

## Nestlé (NESN.VX / NSRGY) Sustainability Report

### **Profile:**

Nestlé is a Swiss multinational food and beverage conglomerate; it is the biggest food company in the world based on revenue with operations in 187 nations. Products range from coffee, candy, pet care, nutrition, and health science. Brands include Nespresso, Kit Kat, Purina, Perrier, and Gerber.

### **What Nestlé does well:**

Nestlé has consistently made positive strides in social impact and sustainability. The company has cut emissions by 6.4 million tons, cut factory water usage by 2.4 million cubic meters, and sources over 20% of its main materials sustainably, all of which have improved in recent years. One example of sustainable sourcing is 7% of essential ingredients using regenerative agriculture techniques; while this is a low penetration rate, the company has consistently improved it and aims for 20% by 2025 and 50% by 2030. The company uses recycled plastic in nearly 82% of its plastic packaging too, helping the company reduce virgin plastic usage by over 10% since 2018 even while sales have grown roughly 5%. Nestlé's goal is to decrease virgin plastic usage by a third by 2025.

Nestlé demonstrates good corporate governance by separating the roles of CEO and Chair of the Board. The company is committed to continued improvements, as seen by an ESG and Sustainability Council that oversee the strategy and being part of the UN Global Compact since 2001, which is an organization that prioritizes transparency and accountability via annual disclosures and reporting on sustainability.

Nestlé regularly interacts with their countless stakeholders across communities, stockholders, and suppliers. Climate change, packaging, biodiversity, nutrition, water management, sustainable sourcing, and youth empowerment are some of the major areas of focus. In keeping with its climate pledges, Nestlé plans to have 95% of its plastic packaging recyclable by 2025 while also working to develop biodiversity initiatives, promotes nutrition awareness, engages in sustainable water management groups, partners with industry platforms to address supply chain challenges, and works to improve the lives of young people through the Global Alliance for Youth. The company has also committed to being carbon neutral by 2050.

### **Concerns:**

There have been several concerns raised about Nestlé, mainly surrounding its ethical and environmental practices. Among the most prominent controversies was the marketing of infant formula in the 1970s, which encouraged mothers, particularly in developing countries, to use baby formula instead of breast-feeding. This led to an international boycott in the subsequent years. Nestlé Waters has been scrutinized for allegedly causing localized water shortages and ecological imbalances with their groundwater extraction methods for brands like Poland Spring.

Nestlé has come under fire for its role in child labor in the cocoa supply chain in West African countries like Côte d'Ivoire and Ghana. According to reports, children as young as five were working in hazardous conditions. Nestlé responded by implementing the Nestlé Cocoa Plan,

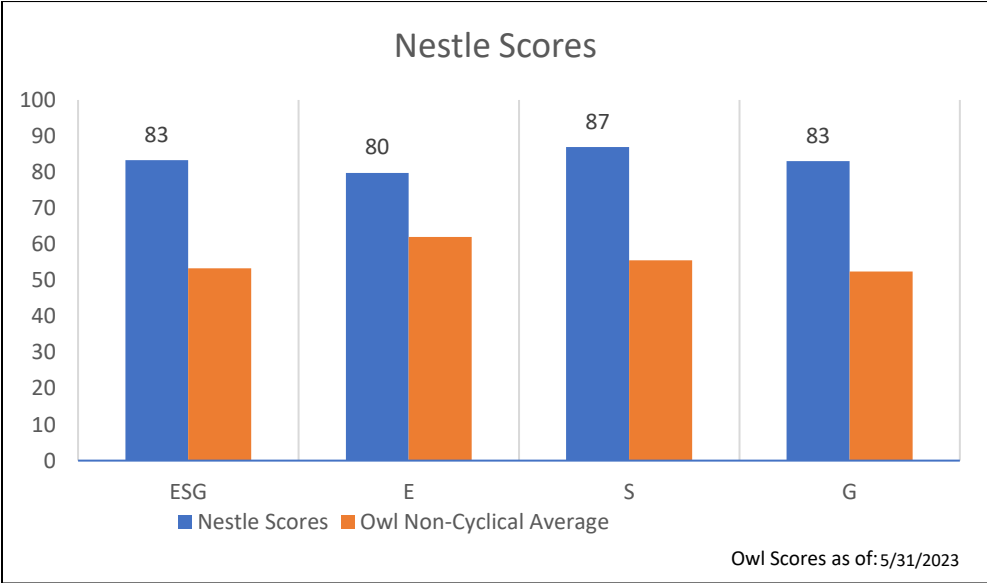
which aims to improve the lives and communities of cocoa farmers via a collaboration with the Fair Labor Association to monitor and combat child labor in supply chains. Despite these efforts, obstacles likely persist; our firm would like to see continued investment to curb child labor practices, especially in emerging markets.

Nestlé was embroiled in a controversy over its seafood supply chain too, particularly in Thailand. In 2015, certain suppliers were involved in slave labor and human trafficking. An independent inquiry substantiated some of these charges, linking harsh working conditions to Nestlé's seafood suppliers. As a result, the company established a plan to assure responsible sourcing and increase the traceability and transparency of their seafood supply chain, emphasizing the relevance of ethical sourcing practices in global supply chain management.

**Shareholder Engagement:**

There have been no notable shareholder engagements in recent years, but we do note operations in Russia were scrutinized during Russia's 2022 invasion of Ukraine. Nestle has six factories in Russia that employ an estimated 7,000 locals. Russian sales accounted for 2% of global sales in 2021. In response, the company suspended all advertising, new investments, as well as imports and exports (except for essential foods) of products. Nestle recently announced an investment for a new production facility in Ukraine to support the country's food sector alongside significant donations to help those impacted by the war.

**ESG Scores:**



**Conclusion:**

Nestlé has demonstrated a dedication to improving its ESG practices with considerable progress in environmental and social programs. However, there are still many concerns with the global conglomerate out firm would like to see improve and further investment in, notable labor practices. Nestlé has strong governance, shareholder involvement, and transparency, which leads

our firm to believe it is a socially conscious investment in the consumer staples sector and will continue to improve its ESG practices.

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