

Nestlé Cocoa Plan Progress report 2019



Introduction

Why it matters

The *Nestlé Cocoa Plan* aims to help farmers address the challenges they face through three pillars – better farming, better lives and better cocoa. Activities such as training in better agricultural practices, distributing higher-yielding plants, promoting gender equality and tackling child labor help farmers to improve the quality of their products as well as their income and livelihoods.

What we are doing

Through the *Nestlé Cocoa Plan*, we have announced we will source 100% of the cocoa for Nestlé confectionery – around 300 000 tonnes per year – by 2025 and so will continue our tonnage growth. This replaces our previous objective of sourcing 230 000 tonnes of cocoa through the *Nestlé Cocoa Plan* by 2020.

10 years of progress

We launched 'the Cocoa Plan' (as it was then called) in 2009 in order to improve the lives of cocoa farmers and the quality of cocoa. At the time we made two commitments: plant 12m cocoa trees and spend 110m CHF by 2019.

We completed our trees commitment a year early in 2018, and in fact have now spent over double our original commitment at 264m CHF.

Since its launch the Nestlé Cocoa Plan (NCP) has evolved as we have gained a better understanding of the issues on the ground, through work with our partners, suppliers and

cocoa farming communities as well as input from civil society.

We engaged external parties to certify cocoa coming from the NCP programme: UTZ (now the Rainforest Alliance) and Fairtrade.

In 2012 we added a strong focus on child labour after we commissioned the Fair Labor Association (FLA) to investigate the issue for us. In parallel we kicked off a programme to build or refurbish 40 schools in four years in Côte d'Ivoire with the World Cocoa Foundation.

In 2013 with Oxfam's encouragement we added a gender component to the NCP. We also joined the Cocoa Livelihoods Partnership, partly funded by the Gates Foundation, which added a food component in the NCP. We were a founder of what was then the 'Senior Leaders Council' and became 'CocoaAction', which helped to focus our efforts on productivity and community development. UTZ came on board to assess the impact of CocoaAction in the NCP. Today this work continues with the Rainforest Alliance.

In 2017 we joined the 'Cocoa & Forests Initiative', facilitated by IDH (the Sustainable Trade Initiative) and the World Cocoa Foundation, adding a strong area of work around combatting deforestation and promoting agroforestry.

In 2020 we joined the CLEF (Child Learning and Education Facility) coalition, convened by the Jacobs Foundation, designed to boost quality education in rural communities in Côte d'Ivoire.

To contribute to the knowledge base on the issue in 2017 we released our first 'Tackling Child labour' report, followed by the second in 2019. In 2020 we released our first 'Tackling Deforestation' report.

First 10 years Summary table:

	Cumulative cocoa plants distributed	Cumulative Spend (m CHF)	Nestlé Cocoa Plan volume (tonnes)
2010	230 000	7.5	11 500
2011	1 040 000	18.8	31 200
2012	2 150 000	33.3	46 345
2013	3 220 000	50.4	62 299
2014	4 830 000	74.5	91 801
2015	6 540 000	105.6	121 000
2016	8 700 000	135.9	140 933
2017	10 990 000	177.6	186 722
2018	14 560 000	224.4	198 000
2019	15 270 000	264.5	183 000

2019 Review

In 2019 the NCP covered over 109,000 farmers across Côte d'Ivoire, Ghana, Cameroon, Indonesia, Brazil, Ecuador, Mexico and Venezuela. We sourced over 183,000 tonnes from these farmers. All the tonnage from Côte

d'Ivoire, Ghana, Cameroon and Indonesia was certified, and 16,000 tonnes of the Ecuador tonnage. Tonnage from Brazil was verified, and we will extend verification to Mexico. Verification, like certification, involves audits by external companies but against our own standard.

Country	Tonnes	Percentage
Côte d'Ivoire	133 035	72.6 %
Cameroon	2 000	1.1 %
Ghana	15 000	8.2 %
Indonesia	6 220	3.4 %
Brazil	5 608	3.1 %
Ecuador	19 486	10.6 %
Mexico	1 452	0.8 %
Venezuela	560	0.3 %
Total	183 361	100 %

This report reviews our 2019 progress in five sections:

1. Better Farming
2. Better Lives
3. Better Cocoa
4. Key Performance Indicators
5. Perspectives for the future

BETTER FARMING



Better farming

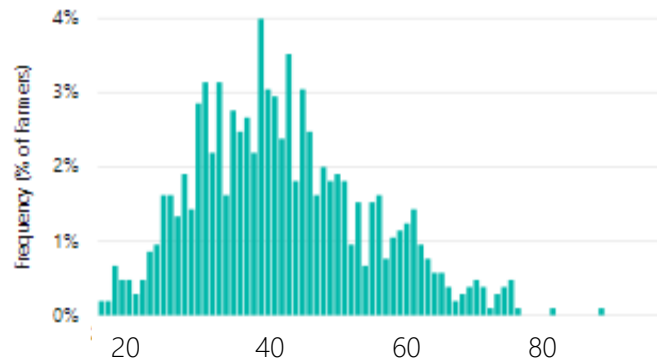
Farmer income and productivity is as important as ever. We continue to work with traders and cooperatives to help farmers improve how they farm, in order to increase yield and therefore income. We offer training to help them reduce disease in crops, improve bean quality, rejuvenate plantations and manage sustainable land use. As part of CocoaAction, an industry-wide strategy coordinated by the World Cocoa Foundation, we work with the Rainforest Alliance to assess the impact of farming practices training in more than 30 certified cocoa coops in Côte d'Ivoire. This monitoring and evaluation helps us to understand overall

performance and risk, track progress, and identify key areas where further intervention is needed.

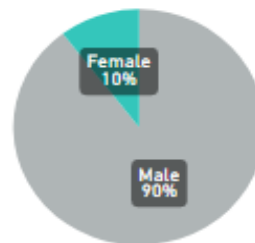
In 2019 it covered 1050 farmers in Côte d'Ivoire out of a total of 75,000 UTZ certified farmers in the Nestlé Cocoa Plan in the country.

The average farmer is a male 46-year-old, with one plot of 3 hectares, and with a yield of 578 kg/ha. He has been in a sustainability programme for four years. 10% of the farmers are female. The graphics show the spread around the averages.

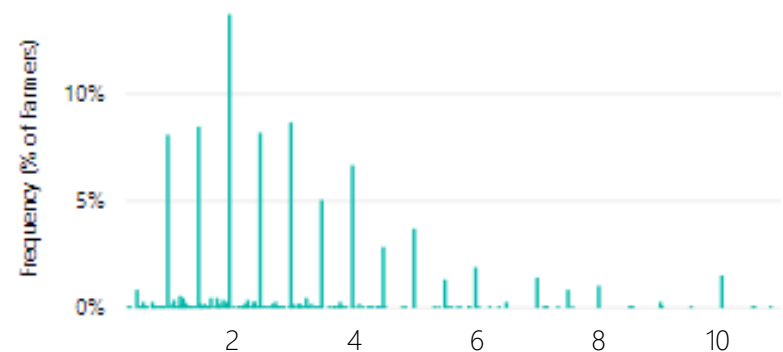
Age, by % of farmers*



Gender of respondent



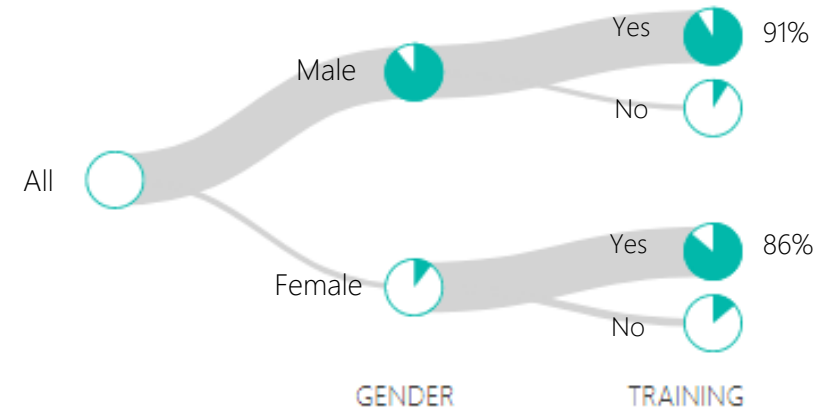
Plot Size (Hectares), by % of total farmers



Farmer training

Training is mainly by farmer field school, which is a practical and participative type of training for groups of farmers. We're also increasingly using coaching techniques, which involve farm visits and farm development plans. Our CocoaAction survey found good participation in training from farmers in the Nestlé Cocoa Plan, with a slightly higher percentage of men than women attending:

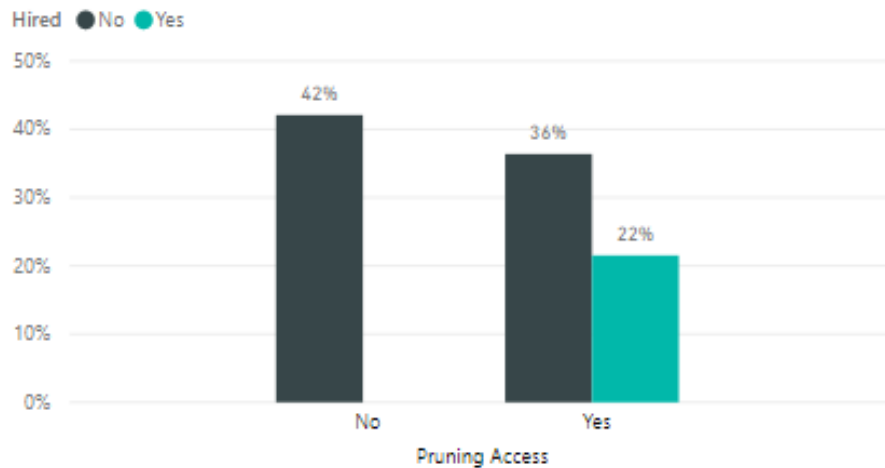
91% of Males took part in training compared to 86% of Females



Improving farming practices

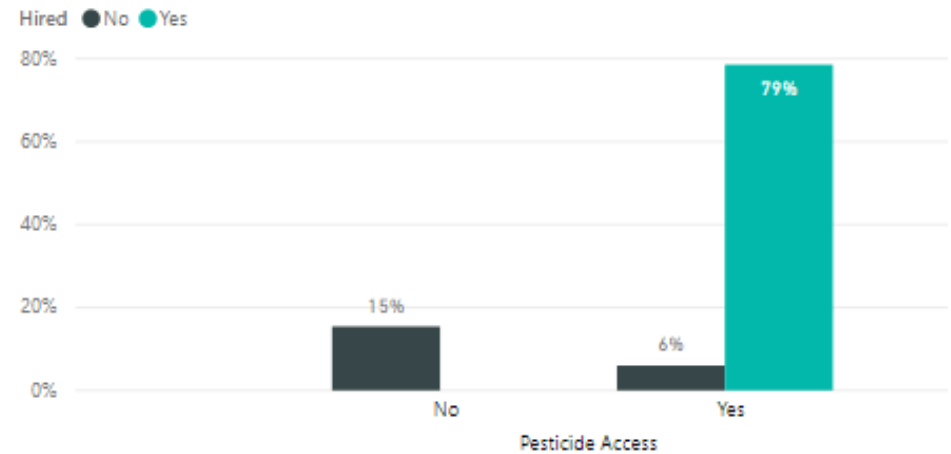
We continued our focus on farmer coaching and pruning. So far, 729 farms have been pruned by our trained pruning groups, which will result in increased yields and incomes. Using these techniques our farmer demonstration plots have shown up to a threefold productivity increase. Our CocoaAction survey showed that over half of farmers had access to pruning crews and 22% hired them.

Among all farmers, 22% had access to pruning crews and hired them



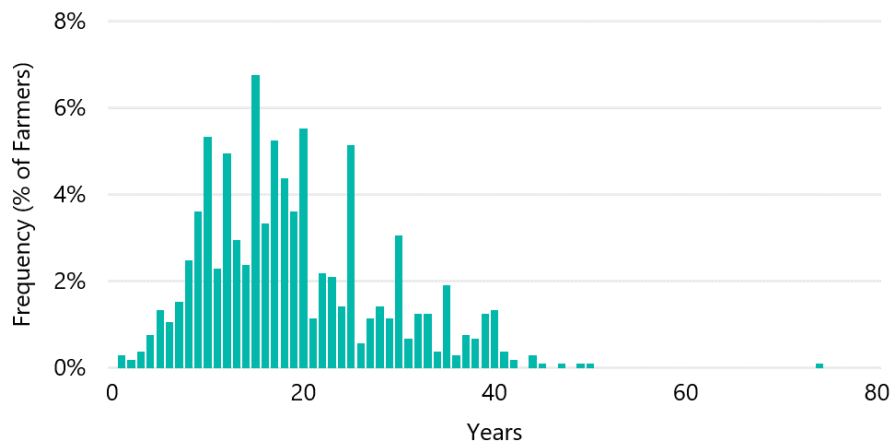
It is good to see 79% of farmers using professional spraying crews to apply pesticides. This avoids children being involved, which would qualify as child labour.

Among all farmers, 79% had access to spraying crews and hired them



We made further progress on distributing new, higher-yielding cocoa plants to farmers in Ghana. In Côte d'Ivoire the government does not currently allow companies to distribute improved planting material. Age of cocoa trees on farms varied widely, with median at 15 years and with 24% trees over 25 years old.

The most common AGE of the MAJORITY OF TREES is 15 years



Entrepreneurship in Agriculture: 'Agripreneurship' training

We're supporting the development of professional farmers to demonstrate that cocoa farming can be a rewarding

profession. Farmers who have demonstrated willingness to improve their practices are selected and are personally coached by a Nestlé agronomist and a lead farmer from the coop. They are taught about running a farm efficiently, cash flow control, and spend planning. Results from the first 50 farmers in the programme show they are developing well. In order to quantify this better and understand how to extend the learnings to a greater number of farmers we have teamed up with the Royal Tropical Institute in the Netherlands (www.KIT.nl).



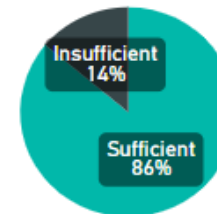
Good Agricultural Practice adoption

Our key outcome KPI, overall adoption of good agricultural practices (GAP), increased from 21% to 28%, according to CocoaAction definitions. The definition is 4 out of 5 GAPs including pruning have to be carried out well. Each GAP is well defined and enumerators trained by WCF to ensure comparable results between companies.*

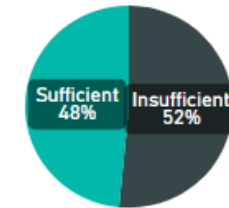
We had good results for both pests and diseases and harvest management. It was surprising to see weeding rather low: the bar is high on this and each observation point needs to be perfectly weeded to make the score. Shade management improved since 2018 but is not yet good enough, this will be helped by our shade tree distribution programme. Soil fertility is a concern in much of the cocoa growing area. With the cost/benefit of fertilizer not always proven, especially if good agricultural practices are not followed, it's not surprising to see a relatively low adoption rate of 38%. Of this, 21% was organic fertilizer. This doesn't include practices like returning cocoa pods to fields as organic matter.

* Some methodologies changed so figures are not perfectly comparable. For future years we have agreed with the Rainforest Alliance to continue on the CocoaAction basis but refine according to our needs. In particular we will change the pruning score to reflect what we are teaching as best practice.

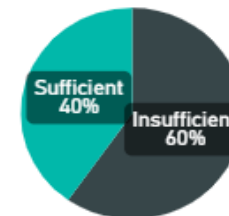
GAP 2: PESTS & DISEASES



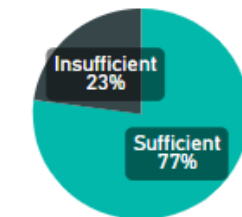
GAP 3: WEEDING



GAP 4: SHADE MANAGEMENT

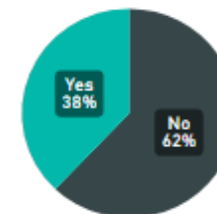


GAP 5: HARVEST MANAGEMENT

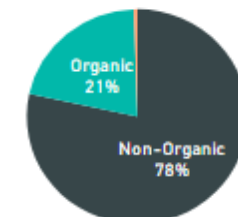


SOIL FERTILITY

38% of farmers used fertilizer in last 12 months



21% of fertilizer used was organic

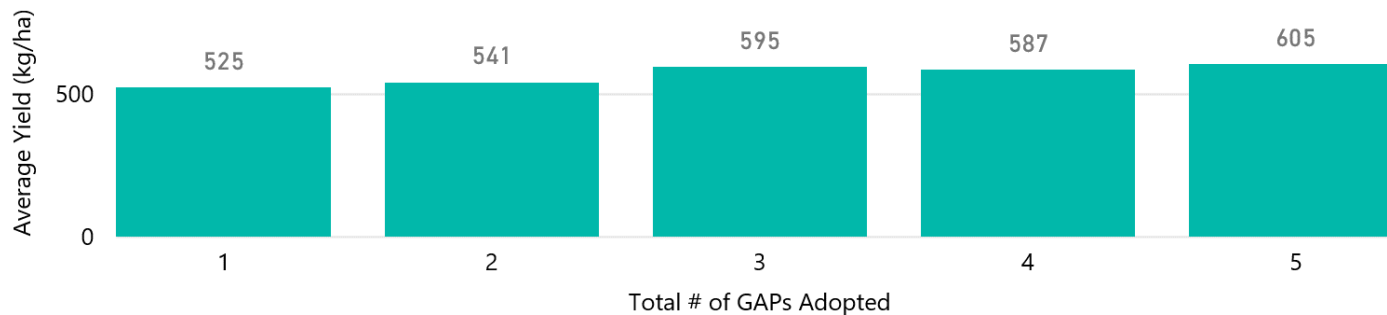


The results of these practice adoptions are not as clear cut as we would like to see, but there is still a

relationship with more GAPs implemented equalling higher yields:

Average Yield (kg/hectare) by total number of GAPs adopted

Average yields are seen to increase slightly with additional GAP adoption, with highest average yields reported when all 5 GAPs are adopted.



Tackling deforestation

Deforestation remains a major issue in cocoa regions, in particular in West Africa. Nestlé continues to be part of the Cocoa & Forests Initiative to combat this. We distributed over 420 000 shade trees globally in 2019 and completed the mapping of 75% *Nestlé Cocoa Plan* farmers in Côte d'Ivoire and Ghana. [Read](#) about our approach to deforestation in cocoa in our 2020 Progress Report.



BETTER LIVES



Better lives

Tackling child labor

In 2019, we released our second report on '[Tackling Child Labor](#)', providing further insights into the progress made in the implementation of our Child Labor Monitoring and Remediation System (CLMRS) in Côte d'Ivoire. By the end of 2019, we had identified more than 20,000 children in child labor through the CLMRS. Our findings illustrate the deep-rooted nature of the issue, which go far beyond our own supply chain. It also demonstrates the effectiveness of our system in identifying them – without which they cannot be addressed – and in effectively tackling them through remediation activities, such as providing birth certificates and access to education. The CLMRS means that Nestlé can assess the magnitude of the issue of child labor in the supply chain, address these and report on our actions. The Tackling Child Labor report is part of our efforts to be as transparent as possible about the issue, the causes, the actions we take to address it and the challenges that remain.

The number of children leaving child labor – being free from carrying out hazardous tasks across two inspection visits in six months – increased to 2459 (29% of children who have received two visits) in 2019. Our focus on quality education saw four more schools refurbished or built to make a total of 49 since 2012. We maintained our cooperation with the Jacobs Foundation with bridge

classes, helping at-risk children reintegrate into normal schools.

Overall, we have almost doubled our outreach in the last two years to include 78,580 children across 1751 communities, with 1640 Community Liaison People monitoring the children. The report shows that since CLMRS was launched in 2012, benefits have included:

- 593,925 people attending awareness-raising sessions.
- 87,925 children within and outside our supply chain receiving prevention or remediation support.
- 78,580 children being monitored, with 18,283 found to be in child labor.
- 49 schools being built or refurbished, benefiting 20,000 children.
- 1225 children benefiting from tutoring.
- 19,152 school kits containing essential equipment being provided to children.
- 5756 birth certificates being issued.
- 62 children enrolling in vocational training.
- 979 women benefiting from the maternal literacy program, which helps them to better support their families.

In Ghana the number of farmers in the CLMRS remained constant as the roll out with our second supplier did not happen as rapidly as we expected.

Helping cocoa communities save

Many individuals, communities and villages in cocoa-growing areas find it difficult to save money. We are supporting efforts to help them through a community approach. The Village Savings and Loans Association (VSLA) scheme openly ensures that everyone can see how much money is paid into a secure box and see it going out if someone needs assistance. At the end of each annual cycle, accumulated savings are distributed back to members, with interest.

This demonstrates that communities can save and provide support to individuals when needed, creating trust and bringing the community together. It also enables people to save for bigger purchases or to start their own business. Once trained, the communities can run the funds themselves, enabling the whole village to become more resilient.

Currently, 3000 farmers within the *Nestlé Cocoa Plan* are participating in VSLAs, with between 15 and 25 in each community association.

Increasing gender awareness in Côte d'Ivoire

The *Nestlé Cocoa Plan* is raising the issue of gender equality in our cocoa supply chain. Targeted at co-operatives, a three-day gender awareness program aims to start changing attitudes toward gender. Sessions include personal gender awareness, as well as the development of an action plan for each participating co-op.

We are very encouraged by activities undertaken by co-ops in the *Nestlé Cocoa Plan*. These include assisting women in food crop production, such as cassava, plantain, aubergine and chilli, and in raising livestock. They've helped increase women's income with primary product processing including cassava grinding. VSLAs help women save and provide loans for small business opportunities. So far 6690 women have been involved in these activities.

The percentage of women farmers in our supply chain has remained constant at 7%. However, two figures have increased:

- The percentage of land they own has increased from 7% to 12%, and
- Women in decision making positions in coops has increased from 8% to 17%.

This last figure is particularly encouraging as it is something we have emphasized in our gender awareness raising course for *Nestlé Cocoa Plan* coops. Women employees of coops is at 24% and is a figure we haven't tracked before. Clearly there is more to be done and will take time and perseverance.

Gender in Ghana

We have helped create VSLAs and combined them with Gender Action Learning at Scale (GALS) training. Together these champion issues of gender empowerment, awareness raising with the objectives of deepening

financial inclusion, financial literacy and providing the tools needed for gender inclusion.

GALS uses tools such as the Gender Balance tree, which enables households to recognize gender injustice as an obstacle to their shared vision for a better life. GALS helps households to recognize each other as allies in joint efforts. Women particularly are empowered to articulate issues, discuss them constructively and make explicit, shared decisions. A total of 224 women are benefitting from GALS training.

We have taken special interest in increasing women trainers and women in decision making with the aim to increase women participation and representation. The percentage of women farmers is approximately 28% while the percentage of women in decision making has increased from 8% in 2017 to 11% in 2019, still low but heading in the right direction. The coaching women to take up leadership positions will have contributed to this increase.



BETTER COCOA



Better cocoa

Volume

The volume of cocoa purchased through the Nestlé Cocoa Plan decreased in 2019, mainly due to contract roll over from the previous season. We expect 2020 to be similar to the past two years, then we'll ramp up towards our 100% NCP target for all cocoa in our confectionery products by 2025.

Farmer cooperatives

Long term relationships with farmer co-operatives is key to the Nestlé Cocoa Plan. It is vital that these co-operatives function well, in trading cocoa as well as providing services to their members and the communities they work in. Together with our suppliers we help and train coops manage their business better. We are happy that the average time coops have been with us is now 6 years.

Certification challenges

Following the merger of UTZ and the Rainforest Alliance, a new Rainforest Alliance certification programme is being developed with more stringent requirements for both certified cooperatives and the third-party auditors we work with. In 2019, some of our co-operatives failed

certification audits and despite assistance were unable to pass re-audits. This is unfortunate both for the farmers and for Nestlé, however a stronger system built on trust and transparency will ultimately provide a higher level of assurance, and is in the interest of the long-term credibility of certification.



Key Performance Indicators (KPIs)

Better farming

Activity KPIs	Country	2017	2018	2019
Number of farmers in <i>Nestlé Cocoa Plan</i>	Global	99 629	114 460	109 748
Number of improved cocoa plants distributed	Global	2 282 600	3 569 363	950 534
Number of shade trees distributed globally	Global	n/a	151 414	420 529
Outcome KPIs				
% farmers applying good agricultural practices	Côte d'Ivoire	9%	21%	28%

Better lives

Activity KPIs	Country	2017	2018	2019
Number of co-ops/farmer groups in Child Labor Monitoring and Remediation System (CLMRS)	Côte d'Ivoire	95	89	87
Number of farmers in CLMRS co-ops	Côte d'Ivoire	65 486	67 074	73 248
Cumulative total of full-size schools built or refurbished	Côte d'Ivoire	43	45	49
Cumulative total of bridge classes built	Côte d'Ivoire	30	55	98
Cumulative number of children benefiting from remediation activities (direct and indirect)	Côte d'Ivoire			87 925
Cumulative number of children supported with education activities	Côte d'Ivoire	11 060	19 072	44 665
Number of farmers in CLMRS	Ghana	n/a	2859	2859

Activity KPIs	Country	2017	2018	2019
Number and % of children benefiting from support with education activities (direct and indirect)	Ghana	n/a	n/a	1107 78%
Number and % women farmers in VSLAs	Ghana	224 47%	279 43%	382 36%
Outcome KPIs				
Number and % of children participating in child labor	Côte d'Ivoire	11 891 18%	17 590 21%	18 283 23%
Number and % of child labor cases followed up/assisted	Côte d'Ivoire	6346 53%	11 130 63%	15 740 86%
Number and % of children no longer in child labor (% expressed out of number of children with two or more visits)	Côte d'Ivoire	477 3%	981 5.6%	2459 29%
Number and % women farmers in NCP coops	Côte d'Ivoire	7%	n/a	6091 7%
Number and % women in decision making positions in NCP coops	Côte d'Ivoire	8%	n/a	90 17%
Number and % of children participating in child labor	Ghana	n/a	1496 60%	1416 58%
Number and % of child labor cases followed up/assisted	Ghana	n/a	1210 81%	668 60%
Number and % of children no longer in child labor	Ghana	n/a	0	0
Number and % women farmers in NCP	Ghana	4566 28%	5172 29%	5030 28%
Number and % women in decision making positions in NCP	Ghana	43 8%	54 9%	66 11%

Better cocoa

Activity KPIs	Country	2017	2018	2019
Volume of <i>Nestlé Cocoa Plan</i> cocoa (tonnes)	Global	186 358	198 155	183 361
<i>Nestlé Cocoa Plan</i> cocoa as % of total Nestlé cocoa	Global	42.9%	49%	44%
Outcome KPIs				
Average number of years co-ops have partnered in <i>Nestlé Cocoa Plan</i>	Côte d'Ivoire			6

Nestlé Cocoa Plan costs ('000 CHF)

Item	2017	2018	2019
Research and development, planting material distribution	3625	6105	6614
Global co-operation, e.g. WCF CocoaAction	1604	1405	1048
<i>Nestlé Cocoa Plan</i> projects	842	346	230
Child labor monitoring and remediation system, and school-building	4482	4860	3350
Farmer cash premium	9299	12167	8776
Co-op premium, certification, training and other costs	21901	21937	21447
Total	41752	46821	41466

Perspectives for 2020

Focus on Living Income

While we have made progress in addressing cocoa sustainability issues, the main issues of household poverty, child labour and deforestation continue in the sector.

We strongly believe cocoa farmers should earn an income that allows them to maintain a decent standard of living for them and their families. This is why we support the efforts by the governments of Côte d'Ivoire and Ghana to improve the standards of living for cocoa farmers and were one of the first companies to buy 2020/2021 cocoa with the Living Income Differential (LID). The LID, which adds USD 400 to the price per tonne of cocoa, will go some way to helping through increasing the cocoa price for all users of these two origins.

In addition, to strengthen our work on Living Income, we have started working with the Royal Tropical Institute in the Netherlands ('KIT') to help us evaluate our work on Better Farming and assist more farmers make a living income from cocoa as their primary activity. We will publish our progress as we go along, sharing with pre-competitive platforms.

Our focus on pruning continues with more groups trained and equipped. We will continue to re-invigorate farmer training with the use of video and digital technology alongside traditional field sessions.

Child labour and CLMRS performance

Our '[Tackling Child Labour](#)' report covered some specific challenges including interesting thought pieces from our guest writers Dr Kristy Leissle and Amanda Berlan, who mentioned moving beyond a binary view of child labour, and including children's voices in considering how to deal with child labour.

We will implement the CLMRS in all our sourcing from West Africa by 2025. We will also continue to extend the system to more farmers in Côte d'Ivoire and Ghana, innovate with our remediation and to continue to follow up child labourers we have found. We continue our focus on education with bridge schools, school kits and improving teaching quality. We will take up the suggestion to seek children's views.

We have recently joined the Child Learning and Education Facility (CLEF) coalition to boost quality education in rural communities in Côte d'Ivoire. The CLEF coalition is a pooled financing facility, and the first public-private partnership focused on scaling investments for quality education in Côte d'Ivoire.

Protecting and restoring forests

We will accelerate our work as part of the Cocoa & Forests Initiative, distributing more shade trees and kicking off two agroforestry projects with PUR Projet. Agroforestry is one of the nature-based solutions we are deploying with the objective of transforming our supply chains in a way that makes them more resilient and climate-friendly. This will help absorb more carbon, improve soil health and

enhance biodiversity and will ultimately contribute to our 2050 net-zero pledge. We will also continue to work with the governments of Côte d'Ivoire and Ghana, our partners and other stakeholders to help protect and restore protected forests and promote sustainable cocoa and thriving communities.

Cooperation with others

CocoaAction, the Cocoa & Forests Initiative and CLEF are all good examples of how the industry can make progress faster and at scale by cooperating and working together and with others including government and civil society. We will continue to work with the World Cocoa Foundation, International Cocoa Initiative, IDH, the Rainforest Alliance, and others to find these sweet spots of cooperation.

COVID-19

At the time of writing, COVID 19 has created an unprecedented crisis across the world. The virus has started spreading in the main cocoa origins, which have brought in hygiene and social distancing rules. We have suspended operations which could contribute to spreading the disease and focused on educating communities on prevention. In such circumstances already vulnerable people are even more at risk. Within our CLMRS our community facilitators will continue to watch out for children and provide assistance. Nestlé has donated 10m CHF to the International Federation of the Red Cross Societies for COVID 19 work, including cocoa growing communities.