

Nestlé tackles child labor, farmer income & full traceability



Under its new plan, begun as a pilot program in Côte D'Ivoire in 2020, Nestlé will help combat the many issues facing cocoa-producing families including child labour, poverty and gender disparity

Nestlé has just announced its new plan to tackle multiple issues in the cocoa production chain, including child labour, with plans to invest CHF 1.3 billion (US\$1.4 billion) in these efforts by 2030, more than tripling its current annual investment. The programs within will have constant input from farmers, and will be monitored by third parties including International Cocoa Initiative, Rainforest Alliance and multistakeholder strategic advisory committee managed by IDH-The Sustainable Trade Initiative.

At the heart of the plan is an innovative income accelerator program. This will improve the livelihoods of cocoa-farming families, advance regenerative agricultural practices and work towards gender equality.

Cocoa-farming households will receive a cash incentive for activities that further these goals, including enrolling kids in school.

The new plan also helps transform Nestlé's sourcing of cocoa to fully traceable.

Nestlé's income accelerator program offers incentives to encourage behaviors and agricultural practices designed to steadily build social and economic resilience over time, with farming families rewarded for the benefits they provide to the environment and local communities in addition to the quantity and quality of cocoa they produce.

These incentives are in addition to the premiums paid to the governments of Côte d'Ivoire and Ghana and the premiums Nestlé offers for certified cocoa. This cocoa is independently audited against the Rainforest Alliance Sustainable Agriculture Standard, promoting the social, economic and

environmental well-being of farmers and local communities.

The immense social and climate challenges faced by cocoa-farming communities, including widespread poverty and limited access to basic infrastructure, contribute to the risk of child labour. With help, Nestlé's new initiative aims to address these root causes of child labor.

“Our goal is to have an additional tangible, positive impact on a growing number of cocoa-farming families, especially in areas where poverty is widespread and resources are scarce, and to help close the living income gap they face over time,” said Mark Schneider, Nestlé CEO. “Building on our longstanding efforts to source cocoa sustainably, we will continue to help children go to school, empower women, improve farming methods and facilitate financial resources. We believe that, together with governments, NGOs and others in the cocoa industry, we can help improve the lives of cocoa-farming families and give children the chance to learn and grow in the safe and healthy environment they deserve.”

THE INCOME ACCELERATOR PROGRAM

A new plan to build on Nestlé's longstanding efforts to tackle child labor risks in cocoa production.

CHF 6 365 per year is the estimated average living income for a cocoa-farming family* in Côte d'Ivoire. A living income is the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.

149 443 children have been assisted through remediation activities to protect them against the risk of child labor since 2012.

TACKLING THE ROOT CAUSES OF CHILD LABOR
Insufficient income is a leading factor in the prevalence of child labor risks.

ENABLING AND INCENTIVIZING SUSTAINABLE NET INCOME GROWTH
The program aims to help close the living income gap by embedding sustainable practices across four key areas. Additional cash incentives reward families not only for the quantity and quality of cocoa beans they produce but also for the benefits they provide to the environment, the local communities and their children.

AIMING TO MAKE A LIVING INCOME

Earning incentives CHF 100* + CHF 100* + CHF 100* + CHF 100* + CHF 100*

Generating diversified incomes

- SCHOOL ENROLLMENT**: Reducing child labor risks by assisting school attendance and monitoring.
- GOOD AGRICULTURAL PRACTICES**: Helping farmers improve cocoa production by training and subsidizing pruning groups.
- AGROFORESTRY ACTIVITIES**: Improving farm resilience by providing forest and fruit trees.
- DIVERSIFIED INCOMES**: Becoming less dependent on cocoa by supporting families to grow other crops or raise livestock.

Increasing cocoa production

Baseline annual net income*

INCENTIVIZING families to engage in these practices, to earn up to CHF 500 annually for the first two years* and CHF 250 per year thereafter.

DIRECT CASH TRANSFERS
Incentives paid directly to the cocoa-farming family via mobile, improving traceability.

EMPOWERING WOMEN
Payments are divided evenly between the male and female heads of household. Set up of Village Savings and Loans Associations further empower women to save, invest and share financial responsibilities.

OUR PARTNERS
The rollout of the program would not be possible without the assistance and collaboration of our partners: KIT Royal Tropical Institute, Sustainable Cocoa Initiative, Rainforest Alliance, local cooperatives and cocoa farmers, including the Governments of Côte d'Ivoire and Ghana.

HOW DO WE PLAN TO EXPAND?
We will constantly test, learn and adjust to ensure we deliver the most effective interventions and support at farm, household and community level. We will also transform the sourcing of cocoa to achieve full traceability and segregation of our cocoa products from origin to factory.

Year	Target	Notes
2020	1 000 families	Côte d'Ivoire > Pilot
2022	10 000 families	> Test at scale
2024	> Scale up	Ghana > Extension
2030	160 000 families*	Global > Rollout

Learn more at www.nestle.com/living-income-cocoa

Under the new program that rewards practices that increase crop productivity, families can earn up to CHF 500 (US\$537) annually, in addition to cocoa sales, for the first two years of the program. This higher incentive is intended to accelerate the implementation of good practices, building future impact. After the first two years, it will level at CHF 250 (US\$287) annually. These incentives are not

based on quantity of cocoa produced, and therefore are available to smaller farmers as well as larger. The program also offers financial incentives for the farmer's spouse, who is typically responsible for household expenses and childcare, improving gender equality.

- School enrollment for all children in the household ages 6-16;
- Implementing good agricultural practices, such as pruning, which increase crop productivity;
- Performing agroforestry activities to increase climate resilience, like planting shade trees;
- Generating diversified incomes, for example through growing other crops, raising livestock such as chickens, beekeeping or processing other products like cassava.

Payments will be delivered via a secure mobile service transfer that will ensure traceability directly from Nestlé suppliers to the intended recipient. Because cash flow throughout the year is often a challenge, cash incentives will be distributed when they are needed most. Based on feedback from farmers, this includes the back-to-school period and before the rainy season.

A pilot program with 1,000 farmers in Côte d'Ivoire will now be expanded to include 10,000 farmers in the country before expanding into Ghana. The goal is for all cocoa-farming families in its global cocoa supply chain to be in the program by 2030.

Nestlé will help ensure farmers have the resources, training and social and financial structures to make lasting changes by:

- Enhancing the existing monitoring and remediation system to help identify, prevent and address child labor risk and increase school enrollment;
- Offering families training through the Gender Action Learning System and on household financial planning and entrepreneurship;
- Organizing and training local groups to perform pruning and other beneficial agricultural tasks within a given cooperative each year;
- Providing income diversification opportunities for farmers and their spouses;
- Helping set up Village Savings and Loans Associations (VSLA), focused on women, to encourage savings and provide loans for small business opportunities.

As part of the program, Nestlé will transform the global sourcing of cocoa to achieve full traceability and segregation of its cocoa products from origin to factory. This new effort will help transform the supply chain of Nestlé and the broader industry. Nestlé will introduce a range of products with cocoa sourced from this innovative program, offering consumers the opportunity to support the improvement of the families' livelihoods and the protection of children. This will start with a selection of KitKat products in 2023.

"Our actions can help catalyze change on an important topic that is so close to our hearts. They will drive accountability and transparency across the industry, at a time when customers, employees and communities increasingly expect companies to deliver on their shared values," said Magdi Batato, Executive Vice President and Head of Operations. "By increasing traceability at scale, we will help build consumer trust in our products and respond to the growing demand for responsibly and sustainably sourced cocoa."