



Nestlé Good food, Good life

Reporting Scope and Methodology for ESG Key Performance Indicators

Introduction

Nestlé has engaged EY to provide independent assurance of thirteen selected Environmental, Social and Governance (ESG) key performance indicators (KPIs) of high strategic importance to our business. This assurance engagement was performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 to provide limited assurance. Nestlé obtained limited assurance for these KPIs to strengthen stakeholder confidence in the data we report and in anticipation of increased regulation of sustainability reporting and assurance.

This document explains the definition, Scope, methodology and assumptions used to calculate and report each of the thirteen KPIs (the "Selected ESG KPIs") that were selected from a larger universe of ESG KPIs that Nestlé decided to track and report.

The Selected ESG KPIs reflect the most material issues to our business and stakeholders, including major corporate commitments and ESG performance measures that drive executive compensation. For the design of the Selected ESG KPIs, we considered voluntary reporting frameworks and standards such as the Global Reporting Initiative, the Sustainability Accounting Standards Board, and the World Economic Forum Stakeholder Capitalism Metrics.

Nestlé reports the performance against the Selected ESG KPIs in our *2022 Creating Shared Value and Sustainability Report*, which is available on [nestle.com](https://www.nestle.com). Six of the Selected ESG KPIs are also included in our *2022 Annual Review*.

This Methodology Note is applicable for the 2022 reporting. Nestlé may review the methodology and the Selected ESG KPIs annually to reflect changes to our business priorities, regulatory requirements, industry best practices and standards, and stakeholder feedback.

Scope

"In Scope" companies

A company is "in Scope" of the Selected ESG KPIs when the financial performance of such company is consolidated in Nestlé S.A. consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and excludes associates and joint-ventures. Please refer to Nestlé's consolidated IFRS financial statements for further details. Exceptions to this are described in the section 'Acquisition & Divestiture' below.

Data and performance of legal entities outside companies "in Scope" are not considered for the Selected ESG KPIs unless specifically described otherwise in this Note.

Acquisition and divestitures

Newly acquired entities during 2022 were not considered for the Selected ESG KPIs, except when expressly stated otherwise in this Note¹. As per our internal rules, acquisitions during 2022 will be included in the ESG reporting as from 1 January 2024.

2022 data and performance of divested entities during 2022 were excluded from the Selected ESG KPIs, except when expressly stated otherwise in this Note.

Data collection

The data reported is covering the 2022 calendar year unless mentioned otherwise in the Selected ESG KPI details. Each KPI has its own internal guideline including processes, tools, roles and responsibilities, a summary of which is provided in this document. All data was extracted from our own systems or systems from third parties with their authorization when relevant. Data not available in the systems was construed in good faith according to best practice and industry standards.

Selected ESG KPI List

Environmental

1. 1. a. Greenhouse Gas (GHG) emissions reductions and removals
1. b. GHG emissions – Scope 1
1. c. GHG emissions – Scope 2
1. d. GHG emissions – Scope 3
2. Water use reduction in factories
3. Percentage of key ingredients produced sustainably
4. Percentage of deforestation free for primary supply chain
5. Percentage of plastic packaging designed for recycling
6. Percentage of virgin plastic reduction
10. Percentage of ingredients sourced through regenerative agriculture

Social

7. Number of servings of affordable nutrition with micronutrient fortification (MNF)
8. Number of young people around the world who access economic opportunities
9. Women in the top 200+ senior executive positions

¹ Newly acquired entities will be included in Nestlé Tracking and Reporting for the Selected ESG KPIs as from January 1st of the following year once elapsed a period of 12 months from the closing of the acquisition.

Environmental KPI

1. a. GHG emissions reductions & removals

Performance Measure

Sum of all the GHG emissions reductions and removals achieved through the delivery of our Net Zero Roadmap vs. business-as-usual (BAU) scenario, in million tonnes of CO₂e.

Definition

The latest report by the Intergovernmental Panel on Climate Change (IPCC) has reconfirmed that in order to limit global warming to 1.5°C above pre-industrial levels and avoid the most catastrophic impacts of climate change, the world must halve GHG emissions by around 2030 and reach net-zero GHG emissions by mid-century.

Recognizing the importance of keeping global warming to 1.5°C, companies are increasingly adopting net-zero climate targets. Nestlé committed in 2020 to reach net-zero emissions as part of the Business Ambition for 1.5°C campaign. The campaign is led by the Science Based Targets Initiative (SBTi) and backed by a global coalition of UN leaders, business organizations and NGOs.

In the reporting year 2022, the methodology to quantify GHG emissions reductions has been updated vs 2021, leveraging the implementation of our GHG Performance System (GPS). In 2022, GHG emissions reductions are calculated by subtracting our actual Scopes 1,2 & 3 (Net Zero scope) from a BAU scenario depicting what the GHG emissions of the company would have been in the absence of our Climate program. Where:

- Actual Scopes 1,2 & 3 (Net Zero Scope) is tracked through the GHG Performance System (GPS).
- The BAU scenario is modelled based on actual changes in activity data (e.g. ingredients purchased volumes for ingredients, produced volumes for manufacturing and, packaging volumes for packaging) over time. The underlying assumption is if we do not take any mitigation actions our GHG footprint will increase proportionately to these volumes.

The BAU scenario includes calculations covering the following: ingredients, manufacturing and packaging. It uses 2018 carbon intensity applied to the reporting year activity data.

Limitations on the BAU scenario include the fact that it is calculated on the partial scope and it does not cover all the reduction projects (examples of projects not included: ingredient substitution to a less emissive ingredient, change in the production location to a more energy efficient location).

This KPI is reflecting the impact of our climate-related investments and initiatives. While we are working on a KPI tracking progress towards % of absolute Scope 1,2 and 3 emissions reduction against 2018 baseline, currently its progress is demonstrated through the annual disclosure of our GHG emissions Scopes 1, 2 and 3 (see KPI 1.b,c,d).

The quantification of GHG emissions removal remains the same as 2021. GHG emissions removal is defined as a quantity of GHG expressed in carbon equivalent (CO₂e) that is transferred from the atmosphere to storage within a non-atmospheric pool. We account for secured removals, it consists of both secured (contracted) trees and their related lifetime secured carbon removal. This indicator pertains to natural landscape restoration.

Scope

Net zero by 2050 commitment is regulated by the rules established by the SBTi following the GHG Protocol Corporate Standard. According to those rules, the calculation and reporting criteria we have adopted is the following:

- If a company is fully consolidated in the financial statements, we account for 100% of the emissions of the company
- If Nestlé has 50% shareholding of a company, we account for 50% of the emissions of the company
- If Nestlé has less than 50% shareholding of a company, we account for 0% of the emissions of the company

Acquisitions and divestitures are also treated according to the rules established by the SBTi:

- For acquisition, GHG emissions footprint will be captured from the date of closing
- For divestiture, GHG emissions footprint will be captured until date of closing

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The baseline and prior reporting period comparative values will be restated due to acquisitions, divestures and methodological improvements, in line with SBTi guidelines.

Scope 3 emissions are calculated as per the GHG Protocol categories. The categories "Processing of sold products", "Downstream leased assets", "Franchises", and "Investments" are excluded from calculation. The categories "Capital goods", "purchased services", "upstream leased assets" and "use of sold products" are calculated but excluded from SBTi Scope.

Performance data preparation

Our annual performance on GHG emissions reduction and removals is evaluated through the evolution of actual GHG emissions as tracked through our internal GHG accounting system (GPS) (see KPI 1.b,c,d) compared to a BAU scenario.

Our climate-related projects qualitatively substantiate the GHG emissions reductions achieved. Although not contributing directly to the inputs into the calculation of the KPI, they do contribute indirectly in the calculation of our actual GHG emissions Scopes 1,2 and 3 (see KPI1 b,c,d).

Assumptions

We are following the [GHG Protocol Corporate standard](#) and Guidance provided by the Science Based Targets Initiative.

1. b. c. d. GHG emissions – Scopes 1, 2 and 3

Performance Measure

GHG emissions Scope 1, 2 (location-based and market-based) and 3.

Definition

Annual GHG emissions from Scopes 1, 2 (location-based and market-based) and 3 accounted following the [GHG Protocol Corporate standard](#) and Guidance provided by the Science Based Targets Initiative.

Scope

See section Scope of KPI 1.a.GHG emissions reductions & removals

Performance data preparation

Our actual GHG emissions Scopes 1, 2 and 3 are tracked through our internal GHG accounting system (GPS). GPS system was

developed internally for GHG accounting and reporting, the methodology governing the system is aligned with the GHG Protocol corporate accounting standards. GPS uses activity data directly from our central data systems (e.g. purchasing data from SAP, packaging data from our packaging tracker, etc.) and it is updated on a quarterly basis.

Scopes 1 and 2 actual GHG emissions are accounted in our manufacturing IT system SHE-PM. With the activity data and emission factors collected in the system, it performs the calculation of the Group Scopes 1 and 2 GHG emissions. GPS pulls data from Scopes 1 and 2 directly from SHE-PM.

The GHG emissions are calculated as follows:

	Activity data sources	Main emission factors sources
Scopes 1 and 2	Factories energy consumption reporting	IPCC, IEA, US EPA and DEFRA. Market-based emissions are partially calculated with residual mix emission factors (in Europe and US only).
Scope 3	Data from internal ERPs. Assumptions backed by literature to extrapolate missing data	Various recognized sources depending on categories: World Food LCA Database, DEFRA, IEA, etc. External EcoTransIT calculator for upstream and downstream transportation and distribution

Assumptions

We are following the [GHG Protocol Corporate standard](#) and Guidance provided by the Science Based Targets Initiative.

2. Water use reduction in factories

Performance Measure

m³ of water use reduced in our factories.

Definition

Annualised savings from Nestlé factories obtained from qualifying improvement projects delivering benefits in 2022 and measured in m³ of water saved during 2022.

Scope

All entities that are or were Nestlé factories during 2022.

Performance data preparation

- A project contributes to savings only when it meets the qualifying criteria
 - Existing Withdrawal: the project relates to an actual, existing and ongoing water withdrawal by the factory;
 - Direct Cause: the project is the direct cause to the water use reduction; and
 - Permanent: the water use reduction achieved by the project is permanent.
- Annual savings count towards the subject reporting year only when the savings have been realized in that year
- Total group savings for the year are calculated from the consolidated sum of savings from each project.
- Project savings are calculated based on the projected annualised saving following the realization of the project.
- The annualised savings are calculated using the actual representative performance of the project over the first full period of delivery (e.g. full week, month), extrapolated for a twelve-month period, using a rigorously documented projection of performance.
- Annualised savings contribute to the KPI only for the months of contribution in the current year
- Any balance is carried forward in the following year for the remaining months
- Water usage and reduction cannot be offset, assigned nor transferred between factories or third parties. Each water use and reduction is subject to the party that claims it.
- A difference of usage arising as a result of a change of meter readings is not a certain indication of a water savings project.

3. Percentage of key ingredients produced sustainably

Introduction

The Produced Sustainably Framework is designed to enable continuous improvement across Nestlé's supply chain to achieve full implementation of Human Rights and Environmental Due Diligence (HREDD) and delivery of positive impacts on people, nature, and climate in Nestlé's sourcing origins.

In order to achieve this, starting from 2022, the Produced Sustainably Framework is broken

down into two separate KPIs: "Suppliers: Maturity of HREDD Processes and Systems" and "Origins: Performance of volumes at production level". The reported percentage of key ingredients produced sustainably is based solely on the Origins KPI criteria until 2025.

A. Suppliers: Maturity of HREDD Processes and Systems

This applies at the level of Nestlé's Tier 1 suppliers. This KPI is designed to deliver full compliance with HREDD legislation and to ensure that suppliers are cascading HREDD requirements throughout their supply chain. This KPI will be reported against from 2025 onwards.

B. Origins: Performance of volumes at production level

This applies at the level of the production base for volumes that Nestlé sources through its Tier 1 suppliers. This KPI is designed to assess the performance of volumes at origin level against a number of social and environmental criteria.

This framework was introduced in 2021 as an evolution of our previous commitments, related to the percentage of total volume traceable and percentage of total volume responsibly sourced, which ended in December 2020.

Definition of the Produced Sustainably Framework: completion timeline is 2025
Produced sustainably means that the origin of our priority ingredients is known and the way they are produced has been assessed as compliant with our Responsible Sourcing Standard.

Operationally, the criteria to define if a raw material is produced sustainably are:

- The material is traceable back to the point of origin
- Human rights and environmental due diligence (HREDD) systems are in place at Tier 1 supplier level to assess, address and report on the potential or actual impacts identified in the supply chain
- The volumes Nestlé buys through its Tier 1 suppliers are compliant with the Nestlé Responsible Sourcing Standard requirements at production level

The rest of this chapter focuses on the definition and reporting of the KPI related to Origins, which covers part of the Produced Sustainably Framework definition including the following specificities:

- The material is traceable back to the point of origin (group of farms or in case of the low-risk country approach: traceability required is back to subnational level).
- The volumes Nestlé buys through its Tier 1 suppliers are compliant with the Nestlé Responsible Sourcing Standard, and requirements at production level (in case of the low-risk country approach: no assessment at supplier level, rely on the Maplecroft risk assessment).

Performance Measure

Percentage defined by the total volume of priority ingredients in scope that are considered as produced sustainably divided by the total volume of priority ingredients in scope (measured in tonnes) during the given year.

Scope

In scope for this KPI are Nestlé’s 14 priority key ingredients: cereals and grains; cocoa; coconut; coffee; dairy; fish and seafood; hazelnuts; meat, poultry and eggs; palm oil; pulp and paper; soy; spices; sugar; and vegetables.

Performance data preparation

Ingredients are assessed as produced sustainably (origins KPI) when they have been:

- Mapped to sub-national production origins in a low-risk country for human rights and environmental risks²

Or have been assessed as compliant with our Responsible Sourcing Standard through one of the following means:

- Selected sustainability related certifications (e.g., Rainforest Alliance, RSPO, etc.),
- Second or third-party farm selected sustainability assessments (e.g., Farm Sustainability Assessment),
- On-the-ground programs in which Nestlé directly works with producers (e.g., *Nestlé Cocoa Plan*, *Nescafé Plan* or *Nespresso AAA Sustainable Quality™ Program*).

These assessments are carried out within the farming supply shed of the primary processor or first aggregator which supplies Nestlé (directly or indirectly).

For each key ingredient in scope, specific criteria have been defined to detail what certification, assessments and programs are accepted.

Assumptions

Estimation methods in case of inconsistent data or unavailability of the data vary by key ingredient. In these cases, we either use previous year’s data, benchmarked vs. previous years to demonstrate consistency of supply or accuracy or using industry average for translating unit of sourcing into consistent unit of measures (particularly applicable for paper).

4. Percentage of deforestation-free for primary supply chain

Performance measure

Percentage defined by the total volume of commodities in scope assessed deforestation free divided by the total volume of commodities in scope (measured in tonnes) during the given year.

Definition

This KPI aims at ensuring that the commodities in Scope that we buy do not originate from:

- Areas converted from High Carbon Stock (as defined by the High Carbon Stocks Approach) forests and habitat such as peatland, wetlands, savannas
- Areas converted from natural ecosystems
- Peatlands of any depth, except where farming practices protect peat
- International Union for Conservation of Nature (IUCN) protected areas categories I-IV
- UNESCO World Heritage Sites and wetlands on the Ramsar List

² The level of risk is based on the Maplecroft database for country risks and the final score is an average of a social, rule of law and environmental scores:

Andorra	France	New Zealand
Australia	Germany	Netherlands
Austria	Iceland	Norway
Belgium	Ireland	San Marino
Canada	Latvia	Sweden
Denmark	Liechtenstein	Switzerland
Estonia	Luxembourg	United Kingdom
Finland	Monaco	Uruguay

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Scope

The commodities in scope include the direct supplies of palm oil (excluding margarine & creamers), pulp & paper (excluding office paper and paper labels), soy (excluding lecithin and oil), meat (excluding by-products and seafood meats), and sugar (excluding caramel) for Nestlé.

Performance data preparation

To implement the no-deforestation ESG KPI, Nestlé applies a toolkit risk-based approach. We map our supply chains to know where the commodities in scope are bought from. In at-risk origins, Nestlé takes steps to verify that our purchases are not contributing to deforestation or conversion of natural habitats.

Based on this approach, the following volumes of commodities in scope are assessed as deforestation-free:

- **Traceable to low-risk origin:** Volumes have been traced back to regions classified as at low risk of deforestation (“not high-risk” for Meat) using tools like, but not restricted to, Maplecroft. The traceability exercise is carried out in collaboration with our partners (e.g., Earthworm Foundation and Proforest) or using technology (e.g., SupplyShift) and, because of its low-risk nature, does not require additional verification.
- **Assessed on the ground:** Volumes have been assessed through on-the-ground assessments, including, but not restricted to, e.g., High Carbon Stock Approach (HCSA) & High Conservation Values (HCV) assessments, by our partners (e.g., Earthworm).
- **Assessed from the sky:** Volumes have been assessed through satellite monitoring of production sites (farms, mills or supply area) in our supply chain identified through traceability exercise.
- **Certification:** SGS and/or through certification such as Round Table on Responsible Soy (RTRS) and Proterra (soya), Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) (paper), and Roundtable on Sustainable Palm Oil (RSPO) (palm oil).

Assumptions

Estimation methods in case of inconsistent data or unavailability of the data vary by key ingredient. In these cases, we either use

previous year’s data, benchmarked vs. previous years to demonstrate consistency of supply or accuracy or using industry average for translating unit of sourcing into consistent unit of measures (particularly applicable for paper).

5. Percentage of plastic packaging designed for recycling

Performance measure

Percentage defined by the total volume of plastic packaging designed for recycling divided by the total volume of plastic packaging. Plastic packaging includes plastic packing put on Markets with the finished goods.

Definition

Nestlé has developed its publicly available “Rules of Sustainable Packaging”, composed of the Golden Rules and the Negative List, that are driving the sustainable packaging transformation of the Group.

Primary, secondary and tertiary packaging are taken into account in the calculation.

Packaging Designed for Recycling (D4R) refers to packaging materials and formats which are compliant with the Negative List and aligned with the Golden Rules. It does not systematically correspond to packaging “recyclable in practice and at scale”, as per Ellen MacArthur Foundation’s³ definition, nor to packaging being “effectively recycled”.

To date, given the very large number of products and material specifications covered by the KPI and the limitations of the current information systems, the applicable criteria used to assess if a plastic packaging is Designed for Recycling (D4R) and compute the indicator during the 2022 reporting are as follows:

- Rigid plastics: Polyethylene Terephthalate (PET), Polyethylene (PE), Polypropylene (PP) are considered as D4R;
- Flexible plastics: PP, PE and Polyolefins (PO) based films are considered as D4R.

Following EMF definition, Beverage Cartons have been moved to paper-based materials. All plastics KPIs and baselines have been recalculated accordingly.

³ <https://ellenmacarthurfoundation.org/plastics-vision>

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Additional criteria from the packaging sustainability rules on material specifications will gradually be included in future reporting, including black color and black carbon color, Poly-Ethylene Terephthalate Glycol - PET G, Metalized materials, and separability from the other materials constituting the packaging.

The KPI reflects the D4R status of the packaging portfolio at the end of 2022. The KPI is calculated using the last available material specifications applied to the packaging quantities of the full reporting period.

Scope

This KPI covers all finished products sold by Nestlé, produced by Nestlé's factories or by co-manufacturers.

The KPI includes the sales of all entities that are in SAP within the Group plus the sixteen biggest non-SAP businesses based on sales less general reductions and allowances and all Nestlé Waters entities. With this method, the Scope covers 99% of the sales of the Nestlé Group.

Performance data preparation

The main source of data for this KPI is SAP:

- **Sales data** is used to calculate packaging quantities sold to consumers which are reflected in the KPI. Each unit sold has a defined weight of packaging maintained in the global master data, and the corresponding weight is applied to all units sold within the given year.
- **Production data** is used to obtain the detailed composition of the packaging sold (bill of materials, material specifications).

Four exceptions are to be noted:

- For Nestlé Waters, the KPI is exclusively based on production data (packaging used to pack and deliver our products).
- For the sixteen biggest non-SAP businesses, the data collection is manually done using an Excel template designed by Nestlé, or estimated based on the materials split of the product category.
- We do not report packaging of our Machines (e.g., *Nespresso* machines)
- We do not report quantities of packaging that are used for samples, donations or sponsorship

Assumptions

For businesses where sales are in SAP but not the production data (e.g. Co-Manufacturers), packaging weight and composition is estimated based on similar internal finished product in the same category and same country. This limits the Scope of reporting when we don't have any similar in-house products (2% of our FERTs). Approximately 85% of the sold packaging weight in SAP is covered by production data in 2022.

6. Percentage of virgin plastic reduction

Performance measure

Percentage defined by reduction of usage of virgin plastic between 2022 and 2018, divided by total virgin plastic volume of 2018.

Virgin plastic volume is obtained by deducting the recycled plastic volume from the total plastic packaging volume of the period.

Primary, secondary and tertiary packaging are taken into account in the calculation.

Definition

Virgin plastic is defined as plastic that has not been previously used or subjected to processing other than for its original production. It includes fossil and bio-based plastics.

Recycled plastic is defined as pre-consumer and/or post-consumer plastic packaging as per the ISO 14021:2016 standard.

The KPI reflects the recycled content of the packaging portfolio at the end of the reporting period. The KPI is calculated using the last available material specifications applied to the packaging quantities of the full reporting period.

Scope

Please refer to above KPI n°5.

The total Nestlé baseline 2018 used to measure the virgin plastic usage reduction is restated to match the 2022 reporting Scope and considers divestiture and acquisitions since 2018:

- For divestiture: The Nestlé 2018 baseline is restated in the year 2022, by removing the contribution of divested companies from the total Nestlé baseline of 2018.
- For acquisition: The Nestlé 2018 baseline is restated in the year 2022, by adding the baseline of acquired companies between 2018 and 2020 to the total Nestlé baseline of 2018.

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If the 2018 baseline of an acquired company is not available, the closest succeeding available baseline is used as a proxy for the baseline 2018 (i.e., baseline 2019, or baseline 2020, etc. ...)

Performance data preparation
Please refer to above KPI n°5.

Assumptions
Please refer to above KPI n°5.

10. Percentage of ingredients sourced through regenerative agriculture

Introduction

Nestlé is committed to source its key ingredients through care and respect for individuals, communities, and the planet.

Raw materials account for nearly two-thirds of Nestlé's greenhouse gas (GHG) emissions, with dairy and livestock making up about half of that. Reducing emissions from agriculture is crucial to achieving Nestlé net zero target. Nestlé is investing and is working with its food system partners, including the company's network of more than 500 000 direct farmers and many more via suppliers, to advance regenerative farming practices at the heart of the food system.

As part of the Nestlé Climate Change Roadmap launched in November 2020, a new KPI "Key Ingredients through Regenerative Agriculture" was created in Q4 2021 which applies and is being reported from 2022 onwards to track progress against our commitments.

Performance Measure

Percentage defined by the total volume of categories in scope from farmers qualified as Engaged in transition towards regenerative agriculture (Level 1), Advanced (Level 2) or Leading (Level 3) divided by the total volume of categories in scope (measured in tonnes) during the given year.

Level 1 is an entry point in regenerative agriculture and constitutes a transition towards actual regenerative agriculture (Level 2 & Level 3). Initially, a significant percentage of regenerative volumes are linked to Level 1 farmers.

Definition

Regenerative agriculture is an approach to farming that aims to protect, renew, and restore farmland and its ecosystem.

The techniques associated with regenerative agriculture improve the resilience of farmland to climate change and can contribute to improve livelihoods, while reducing GHG emissions. They include, among others, enhancement of biodiversity, soil conservation, regeneration of water cycles and integration of livestock. The Nestlé Agriculture Framework released in September 2022 describes Nestlé's corporate vision for agriculture as a central building block for a regenerative food system.

Regenerative agriculture being a journey, our KPI encompasses all farmers who have embarked on the transition, with various maturity levels, from engaged in the journey with initial practices adoption to advanced and leading experts. This ranking of farm maturity levels is done through individual farm assessments carried out by Nestlé Agronomists or third party partners.

Nestlé has created crop-specific assessment tools (Nestlé Regen Ag Farm Assessment Tools) which include checklists of regenerative agriculture practices and a scoring system. These assessment tools allow us to classify the level of regenerative practices implementation at farms as Engaged (L1), Advanced (L2) or Leading (L3) and to report accordingly the sourced volumes. The farmers who are not falling in any category are considered as practicing conventional agriculture. The Nestlé Agriculture Framework provides more detailed information on the criteria for the regenerative agriculture classification of farms.

Scope

Scope of denominator of this KPI will be the same this year and the coming years and includes the following categories: dairy (fresh milk and milk derivatives); coffee; cereals & grains; soy (excluding lecithin); vegetables (including leguminous seeds); cocoa; palm oil; sugar; fish & seafood (co & by product excluded); meat, poultry and eggs (co & by-products excluded).

The scope of numerator is restricted in 2022 to the following categories: agricultural raw materials from Nestlé *Farmer Connect* value chain (*Farmer Connect* is the Nestlé direct procurement from farmers or upstream link to farmers established):

- Fresh milk in direct procurement/*Farmer Connect*

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- Green coffee in direct procurement/*Farmer Connect*
- Green coffee sourced for *Nespresso*
- Cocoa in Ecuador in direct procurement/*Farmer Connect*
- Nestlé Nutrition cereals and vegetables
- Selected raw materials for Nestlé France (covered by Living Soils Project with Earthworm Foundation)
- Vegetables sourced from farmers for the brand *Libby's* in the US

In 2023, additional ingredients will be added to the numerator of the KPI reporting as we continue the implementation of the initiative. In 2025, the KPI numerator will cover the full Scope of the denominator as defined.

For the annual reporting, the total volume used is the actual volume delivered at factory level or its best estimate when closing data are not available. These volumes are aligned with ESG Produced Sustainably KPI volumes, for the same categories in Scope. Before the year-end consolidation, during the year, a best estimate is used (actual year n-1, rolling 12 months...).

Performance data preparation

Sampling method is based on the following:

- In *Farmer Connect*/direct procurement from farmers: for the baseline assessment, statistically representative number of farms is defined per product category at global level and if relevant at market level.
 - Depending on the category, sampling results are linked to the actual volumes of farms assessed and extrapolation is done on volume basis. Alternatively, extrapolation to market volume can be carried out based on % of farms assessed. This could apply in case of sourcing from smallholder farms.
- In indirect sourcing via suppliers, we cover all farmers in the upstream of material supplied to Nestlé when possible. When not possible, we cover at least a number of farmers equivalent to the volumes sold to Nestlé. This approach applies for raw materials for Nestlé France covered through the Living Soils Project with Earthworm Foundation

Assumptions

Estimation methods in case of inconsistent data or unavailability of the data vary by commodity. In these cases, solutions can span from using previous year's calendar year data, or using 12-months rolling averages. We take the assumption that volumes delivered to Nestlé by direct farmers are comparable from one year to the next year.

In most of the Markets, the volume of individual farmers was recorded as per individual farmer statement during the farm assessment. We take the assumption that this is in line with the SAP volume delivered by the farmer to the Nestlé Factory.

For crop volumes (for example for Nestlé France Living Soils): estimation method was applied by using contracted volumes from crop harvest 2022 and not delivered to factory volumes 2022. This approach is justified as in the end all contracted volumes will be delivered to factories.

Social KPI

7. Number of servings of affordable nutrition with micronutrient fortification (MNF)

Performance measure

The KPI is the number of fortified servings of affordable nutrition sold in emerging markets⁴ based on the quantity sold, which is connected to the sales in 2022.

The sales that meet the following two criteria are counted as part of the KPI:

1. Products which meet the definition as Popularly Positioned Products (PPP) Affordable Nutrition **and**
2. Products have been fortified with at least one of the Big 4 micronutrients (Iron, Iodine, Vitamin A, Zinc) in accordance with the Micronutrient Fortification policy.

To determine number of servings, a serving size is defined for each stock keeping unit (SKU) and maintained in the SAP material master data. The serving size is a critical piece of information that, when used in conjunction

⁴ As defined per World Economic Situation and Prospects 2021 | Department of Economic and Social Affairs (un.org)

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with the recipe data, allows the amount of nutrient (or ingredient) contained in the serving to be calculated in order to reach 15% NRV (Nutrient Reference Value) with at least one of the Big 4 micronutrients.

Definition

PPP is Nestlé's business strategy to provide accessible products and affordable nutrition to lower-income consumers in emerging countries through a competitive value chain. Affordable Nutrition products are quality products with enhanced nutrition credentials (for example, nutrient-fortified products), that meet the price point suitable for the target market. Three categories drive Affordable Nutrition: Dairy, Nutrition and Ambient Food.

Affordable nutrition with micronutrient fortification is defined as a serving of eligible PPP affordable nutrition SKUs fortified with at least one of the Big 4 micronutrients (Iron, Iodine, Vitamin A, Zinc).

Scope

All Nestlé entities are integrated in the data selection process. Some minor businesses are excluded from the report. With this method, we cover 99% of sales of the Nestlé Group in 2022 eligible for this KPI.

As per the Nestlé Policy on Micronutrient Fortification of foods and Beverages all products for infants below 36 months are excluded from this KPI.

Performance data preparation

Fortified servings in affordable nutrition are based on the quantity sold maintained in SAP in the Nestlé Group during 2022.

The sales by SKU are measured based on the following two criteria:

- SKU is eligible for PPP Affordable Nutrition and
- SKU is eligible for the Micronutrient Fortification policy

The serving size as sold is defined for each SKU as per Nestlé data standard and maintained in the SAP material master data.

The volume sold is divided by the serving size to obtain the number of fortified servings sold.

8. Number of young people around the world with access to economic opportunities

Performance measure

The KPI is the number of opportunities offered to young people, defined as individuals below 30 years old, which include jobs or the essential skills to prepare them for economic opportunities.

Definition

The KPI is measured based across three pillars of activities: Employment & Employability, Agripreneurship and Entrepreneurship, with the following sub-groups:

- Employment & Employability
 - Get Hired (e.g. permanent and temporary positions)
 - Get Skilled (e.g. internships and apprenticeships)
 - Get Support (in-person) (CV clinics, job fairs)
 - Get Support (digital) (e.g. live streams, digital career fairs)
- Agripreneurship
- Entrepreneurship
 - Entrepreneurs supported
 - Entrepreneurs as part of Nestlé's value chain
 - Young Culinary Talents
 - Young Veterinarians
 - Young Pediatricians
 - Young entrepreneurs who benefitted from at least 50% of the training module from the YEP E-Learning Academy

Scope

Scope includes all Nestlé entities "in scope" plus Cereal Partners Worldwide (CPW)⁵ where Nestlé manages the human resources function for CPW (Nestlé global standard Human Resources Information System).

Companies in the scope covers 99% of the sales of the Nestlé Group.

⁵ CPW is a global joint venture 50%-50% between Nestlé and General Mills.

Reporting Scope and Methodology for ESG Key Performance Indicators

Performance data preparation

The data provided is collected at the country level across the three pillars during 2022. Each country then reports centrally the data across the three defined pillars in order to be aggregated centrally.

For all categories, the participants should not be counted if they declare themselves above the age of 30.

The reporting cut-off date for Get support (Employment & Employability), Entrepreneurship and Agripreneurship data was on 10 December 2022. The reporting cut-off date for Get Hired and Get Skilled (Employment & Employability) was 31 December 2022.

The type of data collected and processed is adjusted for compliance with local regulations (e.g. age of participants may not be collected).

As mentioned above, it is not always possible to check the age of attendees/participants due to local regulations in some countries. This impacts countries contributing to approximately 20% of the KPI. Further, even in countries where it is possible to collect the information, some participants do not disclose their age. Therefore, as there is a possibility that some of the attendees are above 30, a global reduction coefficient of 5% is applied centrally to the overall result. The reduction coefficient was determined by reviewing data for countries where collecting the age was possible, where approximately 5% of participants were over 30.

Assumptions

The assumption is that each opportunity is linked to one person, although some people may have had access to more than one opportunity (e.g. training and internship).

9. Women in the top 200+ senior executive positions

Performance Measure

KPI is the ratio of women currently holding senior executive positions versus the total population of professionals currently holding senior executive positions on 31 December 2022.

Definition

With its Gender Balance Acceleration Plan, Nestlé puts further emphasis on increasing the proportion of women in the group's top 200+ senior executive positions from around 20% to 30% by 2022. This is another step in Nestlé's journey towards gender parity.

Scope

Similar scope as the KPI 8 Youth above.

Companies in the scope covers 99% of the sales of the Nestlé Group.

Performance data preparation

Basis for the calculation are reports from Nestlé global standard Human Resources Information System on 31 December 2022.

The % of women holders of senior executive positions is calculated dividing the women current holders number versus the current holders total population.

Senior executive positions are defined as following:

- All Market Head positions
- Business positions in charge of largest organizations within the Group
- Positions in charge of Group wide strategic functions and/or initiatives
- Positions providing functional leadership to Executive Board Member or Key Markets

Assumptions

The gender of employees is informed by employees themselves and recorded in Nestlé global standard Human Resources Information System, based on official identification (such as a passport or national identity card).

Any addition/exclusion to the top 200+ senior executive positions is aligned/approved by Group Head of Human Resources, in alignment with other members of the Executive Board.