Reporting Scope and Methodology for ESG Key Performance Indicators 2023
Introduction
Nestlé has engaged EY to provide independent assurance on a selection of 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.

This document explains the definition, scope, methodology and assumptions used to calculate and report each of the 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. We also considered the requirements of the Swiss Code of Obligation 964a-c and the upcoming Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS).

Nestlé reports the performance against the Selected ESG KPIs in our 2023 Creating Shared Value and Sustainability Report (CSV), which is available on nestle.com. Six of the Selected ESG KPIs are also included in our 2023 Annual Review.

This Methodology Note is applicable for the 2023 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 ‘Acquisitions and divestures’ below, and in individual KPI “Scope” paragraphs where relevant.
**Acquisitions and divestitures**

Newly acquired entities during 2023 were not considered for the Selected ESG KPIs, except when expressly stated otherwise in this document. As per our internal rules, acquisitions during 2021 have been included in the ESG reporting as from January 1, 2023. 2023 data and performance of divested entities during 2023 were excluded from the Selected ESG KPIs, except when expressly stated otherwise in this document.

**Data collection**

The data reported is covering the 2023 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 Summary List**

1. GHG emissions – Scopes 1, 2 and 3
2. Percentage of Net reduction of GHG emissions vs. 2018 baseline
3. Energy consumption of factories
4. Water use reduction in factories
5. Quality of effluents treated internally and discharged to the environment
6. Percentage of key ingredients responsibly sourced
7. Percentage of Primary supply chains for meat, palm oil, pulp and paper, soy, sugar, cocoa and coffee assessed as deforestation-free
8. Percentage of key ingredients sourced from farmers adopting regenerative agricultural practices
9. Percentage of cocoa volume sourced from all countries, covered by Child Labor Monitoring and Remediation System (CLMRS) or other dedicated due diligence systems, with mass balance included
10. Percentage of plastic packaging designed for recycling
11. Percentage of virgin plastic reduction
12. Total weight of packaging
14. Total number of servings of products with micronutrient fortification
15. Number of servings of affordable nutrition with micronutrient fortification
16. Number of young people around the world who access economic opportunities since 2017
17. Percentage of management positions held by women
18. Total weight of waste generated in tonnes, and a breakdown of this total by composition of the waste
19. Recordable injury rate per million hours worked
20. Total Recordable Fatalities
21. Total Irreversible Injuries
22. Speak Up
23. Percentage of FSSC Certified Manufacturing & R&D units that produce food and pet food for human and pets (cats and dogs) consumption.
24. Number of Countries with audits on the Nestlé Policy on WHO Code and detected instances of non-compliances with the Nestlé Policy on WHO Code
25. Number of Employees
26. Average hours of technical or vocational training provided to workers in the company’s operations

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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.
1. GHG emissions – Scopes 1, 2 and 3

Performance Measure
Greenhouse gas (GHG) emissions Scopes 1, 2 (location-based and market-based) and 3, as defined by the GHG Protocol.

The below section outlines the following KPIs from “About this Report” in the CSV:
- Gross direct (Scope 1) GHG emissions (CO₂e).
- Gross market-based indirect (Scope 2) GHG emissions (CO₂e).
- Gross other indirect (Scope 3) GHG emissions (CO₂e).

Definition
Annual GHG emissions from Scopes 1, 2 (location-based and market-based) and 3 accounted following the latest version of GHG Protocol Corporate Standard and guidance provided by the Science Based Targets initiative (SBTi).

Scope
Net zero by 2050 commitment is regulated by the rules established by the SBTi following the GHG Protocol Corporate Standard. Nestlé is using a financial control consolidation approach, described as follows:
- If a company is fully consolidated in the financial statements, we account for 100% of the emissions of the company.
- If Nestlé has a 50% shareholding of a company, we account for 50% of the emissions of the company.
- If Nestlé has less than a 50% shareholding of a company, we account for 0% of the emissions of the company.

The baseline and prior reporting period comparative values will be restated due to acquisitions, divestures and methodological improvements, in line with SBTi guidelines. This is an exception to Nestlé ESG scope described in the introduction, used to comply with SBTi guidelines.

Scope 3 emissions are calculated as per the GHG Protocol categories.

The following emissions categories are calculated but excluded from SBTi scope, respecting SBTi scoping rules: “Purchased services”, “Capital goods”, “Upstream leased assets”, “Direct use of sold products” and “Investments”. They represent emissions where Nestlé has less influence therefore the immediate priority of Nestlé is in other emissions categories.

<table>
<thead>
<tr>
<th>GHG Protocol scope</th>
<th>GHG Protocol emissions category</th>
<th>Calculated and disclosed in total Nestlé scope?</th>
<th>Included in Nestlé SBTi target scope?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>Direct GHG emissions</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Scope 2</td>
<td>Indirect GHG emissions</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Scope 3</td>
<td>1. Purchased goods and services (excluding Purchased services)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Scope 3</td>
<td>1. Purchased services</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Scope 3</td>
<td>2. Capital goods</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Scope 3</td>
<td>3. Fuel- and energy-related activities not in scope 1 or 2</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Scope 3</td>
<td>4. Upstream transportation and distribution</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Scope 3</td>
<td>5. Waste generated in operations</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Scope 3</td>
<td>6. Business Travel</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Scope 3</td>
<td>7. Employee commuting</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Scope 3</td>
<td>8. Upstream leased assets</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Scope 3</td>
<td>9. Downstream transportation and distribution</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Scope 3</td>
<td>10. Processing of sold products</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Scope 3</td>
<td>11. Direct use of sold products</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Scope 3</td>
<td>12. End-of-life treatment of sold products</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Scope 3</td>
<td>13. Downstream leased assets</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Scope 3</td>
<td>14. Franchises</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Scope 3</td>
<td>15. Investments</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Optional</td>
<td>Indirect use of sold products</td>
<td>Yes, separately</td>
<td>No</td>
</tr>
</tbody>
</table>

The following emissions categories are excluded from calculation because they are not applicable to Nestlé business: “Processing of sold products”, “Downstream leased assets” and “Franchises”.

The emissions category “Indirect use of sold products” is reported separately from GHG emissions Scopes 1, 2 and 3, as it is an optional category as per GHG Protocol guidance.

**Performance data preparation**

Actual GHG emissions for Scopes 1, 2 and 3 are tracked through our internal GHG accounting system (GPS). The GPS system was developed internally for GHG accounting and reporting and the methodology governing the system is aligned with the GHG Protocol Corporate Standard. 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 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. For new acquisitions, adherence to SHE-PM reporting is mandatory at the latest by January 1 of the following year once a period of 12 months from the closing of the acquisition.

The main data sources used for our GHG emissions calculation are listed below.

<table>
<thead>
<tr>
<th>Scope 1</th>
<th>Factories energy consumption reporting</th>
<th>Main activity data sources</th>
<th>Latest available versions of GHG Protocol – GHG emissions from Stationary Combustion Tools, UK Department for Environment, Food &amp; Rural Affairs (DEFRA), UK Department for Business, Energy &amp; Industrial Strategy (BEIS) greenhouse gas reporting conversion factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 2</td>
<td>Factories energy consumption reporting</td>
<td>Main emission factors sources</td>
<td>Latest available versions of International Energy Agency (IEA) emissions factors database, US Environmental Protection Agency eGRID database, Green-e database, Association of Issuing Bodies (AIB) European residual mix database Market-based emissions are partially calculated with residual mix emission factors (in Europe and US only)</td>
</tr>
</tbody>
</table>

| Scope 3 | Data from internal Enterprise Resource Planning systems (ERPs) | Latest available version of various recognized sources depending on categories: World Food Life Cycle Analysis (LCA) Database, DEFRA, IEA, Ecoinvent, etc. External EcoTransIT calculator for upstream and downstream transportation and distribution |

**Assumptions**

Nestlé follows the standards and guidance provided by the GHG Protocol and the SBTi. For a limited number of recently acquired entities, while they are fully integrated into the company internal ERPs, GHG emissions are extrapolated based on the entities’ annual net sales and an emissions intensity factor (expressed in tonnes of CO₂ equivalent per sales) which is calculated based on Nestlé’s other entities integrated into internal ERPs.

2. **Percentage of Net reduction of GHG emissions vs. 2018 baseline**

**Performance Measure**

Our annual performance on % net reduction of GHG emissions vs. 2018 baseline is evaluated through the evolution of actual GHG emissions (SBTi scope) as tracked through GPS system (see KPI 1. GHG emissions – Scopes 1, 2 and 3) and through the quantity of delivered GHG removals calculated with support of our project partners, using their methodology for each individual project.

The net GHG emissions of a given reporting year are calculated as the annual Scope 1, 2 and 3 GHG emissions (SBTi scope) from which total annual delivered GHG removals are subtracted. The % net reduction of GHG emissions vs. 2018 baseline is calculated as the difference between reporting year net GHG emissions and 2018 baseline net GHG emissions, divided by 2018 baseline net GHG emissions, as per SBTi Net Zero standard.

Our annual actual GHG emissions include both Forest, Land and Agriculture (FLAG) emissions and removals as well as Energy/Industry emissions. Both are reported separately in line with SBTi FLAG guidance.
Reporting Scope and Methodology for ESG Key Performance Indicators 2023

Definition
See section ‘Definition’ of KPI 1. GHG emissions – Scopes 1, 2 and 3.
Delivered GHG 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. In prior year we accounted for secured removals, which consisted of both secured (contracted) trees and their related lifetime secured carbon removal, whereas we now only account for removals delivered in the calendar year.

Scope
See section ‘Scope’ of KPI 1. GHG emissions – Scopes 1, 2 and 3.

Performance data preparation
See section ‘Performance data preparation’ of KPI 1. GHG emissions – Scopes 1, 2 and 3.
Delivered GHG removals are calculated with support of our project partners, using their methodology for each individual project. The results are tracked and evidenced into our ESG Project Portfolio Management system, set up to track and optimise both investment in ESG related activities and the non-financial outcomes. The projects specific tracking and evidence found in ESG Portfolio can be used to sample and substantiate the GHG delivered removals achieved and to be reported. The removals calculations are made as per the GHG Protocol standards and SBTi requirements, and other established project carbon accounting methodologies (Verra, VCI, Gold Standard).
The reporting of actual number of trees planted and associated delivered carbon removals is based on the best data available at the time of reporting, knowing that project design documents (PDD) are made available up to 18-22 months after project start. We are maintaining an internal registry to track carbon removals over time including claims, restatements and reversals.

Assumptions
Nestlé follows the standards and guidance provided by the GHG Protocol and the SBTi.
See section ‘Assumptions’ of KPI 1. GHG emissions – Scopes 1, 2 and 3.

3. Energy Consumption of factories

Performance Measure
Gigajoules of total energy consumed in our factories.

Definition
The total amount of energy consumed as an aggregate figure, in gigajoules.
It includes energy from all sources consumed in our factories; energy purchased from external sources and energy produced by the entity itself (self-generated). For example, direct fuel usage, purchased electricity, and heating, cooling and steam energy.
The scope of energy consumption includes only energy directly consumed by Nestlé during the reporting period.
In calculating energy consumption from fuels and biofuels, Nestlé uses lower heating values (LHV), also known as net calorific value (NCV), which are provided by supplier or taken from the Intergovernmental Panel on Climate Change (IPCC).

Scope
All Nestlé factories in scope for ESG reporting based on our general scoping rules.
Values are for Nestlé processes (i.e., excluding consumption for operations from 3rd parties in Nestlé sites, and energy sold externally).

Performance data preparation
Energy consumption data are reported in Nestlé’s manufacturing IT system SHE-PM, which centralizes activity data from all companies that are in-scope. Data comes from energy suppliers’ invoices, and when these are not available (e.g., self-generation), from own metering.

Assumptions
Estimation methods in case of data unavailability vary by factories and production activities. In these cases, we either use previous year’s data, benchmarked vs. previous years or average of other months consumption for periods with similar production.
4. Water use reduction in factories

**Performance Measure**
Million m³ of water use reduced in our factories.

**Definition**
Annualised reduction from Nestlé factories obtained from qualifying improvement projects delivering benefits in the subject calendar year and measured in m³ of water usage reduced during the subject calendar year.

**Scope**
All Nestlé factories in scope for ESG reporting based on our general scoping rules.

**Performance data preparation**
A project contributes to water use reductions 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.
- Permanent: the water use reduction achieved by the project is permanent.

Annual water use reductions count towards the reporting year only when the reductions have been realized in that year. Total group reductions for the year are calculated from the consolidated sum of reductions from each project. Project reductions are calculated based on the projected annualised reductions following the realization of the project. The annualised reductions 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 reductions 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.

5. Quality of effluents treated internally and discharged to the environment

**Performance Measure**
[kg] of total direct COD (Chemical Oxygen Demand), load discharged to the environment.

The below section outlines the following KPIs from “About this Report” in the CSV:
- Total direct output of Chemical Oxygen Demand load to the environment.
- Aggregated annual Chemical Oxygen Demand concentration.

**Definition**
The selected KPI to represent the quality of effluents is the total direct output of COD load at point of discharge to the environment (surface water or irrigation), after internal treatment.

**Scope**
All Nestlé factories in scope for ESG reporting based on our general scoping rules, discharging effluents directly to the environment (surface water or irrigation) after on site treatment.

**Performance data preparation**
COD concentration in [mgO2/l] of treated effluents is measured daily (working days) by the factory using globally recognized methods. The data is recorded locally along with volumes of treated effluent discharged to the environment. The average monthly COD concentration (direct average or weighted average) in [mgO2/l] is then reported monthly into SHE-PM along with effluent volumes in [m³].

In SHE-PM, it is then converted into direct load of COD, in [kg]. This conversion allows for aggregation at Market, Zone & Company level.
6. Percentage of key ingredients Responsibly Sourced

In 2023, Nestlé Produced Sustainably Framework became the Nestlé Responsible Sourcing Framework. All components, methodologies and metrics remain the same as the Nestlé Produced Sustainably Framework as newly defined in 2022

The “percentage volume of key priority ingredients produced sustainably” becomes the “percentage of key ingredients responsibly sourced” and still measures the performance of volumes at origin level against the requirements of our Responsible Sourcing Standard and the progressive delivery of positive impacts on people, nature and climate in Nestlé’s sourcing origins.

The Nestlé Responsible Sourcing 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.

Our Responsible Sourcing framework has 3 key components:
- Traceability2.
- Assessed as meeting our Responsible Sourcing Standard.
- Going beyond Responsible Sourcing Standard with a positive impact on people or nature (e.g., living income, climate or regenerative agriculture practices).

In order to achieve this the Nestlé Responsible Sourcing 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 Responsibly Sourced 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 which are traceable to their origin against a number of social and environmental criteria.

The rest of this chapter focuses on the definition and reporting of the KPI related to Origins, which covers part of the Nestlé Responsible Sourcing 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 responsibly sourced 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; green coffee; dairy (derivatives & fresh milk); fish and seafood; hazelnuts; meat, poultry and eggs; palm oil; pulp and paper; soy; spices; sugar; and vegetables.

Volumes come from SAP, from Legendairy for fresh milk and from GCQC systems for green coffee.

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2 For materials originating from “low risk countries” traceability needs to be ensured back to subnational level e.g. states of countries. For others, traceability back to farms or group of farms apply.
The reporting period of raw material volumes consumption used by default is October 2022 to September 2023, except for certain categories using either previous calendar year volumes (pulp & paper) or current calendar year volumes (coffee) for various practicality reasons.

Out of scope for the KPI are:

- Blended green coffee and Blue Bottle Coffee.
- Office paper and paper labels and volumes from Eurasia (2023 update due to the situation in Ukraine).
- Margarine & creamers within Palm oil category.
- Caramel from the sugar category.

**Performance data preparation**

Ingredients are assessed as responsibly sourced (origins KPI) when they have been either:

- Mapped to sub-national production origins in a low-risk country for human rights and environmental risks³.

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.).
- For Palm Oil and Cocoa certifications, only segregated certification is considered due to constraints in those supply chains. Mass balance chain of custody is accepted for other commodities, if traceability to farm/group of farms can be validated.

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).

7. **Percentage of Primary supply chains for meat, palm oil, pulp and paper, soy, sugar, cocoa and coffee assessed as deforestation-free**

**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.

³ The level of risk is based on the [Maplecroft](http://maplecroft.com) database for country risks and the final score is an average of a social, rule of law and environmental scores:

<table>
<thead>
<tr>
<th>Andorra</th>
<th>France</th>
<th>New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Germany</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Austria</td>
<td>Iceland</td>
<td>Norway</td>
</tr>
<tr>
<td>Belgium</td>
<td>Ireland</td>
<td>San Marino</td>
</tr>
<tr>
<td>Canada</td>
<td>Latvia</td>
<td>Sweden</td>
</tr>
<tr>
<td>Denmark</td>
<td>Liechtenstein</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Estonia</td>
<td>Luxembourg</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Finland</td>
<td>Monaco</td>
<td>Uruguay</td>
</tr>
</tbody>
</table>
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.

Scope
The commodities in scope include the direct supplies of palm oil (excluding margarine & creamers), pulp & paper (excluding office paper and paper labels and volumes from Eurasia were not in 2023 scope due to the situation in Ukraine), soy (including lecithin and oil), meat (excluding by-products and seafood meats), Green coffee (excluding blended green coffee, as well as Blue Bottle coffee), cocoa (including cocoa beans, cocoa powder, cocoa liquor, cocoa butter and chocolate) and sugar (excluding caramel).

Performance data preparation
To implement the no-deforestation ESG KPI, Nestlé applies a toolkit risk-based approach. Nestlé maps 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.

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).

8. Percentage of key ingredients sourced from farmers adopting regenerative agriculture practices

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.
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 more advanced practices of 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 part of 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; vegetables (including leguminous seeds); cocoa; palm oil; sugar; fish & seafood (co & by product excluded); meat, poultry and eggs (co & by-products excluded). The volumes in scope include the purchased quantities of the above ingredients from SAP, Legendairy for fresh milk and GCQC systems for green coffee.

The scope of numerator in 2023 includes agricultural raw materials coming both from Nestlé Farmer Connect value chain (Farmer Connect is the Nestlé direct procurement from farmers or upstream link to farmers established) and from industrial suppliers for the following categories:

- Dairy (Fresh milk and dairy derivatives).
- Coffee (excluding blended green coffee and blue bottle).
- Cocoa.
- Cereals and grains.
- Soy.
- Vegetables.

In 2024, 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 “% key ingredients responsibly sourced” 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...).

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4 In the case of coffee regenerative agriculture volumes are reported according to the % of regenerative agriculture farmers in each production unit. In certain other commodities/markets the regenerative agriculture reported correspond directly to actual volumes delivered per farmer.
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. This is for example the case for coffee and cocoa volumes.
- In indirect sourcing via suppliers, all farmers in the upstream of material supplied to Nestlé should be assessed whenever possible. When not possible, the supplier covers as a minimum the number of farms equivalent to the volumes sold to Nestlé or a representative sample.

For Nestlé Farmer Connect value chain we collect and manage directly information at farm level. For indirect sourcing, farm level data is collected first by suppliers or a third party and then shared with us in aggregated form. Each supplier assessment tool, issued from its specific supplier framework with its own requirements, is benchmarked against Nestlé’s requirements.

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. In these cases, we take the assumption that volumes delivered to Nestlé 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. Some discrepancies have been observed between those annual best estimates and the yearend SAP volumes but overall, we take the assumption that this is in line with the actual volume delivered by the farmer to the Nestlé Factory.

9. Percentage of volume cocoa sourced from all countries, covered by CLMRS or other dedicated due diligence systems, with mass balance included

Introduction
Nestlé is committed to helping address child labor. Our identification and assessment of risks indicated that the risk of child labor is particularly prevalent in the cocoa supply chain. This KPI is measured by the % volume of our cocoa sourced which is covered by dedicated due diligence systems for child labor.

Performance Measure

<table>
<thead>
<tr>
<th>Tonnes cocoa under the scope of the KPI</th>
<th>Tonnes total cocoa supplied</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Expressed as a %)</td>
<td></td>
</tr>
</tbody>
</table>

Definition
Any type of system (e.g., community-based, supply-chain, farmer organization-based or national systems) that monitors child labor risks and helps remediate cases of child labor. Systems set up by suppliers must be verified by a third party.

Several types are possible under Nestlé Cocoa Plan (NCP):
Rainforest Alliance (RA) certification

- The RA requirements for child labor are from page 61 of their code with further details in the annex chapter 5 Social:
  - 2020 Sustainable Agriculture Standard: Farm Requirements | Rainforest Alliance (rainforest-alliance.org).
- Traceability types included: Mass balance (MB)\(^5\), Segregated, Mixed Identity preserved, Identity preserved.

Mass balance is a sourcing method that allows for certified and non-certified ingredients to become mixed during the shipping and manufacturing processes. The Rainforest Alliance traceability systems ensure that the volumes of certified ingredients bought for products with their seal were grown on certified farms.
Child Labor Monitoring and Remediation System (CLMRS)
- In addition to RA certification, we have CLMRS in place in some high-risk countries, as a specific way to address child labor risks appropriate to the context. This is in addition to RA certification. Examples are Cote d’Ivoire and Ghana. However RA certification remains the proof point for these volumes.

Verified volumes
- Volumes from Ecuador, Venezuela and Mexico are verified by an external body according to Nestlé’s code of conduct under the Nestlé Cocoa Plan.
- Volumes from Brazil are verified by external body according to Cargill’s or OFI’s code of conduct or according to Nestle’s code of conduct under the Nestlé Cocoa Plan for Gencau and Barry Callebaut.
- Child labor is included as a priority point. It is checked by the supplier and verified by an external body. Any non-compliance will be actioned upon by the Nestlé local team or supplier as relevant.
- Any further system to be added should be validated internally by KPI owner and Human rights team.

Scope
All Nestlé businesses in SAP. Only cocoa is considered for 2023 reporting, as it represents the highest risk for child labor.
It includes all of the following cocoa categories: Cocoa beans, Cocoa butter, Cocoa powder, Cocoa Liquor and chocolate. Only beans have the origin associated with them in the data. Products and chocolate are converted back to bean equivalent using following ratios: cocoa butter: 1.33, Cocoa powder: 1.18, Cocoa Mass: 1.25, Chocolate milk and white: 0.4, Chocolate dark: 0.7, Chocolate other: 0.2
Data is from PRISM, a Nestle reporting tool with data coming from SAP. Rainforest Alliance certified volumes and verified volumes are classified under ‘ESG Premium’. Reporting Period: January–December

Performance data preparation
The same origin of the figures is used as for Responsibly sourced KPI.
The numerator is also based on PRISM data and defined by the sum of:
- All RA volumes (segregated and mass balance).
- NCP verified volumes that are directly purchased by Nestlé in Ecuador, Venezuela and Mexico.
- NCP verified volumes purchased by Nestlé from suppliers in Brazil. (Olam, Cargill, Barry Callebaut, Gencau).

Any countries or suppliers without dedicated due diligence systems or verification adequate evidence are excluded, and their volumes removed from the numerator.
The denominator is the total volume of cocoa purchased from all countries.

Assumptions
PRISM is updated in time to mention type of traceability.

10. 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’s 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 2023 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.

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 2023. 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 for Nestlé.

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, including all Nestlé Waters entities. Only a part of the Co-mans are not reported due to lack of similarity of products in the same country. Globally, the Packaging report covers 95% of Nestlé sales.

The scope of reporting is evolving every year due to acquisition and divestment manage as per the following:

- Divestiture: we account actuals up to the date of the official closing of the divestiture.
- Acquisition: New businesses are considered the second full year after the date of the acquisition, e.g., The Bountiful Company acquired in 2021 is reported as of 2023.

**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).

Five 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 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.
- We do not report tapes and adhesives.

**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 Finished Goods). Approximately 85% of the sold packaging weight in SAP is covered by production data in 2023.

For 2023 reporting, around 54% of packaging weight, related to some co-manufacturers products, is not reported, as Nestlé doesn’t have data in the systems or similar products to compare with. Nestlé is working on including this data in the future.
11. Percentage of virgin plastic reduction

**Performance Measure**
Percentage defined by reduction of usage of virgin plastic between 2023 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 Percentage of plastic packaging designed for recycling. 2018 Baseline scope is aligned with 2023. It means all changes applied in 2023 apply in 2018 too; e.g., Bountiful acquired in 2021 is reported as of 2023 and 2018 baseline is updated accordingly. 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 Percentage of plastic packaging designed for recycling.

**Assumptions**
Please refer to above KPI Percentage of plastic packaging designed for recycling.

12. Total weight of packaging

**Performance Measure**
Total Packaging weight is volume of packaging in KG.

**Definition**
The Weight of Packaging Materials represents the quantity of packaging used to pack and deliver a specific finished product. It covers primary, secondary and tertiary packaging.

**Scope**
Please refer to above KPI Percentage of plastic packaging designed for recycling.

**Performance data preparation**
Please refer to above KPI Percentage of plastic packaging designed for recycling.

**Assumptions**
Please refer to above KPI Percentage of plastic packaging designed for recycling.

13. Health star Nutritional Value Transparency-Health Star Rating (HSR)

**Performance Measure**
Percentage defined by the sum of the Sales from the HSR grouping of products and specialized nutrition divided by Total Sales of in scope food and beverage products. The below section outlines the following KPIs from “About this Report” in the CSV:
- Sales with Health Star Rating – Less than 1.5 (without PetCare) (%).
- Sales with Health Star Rating – Between 1.5 and 3.5 (without PetCare) (%).
- Sales with Health Star Rating – 3.5 and above (without PetCare) (%).
- Sales with Specialized nutrition (without PetCare) (%).
- Global NNS covered by the assessment (without PetCare) (%).
- Sales with Health Star Rating – Less than 1.5 (with PetCare) (%).
- Sales with Health Star Rating – Between 1.5 and 3.5 (with PetCare) (%).
- Sales with Health Star Rating – 3.5 and above (with PetCare) (%).
- Sales with Specialized nutrition (with PetCare) (%).
- Global NNS covered by the assessment (with PetCare) (%).

These are completely excluded from the assessment and are not included in the total sales figures.

**Performance data preparation**

The main sources of data for this KPI are SAP system database.

HSR scores are calculated centrally for each Food & Beverage product using our recipe data, setting common rules for groups of related products, and defining standardized rules for products that need a reconstitution step prior consumption with the exception of several recipes that have been calculated by local markets.

As per HSR guideline, only products reconstituted with water were assessed ‘as prepared’.

Standardized reconstitution rules have been applied with a reference serving size for each product group to define the required powder content to make one serving and a reference for the quantity of added water.

Companies where we don’t have recipes stored centrally have assessed their products separately by local market like Hsu Fu chi and Totole in China, as well as our joint venture CPW.

The official guidelines of the HSR system and the official HSR calculator were used:

**Assumptions**

The HSR calculation guidelines were followed, with the following specificities:

- Roast and ground coffee, whole beans, pure coffee capsules and pod products are assessed generically and rated with a Health Star Rating of 3.5 stars.
- Generic rules were used to extrapolate for any missing nutritional data (e.g., Chocolate products with HSR of 0.5 stars). Generic rules were used to extrapolate for any missing nutritional data (e.g., Chocolate products with HSR of 0.5 stars).
- Even though the fruits, vegetables, nuts, or legumes content in our products could be eligible for bonus points, a conservative approach was taken in the absence of data collection.
14. Total number of servings of micronutrient fortified foods and beverages &

15. Number of servings of micronutrient fortified affordable nutrition

Performance Measure
These KPIs focus on the number of total micronutrient fortified servings and those of affordable nutrition in emerging countries\(^6\) based on the quantity sold, connected to the sales in 2023.

For each KPI, the sales that meet the below criteria are counted:

**Total Products**
Products which are fortified with at least one of the following micronutrients: iron, iodine, vitamin A, zinc (‘big 4’) in accordance with the Nestlé Policy on Micronutrient Fortification of Foods and Beverages, i.e. fortified at 15% of the respective Nutrient Reference Value (NRV) per serving and
- Sold in emerging markets.

**Affordable Nutrition Products**
- Products which meet the definition for Popularly Positioned Products (PPP) Affordable Nutrition and the ‘Total products’ criteria above.

**Definition**
Micronutrient deficiencies (MNDs) remain widespread with iron, iodine, vitamin A, and zinc deficiencies being amongst the most prevalent. In addition to the most obvious clinical manifestations of deficiency, micronutrient undernutrition is responsible for a wide range of non-specific physiological impairments. In line with our Nestlé Policy on Micronutrient Fortification of Foods and Beverages we fortify products which contribute to meet the requirements of a large part of the population at risk of developing a specific micronutrient deficiency, and are consumed widely and regularly. We report those products that are fortified with at least one of the four aforementioned micronutrients (iron, iodine, vitamin A or zinc).

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 for protein or fiber content, or micronutrient fortification), that meet the price point suitable for the target consumer. Typically, these consumers have USD 2-4 budget a day, hence lower out of pocket priced products, smaller pack sizes and single serves generally fall into this category. This is applicable to Dairy, Nutrition and Ambient Food categories.

**Scope**
The geographical scope is restricted to emerging countries based on the classification provided by the United Nations Emerging countries\(^6\). Only Nutrition, Dairy, and Food categories are part of the scope. For the number of servings of affordable products, the scope is further limited to PPP Affordable products.

Products for animals/pets, supplements and foods for special medical purposes are exempted from our reporting.

**Performance data preparation**
Fortified servings are based on the quantity sold maintained in SAP for the Group during the given year.

Calculations are made in accordance with the following formula:

\[
\text{Number of Fortified Servings sold} = \frac{\text{Volumes sold (kg) \times 1000}}{\text{Serving Size (g/Serving)}}
\]

We apply a rule-based approach by using serving size pattern to determine serving sizes. The serving size used is the one most represented across the markets, or nearest approximate weighted average for the product.

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6 As defined by UN:


https://unstats.un.org/unsd/methodology/m49/historical-classification-of-developed-and-developing-regions.xlsx
Assumptions
Serving size per specific Product group or Product type is standardized and equal across Markets.

16. Number of young people around the world who access economic opportunities since 2017

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 on 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 completed at least 1 learning activity on Nestlé YEP, i.e., 1 YEP Academy module or 1 YEP webinar (minimum 15 minutes of learning).

Scope
Scope includes all Nestlé entities “in scope” plus Cereal Partners Worldwide (CPW), a joint venture, 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.

Performance data preparation
The data provided is collected at the country level across the three pillars during 2023. 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.

For 2023, the reporting cut-off date for Get support (Employment & Employability), Entrepreneurship and Agripreneurship data was on 10 December, while the reporting cut-off date for Get Hired and Get Skilled (Employment & Employability) was 31 December.

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 were 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).

17. Percentage of management positions held by women

Performance Measure
The KPI is the ratio of women currently holding management positions versus the total population of professionals currently holding management positions.

Definition
Management positions are the positions graded A-H pay grades (or local equivalent where applicable) as per the global grading system and methodology in Nestle which is based on Mercer (international position evaluation methodology)

Scope
All employees employed by Nestlé who are maintained on our Global HR information system. Included are:
- All contract types; permanent, temporary.
- Employees holding a management grade (Grade A-H).

Performance data
\[
\frac{\text{the number of management positions held by women}}{\text{the total population of professionals currently holding management positions}} \times 100
\]

Calculations: Basis for Calculation
Basis for the calculation are reports from Nestlé Human Resources Information System (Success Factors). The data is brought into the Global KPIs Dashboard.

- The entities which are not on the grading system of Nestlé are excluded unless
  1. There is an agreed grading mapping solution in place.
  2. For the units within markets which started and completed the grading mapping exercise during the year they will be added after the approval of the grading mapping process.

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

18. Total weight of waste generated in tonnes, and a breakdown of this total by composition of the waste

Performance Measure
Tonnes of waste generated from our factories.

Definition
Waste generated from Nestlé factories, including:
- Any material leaving the factory, destined for final disposal with no economic or ecological value (referred to as Waste for Disposal).
- Any material diverted from the waste stream which results in a certain product with a potential economic or ecological benefit (referred to as By-Product).
- Any material where the final destination is imposed by law (referred to as Waste for Disposal by Law).

Scope
All Nestlé factories in scope for ESG reporting based on our general scoping rules.
Performance data preparation
The data for total weight of waste generated from our factories is available in the ESG Dashboard, with the background source being our manufacturing IT system SHE-PM which provides the details of waste type. An annual figure is obtained for the subject reporting year by extracting the total waste reported (which includes all waste types).
For CSV reporting, Biomass as a waste composition includes the waste types food, sludge, non-conforming goods, market returns, organic material, and spent coffee grounds. Other Waste as a waste composition includes all other waste types.

19. Recordable injury rate per million hours worked

\[
\text{number of recordable injuries} \times 1.000.000 \\
\text{number of hours worked}
\]

Definition
The selected KPI to represent the recordable injury rate is the number of recordable injuries (in a monthly and annual basis) x 1.000.000, and then divided by the total hours worked in the given time period.

Scope
Nestlé-managed sites where all employees (regular employees hired by Nestlé on permanent or temporary contracts, temporary workers hired through an agency and contractors including visitors) are conducting work as part of employment. Also, non Nestlé-managed sites that involves a Nestlé employee e.g., Travels, Sales related activities, distribution centers, etc.

Performance data preparation
All sites are required to report every injury when it happens in the Nestlé internal platform “SHE-PM”. These injuries are reviewed on a weekly basis by the concerned site.

Total Recordable injuries includes Fatalities, Irreversible cases, Lost time cases, Restricted Work Cases, and Medical Treatment Cases Beyond First Aid Cases..

On a Monthly basis, the worked hours data for the given period is generated by the HR function of the site and shared with the Safety function. This is reported in SHE-PM in the defined categories: [#] Total hours worked (reg. & temp. employees + contractors).

Monthly reports are created to analyse the Recordable Injury Rate (RIR) by Markets, Zones & GMBs, and for the entire company in [ppm].

20. Total Recordable Fatalities
[Number] of fatalities in a given period.

Definition
The selected KPI to represent the total recordable fatalities is the number of recordable injuries classified as fatalities in the given time period.

Fatality is a person death resulting from a work-related incident or exposure; in general, from an injury caused by or related to a workplace hazard.

A recordable fatality is an injury that meets all of the 3 criteria below:
- The affected person was within scope for reporting.
- The incident was work-related (Work-relatedness is presumed if an event or exposure in the work environment caused or contributed to the incident).
- The severity was classified as fatality (as defined before).

Scope
Nestlé-managed sites where all employees (regular employees hired by Nestlé on permanent or temporary contracts, temporary workers hired through an agency and contractors including visitors) are conducting work as part of employment. Also, non Nestlé-managed sites that involves a Nestlé employee e.g., Travels, Sales related activities, distribution centers, etc.
Reporting Scope and Methodology for ESG Key Performance Indicators 2023

**Performance data preparation**

All sites are required to report every injury (under the fatality classification) when it happens in the Nestlé internal platform “SHE-PM”.

Investigation reports are created after the event occurs to analyse the Root Causes and Action plans by Markets, Zones & Globally Managed Businesses, and the Corporate Safety Function.

The performance measure of the KPI is absolute numbers. On a monthly basis it is compared versus previous years to establish a percentage of variation.

Monitoring of the KPI is performed in a monthly basis initially by the markets, who validates every reported recordable fatality in the Nestlé internal platform “SHE-PM”.

Global monitoring is performed on a monthly basis by CO-MELS (Corporate Operations Manufacturing, Engineering, Logistics & Safety).

The tool used to calculate and prepare the performance data is the Nestlé internal platform “SHE-PM”, and everything is readily available in the system.

**21. Total Irreversible Injuries**

[number] of injuries classified as Irreversible in a given period.

**Definition**

The selected KPI to represent the total irreversible injuries is the number of recordable injuries classified as irreversible in the given time period.

An irreversible injury is any injury that results in an impairment of function, or disfigurement, that the affected person is likely to have for the rest of their life.

Examples include:

- Loss of vision.
- Permanent damage to internal organs.

A recordable Irreversible Injury is an injury that meets all of the 3 criteria below:

- The affected person was within scope for reporting.
- The incident was work-related (Work-relatedness is presumed if an event or exposure in the work environment caused or contributed to the incident).
- The severity was classified as irreversible (as defined before).

**Scope**

Nestlé-managed sites where all employees (regular employees hired by Nestlé on permanent or temporary contracts, temporary workers hired through an agency and contractors including visitors are conducting work as part of employment. Also, non Nestlé-managed sites that involves a Nestlé employee e.g., Travels, Sales related activities, distribution centers, etc.

**Performance data preparation**

All sites are required to report every injury (under the irreversible classification) when it happens in the Nestlé internal platform “SHE-PM”.

Investigation reports are created after the event occurs to analyse the Root Causes and Action plans by Markets, Zones & Globally Managed Businesses, and the Corporate Safety Function.

The performance measure of the KPI is absolute numbers. On a monthly basis it is compared versus previous years to establish a percentage of variation.

Monitoring of the KPI is performed on a monthly basis initially by the markets, who validates every reported recordable fatality in the Nestlé internal platform “SHE-PM”.

Global monitoring is performed on a monthly basis by CO-MELS (Corporate Operations Manufacturing, Engineering, Logistics & Safety).

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7 Significant and extensive harm to the affected person’s appearance.
8 If it is unclear whether the effects will be irreversible, the relevant S&H Manager must classify based on the most likely outcome, taking advice from a health professional and CO-MELS where appropriate.
The tool used to calculate and prepare the performance data is the Nestlé internal platform “SHE-PM”, and everything is readily available in the system.

22. Speak Up

Performance Measure
It comprises every message received through Speak Up and / or uploaded in the Case Management System as of December 31 2023, excluding General Complaints (i.e., commercial complaints not related to a noncompliance allegation) and confirmed duplicated messages. (Confirmed duplicated messages are those which can be confirmed that they have been submitted multiple times by the same person with the same content. Other types of linked or similar messages remain in the report)

The below section outlines the following KPIs from “About this Report” in the CSV:
- Total messages received through Speak Up System.
- Total messages substantiated through Speak Up System.
- Total messages closed through Speak Up System.

Definition
- Total messages received through Speak Up system. It refers to the messages received through the Speak Up system, excluding the general complaints.
- Total messages received and total of closed substantiated messages per category and total cases closed. The misconduct categories are reviewed by the Legal and Compliance Function at the global headquarters and in each Market.

Scope
- All messages received in the Markets where Nestlé operates. The platform is accessible to both internal and external stakeholders.
- The Legal & Compliance Function at the global headquarters and in the Markets is responsible for the management of the Speak Up system.

Performance data preparation
The count/sum of the messages received through the Speak Up system/other means as well the count/sum of the cases substantiated and closed. This count is based on the data extracted from the Speak Up system (CMS).

Assumptions
Assuming the data is reported accurately in the Speak Up system.
Static data considering the date when the reports were extracted from the available tools.

23. Percentage of FSSC Certified Manufacturing & R&D units that produce food and pet food for human and pets (cats and dogs) consumption

Performance Measure
The KPI “% Of FSSC Certified Manufacturing & R&D units producing food and pet food products for consumption” is calculated by dividing the number of manufacturing and R&D Sites (in scope of this KPI) that are certified to FSSC 22000 and have a certification status VALID + RENEWAL IN PROGRESS status, by the number of active sites in scope of FSSC 22000.

\[
\text{KPI} = \frac{\text{Number of manufacturing and R&D sites certified to FSSC 22000 with VALID or RENEWAL IN PROGRESS status}}{\text{Total number of active sites in scope of FSSC 22000}}
\]
Formula definitions:
- Certified Sites: The number of Nestlé manufacturing and R&D sites certified to FSSC 22000 with a certification status of VALID or RENEWAL IN PROGRESS.
- Active Sites: The total number of active sites in scope of FSSC 22000.
- Valid Certificate: A “Valid” status means that the site is currently meeting the FSSC22000 requirements.
- Renewal in Progress: A “Renewal in Progress” status indicates that the organization is in the process of renewing its certification.

Definition
With its commitment to food safety management, Nestlé ensures that manufacturing and R&D sites that produce food and pet food for human and pets (dogs and cats) consumption are certified to a GFSI recognized program such as FSSC22000. The data is reflecting the % Of FSSC Certified Manufacturing & R&D units that produce food and pet food for human and pets (cats and dogs) consumption on December 31 of each year.

(FSSC22000: a certification scheme for Food Safety Management Systems that is aligned with the ISO Management System approach and the ISO Harmonized Structure).

Scope
The scope includes all entities that produce food and pet food for human and pets (cats and dogs) consumption; and Cereal Partners Worldwide (CPW), a joint venture.
- For standardization purposes and in alignment with the CPW, the GFSI recognized program to implement at the CPW production facilities is FSSC22000, and hence the CPW manufacturing sites are covered by this KPI.
- The following NHS (Nestlé Health Science) categories are also in scope: FSMP (Food for Special Medical Purposes), Meal replacements, Food for special dietary needs (weight control).
- Examples of not-in-scope entities include cat litter, VMHS (Vitamins, Minerals, Herbal) Supplements.
- In exceptional cases, approved by corporate quality management, another GFSI recognized program can be considered as part of the calculation.

Performance data preparation
A governance model is in place to ensure accurate performance data preparation. This governance model is safeguarded through clearly defined roles and responsibilities, is driven by governance reviews with internal stakeholders and Certification bodies and involvement in industry associations, is enabled through a digital ecosystem.

The KPI “% Of FSSC Certified Manufacturing & R&D units producing food and pet food products or consumption” is calculated based on “number of active sites in scope of FSSC 22000”. Nestlé experts review and update the list of “Active Sites” in an internal database called “NCMS Certification management module” on a regular basis (ad hoc or at least once a year). These experts are updating the “In Scope of FSSCC 22000” field in the database accordingly. They also manage changes to “Admin” and “Editor” roles in response to changes in the Nestlé organization, ensuring reporting continuity and accuracy. This database automatically monitors the Certificates’ validity dates and has preset notifications that alert editors in due time.

24. Number of Countries with audits on the Nestlé Policy on WHO Code and Instances of detected non-compliances with the Nestlé Policy on WHO Code

Definition
At Nestlé, we are committed to protecting and promoting breastfeeding. As part of this commitment, we market and sell breast milk substitute (“BMS”) responsibly. We were the first company to voluntarily implement recommendations from the WHO International Code of Marketing of Breast-milk Substitutes (“WHO Code”) – a set of recommendations to regulate the marketing of BMS, feeding bottles
and teats. We have published the Nestlé Policy for Implementing the WHO Code (“Nestlé Policy on WHO Code”) on the responsible marketing of BMS and, since 2009, we have reported annually on our compliance with this Policy, which applies to the Nestlé Group and third parties with a direct contractual relationship with Nestlé.

Performance Measure
Compliance with the law and with our Nestlé Policy on WHO Code is fundamental to our approach and our values as a company. We have put in place a set of mechanisms to ensure compliance and to quickly detect and address any instances of non-compliance that may occur. KPI (1) refers to the number of countries in which an internal⁹ or external¹⁰ audit including an assessment on the Nestlé Policy on WHO Code was conducted in a calendar year. KPI (2) refers to the number of substantiated instances of non-compliance with the Nestlé Policy on WHO Code reported in any of the monitoring systems, auditing and verifications by independent stakeholders (the “WHO Monitoring System”), as well as the internal and external grievance mechanisms (including WHO Code Ombudsperson System, Speak Up system¹¹ and allegations made in third party documents and reports) (the “Grievance Mechanisms”).

The below section outlines the following KPIs from “About this Report” in the CSV:
- Number of countries with audits on the Nestlé Policy on WHO Code.
- Instances of detected non-compliances with the Nestlé Policy on WHO Code.

Scope
Data disclosed in the 2023 Nestlé CSV report relates to 2022 consolidated data.

For KPI (1) the internal and external audits cover within a risk-based defined strategy and timeframe all sites owned/operated by Nestlé in all markets, including Head Offices, Sales Offices, Distribution Centers and Factories.

For KPI (2), the number of instances of substantiated non-compliance with the Nestlé Policy on WHO Code are those reported in the Grievance Mechanisms and attributable to Nestlé Group and third parties with a contractual relationship with Nestlé, excluding third parties with no direct relationship.

Performance data preparation
Data reported in the sources comprising the Grievance Mechanisms are consolidated on a yearly basis and processed into a single data base. Instances of substantiated non-compliance reported in the WHO Monitoring System are assessed and grouped based on identified patterns (i.e., similar products or customers within a country).

Assumptions
Assuming the data is reported accurately in the internal monitoring system and the Grievance Mechanisms.
Static data considering the date when the reports were extracted from the available tools.

25. Number of employees
Performance Measure
Number of Employees
The below section outlines the following KPIs from “About this Report” in the CSV:
- Total number of employees by employment contract (permanent and temporary), by gender.
- Total number of employees by employment contract (permanent and temporary), by region.
- Total number of employees by employment type (full-time and part-time), by gender.

Definition
This KPI measures the number of people employed by Nestle Group wide.

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⁹ Internal audit following Nestlé Internal Audit Manual.
¹⁰ Audits performed by third parties.
¹¹ Speak Up Platform operated by People inTouch, with the Case Management system, and the Speak Up Tool.
Reporting Scope and Methodology for ESG Key Performance Indicators 2023

**Scope**
All employees employed by Nestlé who are maintained on our Global HR information system. Included are:
- All contract types; permanent, temporary.
Excluded are:
- Retirees.
- External workforce.
- Employees NOT maintained on our Global HR information system. The most common reason for companies not to be integrated on our HR systems is that they have been acquired.

**Performance data preparation**
Reporting will provide the following segmentation options:
- Employment Type: full-time / part-time.
- Region: Nestle currently has 5 geographical zones called: Asia, Oceania & Africa, Greater China, Europe, Latin America and North America.

**Assumptions**
- 1 person counts as 1 headcount, irrespective of if the work part time or not.
- The headcount will be provided as end of year measure (31 Dec 2023).

**26. Average hours of technical or vocational training provided to workers in the company’s operations**

**Performance Measure**
This KPI is the number of hours of completed trainings/ total number of employees working in operations (male and female). This average of hours is extracted from the Nestlé iLearn system (a learning and development digital platform) at the end of each year. These training courses include mandatory training and the recommended ones available on the platform.

**Definition**
Hours of vocational training KPI provides visibility on the average number of hours of technical or vocational training(s) provided to workers in the Company’s Operations by gender.

**Scope**
The scope of this KPI includes male and female “active” employees, who work in all the entities that are registered in our Human Resources information system under “Operations” category, throughout the company. This KPI only takes into the account the training of employees’ who have completed training on the learning and development digital platform (iLearn).

**Performance data preparation**
Data have been collected through iLearn (our learning and development digital platform) with individuals completing both online and in person trainings. These trainings are then recorded in the system under unique identifiers per employee. Total hours spent in training by male or female Operations employees is then divided by the number of active male or female employees in Operations at the date of reporting.