

Nestlé, Nature and People

—
Annual report 2020





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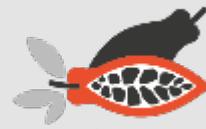


Our work around the world

A global strategy for Responsible Sourcing

In 2020 Earthworm Foundation (EF) continued to help Nestlé on implementing its [Responsible Sourcing Standard](#), even with the restrictions due to the COVID19 pandemic.

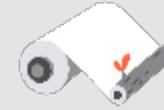
Our partnership involves working in countries all around the world on palm oil, pulp & paper, cocoa, and coconut supply chains and on the soils programme. Our main objectives for 2020 were to increase traceability, improve smallholder resilience and increase transformation activities on the ground.



Cocoa
In 1 country



Palm oil
In 11 countries



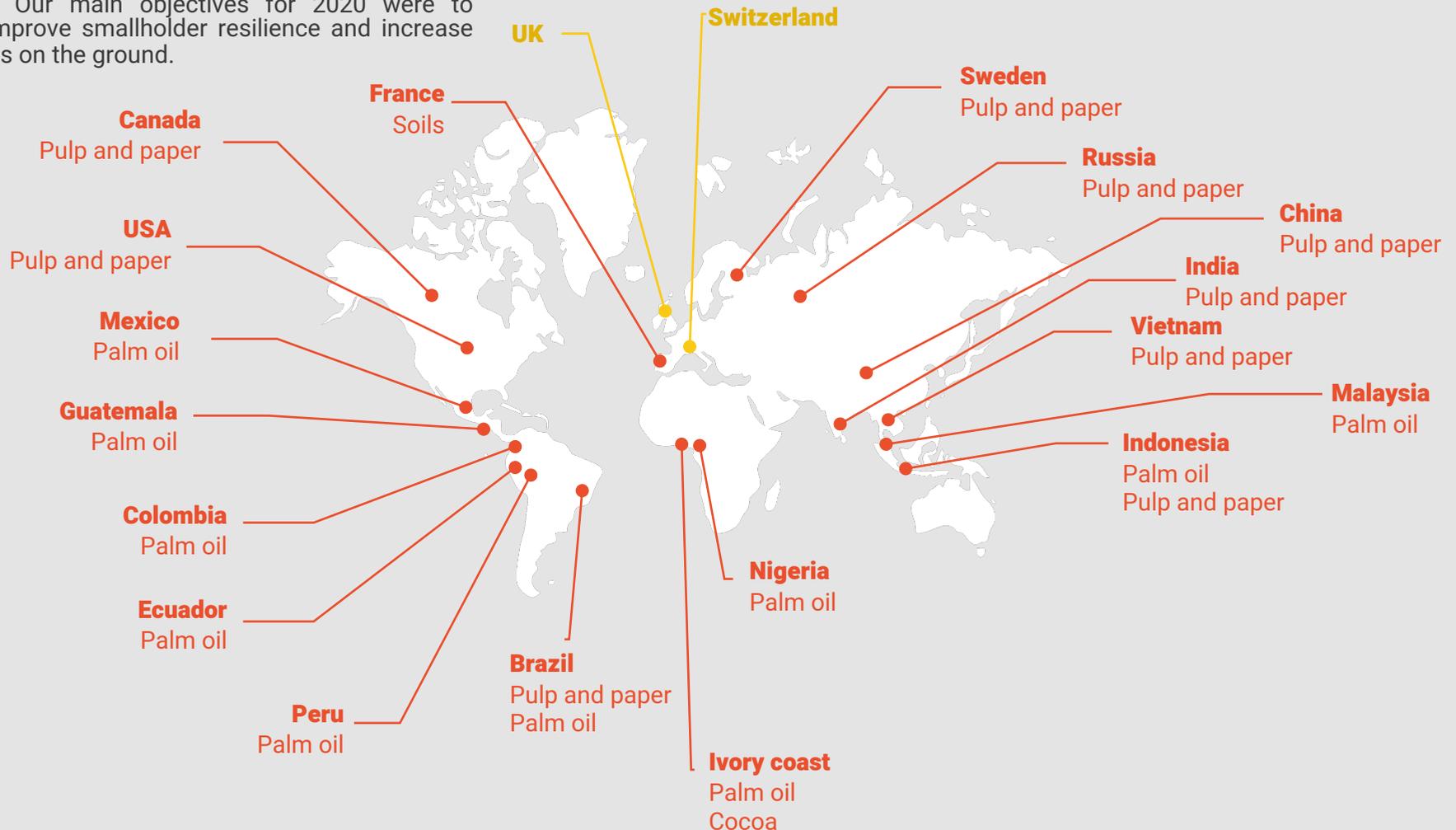
Pulp & paper
In 9 countries



Coconut
No transformation activities yet (early stages)



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



Project management and coordination

Project implementation & Field work

Global numbers: Palm Oil



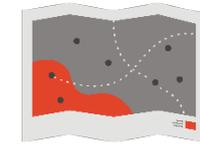
25 Countries

Engaging suppliers sourcing from 25 countries



47 Refineries

Engaging suppliers on time-bound action plans for 47 refineries at origin, of which 40 are meeting the Nestlé's minimum criteria to be considered Responsibly Sourced. Maintaining supplier engagement on this topic to ensure continued progress. See [this report](#) for results.



1'672 Global Mills

Updated public global mill list with 1672 unique pathways of mills coming into Nestlé palm supply chain. See [this link](#) for the global mill list. Achieved 96% of global palm volume Traceable to Mill and 70% Traceable to Plantation. See [this report](#) for results.



Key Supporter

Key supporter of our Labour rights programme [Respect](#) work globally. In 2020, Nestlé supported our Ethical Recruitment work in Malaysia and Indonesia which included the development & roll out of guidance and tools covering topics of fair targets and payments, children in plantations, ethical recruitment, and conflict management.



Creating Impact

Following on from 2017's Human Rights Impact Assessment with the Danish Institute for Human Rights and supplier Golden Agri Resources, Nestlé & EF continued to work on human rights in Indonesian palm oil supply chains. In 2020, we developed a guideline for Fair Target-Setting & Wage policies. The guideline aims to enable small and medium sized palm oil companies in Indonesia to set appropriate targets and fair compensation policies for their workers.



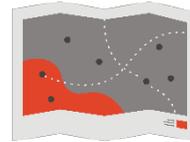
Forest Protection

Nestlé & EF continued to work for forest protection while supporting smallholder resilience in many palm oil landscapes in 2020. In Mexico, we continued to work with a range of stakeholders to create a land use plan reconciling 3,000 ha of oil palm production in conservation areas. In Indonesia, we continued to implement land use planning developed in previous years working with 8 villages on conservation plans and 4 villages on restoring forest areas.



People

6 projects in 5 different countries related to improving social practices, livelihood of workers and community rights including leading on discussions to create a protected area governed by an indigenous community in Canada, creating a social enterprise for recycled paper workers in Brazil and training forestry companies on Free Prior and Informed Consent of communities also in Brazil.



198 Pulp Mills

Updated public mill list with 198 pulp mills coming into Nestlé Pulp and Paper supply chain. *See [this link](#) for results.*



9 Countries

Directly engaging suppliers sourcing from 9 priority countries with various field projects.



4 Landscape Projects

Using Starling Satellite monitoring and field work, collaborating with other companies and NGOs in order to support activities on the ground. Forest monitoring in these key area has provided Nestlé and EF with facts to drive discussions with suppliers and other local actors. This had led to:

- The continuous monitoring of a protected Intact Forest Landscape in Russia
- The training of an indigenous community in Canada to map HCV areas on their land
- The monitoring of forest cover trends in the South East USA and HCV.
- The monitoring of deforestation in the GSK landscape in Sumatra and support for restoration activities on the ground.



1 Country – 3 year engagement

Through a 3 year commitment between EF, Nestlé, the Ministry of Waters and Forests (Ministère des Eaux et Forêts or MINEF) and the Ivorian Forestry Agency (SODEFOR), we have jointly launched the Cavally Forest Landscape for a thriving ecosystem and resilient communities.



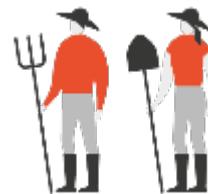
1,500 hectares to be replanted

Of the degraded areas currently within the Forest Reserve, we are partnering with local communities to restore 1,500 hectares through proactive replanting.



21.2% decrease in deforestation & monitoring CO2 emissions

Through continuous Starling satellite monitoring, we have measured a 21.2% decrease in deforestation from 2019 (787 Ha) to 2020 (620 Ha). Additionally, we are measuring the CO2 impacts related to forest protection, restoration, and improved farming practices outside of the Reserve.



People

People are at the center of our work. We are working with local communities to improve their cocoa production and livelihoods, and establishing alternative revenue sources for farmers operating in the forest. Work in this space will be guided by a Holistic Diagnostic which will be completed in May 2021.



Industry and Government Alignment

We are sharing progress and learnings from this work with all interested parties, including the Cocoa & Forest Initiative (CFI), local civil society, Ivorian state entities, and other private sector players.



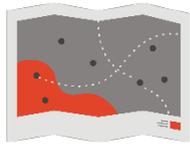
67,541 hectares for Forest Protection

The Cavally Forest Reserve is an area of 67,541 Ha and is part of the Upper Guinea Forest Corridor, an endangered biodiversity hotspot that spans Côte d'Ivoire, Liberia, Guinea and Sierra Leone. We are working to protect and restore the entire Forest Reserve.



Global numbers: coconut & soils

Coconut



11 Origin Countries

Year 2 of supply chain mapping back to 9 countries at the origins of Nestlé’s coconut supply chains. The result is an increased traceability of Nestlé coconut oil (to 66% traceable to mill).



Defining Scope

In 2020, EF assisted Nestlé in developing the definition of Sustainably Sourced coconut and clarifying the 2025 vision for SS work in coconut.



Industry Alignment

In 2020 Nestlé and EF collaborated with others in the industry on origin assessment 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. Nestlé works with 5 suppliers (cooperatives) in the Hauts-de-France and Grand Est regions. Which represents 63% of the volumes in wheat, potato and beetroot. The goal is to reach 20% of volumes in regenerative agriculture by 2025.

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 7 Nestlé-EF Rurality projects are at different stages of implementation. **In total, 15'246 Farmers have been engaged since the start of projects with 428 Farmers actively involved in protection of key habitat**



Palm oil
In 6 countries



Pulp & paper
In 1 country

Ivory coast (Status: Scale Up)

Palm Oil

- 1'269 farms mapped
- Diffusion of information on harvest, FFB prices, payment and collection schemes in 27 villages (approx. 3'353 farmers)

Vietnam (Status: Transformation)

Pulp & Paper

- 453 farmers trained through group and individual training on best management practices
- 263'000 high quality seedlings planted through Rurality's support in partnership with OTP

Ecuador (Status: Transformation)

Palm Oil

- 113 farmers received information, training, help with farm planning and connections to our network
- A total of 27 training events were held during the year, reaching 88 farmers & 50 technicians from partner institutions

Malaysia (Status: Scale Up)

Palm Oil

- Use of existing online communication tools and webinars, videos and calls to continue engagement and support remotely
- 228 new smallholders outreached

Peru (Status: Transformation)

Palm Oil

- 90 coaching sessions were carried out for 54 farmers on Implementation of technical tools at farm level
- 5 companies engaged for HCS / HCV indicative study with more than 200 evaluation plots installed

Brazil (Status: Transformation)

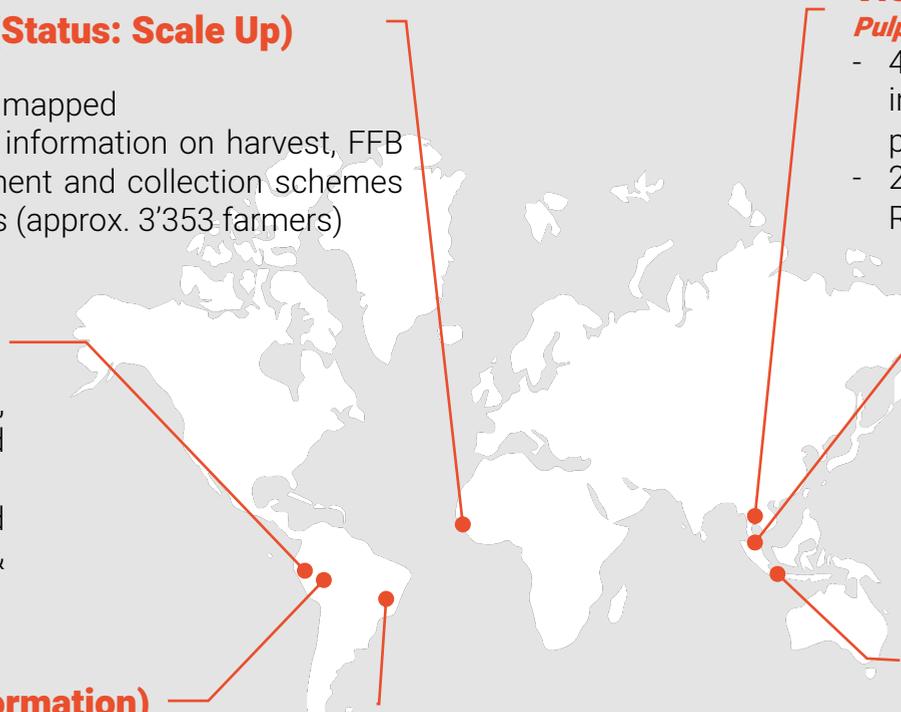
Palm Oil

- 435 farmers outreached since start of project
- Implementation of an agroforestry system workshop for 82 smallholders

Indonesia (Status: Transformation)

Palm Oil

- 10,676 farmers outreached for various activities since 2017
- 34,995 ha agreed to be protected, including 15,018 ha are forest area
- 46,000 seedlings grown in the forest plant nursery, set up in early 2020,



What we did together

Some key highlights from 2020:

- In Indonesia, despite COVID19, the Rurality team trained 384 farmers in 2020 with improved Best Management Practices knowledge, increasing farmers' yield by 20-50%.
- Continued monitoring of 7,580 hectares of land where human-elephant conflict occurs. Report from smallholders and plantations show a 48% reduction in crop loss due to elephants raids in 2020 compared to the previous year
- In Ivory Coast, Rurality reached in 2020 a total of 1087 farmers on collaboration, trainings and coaching. Amongst these, a total of 130 cocoa farmers received our support in agroforestry
- As part of the scale up process of the Tocache Landscape, HCS / HCV studies have been carried out in the Ucayali in Peru.
- In Vietnam, a partnership with One Tree Planted (OTP) to co-fund riparian area restoration in the CPVT supply chain was designed as a pilot for EF to demonstrate how partnerships with smallholders in Vietnam can create positive impacts for communities, landscapes and ecosystems..



**Farmers at the base
of the supply chain**

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.

Palm oil: In 2020, we scaled up our use of Starling satellite monitoring platform in the Nestlé palm oil supply chain. This work included in-depth supplier engagement to gather sourcing information on the mills in the supply chain, and overlaying this information with deforestation alerts generated by the platform. We now have over 8,000 concession boundaries uploaded & monitored, across SE Asia, LatAm, & West Africa. This data indicates that over 70% of Nestlé's palm oil supply chain is assessed as deforestation free after December 31st 2015. We also identify where mills are sourcing from smallholders, to allow diversifying our approach to balance no deforestation verification with supporting sustainable livelihoods. The [Nestlé's transparency dashboard](#) provides more information on the achievements to date.

Pulp and paper: following on from the base-mapping in 2019, in 2020 we initiated the monitoring of 4 key regions in USA, Canada, Russia and Indonesia. This monitoring enabled engagement with suppliers in these landscapes where alerts have been raised in Intact Forest Landscapes in Russia, Canada and the GSK reserve in Indonesia. In SE USA we have been focussing on forest cover change trends and exploring identification of HCV. In 2021, we will look to incorporate Carbon monitoring trials in these landscapes

Cocoa: Starling technology is deployed over the Cavally Forest in Ivory Coast; to track the level of deforestation and to better deploy forest patrolling activities.



What we did together

The APT programme cultivates long-term, multi-stakeholder collaboration around specific landscape transformation goals. To accomplish this, the programme focuses its ongoing, multi-year efforts on three, mutually-reinforcing pillars: 1) integrated land use planning that supports both local governments and suppliers, 2) NDPE capacity-building for the region's mills and plantations, and 3) the development and promotion of sustainable livelihoods for rural communities living in sensitive forest-frontier areas at high risk of 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. Although COVID-19 necessitated considerable adjustments in 2020, Nestlé's support ensured EF could maintain strong, action-oriented engagement with government and industry, including the provision of multi-stakeholder trainings to close critical NDPE awareness and capacity gaps that persist in the region. Moving forward, EF, with the support of Nestlé, will support local stakeholders in building upon and scaling up lessons and successes from the APT Programme, including through the dissemination and targeted deployment of selected interventions to high-risk areas in the wider Aceh landscape.



**APT Multi-Stakeholder
programme**

What we did together

Nestlé supported and participated in EF's Respect work promoting labour rights in palm oil supply chains throughout 2020. Specifically, Nestlé was involved in:

- Creating [guidelines](#) for palm oil companies to mitigate salient human rights risks in Indonesia on fair Target-Setting and Wage Policies
- Continuing to deep-dive with one mill in Indonesia to promote [100 casual workers](#) to permanent contracts, and ensure all harvest workers are guaranteed a daily minimum wage even if targets are not completed if standard working hours are worked. At the same site, all workers (approximately 634) have benefitted from improvements to water access and health and safety infrastructure.
- Developing the [Child Risk Assessment Framework](#) (Malaysia) and a training program for use of the framework which will be rolled out in 2021.
- Developing training modules to support the role out of the [Human Rights Based Due Diligence Tool](#) on Ethical Recruitment which will be rolled out in 2021.
- Collaborating with GREPALMA (the Palm Grower Association of Guatemala) to strengthen social commitments within their standard and develop an implementation plan to address priority issues related to labor and human rights.



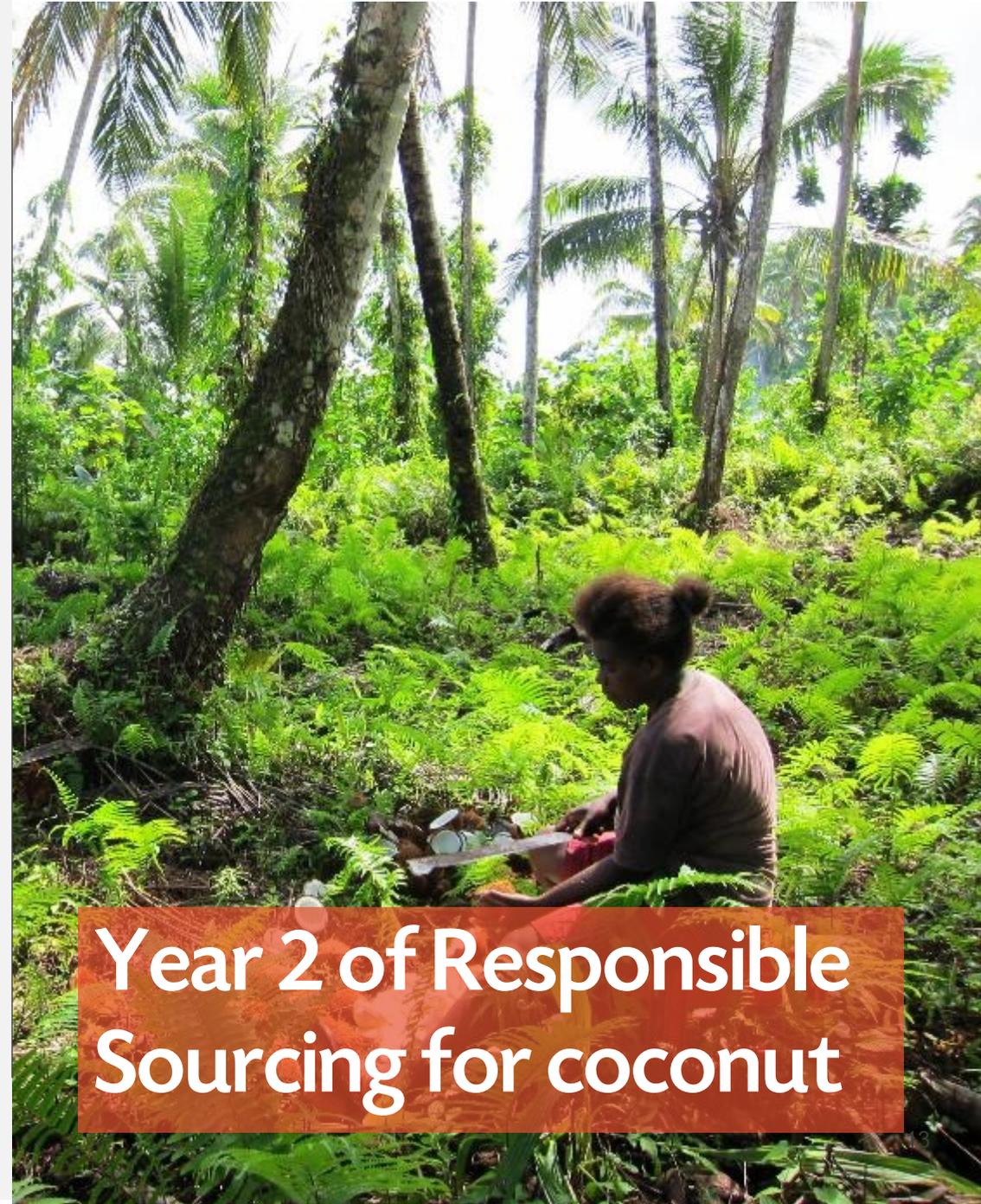
For People and Nature

What we did together

In 2020 Nestlé and Earthworm Foundation continued their partnership on responsible sourcing of coconut. Unfortunately, COVID19 did not allow for field assessments to be carried out. However, we took this opportunity to :

- Refresh supply chain mapping which resulted in increased traceability of Nestlé coconut oil (to 66% traceable to mill).
- Complete the development of tools for conducting coconut origin assessments in collaboration with Barry Callebaut & Proforest. These tools are to be shared across the industry.
- Participate in industry conversations developing the [Coconut Charter](#), which represents common guidelines for the industry on creating a sustainable coconut industry.

We are looking forward to continuing and expanding this work in 2021.

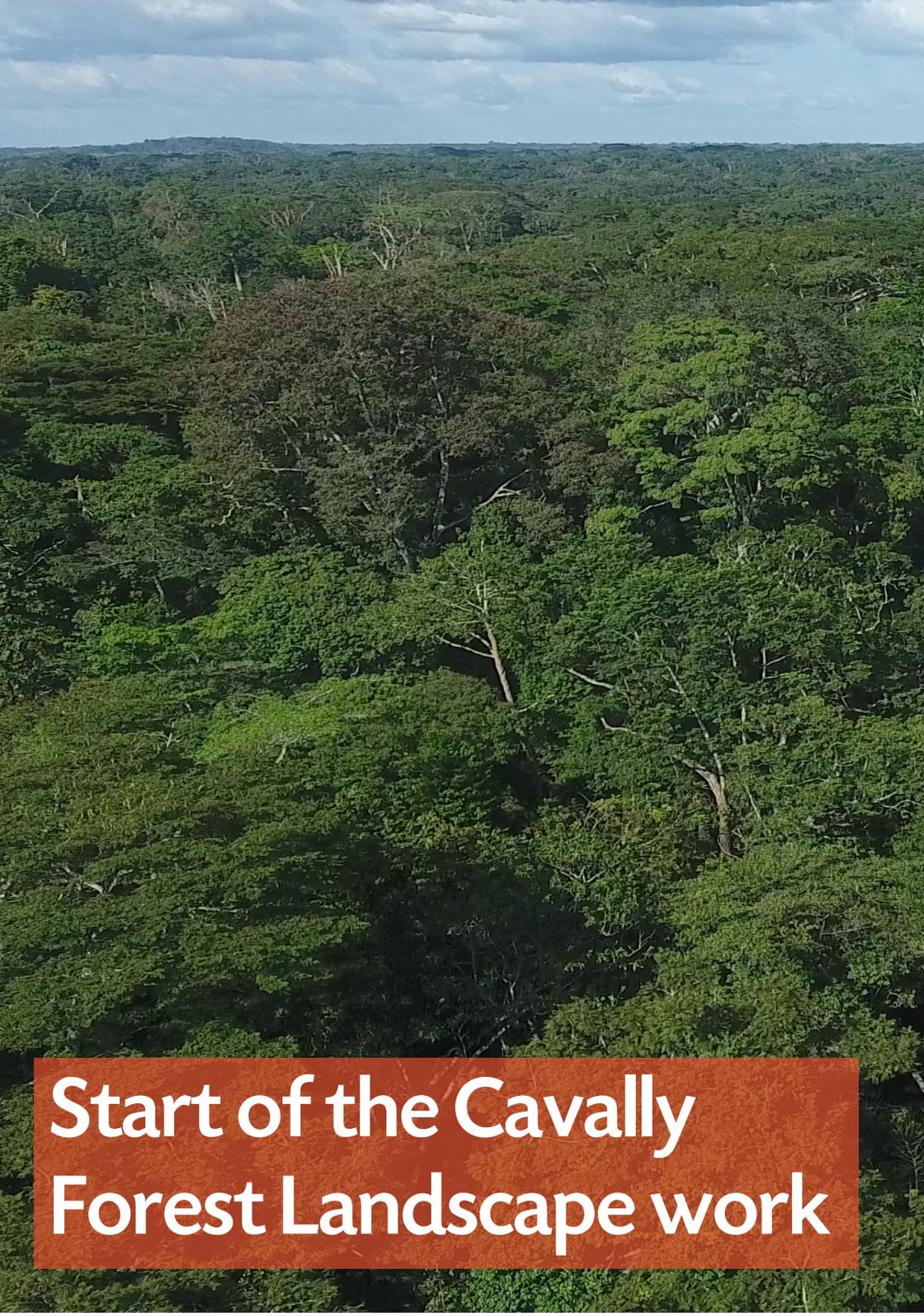


**Year 2 of Responsible
Sourcing for coconut**

What we did together

In July 2020 Nestlé, Earthworm Foundation, kicked off the 3-year Cavally Forest Landscape Project. Key achievements in first months of work include: :

- Project Governance: MoU signed between Nestlé & MINEF on 10th of July 2020. Steering (Nestlé/MINEF/EF) and technical (Nestlé/MINEF/EF and operational actors) committees have been established.
- Presence in Cavally: Team in the field (9) and local office have been set up. Local launch in Zagné (13th October), brought together more than 200 individuals and representatives, including village chiefs, opinion leaders and the heads of local organisations
- Creating a deep understanding: Socialization and holistic diagnostic underway. Meetings with over 1,600 people in 66 villages with aim to understand the challenges/opportunities + establish baseline data for impact measurement
- Deforestation and carbon monitoring: Initial estimate of baseline carbon emission from degradation and land-use change in the Cavally completed with partner Mullion Group. Continuous Starling satellite monitoring to track evolution of deforestation



**Start of the Cavally
Forest Landscape work**

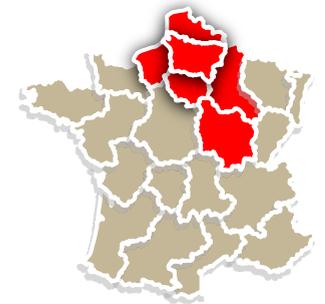
What we did together

In September 2019, Nestlé committed to these goals to achieve zero net greenhouse gas emissions by 2050. Almost 70% of the group's emissions come from the way raw materials are produced. This is why Nestlé is currently supporting farmers in France, through the Living Soils programme, in their transition to soil regeneration agriculture, which promotes carbon storage. This program is conducted in partnership with Earthworm and the agronomic and technical teams of five agricultural cooperatives and traders, including the Carré group, the Noriap cooperative, the Soufflet group and the Vivescia cooperative group. The support of these partners is essential to the realization of this project.

In December 2020, Nestlé committed to ambitious targets of 20% of volumes in regenerative agriculture by 2025 and 50% by 2030. We began engaging these 5 suppliers in September 2020. We are now measuring soil health and conducting farm diagnostics with 300 farms with farmers producing wheat, potato.



**Living Soils
Programme**





- **Use of Starling satellite monitoring** to monitor deforestation in palm oil and pulp and paper supply chains continued to bring evidence to the stakeholder engagement table. This enabled bringing actors together around issues in the Russian and Canadian Boreal for Pulp and paper as well as verifying 70% of Nestlé's palm oil supply chain as deforestation free.
- **Launching the Cavally Forest Landscape** work to protect the Cavally Forest Reserve, one of Ivory Coast's most precious forests which has been under deforestation-pressure linked to the cocoa industry. Of note is the unique collaboration between a key chocolate player in Nestlé, the Ivorian government, and EF.
- 2020 was a year of **increased multi-stakeholder collaboration** through Earthworm's landscapes for Palm oil and Pulp and paper where collaboration with NGOs, local governments, communities and farmers are increasingly helping farmers to adapt their practices while also improving their livelihoods.
- Although field work continued in 2020, adapting to the challenges of Covid19 meant **learning new ways to work remotely** such development of training materials for our recovered paper fibre work in Brazil where we trained cooperatives in order to scale up this work in a social franchise model.

A photograph of a small green seedling with three leaves growing out of dark soil. The background is a blurred green forest.

**A positive outlook
after a difficult year**



Challenges

- Nestlé's large, global palm oil and pulp and paper supply chains 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 increased tremendously in the last year but is still difficult in some instances.
- **Scaling up** solutions identified to address environmental & social challenges for a broader reach will require new thinking and approach which is why EF is moving towards more holistic landscape approaches in 2021.
- Nestlé continued to **progress towards its no deforestation commitment in palm oil and pulp and paper** in 2020. The learnings from the past decade of work revealed the need for a more holistic and forward looking strategy to protect and restore forests. Nestlé remains committed to achieving deforestation free supply chains by the end of 2022.
- **Adapting to the pandemic** meant restricted field work but alternatives were found to engage with suppliers remotely and adapt workplans accordingly to address priorities



Learnings

- 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 2020 we saw the importance of **setting clear milestones from the start** in our workplans to reach our objectives.
- Nestlé's **deep commitment** to reaching their Responsible Sourcing goals translates into concrete actions and changes at the origins of their supply chains. This shows that these very difficult targets are achievable.
- **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.



EF Landscape Approach

During the more than 20 years that Earthworm Foundation (EF) has worked with businesses on responsible sourcing, the focus has primarily been placed on working with individual companies and their suppliers to transform business models and production practices.

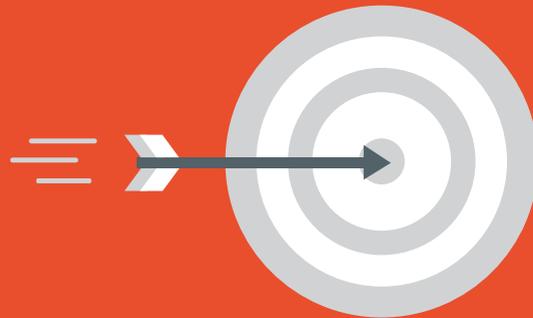
However, today we realize that there are geographies where it is necessary to **go beyond the bounds of individual supply chains** and industries to **address the key issues** of our time such as deforestation, community rights, improved farmer livelihood and worker welfare.

This is why Earthworm, from 2021 onwards, will focus a lot of energy on **working together with our members in a few critically important landscapes** across the globe, fostering increased collaboration and **collective action** between members and supply chains. This evolution of our approach to responsible sourcing will allow us and our members to avoid blockage points that has prevent progress in the past and scale up our impact.





Goals for 2021



- Achieve deforestation free goals in palm oil and pulp and paper
- Support in creating a Supplier Management System for the palm oil program, in order to more systematically implement the Nestlé Responsible Sourcing Standard with suppliers.
- Increase positive impact and collaboration through multi-stakeholder landscape projects. Including smallholders, governments, industry and Civil Society for a wider impact
- Continue to build knowledge, identify transformation opportunities, and collaborate in coconut supply chains
- Innovate, collaborate, transform

“Scaling up our
efforts for People
and Planet

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