

NESTLÉ SUSTAINABILITY REPORT 2023 SUMMARY

Introduction

Companies around the world are recognizing that their biggest threat is not their competitors, but rather climate change and biodiversity loss. These issues impact both their businesses and the communities in which they operate. Sustainability has evolved from a mere buzzword into a call for action. Organizations are increasingly encouraged to publish their Environmental, Social, and Governance (ESG) reports. This not only helps build a long-term reputation but also enhances transparency and credibility among customers and investors¹.

In the following part, I will be summarizing the Nestlé 2023 sustainability report².

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Company Overview



Good food, Good life

Nestlé is a leading global brand with a presence in 185 countries across the Americas, Europe, Asia, Oceania, and Africa (AOA). The company offers over 2,000 brands across seven product categories, including coffee, pet care, and prepared dishes. Some of its well-known brands include Nespresso, KitKat, and Purina ONE. Nestlé employs approximately 277,000 people worldwide, with 84.5% of management committee positions held by local employees. Nestlé's Creating Shared Value (CSV) initiative focuses on leveraging global scale and expertise to foster a healthier future for both people and the planet³.

ESG Performance Summary

Environmental

- **Carbon Emissions**

Context

Climate change continues to affect people, communities, and businesses globally. Cities are increasingly becoming vulnerable to extreme weather events. In this context, each business has a role to play in mitigating the effects of climate change.

Performance

In 2020, Nestlé published the Nestlé Net Zero Roadmap⁴ to meet the 2050 net zero commitment. Accordingly, the company follows criteria approved by the Science Based Target initiative (SBTi) to

reduce Scope 1-3 emissions across its value chains.

Key facts and figures:

By the end of 2023,

1. Nestlé has successfully reduced emissions by 12.75% compared to the 2018 baseline, achieving a 13.58% net reduction against the same baseline.
2. Scope 1 and 2 emissions reduced by 33.19% vs the 2018 baseline.
3. The company is now more than halfway towards its 2025 Net Zero Roadmap goal of a 20% absolute emissions reduction from the 2018 baseline.
4. Additional plans are in place to further decrease Greenhouse Gas (GHG) emissions, aiming for a 50% reduction in absolute terms across net zero scope by 2030.
5. Nestlé aims to reduce absolute Scope 3 Forest, Land, and Agriculture (FLAG) greenhouse gas emissions by 50% by 2030 and 75% by 2050, using 2018 as the baseline year. Additionally, the company aims to cut absolute Scope 1, 2, and 3 Energy/Industry GHG emissions by 50% by 2030 and 90% by 2050, also based on 2018 figures.

In 2023, Nestlé reported that nearly 95% of its carbon footprint is from Scope 3 emissions within the supply chain, which includes farming and land use, while only 5% of emissions are attributed to Scope 1 and 2, as shown in **Figure 1** below.

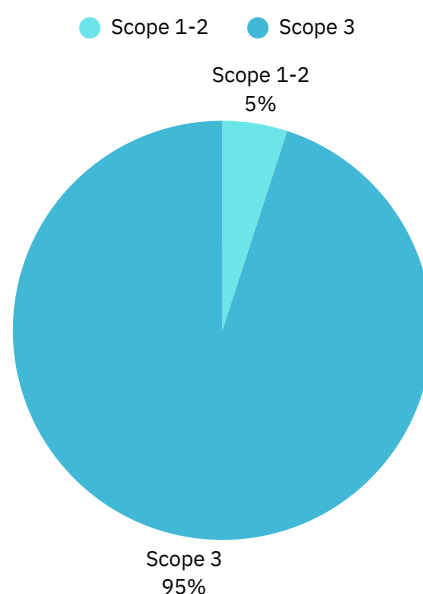


Figure 1: Scope 1-3 emissions against 2018 baseline levels

● **Renewable Electricity**

To address carbon emissions, Nestlé has invested in increasing the share of renewable energy in its manufacturing facilities, combined with energy efficiency measures. As shown in **Figure 2** below, the company has committed to sourcing 100% renewable electricity across all its sites by 2025, achieving 91.9% renewable electricity already implemented in 2023. In Indonesia, Nestlé is replacing natural gas boilers with biomass burners, resulting in a reduction of more than 20000 tonnes of CO₂e from scope 1 and 2 emissions each year.

Renewable electricity at our manufacturing sites at year end (%), with a target of 100% by 2025

- 91.9% in 2023
- 78.4% in 2022
- 63.7% in 2021

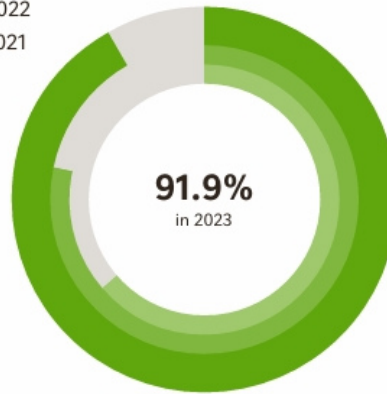


Figure 2: Renewable electricity target by 2025

● Packaging

Context

The production of packaging materials, particularly plastics, involves extracting and processing fossil fuels, which release large amounts of greenhouse gases. Plastics made from new, non-recycled raw materials are a major contributor. In 2019, the production and disposal of plastics resulted in approximately 1.8 billion metric tons of CO₂ equivalent emissions, accounting for about 3.3% of global emissions and nearly double those from the shipping industry⁵.

Performance

Nestlé has been a participant in the Ellen MacArthur Foundation's New Plastics Economy Initiative since 2017, focusing on establishing a circular economy for plastic packaging. Nestlé adheres to design-for-recycling principles set forth by prominent industry organizations, including APR, Plastic Recyclers Europe, and the Consumer Goods Forum.

Key facts and figures:

By the end of 2023,

1. 83.5% of plastic packaging was created with recycling in mind.
2. 41.5% of packaging utilized recycled and/or renewable materials.
3. The use of virgin plastic in packaging has decreased by 14.9% since 2018.

We aim for >95% of our plastic packaging to be designed for recycling by 2025*

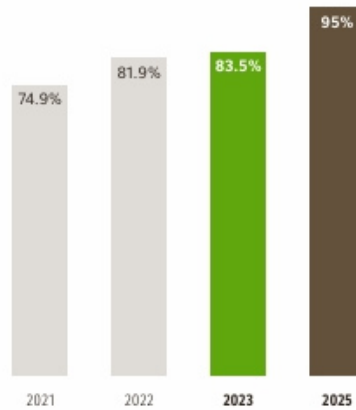


Figure 3: Plastic packaging by 2025

Packaging contributes to 11.70% (or 9.31 million tonnes of CO₂e) of the GHG emissions. **Figure 3** above shows the company plans to increase above 95% of plastic packaging designed for recycling. To mitigate these emissions, Nestlé has introduced regenerative agricultural practices, which include minimizing the use of carbon-intensive fertilizers and incorporating carbon-absorbing plants.

- **Water stewardships**

Context

Water is a limited resource, and its excessive use and contamination lead to significant repercussions. Factors such as inefficient water usage, industrial runoff, and insufficient wastewater treatment all play a role in environmental deterioration. Sustainable water management seeks to tackle these challenges by enhancing water utilization, minimizing pollution, and encouraging responsible consumption practices⁶.

Performance

Agriculture accounts for 70% of global water withdrawals; water is regarded as one of the five pillars of the Nestlé Agriculture Framework⁷; diverse cropping systems and livestock integration, collective and landscape actions, soil health, biodiversity, water security, and quality. Nestlé Responsible Sourcing Standard⁸ defines mandatory best practices on water use and management for all our suppliers.

Key facts and figures:

1. **Decreased Water Consumption:** Achieved a total reduction of three million m³ of water, surpassing the target of six million m³ set between 2021 and 2023.
2. **Upholding Water and Sanitation Rights:** Launched the Human Rights Salient Issue Action Plan to support the human right to water and sanitation.
3. **Managing Water Resources at Nestlé Waters:** Out of the Nestlé Waters sites, 23 (52.3%) received certification to the Alliance for Water Stewardship (AWS) standard, an increase from 21 sites in 2022.

Nestlé has introduced various social initiatives aimed at enhancing water management practices within communities. One notable example is the launch of the new Human Rights Salient Issue Action Plan, which focuses on the fundamental human right to water and sanitation. This action plan is designed to address and mitigate risks associated with Safe Water, Sanitation, and Hygiene (WASH) in our operations, tier-one suppliers, and agricultural supply chains.

During 2023, Nestlé was one of 17 companies chosen to pilot the new Science Based Targets Network (SBTN) freshwater target-setting methodology. This pilot enables the organization to conduct a thorough assessment of water-related impacts, including risks and opportunities throughout the value chain, while adhering to a rigorous science-based framework.

Social

As a global multinational organization, Nestlé has a significant influence on human rights, its relationships with individuals, and the policies and actions that affect various groups and societies. Below, we present several topics to enhance understanding of Nestlé's initiatives.

- **Advancing Human Rights**

Context

Respect for individuals and human rights lies at the heart of Nestlé's culture and values, serving as one of the fundamental Corporate Business Principles. With evolving regulations and increasing stakeholder interest, the emphasis on advancing human rights throughout the value chain is becoming more significant.

Performance

Implementation of Nestlé Human Rights Framework and Roadmap places emphasis on five key work areas such as Governance and incentives, Policies and control systems, Engagement and advocacy, Strategic partnerships, and Transparency and reporting.

Key facts and figures:

1. Launched a new human rights policy and Action Plans for key issues.
2. Improved governance structure to oversee the Human Rights Framework and Roadmap.
3. Implemented programs to evaluate and mitigate risks, reporting on progress and challenges.

In 2023, the company released a new human rights policy along with dedicated Human Rights Issue Action Plans. Nestlé has initiated initiatives as part of its effort to address child labour risks and improve the income of cocoa-farming families. For example, The Nescafé Plan 2030 is tackling child labour and forced labour risks, and the Nespresso AAA Sustainable Quality Program is working toward the empowerment of coffee communities.

Nestlé has identified child labour as a significant risk within its cocoa supply chain. To address this issue, it implemented the Child Labour Monitoring and Remediation System (CLMRS) in 2012, which has supported a cumulative total of 203,401 children.

- **Diversity, Equity, and Inclusion (DE&I)**

Context

Today, it is increasingly vital for companies to support and empower individuals from various faiths, backgrounds, and nationalities. The values of Diversity, Equity, and Inclusion (DE&I) play a crucial role in enhancing Nestlé's business strategy, as they help identify solutions to various challenges. Furthermore, DE&I serves as a significant factor in attracting and retaining top talent, ultimately shaping the company's growth strategy.

Performance

Key facts and figures:

1. All markets completed DE&I self-assessments and established action plans for ongoing progress.
2. Women held 46.4% of all management positions. Please refer to **Figure 4** below.
3. Women held 25% of our Executive Board positions.
4. Local employees made up 85.7% of senior executive leaders at the management committee level.
5. 93% of employees completed unconscious bias training, and approximately 94% completed sexual harassment prevention training.
6. All Nestlé markets globally have completed self-assessments to evaluate the implementation of DE&I initiatives.

Management positions held by women (%)



Figure 4: Management positions held by women

Nestlé Salient Issue Action Plan for Gender Equity, Non-Discrimination and Non-Harassment⁹ published in February 2023, seeks to build understanding of gender topics and needs. Global Voluntary Self-Identification Program helps employees to submit diversity-related data in line with local regulations. This program covers Brazil, Colombia, the Dominican Republic, Ecuador, the

Philippines, South Africa, and the United Kingdom and Ireland markets, covering around 16.2% of employees.

- **Young People**

Context

Young people play a crucial role in providing a fresh perspective in solving varied challenges, ranging from climate-related problems to advancing sustainability in companies global supply chain. Providing opportunities to young people improves societal development, thus improving living standards.

Performance

Key facts and figures:

1. Enabled 2.1 million people with new skills and job opportunities.
2. Expanded support and training for young farmers through agripreneurs.
3. Aimed to help 10 million young people access economic opportunities by 2030.
4. Increased users of the Nestlé YOUth Entrepreneurship Platform to 9,766 in its first year, including 8,464 young farmers trained through the Nestlé Agripreneurship Program (up from 5,121 in 2022).
5. Collaborated with UNESCO on Because Youth Matter, awarding 20 community innovation grants.

Nestlé's YOUth Entrepreneurship Platform is an initiative aimed at providing jobs to a diverse generation of young people by equipping them with skills and nurturing entrepreneurial talent. Additionally, 1,393,147 young people were impacted through digital events such as career fairs, educational webinars, and e-learning programs focused on enhancing their employability (compared to 1,415,687 in 2022). Nestlé aims to help 10 million young people gain access to economic opportunities by 2030.

Governance

As the strategic significance of Environmental, Social, and Governance (ESG) continues to rise, it is essential to incorporate it into governance structures such as the board, risk and audit committee, and executive committee. Furthermore, embedding ESG into these governance bodies highlights an organization's dedication to sustainability, signaling to stakeholders, investors, and the market that ESG is crucial for long-term value creation^{[10](#)}.

- **Ethical Business**

Context

It is crucial for Nestlé to earn the trust of its investors and stakeholders regarding its products, services, and brands. Upholding consistently high standards of integrity and adhering to laws and regulations are essential. Nestlé's Corporate Business Principles^{[11](#)} ensure that all interactions with consumers, customers, employees, suppliers, investors, and regulators are aligned.

Performance

Key facts and figures:

1. 194 CARE Audits conducted at sites.
2. 2,341 messages closed; 691 substantiated via Speak Up channel.
3. 970,000 compliance training modules completed.

To strengthen and maintain a culture of business ethics and compliance throughout the organization, Nestlé has implemented a comprehensive Compliance Management System. The Group Compliance Program supports the development and implementation of the Nestlé Corporate Business Principles. Nestlé has launched the *Speak Up* grievance mechanism tool to capture complaints and feedback from employees and external stakeholders. Through this grievance mechanism, the organization received 2874 messages on non-compliance allegations and compliance-related questions. During 2024, Nestlé aims to continuously build on strong foundations and respond to address the constantly changing regulatory landscape and social environment.

● Board Diversity

Context

Board diversity is becoming increasingly acknowledged as a vital element for effective corporate governance and overall organizational success. It enhances the quality and impartiality of decision-making by introducing fresh voices into discussions and decisions. Additionally, board diversity promotes innovation, creativity, and a deeper understanding of customer insights through a wider array of problem-solving techniques, perspectives, and ideas¹².

Performance

Nestlé emphasizes that board diversity is a strategic priority, reflecting the company's commitment to effective oversight and sustainable value creation. The Board of Directors is structured to ensure a high degree of diversity across multiple dimensions, including: Gender, Age, Education and qualifications, Professional background, Present activity, Sector expertise, Special skills, Nationality and geography, Ethnicity and culture, Leadership approach

The company's selection guidelines for new board members explicitly require a well-balanced board, considering both Swiss and non-Swiss nationals, and ensuring a mix of individual experiences, competencies, and personal attributes. This approach is intended to foster cognitive diversity, support succession planning, and ensure that the board brings a wide range of perspectives to strategic decision-making¹³.

● Third-Party Assurances

Context

Third-party assurance refers to an independent organization assessing a company's ESG data, especially its environmental performance metrics, such as carbon emissions. This evaluation offers external validation that the reported information is accurate, complete, and aligns with applicable

standards or frameworks. Unlike internal audits, third-party assurance brings an impartial perspective that boosts stakeholder confidence¹⁴.

Performance

Nestlé has partnered with two independent third-party organizations to ensure the accuracy and reliability of its sustainability-related disclosures. Bureau Veritas has been engaged to assure the information presented in the 2023 report concerning selected sustainability performance metrics. Additionally, the company has enlisted EY to independently verify the key performance indicators (KPIs) that are of significant strategic importance¹⁵.

Materiality Assessment

Materiality topics refer to the specific environmental, social, and governance (ESG) issues that are most important to a company and its stakeholders. These issues can have significant positive or negative effects on the company's ability to create, maintain, or diminish value over time. They also play a crucial role in shaping the decisions and evaluations of stakeholders, including investors, customers, employees, and regulators¹⁶. Materiality assessment prioritizes actions to enhance shareholder value and promote positive societal and environmental impacts..

According to the 2023 sustainability report, Nestlé has identified several key topics that significantly impact people, the environment, and the company's business success.

These topics include **health and nutrition, the environmental and social impacts of the ingredient supply chain, product quality and safety, water management, ecological impacts, and greenhouse gas (GHG) emissions**.

We summarize these material impacts as follows,

- **Health & Nutrition**

Nestlé's success relies heavily on its product portfolio consistently delivering value to consumers. Key factors for this success include innovation, adherence to both local and international food safety regulations, and a quick speed-to-market. Failing to meet these standards could result in missed growth opportunities, regulatory actions, and a loss of trust and reputation.

- **Environmental and Social Impacts of the Ingredient Supply Chain**

The company has recognized sourcing ingredients as a critical material issue, primarily due to resource scarcity, soil degradation, and water stress, which make the supply chains of large food and beverage companies vulnerable. The Nestlé Responsible Sourcing Framework is designed to promote continuous improvement throughout Nestlé's supply chain by focusing on three key aspects: traceability, adherence to Nestlé's Responsible Sourcing Standard, and the implementation of regenerative agriculture practices¹⁷.

- **Product Quality and Safety**

Product safety and standards are essential at Nestlé. The company ensures its products comply with ISO safety standards by implementing the Nestlé Management System (NMS) for Quality, Safety, Health, and Environment (SHE). Independent third-party certification bodies verify these standards. According to Nestlé, 92.9% of ingredients sourced from tier 1 suppliers come from facilities that are certified under a GFSI-recognized food safety certification program.

- **Water Management**

Water stewardship is essential to Nestlé's business operations and supply chain. Effective management and restoration of water resources positively impact ecosystem services, soil health, and biodiversity. As part of its commitment, Nestlé aims to achieve certification to the AWS standard at all its water sites by 2025. Additionally, the company reports that it has reduced water usage in its factories by three million cubic meters, surpassing its target of six million cubic meters between 2021 and 2023.

- **Ecological Impacts**

Supporting nature and biodiversity is crucial for combating climate change, helping communities, and ensuring the sustainability of Nestlé's business operations. Losses in biodiversity can significantly impact the availability of key ingredients. In 2023, Nestlé aimed to achieve 100% deforestation-free primary supply chains for meat, palm oil, pulp, paper, soy, sugar, cocoa, and coffee. Additionally, Nestlé plans to plant and grow 14.7 million trees through its Global Reforestation Program.

- **Greenhouse Gas (GHG) Emissions**

Nestlé has pledged to further reduce GHG emissions by 50% in absolute terms by 2030 and to achieve net-zero by 2050. Reducing Scope 3 emissions across the value chain remains a high priority for the company.

ESG & GHG Trackers

This section provides a summary of key indicators that demonstrate Nestlé's performance in Environmental, Social, and Governance in 2023, along with targets, to assist the reader in understanding the results.

Environmental KPIs

KPIs	Units	2021	2022	2023	Target
Scope 1 emissions	Mt Co2e	-	-	3.16	Reduce 20% emissions by 2025 and 50% by 2030 from 2018 levels
Scope 2 emissions	Mt Co2e	-	-	0.31	Reduce 20% emissions by 2025 and 50% by 2030 from 2018 levels
Scope 3 emissions	Mt Co2e	-	-	84.08	Reduce 20% emissions by 2025, 50% by 2030 from 2018 levels
Renewable electricity at all factories	%	63.7	78.4	91.9	100% electrification by 2025
Water stewardships	Million m3	2.3	2.38	3	Reduce water use by 6 million m3 between 2021 and 2023
Plastic packaging designed for recycling	%	74.9	81.9	83.5	Design over 95% of plastic packaging by the year 2025.
Virgin plastic reduction vs 2018 baseline	%	8.1	10.5	14.9	Reduce the use of virgin plastics by one-third by 2025, compared to the 2018 baseline.
Supply chains for cocoa and coffee + meat, palm oil, pulp and paper, soy, and sugar evaluated as deforestation-free.	%	-	-	93.4	Achieve 100% deforestation-free supply chains by 2025

Social and Governance KPIs

KPIs	Units	2021	2022	2023	Target
Young people with access to economic opportunities	Million	3.8	5.6	7.7	Help 10 million young people by 2030
Percentage of women in management positions	%	43.8	45.3	46.4	-
Global mean average raw gender pay gap	%	-	-	6.7	-
Speak Up compliance system (Total messages received through the system)	Number	2475	2516	2874	-
Total irreversible injuries	Number	13	22	10	Launch of Learning Experience Platform

Peer Benchmarking

This section presents a peer benchmarking analysis of Nestlé’s ESG metrics against those of PepsiCo¹⁸ offering insights into Nestlé’s sustainability performance relative to its industry counterparts.

Metrics	Nestlé	PepsiCo
Scope 1 & 2 emissions	Reduce 20% emissions by 2025 and 50% by 2030 (2018 baseline)	Reduce 75% emissions by 2030 (2015 baseline) 2
Scope 3 emissions	Reduce 20% emissions by 2025 and 50% by 2030 (2018 baseline)	Reduce 40% emissions by 2030 (2015 baseline)
Water management	Reduce water use by 6 million m3 between 2021 and 2023	Replenishing >100% of water uses by 2030
Renewable electrification	100% electrification by 2025	100% renewable electricity by 2030
Packaging	By 2025, designing 95% of packaging	By 2025, 98% of packaging to be recyclable, biodegradable, or reusable
Women in management roles	46.4% in 2023	Achieve and sustain 50% by 2025 (45% in 2023)

Conclusion

Nestlé’s 2023 sustainability report outlines its path to net zero by 2050 through focused actions on climate, packaging, and community empowerment. In 2023, it achieved over 90% renewable electricity and designed over 80% of its packaging for recycling, clear milestones on its 2025 roadmap. Its YOUTh initiatives also continue to scale up opportunities for young farmers and entrepreneurs.

However, addressing Scope 3 emissions, which account for over 95% of Nestlé’s carbon footprint, remains a critical and complex challenge. As a global food and beverage leader, the company must navigate volatile supply chains impacted by climate stress, biodiversity loss, water scarcity, and regulatory risk. Transition risks, such as policy risks, technology risks, and market risks, could affect both raw material sourcing and product quality.

Governance structures, such as third-party assurance, board oversight, and compliance systems, strengthen Nestlé’s credibility and align it with stakeholder expectations. However, continued progress will depend on how the company manages transition risks and turns them into opportunities across the areas of carbon reduction, circularity, biodiversity, environment, packaging, and supply chain. Nestlé’s case shows that true ESG means not just reporting on impact, but transforming it into sustained value creation.

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