



Nestlé Action Plan on the Responsible Sourcing of Cocoa from Côte d'Ivoire

29th June, 2012

Background:

On February 29, 2012, Nestlé became the first company in the food industry to partner with the Fair Labor Association (FLA), a non-profit multi-stakeholder initiative that works with major companies to improve working conditions in their supply chains. During the affiliation process we invited the FLA to begin a project to examine our cocoa supply from the Côte d'Ivoire. In January the FLA sent independent experts to the West African country to attempt to map our cocoa supply chain. The assessment team visited a total of seven suppliers, 20 co-ops and two co-op unions and 87 farms. They surveyed the traceable *Nestlé Cocoa Plan* supply chains as well as untraceable standard supply chains. They visited co-ops and farmers certified by our partners and those who were not. In all, over 500 interviews were conducted with farmers and other stakeholders in the supply chain, including local community members, local governments, NGOs, suppliers and Nestlé staff. The report is published at www.fairlabor.org/affiliate/Nestlé.

Main conclusions of the FLA report:

- Nestlé, due to its leverage and the volume of beans procured, is well positioned to make a large positive impact on the livelihoods of workers in the cocoa supply chain.
- The Nestlé Cocoa Plan and participation in other initiatives provide the building blocks for a more robust and deep reaching program.
- With some adjustments and improvements, the Nestlé Cocoa Plan has the makings of a well-rounded developmental program. Enhanced monitoring and increased accountability from the various tiers of suppliers is a must to make the supply chain more sustainable.
- Several risks in terms of labor standards have been identified, especially in the areas child labor, forced labor, health and safety, discrimination and compensation.
- Child labor is still a reality on cocoa farms in Côte d'Ivoire and has its roots in a combination of factors. A realistic strategy to eliminate child labor in Côte d'Ivoire needs to start with the attitudes and perceptions of the various actors in the supply chain and communities at large. One company alone cannot solve all the problems of labor standards that prevail in the cocoa sector of Côte d'Ivoire.
- Large parts of the supply chain are shared with other industry actors. All parties should therefore combine forces in enhancing supply chain mapping and transparency, monitoring and capacity building programs.
- Besides efforts from the private sector, farmers and their communities, the role of government is crucial in the development of a sustainable cocoa sector.

Nestlé's response:

We do not tolerate child labour in our supply chain. We have set ourselves the goal of eradicating the practice from our cocoa supply. We welcome the FLA's comprehensive report. We support the 11 recommendations the FLA has made to Nestlé and other members of the cocoa industry. It makes a valuable contribution to the understanding of the root causes of the problem of child labour and the role industry can play in addressing it. We share the FLA's view, set out in its overall conclusions, that individually a company cannot solve the problems of labour standards in the cocoa sector in the Côte d'Ivoire. The role of government and other stakeholders cannot be overlooked.

We also share the FLA's view that developing robust and comprehensive systems to monitor what happens in our supply chain will produce some of the greatest returns in attempting to improve working conditions.

Other measures that more directly address the problem of child labour, such as greater income opportunities or education opportunities for farmers, and making farms safer places to work, will be more effective if that robust and comprehensive supply chain management is in place. We look forward to working with the FLA and others in these areas in the months ahead.

We acknowledge that we are tackling a very difficult subject, that there are many different opinions about how it should be tackled and that no one currently has all the solutions.

Together with the FLA we have developed an action plan covering immediate actions in 2012, medium-term actions in 2013 and longer-term actions up to 2016, in response to the recommendations set out above. We will prioritise the actions needed to tackle child labour in the first two phases and will tackle other labour standards issues over the third phase. We will improve management systems in our supply chain and create new mechanisms where needed as a basis for further actions to eliminate the causes of child labour. We will provide annual updates on progress in implementing our plan on the www.nestle.com/csv, and www.nestlecocoaplan.com sites.

Nestlé's plan to address the recommendations highlighted by the FLA

Our action plan contains immediate actions and medium-term actions for our supply chain, which may rely on collaborative work with other actors.

FLA recommendation 1:

Strengthen Nestlé Supplier code by further refining code elements where local law is silent (hours of work and compensation). Clarify the definitions, benchmarks and key performance indicators for each code element.

NESTLÉ'S RESPONSE:

We will further refine the Nestlé Supplier code in the next review process due in 2013, taking into account these comments.

FLA recommendation 2:

Increase awareness and understanding about the Nestlé Supplier Code, beyond child labor and health and safety requirements and about the Nestlé Cocoa Plan, among Nestlé's immediate suppliers and upstream supply chain up until farm workers for both standard cocoa supply chain (as far as possible) and partners under the NCP.

NESTLÉ'S RESPONSE:

The Nestlé Supplier Code is currently attached to our contracts with suppliers.

Immediate action (2012):

- We will develop an easy-to-understand, illustrated supplier code. This will be completed by October 2012 and distributed to all Nestlé Cocoa Plan farmers, numbering over 20,000.
- We will collaborate with a tier 1 supplier to roll out our supplier code to the *standard* supply chain, before rolling it out to others later. This will involve identifying the key players in the chain and setting out these requirements to them.
- Farmer training is largely conducted by local training agencies. We will engage with local agencies to identify improvements in this training to better reflect the requirements of the supplier code.
- We will further reinforce this by completing an illustrated farmer manual and distributing it to farmers in our training programmes, which will cover health and safety, labour conditions as well better farming practices. We will run a workshop with stakeholders to consult on the manual.

- We will present the Nestlé Cocoa Plan to farmers and cooperatives at farmer trainings, plant distribution ceremonies and other events, explaining it is a holistic programme with associated obligations including compliance to labour standards and volume and quality targets.

FLA recommendation 3:

Define clear roles and responsibilities and division of work between Nestlé staff, Tier 1 suppliers, cooperatives and farmers covering all aspects of the Nestlé Cocoa Plan and increase internal collaboration at the Nestlé HQ, and the Abidjan office and Research & Development centre. Strengthen the role of the Nestlé Cocoa Plan oversight committee at the HQ level.

NESTLÉ'S RESPONSE:

- In order to improve communication and enhance co-ordination and accountability we will define the roles and responsibilities of those involved in the Nestlé Cocoa Plan and will strengthen the role of the HQ steering committee, which oversees all of the Nestlé Cocoa Plan activities. To be completed by Oct 2012.
- We have also created a steering committee for the Nestlé Cocoa Plan in Côte d'Ivoire, to strengthen collaboration and synergies between Nestlé, the International Cocoa Initiative, other partner organisations and suppliers on the local level. Meetings will be held every two months.

FLA recommendation 4:

Review and strengthen contracts with suppliers (and eventually with cooperatives) to **include comprehensive** key performance indicators **and reporting requirements** for labor standards in order to ensure that labor standards receive the same emphasis as quality. As far as possible publically report on performance (KPIs). Certification reports and Sedex Members Ethical Trade Audit (SMETA) reports should be transparent to all Nestlé staff managing the Nestlé Cocoa Plan.

NESTLÉ'S RESPONSE:

The responsibility our tier 1 suppliers take for their supply chain will be critical to the success of our action plan.

Responsible sourcing requires our suppliers to take responsibility for what goes on in the parts of our supply chain they operate. We expect all our suppliers to conduct their business with Nestlé in an open and transparent way with regard to all aspects of cocoa sourcing, including labour standards. We will seek closer cooperation by setting up meetings ahead of the 2012 cocoa harvest with our four Nestlé Cocoa Plan tier 1 suppliers.

Each year we deliver farmer training in our 35 Nestlé Cocoa Plan coops through our four tier 1 Nestlé Cocoa Plan suppliers. Until now, the training consisted of good agricultural practices, harvesting techniques, post harvest processes, health and safety and labour standards. This year we will ensure child labour is further emphasised. We will also ask the trainers to ensure that farmers' obligations to follow the Nestlé supplier code are more clearly spelled out and to give them the support and education they need to achieve this. We expect this new approach will result in an increased level of engagement from our suppliers to tackle the issues the FLA has raised.

- We will agree a set of actions with suppliers (with assistance from the International Cocoa Initiative) including:
 - Revised contract terms between the suppliers and coops to emphasise labour standards
 - Clarification on policy regarding premiums and their payment to coops and farmers
 - Identification of and training of supplier personnel responsible for overseeing social compliance in processing units, co-operatives and farms

- Identification and training of supplier and coop personnel engaging with farmers and monitoring labour standards
 - The number of trainings to be conducted before peak season in 2012 at the supplier, coop and farm level
 - The number of farm visits to be conducted during peak season in 2012 including collecting and recording data on working conditions
 - Planning for suppliers' engagement with the farmers, métayers and workers to resolve working conditions issues identified during monitoring. The planning will include timing of engagement meetings (e.g. before, during, after the season), participants, involvement of civil society organisations and local community, follow-up process and reporting.
- We will define key performance indicators for our supply chain, including for example:
 - Number of personnel trained in Nestlé and in the supply chain on supplier code, labour monitoring and remediation with a focus on child labour and health and safety, starting from 2012
 - Number of visits to farms, and their documentation, by Nestlé and suppliers during peak season to check working conditions, starting from 2012
 - Number of local level meetings held by suppliers, International Cocoa Initiative and other partners with the farmers, métayers and workers to engage in discussion on working conditions and remediation strategies
 - We will further refine key performance indicators in consultation with stakeholders, for example at the stakeholder consultation in Abidjan (see response to recommendation 8).
 - Where possible, certification and Smeta reports are being made available to staff working on the Nestlé Cocoa Plan, and will be used to gain insights and assist the cooperatives.

FLA recommendation 5:

Currently farmers only associate premiums with quality and quantity and ignore the underlying social aspects. **Increase awareness among farmers about the policy of premium allocation** and significance of maintaining social standards as a minimum requirement. Clarify that lack of maintenance of these standards can make them ineligible for any premiums, irrespective of quality and quantity of beans, and continuously engage with farmers in a positive and progressive manner to define the way forward.

NESTLÉ'S RESPONSE:

Given the findings in the FLA report, and that driving compliance does not solve the problem, this will be applied progressively. The importance of adhering to the Nestlé supplier code, and the link between premiums and child labour and other labour standards will be made clear in contracts with coops, in farmer trainings and at premium payment ceremonies. This will be a continuous process, beginning in Oct 2012.

We will simplify the premium policy across tier 1 suppliers.

The distribution of the illustrated supplier code, the farmer training manual, and the delivery of enhanced farmer training will support this objective.

Medium term action (2013): We will require coops to keep records of all premiums paid to farmers. We will make regular checks to ensure accuracy, and to ensure farmers receive their portion of the premium payment.

FLA recommendation 6:

Nestlé needs to **develop a robust and comprehensive internal monitoring and remediation system** that covers all actors (including farmers, métayers, farm workers and their families) in the supply chain. The monitoring should go beyond the monitoring of propagation of plants and include labor standards and premium payments. This by far will be the biggest challenge but also the one with greatest returns. The

programs and results should be independently-externally verified. At a minimum the internal program should have the following features:

- a) Clear program objectives
- b) Defined policies and definitions
- c) Implementation plan with respect to frequency of monitoring visit, depth of information gathering, personnel responsible, tools for data collection, data analysis, course of follow up action
- d) Defined key performance indicators and reporting requirements
- e) Non-compliance reporting mechanism where workers, growers could report severe non-compliance issues such as harassment and abuse, discrimination, retaliation, forced and bonded labor etc.
- f) Grievance handling mechanisms
- g) Training of internal staff and staff of upstream suppliers. Nestlé should: (1) enhance training for the Nestlé Cocoa Plan farmers to include other labour standards; (2) link premium payments to training attendance; (3) foster training for family members (including women and children) as well as to métayers and workers (and their families) so that they all know their rights; (4) introduce training on progressive discipline and (5) get personnel handling complaints trained on grievance handling
- h) Define impact assessment methodology and public reporting mechanism on progress made

NESTLÉ'S RESPONSE:

We agree a robust and comprehensive internal monitoring and remediation system will enable us to better understand what is happening in our supply chain and to address any problems found. We will work with the International Cocoa Initiative as they have the capacity and experience to help us set up such a system and train relevant individuals. They will also support community investments to contribute to the prevention of child labour, including coordination with the World Cocoa Foundation schools project and farmer training, targeted at communities identified as at risk (see also (e) below for more information on remediation).

In parallel, we will work with our certification partners to progressively integrate the monitoring and remediation system into certification schemes and thus further improve our impact on the elimination of child labour.

The development of the monitoring and remediation system will be carried out in three successive phases:

- **Phase 1 (2012):** Nestlé will ensure through our partnership with the International Cocoa Initiative that child labour monitoring is improved in two coops in phase 1, covering about 40 communities, 1800 farmers and their families. This will progressively evolve into a more systematic and complete monitoring system, also linked to remediation, in 8 coops during phase 2. As part of this process, we will carry out a baseline survey of the child labour situation in these two coops, and set KPIs and evaluate the progress in the harvest Oct 13-Mar 14 by the FLA. This structured approach will allow us to evaluate the effectiveness of this system properly.
- **Phase 2 (2013):** Taking the preliminary learnings from the first two Nestlé Cocoa Plan coops into account, we will extend the monitoring and remediation scheme to six further coops in collaboration with International Cocoa Initiative. This steady scaling up should be possible despite the limited number of trained people on the ground. At the same time we will ask ICI to look at how labour standards monitoring can be improved in the 8 coops. This should be done without duplicating the existing systems set up under certification programmes, but rather working together with our certification partners to improve and strengthen the effectiveness of coops' internal control systems. Ideally we would also like to ensure the systems are fully compatible with any set up by the government on a country-wide basis.

- **Phase 3 (2014 to 2016):** We will aim to scale up this process to all remaining Nestlé Cocoa Plan coops, evaluating progress and impact as we proceed. The FLA will evaluate the success of these approaches in 2015.

The activities described by the FLA below in sections a) to h) will be implemented according to this three phase approach.

a) Clear program objectives

The objective of the monitoring and remediation scheme is for Nestlé to be able to identify labour standards issues in our supply chain and act upon them in collaboration with relevant stakeholders as needed.

b) Defined policies and definitions

We will develop and establish the monitoring and remediation scheme, defining the roles and responsibilities of all those involved in its functioning and implementation.

c) Implementation plan with respect to frequency of monitoring visits, depth of information gathering, personnel responsible, tools for data collection, data analysis, course of follow up action

The monitoring and remediation scheme will define the frequency of monitoring visits as well as the tools that will be used to collect and analyse information and data.

The structure of the monitoring and remediation scheme will cover four different levels of responsibility:

- **Community Liaison People** who are able to oversee the harvest and identify children at risk in the communities will be identified. They will be in charge of running child labour awareness training at community level, assisting families in need, and identifying children at risk in each community.
- **A Cooperative Child Labour Agent** will be nominated in each cooperative to lead monitoring and remediation activities. This person will:
 - be trained to ensure awareness-raising at community level, ensure data collection, identify cases of child labour and propose remedial actions
 - link in with the Community Liaison People and will play an immediate role in preliminary monitoring of child labour on farms in the first two coops during the 2012/13 crop, as part of the strengthened process of farm visits
 - ensure data collection, identify cases of child labour and propose remedial actions. This person will link in with the Community Liaison People to identify cases of child labour and propose remedial actions that may have a significant preventive impact.
- **Suppliers Compliance Managers**, responsible for overseeing social compliance in processing units, cooperatives and farms, will report any situation of child labour identified during farm visits to Cooperative Child Labour Agents, and provide data to the Nestlé coordinator.
- **A Nestlé Coordinator**, based in Abidjan will be in charge of the overall functioning and coordination of this structure, in close collaboration with International Cocoa Initiative.

It is expected that this monitoring and remediation system will be progressively put in place, firstly ensuring the foundations of training, awareness and community ownership, and that the capacity to achieve targeted remediation assistance is also established.

In the medium term, we plan to embed this monitoring and remediation scheme into the cooperatives certification systems, and thus ensure its sustainable funding through the Nestlé Cocoa Plan.

d) Defined key performance indicators and reporting requirements

We will define key performance indicators during the stakeholder consultation to be held in Abidjan (see Nestlé response to recommendation 8).

e) Non-compliance reporting mechanism where workers, farmers could report severe non - compliance issues such as harassment and abuse, discrimination, retaliation, forced and bonded labor etc.

Where cases of child labour are detected by the Community Liaison People or Suppliers Compliance Managers, they will be referred to Cooperative Child Labour Agents for remediation on a case-by-case basis. The aggregate results of this process will be reported to a Nestlé coordinator on a periodical and confidential basis. In case of repetitive, serious or widespread evidence of child labour, the Community Child Labour Agent will inform the Nestlé Coordinator immediately in view of resolving the situation in collaboration with relevant stakeholders, including local authorities and social services, as needed (see also Nestlé response to recommendation 8).

In addition to their role in the monitoring and remediation of child labour situation, Community Liaison People, Cooperative Child Labour Agents and Suppliers Compliance Managers may also act as contact points for workers or farmers to report non-compliance grievances. Each grievance will then be reported to the Nestlé Coordinator for handling.

f) Grievance handling mechanisms

A direct, confidential and global grievance mechanism for external stakeholders is currently under discussion at Nestlé global headquarters.

g) Training of internal staff and staff of upstream suppliers. Nestlé should: (1) enhance training for Nestlé Cocoa Plan farmers to include other labour standards; (2) link premium payments to training attendance; (3) foster training for family members (including women and children) as well as to métayers and workers (and their families) so that they all know their rights; (4) introduce training on progressive discipline and (5) get personnel handling complaints trained on grievance handling

As part of our collaboration with International Cocoa Initiative, we will:

- organise child labour awareness refresher course for all Nestlé and Nestlé Cocoa Plan supplier personnel in contact with farmers and coop management staff,
- develop and deliver specific training for Community Liaison People, Cooperative Child Labour Agents and Suppliers Compliance Managers on how to train their peers (community members, farmers, métayers, cooperative representatives, suppliers); monitor and remedy child labour situations; and handle external grievances,
- in collaboration with other experts, improve the labour aspects of farmer training to further reduce the risk of child labour and other labour issues.

Addressing the risk of poor labour practices like child labour in the supply chain outside Nestlé Cocoa Plan is more challenging, but we want to take the first steps to increase awareness of these issues. Currently, four of Nestlé's tier 1 suppliers are included in the Nestlé Cocoa Plan, but also supply cocoa from outside the plan which is typically traceable. In 2013 we will ask International Cocoa Initiative to organise child labour awareness courses for personnel in the remaining companies that supply us with cocoa beans from Cote d'Ivoire, or products containing beans from Cote d'Ivoire. See also response to recommendation 9.

h) Define impact assessment methodology and public reporting mechanisms on progress made

The impact assessment methodology, as well as public reporting, will be defined as part of the stakeholder consultation to be held in Abidjan (see Nestlé response to recommendation 8), in line with FLA Standardised Company Reporting Template.

FLA recommendation 7:

Nurseries, the only direct contact point between Nestlé and cooperatives and farmers, play an important role in the development of a sustainable cocoa sector in Côte d'Ivoire. **The role that other established localities and capacities of cooperatives could play as a hub** for additional extension services (e.g., plant protection products, information services for farmers via mobile phones, micro credits/saving, irrigation systems, innovative technologies), including monitoring and reporting, should be seriously explored.

NESTLÉ'S RESPONSE:

We have begun a project to supply pesticides and fertilisers to farmers. Pilot projects with four coops will begin in June 2012, with an extension to more coops in 2013 depending on the success of the pilots. We will evaluate further opportunities to offer of extension services with supply chain partners and other industry sectors.

FLA recommendation 8:

Facilitate collaboration and communication between local and international stakeholders, working through Nestlé (such as International Cocoa Initiative, World Cocoa Foundation, International Committee of the Red Cross) to share information, complement efforts and improve overall program performance. The program with International Cocoa Initiative should be strengthened and scaled up, with performance indicators through social impact assessments.

NESTLÉ'S RESPONSE:

- We have created a steering committee for the Nestlé Cocoa Plan in Côte d'Ivoire, to strengthen collaboration and synergies between Nestlé, International Cocoa Initiative, other partner organisations and suppliers on the local level. Meetings will be held every two months.
- We are scaling up International Cocoa Initiative's programme (see response to recommendation 6).
- We will organise a stakeholder consultation in Abidjan in the final quarter 2012, to seek guidance on how our programme can be further improved and to see what part others can play.

FLA recommendation 9:

Scale-up efforts for the NCP in the standard supply chain by the following means:

- a) Nestlé should evaluate the options to include middlemen (other than cooperatives) under the Nestlé Cocoa Plan through registering of all Tier 2 suppliers, their traitants and their pisteurs starting from next season. Even though a portion of Nestlé's Tier 1 suppliers change every year, there is a loyal base to start with and some already work on sustainability issues.
- b) Nestlé should invest in training of registered traitants and pisteurs on code awareness, responsible sourcing practices and monitoring labour issues (especially child labour and health and safety).
- c) This may also require some consolidation of the supply chain so that the Tier 1 suppliers only work with partners who are known to them, and their suppliers do the same. Knowing your business partners should be a maxim observed at every level of the supply chain
- d) With other industry partners, Nestlé should explore the opportunities to organize joint monitoring of shared supply chains (farmers associations, traitants, SARLs). If industry-wide collaboration were attained, the standard supply chain could also be monitored for labour standards

NESTLÉ'S RESPONSE:

We believe that improving and scaling up the Nestlé Cocoa Plan will be an effective way to try to address the problems in our supply chain in Côte d'Ivoire. The Nestlé Cocoa Plan aims to enable farmers to run profitable farms and eliminate child labour, while ensuring a sustainable cocoa supply chain for our business. The initiative is an example of our "creating shared value" approach to business. It is designed to create value through the supply chain – particularly for farmers and their families. It is a long-term holistic plan that leverages certification and complements it with other activities. We welcome the FLA findings that the Nestlé Cocoa Plan lays the foundations for strengthening and mounting further efforts to achieve our mission of procuring cocoa from child labour free supply chains. Our action plan will deepen and extend the Nestlé Cocoa Plan.

- We will accelerate the extension of the Nestlé Cocoa Plan to more coops and farmers, and will report annually on progress. Our published targets for 2012 state 10% of our global cocoa supply should come from Nestlé Cocoa Plan, and we aim to increase the amount of cocoa we source through the Nestlé Cocoa Plan in Cote d'Ivoire by over 30% between 2012 and 2013
- We will explore the possibilities to certify the conventional supply chain through working with our tier 1 suppliers (traitants and pisteurs) by Dec 12. In this case we would include these participants in child labour awareness training and ultimately the monitoring and remediation scheme in the same manner as we plan for coops (see response to recommendation 6)
- FLA will conduct further research with our Tier 1 suppliers, to get in-depth knowledge on the options and possibilities for consolidation.

FLA recommendation 10:

Address the issue of child labor in the Nestlé Cocoa Plan supply chain through immediate steps involving bottom-up approach. These could include but is not restricted to having awareness campaign at the farm level against the use of child labor, rehabilitation of identified cases of child labor through interfacing with appropriate local authorities and working with international and local civil society organizations to devise short and long term strategies for prevention, rescue and rehabilitation of child laborers identified in the NCP supply chain.

NESTLÉ'S RESPONSE:

As part of our remediation efforts, we have already started a project with the World Cocoa Foundation to build or refurbish schools in Nestlé Cocoa Plan communities, aiming to start with 10 schools in 2012. Many rural areas in Cote d'Ivoire suffer from an inadequate number of schools, which means many children don't have the opportunity to receive an education. This increases the risk of them working on farms. In total we plan to build or refurbish 40 schools in 4 years, impacting 10,000 children. Communities will be selected from Nestlé Cocoa Plan areas based on several criteria, including their actual needs, identified as part of the monitoring system described above.

- See recommendation 6
- We will solicit further advice on this recommendation during the stakeholder consultation in Abidjan (see recommendation 8).

FLA recommendation 11:

In the longer term, complement government's efforts to **create alternatives for farmers and their families** (e.g. vocational training, alternative income sources such as local energy generation with cocoa pods) and relate social projects to the core business of Nestlé to create shared value.

NESTLÉ'S RESPONSE:

We agree cocoa farmers should be encouraged to diversify income generation:

- Vocational training is included in our World Cocoa Foundation schools project (see recommendations 6 and 10)
- Nestlé will further evaluate additional opportunities to increase alternative income generation opportunities, also for women and métayers, together with partners.