



Nestlé Good food, Good life

Creating Shared Value

Nestlé Annual Review extract 2021



Nestlé.
We unlock the power of food
to enhance quality of life for everyone,
today and for generations to come.

Our key non-financial performance

We create shared value through our social and environmental commitments.

To measure our progress, we use a comprehensive set of indicators that support our business performance and generate value for our shareholders and other stakeholders. Some key indicators are included here – the full set is in our *Creating Shared Value and Sustainability Report*.

Our commitment

Net zero greenhouse gas emissions by 2050
20% reduction of scope 1, 2 and 3 GHG emissions by 2025 and 50% reduction by 2030, versus 2018 baseline

Our KPI *

4.0
million tonnes

greenhouse gas emissions (CO₂e) reductions achieved through Nestlé projects since 2018.
We initiated an additional 9.7 million tonnes CO₂e of removals in 2021, giving a total 13.7 million tonnes CO₂e.
On track

Our commitment

Deforestation-free primary supply chains for meat, palm oil, pulp and paper, soy and sugar by end 2022

Our KPI *

97.2%
deforestation-free for stated supply chains in 2021
On track

Our commitment

Cut virgin plastic in our packaging by a third by 2025

Our KPI *

8.1%
reduction in virgin plastic in our packaging in 2021 versus 2018 baseline
On track

Our commitment

Increase the proportion of women in the top 200+ senior executive positions to 30% by 2022

Our KPI *

27.2%
women in the top 200+ senior executive positions
On track

* Non-financial performance metrics are defined in the Reporting Scope and Methodology for ESG KPIs document available at www.nestle.com/esg-kpis

EY has performed limited assurance on the four key performance indicators on this page. The assurance statement with EY's independent conclusion can be found at: www.nestle.com/assurance-statement

Creating Shared Value



The Nestlé Cocoa Plan

Nestlé is investing in cocoa communities such as Didoko, Côte d'Ivoire, to help children access good quality education.

4.0 million tonnes
greenhouse gas emissions reductions
(CO₂e) through Nestlé projects since 2018

97.2%
deforestation-free in our primary
supply chains

8.1%
reduction in virgin plastic
in our packaging since 2018

27.2%
women in the top 200+ senior
executive positions



We are investing CHF 1.2 billion by 2025 to help farmers adopt regenerative practices.

Nestlé's purpose is to unlock the power of food to enhance quality of life for everyone, today and for generations to come. This purpose drives us to make a positive impact on the lives of people, pets and the planet – now and in the future.

Evolving our approach to creating shared value

Creating Shared Value (CSV) has always been fundamental to the way we do business. We have long believed that our company can only be successful in the long term by creating value both for our shareholders and for society. For decades, our activities and products have aimed to make a positive difference to society and foster Nestlé's ongoing success.

This focus on shared value is more important than ever. The first-ever UN Food Systems Summit highlighted the need to transform food systems if society is to achieve the Sustainable Development Goals (SDGs). With only eight years left to meet the 2030 SDG deadline, Nestlé is fully committed to helping accelerate the transformation toward equitable, net-zero emission and nature-positive food systems that can nourish the world.

Guided by materiality

In an ever-changing world, we know that stakeholder priorities are constantly evolving and that we must reevaluate our activities to continue to meet expectations. Every two years, we conduct a comprehensive materiality assessment based on stakeholder interviews to identify and prioritize the economic, social and environmental impacts that matter most to our business and stakeholders. The analysis helps guide where we focus internal resources and the areas covered in our reporting.

The assessment is fully integrated with Nestlé's Enterprise Risk Management process, to ensure wider sustainability impacts are incorporated into the risks and opportunities under consideration across the company. The financial review section has more information on the principal risks to our business.

In 2021, we tested the use of more data-driven insights to supplement the stakeholder interviews. We found that climate change and decarbonization still rank high globally, while water, human rights and responsible sourcing remain significant. We also confirmed that diversity and inclusion as well as biodiversity are increasingly important. All topics are covered in our *Creating Shared Value and Sustainability Report*.

This section covers the major material impacts identified in our materiality assessment. We cross-referenced these areas with the Sustainability Accounting Standards Board (SASB) standards for Processed Foods and Non-Alcoholic Beverages to ensure coverage of the topics most relevant to our investors. We plan to update our materiality assessment in full in 2022.

Read our *Creating Shared Value and Sustainability Report*: www.nestle.com/csv-report-2021

Read more about materiality on our website: www.nestle.com/materiality

Advancing regenerative food systems at scale



Transforming food systems is key to addressing urgent climate-related challenges and for achieving the UN Sustainable Development Goals, targeted for achievement by 2030.

OUR VOICES

“We are building on 20 years of projects in agriculture – now is the time to go further, at scale.”



Pascal Chapot
Head of Agriculture
Switzerland

Nestlé is aware of this urgency. Building on our long-held commitment to Creating Shared Value, we are embarking on a journey that will take us beyond sustainability and toward regeneration: to help protect, renew and restore the environment; improve the livelihoods of farmers; and enhance the well-being of farming communities.

In September 2021, we hosted an online dialogue to launch our promise to advance regenerative food systems at scale, engaging with and listening to a varied group of stakeholders who can help us take the next steps on this ambitious journey.

We believe we can have the greatest immediate and long-term impact by prioritizing regenerative agriculture, which can help improve soil health, restore water cycles and increase biodiversity for the long term. This work builds on programs such as the *Nestlé Cocoa Plan*, *Nescafé Plan* and the *Nespresso AAA Program*. The outcomes form the foundation of sustainable food production and, crucially, contribute to achieving our climate targets.

To enable a just transition, it is vital that we support the farmers around the world taking on the associated risks and costs. Thus, we are investing CHF 1.2 billion in three main areas



by 2025 to help farmers adopt regenerative practices:

- State-of-the-art science and technology.
- Investment support.
- Premiums for regenerative agriculture goods.

Our definition of regeneration is rooted in agricultural practices but encompasses much more. To feed the world for generations to come, our approach must go beyond doing no harm to having a positive impact on food systems at scale.

OUR FOREST POSITIVE COMMITMENT



Protecting and restoring forests and natural ecosystems forms an essential part of Nestlé's **NET ZERO** pledge and support for the transition to **REGENERATIVE** food systems.

OUR FOREST POSITIVE COMMITMENT



Building on a decade of action and learning, our three-pillar Forest Positive strategy aims to:

- Achieve and maintain deforestation-free primary supply chains for meat, palm oil, pulp and paper, soy and sugar by end of 2022 (97.2% achieved in 2021).
- Take action in our supply chains to help restore degraded forests and natural ecosystems, including 20 million trees planted per year, while respecting the rights of indigenous peoples and local communities.
- Work with governments, suppliers and others on large-scale projects to help transform the key landscapes where we source.



Cerelac instant cereals include a range of nutritious, easily-digested instant cereals that are suitable as a complementary food for infants from six months onwards.

Marketing responsibly

In 2021, Nestlé confirmed its inclusion in the FTSE4Good Breast Milk Substitute (BMS) Index and ranked second in the ATNI BMS Index. Our business was assessed as highly compliant in Mexico and the Philippines, the two countries where BMS manufacturers' marketing practices were assessed.

Earlier in 2021, we published our response to the BMS Call to Action. Nestlé unilaterally committed to stop the promotion of formulas for infants from birth to six months of age in all countries by end of 2022.

We are fully committed to transparency and publish our WHO Code compliance report annually on our website: www.nestle.com/compliance-record

We also continue to lead the industry in responsible marketing to children. The ATNI Global Index continues to recognize our policy on Marketing Communication to Children and our global response mechanism for correcting any non-compliances.

In July 2021, we endorsed the new International Food & Beverage Alliance (IFBA) commitment on responsible marketing, together with the Alliance's 10 other members. This will increase the age threshold for marketing to children from 12 to 13 and help further raise standards of responsible marketing across our industry.

Prioritizing quality and safety

Quality and safety for consumers is Nestlé's top priority. This applies to our entire portfolio, from foods and beverages to systems and services. Quality assurance and product safety is one of Nestlé's 10 *Corporate Business Principles*, while our *Quality Policy* guides our actions in this area. Our global, independently verified quality management system is our platform for guaranteeing food safety and compliance with quality standards in conformance with laws and regulatory requirements, ISO norms and internal standards.

Sourcing sustainably produced raw materials

Building on years of work with suppliers and farmers to source raw materials that are traceable and responsibly sourced, we are now raising the bar with a more comprehensive and systematic approach to assessing, addressing and reporting on social, environmental and animal welfare risks in our supply chain.

Unlocking the power of food

There are many dimensions to food in addition to pure nutrition – social interaction and enjoyment are key aspects. We believe that when consumed responsibly, indulgent products can be part of a balanced diet. We are improving the nutritional profile of our products by adding more wholegrains, proteins and fibers and reducing sugars, sodium and saturated fats – without compromising taste.

LEADING INDICES



We explore ways to improve the affordability and accessibility of nutrient-dense products, such as porridges, and to tackle micronutrient deficiencies by fortifying favorites like *Maggi* bouillons, noodles and milks such as *Bear Brand*. We are developing plant-based proteins that are tasty, nutritious and have a lower environmental impact, such as *Vuna* and *Wunda*, while encouraging the widespread adoption of plant-based foods and beverages through our vegetarian and mainstream brands.

For the second time running, in 2021 Nestlé achieved first place in the Access to Nutrition Initiative (ATNI) Global Index, giving external recognition to our nutrition-related governance, strategy and policies as well as the healthfulness of our portfolio. Our Popularly Positioned Products (PPP) strategy for making nutritious products affordable and accessible to underserved consumers was recognized as an industry leading practice.

To measure progress, we have defined a new “produced sustainably” key performance indicator that combines multiple requirements for 14 priority raw materials: coffee; cocoa; dairy; sugar; cereals and grains; hazelnuts; palm oil; pulp and paper; soya; vegetables; spices; coconut; fish and seafood; and meat, poultry and eggs. The minimum criteria to define if a material is “produced sustainably” are:

- Traceable back to point of origin (farm or group of farms).
- Human rights and environmental due diligence systems are in place to assess, address and report on potential or actual impacts in the supply chain as defined in the *Nestlé Responsible Sourcing Standard*.
- The tier-1 supplier is measurably progressing in addressing the identified impacts in its supply chain, as well as animal welfare where applicable.

In 2021, we focused on defining our new KPIs and setting a baseline for future reporting.

Respecting human rights

At Nestlé, we are determined to respect and promote human rights in our value chains. Farmer livelihoods and resilient farming communities will be essential for a just transition to regenerative food systems that can provide quality, affordable food for the long term.

As a food company with a global presence, it takes constant perseverance to assess, address and remediate the complex and systemic human rights risks in our value chain. In December 2021, we updated our Human Rights Framework based on the lessons learned over the last decade and to strengthen our focus on due diligence. Our next step is to publish action plans for each of our salient human rights issues. Each action plan will describe the actions we intend to take in our value chain as well as the collective action and engagement needed to help tackle root causes. The new framework will also help us stay ahead of emerging human rights due diligence legislation in different markets where we operate.

Creating youth opportunities

The participation of the next generation of farmers, employees and consumers will be essential for the transition to regenerative food systems. Nestlé is committed to helping 10 million young people around the world access economic opportunities by 2030.

Much of our work in this area takes place through the *Nestlé needs YOUth program*, which provides the training and resources young people need to improve their employability and nurture their entrepreneurial talent. For several years, *Nestlé needs YOUth* has been helping secure the next



To ensure the long-term quality and sustainability of our supplies, we are helping young people to make agriculture a profitable and sustainable activity.



Promesa, a Mexico City-based social enterprise focusing on youth education to combat global waste, was the overall winner of Nestlé's 2021 Creating Shared Value (CSV) Prize.

In 2021, 27.2% of our top 200+ senior executive positions were held by women. In January 2022, we were recognized by the Bloomberg Equality Index for the fourth consecutive year for advancing the gender balance in our workplace. We also work to empower the many women farmers in our supply chain with training on good farming practices, financial literacy and leadership to help them improve their business, income and financial independence. We offer support to help women farmers secure better access to land, credit and information, and train our farming

partners and agronomists in gender awareness to help the industry become more diverse and equitable.

Addressing climate change

Nestlé recognizes both the risks climate change poses to its business and the opportunities for companies willing to take decisive action. This is why we made our net zero pledge. We have identified climate-related risks, including supply constraints; policy changes such as increased carbon taxes, land-use restrictions and agricultural subsidy shifts; and increased public concern affecting our reputation.

As more than 70% of our direct and indirect GHG emissions occur in our agricultural supply chain, our primary focus is on the physical risks facing producers. Based on a decade of work, we are building robust mitigation and adaptation plans to improve supply chain resilience. Examples include our work on drought-resistant coffee varieties (see the Powdered and Liquid Beverages case study) and our investment in new technologies to increase dairy-farm efficiency while reducing emissions and improving animal welfare.

In 2021, we continued to apply the Taskforce on Climate-related Financial Disclosures (TCFD) framework by assessing physical risks in our value chain over a longer time horizon. Details are available in our second TCFD report: www.nestle.com/tcfid-report. We also joined the Taskforce on Nature-related Financial Disclosures working group in 2021, to advance the collective understanding of how to report on risks and dependencies related to the natural environment.

Tackling plastic pollution

Tackling plastic waste is an urgent priority and an issue we take seriously. Our vision is that none of our packaging,

generation of farmers in our supply chain by identifying and training young people as agripreneurs.

In 2021, we continued our long-standing *Agripreneurship Program*, with a focus on Farmer Business Schools. These help to teach farmers relevant business skills with the aim of making their farms more financially robust.

Supporting gender diversity

To help us build a more diverse company that can better reflect and serve society, we committed to increase the percentage of women in our top 200+ senior executive positions to 30% by 2022. In setting this goal, we aim to hold ourselves to account and set a visible example that empowers women throughout our company. Actions include rolling out inclusive policies such as our gender-neutral *Nestlé Global Parental Support Policy* and our updated *Anti-discrimination Policy*, launched in April. We also conduct training in areas such as unconscious bias and implement mentoring and sponsorship programs to prepare high-potential women for senior executive positions. Once we reach our 30% goal, we will continue to aim higher.

OUR VOICES

"Our commitment to providing equal opportunities is longstanding."



Nilufer Demirkol
Head of Diversity and Inclusion
Switzerland



Nestlé Waters is working at a local level to help manage shared water challenges such as flood risks and water scarcity.

including plastics, ends up in landfills or as litter, including in oceans, lakes or rivers.

Our strategy for addressing plastic pollution has five workstreams: reducing packaging materials, scaling reusable and refillable systems, pioneering alternative materials, supporting infrastructure for a waste-free future and accelerating behavior change.

In 2021, we reduced virgin plastic in our packaging by 8.1% compared with 2018. We are accelerating our plastic packaging reduction activities.

Nestlé Philippines completed its first full year of plastic neutrality in 2021, having collected and co-processed more than 27,000 tonnes of plastic waste along with partners – slightly more than the market produced in the same period.

Nestlé's 2021 Creating Shared Value (CSV) Prize rewarded five winners working to transform the future of waste and bring us closer to a circular economy. The overall winner was Promesa, a Mexico City-based social enterprise that works with schools across Latin America to educate youth about combatting the global waste challenge.

Improving water stewardship

Our long-term success relies on sustainable access to water in the regions where we source ingredients, operate our factories and sell our products. Yet scientists predict that as our climate changes, almost half of watersheds will

reach their limit by 2050. As water is a shared resource, we can only address challenges in collaboration with local stakeholders. Our water business is leading the way with regeneration of water cycles.

In our supply chain, we are working with suppliers and farmers to increase resilience in areas that are water-scarce now, or that may become so due to climate change. We have already developed action plans tailored to the needs of specific crops, such as cereals, coffee, dairy, sugar and tomatoes, in high-priority regions and will work to incorporate water stewardship into our global regenerative agriculture program.

Advancing the regeneration of water cycles

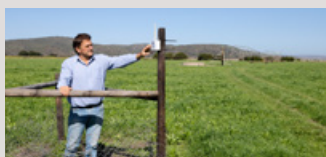
Nestlé Waters is investing CHF 120 million to assist the implementation of more than 100 projects to help regenerate ecosystems in the areas around each of its bottling sites. As of 2025, these projects will help nature retain more water than the business uses in its operations.

In Buxton, a famous British spa town, we are partnering with local stakeholders to come up with practical, natural interventions to help prevent flooding. Our aim is to help retain more rainwater in the landscape so it does not rush into the river too rapidly and cause flooding. All interventions at Buxton also aim to increase biodiversity and carbon capture.

Our net zero pledge one year on



In December 2020, Nestlé published a detailed and rigorous Net Zero Roadmap showing how we plan to halve our direct and indirect GHG emissions by 2030 versus a 2018 baseline and achieve net zero by 2050 – as our business continues to grow.



The Skimmelkrans Net Zero Carbon Emissions Project in South Africa.



We aim to create the company's first net zero dairy farm by 2023.

In August, the Intergovernmental Panel on Climate Change confirmed that the climate crisis is intensifying. Pledges are not enough – the need for rapid action at scale has never been clearer.

In the year since publishing our roadmap, we have launched our new Forest Positive strategy, launched a CHF 1.2 billion investment over five years in regenerative agriculture and achieved carbon neutrality for four of our brands.

We are supporting the farmers who produce our raw materials globally

to introduce practices that protect ecosystems, enhance biodiversity and reduce emissions caused by farming. Some of this work takes place through our direct relationships with farmers. One example is the Skimmelkrans Net Zero Carbon Emissions Project in George, South Africa, where we aim to create the company's first net zero dairy farm by 2023. In other cases, we work in partnership with suppliers on the raw materials we source indirectly. In our operations, we are switching to 100% renewable electricity by 2025.



TURNING FACTORY WASTE TO ENERGY



Excess coffee waste from Nescafé and Nespresso factories helps fuel the biogas digester that heats our Henniez bottled water plant and provides electricity for local residents.

We now report our greenhouse gas (GHG) emissions performance quarterly to executive management. We have achieved 4.0 million tonnes of GHG emissions reductions (CO₂e) through Nestlé projects since 2018. We have also initiated removals of 9.7 million tonnes CO₂e through Nestlé projects, giving a total of 13.7 million tonnes CO₂e. This is in line with our roadmap and target to halve emissions by 2030, with reductions and removals planned to increase over the remainder of the decade.

Our Net Zero Roadmap:
www.nestle.com/net-zero

Advocating for change

In this pivotal year, we continued to advocate for ambitious government policies and private sector leadership to ensure rapid and sustained reductions in GHG emissions. Examples include:

- Joining global calls to action for governments to increase their collective ambition on climate and keep the 1.5°C pathway within reach, including from the World Economic Forum, We Mean Business and Glasgow is our Business.
- Speaking at events at COP26 in support of organizations that are pressing for policymakers to make greater global progress.
- Market-level advocacy such as linking our net zero ambition with Nationally Determined Contributions in countries such as the Philippines and Thailand, and joining calls to action for specific countries to speed up emissions reductions.