Nestlé Good food, Good life

THE NESTLÉ *Agriculture* FRAMEWORK

Measuring progress and performance

NESTLÉ'S AMBITION: ADVANCING REGENERATIVE FOOD SYSTEMS AT SCALE

We deliver on this ambition by deploying regenerative agriculture at scale and transparently measure our progress with a robust methodology and clear indicators.

Good food depends on diverse and quality ingredients, so protecting the ecosystems where they grow is vital to our long-term success.

As part of the Nestlé Net Zero Roadmap, we made the commitment to achieve net zero greenhouse gas emissions by 2050, on emissions emitted directly (Scope 1) and indirectly (Scope 2), and all other indirect emissions (Scope 3). As two thirds of our gas emissions come from raw materials, addressing them is one of our main focus areas.

We believe we can address this challenge by transforming the way we source the ingredients we use in our products and by scaling up regenerative agriculture.

Regenerative agriculture is an approach to farming that aims to conserve and restore farmland and its ecosystem, to improve soil health and soil fertility. 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.

Restoring soil health helps draw down and capture increased levels of carbon in soils and plant biomass, thus contributing to reduce and remove carbon emissions from the atmosphere. The techniques associated with regenerative agriculture also improve the resilience of farmland to climate change and can contribute to improved farmers' livelihoods.

That is why, in line with the key milestones of our Net Zero Roadmap, we committed to source 20% of our key ingredients from regenerative agriculture methods by 2025, and 50% by 2030.

NESTLÉ'S AMBITION: ADVANCING REGENERATIVE FOOD SYSTEMS AT SCALE

WHAT ARE THE KEY INGREDIENTS IN SCOPE?

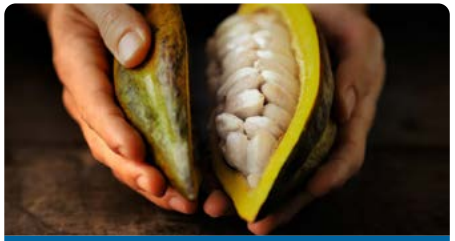
Nestlé's priority ingredients in scope for this performance measurement include:

Fresh milk and dairy derivatives

Green coffee

Cereals and grains

Vegetables



Cocoa

Palm oil

Sugars

Meat, poultry and eggs (excluding by-products)

Fish and seafoods (excluding by-products)

Explaining our performance indicator

We are committed to report transparently on our progress in our net zero journey and we value the importance of sound and reliable measurement methods. Our key performance indicator (KPI) consists in reporting ***% of key ingredients produced from regenerative agriculture methods*** and is audited by a credible third-party audit firm.

Nestlé will include in its performance measurement the key ingredients sourced directly from farmers or groups of farmers (direct sourcing) and from third-party suppliers (indirect sourcing).

FOR OUR REPORTING IN 2023, WE FOCUS MAINLY ON:

- Fresh milk
- Green coffee
- Cereals and vegetables used in baby food products

NESTLÉ'S AMBITION: ADVANCING REGENERATIVE FOOD SYSTEMS AT SCALE

What do we mean by regenerative agriculture methods?

Building on long-lasting experience in sustainable agriculture, Nestlé is working and investing with its partners, including the company's network of more than 500,000 farmers in direct sourcing, to advance regenerative farming practices at the heart of the food system, guided by agroecological principles and practices outlined in The Nestlé Agriculture Framework.

So as to assess the maturity level of regenerative agriculture implementation, we created Farm Assessment Tools (FAT). The tools consist of a set of regenerative agriculture practices and outcomes related to soil health, biodiversity, water, livestock and farm management. To meet each crop specificities, the approach has been tailored with crop-specific tools.

Each tool allows us to classify the maturity level of regenerative practices implementation in the farms assessed, as:

- **Engaged** in transition toward regenerative agriculture (Level 1)
- **Advanced** (Level 2)
- **Leading** (Level 3)

This reflects the progressive journey toward regeneration. Engaged farmers (Level 1) are at an entry point in the regenerative agriculture journey and this maturity level constitutes a transition toward actual regenerative agriculture. The farms not falling in these categories are considered as practicing conventional agriculture.

AS OF 2022,

the volumes of ingredients from farmers at least qualifying for Level 1 – Engaged will be taken into account for the calculation of our global KPI *"% of key ingredients produced from regenerative agriculture methods."* The majority of volumes currently accounted within the KPI are in farms meeting Level 1 – Engaged status. This approach is in line with our strategic objective to embark farmers and suppliers on this journey.

The following pages provide details about the corresponding criteria for each of the maturity levels according to our FAT, as well as the regenerative agriculture and impact measurement models for the in-scope ingredients.

Going forward

The implementation and reporting of the achievements for the various key ingredients will be staggered until 2025. This means that the content of our KPI will evolve toward more comprehensiveness as we increase the coverage of our key ingredients in scope and develop relevant FAT. All changes and updates will be reflected in future iterations of this document.

ANNEX 1
FARM ASSESSMENT TOOL

Maturity levels classification

Farm assessments are conducted based on a sampling strategy, elaborated to achieve statistical representation per product category at global level. In addition to monitoring achieved maturity levels, the initial baseline assessment allows us in the first year to understand better the specific gaps and opportunities related to a given crop/region, and to elaborate meaningful programs, adapted to local needs.

Depending on local pedoclimatic conditions, some requirements can be subject to specific consideration. This has to be approved by the category leader at Nestlé's Corporate Sustainable Agriculture department. Specific Nestlé FAT are under elaboration for crops with specific farming practices. These include sugarcane, paddy and cocoa.

The FAT for annual crops can be used for cereals and grains (excluding wetland rice), oilseed crops, sugar beet and vegetables for 2023 reporting.

For meat, poultry and eggs (excluding by-products), fish and seafoods (excluding by-products), which are part of Nestlé's key ingredients, specific FAT are being developed and aim to be based on the models on the following pages. They will be included in future versions of this document.

ANNEX 1 – FARM ASSESSMENT TOOL

DAIRY AND ANNUAL CROPS[1]

Conditions to achieve regenerative agriculture levels in Nestlé's FAT

	ENGAGED	ADVANCED	LEADING
Score	Achieves at least 25% of maximum score in FAT, based on the Regenerative Agriculture Practices and Impact Measurement chart for the relevant key ingredients (Annex 2)	Achieves at least 50% of maximum score in FAT, based on the Regenerative Agriculture Practices and Impact Measurement chart for the relevant key ingredients (Annex 2)	Achieves at least 75% of maximum score in FAT, based on the Regenerative Agriculture Practices and Impact Measurement chart for the relevant key ingredients (Annex 2)
Training	Participated in training sessions on regenerative agriculture practices	Same as Engaged	Same as Engaged
Soil cover	Fields covered at least 80% of year with crops, cover crops, mulch and/or pasture	Same as Engaged	Same as Engaged
Crop rotation (annual crops)	More than 30% of crop land with 3 different types of crops over 3 years	More than 50% of crop land with 4 different types of crops over 3 years	More than 70% of crop land with 5 different types of crops over 3 years
Soil tillage		More than 50% of crop land under minimum soil tillage	More than 70% of crop land under minimal soil tillage
Cover crops		More than 30% of crop land under cover crops	More than 50% of crop land under cover crops
Nutrient management		3 out of 4 integrated crop nutrient management principles applied	4 out of 4 integrated crop nutrient management principles applied
Integrated Pest Management (IPM)		3 out of 5 integrated pesticide management principles applied	5 out of 5 integrated pesticide management principles applied
Biodiversity habitat		At least 5% of agricultural area under biodiversity habitat OR agroforestry	Same as Advanced
Precision farming			3 out of 4 types of precision farming technologies used
Soil organic matter			Demonstrated with evidence of proven increase of soil organic matter

1. Cereals, oilseed crops, sugar beet, root crops and vegetables (excluding sugarcane and rice)

ANNEX 1 – FARM ASSESSMENT TOOL

ADDITIONAL CRITERIA FOR DAIRY

Conditions to achieve regenerative agriculture levels in Nestlé's FAT

	ENGAGED	ADVANCED	LEADING
Soil tillage	More than 30% of crop land under minimum soil tillage	More than 50% of crop land under minimum soil tillage	More than 70% of crop land under minimal soil tillage
Crop rotation	More than 30% of crop land with 2 different types of fodder crops over 3 years OR more than 25% of multispecies pasture or grasslands with 3 different fodder species	More than 50% of crop land with 3 different types of crops over 3 years OR/AND (if both applicable) more than 50% of multispecies pasture or grasslands with 3 different fodder species	More than 70% of crop land with 4 different types of crops over 3 years OR/AND (if both applicable) more than 75% of multispecies pasture or grasslands with 3 different fodder species
Manure management	Manure is applied back onto the fields	Manure is applied back onto the fields and there is a fertilization plan	Same as Advanced

ANNEX 1 – FARM ASSESSMENT TOOL

COFFEE

Conditions to achieve regenerative agriculture levels in Nestlé's FAT

	ENGAGED	ADVANCED	LEADING
Compliance	Sustainably produced (*Responsible Sourcing Standard*)	Sustainably produced (*Responsible Sourcing Standard*)	Sustainably produced (*Responsible Sourcing Standard*)
Score	Achieves at least 25% of maximum score in FAT, based on the Regenerative Agriculture Practices and Impact Measurement chart for the relevant key ingredients (Annex 2)	Achieves at least 50% of maximum score in FAT, based on the Regenerative Agriculture Practices and Impact Measurement chart for the relevant key ingredients (Annex 2)	Achieves at least 75% of maximum score in FAT, based on the Regenerative Agriculture Practices and Impact Measurement chart for the relevant key ingredients (Annex 2)
Training	Participated in training sessions on good agricultural practices	Received training on the concept of regenerative agriculture	Received a comprehensive training package on the concept of regenerative agriculture and its practices
Fertilization management		Application of organic fertilizer or compost or biochar (minimum more than 50% of the field acreage) OR fertilization based on soil analysis (on the basis of crop nutrient requirements)	Fertilization based on soil analyses (on the basis of crop nutrient requirements) AND application of organic fertilizer or compost or biochar (on 100% of the field acreage)
Soil cover		Soil is covered through cover crops, mulching or agroforestry/ intercropping (minimum more than 50% of the field acreage)	Soil is covered through cover crops, mulching or agroforestry/ intercropping (minimum more than 100% of the field acreage)
Herbicide management			No chemical herbicide application (100% of the coffee farm)
Water			Monitoring total water usage at the farm if applicable (irrigation and/or wet processing)

ANNEX 2
REGENERATIVE AGRICULTURE PRACTICES AND IMPACT MEASUREMENT

for the key ingredients sourced by Nestlé

The implementation and reporting of the achievements within the various Nestlé categories will be staggered until 2025. As of 2022, we have developed a comprehensive model for the in-scope ingredient in the reporting that will happen in 2023 (fresh milk, green coffee and annual crops).

Summary of the status of the Regenerative Agriculture Practices and Impact Measurement models for Nestlé key ingredients as of 2022:

Ingredients	2022 status
Fresh milk and dairy derivatives	Criteria are developed
Green coffee	Criteria are developed
Annual crops[2]	Criteria are developed
Cocoa	Work in progress
Wetland rice	Work in progress
Palm oil	Work in progress
Sugarcane	Work in progress
Meat, poultry and eggs (excluding by-products)	Work in progress
Fish and seafoods (excluding by-products)	Work in progress

2. Cereals, oilseed crops, sugar beet, root crops, dryland rice and vegetables

ANNEX 2 – REGENERATIVE AGRICULTURE PRACTICES AND IMPACT MEASUREMENT

ANNUAL CROPS

Cereals, oilseed crops, sugar beet, root crops, dryland rice and vegetables

Priority areas	Criteria	Impact areas	Main practices KPIs
Soil 	Soil health	Soil organic matter Soil structure Water and nutrient retention capacity of soil GHG sequestration	Duration of soil cover Area under cover crops and mulching Area under minimum tillage or pastures
	Crop nutrition	Synthetic and organic fertilizer efficiency Yield GHG footprint	Organic fertilizer usage Percentage of synthetic nitrogen versus total nitrogen Integrated nutrient management practices
	Crop rotation	Crop diversity Soil health	# of crops in the rotation Area under diverse crop rotation
	Soil analysis	Soil organic matter Soil health parameters	Frequency of soil sampling and analysis
Biodiversity 	Natural and semi-natural habitat	Plant and animal diversity Agroforestry	Share of habitat area on farmland Vegetated field borders and buffer strips Riparian buffers
	Chemical inputs	Integrated pest management	IPM implementation Percentage of area without application of pesticides and herbicides
Water 	Irrigation	Water consumption Water evaporation	Efficient irrigation systems and practices Monitoring of water consumption
	Protection of water resources	Riparian buffers	Length and width of riparian buffers
Farmer competences 	Farm records	Economic performance	Cost and income tracking
	Trainings	Good agricultural practices	Participation in trainings
	Precision agriculture	Efficiency of resource usage	Precision agriculture practices implementation

ANNEX 2 – REGENERATIVE AGRICULTURE PRACTICES AND IMPACT MEASUREMENT

DAIRY

Priority areas	Criteria	Impact areas	Main practices KPIs
Soil	Soil health	Soil organic matter Soil structure Water and nutrient retention capacity of soil GHG sequestration	Duration of soil cover Area under cover crops and mulching Area under minimum tillage or pastures
	Crop nutrition	Synthetic and organic fertilizer efficiency Yield GHG footprint	Organic fertilizer usage Percentage of synthetic nitrogen versus total nitrogen Integrated nutrient management practices
	Crop rotation	Crop diversity Soil health	# of crops in the rotation Area under diverse crop rotation
	Soil analysis	Soil organic matter Soil health parameters	Frequency of soil sampling and analysis
Biodiversity	Natural and semi-natural habitat	Plant and animal diversity Agroforestry	Share of habitat area on farmland Vegetated field borders and buffer strips Riparian buffers
	Chemical inputs	Integrated pest management	IPM implementation Percentage of area without application of pesticides and herbicides
Water	Irrigation	Water consumption Water evaporation	Efficient irrigation systems and practices Monitoring of water consumption
	Protection of water resources	Riparian buffers	Length and width of riparian buffers
Farmer competences	Farm records	Economic performance	Cost and income tracking
	Trainings	Good agricultural practices	Participation in trainings
	Precision agriculture	Efficiency of resource usage	Precision agriculture practices implementation

ANNEX 2 – REGENERATIVE AGRICULTURE PRACTICES AND IMPACT MEASUREMENT

DAIRY continued

Priority areas	Criteria	Impact areas	Main practices KPIs
Livestock 	Manure storage	Storage and application of liquid and solid manure	Procedures on farm for manure storage and application
	Antibiotics and hormones	Animal health	Tracking and use of hormones and antibiotics on farm
	Productivity level	Productivity level per herd	kg milk/day
	Multispecies pastures	Soil organic matter	Percentage of multispecies pastures on farm
	Feed	Traceability of feed and self produced	Percentage of traceable feed
	Rotational and mob grazing	Grazing management	Percentage of rotational/mob grazing
	Farm-related water	Waste water from farm	Treatment of water

ANNEX 2 – REGENERATIVE AGRICULTURE PRACTICES AND IMPACT MEASUREMENT

GREEN COFFEE

Priority areas	Criteria	Impact areas	Main practices KPIs
Soil	Soil conservation	Soil organic matter Synthetic and organic fertilizer efficiency Yield GHG footprint	Minimum soil cover, mulching, erosion control
	Crop nutrition		Organic fertilizer usage, fertilization practices
Biodiversity	Agroforestry/intercropping	Tree species diversity Pesticides usage Herbicides usage Natural vegetation	Minimum number of different tree species beyond coffee (shade or commercial purpose)
	Chemical inputs		IPM, responsible sourcing pesticides list
	Weed management		Integrated weed management, limiting usage of herbicides
	Natural habitat		Occurrence of biodiversity infrastructure
Water	Irrigation/wet processing	Water source protection Water footprint (usage m^3)	Riparian buffers (minimum 10 meters), responsible irrigation and processing practices
Farmer livelihoods	Financial management	Coffee net income Household revenue sources	Training and improved income above poverty line
	Farm economics	Crop profitability	Positive impact on farm profit and loss statement

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