

Consumer Goods Forum's Forest Positive Coalition

2021 Reporting

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Introduction

As a Board member of the Consumer Goods Forum (CGF), Nestlé is actively involved in different Coalitions, including the [Forest Positive Coalition](#), which is committed to leveraging collective action and accelerating systemic efforts to remove deforestation, forest degradation and conversion from key commodity supply chains (palm oil, pulp & paper, soy and beef).

In addition to being an active member of CGF's Forest Positive Coalition, Nestlé co-leads the Soy Working Group and the Communication & Engagement Working Group.

As a Coalition member, we have been contributing to the development of commodity roadmaps that include a set of commitments, an action plan for achieving them, and a set of key performance indicators (KPIs). We have also committed to four Coalition-wide actions that will help drive the transformational change needed to build a forest positive future:

- Supplier & trader engagement
- Government & stakeholder engagement
- Production landscapes
- Transparency & Accountability

This document serves as a repository of the Coalition's 2021 reporting requirements.

Coalition-wide reporting

- **Commitment to Forest Positive goals and time-bound action plan**

Forests are key to preserving biodiversity, fighting climate change, and achieving our commitment [to zero net emissions by 2050](#). They also provide livelihoods to millions of people around the world. We are determined not only to protect standing forests but also to restore degraded ones.

In 2010, Nestlé was one of the first companies to make a commitment to end deforestation in our supply chain. This commitment is operationalized in our [Responsible Sourcing Standard](#), which sets out non-negotiable requirements that we ask our suppliers, their employees, agents and subcontractors to respect and to adhere to at all times when conducting business with us.

To meet our no-deforestation commitment, we take a risk-based approach. We map our supply chains to identify where our raw materials come from. In at-risk sourcing origins, we take steps to assess that our sourcing is not contributing to deforestation or the conversion of natural habitats. Based on this approach, our raw materials are confirmed as deforestation-free when they are either traceable to low-risk origins or have been assessed as deforestation-free either through on-the-ground assessments (e.g. HCSA / HCV assessments, farm assessments) or through satellite monitoring. As of end of 2020, [90 percent of the key](#)

[forest-risk commodities](#) that we source (palm oil, pulp & paper, meat, soy and sugar) were assessed as deforestation-free.

In June 2021, we published our [Forest Positive Strategy](#), which lays out how we are evolving from managing risks in our supply chains towards a model for conserving and restoring the world’s forests and natural ecosystems. This aims to contribute to regenerative and equitable agricultural systems that help conserve and restore the world’s forests and natural ecosystems while promoting sustainable livelihoods and respecting human right.

Our Forest Positive strategy focuses on three pillars:

- i. Achieving and maintaining deforestation-free supply chains
 - By 2022 for meat, palm oil, pulp & paper, soy, and sugar
 - By 2025 for cocoa and coffee
- ii. Taking proactive action in our supply chains to keep forests standing and restore degraded forests and natural ecosystems while respecting the rights of Indigenous Peoples and Local Communities.
- iii. Forest Positive engagement at scale to transform the key landscapes we source from for the future.

The operational plan for this strategy, which is aligned with the CGF’s Forest Positive Coalition vision, will be published by the end of 2021. Our time-bound action plan is laid out below:

Nestlé’s Forest Positive Strategy Pillar	Time-Bound Actions
Forest Positive Strategy Development & Operationalization	<ul style="list-style-type: none"> • Publish the operational plan for the Nestle Forest Positive Strategy by the end of 2021 • Review and revise Forest Positive Strategy and Operational Plan on a yearly basis based on lessons learned and stakeholder input
Pillar 1: Deforestation Free Supply Chains Achieve and maintain 100% deforestation-free supply chains using tools like farm assessments, certification and satellite monitoring	<ul style="list-style-type: none"> • Achieve deforestation-free status for palm oil, sugar, soy, meat, and pulp and paper by the end of 2022 • Achieve deforestation-free status for coffee and cocoa by the end of 2025
Pillar 2: Long-term forest conservation and restoration in our supply chains Ensure proactive action to keep forests standing and restore degraded forests and natural ecosystems while respecting the rights of Indigenous Peoples and local communities.	<ul style="list-style-type: none"> • Complete global, cross commodity forest footprints by the end of 2023 • Plant 200 million trees in key sourcing origins by the end of 2030
Pillar 3: Sustainable landscapes Forest Positive engagement at scale to transform the key landscapes we source from for the future.	<ul style="list-style-type: none"> • Establish Nestlé's landscape assessment and reporting to be used across Nestlé landscape initiatives by the end of 2021 • Invest in at least 15 landscape initiatives in key sourcing origins by the end of 2023

Cross Cutting: Respect for Indigenous People & Local Community Rights	<ul style="list-style-type: none"> • Develop and publish an action plan to address the rights of Indigenous People and Local Communities by the end of 2022
Cross Cutting: Advocacy & Engagement	<ul style="list-style-type: none"> • Continue to advocate for more engagement with producers and producer countries, strengthened supply chain transparency and due diligence requirements, increased international collaboration and direct finance and investment towards more sustainable supply chains through ongoing policy processes in the European Union, at the United Nations Food Systems Summit and COP 26.
Cross Cutting: Transparency	<ul style="list-style-type: none"> • Establish an External Advisory Committee for the Forest Positive strategy by the end of 2021 • Establish KPIs to measure progress against our Forest Positive strategy by the end of 2021 • Publish annual progress report against Forest Positive KPIs and CGF's Forest Positive Coalition
Cross Cutting: Supplier Engagement	<ul style="list-style-type: none"> • Communicate Forest Positive strategy and CGF Supplier Engagement criteria to our suppliers by the end of 2022

- **Supply chain disclosure**

In 2019, Nestlé decided to disclose the list of suppliers alongside a variety of data related to our priority raw materials that are part of our Responsible Sourcing program. This was the first disclosure of its kind in the industry and aimed at increasing transparency in the agri-food sector. This covers 95 percent of our company’s annual sourcing of raw materials. Disclosures, including for palm oil, pulp & paper and soy, are available [here](#) and regularly updated.

- **Supplier engagement on Forest Positive**

As laid out in our time-bound action plan above, we plan to inform our suppliers about our Forest Positive strategy and CGF Supplier Engagement criteria by the end of 2022 for all relevant commodities we source.

We are already engaging our suppliers on deforestation risks and assessing [performance](#). To implement our no-deforestation commitment, we apply a risk-based approach. We map our supply chains to know where the raw materials that we buy come from. In at-risk origins, we take steps to verify that our purchases are not contributing to deforestation or conversion of natural habitats and engage our suppliers where we identify risks. In palm oil, we prioritize engagement through Starling satellite monitoring alerts, in soy through a supplier scorecard system, and for pulp & paper we prioritize suppliers sourcing from origins at-risk for deforestation or forest degradation.

- **Landscape Initiatives**

Beyond working directly within our own supply chains, we are also committed to conserving forests and natural ecosystems in the landscapes our supply chains are part of. This is because we recognize that deforestation can only be halted through multi-stakeholder work that address the drivers of deforestation at landscape or jurisdictional level.

We have been supporting landscape projects for a number of years. We have now made this a central part of our Forest Positive Strategy (see pillar III described above). By the end of 2023, we committed to invest in at least 15 landscape initiatives in key sourcing origins.

Below are the landscape initiatives we are currently supporting:

	Initiative	Raw material	Partner
1	Malaysia Southern Central Forest Spine	Palm oil	Earthworm Foundation
2	Indonesia Aceh Tamiang & Singkil	Palm oil	Earthworm Foundation
3	Holistic Program, Mexico	Palm oil	Proforest
4	La Encrucijada, Mexico	Palm oil	Earthworm Foundation
5	Dvinsky Landscape, Russia	Paper	Earthworm Foundation
6	Regenerative Ranching & Agriculture (R2A) in Latin America	Soy	The Nature Conservancy

- **Government Engagement & Advocacy**

To achieve our Forest Positive vision, we also need to support the development of an enabling environment that removes deforestation from commodity producing landscapes and drives collective action. We are committed to using our thought leadership, stakeholder engagement and advocacy to do just that. This is why we are co-leading the Forest Positive Coalition’s Communication & Engagement Working Group, which is supported by the Tropical Forest Alliance.

As part of this, we have signed:

- A [Collective Position Paper](#) on EU Action to protect and restore the world’s Forests
- A [Business leaders statement to support bold EU action to eliminate deforestation](#)

Commodity-specific reporting

- **Palm oil**

The scope of the palm oil reporting includes ingredients made from crude palm oil and palm kernel oil.

Quantitative KPIs

CGF Forest Positive Coalition Indicator	Nestlé KPI ¹ (FY 2020)
Traceability to mill	96%
Traceability to FFB sources	70%

¹ For more information, see: <https://www.nestle.com/sites/default/files/2021-03/creating-shared-value-appendix-2020-no-deforestation-progress.pdf> and [creating-shared-value-appendix-2020-responsible-sourcing-kpis_0.pdf \(nestle.com\)](#)

<p>Progress of mills toward forest positive (or NDPE)</p>	<p>70% of our palm oil volumes were assessed as deforestation-free. Palm oil volumes are assessed as deforestation-free when they are traceable to locations that meet one of the following criteria:</p> <ol style="list-style-type: none"> a. Traceable to origins that are assessed as deforestation-free via satellite monitoring systems such as Starling. b. Assessed through on-the-ground assessments (e.g. HCS/HCV assessments, site assessment) by a partner organization. c. RSPO Segregated or Identity Preserved certified supply chains. Note that we do not accept RSPO Mass Balance as deforestation-free. <p>85% of our palm oil volumes were assessed as responsibly sourced. Palm oil volumes are considered responsibly sourced when they meet one of the following criteria:</p> <ol style="list-style-type: none"> a. Have been independently verified as aligned with Nestlé Responsible Sourcing Standard. b. From supply chains with robust timebound action plans supported by substantial evidence they are progressing toward fully implementing the Nestlé Responsible Sourcing Standard. c. From Roundtable on Sustainable Palm Oil (RSPO) segregated or identity preserved certified supply chains <p>In addition, as a member of the Palm Oil Collaboration Group (POCG), we’re working together with other palm oil buyers, traders, and producers, to implement the No Deforestation, No Peat, No Exploitation Implementation Reporting Framework (NDPE IRF). The NDPE IRF is a reporting tool designed to help companies systematically understand and track progress in delivering NDPE commitments in their palm oil supply chains. 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.</p>
<p>Percentage RSPO certified</p>	<p>60,3% of our 2020 palm oil volumes are RSPO certified with the following chains of custody:</p> <ul style="list-style-type: none"> • Segregated: 21,41% • Identity Preserved: 3,69% • Book & Claim Credits: 35,3%
<p>Percentage of direct suppliers engaged and informed of ‘Forest Positive Supplier’ Commitment and Coalition ‘Ask’</p>	<p>99% of volumes come from suppliers we engaged with on our no deforestation requirements. This means that our no-deforestation requirements were communicated and that a traceability to plantation request has been sent. If we received a Starling deforestation alert potentially linked to the supplier, we engaged the supplier further, including requesting concession boundaries.</p> <p>In addition, we engaged 47 refineries at origin on time-bound roadmaps to address any gaps found with our Responsible Sourcing Standard. These represent the most significant refineries by volume in our supply chain. 40 of these roadmaps meet our requirements while the rest are in the process of meeting them.</p>

Summary of our grievance process for palm oil

The foundation of our grievance mechanism is our palm oil supply chain traceability data. Ensuring compliance with our NDPE commitments starts with knowing where our palm oil comes from, so we are prioritizing traceability to plantation, in addition to aiming to obtain concession maps. We achieved 96% traceability to mill (TTM) and 70% traceability to plantation (TTP) in 2020.

The second step is the monitoring of our full palm oil supply chain for deforestation risks via Starling satellite imagery. With Starling, we monitor 50km radius’ around mills, or the specific origins where we do have full TTP with concession maps. We launched our [Transparency Dashboard](#) in April 2019 to share our work with Starling and continue to update it with our progress.

We also assess our suppliers against our [Responsible Sourcing Standard](#). When gaps are found, our suppliers are asked to develop robust, time-bound action plans. These action plans lay out the steps to bring these supply chains into alignment with our Standard.

The below describes the process we follow when we receive palm oil-related grievances:

Step	Actions taken
1. Receipt of grievance	<p>Grievance is received, logged in our grievance tracker and receipt acknowledged to the complainant (where appropriate).</p> <p>Note: Grievances may be received through ‘Speak Up’, our non-compliance reporting system, directly through non-governmental organizations, individuals or other stakeholders contacting us or through Starling satellite monitoring system alerts.</p>
2. Determination of nature of grievance and relationship to Nestlé’s supply chain	<ol style="list-style-type: none"> a. Grievance is reviewed to ensure that it is in scope (i.e. related to Nestlé Responsible Sourcing Standard and other relevant policies). b. Supply chain mapping is reviewed to determine link to Nestlé’s supply chain. c. If grievance is in scope and the link to Nestlé’s supply chain is confirmed, we will proceed to step 3. If grievance is not in scope nor connected to our supply chain, we will close the case (and notify complainant where appropriate).
3. Investigation of the grievance	<ol style="list-style-type: none"> a. If the grievance is related to a direct supplier, Nestlé will lead the investigation together with its partners. b. If the grievance is related to a supplier that does not directly supply to Nestlé, we will work through our direct supplier to understand whether the grievance is known, what is its status and whether the direct supplier needs to take additional investigative steps. c. If the grievance is confirmed, we move to step 4. If the investigation is discarded, the case is closed and the result of the

	investigation is communicated to the complainant (where appropriate).
4. Taking action	<p>a. If the grievance is confirmed, actions or remediation that are needed will be agreed with the supplier and communicated to the complainant (where appropriate).</p> <p>b. If there is no willingness to engage, the supplier is suspended.</p> <p>Note: in the case that deforestation inside a concession we source from is confirmed, we suspend and then engage the supplier. The supplier will remain suspended until a Stop Work Order, Forest Clearance Moratorium, NDPE policy, and remediation plans are in place.</p>
5. Engagement and Monitoring	<p>a. Nestlé will monitor that the actions agreed are being taken within the agreed timeframe and will continue to engage with (or through) its direct supplier.</p> <p>b. If the agreed actions are not taken or completed, the supplier is suspended.</p> <p>c. When agreed actions and remediation are completed, the case is closed and the grievance tracker is updated accordingly.</p>

• **Pulp & Paper**

Our scope of reporting covers approximately 95% of the total paper-based products that we buy. It currently excludes office paper, paper labels and flexibles (e.g. pouches, flow-wraps, etc.).

Quantitative Indicators

CGF Forest Positive Coalition Indicator	Nestlé KPI (FY 2020) ²
Percentage of recycled fibres and percentage of virgin fibre	55,4% of our pulp & paper volumes are recovered fiber and 44.6% are virgin fiber.
Percentage of supply from high risk sources	<p>6% of supply volume comes from high-risk origin that have not been traced to origin or being traced but not yet deforestation-free.</p> <p>4% of supply volume comes from high-risk origin that have been assessed deforestation-free through on-the-ground assessments, including by HCSA & HCV assessments and site assessments by our partners (Earthworm) and/or through certification such as FSC and PEFC.</p> <p>90% of supply volume comes from low-risk origin, which means volumes have been traced back to regions classified as at low risk of deforestation using tools like Maplecroft. The traceability exercise was carried out in collaboration with our partners (Earthworm) and using technology (e.g. Supply Shift).</p>

² For more information, see: [creating-shared-value-appendix-2020-no-deforestation-progress.pdf \(nestle.com\)](#)

Percentage of virgin supply certified per scheme and chain of custody model	24% of our virgin supply was certified with the following certification schemes and chains of custody: <ul style="list-style-type: none"> • FSC FM: 7,62% • FSC CW: 12,14% • PEFC FM & CS: 0,15%
Actions being taken for supply from high risk sources	Supplier engagement, development of time-bound action plans, project implementation

- **Soy**

Our scope of reporting covers 90% of our purchased soy volumes. It currently excludes soybean oil and lecithin volumes (reporting to start in 2022) as well as soy embedded in other animal-based products.

Supplier Engagement

Our Theory of Change for soy is centered on engaging key suppliers to build capacity, improve policies, cascade implementation, and demonstrate compliance within and beyond our supply chain. As part of our 2021 workplan, we are building on the CGF’s Forest Positive Guidance to Suppliers to develop scorecards that will be used to monitor progress and performance of our direct soy suppliers and will inform action to support and incentivize suppliers on continuous improvement. We will disclose more detailed progress around supplier engagement and performance in 2022.

Embedded Soy

Soy can be embedded in different animal-based products or by-products we source from thousands of suppliers. As a first step in our Forest Positive journey, we are working on the calculation³ of our soy footprint (including embedded soy) and understanding our exposure to soy coming from at-risk regions and landscapes (such as Cerrado and Amazon in Brazil and Gran Chaco in Argentina and Paraguay).

In 2020, we estimated our total soy footprint for beef, pork, poultry and eggs. A small part of the volumes was classified as potentially exposed to at-risk regions and landscapes in Latin America. Soy equivalent volume from these at-risk origins was covered with RTRS regional credits, purchased from soy farmers specifically in those origins where the conversion risk is at its highest.

In 2021, we are updating our global footprint to include fresh milk and dairy products within our calculation as well as strategy, including RTRS credits and Forest Positive landscape engagement programs.

Quantitative KPIs

³ Methodology to estimate soy volume embedded in meat and eggs consider a combination of sectoral parameters (feed conversion ratio and soy presence in feed) with Economic Allocation Factor for meat and by-products based on the Product Environmental Footprint Category Rules (PEFCRs) from European Commission for Prepared Pet Food for Cats and Dogs. Methodology to estimate soy footprint exposed to at-risk regions and landscapes considered trade data from ITC trademap and TRASE for exports to countries of origin of our raw materials.

CGF Forest Positive Coalition Indicator	Nestlé KPI (FY 2020) ⁴
Percentage of soy with known origin	96%
Percentage from high risk origins or unknown origins	19% <ul style="list-style-type: none"> - 10% is unknown: not traced or being traced but not yet assessed as deforestation-free. - 9% is coming from high risk origins and assessed on the ground as deforestation-free
Progress on ensuring soy is conversion-free for high risk origins	7% of volume in scope was traced back to high-risk origins and not yet assessed as deforestation-free and covered with RTRS regional credits, supporting sustainable soy production in high-risk landscapes present in our supply base.
Percentage of deforestation and conversion free (DCF) supply from high risk areas	9% of volume in scope mapped to high risk areas was confirmed DCF. 81% of our soy volumes in scope were mapped to regions classified as at low risk of deforestation using tools like Maplecroft along with national and international public geospatial data sources (e.g. PRODES Amazon and PRODES Cerrado ⁵ in Brazil, Mapbiomas Chaco ⁶ and GFW ⁷ in Argentina and Paraguay) and relevant literature (e.g. scientific papers and NGO reports). The supply chain mapping exercise is carried out in collaboration with our partner, Proforest.

- **Beef**

Note that CGF Forest Positive Coalition members will start reporting on beef as of next year. You can find more information about our actions and progress on the links below.

For more information, please visit:

- [Forest Positive Strategy](#)
- [Nestlé Responsible Sourcing Standard](#)
- [Supply chain disclosure documents](#)
- [2020 No Deforestation Progress report](#)
- [Responsible sourcing of palm oil](#) and [Palm oil Transparency Dashboard](#)
- [Responsible sourcing of Pulp & Paper](#)
- [Responsible sourcing of Soya](#)
- [Responsible sourcing of Meat](#)

⁴ For more information, see: [creating-shared-value-appendix-2020-no-deforestation-progress.pdf \(nestle.com\)](#)

⁵ Available at <http://terrabrasilis.dpi.inpe.br/>

⁶ Available at <https://chaco.mapbiomas.org/>

⁷ Available at <https://www.globalforestwatch.org/>

