



Nestlé Good food, Good life

NESTLÉ'S SUPPLY CHAIN (SCOPE 3) AND SOURCING LANDSCAPE REMOVALS FRAMEWORK

Summary

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

Nestlé's Supply Chain (Scope 3) and Sourcing Landscape Removals Framework 'Nestlé's Removals Framework'. was developed to guide Nestlé in the execution of large scale [Natural Climate Solutions \(NCS\)](#) projects within our agricultural value chain, as part of our [Net Zero Roadmap](#).

Nestlé's Removals Framework provides guidance on:

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

In May 2023, Nestlé's Removals Framework was updated to reflect new developments of the global standards such as the [Greenhouse Gas Protocol Land Sector and Removal Guidance](#) and [SBTi Forest, Land and Agriculture \(FLAG\) Guidance](#). It will continue to be revised upon the final publication of the GHGP Land Sector and Removals Guidance in early 2024.

Throughout this document, carbon removals are defined as interventions that absorb CO₂ from the atmosphere and store it somewhere else, such as in trees or soil, within Nestlé's value chain (i.e., our supply chains and the broader sourcing landscapes of which our supply chains are a part).

Role of Natural Climate Solutions in mitigating climate change

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

And the food system has a key role to play. Agriculture is the primary driver of deforestation, natural habitat loss and degradation as well as biodiversity loss. The food system is estimated to contribute to more than a third of man-made greenhouse gas emissions.

To feed the world for generations to come, we need to transition towards a regenerative food system that helps protect and restore the environment, improve farmers' livelihoods, enhance the well-being of farming communities, and protect human rights.

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

Nestlé's Supply Chain (Scope 3) and Sourcing Landscape Removals Framework

Companies within the food and agricultural sectors are uniquely suited to implement NCS projects within their value chain. They have a vested interest in the long-term resilience and productivity of their sourcing landscapes. They recognize the importance of addressing carbon impacts as well as promoting broader co-benefits, such as livelihood improvement, economic development and biodiversity enhancement in these landscapes.

However, despite the continued development of global standards, companies are still faced with a certain level of ambiguity and uncertainty. They need clearer guidance regarding what can count towards science-based net-zero targets and how to execute carbon removal projects.

To navigate the ambiguity and uncertainty without delaying our action, Nestlé, together with our partners, developed the Nestlé's Supply Chain (Scope 3) and Sourcing Landscape Removals Framework. This framework allows us to identify which NCS projects to invest in and implement in collaboration with our partners, and ultimately enables us to take immediate action at the scale we need.

Nestlé's Removals Framework takes a risk-based approach to ensure carbon removals can be claimed towards Nestlé's climate commitments following the most updated global standards and best practices (e.g.). It defines the level of assurance, the type of evidence and frequency of measurement and

reporting required to support the emission removal accounting.

Under Nestlé's Removals Framework, we have been developing and implementing large-scale and long-term reforestation and agroforestry [projects](#) within our value chain. Many of these projects are part of the [Global Reforestation Program \(GRP\)](#).

All projects under Nestlé's Removals Framework are required to comply with the following best-practice principles to ensure their sustainable long-term benefits for the environment and communities, taking into account both local contexts and international standards:

- Additionality (applicable for large scale projects);
- Permanence;
- Legal & Carbon rights;
- Eligibility;
- Real & Measurable (independently verified, consistent);
 - No double counting;
- Stakeholder Consultation & Consent;
- No harm/ Additional Co-benefits.

This rigorous set up enables us to create transformative action and innovative ways of working with stakeholders, including our suppliers. For example, we have signed over 20-year contracts to ensure long-term success of large-scale restoration projects that will contribute to the transformation of, for example, coffee production regions in

Honduras, Colombia, and Nicaragua. Other projects are under way in Australia, China, Ghana, Ivory Coast, the Philippines, Thailand and Vietnam.

How do we work on the ground?

We work with global and local partners to implement, monitor, verify and selectively certify the NCS projects. Because both reforestation expertise and carbon expertise are critical for the success of our projects, we pair our planting partners with carbon partners where deemed necessary. This allows us to work with leading organizations in their field of expertise and ensure projects are executed based on the most up-to-date scientific evidence and strong local knowledge.

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

One important aspect is to ensure that our NCS projects are inclusive of local communities and indigenous peoples. Therefore, we aim to drive both projects that are small, distributed and integrated into the farming systems, as well as larger ones in the surrounding sourcing landscape.

For the same reason, we do not apply carbon credit certification to all our projects, as we

believe that this would lead to excluding community-based or smaller projects due to prohibitive costs and processes.

Monitoring & verification is critical for ensuring long-term success of NCS projects where carbon and co-benefits are achieved during the lifetime of the projects and beyond. Each project is set up with a monitoring plan over the project's lifetime. We have guidance on short- and long-term monitoring frequency as well as on the level of verification required. We continue to monitor this evolving space to find partners, [explore innovative and new solutions](#), and update our own internal guidance on this topic.

Our intention & next steps

The question for land-use sector companies is no longer whether they should invest in NCS interventions in their value chain, including on farms and in the surrounding landscape, but how action can be taken in a timely, credible and permanent way.

In 2021, Nestlé developed the first version of this guidance framework and the processes that underpin the implementation of our NCS projects. Since then, we have been applying this framework across large scale carbon removal projects within our value chain.

In 2022, we scaled up our investments in NCS. As we developed and implemented more projects, we continued refining our project

design and implementation using the adaptive management approach. We also strengthened the integration and reporting of metrics beyond carbon, such as biodiversity, water and social impacts to ensure our contribution to the holistic landscape restoration.

In 2023, we took into account the new releases and updates of international carbon accounting standards, in the updated Nestlé's Supply Chain (Scope 3) and Sourcing Landscape Removals Framework. We will continue reviewing and updating this framework according to the GHG Protocol and the SBTi updates. We also commit to working with organizations and networks such as the International Platform for Insetting (IPI) and SBTi Beyond Value Chain Mitigation Initiative to advocate and mainstream climate action within other peer companies' value chains.

Nestlé is acting now, and Nestlé's Removals Framework guides us in selecting large-scale value chain interventions with high integrity that will help keep to the 1.5°C pathway.

As the urgency has been made clear by the IPCC, we encourage other companies and organizations in the sector to engage in the conversation and consider taking such an approach forward together with their supply chain partners and peers.



Nestlé's Supply Chain (Scope 3) and Sourcing Landscape Removals Framework

REMOVAL PROJECT ZONES	1. ON-FARM	2. SUPPLY SHED FARM – COMMODITY SPECIFIC	3. SUPPLY SHED FARM – NON-COMMODITY SPECIFIC	4. SOURCING LANDSCAPE
DESCRIPTION	<p>On-farm, commodity specific: Project occurs on a farm that is a known supplier (direct or indirect) of an ingredient or raw material procured by Nestlé.</p>	<p>On-farm, commodity-specific: Project occurs on a farm that is part of a group of suppliers in a specifically defined geography (for example, part of an agricultural cooperative) that Nestlé sources an ingredient or multiple ingredients from, directly or indirectly.</p> <p>It may not be feasible to demonstrate which specific farm supplies Nestlé. However, we can demonstrate the farm is in the group that do, for example by demonstrating that these farms provide ingredients to Nestlé's direct suppliers. This group of suppliers are also referred to as supply shed¹.</p>	<p>On-farm, non-commodity specific: Project occurs on a neighboring farm that is very closely connected (environmentally and/or socioeconomically) to a farm from which Nestlé sources an ingredient or multiple ingredients from; however, this specific farm does not grow the ingredient(s) Nestlé sources.</p>	<p>On land, connected to supply shed: Project occurs on land that is connected environmentally and/or socio-economically to the supply shed from which Nestlé sources ingredients, and as such, the project is highly likely to provide direct or indirect benefits to the sustainability and socio-economic health of the supply shed and wider sourcing landscape.</p>

¹ This follows the definition from Value Change's Value Chain (Scope 3) Interventions – Greenhouse Gas Accounting & Reporting Guidance, version 1.1, May 2021.

EXAMPLES OF PROJECT TYPES	<ul style="list-style-type: none"> • Agroforestry • Silvopasture • Natural Regeneration on farm • Reforestation on farm 	<ul style="list-style-type: none"> • Agroforestry • Silvopasture • Natural Regeneration on farm • Reforestation on farm 	<ul style="list-style-type: none"> • Agroforestry • Silvopasture • Natural Regeneration • Reforestation on farm 	<ul style="list-style-type: none"> • Agroforestry (IF project occurs on farm) • Silvopasture (IF project occurs on farm) • Reforestation • Natural Regeneration • Restoration within riparian zones • Wildlife corridor restoration between farms • Wetland, peatland, or other types of natural landscape restoration • Mangroves
MONITORING FREQUENCY	<p><u>Early monitoring:</u> Planting partner first 3 years AND carbon partner first 1-3 years</p> <p><u>Long-term monitoring:</u> Planting partner punctual all 3-5 years AND Carbon partner all 3-5 years for carbon If remote sensing available, then more frequent (annually)</p> <p><u>General:</u></p>	<p><u>Early monitoring:</u> Planting partner first 3 years AND carbon partner first 1-3 years</p> <p><u>Long-term monitoring:</u> Planting partner punctual all 3-5 years AND Carbon partner all 3 years for carbon If remote sensing available, then more frequent (annually)</p> <p><u>General:</u> Minimum duration to 20 years Continuous remote sensing beyond 20 years</p>	<p>According to certification scheme requirements.</p>	

	Minimum duration to 20 years Continuous remote sensing beyond 20 years		
MINIMUM LEVEL OF VERIFICATION	2 nd party verification (With third party audit/verification check recommended)		3rd party certification (with verified carbon credits required)