

**Environmental Classification:**

This is a category III project according to the IIC's environmental and labor review procedures due to the fact that specific potential impacts may be avoided or mitigated by adhering to generally recognized performance standards, guidelines, and design criteria. Each eligible producer will be required to comply with national environmental and labor laws, regulations and standards as well as IIC policies

**Environmental Issues**

Nestlé buys and collects milk from over 11,000 farmers in Mexico. In recent years, important progress has been made to improve milk sourcing, benefiting both Nestlé and its milk suppliers. Nestlé's efforts to help farmers include the development of farm quality assurance schemes for milk sourcing. The schemes are essentially guidelines for farmers on the application of sustainable milk production methods. They cover the entire milk supply chain, with special emphasis on the safety and the consistent quality of milk.

The farm quality assurance scheme guidelines include advice on:

- Responsible farm management that is targeted at long-term, prosperous development of dairy farms,
- Appropriate use of pesticides and related record-keeping requirements,
- Good animal husbandry, including animal health and welfare, animal nutrition and housing and the use of veterinary drugs, and
- Appropriate handling of farm manure to avoid contamination of soil and ground water with nitrates, and related record keeping.

**Nestle Environmental Policies**

In 1996 Nestlé implemented an Environmental Management System company-wide in order to set internal company environmental performance requirements in areas such as energy and water use efficiency, waste management, wastewater treatment and air emissions. In addition, Nestlé has been included in the Dow Jones Sustainability Index, which includes about 200 companies that represent the top 10% of the leading sustainability companies in 64 industry groups from 33 countries.

**Raw Materials**

When obtaining raw materials, Nestlé applies the following principles:

- All raw materials must meet internal quality criteria and legal requirements, including limits on potential environmental contaminants; and
- Farmers are encouraged to apply Nestle's Sustainable Agriculture Initiative (SAIN), which considers sustainable agriculture a competitive and efficient activity, while simultaneously protecting and improving the natural environment and the condition of local communities. This initiative is a fundamental part of the technical assistance provided to all of Nestle's suppliers.

Monitoring Throughout the project, the IIC will ensure compliance with its own environmental and labor review policy, and make regular field visits as part of the project supervision process.