



Nestlé Good food, Good life

NESTLÉ'S INSETTING FRAMEWORK

Summary

The *Nestlé Insetting Framework* guides us in the execution of Natural Climate Solutions¹ (NCS) projects within our agricultural value chain, as part of our [Net Zero Roadmap](#).

The Framework provides guidance on:

- Where to implement NCS projects, taking into account the link to the origins of the ingredients we source.
- Verification & monitoring requirements of those NCS projects.

We developed this framework because investing in conservation and restoration is needed now and at scale, especially by companies in the land use sector like Nestlé. This is key to achieve the goals of the Paris Agreement and will help drive the transformation to regenerative food systems. Yet, companies operating in this sector are facing uncertainty due to lack of guidance on what will and will not count towards their science-based net zero targets.

This framework aims to guide Nestlé in implementing large scale action in the current absence of guidance. It will be revised with the release of the GHG Protocol's Land Sector and Removals Guidance and the SBTi Forest, Land and Agriculture (FLAG) Guidance, expected between the end of 2022 and early 2023.

Throughout this document, carbon insetting (or carbon removals connected to our value chain) is defined as interventions that absorb CO₂ from the atmosphere and store it somewhere else, such as trees or soil, within our value chain (i.e., our supply chains and the broader landscapes our supply chains are part of).

¹ NCS are conservation, restoration and land management improvement actions that avoid greenhouse gas emissions or improve carbon storage. Note that conservation projects do not account for carbon removals. They do however play an important role as part of a holistic NCS approach. For more information, see our [Forest Positive Strategy](#).

Role of Natural Climate Solutions in mitigating climate change

The latest IPCC report is clear. There is no pathway to 1.5°C without a near immediate halt to deforestation and significant restoration of forests and natural ecosystems.

And the food system has a key role to play. Agriculture is the primary driver of deforestation, of natural habitat loss and degradation as well as of biodiversity loss. The food system is estimated to contribute to more than a third of man-made greenhouse gas emissions. At the same time, companies linked to food and agricultural value chains are uniquely placed to generate change, and to take action towards reversing these trends in the landscapes where they produce or from which they source.

To feed the world for generations to come, we need to transition towards a regenerative food system that helps protect and restore the environment, improve farmers' livelihoods, enhance the well-being of farming communities, and protect human rights. It is no longer enough to just seek the avoidance of negative impacts from food production practices. It is necessary for companies with a land use sector to play an active role in helping to conserve and restore the landscapes they depend on for raw materials and on which farmers and communities in their value chain depend on for their livelihoods.

NCS can play a crucial role in reducing land sector emissions and keeping to the 1.5°C pathway. When done right, NCS can have multiple co-benefits, including safeguarding biodiversity, securing water supplies and supporting livelihoods for local communities. Implementing NCS does not replace the need for companies to reduce emissions from production practices. It complements and must go

hand-in-hand with them. A productive and resilient farm is dependent on being part of a healthy, productive ecosystem.

Why did we develop an inseting framework?

Companies within the food and agricultural sectors are uniquely suited to implement NCS projects within their value chain. They already produce, source, or invest in these landscapes and have a vested interest in their long-term resilience and productivity. They recognize the importance of not just addressing carbon impacts in these landscapes, but to ensuring social and environmental safeguards as well as promoting broader co-benefits, such as support for sustainable livelihoods and economic development, and enhancement of biodiversity.

In order to align with the 1.5° C pathway, NCS investments by companies in the land sector are needed now. However, the lack of clarity around future carbon accounting rules means companies face uncertainty in how those investments will contribute to achieving their science-based climate commitments. Global standards that will define what can count towards science-based net-zero targets and how to execute such projects are still being drafted, and that uncertainty delays many companies' investments in NCS.

To navigate this uncertainty, we've developed together with our partners an inseting framework². This risk-based framework allows us to identify which NCS projects to invest in and implement in collaboration with our partners along our value chain. It enables us to take action now at the scale we need if we are to achieve our ambitious net-zero targets.

This framework will be revised with the release of the GHG Protocol's Land Sector and Removals Guidance and the SBTi Forest, Land and Agriculture (FLAG) Guidance, which we hope will recognize the need for

²Our inseting framework is broadly applicable. In this overview we emphasize its application to our Global Reforestation Program, which includes restoration of forests and peatlands.

companies to invest in their sourcing regions, to truly achieve net-zero agriculture.

Nestlé's Insetting Framework

In the context of our [Net Zero Roadmap](#), we invest in insetting projects to help mitigate the climate impact of our sourcing of raw materials and contribute to resilient and equitable agricultural systems, in line with our ambition to [support and accelerate the transition to a regenerative food system](#). Examples of insetting projects we support include NCS, like reforestation and restoration of wetlands and peatlands, within our value chain.

Many of these projects are part of our [Global Reforestation Program \(GRP\)](#) project portfolio. Other projects are implemented directly with our suppliers. Our insetting framework helps guide decisions in which NCS projects to invest in. It takes a risk-based approach regarding the risk that the emission removal will or will not be recognized as part of our science-based net zero target, once the rules are established.

Based on the risk, the [framework](#) defines the level of assurance, the type of evidence and frequency of measurement and reporting required to support the emission removal accounting.

Minimum best practice principles for our insetting projects

All projects falling under this framework are required to comply with the following best-practice principles to ensure they create sustainable long-term benefits for the environment and communities in the local context as well as to ensure credibility:

- Additionality;
- permanence;
- legal & carbon rights;
- eligibility;
- real & measurable;

- no double counting;
- stakeholder consultation & consent;
- no harm and generates additional co-benefits.

Monitoring & verification is critical for ensuring long-term success of NCS projects and ensure that carbon and co-benefits are achieved for the lifetime of the projects and beyond. As explained above, we follow clear guidance on short- and long-term monitoring frequency as well as on what verification level is required.

This rigorous set up aims to create transformative action and new innovative ways of working with our suppliers. For example, for the first time we've signed 25-year contracts to ensure long-term success of large-scale restoration projects that will contribute to the transformation of coffee production regions in Nicaragua.

This process of designing projects together with our partners requires trust and ongoing relationships, which in turn enable long-term commitments to positive transformation in critical sourcing regions and for the farmers on the ground.

How do we work on the ground?

We work with global and local partners to implement, monitor and verify the NCS projects. Both planting expertise and carbon expertise are critical. We pair our planting partners with carbon partners where partners may not yet have built out expertise in both areas. This allows us to work with leading organizations in their field of expertise and ensure projects are executed taking into account most up to date scientific evidence and strong local knowledge

One important aspect for us is to ensure that our NCS projects are inclusive of local communities and indigenous peoples. This is why we aim to drive both projects that are small, distributed and integrated into the farming systems, as well as larger, more concentrated ones.

We do not apply carbon credit certification to all our projects, as we believe that this would lead to excluding community-based or smaller projects due to prohibitive costs and processes.

Our intention & next steps

In 2021, we developed our insetting framework and the processes that underpin the implementation of our NCS projects. We are now applying this framework across insetting projects within our value chain.

In 2022, we will further scale our investments in NCS. As we develop and implement more projects and existing projects mature, we will be collecting learnings and best practices. One area that we aim to strengthen is the integration into project design and reporting of metrics beyond carbon, such as biodiversity, water as well as social metrics. We will also seek opportunities to link such initiatives to holistic landscape approaches.

This insetting framework is Nestlé's way to navigate the uncertainty and current lack of guidance on science-based climate targets and accounting related to the land use sector.

We encourage other companies and organizations in the sector to engage in the conversation and discuss practical ways to take such an approach forward together with their supply chain partners and peers. This action is urgent to transform the food and agricultural sectors.

The question is not whether or not companies should invest in NCS interventions in their value chain, including on farms and in the surrounding landscape – the case for urgent action has been made clearly by the IPCC. The question now is how can this be done in a credible and permanent way, and how this action can start as soon as possible.

Nestlé is acting now, and this document aims to guide the company in selecting value chain interventions that will help keep to the 1.5°C pathway by promoting regenerative food systems at scale.

As the GHG Protocol and the SBTi release new guidance, we will review this framework. We will also continue to work with organizations such as the International Platform for Insetting (IPI) to advocate and mainstream climate action within land-use sector companies' value chains.



Nestlé's Insetting Framework

INSETTING PROJECT ZONES	1. ON-FARM	2. SUPPLY SHED FARM	3. SOURCING LANDSCAPE Adjacent	4. SOURCING LANDSCAPE Non-adjacent
DESCRIPTION	<p>Project occurs on a farm that is a known supplier (direct or indirect) of an ingredient or raw material to Nestlé.</p> <p>Examples of project types: agroforestry, silvopasture</p>	<p>Project occurs on a farm that is part of a group of suppliers in a specifically defined geography and/or market Nestlé purchases from. It may not be feasible to demonstrate which specific farm supplies Nestlé but we can demonstrate the farm is in the group that do, for example by demonstrating that these farms provide material to Nestlé's direct suppliers³.</p> <p>Examples of project types: agroforestry, silvopasture</p>	<p>Project occurs on the landscape directly adjacent to a Nestlé's supply farm or supply shed (shared boundary) that is strongly connected bio-physically⁴, ecologically and/or socio-economically to the sourcing farm or supply shed, such that it is highly likely that it provides direct benefits to the sustainability and socio-economic health of the sourcing region.</p> <p>Examples of project types: Restoration within riparian zones, wildlife corridor restoration between farms</p>	<p>Project occurs on the landscape that is not directly adjacent to the supply farm or supply shed but is connected bio-physically, ecologically and/or socio-economically to the supply farm or supply shed, such that it is highly likely to provide direct or indirect benefits to the sustainability and socio-economic health of the sourcing region</p> <p>Examples of project types: Reforestation, afforestation, natural regeneration</p>
SPATIAL DEFINITION	On-farm locations provided by Nestlé.	<p>A) Processing site locations and supply shed locations provided by Nestlé.</p> <p>or</p> <p>B) Extrapolated from known commodity producing region in proximity to second or higher tier suppliers</p>	<p>A) Physically adjacent to farm locations provided by Nestlé or mapped supply shed locations based on the processing site locations provided by Nestlé</p> <p>or</p> <p>B) Socio-economic connections through direct impact on the Nestlé farm or supply shed.</p>	With a demonstrable biophysical or socio-economic connections (e.g., through watershed, eco-region, or other linkages)
MONITORING FREQUENCY	<p>Short-term monitoring (tree growth and survival): Annually within the first 3 years of the project.</p> <p>Longer-term monitoring: Monitoring for permanence performed every 3 to 5 years and carbon monitoring performed every 3 year for a minimum of 20 years. If remote sensing is available, more frequent monitoring is possible. After 20 years, continuous remote sensing monitoring at minimum is recommended.</p>			According to certification scheme requirements.
MINIMUM LEVEL OF VERIFICATION	2 nd party verification (i.e., performed by our carbon partner against global carbon standards)		3 rd party verification (i.e., performed by an independent body that has been approved by the standard being audited against)	Certification with credits

³This follows the definition from Value Change's [Value Chain \(Scope 3\) Interventions – Greenhouse Gas Accounting & Reporting Guidance](#), version 1.1, May 2021.

⁴This means a connection that is for example through being within same eco-zone, being within same watershed or being within same farmer community group.