Alliance for Water Stewardship Assessment Report
Prepared for NESTLÉ MÉXICO, S.A. DE C.V. (COATEPEC FACTORY)
(AWS-000180)

Prepared by: SGS
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# REPORT DETAILS

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<th><strong>REFERENCE</strong></th>
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<tr>
<td><strong>CERTIFICATE No</strong></td>
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<td><strong>REPORT TITLE</strong></td>
<td>ALLIANCE FOR WATER STEWARDSHIP ASSESSMENT REPORT</td>
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<tr>
<td><strong>DATE SUBMITTED:</strong></td>
<td>April 24th, 2020</td>
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</tbody>
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| **STATUS:** | FINAL |
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1 EXECUTIVE SUMMARY

The scope of services covers the conformity assessment in compliance with the AWS International Water Stewardship Standard Version 2.0 for Nestlé Coatepec Factory stated at Veracruz, Mexico.

The assessment has been completed in compliance with AWS Certification requirements, Version 2, March 2019.

The Scope reviewed was:

- Manufacture of growing up milk powder and dairy food powder; sweetened condensed milk in its various categories and dulce de leche pasteurized.

On March 9th to 10th March, 2020, SGS conducted the conformity assessment for site’s facilities and activities with regard to certification to the AWS Standard.

A total of 05 major non-conformances and 02 minor non-conformances were raised during the course of the audit process. Nestlé Coatepec Factory responded to the findings raised with appropriate root cause analysis and action plans as evidence for each, so the certification could be granted. The major non-conformances were closed with the appropriate evidence. The actions taken will be followed-up at the first annual surveillance visit.

Given the document review undertaken, verification of evidence and site visit inspections performed, SGS recommends that Nestlé Coatepec Factory is awarded AWS Core Certified status with a surveillance audit interval of annual frequency.
2 SCOPE OF ASSESSMENT

The scope of services covers the conformity assessment in compliance with the AWS International Water Stewardship Standard Standard Version 2 for Nestlé Coatepec Factory. The assessment has been completed in compliance with AWS Certification requirements, Version 2, March 2019.

The assessment was conducted during 2 days on-site by the Local Auditor, and simultaneously, 2 days virtual by the Lead Auditor, from the 9th to 10th March, 2020. The lead auditor is from Peru, and the local auditor from Mexico. There was a Stage 1 audit conducted off-site prior to the visit.

During the conformity assessment, the audit team spent 1.5 day with the Nestlé facility, and 0.5 day meeting with stakeholders. The review of of Nestlé facility included inspection of site’s installations and activities in its production plant, together with personnel interviews and document reviews.

Site provided most of the requested supporting documentation as evidence on site. SGS provided initial feedback on the gaps between site’s current management and the level required by the standard during the closing meeting of the conformity assessment on March 10th, 2020.
3 STAKEHOLDER ANNOUNCEMENT AND CONSULTATION

Following the AWS Certification Requirements, before the on-site conformity assessment, site’s prepared a stakeholder announcement, which stated intention to pursue AWS certification, more than 30 days in advance of the audit on-site.

It was announced at the “Creating Shared Value Report 2016-2018” published in October 2019, that 4 of the Nestlé Mexico plants were on the process of applying to AWS certification. It was also announced through email to stakeholders and notes of “Diálogo Informativo” issued since November and December 2019 that the audit of Neslé Coatepec was starting with the pre-audit the 9th and 10th December 2019.
During the conformity assessment, it was visited the water source for the community, and local users were interviewed, which confirmed the availability of clean water for them. Also, it was visited the catchment, as they are also IWRA, as well as local government representatives.
4 DESCRIPTION OF CATCHMENT

The geographical scope was only the Nestlé Factory located in Coatepec. The location of the factory is shown in Figure 2.1, and pictures of the visit at Table 2.1

Figure 4.1: Location Map
Table 4.1: Photos from the Audit on-site and Stakeholders visits / community projects
The site is located at the “Cuenca Río La Antigua” catchment. The main surface water runoff in the catchment corresponds to the Los Pescados River and its tributaries. One of these tributaries is the Pixquiac River, which runs through the town of Coatepec. These runoffs are born in the eastern skirt of the Cofre de Perote, at a height of around 3,300 meters above sea level and run east and southeast, on steep terrain with steep slopes and deep ravines. See figure 3.1.
Rainfall in the area is high, with an annual average of 1,868 mm and constitutes the main source of recharge to the subsoil. According to the government published obtained from the INEGI atlas, precipitation reaches up to 2,000 mm/year to the west, heading for the Cofre de Perote, decreasing to 1,200 mm/year to the east. See figure 3.2.

The study area is part of the RH-28 hydrological region, basin B, sub-basin f, where the La Antigua River basin is located. See figure 3.3.
The Coatepec area is made up of an alternation of layers of both permeable and waterproof igneous materials. The permeable layers allow the infiltration and circulation of water in the subsoil. The impermeable layers function as the basis for the permeable horizons. The existence of the repetition of permeable and waterproof layers, causes the formation of several aquifer horizons called “hanging aquifers”, which together with the strong changes in the topography of the terrain, cause the outcrop of water in the form of springs at different heights. See Figure 3.4.
5 SUMMARY OF SHARED WATER CHALLENGES

Stakeholders have identified the shared water challenges which are mainly:

- Water Availability reduction caused by climate change and anthropogenic impact.
- Conflicts (environmental, social and economic) originated by poor waste management of the community. The waste pollutes the water as well.
- Lost of important water related areas, such as the “Bosque Mesófilo de la Montaña” o “Bosque de la Niebla” which is considered the most biodiverse ecosystem per area in the country.
- Excessive agriculture, cattle raising, demographic pressure have as a result: deforestation, land erosion, floods, water reduction and species extinction.
- Community does not have sufficient communication channels for coordination and collaboration in order to strengthen the good water governance and the WASH.
- Limited law enforcement and compliance with covenants related to natural resources.
6 INDICATORS CHECKLIST

As per the requirement set out in the AWS certification requirements it was prepared an SGS Checklist report for the audit trails associated with the CORE AWS indicators and the relevant reviewed evidence provided by Nestlé Coatepec Factory. The checklist was aligned to the clauses / indicators of the AWS standard Version 2.0.
1.1.1 The physical scope of the site shall be mapped, considering the regulatory landscape and zone of stakeholder interests, including:

- Site boundaries;
- Water-related infrastructure, including piping network, owned or managed by the site or its parent organization;
- Any water sources providing water to the site that are owned or managed by the site or its parent organization;
- Water service provider (if applicable) and its ultimate water source;
- Discharge points and waste water service provider (if applicable) and ultimate receiving water body or bodies;
- Catchment(s) that the site affect(s) and is reliant upon for water.

According to the study "Actualización del Estudio Geohidrológico 2020 del acuífero ubicado en los alrededores de la Planta Nestlé Coatepec de Veracruz", the site is located at the “Cuenca Río La Antigua” catchment. The main surface water runoff in the catchment corresponds to the Los Pescados River and its tributaries. One of these tributaries is the Piquiac River, which runs through the town of Coatepec. These runoffs are born in the eastern skirt of the Cofre de Perote, at a height of around 3,300 meters above sea level and run east and southeast, on steep terrain with steep slopes and deep ravines.

Rainfall in the area is high, with an annual average of 1,868 mm and constitutes the main source of recharge to the subsoil. According to the government published obtained from the INEGI atlas, precipitation reaches up to 2,000 mm / year to the west, heading for the Cofre de Perote, decreasing to 1,200 mm / year to the east. The study area is part of the RH-28 hydrological region, basin B, sub-basin 1, where the La Antigua River basin is located.

The Coatepec area is made up of an alternation of layers of both permeable and waterproof igneous materials. The permeable layers allow the infiltration and circulation of water in the subsoil. The impermeable layers function as the basis for the permeable horizons. The existence of the repetition of permeable and waterproof layers, causes the formation of several aquifer horizons called “hanging aquifers”, which together with the strong changes in the topography of the terrain, cause the outcrop of water in the form of springs at different heights.

Its water supply is provided by the "Puente Nuevo" spring located in the Potrode Segovia property, and this comes from the Antigua catchment area.

The water is used to:

- Manufacture of growing up milk powder and dairy food powder; sweetened condensed milk in its various categories and dulce de leche pasteurized
- For the supply of drinking water to the entire factory.
They have two cisterns of 320 m³ capacity each, where they conserve the water that comes from the spring and then go through a chlorination treatment to supply the factory and the Niche of water, open to the public and its employees.

They have an aerobic biological water treatment plant that flows into the Pixquiac River.

They also have 4 septic tanks that carry the wastewater, they use a supplier “Desazolves García”, who delivers wastewater to the Municipal Drinking Water and Sanitation Commission of Xalapa (CMAS).

1.2 Understand relevant stakeholders, their water-related challenges, and the site’s ability to influence beyond its boundaries.

1.2.1 Stakeholders and their water-related challenges shall be identified. The process used for stakeholder identification shall be identified. This process shall:
- Inclusively cover all relevant stakeholder groups including vulnerable, women, minority, and Indigenous people;
- Consider the physical scope identified, including stakeholders, representative of the site’s ultimate water source and ultimate receiving water body or bodies;
- Provide evidence of stakeholder consultation on water-related interests and challenges;
- Note that the ability and/or willingness of stakeholders to participate may vary across the relevant stakeholder groups;

They have mapped the following stakeholders:
- Bosque Mesófilo de Montaña o Bosque de Niebla
- Archipiélago de Bosque y Selvas
- Plan Veracruzano de Desarrollo 2019-2024
- CONAGUA
- SEDEMA
- CONAFOR
- Comité de cuenca
- FEDECOAGUA
- Adopta una hectárea
- Comité de cuenca del Río Pixquiac
- INECOL (Ecology Institute)
- Unidos por el Bosque de Niebla
- Unidos por el archipiélago
- Universidad Veracruzana
- CMAS Coatepec
- SEMARNAT
- COCA-COLA FEMSA (área natural protegida)

**MAJOR CAR:** Water related challenges of the stakeholders were not identified. The degree of influence that its stakeholders have within water governance has not been established; the projects are in place, but there is no methodology that defines a prioritization of these projects.
<table>
<thead>
<tr>
<th>Clause</th>
<th>Details</th>
<th>Yes</th>
<th>No</th>
<th>Comments/Evidence</th>
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<tbody>
<tr>
<td>- Identify the degree of stakeholder engagement based on their level of interest and influence.</td>
<td></td>
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<td>1.2.2</td>
<td>Current and potential degree of influence between site and stakeholder shall be identified, within the catchment and considering the site’s ultimate water source and ultimate receiving water body for wastewater.</td>
<td></td>
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<td>1.3</td>
<td>Gather water-related data for the site, including: water balance; water quality, Important Water-Related Areas, water governance, WASH; water-related costs, revenues, and shared value creation.</td>
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| 1.3.1 | Existing water-related incident response plans shall be identified. | ☒ | ☐ | The 2 cisterns are also the water storage for potential situations of fire. Safety, Health & Environmental incident Reporting & Investigation Listing - Environmental incidents:  
- Abnormal discharges to waterways that negatively impact aquatic life and vegetation  
- Abnormal discharges to an off-site wastewater treatment plant  
- Failure in the Water Treatment Plant  
Incident response:  
0205.SHE.PRO.009 Procedure for the prevention and handling of spills.  
0205.SHE.PRO.004 Emergency Preparation and Response Procedure  
0205.SHE.PRO.030 Water Treatment Plant Emergency |
| 1.3.2 | Site water balance, including inflows, losses, storage, and outflows shall be identified and mapped. | ☒ | ☐ | It was provided the “Water Road MAP COATEPEC 2020” – where it is shown the water withdrawals, the amount used in each stage and the losses / effluents / others (Process Units, Water Treatment Plant, Effluents Plant)  
*Interviewed: Ricardo Amaro - Industrial Services* |
| 1.3.3 | Site water balance, inflows, losses, storage, and outflows, including indication of annual variance | ☒ | ☐ | SHE-PM Environmental Performance of Water for Industrial Processes and Total Water Removal  
The Monthly Energy Consumption Report is analyzed in the SHE-PM (Safety, Health and Environmental Performance Management) |
in water usage rates, shall be quantified. Where there is a water-related challenge that would be a threat to good water balance for people or environment, an indication of annual high and low variances shall be quantified.

1.3.4 Water quality of the site’s water source(s), provided waters, effluent and receiving water bodies shall be quantified. Where there is a water-related challenge that would be a threat to good water quality status for people or environment, an indication of annual, and where appropriate, seasonal, high and low variances shall be quantified.

1.3.5 Potential sources of pollution shall be identified and if applicable, mapped, including chemicals used or stored on site.

Analysis by ANALYZE LABS, accredited laboratory by EMA:
- Cistern Water – October 21st, 2019
- Spring Water – October 21st, 2019
- PTAR Effluent – November 15th, 2019

Analysis complies with requirements

In the Geohydrological study carried out in October 2016, the following was detected:
- Up to 1,400 meters north of the spring was considered a vulnerable area to contamination, where there are human settlements.
- It is recommended to periodically monitor the quality of the water of the Pixquiac River since there could be feeding from the river to the spring.
- Monitor to prevent contaminating wastewater discharges from existing or future farms. Corroborate that they have a drainage system.

Listing - Environmental incidents:
- Abnormal discharges to waterways that negatively impact aquatic life and vegetation
- Abnormal discharges to an off-site wastewater treatment plant
- Failure in the Water Treatment Plant

The site has a warehouse of chemical substances with:
### Clause Details

**ALLIANCE FOR WATER STEWARDSHIP ASSESSMENT REPORT**

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<th>Yes</th>
<th>No</th>
<th>Comments/Evidence</th>
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</thead>
</table>
| 1.3.6  | On-site Important Water-Related Areas shall be identified and mapped, including a description of their status including Indigenous cultural values. | ✗ | ☑ |  - Dikes to contain the substances in case of spillage and thus do not go to the drainage system.  
  - Visual aids to prevent spills |
| 1.3.7  | Annual water-related costs, revenues, and a description or quantification of the social, cultural, environmental, or economic water-related value generated by the site shall be identified and used to inform the evaluation of the plan in 4.1.2. | ✗ | ☑ |  - The Pixquiac River is identified as an IWRA, which passes into the Pescados River and flows into the Gulf of Mexico, however, it is not on-site.  
  - This basin provides the:  
    - 90% of Coatepec's needs  
    - 38.5% Xalapa's needs  
  - The Pixquiac River is the discharge point for all water treated by the WWTP at the Nestlé Coatepec factory.  
  - It was provided the "Water Road MAP COATEPEC 2020" – where it is shown the water costs of the following topics:  
    - Water Sourcing  
    - Wastewater treatment  
    - Effluent Management  
    - Miscellaneous Costs  
  - In the excel "Values_2019-12-10_00-54" they show the annual water-related costs:  
    - Cost of off-site wastewater treatment  
    - Costs of all water purchases  
  **Observation:** It could be estimated the water-related revenues, and a description or quantification of the social, cultural or economic water-related value generated by the site have been identified. |
| 1.3.8  | Levels of access and adequacy of WASH at the site shall be identified. | ✗ | ☑ |  - They have a niche of access to the public and the workers also have access to drinking water, where directly the spring water goes through the chlorination process and is distributed in the mentioned lines. |
| 1.4.1  | The embedded water use of primary inputs, including quantity, quality and level of water risk within the site’s catchment, shall be identified. | ✗ | ☑ |  - Nestlé-Coatepec primary inputs are the milk supplies and the packaging material.  
  - The milk is sources from producers in the surrounding area, and there is about 1,500 producers in the catchment. They use the rainfall complemented with irrigation; therefore, the pastoralis are seasonal. The cows are free within the farms.  
  - Packaging material is sourced from other catchments in majority. These are the cans, plastic, carton, paper labels, etc. |
| 1.4.2  | The embedded water use of outsourced services shall be identified, and where those services are outsourced, but they use the water network of the social block and it is quantified in their mapping. | ✗ | ☑ |  - The food supplier “La Papa” provides about 40 meals daily, but this is not significant for the operation. This is because most of the employees go back for lunch at their home.  
  - The cleaning services are outsourced, but they use the water network of the social block and it is quantified in their mapping. |
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<th>Clause</th>
<th>Details</th>
<th>Yes</th>
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<tbody>
<tr>
<td></td>
<td>services originate within the site's catchment, quantified.</td>
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<td></td>
<td>The Uniforms are washed inside the facility, so there is no outsourced laundry.</td>
</tr>
</tbody>
</table>

### 1.5 Gather water-related data for the catchment, including: water governance, water balance, water quality, Important Water-Related Areas, infrastructure, and WASH

#### 1.5.1 Water governance initiatives shall be identified, including catchment plan(s), water-related public policies, major publicly-led initiatives under way, and relevant goals to help inform site of possible opportunities for water stewardship collective action.

- FIDECOAGUA - Coatepecano Trusteeship for Forest and Water Conservation
- Veracruz State Open Government Local Action Plan - "Local Actions, Global Benefits"
- H2O Center - Water Education
- INECOL - Institute of Ecology
- United by the Cloud Forest - Restoration of the cloud forest with native species - FABIOLA LÓPEZ
- RISE - Sustainable practices for milk producers or collection points Incentives of sustainability, solar panels, use of technologies of use of water (public collectors), water reuse (for biodigesters) – CARLOS ZUCCOLOTTO

#### 1.5.2 Applicable water-related legal and regulatory requirements shall be identified, including legally-defined and/or stakeholder-verified customary water rights.

<table>
<thead>
<tr>
<th>Water discharge plan</th>
<th>Art. 31 frac IV y V RLAN</th>
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<tr>
<td>Plan de descargas de agua</td>
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<tr>
<th>Wastewater discharge title</th>
<th>Art. 21 frac VI y VII Art. 88 al 90, LAN</th>
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<tbody>
<tr>
<td>10VER134227/28FsOC08</td>
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<tr>
<td>To discharge waste water for 559,879 m3 per year. Effective: October 21st, 2034</td>
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<tr>
<td>Título de descarga de Agua Residual</td>
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<tr>
<td>10VER134227/28FsOC08</td>
<td></td>
</tr>
<tr>
<td>Para descargar agua residual por 559,879 m3 anuales. Vigencia: 21 de octubre del 2034</td>
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<thead>
<tr>
<th>Calibration of PTAR flow meters</th>
<th>Art. 88 BIS LAN</th>
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<tr>
<td>Calibración de medidores de Flujo PTAR</td>
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<tr>
<th>PTAR sludge analysis and disposal</th>
<th>Art. 148 RLAN, NOM-004-SEMARNAT-2002</th>
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<tr>
<td>Análisis y disparición de lodos PTAR</td>
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<tr>
<th>PTAR water discharge analysis</th>
<th>NOM-001-SEMARNAT-1996</th>
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<td>Análisis de descarga de agua PTAR</td>
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<tr>
<th>Specific conditions of discharge according to the title of the concession</th>
<th>NOM-001-SEMARNAT-1996</th>
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### Clause Details

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<th>Clause</th>
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| 1.5.3  | The catchment water-balance, and where applicable, scarcity, shall be quantified, including indication of annual, and where appropriate, seasonal, variance. | ☑️ | ☐  | - Condiciones específicas de Descarga según Título de concesión
- Title of Concession of spring 10VER132740/28FOOC07
- To use national waters 480,207 m³ per year. Effective: December 31st, 2029
- Título de Concesión de manantial 10VER132740/28FOOC07
- Para aprovechar aguas nacionales por 480,207 m³ anuales. Vigencia: 31 de diciembre de 2029
- Flow meter registration
- Water consumption log and report
- Payment for water consumption
- Drinking water analysis
| Art. 20 al 25 LAN, art 32 de RLAN
| Art. 29 LAN
| Art. 52 RLAN
| Art. 225 LFDMA
| Art. 226 LFDMA
| NOM-127-SSA-1994

According to the published information: “Zonas de Disponibilidad de Agua en México” released by the Government of Mexico (CONAGUA), there is no water scarcity situation detected. It was checked the published information which shown that until 4 years ago, the area was classified as “Very Good Water Availability” dividing in 9 zones the country. However, an updated publication only divides the country in 4 zones, and now the zone where the site is located is classified as “Good Water Availability”.

The high rainfall and the type of geology has caused the formation of a large number of surface water streams and springs, which constitute the supply of most populations in the region including Coatepec and Xalapa.

The main source of water load to the subsoil is the infiltration of rain. Rainfall in the area is high, with an annual average of 1,700 mm at the height of Coatepec and up to 1,000 mm to the west towards the Cofre del Perote. At the 30-024 and 30-255 weather stations in Coatepec, average annual rainfall is 1,926 and 1,713 mm, respectively. Additionally, updated climatological information was collected from station 30026, where in the period 2000-2013, average rainfall was 1,753 mm. The average monthly precipitation is also presented, where it is observed that the rainiest months go from June to October with precipitations from 150 to more than 300 mm.
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<tbody>
<tr>
<td>1.5.4</td>
<td>Water quality, including physical, chemical, and biological status, of the catchment shall be identified, and where possible, quantified. Where there is a water-related challenge that would be a threat to good water quality status for people or environment, an indication of annual, and where appropriate, seasonal, high and low variances shall be identified.</td>
<td>✗</td>
<td>☐</td>
<td>Due to the abundant rainfall and the topographical position of the spring, there is no risk of it drying up. There is currently no reason for the aquifer that feeds this spring to drastically reduce its productivity.</td>
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<tr>
<td>1.5.5</td>
<td>Important Water-Related Areas shall be identified, and where appropriate, mapped, and their status assessed including any threats to people or the natural environment, using scientific information and through stakeholder engagement.</td>
<td>✗</td>
<td>☐</td>
<td>This sub-basin is of regional importance because of the multiple services it provides to the Xalapa region (environmental services, agricultural products, wood for construction, firewood, etc.), as well as because it is a zone where one of the main areas of cloud forest (or mesophilic mountain forest) is preserved. Municipalities: Perote Acajete, Las Vigas, Tlalnelhuayocan, Coatepec and Xalapa. The main rivers of the basin from north to south are Pixquiac, Huichila, Agüita Fría, Xocoyolapan and Atopan. According to the Geohydrological study, there are several underground aquifers that give origin to springs. There is no regional aquifer. No culturally-important water-related areas were found in or near the site’s catchment.</td>
</tr>
<tr>
<td>1.5.6</td>
<td>Existing and planned water-related infrastructure shall be identified, including condition and</td>
<td>✗</td>
<td>☐</td>
<td>In the Geohydrological study, a list of the groundwater uses around the plant is shown in Table 3.1. There are few uses of groundwater in the area. There is data on 52 of them, of which 21 correspond to wells, 9 to waterwheels and 15 to springs. Seven points were also obtained for Rivers.</td>
</tr>
<tr>
<td>Clause</td>
<td>Details</td>
<td>Yes</td>
<td>No</td>
<td>Comments/Evidence</td>
</tr>
<tr>
<td>--------</td>
<td>---------</td>
<td>-----</td>
<td>----</td>
<td>-------------------</td>
</tr>
</tbody>
</table>
| 1.5.7  | The adequacy of available WASH services within the catchment shall be identified. | ☒ | ☐ | Microbiology tests by Analyze Labs:  
PM- 15548 - October 21st, 2019 – Spring water  
PM- 15548 - October 21st, 2019 - Tank water testing  
PM- 15797 – November 15th, 2019 – PTAR effluent  
All testing complies with the requirements. |
| 1.6.1  | Shared water challenges shall be identified and prioritized from the information gathered. | ☐ | ☒ | MAJOR CAR: Shared water challenges were not identified and prioritized. |
| 1.6.2  | Initiatives to address shared water challenges shall be identified. | ☒ | ☐ | The initiatives are in place, but the challenges have not been identified. (See Major Non Conformance 1.6.1) |
| 1.7.1  | Water risks faced by the site shall be identified, and prioritized, including likelihood and severity of impact within a given timeframe, potential costs and business impact. | ☐ | ☒ | MAJOR CAR: Water risks and opportunities were not assessed and prioritized. |
| 1.7.2  | Water-related opportunities shall be identified, including how the site may participate, assessment and prioritization of potential savings, and business opportunities. | | | |
1.8 Understand best practice towards achieving AWS outcomes: Determining sectoral best practices having a local/catchment, regional, or national relevance.

| 1.8.1 | Relevant catchment best practice for water governance shall be identified. | ☒ | They have identified:  
- General Water Law  
- NER – Nestle Environment Requirements ST-14020 |

| 1.8.2 | Relevant sector and/or catchment best practice for water balance (either through water efficiency or less total water use) shall be identified. | ☒ | The collection of this information is carried out in the central offices:  
Water Consumption 2019 is shown where the Total Water Consumption by each factory/total product produced by factory (m3/ton) accumulated until October from each Nestlé Plant in Mexico is shown.  
Coatepec - 2.57 (Water OUT - out of target month)  
Chiapas - 1.25 (Water IN - below target month)  
Ocotlan - 14.4 (Water OUT - out of target month)  

**Observation:** There is a lack of an accurate identification of which plants they are comparable to and to consolidate this information according to the efficiency or objectives of the lower total water use. |

| 1.8.3 | Relevant sector and/or catchment best practice for water quality shall be identified, including rationale for data source. | ☒ | The site participates in best practice programs for the catchment. For example, they collaborate in the “Water Funds” (Fondos de Agua) of The Nature Conservancy, with other companies such as Coca-cola  

**Observation:** Previously, information was shared on which Nestlé factory had the lowest cost of waste water treatment among the 13 factories in Mexico, but this information is no longer collected, so best practices for water quality in the relevant sectors or basins have not been identified. |

| 1.8.4 | Relevant catchment best practice for site maintenance of Important Water-Related Areas shall be identified. | ☒ | The process of implementing best practices for PTAR water that flows into the IWRA on the Pixquiac River is underway:  
- WWTP Water Reuse  
- WWTP Homogenization Cell  
- WWTP Filter Press |

| 1.8.5 | Relevant sector and/or catchment best practice for site provision of equitable and adequate WASH services shall be identified. | ☒ | They have a niche of drinking water with access to the public and all their workers. |
### COMMIT AND PLAN

#### 2.1

Commit to water stewardship by having the senior-most manager in charge of water at the site, or if necessary, a suitable individual within the organization head office, sign and publicly disclose a commitment to water stewardship, the implementation of the AWS Standard and achieving its five outcomes, and the allocation of required resources.

#### 2.1.1

A signed and publicly disclosed site statement or organizational document shall be identified. The statement or document shall include the following commitments:

- That the site will implement and disclose progress on water stewardship program(s) to achieve improvements in AWS water stewardship outcomes.
- That the site implementation will be aligned to and in support of existing catchment sustainability plans.
- That the site’s stakeholders will be engaged in an open and transparent way.
- That the site will allocate resources to implement the Standard.

#### 6.1.1 WATER

Responsible water stewardship is critical to the future of our business and we’re helping for facilitate the sustainable management of water catchments, where we source our goods, around our factories and where our consumers live.

- Water efficiency
- Advocacy
- Treatment
- Engagement
- Raise Awareness
- Water Stories


In 2018, Nestlé Waters committed to certify all their plants worldwide under the Alliance for Water Stewardship standard by 2025, extending our commitment to responsible water management for the benefit of local communities and the preservation of watersheds. In Mexico, we started with the certification of the Santa María plant in Puebla.

#### 2.2

Develop and document a process to achieve and maintain legal and regulatory compliance.

#### 2.2.1

The system to maintain compliance obligations for water and wastewater management shall be identified, including:

- Identification of responsible persons/positions.

### Role Assignment of Factory Champions

<table>
<thead>
<tr>
<th>Subject</th>
<th>Headline/Department</th>
<th>Substitute/Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Nailea Báez /SHE</td>
<td>Hugo Luna /SHE</td>
</tr>
<tr>
<td>Water</td>
<td>Hugo Luna /SHE</td>
<td>José Martinez / SHE</td>
</tr>
</tbody>
</table>

The SHE Specialist position profile is shown, where the purpose is to manage and coordinate the Environmental Legal compliance.
within facility organizational structure - Process for submissions to regulatory agencies.

| applicable to the different Factory Processes at the three levels: Federal, State and Municipal, ensuring compliance with Environmental Indicators established by the Factory. |

### 2.3 Create a water stewardship strategy and plan including addressing risks (to and from the site), shared catchment water challenges, and opportunities.

#### 2.3.1 A water stewardship strategy shall be identified that defines the overarching mission, vision, and goals of the organization towards good water stewardship in line with this AWS Standard.

- Euler Martinez MEXICO Ecology & Industrial Safety
- DRAFT OMP Environmental 2020
- KPIs - Decrease in water consumption
- WASH Pledge compliance self-assessment
- AWS 2.0 Certification - Q1 2020
- Start-up - WWTP Homogenization Cell - CAPEX Q1 2020
- WWTP Filter Press Starter - Project Tenech - Small buy Q2 2020
- Video inspection/diagnosis of drainage – TBC

**MAJOR CAR:** A water stewardship strategy was not identified that defines the overarching mission, vision, and goals of the organization towards good water stewardship in line with this AWS Standard.

#### 2.3.2 A water stewardship plan shall be identified, including for each target:

- How it will be measured and monitored
- Actions to achieve and maintain (or exceed) it
- Planned timeframes to achieve it
- Financial budgets allocated for actions
- Positions of persons responsible for actions and achieving targets
- Where available, note the link between each target and the achievement of best practice to help address shared water challenges and the AWS outcomes

**The site provided the Market Objectives which were water reduction yearly, and the factory committed to 4% reduction in production as follows:**

- 2.14 for 2019
- 2.05 for 2020

**Start-up - WWTP Homogenization Cell - CAPEX Q1 2020**

**Start - JAN, End - APR**

**Justification:**

- To ensure compliance with the parameters established in NOM-001-SEMARNAT-1996

**Range:**

- Build a new Aeration Cell, Pumping Chamber, Chlorination Tank, Central Control Panel, Submersible Centrifugal Pumps.
- Supervision during installation, commissioning and start-up

**Investment 2019: kMxn 7,500**

**Sponsor: Hugo Luna**

**Delivery:** Ensure business continuity by avoiding potential shutdown of the WWTP download

**MAJOR CAR:** A water stewardship plan was not identified, including for each target:

- How it will be measured and monitored
- Actions to achieve and maintain (or exceed) it
- Planned timeframes to achieve it
- Financial budgets allocated for actions
- Positions of persons responsible for actions and achieving targets
- Where available, note the link between each target and the achievement of best practice to help address shared water challenges and the AWS outcomes
### 2.4.1 Demonstrate the site’s responsiveness and resilience to respond to water risks

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>A plan to mitigate or adapt to identified water risks developed in co-ordination with relevant public-sector and infrastructure agencies shall be identified.</td>
<td>☐</td>
</tr>
</tbody>
</table>

- Security cameras are placed at the spring and there is no access to the public, visits are made on a weekly basis. The purchase of 25,295.38 m² of land around the spring is verified and they are preparing to fence it in.

**Water Resources Review – Facility Questionnaire**

**Risks**

- COD Value of the treated effluents discharged
- Non-compliance with NER standard for discharge

Execution of an investment project - CAPEX - in the wastewater treatment plan to guarantee the quality of water derived from industrial processes, according to legal compliance and NER standard – the project will be completed in March 2020.

The site has a Business Continuity Plan, however, the site have not built an adaptation plan to address identified water risks and demonstrate resilience. Potential topics could be the decrease of water availability, for the site and for the producers.

**Observation:** It is recommended to include potential WASH topics in the emergency plan.

**MINOR CAR:** A plan to adapt to identified water risks was not developed, in order to demonstrate resilience.
### 3 IMPLEMENT

#### 3.1 Implement plan to participate positively in catchment governance.

| 3.1.1 Evidence that the site has supported good catchment governance shall be identified. | ☒ | The signing of commitments is verified II Open Government Local Action Plan of the State of Veracruz (2018-2020).

- Interviewed: FABIOLA LÓPEZ (INECOL)
- Verification of the project "Restoration of the cloud forest in a degraded site in Coatepec, Veracruz" with INECOL
- General Report of Activities FIDECOAGUA and the application of Resources granted by Nestlé May 2018
- The project proposal "H2O centre" is checked

#### 3.1.2 Measures identified to respect the water rights of others including Indigenous peoples, that are not part of 3.2 shall be implemented.

- There are no indigenous peoples water-rights at the zone.
- They identified some companies near, such as FEMSA and urban zone. Municipalities: Perote Acajete, Las Vegas, Tlalnelhuayocan, Coatepec y Xalapa.

#### 3.2 Implement system to comply with water-related legal and regulatory requirements and respect water rights.

| 3.2.1 A process to verify full legal and regulatory compliance shall be implemented. | ☒ | There are payments and declarations in the case of municipal water collection and the declaration and monitoring of wastewater discharge.

- Wastewater discharge title - 10VER134227/28FSOC08
  - To discharge wastewater for 559,879 m³ per year. Effective: October 21st, 2034
- Title of Concession of spring - 10VER132740/28FOOC07
  - To use national waters 480,207 m³ per year. Effective: December 31st, 2029
- Report of 10-A meter readings of spring water consumption
  - Consumption registry taken on December 31st, 2018: 204,696 m³
  - Total volume extracted per 1st trimester (Jan – March 2019): 99,530 m³
  - Total volume extracted per 2nd trimester (April- June 2019): 103,307 m³
  - Total volume extracted per 3rd trimester (July – Sept. 2019): 104,257 m³
  - Total volume extracted per 4th trimester (Oct- Dec. 2019): 108,033 m³
  - Total volume 2019: 415,127 m³
- Report of Water Discharge Meter readings to the Pixquiac River
  - Total volume 2019: 271,063 m³
- Payments for the use of water were verified.
3.2.2 Where water rights are part of legal and regulatory requirements, measures identified to respect the water rights of others including Indigenous peoples, shall be implemented.

☐ The environmental legal compliance matrix indicates that all requirements are up to date.

Compliance environment Excel – All requirements are up to date
St-14-020-02 – Nestlé environmental Requirements (NER) Annex 1 – Nestlé Environmental Requirements Checklist – This evaluation is per year. Evaluation 2019: 100%

3.3 Implement plan to achieve site water balance targets.

3.3.1 Status of progress towards meeting water balance targets set in the water stewardship plan shall be identified.

☐ Evidence of progress is shown for the following objectives (AWS Plan 2.3.2)

Objectives
1.2 Rescue of the fog forest with INECOL
1.3 Update of 2020 hydrogeological study for risk assessment
2. Access to water through a niche for the community at no cost
2.1 RISE incentive programme, where producers are recognised for good water-related practices
4.1 Progress in the Project for the reuse of water from the PTAR

3.3.2 Where water scarcity is a shared water challenge, annual targets to improve the site’s water use efficiency, or if practical and applicable, reduce volumetric total use shall be implemented.

☐ According the published information "Zonas de Disponibilidad de Agua en México" released by the Government of Mexico (CONAGUA), there is no water scarcity situation detected.

It was checked the published information which shown that until 4 years ago, the area was classified as “Very Good Water Availability” dividing in 9 zones the country. However, an updated publication only divides the country in 4 zones, and now the zone where the site is located is classified as “Good Water Availability”.

3.3.3 Legally-binding documentation, if applicable, for the re-allocation of water to social, cultural or environmental needs shall be identified.

☐ There is no legally-binding documentation for re-allocation of water to social, cultural or environmental needs

3.4 Implement plan to achieve site water quality targets.

3.4.1 Status of progress towards meeting water quality targets set in the water stewardship plan shall be identified.

☐ They perform spring water analysis on an annual basis as requested by NOM-127-SSA. The analyses for October 2019 and September 2018 are shown, where they comply with the parameters.

PM-15548 October 21st, 2019 – Spring water
### 3.4.2 Where water quality is a shared water challenge, continual improvement to achieve best practice for the site’s effluent shall be identified and where applicable, quantified.

- They carry out quarterly analyses of the effluent by means of a 3rd Analyze Labs:
  - PM-12429 March 8th, 2019
  - PM-13750 June 6th, 2019
  - PM-15003 August 21st, 2019
  - PM-15796 November 14th, 2019
  
  Where all parameters comply with the regulations and requirements.

### 3.5 Implement plan to maintain or improve the site’s and/or catchment’s Important Water-Related Areas.

#### 3.5.1 Practices set in the water stewardship plan to maintain and/or enhance the site’s Important Water-Related Areas shall be implemented.

- Nestlé Coatepec, in collaboration with INECOL, is working on restoration activities in the Mist Forest with species native to the region, planting trees in 2.5 hectares of degraded area, which were purchased by Nestlé around the spring.
  
  Also, in 2017, in conjunction with FIDECOAGUA, waste clean-ups were carried out in the Pixiquiac River.

  **Opportunity for Improvement:** It could be estimated the benefit in water reduction with native species.

### 3.6 Implement plan to provide access to safe drinking water, effective sanitation, and protective hygiene (WASH) for all workers at all premises under the site’s control.

#### 3.6.1 Evidence of the site’s provision of adequate access to safe drinking water, effective sanitation, and protective hygiene (WASH) for all workers onsite shall be identified and where applicable, quantified.

- They carry out studies of the spring water, and cistern water, as well as microbiological analysis of the niche and the different points where water is provided inside the plant.

  **Registration Sheet for Air and Process Water Samples:**

  **October 2019**

  - Sampling Points Quarter 1: LCA Customs House, Egron Customs House, Dining Room, Parking Lot, LCA Cooling Tower, LEP Cooling Tower
  - Sampling Points Quarter 2: Customs Egron, Customs Mespack, Bathrooms, Dining Room, LCA Manufacturing, Fresh Milk Laboratory, LEP Line Laboratory, LCA Cooling Tower, LEP Cooling Tower

  **November 2019**

  - Sampling Points Quarter 1: LCA Customs House, Egron Customs House, Mespack Customs House, Bays, Dining Room, Parking Lot, LEP Line Laboratory, Evacuation Room, LCA Cooling Tower, LEP Cooling Tower
  - Sampling Points Quarter 2: Customs LEP container, Distilled water, Baths, Egron building, LCA manufacture, Fresh milk laboratory, LCA cooling tower, LEP cooling tower

#### 3.6.2 Evidence that the site is not impinging on the human right to safe water and sanitation of communities

- Thanks to the PTAR plant and the constant monitoring of the effluent, the community is not affected by its discharges. Likewise, the spring is not surrounded by any indigenous community.

  The 2015 spill is verified in the service area - The PTAR was disabled 11 hours after the electrical failure sending factory wastewater directly to the river without previous treatment, the CONAGUA was notified and the records of the incident were kept.
through their operations, and that traditional access rights for Indigenous and local communities are being respected, and that remedial actions are in place where this is not the case, and that these are effective.

File 004595
Subject: Accidental discharge of waste water reported
Wastewater Discharge Permit No. 10VER134227/28FSOC08
Date Received: August 24th, 2015

### 3.7 Implement plan to maintain or improve indirect water use within the catchment.

<table>
<thead>
<tr>
<th>3.7.1 Evidence that indirect water use targets set in the water stewardship plan have been met.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestlé-Coatepec’s key primary input is the milk, so there are several projects in place to engage with the producers. On the other hand, packaging material suppliers are in majority outside the catchment.</td>
</tr>
<tr>
<td>There is a monetary bonus paid to the producers that have efficient water use.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3.7.2 Evidence of engagement with suppliers and service providers, as well as, when applicable, actions they have taken in the catchment.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewed: CARLOS ZUCCOLOTTO</td>
</tr>
<tr>
<td>They have a program called RISE (Response Inducing Sustainability Evaluation) where milk producers are given incentives according to their good sustainable practices. Either by: use solar panels, use of technologies of use of water (public collectors), water reuse (for biodigesters)</td>
</tr>
<tr>
<td>Interviewed: JOSÉ MORALES</td>
</tr>
<tr>
<td>Sustainability Proyect</td>
</tr>
<tr>
<td>Producer’s name: Rancho San Francisco de Asis</td>
</tr>
<tr>
<td>Project encouraged: rainwater collection (not included in program RISE)</td>
</tr>
</tbody>
</table>

### 3.8 Implement plan to engage with and notify the owners of any shared water-related infrastructure of any concerns the site may have.

<table>
<thead>
<tr>
<th>3.8.1 Evidence of engagement, and the key messages relayed with confirmation of receipt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>They do not have shared water infrastructure.</td>
</tr>
</tbody>
</table>
3.9 Implement actions to achieve best practice towards AWS outcomes: continually improve towards achieving sectoral best practice having a local/catchment, regional, or national relevance.

<table>
<thead>
<tr>
<th>3.9.1</th>
<th>Actions towards achieving best practice, related to water governance, as applicable, shall be implemented.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>They have the next actions to approach:</td>
</tr>
<tr>
<td></td>
<td>• Decrease in water consumption – Water Balance</td>
</tr>
<tr>
<td></td>
<td>• AWS 2.0 Certification – Water Governance</td>
</tr>
<tr>
<td></td>
<td>• WWTP Homogenization Cell – Water Quality</td>
</tr>
<tr>
<td></td>
<td>• WWTP Filter Press Starter - Project Tenech - Water Quality</td>
</tr>
<tr>
<td></td>
<td>• Video inspection/diagnosis of drainage – TBC – Water Quality</td>
</tr>
<tr>
<td></td>
<td>• Reforestation of the Mist Forest - IWRA</td>
</tr>
<tr>
<td></td>
<td>• Niche of water, open to the public and its employees - WASH</td>
</tr>
<tr>
<td></td>
<td>• RISE programme (payment of agricultural incentives for good water-related practices) – Water Governance, Water Quality, Water Balance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3.9.2</th>
<th>Actions towards achieving best practice, related to targets in terms of water balance shall be implemented.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>3.9.3</th>
<th>Actions towards achieving best practice, related to targets in terms of water quality shall be implemented.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>3.9.4</th>
<th>Actions towards achieving best practice, related to targets in terms of the site’s maintenance of Important Water-Related Areas shall be implemented.</th>
</tr>
</thead>
</table>

<p>| 3.9.5 | Actions towards achieving best practice related to targets in terms of WASH shall be implemented. |</p>
<table>
<thead>
<tr>
<th>4</th>
<th>EVALUATE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Evaluate the site’s performance in light of its actions and targets from its water stewardship plan and demonstrate its contribution to achieving water stewardship outcomes.</td>
<td>They have de Record:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Effluent quantity monitoring:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Result: They have the reports the 2019. Compliance with the parameters according to the regulations is evidenced</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Monitoring evidence of PTAR in volume and quality of water</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Result: They have the reports the 2019. Compliance with the parameters according to the regulations is evidenced for the Reforestation of the Mist Forest</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Result: 1375 hectares in conservation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Observation: Consider measuring the benefits with respect to water in the “Cloud Forest Reforestation program”</td>
</tr>
<tr>
<td>4.1.1</td>
<td>Performance against targets in the site’s water stewardship plan and the contribution to achieving water stewardship outcomes shall be evaluated.</td>
<td></td>
</tr>
<tr>
<td>4.1.2</td>
<td>Value creation resulting from the water stewardship plan shall be evaluated.</td>
<td></td>
</tr>
<tr>
<td>4.1.3</td>
<td>The shared value benefits in the catchment shall be identified and where applicable, quantified.</td>
<td></td>
</tr>
<tr>
<td>4.2</td>
<td>Evaluate the impacts of water-related emergency incidents (including extreme events), if any occurred, and determine the effectiveness of corrective and preventative measures.</td>
<td>It is verified in SHE “Environmental Incidents” where all the incidents of the site are registered, and the following information is kept:</td>
</tr>
<tr>
<td>4.2.1</td>
<td>A written annual review and (where appropriate) root-cause analysis of the year’s emergency incident(s) shall be prepared and the site’s response to the incident(s) shall be evaluated and proposed preventative and corrective actions and mitigations against future incidents shall be identified.</td>
<td>Case #: 2517010272</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Status: Closed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Work center: MX PL Coatepec</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Date: Wednesday, October 2nd, 2019</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Classification: Spillage / Dumping to the ground</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Volume: 10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unit: Litres</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Material: Discharge of chemicals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Location: Other location in the workplace</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Corrective actions and mitigations against future incidents are implemented. Records saved since 2015 are verified.</td>
</tr>
<tr>
<td>4.3</td>
<td>Evaluate stakeholders’ consultation feedback regarding the site’s water stewardship performance, including the effectiveness of the site’s engagement process.</td>
<td>There has a “STAKEHOLDERS WORK PLAN”</td>
</tr>
<tr>
<td>4.3.1</td>
<td>Consultation efforts with stakeholders on the site’s water</td>
<td></td>
</tr>
</tbody>
</table>
stewardship performance shall be identified.

They have a Plan of Consultation with stakeholders, in collaboration with INECOL, Government of Veracruz, FIDEICOAGUA, Pixquiac River Committee

<table>
<thead>
<tr>
<th>4.4</th>
<th>Evaluate and update the site’s water stewardship plan, incorporating the information obtained from the evaluation process in the context of continual improvement.</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4.1</td>
<td>The site’s water stewardship plan shall be modified and adapted to incorporate any relevant information and lessons learned from the evaluations in this step and these changes shall be identified.</td>
</tr>
</tbody>
</table>

The AWS System managers took the AWS Accredited Training Programme, in order to update their system to the new requirements of version 2.0
<table>
<thead>
<tr>
<th>5</th>
<th>COMMUNICATE &amp; DISCLOSE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Disclose water-related internal governance of the site’s management, including the positions of those accountable for legal compliance with water-related local laws and regulations.</td>
<td></td>
</tr>
<tr>
<td>5.1.1</td>
<td>The site’s water-related internal governance, including positions of those accountable for compliance with water-related laws and regulations shall be disclosed.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The communication of the AWS Standard (5 pillars of the AWS Standard - 5/12/2019; International AWS Standard - 6/12/2019; AWS Certification - 28/11/2019) is sent by mail and the internal Nestlé website shows all the steps involved in the standard and the actions taken by Nestlé to achieve it.</td>
<td></td>
</tr>
<tr>
<td>5.2</td>
<td>Communicate the water stewardship plan with relevant stakeholders.</td>
<td></td>
</tr>
<tr>
<td>5.2.1</td>
<td>The water stewardship plan, including how the water stewardship plan contributes to AWS Standard outcomes, shall be communicated to relevant stakeholders.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>They have communicated the water stewardship actions and projects that they participated in, since several years ago. Therefore, the communications were based on previous actions and commitments for the future, through:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Email to all employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Through posters to employees, contractors and visitors</td>
<td></td>
</tr>
<tr>
<td>5.3</td>
<td>Disclose annual site water stewardship summary, including the relevant information about the site’s annual water stewardship performance and results against the site’s targets.</td>
<td></td>
</tr>
<tr>
<td>5.3.1</td>
<td>A summary of the site’s water stewardship performance, including quantified performance against targets, shall be disclosed annually at a minimum.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>There has been internal disclosure of performance, and the commitment had been made public by Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MAJOR CAR: There is no evidence of a shared summary of the results and/or progress of the objectives of sustainable water management. The shared water-related challenges and efforts that have been made to address these challenges have not been disclosed.</td>
<td></td>
</tr>
<tr>
<td>5.4</td>
<td>Disclose efforts to collectively address shared water challenges, including: associated efforts to address the challenges; engagement with stakeholders; and co-ordination with public-sector agencies.</td>
<td></td>
</tr>
<tr>
<td>5.4.1</td>
<td>The site’s shared water-related challenges and efforts made to address these challenges shall be disclosed.</td>
<td>See 5.3.1</td>
</tr>
<tr>
<td>5.4.2</td>
<td>Efforts made by the site to engage stakeholders and coordinate and support public-sector agencies shall be identified.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Efforts have been made with INECOL (Ecology Institute) for the reforestation of the Mist Forest, where Fabiola López Barrera is the Coordinator of the Functional Ecology Network, which belongs to the National Council of Science and Technology. Also, the efforts in process with the H2O Center and the support with FIDECOAGUA (Coatepecano Trust for Forest and Water Conservation).</td>
<td></td>
</tr>
</tbody>
</table>
5.5 Communicate transparency in water-related compliance: make any site water-related compliance violations available upon request as well as any corrective actions the site has taken to prevent future occurrences.

<table>
<thead>
<tr>
<th>5.5.1</th>
<th>Any site water-related compliance violations and associated corrections shall be disclosed.</th>
<th>✔</th>
<th>☐</th>
<th>The site confirmed that they did not have any water-related compliance violation</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.5.2</td>
<td>Necessary corrective actions taken by the site to prevent future occurrences shall be disclosed if applicable.</td>
<td>✔</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>5.5.3</td>
<td>Any site water-related violation that may pose significant risk and threat to human or ecosystem health shall be immediately communicated to relevant public agencies and disclosed.</td>
<td>✔</td>
<td>☐</td>
<td></td>
</tr>
</tbody>
</table>
7 AUCTION FINDINGS

The findings raised during the audit were provided to Nestlé Coatepec Factory at the closing meeting, who proposed an action plan for each of the findings. The root causes were explained by the site during the audit. For the 05 Major CARs, evidence was sent to the Audit Team for review and closure. The implementation of actions proposed for Minor CARs will be reviewed at Surveillance #1. Once the Major CARs were closed by the Lead Auditor the reports were then reviewed by the Certifier.

**Relating to this Audit**

As a result, 05 major non-conformances and 02 minor non-conformances were raised during the audit process detailed at the Table below 6.1. Furthermore, some observations and opportunities for improvement were raised during the audit which are for future consideration, but no action is necessary during this audit period, however, these issues would most likely come under scrutiny during a surveillance audit scenario.

**Table 7.1. Current Non-Conformances raised during the AWS audit process**

<table>
<thead>
<tr>
<th>No.</th>
<th>Type</th>
<th>Ref.</th>
<th>Details</th>
<th>Action Proposed by Client</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Major Non-Conformance</td>
<td>1.2</td>
<td>Stakeholder Mapping Water related challenges of the stakeholders were not identified. The degree of influence that its stakeholders have within water governance has not been established; the projects are in place, but there is no methodology that defines a prioritization of these projects.</td>
<td>Root Cause: The client was not aware that evidence needed to be provided regarding the stakeholder mapping process. Action proposed by the client: NESTLÉ COATEPEC FACTORY will provide a stakeholder mapping including their water challenges, and the degree of influence. CLOSURE: The document for AWS “Stakeholders – collaboration scheme” was sent the 25th March 2020 to the audit team. It includes: - Stakeholder and their degree of influence - Initiatives in place, commitments, projects and campaigns. - Water related challenges</td>
</tr>
<tr>
<td>2</td>
<td>Major Non-Conformance</td>
<td>1.6.1</td>
<td>Shared Water Challenges Shared water challenges were not identified and prioritized.</td>
<td>Root Cause: The client was not aware that it was needed to identify and prioritize the Shared Water Challenges. Action proposed by the client: NESTLÉ COATEPEC FACTORY will provide the Shared Water Challenges.</td>
</tr>
</tbody>
</table>
### Major Non-Conformance 1.7 Water Risks & Opportunities

**Root Cause:** The client identified general environmental risks, however, there was not a proper list of Water Risks & Opportunities.

**Action proposed by the client:** NESTLÉ COATEPEC FACTORY will identify water risks and opportunities.

**Closure:** A presentation and a matrix for Water Risks and Opportunities was sent the 25th March 2020 to the audit team.
- Water Risks, associated impacts & its controls
- Water Opportunities and participative projects proposed or in process.

### Major Non-Conformance 2.3.1 Water Stewardship Strategy

**Root Cause:** The client had internal plans and strategies, however, they were not fully aligned to the AWS standard requirements.

**Action proposed by the client:** NESTLÉ COATEPEC FACTORY will prepare a Water Stewardship Strategy.

**Closure:** The Water Stewardship Strategy for AWS was sent the 25th March 2020 to the audit team. This included the Corporate Principles of Nestlé, the mission, vision and objectives related to water and sustainability. It included the commitment and the 2020 targets.
<table>
<thead>
<tr>
<th>5</th>
<th>Major Non-Conformance</th>
<th>2.3.2. Water Stewardship Plan</th>
<th>Root Cause: The client had internal plans and strategies, however, they were not fully aligned to the AWS standard requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>A water stewardship plan was not identified, including for each target: - How it will be measured and monitored - Actions to achieve and maintain (or exceed) it - Planned timeframes to achieve it - Financial budgets allocated for actions - Positions of persons responsible for actions and achieving targets - Where available, note the link between each target and the achievement of best practice to help address shared water challenges and the AWS outcomes</td>
<td>Action proposed by the client: NESTLÉ COATEPEC FACTORY will prepare a Water Stewardship Plan</td>
</tr>
<tr>
<td>6</td>
<td>Minor Non-Conformance</td>
<td>2.4.1 Resilience to Water Risks</td>
<td>Root Cause: It was not identified that it was needed to prepare an adaptation plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A plan to adapt to identified water risks was not developed, in order demonstrate resilience</td>
<td>Action proposed by the client: NESTLÉ COATEPEC FACTORY will implement an adaptation plant</td>
</tr>
<tr>
<td>7</td>
<td>Minor Non-Conformance</td>
<td>5.3 – 5.4 Disclosure</td>
<td>Root Cause: They were expecting to finalize the audit, in order to fully disclose the performance and results based on the audit results.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>There is no evidence of a shared summary of the results and/or progress of the objectives of sustainable water management. The shared water-related challenges and efforts that have been made to address these challenges have not been disclosed.</td>
<td>Action proposed by the client: NESTLÉ COATEPEC FACTORY will disclose the performance data and results after the certification is granted.</td>
</tr>
</tbody>
</table>
8 SUMMARY

In reviewing the evidence presented by Nestlé Coatepec Factory, it was demonstrated that they have in-depth understanding of their catchment, supported with specialist studies. Also, they have been implementing community projects for several years, and focus on water incentives with the milk producers. Therefore, this was the basis for providing support for the audit for Alliance for Water Stewardship Certification. Deviations were raised as major non-conformances which were all closed appropriately.

The minor non-conformances were all situations where Nestlé Coatepec Factory were considered to have partially met the AWS Core criterion requirement but were requested to make some improvements to be considered fully compliant at the next surveillance visit.

Observations were made during the audit, these are to be considered as areas for improvement which will likely be reviewed in future surveillance audits, no action is required on behalf of Nestlé Coatepec Factory during this audit event.

The action plan proposed to SGS in response to the findings was reviewed and evaluated for compliance to the AWS standard. All actions were accepted for implementation. Evidence for closing the Major CARs were sent on the following 3 weeks after the audit, while the actions taken for addressing the Minor CARs will be reviewed at the first surveillance visit.
9 OPPORTUNITIES FOR IMPROVEMENT
The certification audit for the client against the AWS Standard is for the initial assessment for conformity and as such allows for many areas for improvement going forward.

Observations and opportunities for improvements are recorded at the checklist.
10 CONCLUSIONS AND RECOMMENDATIONS

Nestlé Coatepec Factory has demonstrated effective involve of its management system and is capable of achieving its policy objectives, as well as the intended results of the respective management system.

Given the evidence reviewed and the site visit inspections performed, SGS recommends that, based on the results of this audit, Nestlé Coatepec Factory is awarded AWS Core Certification with yearly surveillance audits.
11 REFERENCES

- “Actualización del Estudio Geohidrológico 2020 del acuífero ubicado en los alrededores de la Planta Nestlé Coatepec de Veracruz” study
- “Zonas de Disponibilidad de Agua en México” study
- AWS Strategy
- Sustainability Action by Farmers’ zones
- AWS benefits
- AWS Management Plan
- AWS Stakeholder Mapping
- Good Manufacturing Practices Nestlé Coatepec factory
- “Actividades 2018 y 2019 FIDECOAGUA”
- Spills Management Procedure
- Emergency Plan
- Procedure for Wastewater Treatment Plant
- Incidents Management Standard and associated forms
- Site and Water infrastructure Maps
- WASH checklists
- Lab water testing results
- Quarterly Legal Compliance declarations to Government
- Water level lectures
- Community projects and stakeholders records