Sustainable livelihoods: reducing child labor risks in cocoa

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Nestlé: our sustainability agenda is evolving
Putting purpose into practice

Agenda
Advance regenerative food systems at scale

Focus
Beyond sustainability: protect, renew and restore

The business case
Future-proof the business by enhancing consumer relevance and supply chain resilience
Child labor in West Africa’s cocoa supply chains:

A complex challenge with interrelated root causes

1. Education
   Children don’t have an alternative

2. Labour
   Adults not available to do tasks

3. Income
   Not enough income for decent lives

4. Communities
   Women and communities not empowered

5. Basic services
   for child survival absent
Due diligence systems have helped drive industry action

Pioneered community-based Child Labour Monitoring & Remediation System to trace, assess, address & report on issue
From mitigating to redressing risks:

“Cocoa-farming families rewarded not only for the quantity and quality of cocoa beans they produce but also for the benefits they provide to the environment and local communities”.
Working towards a living income

**Earning incentives**

- **Generating diversified incomes**
  - CHF 100*
  - SCHOOL ENROLLMENT
  - Reducing child labor risks by assisting school attendance and monitoring

- **Increasing cocoa production**
  - Baseline annual net income
  - Incentivizing families to engage in these practices, to earn up to CHF 500 annually for the first two years* and CHF 250 per year thereafter

**Direct cash transfers**
Incentives paid directly to the cocoa-farming family via mobile, improving traceability.

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

**Payments delivered via a secure mobile transfer to ensure traceability directly from Nestlé suppliers to the intended recipient**

**Payment calendar**
Managing cash flow throughout the year is often a challenge. Incentives will be distributed when they are needed most.

**Leaving no farm behind**
Fixed incentive not paid on the volume of cocoa sold in order to provide smaller farmers meaningful support.
Aiming to reach a living income

Estimated annual net income for a cocoa-farming family in Côte d’Ivoire (CHF)\(^2,3\)

- **Baseline**: Baseline data assumes average productivity (620 kg/ha) and farm size (3.5 ha).

- **Acceleration period**: Projected after two years, the initial increase in income from greater yields and additional sources, further supported by incentives.

- **Ambition**: Doubling baseline net income and reaching Living Income Benchmark, adjusted by KIT using OECD factor for household size of 3.82 adults and 2.96 children\(^2\).

Average cost of living for a cocoa-farming family in Côte d’Ivoire (CHF)\(^1\)

- **Living Income Benchmark**: Living income benchmark, adjusted by KIT using OECD factor for household size of 3.82 adults and 2.96 children\(^2\).
Phased expansion to cover entire cocoa supply by 2030

- CHF 1.3 billion invested over 10 years
- End goal is to transform value chain and reach 100% segregated supply
- Approach enables Nestlé and partners to continuously assess progress and learnings

<table>
<thead>
<tr>
<th>Year</th>
<th>Côte d’Ivoire</th>
<th>Ghana</th>
<th>Global</th>
</tr>
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<tbody>
<tr>
<td>2020</td>
<td>Pilot</td>
<td></td>
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<tr>
<td>2022</td>
<td>&gt; Test at scale</td>
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<td>2024</td>
<td>&gt; Scale up</td>
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<tr>
<td>2030</td>
<td></td>
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<td>160 000 families*</td>
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* Estimation

and local cooperatives, cocoa farmers, including the Governments of Côte d’Ivoire and Ghana.
Due diligence at the heart of our Human Rights Framework

Regulatory changes mean all companies need to build effective due diligence systems to address environmental and human rights impacts along their value chains

Salient issues

- Child labor and access to education
- Forced labor and responsible recruitment
- Living income and living wage
- Safety and health at work
- Freedom of association and collective bargaining
- Gender equity, non-discrimination and non-harassment
- Right to water and sanitation
- Indigenous peoples and local communities’ land rights
- Data protection and privacy
- Right to food and access to nutritious, affordable and adequate diets
Key takeaways

• Pioneering a holistic approach to supply chain resilience
• Providing conditional incentives, delinked from production, to close living income gap
• Tailoring program to benefit smallholders and directly address child labor risks
• Moving industry beyond due diligence to focus on positive impact
Discussion
### Child labor definitions

In Ivory Coast and Ghana, we estimate that **>95%** of child labor occurs within the family context.

<table>
<thead>
<tr>
<th>Light work</th>
<th>Child Labor</th>
<th>Conditional worst forms of child labor (hazardous work)</th>
<th>Unconditional worst forms of child labor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children between the ages of 13 and 15 years old may do light work, as long as it does not threaten their health and safety, or hinder their education or vocational orientation and training.</td>
<td>Any light work done for such a long period or in such conditions that it deprives children of their childhood, their education, their potential and their dignity, and that is harmful to physical and mental development.</td>
<td>Work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children. List of hazardous work defined by States.</td>
<td>Slavery, trafficking, forced labor and recruitment of children in armed conflict.</td>
</tr>
</tbody>
</table>

**A child is any individual below the age of 18 years**
Nestlé: cocoa supply chain

- Farmer
- Co-op/ Farmer Group (Strategic up country supplier)
- Trader
- Processor
- Nestlé