

# Sustainably Produced Palm Oil at Nestlé

## 2021 Progress Report

### Report Summary

In 2021, Nestlé sourced more than 465,000 MT of palm oil, which came to us through 58 suppliers, originating from 24 countries. Our supply chain mapping traced 97% of that volume back to the mill and 68% to the plantation level. At the end of 2021, 91% of our palm oil volume was assessed as deforestation free, a number that will continue to progress towards 100% by the end of 2022. We worked directly with companies in our supply chain on have palm oil supply chains in which action is taken towards preserving and restoring nature, and respecting human rights, and where workers and smallholder farmers are offered decent work and livelihoods.

**Toward a forest positive future:** In June of this year, Nestlé launched the [Nestlé Forest Positive Strategy](#), laying out three pillars for a Forest Positive future: deforestation frees supply chains, long-term forest conservation and restoration in our supply chains, and sustainable landscapes. This strategy contributes to delivering on the [Nestlé Net Zero Roadmap](#) that was published in December, 2020. Our palm oil forest positive progress for 2021 included: assessing 91% of volumes as deforestation free and supporting seven conservation and restoration initiatives and seven sustainable landscape initiatives across Indonesia, Malaysia, and Mexico, including embracing new, innovative conservation finance mechanisms for long-term and scalable impact.



Figure 1. The Nestlé Forest Positive Strategy was launched in June, 2021

**Toward a just transition:** In April, Nestlé launched an upgraded [2021-2025 Labor Rights Action Plan](#) for Palm Oil, and in December Nestlé released its new [Human Rights Framework and Roadmap](#). To implement these plans in palm oil supply chains, Nestlé worked with Verité to develop and pilot a Program Assurance Framework with seven refineries in Indonesia and Malaysia, representing 17% of volumes. Pilot companies were subsequently engaged to develop action plans to strengthen their Human Rights Due Diligence (HRDD) systems. This Framework will be rolled out across our supply chains in 2022. Nestlé additionally supported development of tools and resources specific to the palm oil industry to address human rights challenges, including the Verité [Toolkit for Palm Oil Producers on Labor Rights](#) and the Palm Oil Collaboration Group's [digital library of tools](#). Nestlé supported capacity building activities for suppliers on target setting and wage policies, child risk assessments, ethical recruitment, and strengthening social practices. To support access to worker voice systems, the helpline previously developed with our supplier, Sime Darby Plantation, was extended to cover their full operations in Malaysia, or about 35,000 workers, with an eye to scale to other companies in 2022.

**Collaboration for transformation:** To address the key challenges in our palm oil supply chains and help transform the entire sector, we continued to collaborate with industry partners and multi-stakeholder platforms, such as the Consumer Goods Forum (CGF) and the Palm Oil Collaboration Group, among others. This included our [reporting progress](#) as part of the first CGF Forest Positive Coalition progress report.

**Looking ahead:** In 2022 we will continue progress towards 100% deforestation free supply chains and in implementing our Forest Positive Strategy and our Labor Rights Action Plan. We will also grow our focus on landscape initiatives, land rights, and reducing GHG emissions in our palm oil supply chains.

This report provides further information on our progress and these initiatives to date, covering activities that took place in 2021.

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## Our Sustainable Sourcing Context and Approach

Nestlé's work in palm oil sustainability dates back to its first commitment to responsibly sourced palm oil and deforestation free supply chains in 2010. We believe that when produced sustainably, palm oil can support millions of livelihoods globally, and reduce pressure on forests and sensitive ecosystems since it is a uniquely efficient crop, producing more oil per land area than any other equivalent vegetable oil.

2021 served as a transition year from a focus on responsible palm oil, towards building the foundations to advance regenerative food systems at scale in our palm oil supply chains. The foundations of our approach remain the same: to know **where our ingredients come from** and that they are produced in a manner that **respects people and the planet**, in line with the [Nestlé Responsible Sourcing \(RS\) Standard](#). Our ambition is that our palm oil comes from supply chains where action is taken towards preserving and restoring nature, respecting human rights, and where workers and smallholder farmers are offered decent work and livelihoods.

This means, our efforts will focus on palm oil that comes from:

- known origins
- suppliers with environmental and human rights due diligence systems capable to cascade requirements throughout the supply chain to the point of origin
- supply chains with robust action plans to address assessed gaps and regular and verified progress to close those gaps
- sourcing landscapes where action is taken to address the root causes of environmental and social risks
- industry where collaborative action is underway to drive industry-wide change at scale

## Measuring Progress

In 2021, we used 467,744 MT of palm oil, which came to us through 58 suppliers, originating from at least 1,778 mills in 24 countries. Most of the palm oil that we source originates in Malaysia and Indonesia, however there are also origins across Latin America, Africa, and other parts of Asia.

We engaged directly with suppliers and sites in our supply chain in 2021, including engagement on time-bound roadmaps for 37 refineries at origin, which represent the most significant refineries by volume in our supply chain. Thirty-three of these roadmaps meet our requirements while the rest are in the process of meeting them. To address specific challenges, we supported targeted transformation activities as described in the remainder of this report.

Our key measures in 2021 were:

**Traceability:** Sustainable sourcing starts with knowing where our ingredients come from. We began tracing our palm oil supply chains to the mill in 2010 and in 2016 we increased our focus to the plantation level [see Definition in Box 1].

**Assessed as Deforestation Free:** Using satellite monitoring of sourcing areas, combined with data from our traceability efforts, field assessments, and volumes known to have sustainability certification, enables us to assess deforestation free origins [see Box 2 definition].

**RSPO Certified:** We are committed to 100% RSPO certification by 2023, which will take the form of a mix of physically certified palm oil (Segregated, Identity Preserved, and Mass Balance) and credits (Book & Claim).

For our key performance indicators for palm oil in 2021, we achieved:

Traceable to Mill	Traceable to Plantation	Assessed Deforestation Free	RSPO Certified
97%	68%	91%	71%

In the coming years, we will introduce additional measures related to the number of palm oil producing landscapes we support transformation in, GHG emissions reductions, labor rights, and sustainable production

**Box 1. Definition of Traceability**

**Traceable to Mill**

- Name of Mill
- Name of Parent Company
- GPS coordinates
- Certification status

**Traceable to Plantation**

- Estates:
  - Name of Plantation
  - Parent Company name
  - GPS coordinates
  - Certification status
- Dealers/collectors:
  - Dealer names
  - % of overall FFB tonnage mill receives from dealer
  - Estate info (see above)
  - Smallholder info (see below)
- Smallholders:
  - No. of smallholders
  - % of FFB tonnage mill receives from smallholder annually

**Box 2. Definition of Assessed Deforestation Free**

**Deforestation Free**

- Not expanding or producing on:
  - Areas converted from High Carbon Stock (HCS) forests and habitat such as peatland, wetlands, savannas after 31st December 2015, as defined in the High Carbon Stock Approach Toolkit
  - Peatlands of any depth, except where farming practices protect peat
  - IUCN protected areas categories I-IV, UNESCO World Heritage Sites and wetlands on the Ramsar List.
  - Identifying, protecting and avoiding producing on High Conservation Values (HCV) lands in and around the producer territory after 31st December 2015,

**Methods of Verification**

- On-the-ground assessments by non-governmental organization partners (HCSA/HCV assessments)
- Certified RSPO SG/IP origins
- Traceable to plantations that are verified as deforestation free via satellite monitoring systems such as Starling
- NDPE Implementation Reporting Framework (IRF) ‘Delivering’ volumes verified by a 3<sup>rd</sup> party

## Our Work in 2021

### Towards a Forest Positive Future

Keeping forests standing requires that the sites in our supply chain not only do not deforest, but also actively help conserve and restore forests, peatlands, and other natural ecosystems for the long term, while working as an integrated part of the broader landscapes that they are a part of and supporting sustainable agricultural production, livelihoods, and respect for human rights. These are the principles of the [Nestlé Forest Positive Strategy](#) that was released in June, 2021. This strategy contributes to delivering on the [Nestlé Net Zero Roadmap](#) that was published in December, 2020.

In palm oil, we are undertaking a number of efforts to achieve and maintain deforestation free supply chains and go further to evolve towards a forest positive future.

### *Assessing no deforestation in our supply chains*

Deforestation-free supply chains remains a core pillar of our palm oil work. In 2010, [Nestlé committed to ending deforestation in our supply chain](#). Since 2010, we have worked across our supply chains to make this commitment a reality. The foundations for this work are supply chain mapping (knowing where our palm oil comes from), continuous monitoring of forest related risks such as through field assessments and satellite technology, and supplier engagement to investigate and address those risks.

In 2019 we began [global satellite monitoring](#) coverage of our palm oil supply chain with Starling. This tool was developed by Airbus and Earthworm Foundation as a global monitoring system allowing us to assess deforestation risks across our supply chain.

In 2021, we continued to utilize Starling for in-depth analysis of every point of origin identified in our supply chain, including over 9,000 concession boundaries and 50km radius area around over 1,760 mills, to determine whether the origins were verifiably deforestation-free or whether further supplier engagement and investigation was needed. We worked with Earthworm Foundation to conduct in-depth supply chain engagement with our direct suppliers to investigate and address the risks detected through Starling.

Using this approach, at the end of 2021, we assessed that 91% of the palm oil we sourced came from lands not deforested after December 31, 2015, increased from 70% in 2020.

The 9% not yet assessed deforestation free volumes does not indicate origins are deforested, but rather reflect supply chains with insufficient transparency to allow for assessment. In some cases, producers are unwilling to share their farm locations, in the other cases, there are dealers in the supply chain who collect fruit from many producers but do not provide the origin information, and other times supply chains are very complex, comprised of many smallholder

#### **Box 4: Deforestation-Free Smallholder Supply Chains**

*One challenge we encounter in our sustainable sourcing commitments is the balance between [achieving assessed deforestation free supply chains and inclusion of smallholders](#).*

*Recognizing that detailed mapping of all farm origins is not possible for the hundreds of thousands of smallholder farmers in our palm oil supply chain, and such a requirement is more likely to drive smallholder exclusion than Forest Positive outcomes, in 2021 we began using a smallholder deforestation free assessment methodology. This method is a risk-based approach, classifying areas that a mill sources from as low or high risk of smallholder linked deforestation based on an analysis of small-scale forest loss trends (i.e. deforestation alerts below five hectares) in terrain suitable for palm oil cultivation and remaining forest area within a given region. In the case of smallholders in high-risk origins, more granular data on the smallholders' farm location (e.g. GPS coordinates) are collected, while in the case of low-risk origins, only data on the sub-district where smallholders are located are collected.*

*We are also collaborating with others in the industry to jointly address this challenge through the Production and Protection Beyond Concessions group of the Palm Oil Collaboration Group (see [Industry Partnerships](#)). We will continue our efforts in 2022 trying to balance no deforestation assessment and support for smallholder farmers.*

#### **Box 5: Supplier engagement on deforestation free assessment**

*Oleofinos, one of Nestlé's palm oil suppliers in Mexico, supplies Nestlé from a local supply chain involving mills that mostly source from smallholders. Despite the challenge of collecting traceability information for numerous smallholders, the company worked intensively over 2020 and 2021 in collaboration with their suppliers to obtain polygons of production areas, which can sometimes be only 1-5 hectares.*

*In 2021, Oleofinos collected geographical information for 2'800 smallholders and investigated all detected risks of deforestation. These efforts throughout resulted in assessing 99.4% of volumes assessed deforestation free in 2021.*

*Oleofinos and Nestlé in parallel support the smallholders in its supply chain, such as through the collaboration of the Holistic Palm Oil Program (see [Investing in sustainable landscapes: production, protection, and resiliency](#))*

producers that add challenges to mapping (See Box 4). Work will continue to identify additional plantations connected to our supply chain. We are confident to have fully assessed our palm oil supply as deforestation-free by end of 2022.

### *Understanding the forest footprint*

Our Forest Positive Strategy recognizes the importance of not just understanding where deforestation has happened and reacting to it but also to understanding where it may happen in the future and engaging our suppliers and other stakeholders to help keep that forest standing. There is currently no ready-to-use approach to assessing future risks of deforestation. This is why Nestlé is undertaking work in collaboration with Earthworm Foundation to develop an actionable approach called a Forest Footprint.

The Forest Footprint concept is based on an approach proposed by the Rainforest Action Network, to quantify areas of forest, peatland, and customary land that have been or could be impacted by sourcing activities. Nestlé piloted a Forest Footprint analysis over our palm supply chain in Aceh, Indonesia, [published](#) in December 2020. The results demonstrated to us the importance of being forward-looking and proactive in the work towards protecting forests, peatlands, and customary lands in the regions we source from.

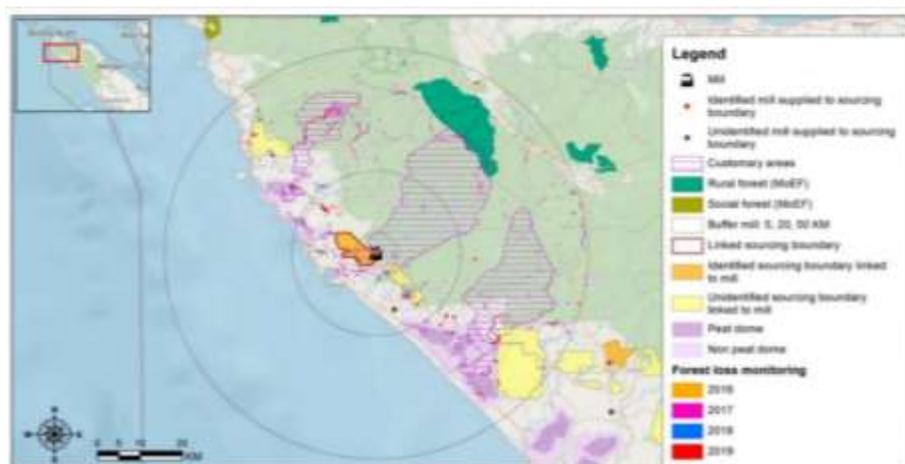


Figure 2. Image from Nestlé's Forest Footprint analysis in Aceh

In 2021, we refined the methodology and scaled the analysis over Indonesia, covering North Kalimantan, East Kalimantan, and the full island of Sumatra. In these areas, we included additional ingredients and industries beyond palm oil, including pulp and paper. These insights are helping us refine the methodology, identify new data sources, and prioritize supplier engagement. We also consulted with various experts on analysis results, including suppliers, technical experts, and local specialists, to ensure that key information is captured and that highest priority action can be taken.

Although there are limitations to the results, the analysis identified over 1.5 million hectares of forest potentially standing inside palm oil concessions in the region, out of which 200,000 hectares are located within concessions with known connections to our supply chain. We also identified over 11 million hectares of forest that could be vulnerable to palm oil conversion if no deforestation commitments are not respected, due to their proximity to a processing unit (palm oil mill) and their location on terrain suitable for palm cultivation. Similar results were found with 2 million hectares of peat and 200,000 hectares of customary lands that could overlap palm oil concessions. Our engagement shows that this standing forest is covered by varying no deforestation commitments, which indicates the need for further engagement where there are not conservation measures in place. The analysis does not indicate these areas will be converted, but that via our Forest Positive strategy, it is important to ensure in collaboration with others that measures are taken to continue to protect these areas.

We expect to carry out a global Forest Footprint for key forest-risk areas in and around our supply chains by the end of 2023. In 2022, we will thus scale up of the activities linked to the Forest Footprint, with the aim of mapping new geographies to feed into our supplier, landscape and industry engagement strategies.

### Forest and Peat Conservation and Restoration

Knowing where standing forests and peatlands exist in and around our supply chains is just the first step. Along with companies in our supply chain, we support active conservation and restoration of these important ecosystems. In 2021, we scaled up our investment for conservation and restoration around our palm oil supply chain. These initiatives embrace new models of conservation financing, collaboration, and action to drive positive impacts for people, climate, and nature.

#### Box 6: Key Learnings from the Forest Footprint Analysis

*Building off previous learnings from our initial 2020 pilot, this year the Forest Footprint analysis highlighted:*

- Significant areas of forest, peat and customary lands are found within palm oil concessions that could enter our supply chain. Additional significant areas are nearby where ingredient production could expand in the future if conservation measures not implemented.
- Supply chain transparency and traceability remain foundational to Forest Positive action.
- The analysis is limited by the lack of comprehensive data sets, e.g., peatlands, customary land, etc. Engagement with local organizations will be key to overcome data gaps & support acting on the results.
- Cross-commodity analysis identifies different risks and opportunities compared with single ingredient analyses. The overlap of forest and several commodity sourcing areas highlights the need to focus on cross-commodity solutions.
- Supplier engagement on results provides insights into refinement of the analysis in specific priority areas. This has also helped determine the connectivity between forest areas standing inside and outside concessions. This will help inform more holistic plans of action to help protect remaining forest areas.

Project: <b>Rimba Collective</b>	Location: <b>Multiple locations</b>	Partner: <b>Lestari Capital</b>
<p>The <a href="#">Rimba Collective</a> is an initiative for long-term sustainable conservation and restoration of forests around our palm oil sourcing regions. The collective aim is to protect or restore 500,000 hectares of forest, supporting 32,000 individuals in forest communities in Southeast Asia over 30 years. In 2021, we worked with other consumer goods manufacturers to develop and launch this mechanism. Funding goes into a Special Purpose Vehicle to manage the funds for long term conservation and restoration funding. This type of investment is critical to the Nestlé strategy as long term, sustainable financing for Forest Positive action is necessary for sustained impact.</p>		

Project: <b>The Sumatra Merang Peatland Project</b>	Location: <b>Indonesia</b>	Partner: <b>Forest Carbon</b>
<p>Peatlands in Indonesia provide vital ecosystem services, serving as globally important carbon sinks and biodiversity areas. Peatlands are also prone to fire when degraded and thus active management and fire prevention are an important climate mitigation strategy. For our palm oil supply chains to be sustainable and support our ambition to achieve net zero GHG emissions, it is critical to protect and regenerate peatlands in the landscapes where we source from.</p> <p>The <a href="#">Sumatra Merang Peatland Project</a> leverages carbon finance for large-scale wetland forest conservation and restoration in South Sumatra’s Merang biodiversity zone. In 2021, Nestlé made a 5-year commitment to supporting this project to help enhance ecosystem services in areas surrounding our palm oil supply chain. The collaboration with Forest Carbon also offers opportunities to expand conservation impact across the wider landscape, which includes two national parks of global significance.</p> <p>The full project covers more than 22,000 hectares of tropical wetland forest home to Sumatran Tigers, Agile Gibbons, Rhinoceros Hornbills, Storm Storks and 20 other rare, threatened, or endangered species. The project prevents peatland fires and removes carbon from the atmosphere through vegetation regrowth, reducing an average of 1.3 million tons of CO<sub>2</sub>e each year.</p> <p>Project activities include patrolling the areas to fight fires outside of the project area, engineering activities to restore natural water tables, and fire mitigation training for surrounding concession owners. These interventions support long-term regeneration and since its start in 2016, the project achieved an increase of closed canopy forest from 1% to 23%. The project has also made long-term commitments to local communities, through employment, health, sanitation, and education opportunities. The project is currently engaging communities by supporting teachers, libraries, and school programs, providing climate smart livelihoods, running a maternal and child health program, and conducting a Covid-19 vaccination campaign.</p>		
		
		
		<p><i>Figure 3. Aerial view of project area (above), wildlife in project area (below)</i></p>

Project: <b>Ketapang Peatland Restoration &amp; Conservation</b>	Location: <b>West Kalimantan, Indonesia</b>	Partner: <b>Golden Agri-Resources</b>
<p>Working directly with our supplier, Golden Agri-Resources, Nestlé is supporting the rehabilitation and conservation of &gt;2,500 hectares of degraded peatland within a palm oil concession in the Nestlé supply chain. Project activities include hydrological management and ecological restoration, including assisted natural regeneration, replanting, rewetting, integrated fire management system implementation, and long-term conservation. This initiative is important to mitigate forest fire risk by driving long term peatland conservation and preventing slash and burn practices in the area. It is also important for climate, reducing GHG emissions associated with palm oil production. Although the project site is within the palm oil concession, engagement with surrounding communities is a critical component to the project for long term sustainability.</p>		
		
		<p><i>Figure 4. Carbon stock measurement activities</i></p>

<b>Project: Project RELeaf</b>	<b>Location: Malaysia (multiple locations)</b>	<b>Partner: Multiple</b>
	<p>In 2020, Nestlé Malaysia announced a <a href="#">commitment to plant three million trees</a> over the next three years under Project RELeaf, a reforestation initiative in palm oil producing landscapes in Sabah, Sarawak, and Peninsular Malaysia. The focus will be to help restore riparian zones and forest ecosystems, contributing to establish wildlife corridors and mitigate human-animal conflict and to protect critical water supplies. In 2021, partnerships were established for work with local communities, seedling nurseries, and accelerated plantings in 2022 after delays due to Covid-19 movement restrictions during 2021. More than 230,000 trees were planted in 2021.</p>	

Figure 5. Kinabatangan River where riparian zone plantings have increased water protection

<b>Project: Funding for Conservation Readiness</b>	<b>Location: Indonesia (multiple locations)</b>	<b>Partner: Lestari Capital</b>
<p>There are many forest and peatland areas that could be protected through long term sustainable financing; however, not all conservation and restoration initiatives are ready for long term finance from the start. There is work to be done first with communities, governments, and other local stakeholders to develop conservation plans, develop alternative livelihood programs, conduct community consultations, and more.</p> <p>Through Lestari Capital, Nestlé is supporting a number of village forest clusters in our palm oil sourcing landscapes in Indonesia by funding conservation readiness activities. Project activities support the development of conservation plans for community forests through developing sustainable livelihood activities, land management plans, sustainable agriculture initiatives, NGO registration, conducting Free Prior and Informed Consent, and building capacity of NGOs on conservation program management. The areas selected have a diversity of wildlife such as tigers, orangutan, Manis Javnica, western crowned pigeon, proboscis monkey, clouded leopard, and the black furred gibbon.</p> <p>Once activities are complete, the projects and communities can be well positioned to qualify for long term financing to implement their conservation and restoration plans.</p>		

<b>Project: La Encrucijada Biosphere Reserve</b>	<b>Location: Southern Mexico</b>	<b>Partner: Earthworm Foundation</b>
<p>La Encrucijada Biosphere Reserve, in southern Mexico, covers 144,868 hectares and is rich in mangroves, wetlands, and marshes, sequestering an estimated 40 million metric tons of carbon dioxide per year. It is also home to hundreds of families who produce a variety of crops, including oil palm.</p> <p>Nestlé, Grupo Bimbo, palm oil supplier Oleofinos, Earthworm Foundation, La Encrucijada Biosphere Reserve Staff and other civil organizations are working together towards the conservation of the natural resources in the Biosphere. The project aims to improve the resilience of local farming families while supporting the conservation and restoration of natural habitat. This includes for example the elimination of invasive palm oil and the replanting of native species as well as the restoration of 3,000 hectares of conservation areas that has been used for oil palm production.</p> <p>In 2021, the project supported 50 oil palm smallholder farmers that supply mills near the reserve in establishing and implementing farm management plans for more sustainable and diversified agricultural production. Training workshops and field schools were implemented with the pilot refinery groups focusing on productive diversification with cocoa and agro-silvopastoral practices. Maintenance work was carried out on 15 hectares of mangroves planted in 2020. An additional five hectares lost due to a fire, were recovered. In total 3,500 mangrove plants were planted, directly benefiting 30 people from two communities. A model plot with agroforestry</p>		

management was established with three farmers who eliminated oil palm crops in the core area of the reserve. Working groups were established with the National Commission of Protected Natural Areas of La Encrucijada (CONANP-Encrucijada) and local mills both social and private.

<b>Project: Indicative HCS-HCV Mapping</b>	<b>Location: Southern Mexico</b>	<b>Partner: Earthworm Foundation &amp; Proforest</b>
<p>In Mexico, a large portion of the production of palm oil comes from smallholders with average land area of 3- 10 hectares. One of the many challenges these smallholders face in meeting industry sustainability commitments is the relatively high cost of assessments for the size of their business, including the required High Carbon Stock &amp; High Conservation Value (HCS-HCV) assessments. Smallholder palm oil farmers in Mexico are spread across large landscapes, necessitating large scale mapping. Nestlé continued its support in 2021 of a joint collaboration project between Earthworm Foundation and Proforest to produce a large-scale HCS-HCV mapping product suitable for the Mexico smallholder context. This project is also a learning opportunity in developing efficient methodologies for reliable large-scale HCS-HCV mapping that could be replicated elsewhere. In 2021, Earthworm and Proforest worked on creating an indicative HCS-HCV map for four Mexican States using Starling data and publicly available satellite data. The mapped areas include existing palm oil production areas, potential expansion areas, and potential conservation areas. This project will conclude in early 2022.</p>		

*Investing in sustainable landscapes: production, protection, and resiliency*

We understand that sustainable production requires action beyond the sites in our supply chain; including addressing No Deforestation, No Peat, No Exploitation (NDPE) challenges and opportunities at the landscape level and view the farms, communities, and processing facilities that are connected to our supply chain as an integrated part of that broader landscape. To that end, we are increasing our focus on ‘landscape initiatives’, meaning integrated, multi-stakeholder efforts that work across industries at a jurisdictional level to address the root causes of the issues we work to address.

With the [Nestlé Climate Roadmap](#) in mind, we are incorporating CO2 reductions and removals into these initiatives as well.

In 2021, Nestlé supported seven landscape initiatives across Indonesia, Malaysia, and Mexico, connected to our palm oil supply chains, described here. Each initiative has different sets of activities and participants, but the common theme is to address the drivers of NDPE risks and opportunities, both inside and outside of sites in our supply chain. In 2022 we will work to adopt a common reporting framework to apply across initiatives, and a risk-based approach to identifying where to support new landscape initiatives.

<b>Project: Aceh Landscape Initiative</b>	<b>Location: Aceh, Indonesia</b>	<b>Partner: Earthworm Foundation</b>
<p>The Aceh Landscape Program focuses on sustainable production, forest conservation, and good social and labor practices at scale through three workstreams of integrated land use planning with government, NDPE policy support and training for industry, and capacity building for communities on the forest frontier. The Aceh Landscape is the longest standing landscape initiative that Nestlé supports in its palm oil origins.</p> <p>The program is the evolution of the Areas for Priority Transformation (APT) Initiative, which focused on the sub-regions in Aceh of Aceh Tamiang and Southern Aceh. To scale the program up in 2021, this year’s work started with extensive diagnostics to identify the main challenges to address, the key target areas for fieldwork, and stakeholders with whom to build collaboration.</p>		

Based on this diagnostic, Earthworm Foundation engaged local businesses and government in Aceh. The program included general engagement as well as targeted activities on alternative livelihoods, smallholder replanting programs, and labor rights. MOUs were signed with local governments, a land agency, an oil palm plantation company, and a farmer cooperative.

The initiative continues to monitor over one million hectares of forests in the region and investigated new hot spots of deforestation to understand forest loss drivers and conservation opportunities. The program worked with two palm oil producing companies on participatory land use planning and HCS-HCV trainings, supported one company on establishing its sustainability policy, and another company to identify HCS-HCV areas for conservation. Where land conflict was identified with one company, the initiative supported land conflict mediation, further guidelines were developed, and training was conducted on conflict resolution mechanisms at village level. For forest conservation outside of palm oil concessions, several villages were engaged on participatory land use planning.



Figure 6. Farmer training on alternative livelihoods

The smallholder replanting programme supported 74 farmers from two villages to access alternative livelihoods and conduct forest restoration activities as part of the replanting process. Earthworm Foundation worked with local companies to establish a grievance mechanism, identify and protect over 3,700 ha of forests in concessions, and conducted participatory land use planning together with two villages and the local district land agency. A training was conducted together with the local government in the Subulussalam district and twelve companies on good labor practices.

<b>Project: Smallholder Hub</b>	<b>Location: Subulussalam District, Aceh, Indonesia</b>	<b>Partner: Musim Mas</b>
<p>Together with supplier, AAK, and upstream supplier Musim Mas, Nestlé collaborated to launch a <a href="#">partnership</a> to support smallholder livelihoods and address deforestation in Aceh, around the Leuser Ecosystem. Through this initiative, approximately 1000 oil palm independent smallholders will be engaged within the first two years as part of a Smallholders Hub, Musim Mas’s smallholder program. The Smallholders Hub will provide advanced training to 40 village extension officers on good agricultural practices and NDPE. The officers will then train and upskill oil palm smallholders in their assigned areas. This will be Musim Mas’ third Smallholders Hub in Aceh province.</p> <p>The program will help smallholders increase yields and earnings from their existing farmland and reduce the risk of encroachment into protected areas. As the majority of deforestation in Aceh occurs outside plantation concession areas, such programs are critical to addressing the root causes of forest cover loss.</p> <p>Nestlé supports this initiative because lasting impact for smallholder livelihoods and forest protection requires whole-of-supply chain engagement to work in complex production landscapes.</p>		

<b>Project: Sungai Linau Landscape Conservation &amp; Livelihood Program</b>	<b>Location: Riau, Indonesia</b>	<b>Partner: Proforest</b>
<p>The Sungai Linau Landscape Conservation and Livelihoods Programme is a broad collaboration between the public and private sector. Coordinated by CORE (Proforest and Daemeter), the work is funded partially by UK Aid through the Foreign Commonwealth &amp; Development Office's Forest Governance, Markets and Climate Programme and partially by a coalition of consumer goods manufacturers and their suppliers. On-the-ground implementation is supported by two village facilitators as well as by two local Civil Society Organisations.</p>		

The consortium aims to support community-based land use development and support and strengthen village members’ livelihoods, while working on the protection of HCV and HCS forest and the reduction of GHG emissions through forest and peat protection. The project combines land use planning and management, conservation, economic activities and stakeholder engagement, with each partner playing a role, while keeping the village of Sungai Linau at the centre of all activity.

The initial activities of this program include: developing and implementing a village land use plan, including finalizing the village land allocation and forest protection regulation; conducting satellite monitoring of forests and fire risks, and implementing reforestation and agroforestry trials in the frontier region; supporting livelihoods and economic activities through smallholder services, peat rewetting, and alternative livelihoods; and holistic impact monitoring and stakeholder engagement.

Project: <b>Riau Landscape initiative</b>	Location: <b>Riau, Indonesia</b>	Partner: <b>Winrock International</b>
<p>Members of <a href="#">The Consumer Goods Forum (CGF) Forest Positive Coalition of Action</a>, a CEO-led initiative of leading global manufacturers and retailers, are joining hands to engage in production landscapes as part of efforts to achieve forest positive landscapes equivalent to their production base footprint by 2030. The Coalition seeks to learn through action and direct engagements with landscape and jurisdictional initiatives on the ground until the end of 2023, before scaling up efforts to achieve its ambition as set out in its <a href="#">Landscape Strategy</a>.</p> <p>As part of this commitment, Coalition members Nestlé, Sodexo, and Asia Pulp and Paper (APP) are supporting Winrock International in their programme to contribute to the restoration and sustainable use of peat in a landscape where palm oil and pulp and paper are produced in Siak district, Riau province, Indonesia. The support from Coalition members is initially for one year, with potential to be extended based on progress and further discussions.</p> <p>Through their contribution towards overall funding needs, these Coalition members will support Winrock in furthering the work with local stakeholders to develop the land use strategy that includes forest protection and sustainable development, a business model for long-term investment needs for these lands to become forest positive, and to build local capacity to manage and implement the land use plan. The activities supported build off of Winrock’s ongoing work with the Siak government, the National Peatland and Mangrove Restoration Agency, local civil society organizations, and local communities in implementing a “Green District” strategy.</p>		

Project: <b>East Kalimantan Landscape Exploration</b>	Location: <b>East Kalimantan</b>	Partner: <b>Earthworm Foundation</b>
<p>Based on identified risks and opportunities in the region, Nestlé and Earthworm Foundation prioritized exploring a new landscape initiative in East Kalimantan in 2021. To do this, Earthworm conducted a diagnostic exercise, including spatial analysis, supply chain mapping, and stakeholder engagement. A key step towards initiating such work was signing an MoU with local government at both the provincial and district level. Earthworm also engaged with traders and brands in the palm and pulp &amp; paper sectors to support transformation work in the region. In parallel to the above engagement, Earthworm conducted a multi-stakeholder labor workshop with government, civil society and industry partners to develop a collaborative action plan to address the risks of children in plantations and casual and short-term labor. To support the further implementation of this action plan, Earthworm released practical best-practice labor guidelines for use by local industry actors.</p>		 <p data-bbox="938 1675 1386 1703"><i>Figure 7. MOU signing with local stakeholders</i></p>

<b>Project: Southern Central Forest Spine Landscape Initiative</b>	<b>Location: Peninsular Malaysia</b>	<b>Partner: Earthworm Foundation</b>
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The [Southern Central Forest Spine Landscape](#) in Malaysia is a key palm oil landscape, producing nearly 30% of Malaysia’s palm oil. It is also an important biodiversity hotspot for species like tigers and elephants, and the government has committed to restore and preserve the connectivity of the Central Forest Spine. The region is also home to more than 90,000 independent smallholder farmers. The high concentration of palm oil mills and plantations in this region additionally employ many migrant workers. Thus, it was important for Nestlé to support a landscape initiative in this region that supports conservation, biodiversity, and human rights.

Working with other brands, producers and traders in the region, Nestlé served as the lead sponsor for this landscape initiative, which in 2021 focused on co-designing the multi-year work plan, establishing key stakeholder partnerships, and initiating the first year of project activities. Desktop and field diagnostics were conducted, with 100% of deforestation hotspots and drivers mapped. The initiative built collaborations at the national and district level with companies, government and civil society organizations. A three-year partnership between Earthworm and the Malaysia Palm Oil Board (MPOB) was established, as was a multi-stakeholder partnership to cooperate on managing human and elephant conflict in Johor. Earthworm and MPOB district officers identified smallholder farmers for scaling sustainable farming practices and income diversification via Malaysia Sustainable Palm Oil certification engagement.



Figure 8. Joint field visit with district MPOB team

In the field, Earthworm teams successfully forged a relationship with a group of independent smallholder farmers, in order to explore priority interventions. While remote engagement via WhatsApp was the only way to communicate due to the Covid restrictions, farmers were keen to collaborate. Human-Elephant Conflicts were identified as a key critical concern. To address labor rights, a pilot of the Earthworm Foundation [Ethical Recruitment Human Rights-Based Due Diligence Tool](#) was launched, and a large training event was held with a Nestlé supplier and 25 of their upstream suppliers.

<b>Project: Holistic Program</b>	<b>Location: Chiapas and Tabasco, Mexico</b>	<b>Partner: Proforest and Femexpalma</b>
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Figure 9. Smallholder farmer from the Holistic Program harvests oil palm fruit

The Mexico Palm Oil Holistic Program is a collaborative effort from Nestlé, PepsiCo, [Oleopalma](#), Roundtable on Sustainable Palm Oil (RSPO), [Proforest](#), and [Femexpalma](#) to support the sustainable development of the Mexican palm oil sector. This program was launched in 2017 and Nestlé joined in 2018 with the objective to increase the smallholders’ resilience to market changes and develop new tools that will help conserve forests, while improving livelihoods.

The program goals are to achieve sustainability in the Mexican palm oil sector, create the business case for the inclusion of smallholders in responsible supply chains, and to implement best practices to prevent deforestation and exploitation.

In 2021, the project successfully completed the second phase for four smallholder groups (136 farmers in total) to achieve RSPO certification under the milestone A of the RSPO Independent Smallholder standard, meaning up to 70% of production can be sold as RSPO independent smallholder credits. In parallel, the Proforest and Oleopalma teams provided technical support

to the smallholder groups through trainings to implement best practices on social and environmental matters, such as trainings on human rights and improvements of social conditions in plantations and supported the establishment of waste management centers for agrochemicals.

Looking forward to 2022, the four associations will achieve full compliance during the final phase and an additional smallholder group of 15 is expecting to complete phase A. The lessons learned are now being shared and scaled up to impact additional mills and smallholders' associations in the region to prevent deforestation and exploitation. More information is available on the [Holistic Program website](#).

## Supporting a Just Transition

People and respect for human rights are at the core of Nestlé's culture and values. We are committed to raising awareness, promoting best practices and empowering people across our value chain, which includes our own operations and supply chains.

In 2021, Nestlé [announced](#) its ambition to advance a regenerative food system at scale, which is focused on transforming farming practices at the heart of the food system while enabling a just and equitable transition. Our commitment to respecting and promoting human rights is a key part of enabling this move to a fairer food system. In this context, we also released our new [Human Rights Framework and Roadmap](#). This document looks back at what we have achieved in the last years and the challenges ahead of us. The Framework and Roadmap position human rights as a foundational element of the just transition required to get there. It also strengthens our focus on due diligence with the objective of scaling positive impact for rightsholders on the ground.

Palm oil supply chains touch many people from workers, to farmers, families, and communities. Our Human Rights focus for palm oil is on labor rights, Indigenous Peoples and Local Communities' land rights, and smallholder livelihoods.

### *Implementing our Labor Rights Action Plan*

Workers in the palm oil industry - in particular migrant workers - are vulnerable to labor rights abuses, including forced labor. They can face adverse working conditions such as excessive working hours, low wages, inadequate social security, unsafe working conditions, unreasonable movement restrictions and limited access to communication. In April of this year, Nestlé launched an upgraded [2021-2025 Labor Rights Action Plan](#) for Palm Oil. This plan builds off of our work since 2017 to address labor rights risks in this sector, starting with [our Labor Rights Impact Assessment](#) by the Danish Institute for Human Rights (DIHR) and Earthworm Foundation in our Indonesian palm oil supply chain in 2017, our [2018 palm oil labor rights action plan](#), and a subsequent 2019 [assessment done by Verité](#) for our global palm oil sourcing.

This action plan will help us better assess, address and report on labor rights risks in our supply chain.

**A Program Assurance Framework for Labor Rights:** A core part of our upgraded approach is a framework that is helping us to prioritize supplier engagement and systematically take action based on suppliers' risk profile and their capacity to address labor rights risks. Under the framework, we will work with external partners to develop corrective action plans for suppliers and put monitoring systems in place to track against a set of key performance indicators. This Framework was developed by Nestlé and Verité in 2021. It is: (a) risk-based, taking into account the macro-, labor supply chain and operational risks in its upstream supply chain, (b) evidence-driven, which means it is based on relevant labor data from the refinery and its direct and indirect supply base, and (c) Human Rights Due Diligence (HRDD)

management system-oriented as a way to ensure that suppliers' systems are enabled to sustainably address endemic and long-standing labor issues.

Nestlé and Verité then piloted the Program Assurance Framework with seven refineries in Indonesia and Malaysia, representing 17% of its sourcing volumes from those countries, and 14% of global volumes. Refinery policies were assessed against legal standards, the Nestlé Responsible Sourcing Standard, NDPE and RSPO 2018 Principles and Criteria. During the review, Verité found that 100% of the suppliers assessed have published policy commitments to uphold labor rights. Verité also found that 100% of suppliers assessed have management systems in place for occupational health and safety, but they need to further apply these systems to assess, address, monitor and report on labor rights at the refinery level and their respective upstream supply chains. As a result, engagement strategies were designed to guide the refineries in addressing the findings identified.

**Tools and Resources to Address Labor Rights:** Nestlé supported several initiatives to build tools and resources to support implementation of labor rights due diligence:

- Nestlé co-funded with Mars, Incorporated, Verité's development of a [Toolkit for Palm Oil Producers on Labor Rights](#) to help equip producers who are looking to build social compliance programs with basic knowledge and tools. Nestlé likewise funded and supported the webinar launch of this Toolkit in April 2021 attended by around 120 participants representing 50 organizations. In 2021, there were more than 5,700 views of the toolkit website.
- Working with the refineries from the Program Assurance Framework pilot, Nestlé and Verité organized a workshop on **Designing HRDD Systems** with 12 participants from five companies. The workshop was designed to demonstrate how refineries and traders can use the Verité palm oil toolkit to evaluate the maturity level of their supplier-mills' labor management systems, through an actual deployment of the Rapid Diagnostic Test (RDT) and mentoring to analyse the RDT data. Concepts and elements of HRDD were elaborated in the workshop, including types of HRDD roadmaps, systems approach to labor standards implementation, and supplier monitoring models. Participants designed system improvement plans for their supplier-mills who responded to the RDT.
- Nestlé worked with the Palm Oil Collaboration Group to compile a [digital library of tools](#) for companies throughout the palm oil supply chain to adopt HRDD approaches in their own operations and supply chains.
- Nestlé worked with Verité to support one of Nestlé's key suppliers to pilot a producer's self-assessment questionnaire (SAQ), then used with 11 upstream companies. The SAQ includes robust questions on labor compliance of mills and estates, informing individual engagement plans with upstream producers.

## Addressing Labor Rights Risks On-the-Ground:

Two drivers of labor rights risks identified in Nestlé’s assessments are the **target and wage systems**, and the **employment of workers under casual or temporary agreements**. In 2021, Nestlé supported two pilot projects to test the deployment of Earthworm Foundation guidelines for [Fair Target-Setting and Wage Policies in Oil Palm Plantations](#) and [Fair Employment of Casual and Temporary Workers](#) that were developed in 2020. The pilots took place with companies in Nestlé’s direct supply chain in North Sumatra and East Kalimantan. At one site, over 93 (of 98) casual workers – 41 women and 52 men - were promoted to permanent status, with the target of all workers by Q1 2022. These promotions now guarantee workers a minimum wage, social security benefits, regular working hours and full leave and rest entitlements. For female workers, the benefits include maternity leave and associated benefits. At the other site, data collection on workers’ productivity and plantation yield began and will be used to determine fair work targets for harvest workers that will impact workers’ ability to earn minimum wages, bonuses, have regular working hours that in high season avoid incentivising family members to help with harvest work which could increase the risk of unpaid work and child labor. Both projects were delayed in implementation due to Covid-19 movement restrictions. Final results of the projects will be available in Q2 2022. The lessons from these pilots will be leveraged for work with more companies. An [article](#) about how this work is supporting female workers in Indonesia was published in December.



Figure 10. Participants in the pilot activities for Target & Wage Policy guidance deployment



To address risks for **children in plantations** and advance the use of a [Child Risk Assessment Framework](#) developed in 2020, Nestlé collaborated with Earthworm Foundation to conduct a training with IOI Corporation Berhad (IOI) third-party suppliers on Strengthening Child Protection in the Palm Oil Supply Chain to develop and implement child protection interventions. Sixteen upstream palm oil companies representing refineries, mills and plantations from Sabah and Sarawak participated in this training.

The training covered the scope ways in which palm producers can integrate UNICEF Child Rights and Business Principles, Malaysia laws, Malaysia Sustainable Palm Oil (MSPO), and RSPO standards and NDPE policy in their business operations. The training then covered how to use the Child Risk Assessment Framework (CRAF) tool as a resource guidance to identify, prevent and mitigate risks in relation to children.

We further supported the protection of children’s rights by piloting Wilmar’s [Child Protection Policy Implementation Manual](#) on plantations in Indonesia and Malaysia, in partnership with the international non-profit Business for Social Responsibility (BSR). The purpose of the program is to test and refine the manual’s practical applicability, build supplier capacity to address child protection risks in selected palm oil estates in Indonesia and Malaysia, and share key lessons learned with supplier base in both countries. This pilot is a collaborative effort from several consumer companies, BSR, The Centre for Child Rights and

Business and Earthworm Foundation as implementation partners for the pilots in Indonesia and Malaysia respectively on plantations belonging to Sime Darby Plantations. In 2021, the tools and trainer guide have been adapted to the Indonesian and Malaysian contexts and will be tested in the field in 2022.

*“The Verité Ethical Recruitment Auditor Training was such a practical way to learn & understand the basics of an Ethical Recruitment Audit and Ethical Recruitment in itself. I especially found the simulation of worker and management interviews helpful as the Verité trainers took the time to tell us what went well & what could be improved on. Helpful mind-shift that the incidences of forced labor usually stem from unintended consequences of weaknesses in the company’s processes & not because of ill intentions.”*

**-Nestlé funded training participant**

**Ethical recruitment** remains a focus for us in addressing labor rights risks. One critical component of an ethical recruitment system is that assessors have the right tools and training to be able to identify recruitment risks when conducting palm oil sustainability assessments. In 2019, we sponsored twelve assessors to attend Verité’s four-day Ethical Recruitment Auditor workshops in Malaysia. The objective of this training was to build assessment team competencies in identifying forced labor risks in migrant workers’ journeys, with a focus on the recruitment process, as indicators of these risks can easily be missed in employment site assessments. In 2021, we continued to engage those participants with follow up training aimed at continuous improvement in their skills and support for addressing challenges they encounter in putting

the learnings into practice. Ten assessors from our suppliers’ internal teams and our external partners participated in two continuing education modules aimed at (a) generating interview tools, (b) cliniquing, where participants were able to get technical assistance and advice, and (c) in depth support for developing remediation plans for ethical recruitment issues. To expand the pool of trained assessors, we also supported an additional eight assessors from suppliers and partners to attend Verité’s initial training, the Ethical Recruitment Auditor workshop in October 2021.

This year we also collaborated with Earthworm Foundation to conduct a training with supplier, Wilmar International Limited’s third-party suppliers on Ethical Recruitment, with the aim of helping upstream companies understand and identify social risks arising from recruitment practices. Ten upstream palm oil companies representing refineries, mills and plantations from across Malaysia participated. The two-day training covered awareness raising on international market expectations and buyer policies as well as a detailed introduction to ethical recruitment concepts, human rights due diligence, international standards and national laws. The training concluded with providing suppliers targeted guidance and resources to improve labor practices across their operations.

In Guatemala, we continue to collaborate with GREPALMA (the Palm Grower Association of Guatemala), Advisors Social License to Operate (ASLO), and Earthworm Foundation to **strengthen the social practices within the Guatemalan palm oil industry**. In 2020, NGOs, palm oil buyers and palm oil companies prioritized human rights risks that needed to be addressed by the industry, identifying four top risks: 1) Protection of human rights defenders, 2) Health and safety of the community (concerning risks/impacts generated by companies), 3) FPIC and community consultation processes, and 4) Collective bargaining and freedom of association. In 2021, five palm oil companies and three NGOs established a working group to increase knowledge on these risks, identify the challenges to address them, and develop participatory solutions. In 2021, training modules on FPIC and protection of human rights defenders were carried out. In 2022, trainings on the remaining topics will be carried out and field visits will be made to coach on the implementation of the proposed solutions. Additionally, an implementation plan was developed for addressing the four risks, with the objectives to:

- a) Build capacity of participating companies to address and operationalize the learnings on four priority risks identified in 2020
- b) Generate learnings that can be used beyond the training period by the participating companies and GREPALMA members
- c) Build relationships to foster trust and credibility between palm oil stakeholders and also lay the foundation for phase three and the development of multi-stakeholder processes such as joint fact finding and sector-level grievance mechanism

**Worker voice** is critical to addressing labor rights in our supply chains. In 2018, we partnered with our supplier, Sime Darby Plantation, to create a helpline for palm oil workers in Malaysia to report human and labor rights abuses. The helpline was co-developed by the Responsible Business Alliance and ELEVATE, an independent business risk and sustainability professional services firm. The helpline is a third-party worker support line that enables workers to safely report on working conditions, recruitment, safety and other rights abuses. Workers can contact the helpline through a toll-free line in Malaysia, SMS, or chat-based applications including Facebook Messenger. WhatsApp and online webforms channels were added this year. In 2021, the helpline coverage was extended to cover all Sime Darby Plantation’s operations, or about 35,000 workers. More than 4,500 workers have participated in in person trainings, and many more have received informational posters, [videos](#), and other forms of outreach.



Figure 11. Suara Kami helpline information posters for workers were made in several languages spoken by workers

The Helpline is serviced by live operators based in Malaysia who provide support in eight different languages (Malay, Bangla, Tamil, Hindi, Nepalese, Burmese [new in 2021], Bahasa Indonesia, and English). In light of the Covid-19 pandemic and its negative effects on the health and wellbeing of workers and their families, the Helpline broadened its scope to support workers across key areas such as health and safety, economic vulnerability, social wellbeing, and movement restrictions in Malaysia.

Between 2020 and 2021, the Helpline continued to be promoted via onsite trainings and push messages to workers across all regions of Malaysia. Starting in Q4 2021, ‘refresher trainings’ were conducted across all sites and will continue throughout 2022. More than 2,000 calls were received in 2021.

### Land rights

Land rights is a salient issue for Nestlé, as laid out in the Nestlé Forest Positive Strategy and the Nestlé Human Rights Framework and Roadmap. Nestlé is currently developing an action plan on Indigenous Peoples and Local Communities’ Land Rights that will be published in 2022. Our work in 2021 on land rights focused on developing approaches for more systematically and proactively supporting land rights. We are developing a landscape due diligence framework to assess landscape level sustainability risks, including an emphasis on land rights, guide investment in landscape initiatives, and monitor and report on progress. To incorporate land rights through this landscape due diligence process, preliminary land rights risk profiles were generated for four priority sourcing regions within Indonesia, West Africa, and Central and South America.

### *Smallholders Livelihoods*

Smallholders produce around 40% of oil palm globally. Due to the more complex nature of palm supply chains inclusive of smallholders, difficulty in tracing smallholders through dealers, smaller land parcel size, and more limited access to resources such as financing, training, etc., a focus solely on Responsible Sourcing Standard compliant supply chains can result in smallholder exclusion. Palm oil that is produced sustainably should include smallholders and help build their resilience, and that of their communities.

We are currently transitioning to a landscape-based approach where these support activities take place as part of a holistic combination of activities and these efforts are now described in the [Investing in sustainable landscapes: production, protection, and resiliency](#) section of this report.

During 2021 we continued to fund one smallholder support initiative to support **improvement of farmer resilience in Ecuador**. In 2018, together with Earthworm Foundation and a partner palm company, Nestlé started a smallholder initiative on the Ecuadorian coast, with the priority of supporting farmers in their productive and financial reactivation incorporating principles of sustainability and resilience. In 2019, the project focused on one palm oil company and in 2020, it expanded to a second palm oil mill. In total, 136 farmers participated actively in the project and received training on good agricultural practices, productive diversification, and conservation of key ecosystems. They received support in the elaboration and implementation of holistic farm plans, and the project trained 10 technicians from palm companies to expand and improve technical assistance to farmers on sustainability and resilience matters. In 2021, Nestlé supported a transition process in which the two local palm oil companies assumed greater responsibility to give continuity to the activities started by this project. The project staff held numerous engagement and capacity building sessions with the two companies that led to the development of 38 holistic farm plans by the company staff and secured the companies' funding to continue the activities in the future.

We also **supported smallholders via Independent Smallholder RSPO Book & Claim Credits**. In 2021, Nestlé purchased 11,673 [RSPO credits from independent smallholders](#) (10,769 for CPO production, and 904 for Palm Kernel Oil), up from 10,000 purchased in 2020. To the extent that Nestlé uses RSPO Book & Claim credits to deliver on RSPO commitments, we aim maximize the opportunity to buy these credits from independent smallholders, to support their journey to sustainable palm oil production.

### **Industry Partnerships**

Our palm oil sustainable sourcing work requires collaboration with suppliers, other consumer goods manufacturers, and downstream customers to achieve lasting change and sector wide transformation. Our partnerships work in 2021 included our participation in the following industry collaborations:

**Consumer Goods Forum (CGF):** As a Board member of the CGF, an industry association bringing together manufacturers and retailers, we are actively involved in its initiatives seeking to address challenges in the palm oil sector. As part of the Forest Positive and Human Rights – Working to End Forced Labor Coalitions of Action, we are actively participating in the Palm Oil Working Group, which seeks to address both environmental and human rights challenges at industry level. In 2021, this released a [Version 1.6 of the Palm Oil Roadmap](#), which focuses on actions to address deforestation. As part of the Human Rights Coalition, we are working with selected suppliers to develop and employ HRDD coverage within their supply chain, from refinery to plantation level, by 2023. Our aim in participating in this work is to drive collaborative action to accelerate efforts to remove commodity-driven deforestation and human rights

abuses from individual supply chains and to generate transformational change in key commodity landscapes. In 2021, we reported transparently on our Forest Positive progress within the [CGF 2021 Annual Report on its Forest Positive Coalition of Action](#).

**Roundtable on Sustainable Palm Oil (RSPO):** We continue to increase our sourcing of RSPO certified palm oil, with a preference for the physically segregated RSPO SG certification, towards our commitment of 100% RSPO certification by 2023. In 2021, we reported our 2020 certified sourcing: 113,179 MT of RSPO SG or IP palm oil and palm kernel oil (25%) and an addition 160,000 MT Book & Claim Credits (35%), of which 10,000 came from Independent Smallholders. We will report our 2021 numbers in 2022 in line with the RSPO Annual Communication of Progress (ACOP) reporting cycle, and it will include continued progress towards our RSPO commitments plus the purchase of RSPO Independent Smallholder Credits.

**Palm Oil Collaboration Group (POCG):** As a member of the [POCG](#), we work together with other palm oil buyers, traders, and producers, to accelerate effective implementation of NDPE commitments, including:

- **Co-convening the Production and Protection Beyond Concessions (PPBC) [Working Group](#).** This working group aims to develop industry collaboration with different stakeholders, including industry, local government and civil society, to address deforestation risks and alerts outside of concession areas and implement conservation and livelihood actions to address those drivers at scale. Deforestation outside of concessions constitutes the majority of deforestation alerts near our supply chain and require a different approach compared with addressing alerts inside concessions where supply chain links are known and direct commercial relationships exist.
- **Implementing the NDPE Implementation Reporting Framework (NDPE IRF).** The NDPE IRF is a reporting tool to help companies systematically understand and track progress in delivering NDPE commitments in their palm oil supply chains. This tool is critical to align the industry around a common reporting approach, and to report not just the achievement of NDPE compliance, but the progress in driving transformation towards compliance. In 2020 we engaged several suppliers in generating NDPE IRF profiles representing the supply chains that we source from, including seeing the first profiles be independently verified via the first version of the verification protocol developed this year. We aim for this to become a standard reporting tool for all of our palm oil suppliers, enabling us to report using the tool for the Nestlé palm oil supply base.
- **Participating in the Social Issues [Working Group](#)** that fosters collaboration to address human rights issues on the ground. This year, among other activities, this group launched a [Human Rights Due Diligence \(HRDD\) Library of Tools](#).
- **Participating in the Independent Verification [Working Group](#)** on land rights, working to find an industry approach to verifying land rights are respected in palm oil supply chains.

**Palm Oil Transparency Coalition:** Nestlé became a member of the [POTC](#), a coalition aiming at removing deforestation and exploitation from the palm oil industry in 2020. As part of POTC, we work collaboratively with the other member companies to assess the first importers of palm oil on their approach to address deforestation and exploitation, in order to promote transparency and encourage progress beyond certification.

**Tropical Forest Alliance (TFA):** As a member of TFA we were actively involved in the European Union (EU) multi-stakeholder Working Group that developed position paper calling on the EU to adopt a smart mix of measures to address deforestation in December 2020. In 2021, we continued to actively participate in this working group to provide input into the European Commission legislative proposal for a regulation on deforestation-free products.

## Looking forward

We remain committed to working with our suppliers towards regenerative food systems. Moving into 2022, our focus will be on:

- **Rolling out our Produced Sustainably approach:** Building on years of work with suppliers and farmers to source individual raw materials that are traceable and “Responsibly Sourced”, we are now establishing a cross-commodity approach to risks such as deforestation and human rights in our supply chain. To measure our progress, we have defined a new “Produced Sustainably” key performance indicator for key ingredients. This KPI combines multiple requirements with expectations of continuous improvement. In 2022 we will on-board our suppliers to our new approach and strengthen supplier Action Plans to produce palm oil sustainably.
- **Continue progressing towards 100% assessed deforestation free supply chains:** We are growing our partnerships for supply chain mapping and satellite monitoring, while working closely with our suppliers, to assess the remaining volumes in our supply chains as deforestation free.
- **Strengthening our focus on conservation, restoration, and scaling up the Forest Footprint analysis:** As part of our Forest Positive Strategy, we will move beyond aiming for deforestation free supply chains, but for supply chains that also actively help conserve and restore natural ecosystems in and around sourcing areas. The work in palm oil will contribute to our cross-commodity ambition for a global Forest Footprint analysis by 2023 and growing 200 million trees by 2030.
- **Increasing our engagement in sustainable landscape initiatives:** We will establish partnerships to develop a landscape due diligence framework to assess landscape level sustainability risks, including an emphasis on land rights, guide investment in landscape initiatives, and monitor and report on progress. We will review the scope and reporting of our existing seven landscape initiatives as part of this work and evaluate opportunities for new landscape initiatives.
- **Rolling out Human Rights Due Diligence systems:** We will roll out our Program Assurance Framework, piloted in 2021, to implement our labor rights action plan. We will also develop a focused land rights action plan, addressing rights of Indigenous Peoples and Local Communities
- **Reducing GHG emissions in our palm oil supply chains:** To deliver on our December 2020 [Net Zero GHG Emissions Roadmap](#), we will further engage our suppliers to measure and report on the GHG footprints of our supply chains. We will partner with our suppliers on GHG emissions reduction and removal projects, focusing on peat restoration, methane gas capture at palm oil mills, and best agricultural practices to improve yields and ensure efficient use of fertilizers or alternative inputs.

**Need for further collaboration:** Our work on palm oil responsible sourcing continuously shows us the need for industry partnerships to collaborate on addressing the most complex challenges all companies continue to face. We will continue to engage in partnerships and advocacy opportunities to:

- Drive the streamlining of tools, including monitoring systems, progress reporting, and forward-looking risk analyses such as the Forest Footprint;
- Increase supply chain transparency, including traceability to plantation, HCS-HCV analyses, information about company ownership structures, and producer engagement;
- Strengthen approaches for respecting land rights through the supply chain for a just transition and Forest Positive future;
- Collaborate on meaningful, on-the-ground action, including capacity building for mills and farmers, support for smallholder farmer inclusions and resiliency, support for recovery and re-entry plans with companies responsible for past deforestation, and support for landscape-level initiatives.

Effective collective action and collaboration on the ground will be critical to achieving our ambitions.

**For additional information** We appreciate your continued engagement on the responsible sourcing of palm oil at Nestlé. If you have any questions, comments, or suggestions, please contact us at [creatingsharedvalue@Nestlé.com](mailto:creatingsharedvalue@Nestlé.com).