forced labour' by suppliers. (AGENCE FRANCE PRESSE -- ENGLISH)

Consumers of Fancy Feast filed a proposed class action lawsuit in California, claiming that Nestle knowingly sourced fish from a Thai supplier associated to forced labor.

27 Jul 2015: The Outlaw Ocean: 'Sea Slaves': Forced Labor for Cheap Fish. (The New York Times)

25 Mar 2015: AP Investigation: Is the fish you buy caught by slaves?. (Associated Press)

Company Response: Other.

Mar 2017: Nestle announced that it would reduce or eliminate the sourcing of illegally caught seafood, particularly banning suppliers from engaging in transshipment at sea. According to Greenpeace, transshipment could provide vessels a way to trade illegal catch and effectively conceal human rights abuses at ships.

Feb 2017: In a report published by The Sydney Morning Herald, Nestle now can reportedly trace 99 percent of its seafood sourced from Thailand to a specific farm or fishing vessel. The company also funded a training program for fishing workers and vessel owners to educate them about basic human rights and industry safety standards.

Mar 2016: In November 2015, Nestle established an Action Plan which details its commitment to eliminating labor and human rights abuses within its supply chain in Thailand. Its four main initiatives are as follows:

- Traceability: In collaboration with suppliers, as of March 2016, 99 percent of seafood components sourced in Thailand for Purina products is traceable to a fishing vessel or farm. The company continues to work on further improving the level of traceability for its products.

- Training: The company has partnered with NGO Verite, which has created a training package for boat and migrant worker rights. Workers were also informed on the use of a grievance mechanism and the process for emergency cases.

- Grievance Mechanism: Nestle signed a contract with NGO Issara Institute, which will specialize in grievance mechanisms to assist workers.

- Demonstration Boat: Nestle has contributed funding to the Thai government's Demonstration Boat initiative. The Demonstration Boat would provide training and share best labor practices among boat owners, captains, and workers.

Nov 2015: Following an internal investigation into the forced labor issue, Nestle stated that it would implement new requirements, specifically regarding human rights, on all suppliers. The company also plans to hire external auditors and to assign a high level manager to monitor the implementation of its anti-forced labor policies.

Aug 2015: Nestle stated that it requires all suppliers to comply with applicable labor laws. The company further acknowledged that the elimination of forced labor in the seafood supply chain is a challenge and requires a shared responsibility among key stakeholders. Lastly, Nestle also partnered with NGO Verite to collect information from suppliers in Southeast Asia to help identify where forced labor and other human rights abuses are taking place.

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Source: 18 Mar 2017_Taipei Times - Business

| | |
|----------------------------|-----------------|
| Last Reviewed: | October 2015 |
| Assessment: | Moderate |
| Type: | Non-Structural |
| Status: | Ongoing |
| Flag: G | Score: 5 |
| Global Compact Compliance: | Pass |

Oxfam Report on Working Conditions for Women on Cocoa Farms

Impact & Basis of Assessment

Scale of Impact: Limited
Nature of Harm: Serious

Oxfam's GROW Campaign produces a 'Behind The Brands' Scorecard which assesses the top ten food and beverage companies' (including Nestle) agricultural sourcing policies. The scorecard looks at seven themes including the treatment of women workers. Women workers are exposed to unequal pay, discrimination, and hunger at cocoa farms. From the scorecard's launch in February 2013 to March 2015, Nestle's score on women issues improved from a '4' to an '5'. According to Oxfam, the company has made considerable efforts on its gender equality targets for cocoa sourcing.

UPDATES:

22 Oct 2015: Company Communication. (Nestle S.A.)

31 Oct 2014: Oxfam analysis and recommendation to Mars, Mondelez, and Nestle on gender equality in the cocoa sector. (Oxfam)

Oxfam commissioned an independent evaluation of Mars, Mondelez, and Nestle's commitments to address gender equality issues at cocoa plantations in Cote d'Ivoire and Ghana where they source cocoa. Based on the evaluation, Oxfam lauded the companies' progress on their initiatives. The group however, recommended further work on the following key points- to conduct supplemental research on the impacts faced by female workers at the plantations and to provide a timeline on the publication and/or implementation of impact assessments in other countries where they source materials.

Company Response: Acknowledged or settled controversy.

Oct 2015: Under the Nestle Cocoa Plan and the Rural Development Network, the company has established measures that aim to work on three main pillars: promote equal opportunities to women, promote women's groups and dialogue platform, and help increase women's income. From August 2014 to January 2015, Nestle highlighted the following achievements:

- (i) A gender awareness training was conducted to four cooperatives;
- (ii) The number of cocoa plantlet nurseries led by women increased to 23 percent;
- (iii) Working with the Fair Labor Association to strengthen two women's organizations;
- (iv) Establishment of two Cassava nurseries that could provide high-yield crops to women farmers; and
- (v) Roll-out of income generating initiatives for women to 16 cooperatives (and an additional 45 in 2015).

Source: 22 Oct 2015_Company Communication

Minor Cases:

| Last Reviewed | Score | Status | Headline | Source |
|---------------|-------|-----------|---|-------------------------|
| March 2016 | 8 | Concluded | Thailand: Forced Labor Practices at Shrimp Peeling Facility; Factory Closed Down Following Investigation | 23 Mar 2016_Nestle S.A. |

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Social Management

The company's performance on the Social pillar is below median compared to its industry peers on the MSCI World Index.

Social Pillar Score: **3.9**
 Percentile: **23rd**

To provide context for the company's controversy involvement, we reference here our evaluation of the company's capacity to manage its social challenges as assessed by MSCI ESG Research's ESG Ratings Analysis. This assessment focuses on strategy and governance, initiatives, and performance. For details on the company's social management performance, please refer to the MSCI ESG Ratings profile of the company.

Management Metrics

| | |
|---|-----|
| Company has policy to address sourcing of controversial raw materials: | N/A |
| Health & Safety policy is group wide: | Yes |
| CSR/Sustainability Committee/H&S task force or risk officer is responsible for Health & Safety strategy: | Yes |
| Percentage of total (not just domestic) workforce covered by collective agreements: | N/A |
| Code of Conduct covers the following: | |
| • Child Labor: | Yes |
| • Working Hours: | Yes |
| • Anti-Discrimination: | Yes |
| • Health & Safety: | Yes |
| Certifies own operations with a widely accepted product safety/quality standard (e.g.HACCP; ISO 9001; ISO/TS 16949; ISO 13485): | N/A |

* For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

Governance **Controversies**
G 10

GOVERNANCE CONTROVERSIES G 10

| Indicators | Flag | Score | Assessment |
|---------------------------|------|-------|------------------|
| Bribery & Fraud | G | 10 | No Controversies |
| Controversial Investments | G | 10 | No Controversies |
| Governance Structures | G | 10 | No Controversies |
| Other (Governance) | G | 10 | No Controversies |

Governance Management

The company's performance on the Governance pillar is above median compared to its industry peers on the MSCI World Index.

Governance Pillar Score: **5.9**
Percentile: **74th**

To provide context for the company's controversy involvement, we reference here our evaluation of the company's capacity to manage its governance challenges as assessed by MSCI ESG Research's ESG Ratings Analysis. This assessment focuses on strategy and governance, initiatives, and performance. For details on the company's governance management performance, please refer to the MSCI ESG Ratings profile of the company.

Management Metrics

| | |
|---|---|
| Employee training on ethical standards: | N/A |
| Bribery and Corruption Policies: | Detailed formal policy on bribery and anti-corruption |

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

PERFORMANCE SUMMARY

| | Flag | Score | Assessment |
|--|------|-------|------------------|
| Environment | Y | 3 | |
| Biodiversity & Land Use | G | 8 | Minor |
| Energy & Climate Change | G | 5 | Moderate |
| Operational Waste (Non-Hazardous) | G | 10 | No Controversies |
| Other (Environment) | G | 10 | No Controversies |
| Supply Chain Management | Y | 4 | Moderate |
| Toxic Emissions & Waste | G | 10 | No Controversies |
| Water Stress | Y | 3 | Moderate |
| Social | O | 1 | |
| Customers | O | 1 | |
| Anticompetitive Practices | O | 1 | Severe |
| Customer Relations | G | 8 | Minor |
| Marketing & Advertising | Y | 3 | Moderate |
| Other (Customers) | G | 10 | No Controversies |
| Privacy & Data Security | G | 8 | Minor |
| Product Safety & Quality | Y | 4 | Moderate |
| Human Rights & Community | Y | 4 | |
| Civil Liberties | G | 10 | No Controversies |
| Human Rights Concerns | G | 10 | No Controversies |
| Impact on Local Communities | Y | 4 | Moderate |
| Other (Human Rights & Community) | G | 10 | No Controversies |
| Labor Rights & Supply Chain | O | 1 | |
| Child Labor | O | 1 | Severe |
| Collective Bargaining & Union | Y | 4 | Moderate |
| Discrimination & Workforce Diversity | G | 6 | Moderate |
| Health & Safety | G | 10 | No Controversies |
| Labor Management Relations | G | 5 | Moderate |
| Other (Labor Rights & Supply Chain) | G | 10 | No Controversies |
| Supply Chain Labor Standards | O | 1 | Severe |
| Governance | G | 10 | |
| Bribery & Fraud | G | 10 | No Controversies |
| Controversial Investments | G | 10 | No Controversies |
| Governance Structures | G | 10 | No Controversies |
| Other (Governance) | G | 10 | No Controversies |

*For symbols and terms used in this report, refer to the "Glossary of Symbols and Terms" section.

GLOSSARY OF SYMBOLS & TERMS

The following are short definitions of some of the symbols and terms used in this report. Please refer to the methodology document for more information.

INDICATOR LEVEL SCORE: When there are three or more non-Minor assessed controversies, indicating a pattern, the Indicator Score is 1 point lower than the lowest assessed controversy case. If the lowest scored controversy case is 1, no additional points are deducted from the Indicator Score.





LAST UPDATE: Available on Page 1, LAST UPDATE indicates the date a substantive update was made to the company report, either to one or multiple controversy cases. MSCI ESG Research monitors the news on a regular basis (See MEDIA REVIEW PROCESS), but the date is updated on the report only when changes are made to the data.

MEDIA REVIEW PROCESS: MSCI ESG Research reviews major global news publications daily for significant controversies that concern companies in the MSCI coverage universe. In addition, on a weekly basis MSCI ESG Research reviews important regional news publications. Finally on a monthly basis, the MSCI ESG Research team reviews an additional set of important local and other general news publications, business news sources, and industry and trade periodicals, and other publications that have been identified as important sources of ESG performance information. Updates to company reports are prioritized by company size and the assessment level of existing controversies.

LAST REVIEWED: Available for each controversy case, the LAST REVIEWED date is the date of the most recent information related to the controversy.

OVERALL PERFORMANCE: SCORE AND FLAG:

Each company receives an overall score and flag based on our assessment of performance across the three pillars (E, S, and G), with the score driven by the lowest scoring indicator.

| Flag | Score | Description |
|---|-------|---|
|  | 0 | RED: Indicates that a company has been involved in one or more recent very severe controversies |
|  | 1 | ORANGE: Indicates that a company has been involved in one or more recent severe structural controversies that are ongoing |
|  | 2 | YELLOW: Indicates that the company has been involved in recent moderate-to-severe level controversies |
| | 3 | |
| | 4 | |
|  | 5 | GREEN: Indicates that the company is not involved in major recent controversies |
| | 7 | |
| | 8 | |
| | 10 | |

GLOBAL COMPACT COMPLIANCE SIGNALS:

| | |
|-------------------|---|
| Fail | A Fail signal indicates that the company is implicated in one or more very severe controversy cases for the issues covered under the United Nations Global Compact framework. The Fail signal maybe applied to cases that are either ongoing or concluded within the last three years. |
| Watch List | A Watch List signal indicates that the company is implicated in one or more severe ongoing controversy cases for the issues covered under the United Nations Global Compact framework. The controversy in question is systemic in nature. Concluded cases are not eligible for the Watch List signal. |
| Pass | A Pass signal indicates that the company has not been implicated (within the last three years) in any controversy case constituting a breach or near-breach of the United Nations Global Compact framework. Any company not receiving a Fail or Watch List signal receives a Pass signal. |

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¹As of September 30, 2013, as reported on January 31, 2014 by eVestment, Lipper and Bloomberg