A man in a white kurta is walking through a lush green field of crops, likely corn, under a clear sky. The field is filled with tall, green stalks, and a line of trees is visible in the background.

Nestlé, Nature and People

—
Annual report 2019



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Our work around the world

A global strategy for Responsible Sourcing

In 2019, Nestlé continued to work with Earthworm Foundation (EF) on implementing its [Responsible Sourcing Standard](#). Our partnership involves working in countries all around the world on palm oil, pulp & paper, coconut supply chains and on the soils programme. Our main objectives for 2019 were to increase traceability, improve smallholder resilience and increase transformation activities on the ground.



Palm oil
In 11 countries



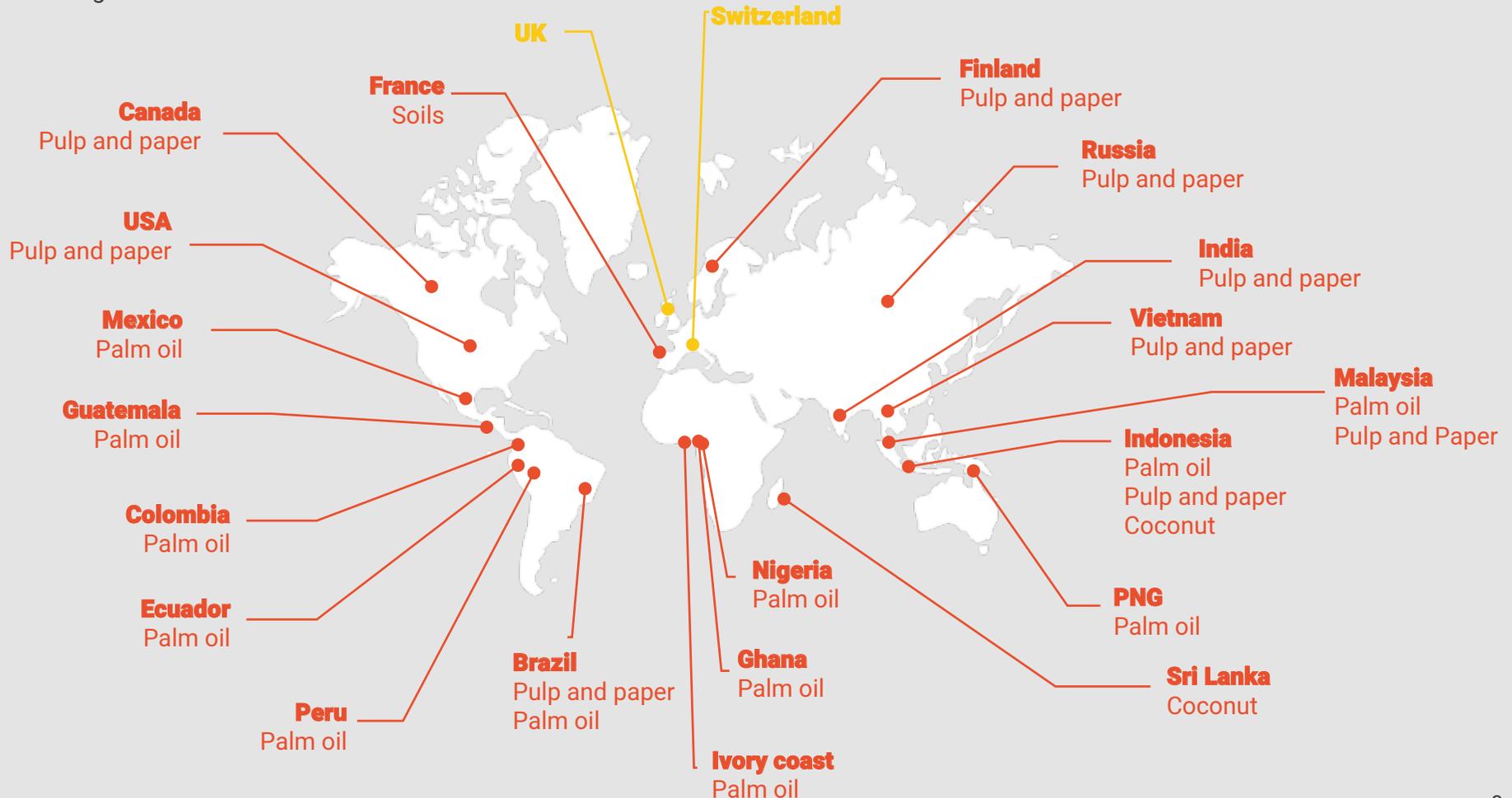
Pulp & paper
In 9 countries



Coconut
In 2 countries



Soils (cereals, potatoes, sugar beet and vegetables)
In 1 country



Staff engaged

Staff engaged & Field work

Global numbers: Palm Oil



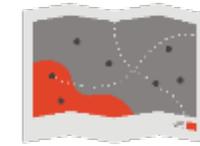
25 Countries

Engaging suppliers sourcing from 25 countries



45 Refineries

Engaging suppliers on time-bound action plans for 45 refineries at origin, of which 35 are meeting the minimum criteria to be considered Responsibly Sourced. Maintaining supplier engagement on this topic to ensure continued progress. See [this report](#) for results.



1'624 Global Mills

Updated public global mill list with 1624 unique pathways of mills coming into Nestlé palm supply chain. See [this link](#) for the global mill list. Achieved 93% of global palm volume Traceable to Mill and 62% Traceable to Plantation. See [this report](#) for results.



Key Supporter

Key supporter of our Labour rights programme [Respect](#) work globally. In 2019, Nestlé supported our Ethical Recruitment work in Malaysia and our engagement on the topic of casual workers and children in plantations in Indonesia. This work engaged more than 174 participants including business, government and recruitment agencies, as well as civil society and non-profit organisations.



Creating Impact

Following on from 2017's Human Rights Impact Assessment with the Danish Institute and supplier Golden Agri Resources, Nestlé & EF continued to engage suppliers in Indonesia. In 2019, a deep-dive with one mill allowed >50 workers to be promoted from casual to permanent status, improved Occupational Health & Safety, labour union empowerment, housing & sanitation.



Forest Protection

Nestlé & EF continued to work for forest protection while supporting smallholder resilience in many palm oil landscapes in 2019. In Mexico, we worked with smallholders to eradicate palm oil from 60 hectares and restore it as forest. In Indonesia, we prepared a supply chain profile of high risk suppliers and recommended actions to take. In Malaysia, Nestlé supported our No Deforestation strategy involving developing mill engagement methodologies for Fresh Fruit Bunches and government engagement.



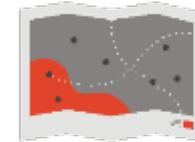
9 Countries

Directly engaging suppliers sourcing from 9 countries with various projects, out of the 43 known countries of harvest in the supply chain



4 Landscape Projects

Using Starling Satellite monitoring and field work, collaborating with other companies and NGOs in order to achieve wide-scale impact.



169 Pulp Mills

Updated public mill list with 169 pulp mills coming into Nestlé Pulp and Paper supply chain. *See [this link](#) for results.*



Human Rights Impact

5 projects in 5 different countries related to improving social practices and livelihood of workers, including leading on training of forestry companies in Brazil on Free Prior and Informed Consent of communities.



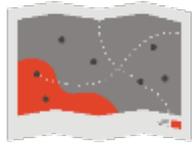
Forest Protection

8 projects in 8 different countries relating to forest protection are ongoing or have been completed in 2019 representing many thousands of hectares of forest



Global numbers: coconut & soils

Coconut



11 Origin Countries

Year 1 of supply chain mapping identified 11 countries at the origins of Nestlé's coconut supply chains.



2 Origin Assessments

We kicked off our new partnership on coconut by getting straight to the origins, assessing coconut supply chains in Sri Lanka and Indonesia to better understand key challenges to & opportunities for Responsible Sourcing of coconut in these countries.



Industry Alignment

In 2019 Nestlé and EF started collaborating with others in the industry on tools that will promote alignment of industry efforts at Responsible Sourcing of coconut.

Living Soils



Focus on France

The [Living Soils programme](#) is active in the north of France. Together with Nestlé, we have developed an ecosystem of economic partners in order to have a territorial approach to regenerative agriculture for the soil.



Multiple Commodities

Regenerative agriculture has a systemic approach and concerns all crops in the rotation. We work on potatoes, cereals, sugar beet and vegetables.



Collaboration

Nestlé is at the origin of the Living Soils programme. Today the programme is developed in 2 important agricultural regions: Northern France and Champagne. In Champagne, Nestlé works in collaboration with Cérélia and Soufflet Agriculture trade.

Our work around the world with Rurality

A global strategy for Responsible Sourcing

Nestlé is a big supporter and participant of EF's [Rurality](#) programme. Rurality aims to empower smallholder farmers to create, tap into and own the mechanisms that will strengthen their resilience and improve their livelihoods while protecting forests. The 8 Nestlé-EF Rurality projects are at different stages of implementation.

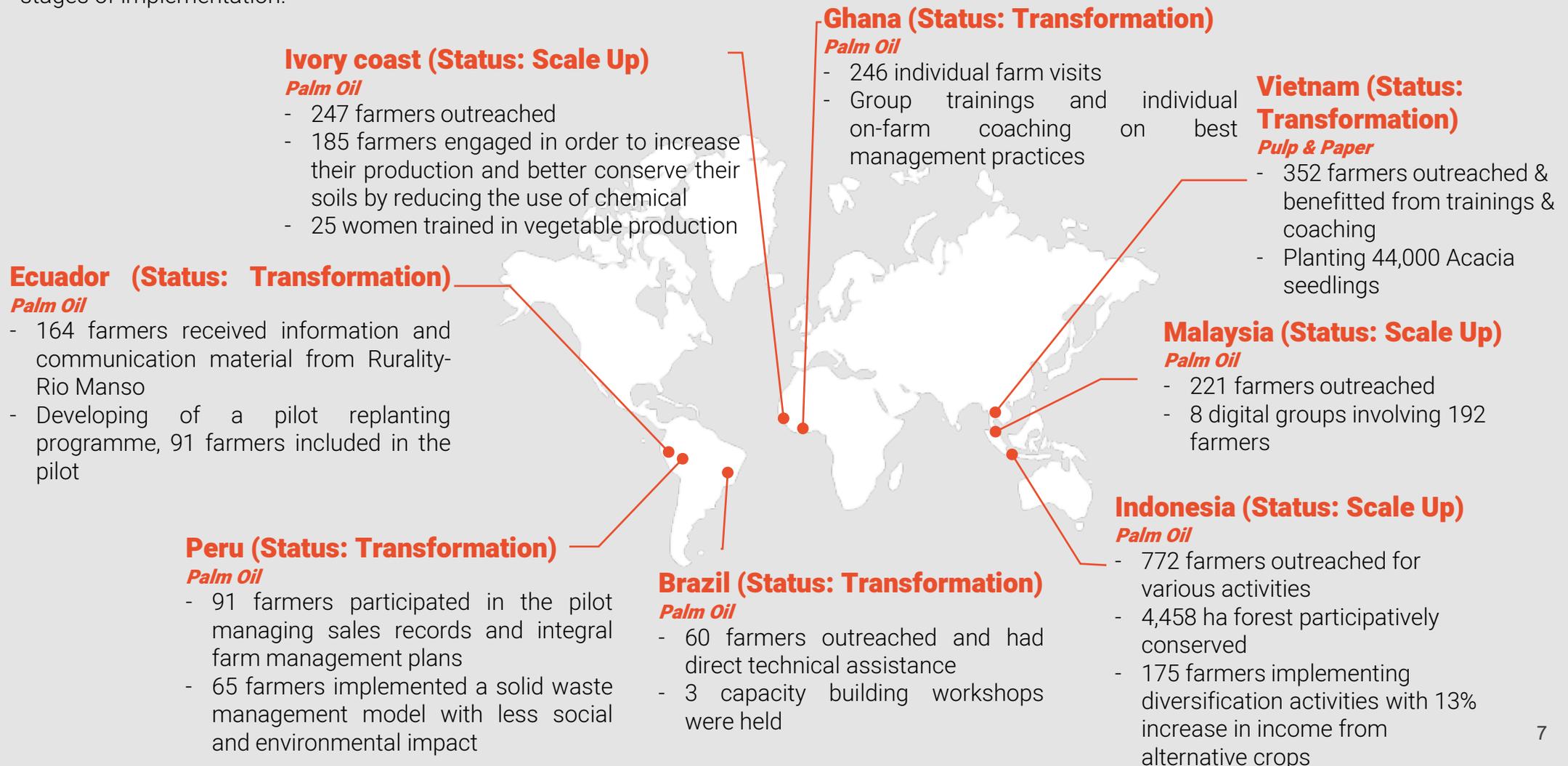
>1,800 actively participated in various activities.
The impact extend to >10,000 farming communities



Palm oil
In 7 countries



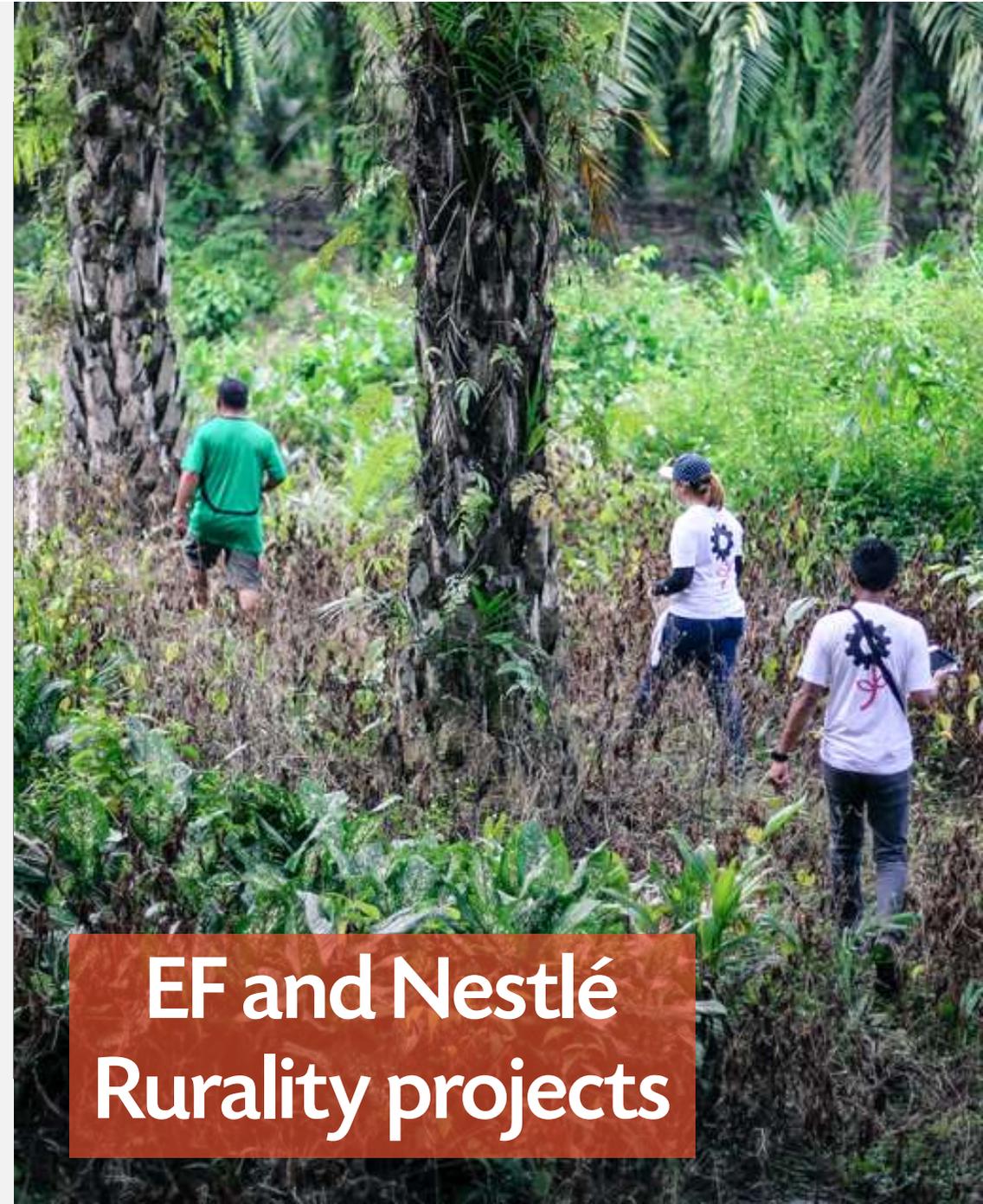
Pulp & paper
In 1 country



What we did together

Some key highlights from 2019:

- >600 farmers engaged to create a community land use plan including agreement to protect 4,458 hectares of forest in Indonesia.
- Establishment of a Human-Elephant Conflict committee to monitor 7,580 hectares of land where conflict occurs and implement long term strategies on the topic in Sabah.
- In Ivory Coast, geolocation and mapping training was provided, which enabled the mill involved to geo-localise 4,000 farmers and obtain 100% traceability to plantation.
- 62 farmers trained in High Carbon Stock (HCS) and High Conservation Value (HCV) protection in Peru.
- In Vietnam, 9 collaborative trainings & 8 study tours given to 309 smallholders to improve farmer knowledge and understanding of best management practices for Acacia plantations.



**EF and Nestlé
Rurality projects**

What we did together

Starling was co-developed by Airbus and Earthworm Foundation as a global satellite monitoring system to see if deforestation is or is not taking place linked to commodity supply chains. Nestlé has been a key supporter of Starling and has contributed significantly to the development of the tool.

Palm oil: Since rolling out the system to cover the entire Nestlé palm oil supply chain in January 2019, Starling has helped Nestlé & EF build understanding of deforestation patterns in palm oil producing areas, including where deforestation occurs, what may be the drivers and who may be involved. Nestlé & EF use this information to prioritise action in the Nestlé supply chain and engage suppliers on deforestation. A big focus of 2019 was engaging Nestlé suppliers to obtain sourcing information from the mill to plantation level in order to confirm whether deforestation alerts shown on Starling were really connected to mills in Nestlé's supply chain or not. These engagements also aimed to socialise the concept of deforestation monitoring and better understand suppliers' efforts on the ground.

Pulp and paper: in 2019, the mapping of 4 key regions in USA, Canada, Russia and Indonesia set the way for Starling to be used as a verification tool in multi-stakeholder projects that will be carried out in 2020. This includes deforestation verification, keeping an eye on intact forest landscapes and mapping the impacts of suppliers on indigenous HCV land.

We also investigated Starling alerts in the field in Indonesia, Malaysia, Papua New Guinea, Nigeria and Mexico.



**Starling helps monitor
plantations for palm
oil and pulp & paper**

APT Landscapes (Areas for Priority Transformation)

What we did together

The APT programme cultivates long-term, multi-stakeholder collaboration around specific landscape transformation goals. To accomplish this, this project concentrates its efforts on three mutually-reinforcing areas, all of which are backed and informed by robust data collection and analytics systems. These are: 1) integrated land use planning that supports both local governments and suppliers, 2) targeted NDPE support for local suppliers, and 3) community capacity building to support sustainable rural livelihoods that are not dependent on deforestation.

As a member of the coalition of companies steering the work, Nestlé played a central role in driving the progress of the landscape activities in Aceh, particularly in supporting engagement with local government. Indeed, without the requisite buy-in and support from the local government, the APT programme would not have made the progress it has over the last year. Moving forward, EF, with the support of Nestlé, will continue to be able to support the government in incorporating sustainable land use planning policies and practices at the district level to avoid future deforestation.



**Multi-stakeholder
collaboration around
specific landscape
transformation goals**

Nestlé supported and participated in EF's Respect work promoting labour rights in palm oil supply chains throughout 2019. Specifically, Nestlé was involved in:

- Creating the first ever [Directory of services for vulnerable children in Sabah](#) (Malaysia)
- [The Ethical Recruitment multi-stakeholder forum in Kuala Lumpur](#) (Malaysia)
- [Returning passports to workers and documenting and sharing good practices](#) (Malaysia)
- **Securing contracts for casual workers**, improving OH&S and worker housing and sanitation (Indonesia)
- Supporting a **multi-stakeholder workshop on labour rights** in East Kalimantan, culminating in development of a regional, collaborative action plan to improve labour conditions in palm industry in the region (Indonesia)
- Developing [recommendations on improving targets & quotas system for plantation workers](#) (Indonesia)
- Leading on a **Free Prior and Informed Consent training** of forestry companies (Brazil)



Nestlé supported and participated in EF's Respect work

What we did together

In 2019 Nestlé and Earthworm Foundation kicked off their partnership on responsible sourcing of coconut. In this first year, we conducted two supply chain assessments of coconut origins. This allowed us to learn more about coconut production and key issues for the industry. It was also a chance to test out a tailored assessment methodology, combining EF assessment approaches for smallholders, labour rights and generic “Responsible Sourcing”. We also co-designed & used (with Nestlé) templates for supply chain mapping of coconut ingredients and oils purchases. This first exercise was relatively successful, with a high supplier response rate and information provided often up to the dealer level.

Collaboration was another key part of the work in 2019, aiming to build alignment across the industry with increasing interest to work on responsible sourcing of coconut.

We are looking forward to continuing and expanding this work in 2020, with a strong work plan already in place.



**Year 1 of Responsible
Sourcing for coconut**

What we did together

Nestlé has been committed to the Living Soils programme since 2018. The main objective of the programme is to put the soil and farmers back at the centre of agricultural value chains.

The first line of work in the field is leading a group of farmers motivated to move towards regenerative farming practices.

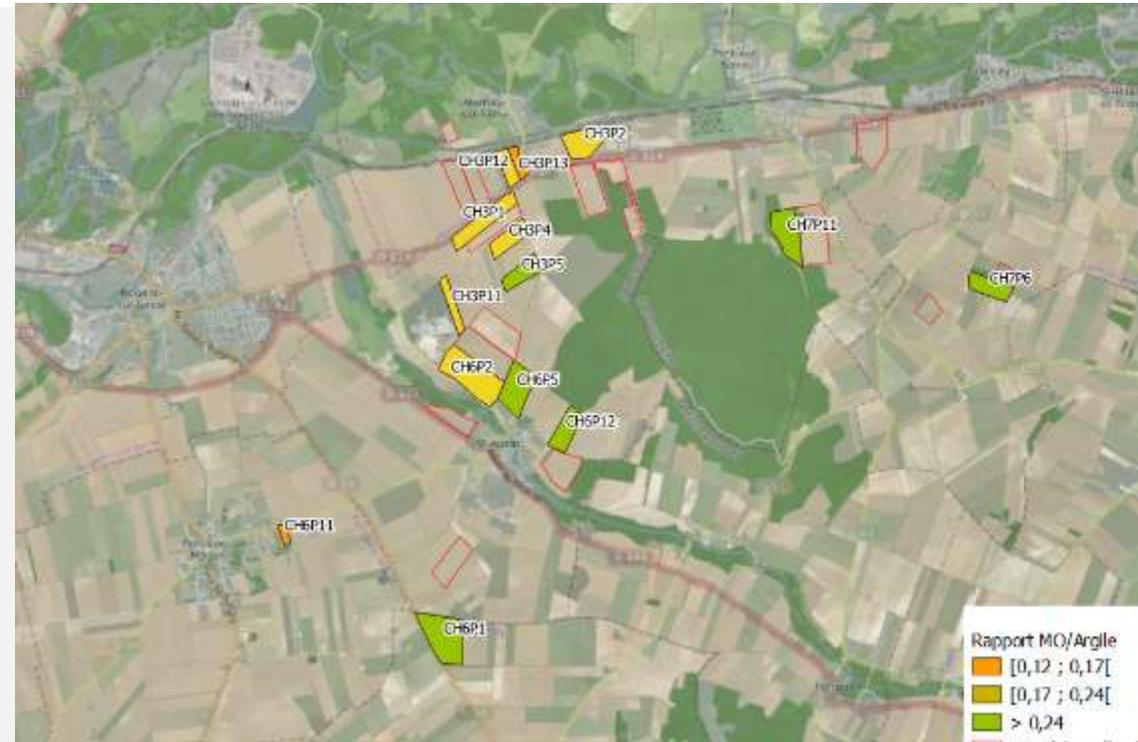
These farmers are linked to Nestlé France's supply chain, which sources 70% of its raw materials in France.

At the same time, we are creating remuneration tools to finance the farmers' transition to soil regenerating practices.

The first tool is the Living Soils definition, which provides a simple and scientifically valid indicator for assessing soil quality. Nestlé is a member of the scientific committee of the Living Soils programme and participates in the construction of this indicator and its integration into their supply chain.

The second approach developed in 2019 is a methodology for remunerating farmers for the carbon stored in their soils.

2 pilot regions are currently covered by Nestlé: Northern France and Champagne, regions in which we have carried out an inventory of soil health and estimated the dynamics of carbon storage.





- Use of **Starling satellite monitoring** to monitor deforestation in palm oil and pulp and paper supply chains allowed for more thorough and meaningful engagement of stakeholders on deforestation.
- 2019 was a year of **increased and successful collaboration among key stakeholders**, including in priority pulp & paper landscapes, through a webinar sharing details of Nestlé & EF's partnership with other EF members, and a joint panel at Innovation Forum between Nestlé, EF & GAR (another EF member). *See this [link](#) for podcast.*
- It was also a year of **boots on the ground** for the Nestlé-EF partnership, with multiple joint visits to & participation in field activities throughout the year.
- Reaching **79% Responsibly Sourced palm oil and 91% pulp & paper** supply chains by end 2019 was a major accomplishment, involving engagement of many suppliers on time-bound action plans.
- Our partnership on responsible sourcing of **coconut** got off to a good start with supply chain mapping, origin assessments and industry collaborations well underway.

Nestlé, EF & supplier GAR in the field together in Indonesia





Challenges

- Nestlé's large, global palm oil and pulp and paper supply chain requires **consistent, tailored engagement of a high number of suppliers** and stakeholders to generate impact.
- **Obtaining more detailed mill to plantation data** to fully leverage the power of satellite monitoring for deforestation has been slow, though is starting to pick up pace as the industry heads in this direction.
- **Scaling up** solutions identified to address environmental & social challenges for a broader reach will require new thinking and approach
- The **parts of Nestlé's palm oil and pulp and paper supply chains not yet considered Responsibly Sourced** may prove the most difficult to engage.
- Tackling human rights issues in palm oil supply chains that have roots beyond supply chains
- Balancing forest conservation goals with promotion of resilient smallholders and thriving communities is a fundamental challenge.

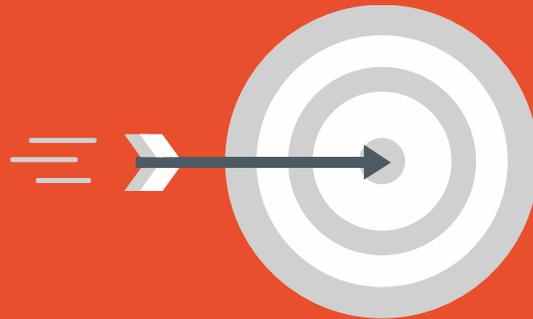


Learning

- The **strength and trust** in the Nestlé-EF partnership allows for close, frank and fruitful dialogues. This is key to addressing the complex social and environmental issues associated with Responsible Sourcing.
- In 2019 we increasingly saw the importance of **alignment and collaboration among supply chain actors** to address shared challenges. It is clear that Nestlé cannot reach their targets alone.
- Nestlé's **unwavering commitment** to reaching their Responsible Sourcing goals translates into concrete actions and changes at the origins of their supply chains. It shows that when companies really strive to implement their commitments, a lot can be achieved.
- **Innovation is key** for sustainable supply chains, and is prioritised in our work together. It requires taking risks and trying new approaches, which can be uncomfortable but is essential to meeting our shared goals.



Goals for 2020



- Scale up smallholder resilience building and labour rights promotion in palm oil
- Accelerate verification of deforestation-free supply chains in palm oil and pulp & paper
- Government engagement to translate transformation from local to district or national scale in palm oil and pulp & paper
- Continue to build knowledge, identify transformation opportunities, and collaborate in coconut supply chains
- Innovate, collaborate, transform

“Scaling up our
efforts to meet
2020 commitments”