

TOWARDS A FOREST POSITIVE FUTURE

Ten years of sustainability in action
June 2021



Nestlé

Good Food, Good Life





GROWING FOREST POSITIVE

Forests around the world are still disappearing at a rate of 4.7 million hectares each year.

But we can do more than just eliminate deforestation.

We can contribute to forest conservation and restoration, to the resilience of millions of people worldwide that depend on forests and to more regenerative and equitable agricultural systems.

Nestlé is working to understand the dynamics that underly deforestation and forest degradation. We are championing activities throughout our supply chains that contribute to the regeneration of forest landscapes, protect natural habitats, help farming communities thrive and support our planet in combatting the effects of climate change.

Our Forest Positive strategy turns forest-related risks into opportunities to create sustainable landscapes and livelihoods.

By working in partnership across the food industry and beyond, we can build a future for forests that is positive for people and the planet.

FOREWORD

SHARING OUR JOURNEY

**MAGDI BATATO**

Executive Vice President,
Head of Operations, Nestlé



In 2010, Nestlé was one of the first companies to make a commitment to end deforestation in its supply chains. We set a goal to do so by 2020. At the time we knew it would be challenging, but we felt it was a moral imperative – for our environment, for the people, and for our planet at large.

The decision was just as meaningful for our business. Healthy forests and natural ecosystems are essential for our company to continue to be able to source our ingredients and raw materials. Our foods and beverages depend on the ecosystem services of a healthy landscape. Forests are often at the center of the provision of those ecosystem services.

In the last ten years, we have worked hard with our partners and suppliers to translate our commitment into reality: we have mapped the supply chains of our forest-risk commodities; we have tested different tools to assess and address risks of deforestation in the places we source; and we have strived to be at the

“We must raise our ambitions and move from a no-deforestation to a Forest Positive strategy”

forefront of innovative approaches to accelerate progress, like the use of satellite imagery to monitor forest loss. As a result of this work, 90% of our key forest-risk commodities were assessed as deforestation-free at the end of 2020.

While we have not reached our goal of 100%, we have made good progress. Through this journey we have gained a much better understanding of deforestation: about its dynamics and drivers, as well as effective tools to assess risks and address them. More importantly, we have a better picture of the whole complex puzzle – the different pieces needed to keep forests standing, and the Forest Positive strategy to lead us forward.

Our desire from the start was to be transparent. We have reported regularly and publicly on our progress, disclosed our list of suppliers, and published a Palm Oil Transparency Dashboard to share our learnings and data. We recognize that even as a large company, we are still very small

before such an enormous challenge. There is work to do within our supply chains, but well beyond it, too. That takes an unprecedented alignment of vision and action among stakeholders worldwide, and we are pleased to be a part of the dialog.

In this light, we invite you to read this report – which is the story of this journey, where we started, what we have learned, how far we have come and where we are heading. It’s the story of our effort to understand sustainable, deforestation-free food systems, and the cooperation and innovation needed at all levels of society to make them a reality.

We must raise our ambitions and move from a no-deforestation to a Forest Positive strategy which contributes to regenerating forest landscapes, protecting natural habitats, helping farming communities thrive and supporting our planet in combatting the effects of climate change.

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1. OUR COMMITMENTS

OUR NO DEFORESTATION PROGRESS

In 2010, Nestlé made a commitment to end deforestation in our supply chains



We aimed to achieve 100% deforestation-free supplies of palm oil, pulp and paper¹, soy, meat² and sugar by 2020. These commodities are considered to have the highest impact on deforestation and conversion of natural ecosystems. Together, they account for over four thousand kilotons we source annually.

While our original objective is in sight, there is more work to do. As of December 2020, we have assessed these key agricultural commodities as 90% deforestation-free*. We have made substantial progress in identifying sub-tier producers that were once invisible within our supply chains.

Conditions to achieve full traceability are an ongoing and an ever-shifting challenge. However, ensuring all our

supplies are deforestation-free is not only about achieving traceability, it is also about continuing to work with both smallholder farmers and large suppliers to understand supply volumes and any potential forest risk, and to address the root causes before any issues arise.

As we deploy new tools, validate assessments, and take a more forward-looking approach, we are confident that our origins will be assessed deforestation-free by 2022 for palm oil, sugar, soy, meat and pulp and paper, and by 2025 for coffee and cocoa.

¹ Includes recycled volumes that are traceable to mill and assessed as low risk

² Meat by-products as well as meats other than beef and pork are excluded from the scope of the commitment

* Information is current up to December, 2020

Our key forest-risk commodities are assessed as 90% deforestation-free*

WHAT ARE THE CRITERIA FOR DEFORESTATION-FREE?

1. Raw materials that we buy do not originate from:

- Areas converted from High Carbon Stock (HCS) forests and habitat such as peatland, wetlands, savannas
- Peatlands of any depth, except where farming practices protect peat
- International Union for Conservation of Nature (IUCN) protected areas categories I-IV
- UNESCO World Heritage Sites and wetlands on the Ramsar List.

2. Identifying, protecting and avoiding producing on High Conservation Values (HCV) lands in and around the producer territory after 31st December 2015, as defined in the High Carbon Stock Approach Toolkit.

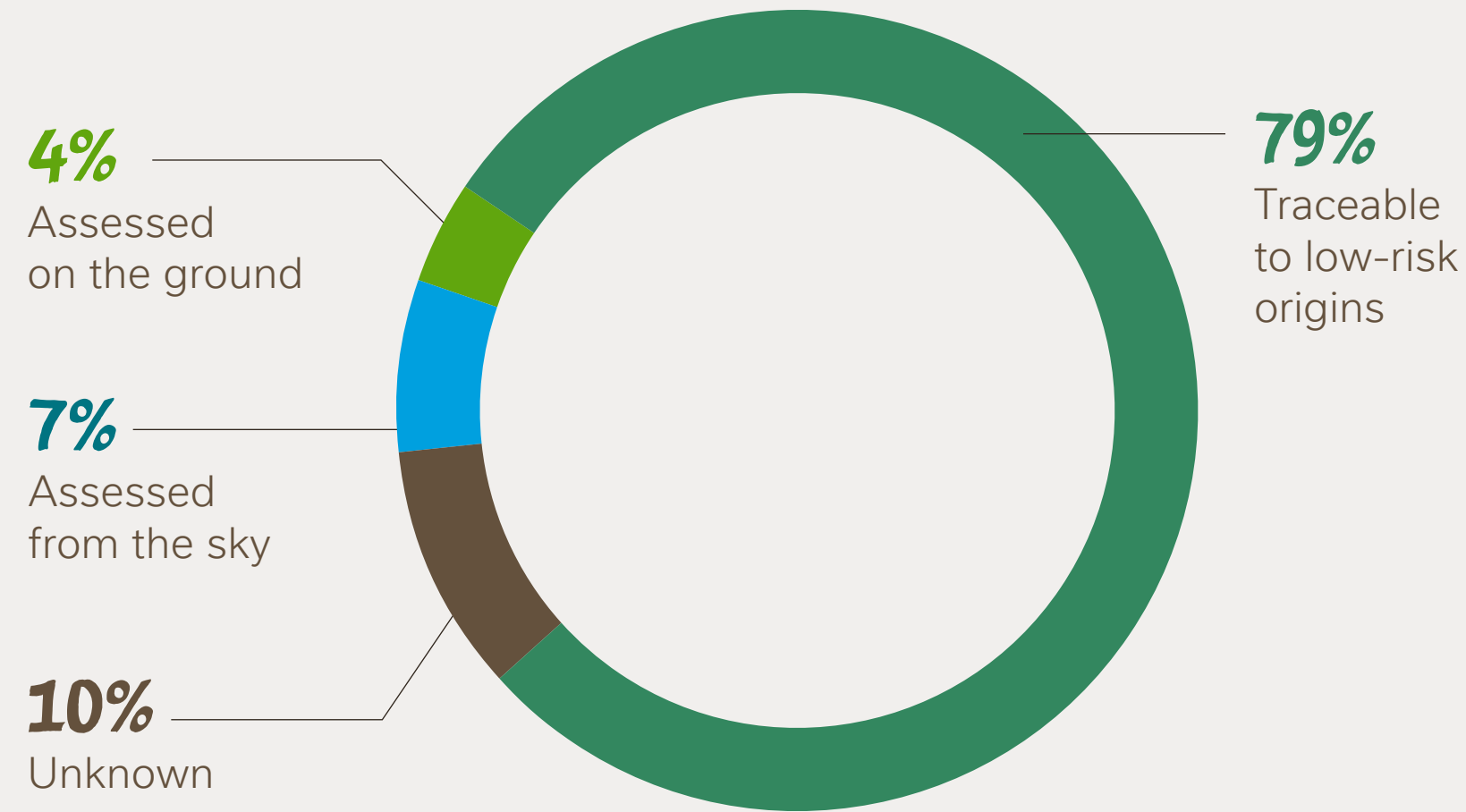
3. Having a forest management plan in place in the case of agricultural production of pulp and paper.

Our methodology

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 from the sky or from the ground.

Nestlé global no deforestation commitment status*



● Traceable to low-risk origins

Volumes have been traced back to regions classified as at low-risk of deforestation. The traceability exercise is carried out in collaboration with our partners or using technology.

● Assessed from the sky

Traceable to origins that are assessed as deforestation-free via satellite monitoring of production sites (farms, mills or supply areas) in our supply chains.

● Assessed on the ground

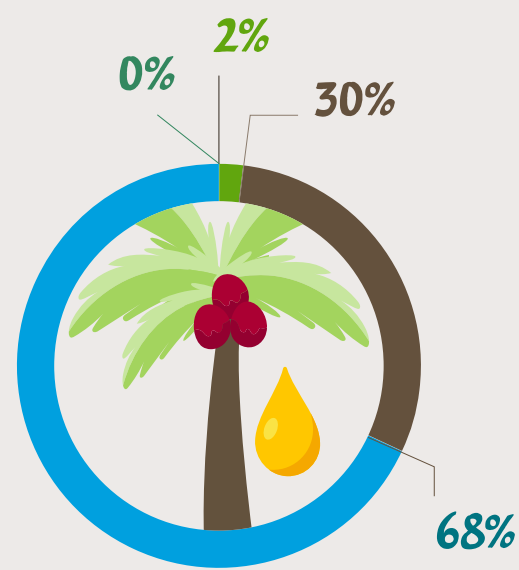
Volumes have been assessed through on-the-ground assessments, such as HCSA and HCV assessments, by our partners and/or through certification such as RTRS and Proterra (soy), FSC and PEFC (paper), and RSPO (palm oil). Only segregated or Identify Preserved volumes are accepted as deforestation-free.

● Unknown

Not traced or being traced, but not yet deforestation-free.

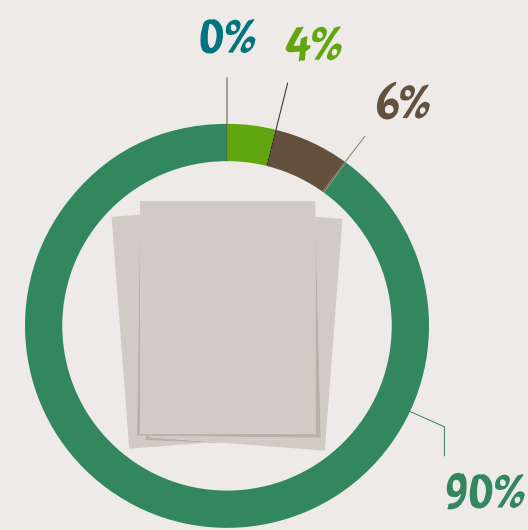
*As of December 2020

90% Assessed as deforestation-free 4,254 kilotons sourced in 2020



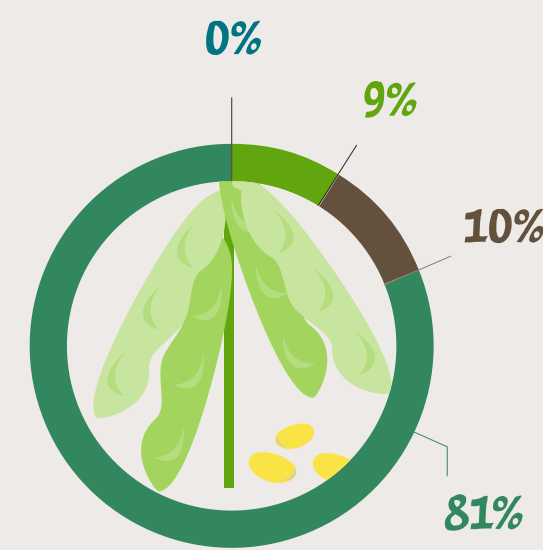
Palm oil

70% Assessed as deforestation-free
452 kilotons



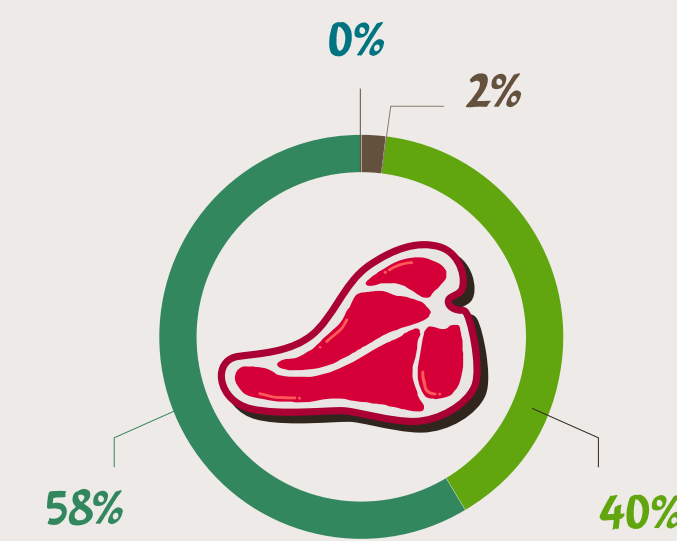
Pulp and paper

94% Assessed as deforestation-free
1,155 kilotons



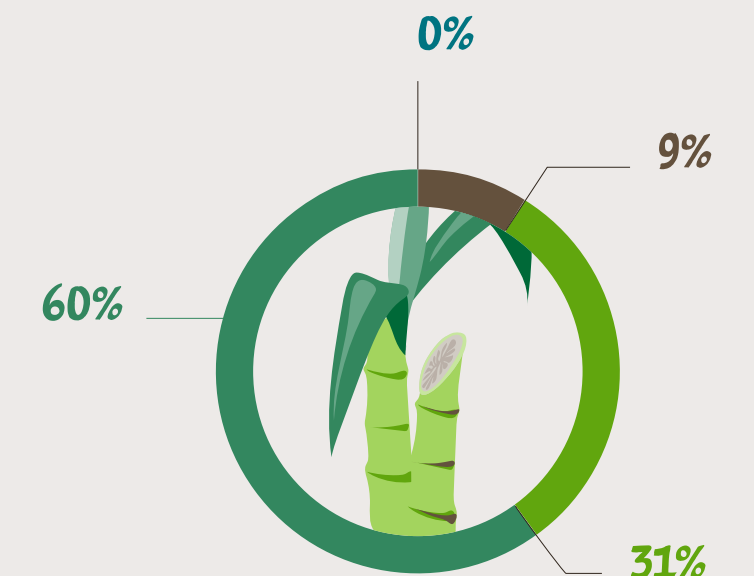
Soya

90% Assessed as deforestation-free
491 kilotons



Meat

98% Assessed as deforestation-free
154 kilotons



Sugar

91% Assessed as deforestation-free
2,000 kilotons

MOVING TOWARDS FOREST POSITIVE

When it comes to Forest Positive, our world has everything to gain

The long-term success of our business relies on sustainable supply chains.

For more than ten years, we have focused on eliminating deforestation from our key forest-risk commodities. We have used a range of tools to map suppliers and engage directly with farmers, farming communities and our suppliers, so that today our key forest-risk commodity ingredients are assessed 90% deforestation-free. But we can't stop at working to eliminate deforestation in our supply chains alone.

Our Forest Positive strategy goes beyond addressing deforestation in our supply chains.

We are building on the progress of our initial commitment, ensuring that we achieve and maintain deforestation-free supply chains and do more to protect and restore forests. This means assessing risks of future deforestation and forest degradation, long-term forest conservation and restoration in our supply chains, respecting community and land rights, and investing in sustainable production landscapes.

For us, Forest Positive supply chains mean the way we source our raw materials helps conserve and restore the world's forests and natural ecosystems while promoting sustainable livelihoods and respecting human rights.

Our Forest Positive strategy will be an instrumental part of our Net Zero Roadmap. Net Zero cannot be achieved without being Forest Positive.

Forests are vital for storing carbon in the biomass and soil and for preserving biodiversity. Protecting forests goes hand-in-hand with ensuring human rights are respected,



recognizing customary land rights and supporting social and economic opportunity for communities. Ensuring forest integrity for the long term is critical for our food to be produced sustainably – and for our population to consume responsibly.

- + Forest Positive is only achievable if we work
- + together with farmers and local communities, industry partners, governments and advocates to form wider solutions across local, regional and global levels. The benefits are numerous: more resilient communities and livelihoods, more sustainable food systems, and a healthier planet – rich with biodiversity and life-sustaining natural ecosystems.

From no deforestation
Managing risks in our supply chains



To a Forest Positive future
A model for conserving and restoring the world's forests and natural ecosystems while promoting sustainable livelihoods and respecting human rights



Moving in a + direction

OUR FOREST POSITIVE STRATEGY AT A GLANCE

We will support supply chains and productive landscapes that have a positive impact for people and the planet

I. DEFORESTATION-FREE SUPPLY CHAINS

Achieve and maintain **100% deforestation-free supply chains** using tools like farm assessments, certification and satellite monitoring:

By 2022 for palm oil, sugar, soy, meat, and pulp and paper;

By 2025 for coffee and cocoa.

▶ [Read more](#)

II. 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.

▶ [Read more](#)

III. SUSTAINABLE LANDSCAPES

Forest Positive engagement at scale to transform the key landscapes we source from for the future.

▶ [Read more](#)

Forest Positive is a force for good

CLIMATE +

Forests regulate our climate. They absorb **one third** of global greenhouse gas emissions and their regeneration is essential to keeping our planet within a **1.5-degree** temperature rise. They provide clean air and fresh water.

BIODIVERSITY +

Forests are home to **80%** of our land-based species.

RESOURCES +

Forests provide nutrition, shelter, energy, medicines and livelihoods to around **1.6 billion** people in the world. The world's population is sustained by **76 million** tons of forest-based food, the overwhelming majority of which is plant-based.

COMMUNITY +

An estimated **1.5 billion** local and indigenous peoples have community-based tenure rights over forest resources, an essential condition to address food security, poverty and climate change challenges.

Source: [The Global Forests Goals report 2021](#)



2.

**GROWING OUR
KNOWLEDGE**

BRANCHING OUT

HOW WE CAN TURN THE CORNER ON FOREST LOSS

Frances Seymour, World Resources Institute Distinguished Senior Fellow

More than 12 million hectares of tree cover in the tropics was lost in 2020 alone, according to [analysis of University of Maryland data by WRI](#). Most alarmingly, that included 4.2 million hectares of previously undisturbed primary tropical forests.

This loss represents a crisis for climate stability and biodiversity conservation, as well as a humanitarian disaster and lost economic opportunity. This analysis, now covering 20 years of data, shows all that's been lost — as well as the interventions that work.

In a year when everything else slowed down, forest loss sped up.

The COVID-19 pandemic disrupted lives and livelihoods around the world, and the global economy contracted by [3.3%](#) in 2020. Yet despite the economic downturn, the loss of primary tropical forests ticked up by 12% compared to 2019, continuing an upward trend. Pandemic-related lockdowns probably contributed to short-term increases in forest loss in some cases by limiting the mobility of law enforcement officials and forcing urban-rural migration, but the more significant impacts of the pandemic on forests are likely yet to come.

Unless they see alternatives, governments grappling with constrained fiscal resources and high levels of debt will be tempted to cut the budgets of environmental agencies and license new investment projects that could show up in forest loss data in future years. And yet new studies ([here](#) and [here](#)) are finding that investments in conserving and restoring nature actually provide [more effective stimulus](#) than traditional measures.



Forests are increasingly falling victim to climate change.

The most ominous signal from [the 2020 data](#) is the number and variety of instances in which forests themselves suffered in extreme weather events. In the Amazon, burning now occurs inside the rainforest, rather than just along the recently felled edges. Even wetlands are burning! Global warming and forest loss conspire to create warmer, drier conditions, which in turn render forests more vulnerable to fire and pest infestation. Subsequent burning and decay release more carbon emissions, feeding [a vicious cycle](#).

Nature has been whispering to us about these risks for a long time, but now she is shouting. The longer we wait to both stop deforestation and shift to net-zero emissions trajectories in other sectors, the more likely it is that our [natural carbon sinks](#) will go up in smoke.

20 years of data demonstrate what works.

Although the overall trends are distressing, what's happened in a few individual countries inspires confidence that the drivers of deforestation can be defeated.

"20 years of data shows all that's been lost — as well as the interventions that work."

Indonesia has now reduced deforestation for four years in a row. Favorable weather, low commodity prices and implementation of corporate commitments to get deforestation out of commodity supply chains have undoubtedly contributed to that trend. But the Indonesian government's effort also deserves credit. In the aftermath of devastating fires in 2015, the government beefed up fire prevention and monitoring, and expanded moratoria on conversion of primary forests and peatlands.

These are fragile gains. We've seen this movie before. Brazil achieved a huge reduction in deforestation in the Amazon by deploying a suite of proven policy and market interventions, but now we're witnessing a heart-breaking unravelling of that success: as effective policies have been rolled back, the Brazilian Amazon experienced a 15% increase in primary forest loss in 2020 compared to 2019.

What should be done to save forests now?

In the coming months, Indonesia will face rising palm oil prices and pressure to approve forest-risk investments under a recent job creation law, even as a three-year moratorium on licensing of new oil palm plantations is set to expire this year. For Indonesia to maintain its success and other countries to follow its lead, the voices of domestic constituencies for forest protection need to be amplified. Space must be maintained for independent monitoring and advocacy by civil society.

The international community needs to ramp up incentives for those governments undertaking serious efforts to address deforestation to create a value proposition for staying the course. Such incentives should include preferential market access for forest-risk commodities that are produced legally and sustainably. Governments should be able to count on financial reward and diplomatic recognition for success in bringing down forest-based emissions. They should also have access to the investment funds, debt relief, and technical support they need to embark on genuinely green post-pandemic recovery efforts.

Forest guardians matter

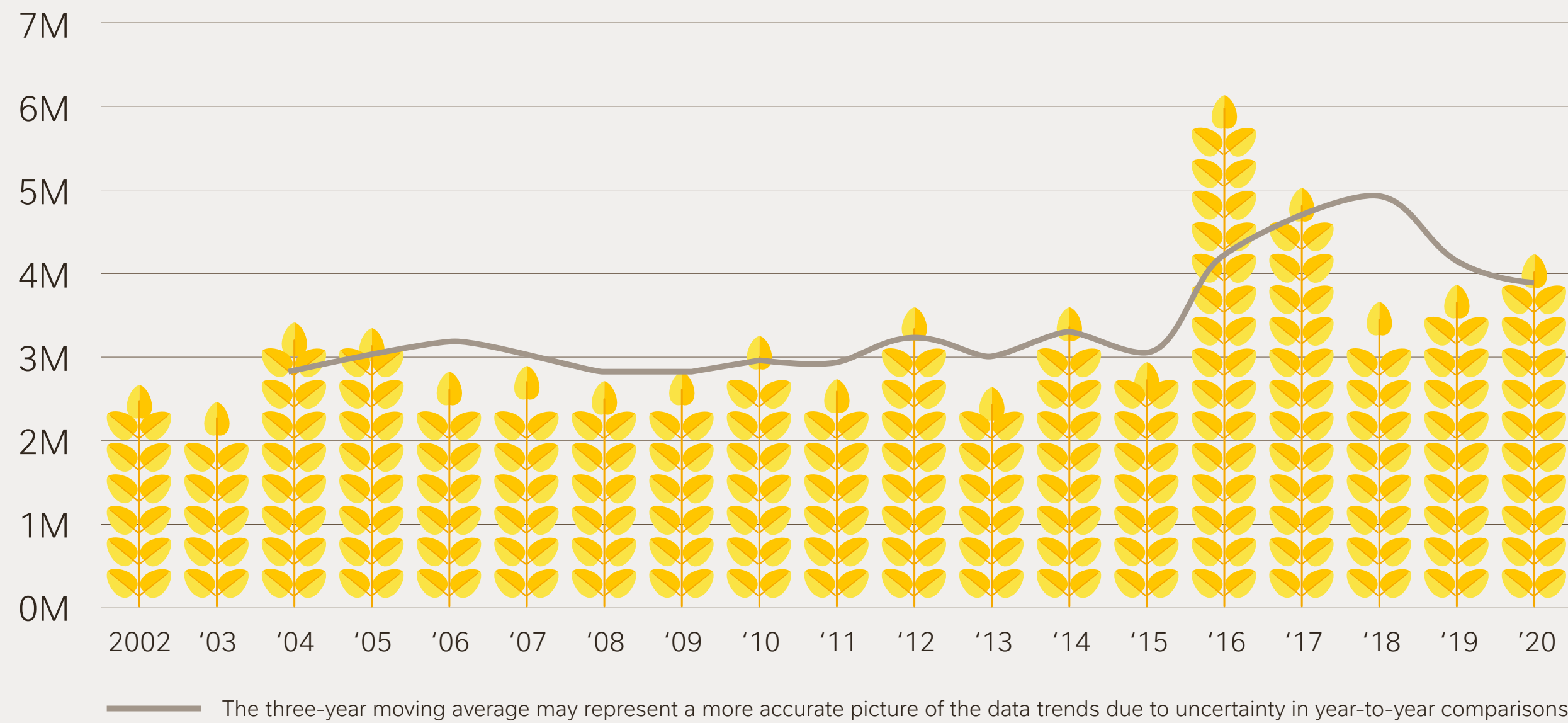
It's also important to remember that the forest loss that is visible from satellites has profound impacts on the people and communities on the ground who depend on forests for their health, safety and livelihoods. Their lives matter. What we can see from satellites is that when indigenous peoples are present in forests and their rights are strengthened, forest cover is maintained.

With global climate summits on climate change and biodiversity on the calendar, 2021 is a year for solidarity among governments committed to averting the worst impacts of forest loss. It's also time for solidarity with the communities risking their lives to save the world's remaining forests.

Let's finally muster the political will and financial resources to ensure that their efforts are successful.

This essay is adapted from a blog first posted for World Resources Institute on 31 March, 2021

Tropical primary forest loss, 2002-2020



Source: Global Forest Watch

THE COMPLEXITY OF FOOD AND FORESTS



Clearing for agriculture is driving deforestation, forest degradation and the loss of natural ecosystems

The state of our world’s forest loss has become an urgent global issue. Initiatives to halt deforestation by governments, non-governmental organizations (NGOs), companies such as ours, and other supply chain actors have accelerated significantly in the last decade alone. But despite interventions, rising awareness and growing pressure among consumers and investors, tree cover continues to disappear around the world.

Our tropical forests are in danger

Tropical and subtropical forests have been impacted negatively.

Between 2000 and 2018, they accounted for at least two thirds of total deforestation. We know the impacts have far-reaching consequences for our planet’s resilience and the billions of people who depend on them for their resources. According to the World Resources Institute, tropical trees provide an estimated 23% of the climate mitigation needed to fight against climate change.

There are many forces behind deforestation in different regions (see map on the next page), but agriculture is a leading driver worldwide. Population growth and increasing demand for food

has led to a rapid conversion of forests into farms.

Shifting landscapes of agricultural deforestation

In South America, the expansion of cattle ranches and soya fields are not only threatening the Amazon, the world’s largest rainforest, but also the Cerrado region and the Gran Chaco landscape. Commercial agriculture and the expansion of plantations has driven deforestation in Asia. The expansion of palm oil plantations continues to threaten native tropical forest and peatlands.

Subsistence and small-scale

agriculture – consisting of cultivation for household consumption and local markets – is a main deforestation driver in parts of tropical Africa. Many of these smallholders are responding to rising domestic demand for cocoa, palm oil, maize and cattle. Often faced with lower productivity on their plots and no other sources of income, smallholders are increasingly encroaching into protected forest areas to grow crops.

Forest degradation in intact forest landscapes

Europe and North America are also home to important forest ecosystems. Together

with Brazil, Canada and Russia account for nearly two thirds of the global Intact Forest Landscapes (IFLs) area. These two countries have seen increasing rates of forest fragmentation and alteration, mainly due to timber harvesting, agricultural expansion and wildfire spread from infrastructure and logging sites.

Our food supply chains must change

Even with modest economic growth, it is estimated that agricultural production would have to increase by 50% by 2050, relative to 2013, to fulfill our world’s food needs. So in order to tackle deforestation

today and well into the future, our expectations for our food supply chains must change, too.

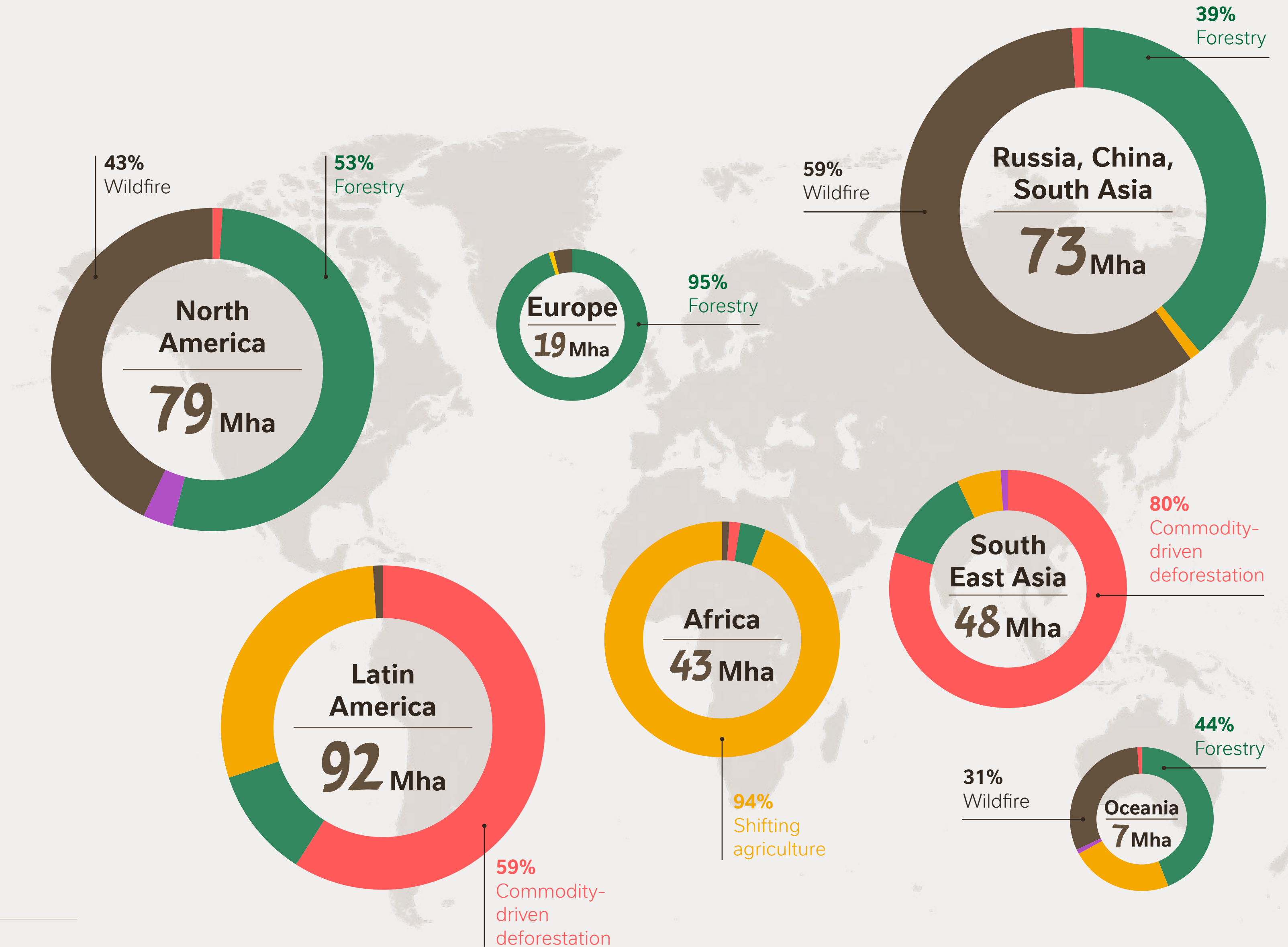
Sustainable, regenerative agriculture is key to helping to produce more crops on the same amount of land and replenishing our ecosystem's water systems, soil health and carbon storage. We will also have to re-think our patterns of consumption and create more conditions that increase demand for sustainable products as well as enable growers to cultivate them. By shifting how we grow, source and consume, we can help make sure our food supplies are intact for the future – while preserving our valuable tree cover, stabilizing our climate and improving the livelihoods of farmers and communities.

Regional tree cover loss for the period 2001-2018

- Commodity-driven deforestation*
- Shifting agriculture**
- Forestry
- Wildfire
- Urbanization*

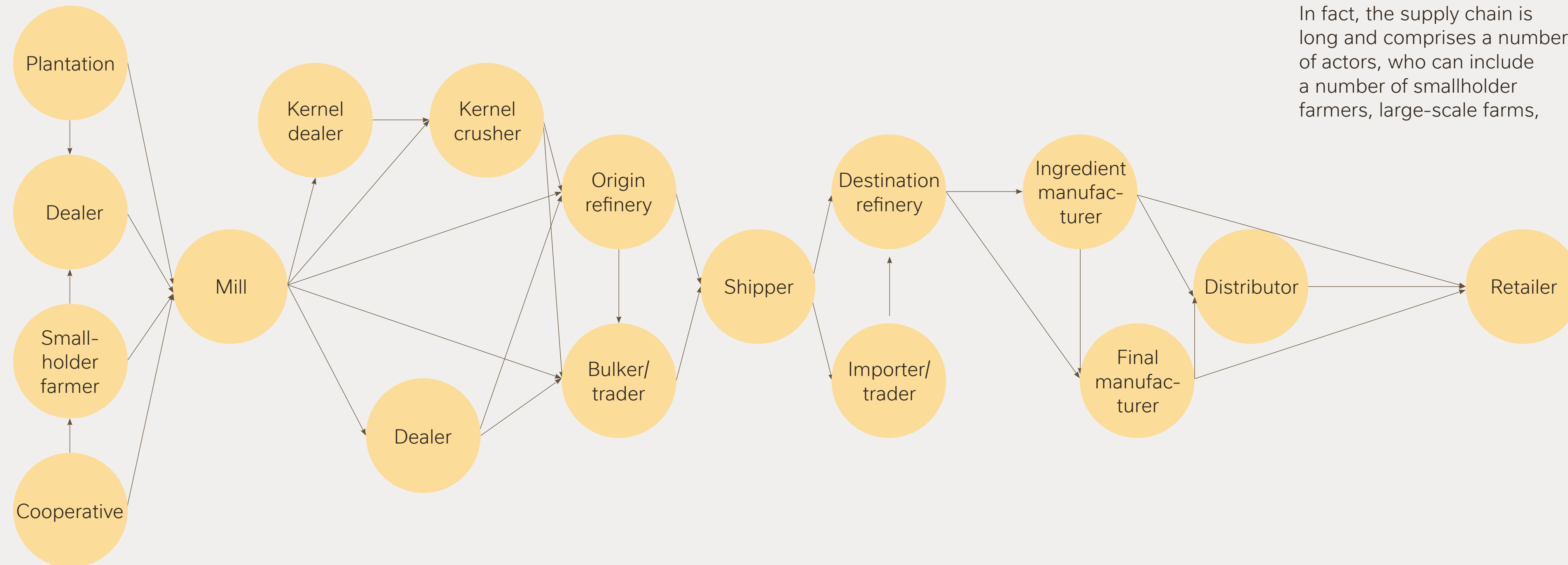
* Permanent deforestation
 ** May or may not lead to permanent deforestation

Source: Global Forest Watch



VISIBILITY IN OUR SUPPLY CHAINS

An example of a typical palm oil supply chain from plantation to retailer for palm oil and palm kernel oil (courtesy of Earthworm Foundation)



From farm to consumer, the supply chain is long and complex

A major challenge in addressing sustainability challenges like deforestation is achieving sufficient supply chain transparency. Raw materials are often not directly sourced by food manufacturers like ourselves.

In fact, the supply chain is long and comprises a number of actors, who can include a number of smallholder farmers, large-scale farms,

dealers, processors, storers and sorters, and exporters. At the very source are the farmers and growers from small cooperatives and industrial plantations, who become more challenging to identify in the supply chain with every change of hands.

One product, many actors

The palm oil supply chain is an example of this type of complexity. The palm fruit is harvested in plantations and smallholder farms and then may be driven to a collection facility. The same facility may receive fruit from other producers and the fruit is consolidated and combined in larger collections and in other facilities.

After the palm fruit is pressed into crude palm oil, further raw material consolidation takes place, particularly when refined at another facility or stored or transported in tanks.

Layers and logistics

In total, there can be up to around ten tiers of actors in the palm oil supply chain, with commodities moving from one village to another and crossing oceans before it is manufactured and sold. For palm oil, and most other commodities, traceability is a constant endeavor.

MAPPING OUR HOTSPOTS

A forward-looking approach to forest conservation and restoration is needed

We are committed to ensuring our supply chains not only do not contribute to deforestation, the degradation of forests or the loss of other precious ecosystems, but also actively conserve and restore them. At the same time, many of our origins are located in areas where the risks are high. That's why our approach to forest conservation and restoration needs to be forward-looking, seek to understand future risks and invest in landscapes identified as at-risk based on external data and literature.

The following pages overlay the main sourcing origins for our forest-risk commodities with global deforestation fronts and forest degradation areas related to intact forest landscapes to identify areas near our supply chains where we must drive an active conservation and restoration approach. This high-level analysis is illustrative and will be complemented by a global forest footprint based on the methodology we piloted in our palm oil supply chain in Aceh, Indonesia.



©Earthworm



©Earthworm

KEY DEFINITIONS*

What do we mean by deforestation ?

Deforestation is the loss of natural forest as a result of conversion to agriculture or other non-forest land use, conversion to tree plantations, or severe and sustained degradation.

What do we mean by forest degradation?

Forest degradation relates to changes within a forest ecosystem that significantly and negatively affect its species composition, structure and function, and that reduce the capacity of the ecosystem to supply products, support biodiversity and deliver ecosystem services. Examples include forest fragmentation and disturbance within high-conservation value landscapes. In extreme cases, if not monitored and addressed, it can lead to deforestation.

What do we mean by natural ecosystem?

A natural ecosystem is an ecosystem that substantially resembles – in terms of species composition, structure, and ecological function – one that is or would be found in a given area in the absence of major human impacts. This includes human-managed ecosystems where much of the natural species composition, structure, and ecological function are present.

Deforestation fronts cover an area of 710 million hectares of the world



What do we mean by Intact Forest Landscapes** (IFLs)?

These are the last remaining unfragmented forest landscapes, showing no signs of significant human activity and large enough that all native biodiversity, including viable populations of wide-ranging species, could be maintained.

*Definitions adapted from Accountability Framework Initiative unless noted otherwise

**Definition adapted from <http://intactforests.org/concept.html>

OUR SOURCING REGIONS* IN THE AMERICAS



COFFEE

Brazil, Colombia, Honduras, Mexico, Nicaragua, Peru

Arabica and Robusta beans are sourced for some of our most iconic brands, the majority from smallholder farmers.

Ongoing deforestation-free assessment



PULP AND PAPER

Brazil, Chile, USA

Used for our food packaging, wrapping and transportation.

94%

Assessed as deforestation-free globally



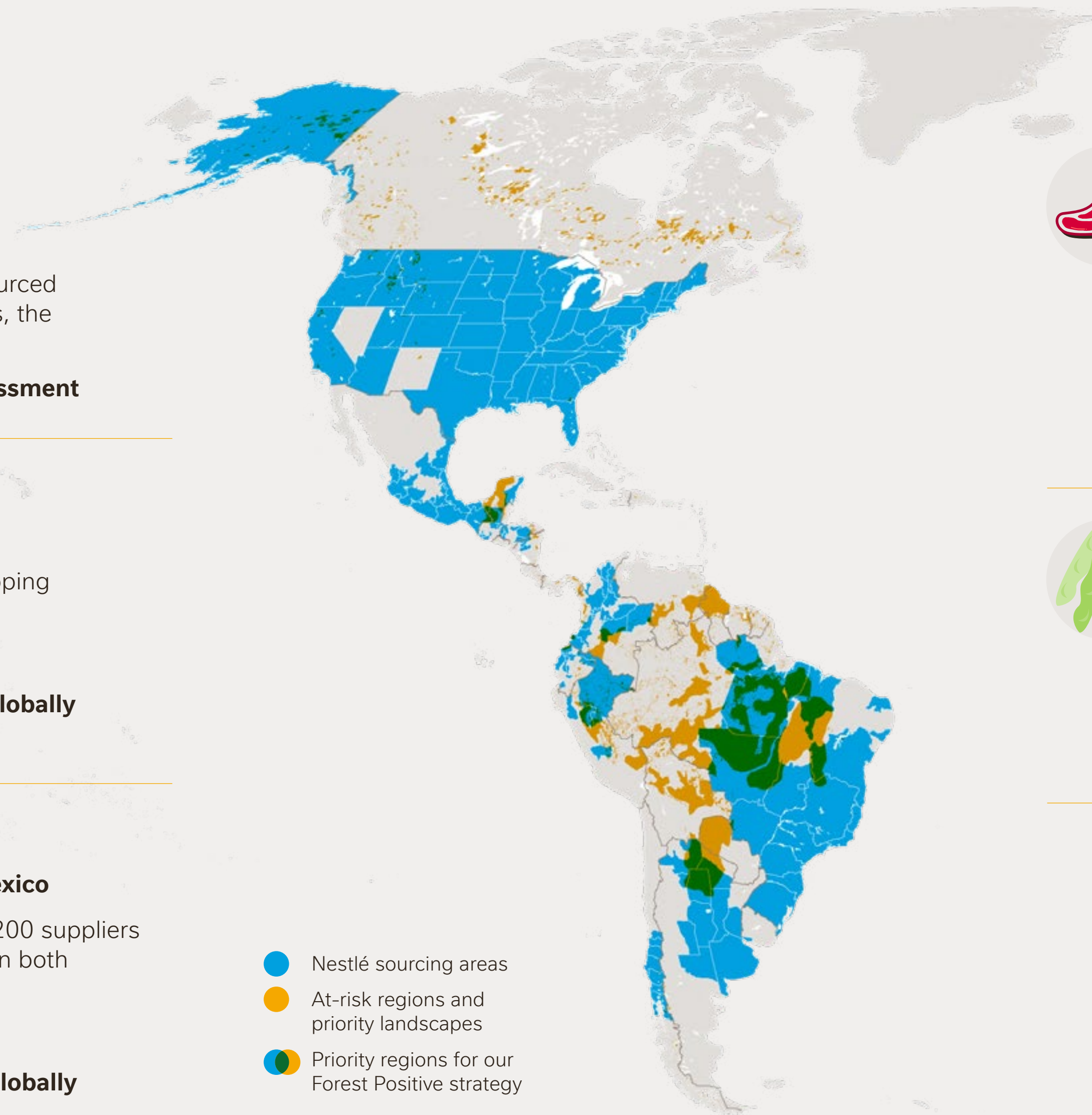
SUGAR

Brazil, Colombia, Guatemala, Mexico

We source sugar from more than 200 suppliers in 60 countries around the world, in both sugarcane and sugar beet forms.

91%

Assessed as deforestation-free globally



- Nestlé sourcing areas
- At-risk regions and priority landscapes
- Priority regions for our Forest Positive strategy



MEAT

USA

We purchase processed meat in the form of cooked and dehydrated products, oils and powders. Unprocessed cooked, frozen and fresh meat is used in a range of our food and pet food products.

98%

Assessed as deforestation-free globally



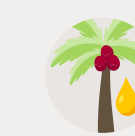
SOYA

Argentina, Brazil, Canada, Paraguay, USA

An important ingredient sourced in several forms mainly for our pet food business and our plant-based products.

90%

Assessed as deforestation-free globally



PALM OIL

Brazil, Colombia, Ecuador, Guatemala, Mexico, Peru



COCOA

Brazil, Ecuador, Mexico

* Nestlé sourcing areas are based on our available traceability information for palm oil, soya, pulp and paper, meat, cocoa, coffee and sugar. Only origins that represent above 1% of total sourcing for each commodity are depicted on the map.
 * For each traceable origin in our supply chains we have colored the whole jurisdictional state or province. This is not an indication that we source from the entire state or province and is not correlated to the volume sourced in the state or province.
 * Our sourcing may exist in the same states or provinces as at-risk regions. These high-risk areas are where we focus on monitoring and on-the-ground programs. For more information, see our [no deforestation progress](#).

OUR SOURCING REGIONS* IN ASIA, SOUTHEAST ASIA AND OCEANIA



PALM OIL

Indonesia, Malaysia, Papua New Guinea, Philippines, Solomon Islands, Sri Lanka

The most widely produced vegetable oil and a commonly used ingredient for our food products. It produces five to eight times more oil per hectare than other vegetable oil crops.

70%

Assessed as deforestation-free globally



SUGAR

Australia, India, Phillipines, Thailand



COFFEE

China, Indonesia, India, Vietnam



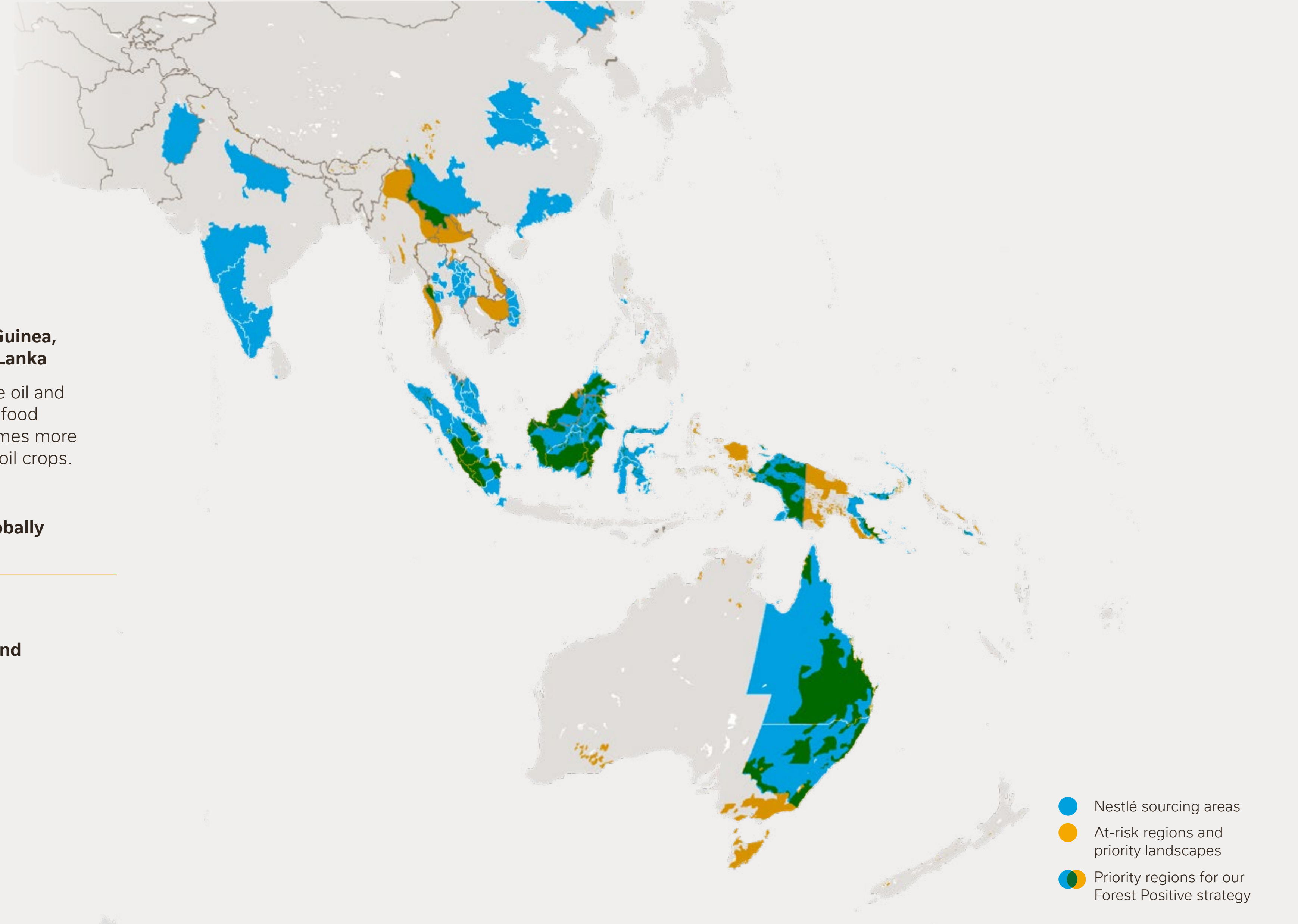
MEAT

China



COCOA

Indonesia



- Nestlé sourcing areas
- At-risk regions and priority landscapes
- Priority regions for our Forest Positive strategy

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OUR SOURCING REGIONS* IN SUB-SAHARAN AFRICA



COCOA

Cameroon, Côte d'Ivoire, Ghana

A key ingredient of our well-loved confectionary products.

Ongoing deforestation-free assessment



COFFEE

Côte d'Ivoire, Uganda



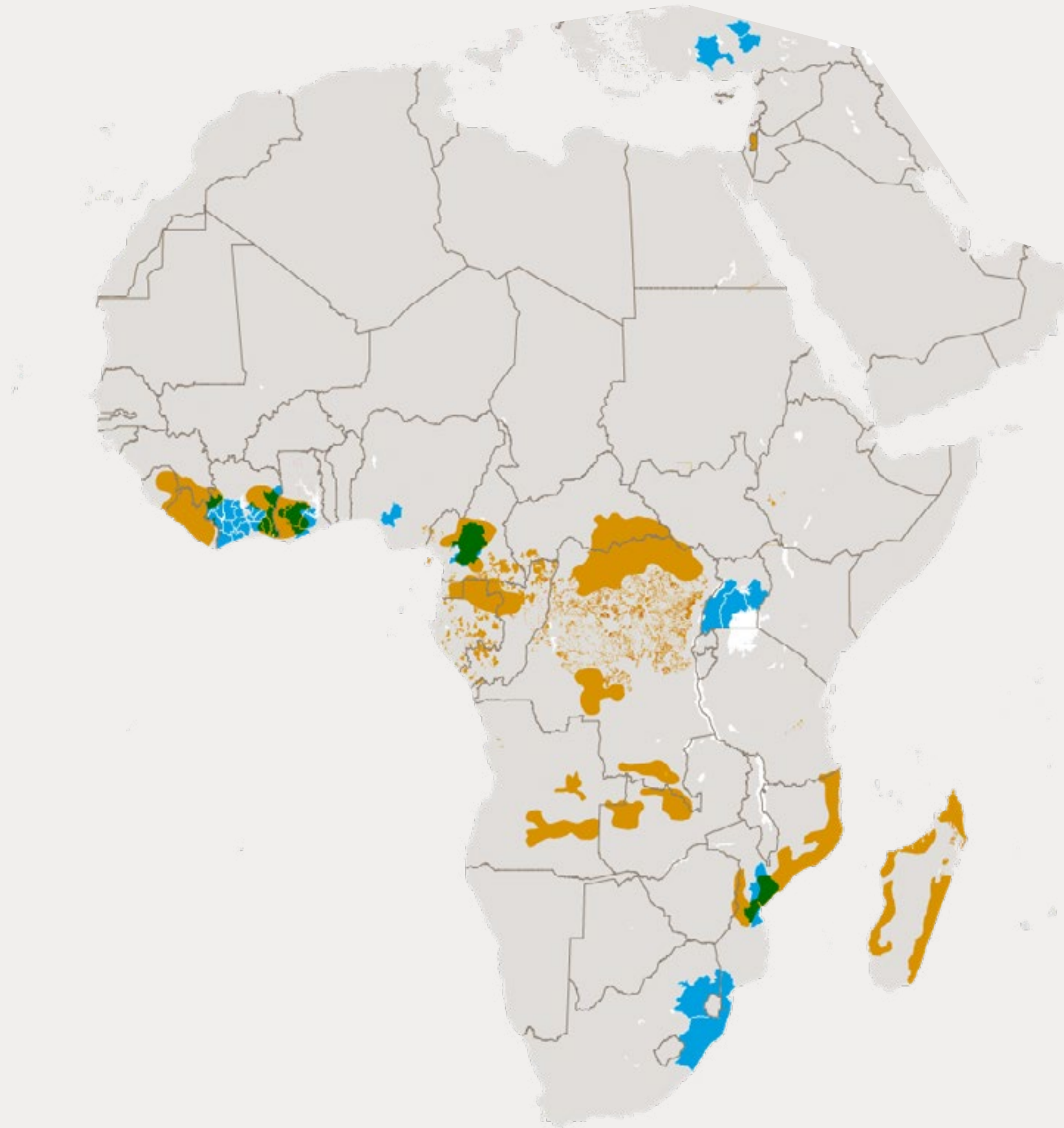
PALM OIL

Côte d'Ivoire, Nigeria



SUGAR

Mozambique



- Nestlé sourcing areas
- At-risk regions and priority landscapes
- Priority regions for our Forest Positive strategy

* Nestlé sourcing areas are based on our available traceability information for palm oil, soya, pulp and paper, meat, cocoa, coffee and sugar. Only origins that represent above 1% of total sourcing for each commodity are depicted on the map.
 * For each traceable origin in our supply chains we have colored the whole jurisdictional state or province. This is not an indication that we source from the entire state or province and is not correlated to the volume sourced in the state or province.
 * Our sourcing may exist in the same states or provinces as at-risk regions. These high-risk areas are where we focus on monitoring and on-the-ground programs. For more information, see our [no deforestation progress](#).

OUR SOURCING REGIONS* IN WESTERN EUROPE, EASTERN EUROPE AND SCANDINAVIA



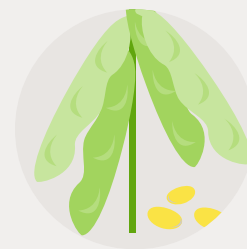
PULP AND PAPER

Austria, Finland, France, Latvia, Russia, Sweden



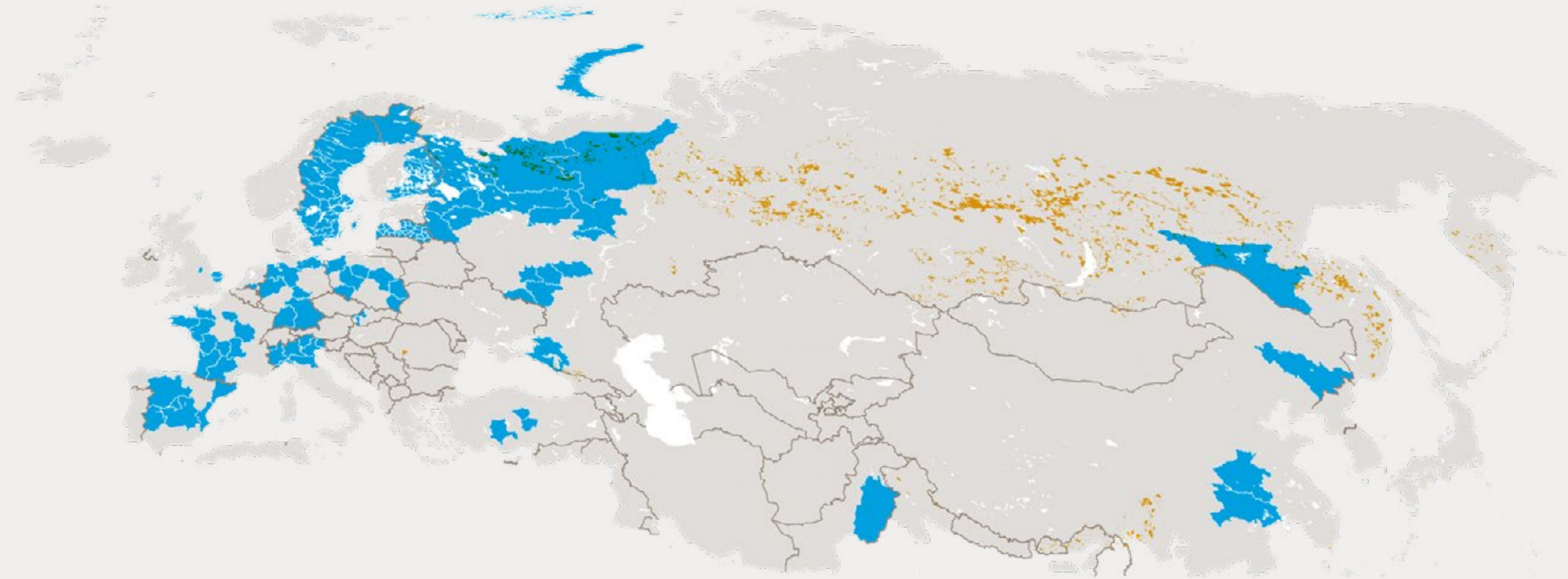
MEAT

France, Germany, Italy, Netherlands, Poland, Spain



SOYA

Italy, Russia



- Nestlé sourcing areas
- At-risk regions and priority landscapes
- Priority regions for our Forest Positive strategy

* Nestlé sourcing areas are based on our available traceability information for palm oil, soya, pulp and paper, meat, cocoa, coffee and sugar. Only origins that represent above 1% of total sourcing for each commodity are depicted on the map.
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3.

**A DECADE
OF ACTION**



TRACKING A DECADE OF COMMITMENT

- Nestlé commits to no deforestation in its supply chains
- Nestlé becomes a member of The Forest Trust (now Earthworm Foundation)

2010

- Nestlé launches Responsible Sourcing Guidelines (RSG) for palm oil and pulp and paper
- Nestlé takes an active role in the development of Consumer Goods Forum's commitment on deforestation

2012

- Nestlé develops Responsible Sourcing Guidelines for Forest-based Materials

2014

- Nestlé releases Commitment on Land & Land Rights in Agricultural Supply Chains

2011

- Nestlé includes requirement for land rights and Free Prior & Informed Consent (FPIC) in existing Responsible Sourcing Guidelines
- Nestlé partners with Proforest to develop Responsible Sourcing Guidelines for sugar
- Nestlé partners with Conservation International to develop Responsible Sourcing Guidelines for soya

2013

- Nestlé launches Deforestation Guides for Commodity Sourcing in partnership with Conservation International

2015

- Nestlé starts to support Earthworm Foundation's Rurality initiative to improve livelihoods and resilience of smallholders

2016

- Nestlé pilots Starling satellite monitoring over the Perak landscape in Malaysia with Airbus and Earthworm Foundation



TRACKING A DECADE OF COMMITMENT (CONTINUATION)

- Nestlé joins the Cocoa & Forests Initiative, a public-private partnership to end deforestation and forest degradation in Côte d'Ivoire and Ghana

2017

2019

- Nestlé discloses 14 priority commodity supply chains
- Nestlé launches Palm Oil Transparency Dashboard
- Nestlé signs the "Business Ambition for 1.5°C" pledge

2018

- Nestlé adopts Responsible Sourcing Standard, replacing Supplier Code, the Responsible Sourcing Guideline and the Commitment for the Responsible Use of Agricultural Raw Materials
- Nestlé uses Starling satellite to monitor 100% of palm oil supply chain and four landscapes in pulp & paper
- Nestlé joins the High Carbon Stock Approach (HCSA) Steering Group

2020

- Nestlé pilots Forest Footprint across palm oil supply chain in Aceh, Indonesia
- Nestlé joins the newly created Consumer Goods Forum's Forest Positive Coalition and One Planet Business for Biodiversity (OP2B)
- Nestlé begins collaboration with Côte d'Ivoire's Ministry of Water and Forests, and Earthworm Foundation to protect and restore the Cavally Forest Reserve
- Nestlé publishes Net Zero Roadmap

2021

- Nestlé extends satellite monitoring to cocoa and coffee supply chains
- Nestlé develops Forest Positive strategy



BRANCHING OUT

NESTLÉ AND EARTHWORM: A LASTING PARTNERSHIP

In 2010, we made a commitment to end deforestation in our supply chains by 2020. At the same time, we began working with Earthworm Foundation, a now long-lasting partnership.

Here, Benjamin Ware, Nestlé's Global Head of Climate Delivery and Sustainable Sourcing, and Bastien Sachet, CEO of Earthworm Foundation, talk about those beginnings, and how progress has been made from the early days of (literally) measuring trees in the forest to now combining field data with the latest satellite imagery to monitor 100% of our global palm oil supply chains.



Bastien Sachet: So I remember 2010 well, when Nestlé was challenged for using palm oil that was linked to deforestation. I was working in timber supply chains to make sure they were driving good forest management, and Earthworm saw benefits there that could perhaps be replicated for Nestlé in the palm sector.

Benjamin Ware: Those were interesting times to be working on this topic. We began working together following a meeting between José Lopez, Nestlé Director of Operations who sadly passed away recently, and Scott Poynton, Founder of Earthworm.

Bastien: Yes, we went to Nestlé's office and said we could help, which was an unusual situation. We were like 60 people, reaching out to an organization with 310,000 employees. But it worked, Nestlé trusted us and later

that year José announced the world's first ever 'no deforestation' commitment at a palm oil industry conference.

Benjamin: And Scott from Earthworm was very practical at the time. He said we needed to get out into the forest. Teams were deployed in Indonesia to find a methodology, measure tree circumferences and densities, and create formulas. This was the first step, because we didn't have enough visibility of where the palm oil was coming from.



“We can now see the connection between nature-based data and business-related data and that’s been a transformation”

Benjamin Ware, Nestlé’s Global Head of Climate Delivery and Sustainable Sourcing



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©Earthworm

Bastien: We needed to define ‘deforestation’; to achieve commonly agreed standards and tools in the industry, especially within palm oil. We started with the simple view that the denser forests which are rich in carbon and in biodiversity should be protected and less dense forests, that were very degraded, could be made available for plantation.

Benjamin: Developing those calculation methods for assessments meant we could work with the palm oil companies to put their own plans in place. That was the basis of the High Carbon Stock Approach used today which gives us a practical, field-tested methodology. But at that time this commitment was not part of certification, which made verifying the commitments extremely difficult. Then five years later, satellite imagery began.

Bastien: We’d been discussing how to use satellite as a more efficient way to monitor forests and verify suppliers’ commitments rather than traditional person-conducted audits on the ground. So we approached Airbus and said, okay, you have the technology, and we have some ideas, let’s work together. And that’s how the

Starling monitoring project started.

Benjamin: Starling really allowed us to scale our common approach by monitoring what was happening on the ground from above. We were finally able to change the discussion with suppliers and stakeholders from talking issues to talking facts. It helped us engage all the right stakeholders and get everyone rowing in the same direction.

Bastien: The key element has been to co-design the solution in an agile way. Today, we can load Nestlé supply chain information onto a map and drill down to see whether anyone is causing industrial deforestation in bigger areas with bulldozers, or in smaller areas by smallholders encroaching. It’s not about finding problems, but instead looking at facts to build solutions with suppliers.

Benjamin: I summarized that to a friend recently by saying that with Starling we can see the connection between nature-based data and business-related data.

And that’s been a transformation in how we distinguish forest areas that should be protected from degraded lands that can be developed. We can now use science to connect

deforestation-related information with, say, palm oil mill locations.

Bastien: And it works. By using field data and satellites, we can verify that every ton of palm oil that comes into Nestlé’s factories is free of deforestation. It’s not like no one will ever touch a tree again. There is still development of production areas, but it’s done according to a science-based methodology that is agreed by key stakeholders to be good for nature, and good for people.

Benjamin: Yes, compromise is necessary. We’ve made many trade-offs from an operational, strategic and business standpoint, including downsizing the number of suppliers we deal with and challenging some of our joint venture partners.

Bastien: As Nestlé, you can’t sit and wait for things to happen and just ask for certified products. Certifications and standards are there to verify – they cannot guide your transformation. Only people in the company can push for transformation in a supply chain. That means accepting to engage and dive into a new world. Since 2010, Nestlé staff have had to

understand the problem, learn and accept to be challenged by the realities in front of them. By gradually untangling the complexities of the supply chain together, ways to truly transform have been appearing.

Benjamin: Exactly and Nestlé has worked to be transparent on the potential impact of our business on nature. We are all about good food, good life. And if we want to emphasize the good attributes of a raw material, we need to recognize and reward these good practices at farm level. For palm oil, the reward can be premiums, longer-term contracts or co-financing projects. We also have had to change how we buy palm oil today. In particular, we have been moving from buying palm oil as a commodity to buying palm oil that comes from that place, produced by those people, with that specific environmental and social performance. It means

not everyone can immediately meet those specifications but we are inclined to stick with them if they're willing to improve. That in essence is de-commoditization. Pushing further, we will look at rewarding suppliers for environmental services, and why not, one day buy several ingredients at the same time coming from intercropping or agroforestry.

Bastien: Which means working with fewer suppliers and planning coverage over a much longer period. It also means that we might miss out on some of the financial optimization and flexibility of being able to buy from anyone at any time in favor of stability for your suppliers. But it is a necessary investment in sustainability and gives us the best chance to restore and regenerate the natural capital that has been lost.

Benjamin: That's set a great foundation for the next phase. The stabilization of the supply chain, and the trust acquired from this decade of work on tools, measurements, KPIs and no deforestation must be leveraged for decades to come. Being forest positive today is all about going the extra mile to connect with stakeholders to restore, innovate and regenerate. Rewarding people for doing good is what our business has really captured and what forest positive is all about.

Bastien: Nestlé is well on its way in this regard – reinvesting in the places you source from and doing it with the people who live and manage those landscapes. We need to continue to find ways to support the long-term projects that include local communities and address the root causes of deforestation. If people don't see their livelihoods improve, deforestation will come back.

“If people don't see their livelihoods improve, deforestation will come back.”

Bastien Sachet, CEO,
Earthworm Foundation



OUR TOOLKIT APPROACH

A decade of testing, investigating and finding solutions has taught us that no single tool on its own will solve deforestation. We begin by mapping the often complex and multi-tiered supply chains, growing our understanding through desktop and on-the-ground risk assessment and, more recently, satellite monitoring. The agile assessment toolkit informs the tools we deploy to address deforestation risks with suppliers and stakeholders, providing fact-based evidence to drive real change on the ground.

RISK ASSESSMENT TOOLS

- 1. Supply chains mapping**
Map our supply chains back to origin
- 2. Desktop-based risk assessment**
Use data to assess and identify potential risks in our supply chains
- 3. On-the-ground assessment**
Engage suppliers on the ground to assess whether deforestation has occurred
- 4. Satellite monitoring**
Monitor deforestation risks in our supply chains in real time

TOOLS TO ADDRESS THE RISKS

- 1. Supplier engagement**
Investigate potential risks and work with suppliers to accelerate progress
- 2. Landscape projects**
Engage all stakeholders to protect the ecosystem and create value for all
- 3. Smallholder farmer initiatives**
Build capacity and resilience among smallholders to provide sustainable livelihoods and conserve forests
- 4. Industry collaboration**
Drive collective action and build consensus to move the industry forward



RISK ASSESSMENT TOOLS

Risk assessment tools

DESKTOP-BASED RISK ASSESSMENT

Existing data and research provide insights into deforestation risk

Using a variety of desk-based sources and tools, Nestlé works with partners to assess the level of deforestation risk in a region. Publicly available data and literature, supplier questionnaires, information from satellite monitoring and tools like Maplecroft help to differentiate high-risk from low-risk regions and prioritize suppliers for on-the-ground assessments.

Maplecroft

Maplecroft's Deforestation Index combines satellite monitoring data and qualitative assessments to pinpoint the areas at greatest risk of deforestation.



Across forest-risk commodities, the analysis provides extra insight, making it possible to address local and legacy issues, such as protected areas, land conflicts and legal compliance. Where assessments show alignment with Nestlé's no deforestation requirements, the ingredients are classified as at low-risk of deforestation.

In 2020, 79% of Nestlé's primary forest-risk commodities were attributable to low-risk origins and, therefore assessed as deforestation-free.



Proforest

Proforest is supporting Nestlé worldwide to verify, through country and biome risk profiles and geospatial analysis, the risk of deforestation and conversion of sugar and soya suppliers. Through this action we are reducing the risk of deforestation linked to Nestlé's supply chains from a Responsible Sourcing perspective.

Mapping and assessing our sugar supply chain

By the end of 2020, we had mapped our supply chain back to the sugar mills in several countries and regions, including Brazil, Mexico, India, Australia, Thailand, the Philippines, China and Central America. A total of 69 mills in 11 countries had been site assessed.

Site assessments are undertaken by a team of social and environmental experts who looks at how far a mill has progressed towards Nestlé's Responsible Sourcing Standard, what gaps needs to be closed and what can further be improved. It covers both social and environmental issues such as labor conditions and deforestation.

By December 2020, 91% of our sugar was assessed as deforestation-free. We will continue to work with Proforest and our suppliers to close the gap by 2022.

Risk assessment tools

ON-THE-GROUND ASSESSMENT

A key tool for verifying no deforestation in the supply chain

Supply chain mapping achieves transparency back to the farm or plantation. On-the-ground assessments make it possible to verify that our direct suppliers and their suppliers are meeting our no deforestation commitment. More specifically, Nestlé requires that suppliers do not expand or produce on areas converted from High Carbon Stock forests or habitat; that they identify, protect and avoid producing on High Conservation Value (HCV) lands in and around their territory; that they protect and manage resources; and that they adopt agricultural practices that preserve biodiversity and soil health.



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Assessments are carried out on the ground either through certification schemes with no deforestation criteria, or based on the High Carbon Stock or High Carbon Value approaches.

If land conversion in High Carbon Stock or High Carbon Value areas is detected, Nestlé will first notify the supplier and work with them to address the violation. Suppliers found deforesting are expected to stop development, commit to no deforestation policies, and to put recovery plans in place before we continue sourcing from them.

Risk assessment tools: Starling

SATELLITE MONITORING

Real-time, accurate satellite imaging data is powering change

Since 2016, Nestlé has used Starling data to better monitor deforestation, starting in our palm oil supply chain and then adding pulp and paper and cocoa supply chains. The satellite monitoring technology assesses natural forest cover in the areas connected to all mills and plantations in Nestlé's palm oil supply chains and sourcing landscapes in pulp and paper, and cocoa, sending out alert signals when there is a change in natural forest cover. These alerts prompt an investigation: Is this alert connected to our supply chain? What are companies in our

supply chains doing to address the risk? How can we work collaboratively to address the situation?

Starling has shown us where deforestation is happening, which has helped us to recognize trends: deforestation occurring across dynamic frontiers, often outside of concessions and increasingly in small-scale patches. The data has also helped us to understand the drivers of deforestation: shifting agriculture, mining, palm oil or rubber plantations, and urban development.

It has brought clarity to a notoriously complex process. In the case of palm oil, the multi-tiered nature of the supply chain, combined with inconsistent, incomplete and outdated data, had long been a barrier to achieving transparency and properly addressing deforestation.

When it comes to describing the power of satellite images, one can't avoid the cliché that "a picture tells a thousand words." This helps when sitting down with suppliers: looking at the same data, seeing the same thing and discussing

what to do about any concern that we find.

Especially within the palm oil supply chain, where Nestlé today has 100% Starling coverage globally, it has helped to gradually verify no deforestation: at the end of 2020, we were able to assess that 70% of the palm oil we sourced came from lands not deforested after December 31, 2015.

For other commodities, Starling technology has been used for more specific projects. In the Cavally Forest

Reserve in Côte d'Ivoire, encroachment by smallholder farmers, who were trying to carve out a livelihood for themselves, was starting to become an issue. By sharing the data with local stakeholders – SODEFOR, the forest management agency tasked by the Ivorian government to manage the country's forest reserves – they could improve their management and reduce encroachment.


In 2017, when concerns about the Intact Forest Landscape in Dvinsky in Russia were raised, Starling offered a solution.

Starling satellite monitoring technology combined with relevant data on forest management concessions and moratoriums helped to enforce regulation, meaning Intact Forest Landscapes stood a better chance of survival.

Opportunity to unite consumer goods companies through data

As more and more companies take action to implement their no deforestation commitments in their supply chains, an increasing number of them have embraced satellite

monitoring tools, like Starling, to verify their commitments. The data provides an opportunity for these companies to come together, share their experiences and pool their collective ambition to achieving their goals. Practically, this has led to addressing challenges with suppliers and even with governments as one voice. Ultimately, it can lead to collective support and collective action to enable forest conservation and end deforestation.



At the end of 2020, we were able to assess that 70% of the palm oil we sourced came from lands not deforested after December 31, 2015.

Our work
with satellite monitoring

TRANSPARENCY TRANSFORMS



Starling allows meaningful action in Aceh Tamiang

Since 2017, Nestlé has been using Starling data to better understand the complex deforestation patterns in palm oil producing areas. Today, the satellite-based system monitors Nestlé’s entire global palm oil supply chain.

Aligned with our commitment to transparency, we published a [Palm Oil Transparency Dashboard in 2019](#). The dashboard shares detailed information on how we are using

Starling satellite monitoring to advance our strategy to end deforestation. It also includes data on deforestation alerts in different origins, an overview of how we respond to these alerts and where we see the need for [collective action and engagement](#).

When looking at Nestlé’s palm oil sourcing region of Aceh Tamiang, Indonesia, the dashboard’s satellite images would show the mills Nestlé sources from, forest areas, palm oil plantations and urban areas, each in a different color. Further to this, any changes in forest coverage would be shown in red.

Starling has made it possible to monitor the same tract of forest to see if the forest cover has

changed, quarter-by-quarter or year-by-year. When the data picks up a change in the forest cover near palm oil plantations or mills within Nestlé’s supply chain, Starling sends an alert. These changes, which appear in red on the map, marked a significant change from trying to assess deforestation risks from the ground. It means that our work on the ground can focus on taking action in the most critical locations and that we can engage suppliers with factual and accurate information, increasing transparency and strengthening accountability. As we learn more from the data, we can get ahead of the red and address deforestation before it happens.

Data drives strategic action

Aceh Tamiang is an example of what can be done, throughout the global supply chain, when we find efficient solutions to monitor deforestation risks. Through collaboration with partners, such as Earthworm Foundation and other producer and consumer companies, Starling data has been used to build consensus among stakeholders, from local governments to suppliers and local communities, to advance integrated initiatives aimed at ending deforestation. Key to securing such broad support is the evidence drawn from the data, highlighting the risks and opportunities in the region, the ability to track progress and pursue strategic outcomes.

Starling data has been instrumental in helping to build consensus among stakeholders and advancing initiatives to end deforestation.

BRANCHING OUT

HOW STARLING BECAME A GAMECHANGER IN TACKLING DEFORESTATION



Q&A with Rob McWilliam of Earthworm Foundation on the emergence of satellite monitoring

Rob McWilliam grew up in the forest in a remote part of Australia and trained as a forester. Having travelled and worked all over the world, he has seen the devastation that comes to people, biodiversity, water and soil when forests aren't managed properly. As Technical Director of Earthworm Foundation, he has led the efforts to improve partners' ability to track, verify and take action on deforestation.



How did the collaboration with Airbus come about to create Starling?

Around 2015, companies, in particular Nestlé, were starting to ask questions around “how do we verify our no deforestation commitment? Do we use certification or is there some other solution?” And that led us at Earthworm to try and find what that solution could be. As a small not-for-profit organization (230 people today globally), scale and technology held us back; we needed a partner that had the technical capabilities and could scale to manage a global supply chain like palm oil. Airbus was a perfect match. Earthworm brought

the knowledge about what's happening on the ground with complex supply chains and what businesses were trying to address; Airbus had the data and the technology necessary to operate at scale, and we could help them translate the high-resolution satellite images into what was happening on the ground.

What have been your biggest achievements or breakthroughs to date working on Starling and what are you most proud of?

Early on, we were able to generate a map of the southern peninsula of Malaysia, covering multiple millions of hectares. That was a celebratory moment

and it sparked a lot of our work with Nestlé, and other companies. From there, we were able to work out how to use technology in a slightly different way, with different data inputs, and we could scale it – mapping Costa Rica, Ecuador, Peru, all of Indonesia, Papua New Guinea, Malaysia and Thailand. Today, Starling is mapping and monitoring in 22 countries, including Nestlé's entire palm oil supply chain and parts of the pulp and paper and cocoa supply chains through projects in Russia, North and South America and Côte d'Ivoire.

Today, Nestlé uses Starling data to map and monitor 100% of our global palm oil supply chain across Indonesia, Malaysia, Papua New Guinea, the Solomon Islands as well as parts of Latin America and Africa.



How has the technology evolved over the years and how do you see it progressing to better monitor and protect the forests?

Cloud computing has let us process much larger scales, which are then combined with the machine learning and AI to accurately map these areas and identify what's happening. Satellite data has existed for a long time; it's emerging into a space where we can use it as regular people, which means that, today, we can process, map and monitor across six million square kilometers. This is such a major advancement from the old days of taking photos on an airplane and using stereo scopes, like I did in my university days. Obviously, very few people do that anymore, because there's all kinds of different sensors in space.

What are some of the challenges you have had to overcome, and what challenges do you anticipate as Starling grows?

One key challenge is that everyone's got their own definition of what constitutes a 'forest.' We need to find that balance between what is truly forest that needs to be conserved, what can be developed and how do we direct the development towards these areas with a lower impact on land use change emissions, biodiversity and other important functions forests provide? Anticipating future challenges, I think the big question is how do we incentivize forest conservation? How can we find solutions or emerging technologies – whether through sensors we have in space, devices on the ground or using blockchain – to facilitate better forest protection and conservation work than has previously been possible.

Are there any other exciting uses of the satellite technology that are being developed?

Yes! By tracking the evolution of land cover (Starling data dates back to 2000) in a specific part of the supply chain, companies can start to account for carbon resulting from land use change. As more and more companies commit to net zero, this service has the potential to offer a big opportunity. Currently there are sensors being launched to detect biomass in forests and in soils that will further aid efforts to rapidly and accurately account for land use change emissions. Once that technology becomes available for us, then we'd be looking to integrate it and help advance any stakeholder's work towards a better climate future.



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TOOLS TO ADDRESS THE RISKS

**Our work through
supplier engagement**

STRENGTHENING COMMERCIAL RELATIONSHIPS

Engaging direct suppliers has knock- on effects in Tocache, Peru

In 2015, Nestlé learned that one of its suppliers, Grupo Palmas, was planning to expand its oil palm plantations by clearing thousands of hectares of rainforest in the Peruvian Amazon. Grupo Palmas had carried out all the studies required by the Peruvian government and obtained the necessary permits to develop the Manati concession, located in the Loreto region.

However, this expansion plan was a potential breach of our no-deforestation commitment. Should Nestlé stop buying from Grupo Palmas? And would this be effective in stopping forest clearance? Or could we leverage our commercial relationship and

help Grupo Palmas chart a new way forward that didn't involve clearing forests?

With support from Earthworm Foundation, Nestlé started engaging with the company to find a way forward together. In 2017, Grupo Palmas became the first Peruvian company to publicly commit to no deforestation and, as such, it froze all development plans on its Manati concession. This was also the beginning of a broader sustainability journey.

With the support of Nestlé, Earthworm and NORAD, Grupo Palmas also developed one of the first indicative HCS/HCV studies in Peru. This covered the Tocache landscape, where Grupo Palmas had been sourcing from smallholders.



Sustainable solutions as business solutions

While the new no-deforestation commitment raised certain questions about how to balance expansion, profitability and sustainability, Grupo Palmas' business strategy accounted for that: making sustainability a competitive advantage and increasing the smallholder supply base. These strategy pillars tied in with key strategies of Nestlé: protecting forests while strengthening smallholder farmers' resilience.

Oriented towards smallholders

The knock-on effect of this supplier engagement and alignment can strengthen smallholders' position in the supply chain, with Grupo Palmas planning to increase smallholder contributions from 13% to 30% of the palm oil produced by 2025. The company is now pursuing growth alongside its producers, demonstrating the power of engagement through the supply chain.

The study identified 60,462 hectares for conservation, including 831 hectares on the plantations of smallholders affiliated to the company, and 68,851 hectares suitable for agricultural development. As the landscape is a key sourcing area for the whole Peruvian palm oil industry with a large presence of smallholder farmers, the results of the study guided Grupo Palmas in strengthening its smallholders program to help improve their capacity to produce sustainably while increasing their resilience and livelihoods.

These efforts are now being expanded at the landscape level and adopted by other companies and industries, such as cocoa.

242

Farmers involved in the protection of 1,076 hectares of key natural habitat

175

Farmers trained on sustainability and resilience, HCS/HCV productive diversification, HCS/HCV management plan

161,324

Hectares included in land use planning process using the HCS/HCV approach

**Our work
with landscape projects**

PROTECTING RUSSIA'S INTACT FOREST

300,000

ha of forest conserved in
the newly created Dvina
Pinega Reserve



Broader landscape focus is key to preventing deforestation

When Nestlé initiated a satellite monitoring pilot in one of our key pulp and paper sourcing regions of Northwest Russia, we were able to verify compliance with the moratorium protecting its Dvinsky Forest Landscape. Just as importantly, the greater visibility also gave us a better understanding of the impact of our sourcing on the wider landscape and the opportunity to engage other stakeholders in the region.

A broader landscape approach delivers an essential transition for our raw material sourcing – from an extensive model of timber harvesting to a long-term sustainable model that delivers production and jobs, while protecting the most ecologically valuable forest. The Dvinsky forest is one of Europe’s last remaining Intact Forest Landscapes. This status means it is mostly untouched by human activities – and is a hotspot for biodiversity and rare plants and animals, as well as a significant carbon store.

Collaboration with Earthworm Foundation and environmental organizations on ecological mapping and socio-economic surveys marked the inception stage within the Dvinsky Forest Landscape in 2019. This grew partners’ understanding of the ecological network and

livelihood needs of its forest communities. Nestlé’s action, together with participation from others in the industry, is increasing the project’s visibility.

The work and vision has helped to engage a broad spectrum of stakeholders, from local and regional governments, to suppliers, NGOs and communities. This engagement has been a valuable lesson and key to creating a collaborative action plan. Nestlé is contributing to the main phase of the work in 2021 through:

- **Marking and monitoring wild reindeer migration routes to support negotiations with companies on HCV protection within their concessions**

- **Establishing a community resource center to support local social initiatives and foster alternative livelihood opportunities**
- **Ongoing monitoring of forest cover change and ecosystem services.**

Ongoing oversight and strategic direction is provided by independent organizations as well as local governments as part of an Advisory Board.

**Our work
with smallholders**

INVESTING IN THE COMMUNITY

North Sumatra Rurality project builds capacity and connections for farmers



Smallholder farmers need to grow and secure their livelihoods from their croplands – so to address forest conservation and restoration at scale, solutions need to include them.

Deriving value from small plots can often be difficult due to low yields, old plantations or lack of access to finance. This can lead to low incomes and vulnerability to climate and market shocks, which in turn are major drivers of expansion into forests. Smallholders need access to viable alternatives that benefit their ecosystems, their incomes and their livelihoods.

Over the years, we have supported several programs to support smallholder farmers, such as Earthworm Foundation’s Rurality initiative, which aims to enhance farmers’ resilience and unlock positive gains for the environment, people and communities.

For example, in Langga Payung, North Sumatra, Indonesia, Nestlé worked with supplier, Golden Agri Resources, to drive change in our shared palm oil supply chain. Following a series of diagnostic interviews with local

farmers and stakeholders, the project was designed around a number of activities that would address the most critical issues impacting the lives of farmers and the ability to conserve forests.

Improving farmers’ legal land status

Many farmers’ lands were located on areas identified as forest, although the forest had been long gone from the land. Accurate mapping was an important first step to determine accurate forest boundaries and agricultural production areas. This information was vital for engaging local government to secure proper land titles for farmers and recognition of the conservation areas.

Working with the wider community to protect the landscape

Village members were trained in Participatory Land Use Mapping techniques, to build capacity for the community to do this work, and to jointly develop land use plans that could conserve standing forest while allowing for sustainable agricultural production. These skills will benefit the finalizing

of land use maps with the local government, the implementation of conservation practices and better business and financial management through farmers’ cooperatives.

Increasing income through good agricultural practices and plantation management

A number of capacity building projects, including supporting farmers to make their own organic fertilizers, are underway. Through sharing techniques and best practices with groups of farmers, the projects are aimed at improving yields and increasing incomes.

Improving farmers’ household economy and entrepreneurial skills

Diversifying crops has provided opportunities for alternative livelihoods, improved yields and greater food security. A sample plot – growing sweet corn, tomatoes, red beans, peanuts, onion and rice – has sparked interest among people in the community about growing their own crops. These activities increase incomes and help farmers to become more resilient.

Programs like the North Sumatra Rurality project are

Community milestones

+10%

Income increase from alternative crops

+20%

Increase in oil palm productivity

15,018

Hectares of forest area designated to be conserved

an important reminder of the complexities of forest landscapes and the need for multi-stakeholder engagement. It is how we can overcome multi-faceted challenges and focus on conserving forests.

› *Read more about smallholder farmer inclusion*

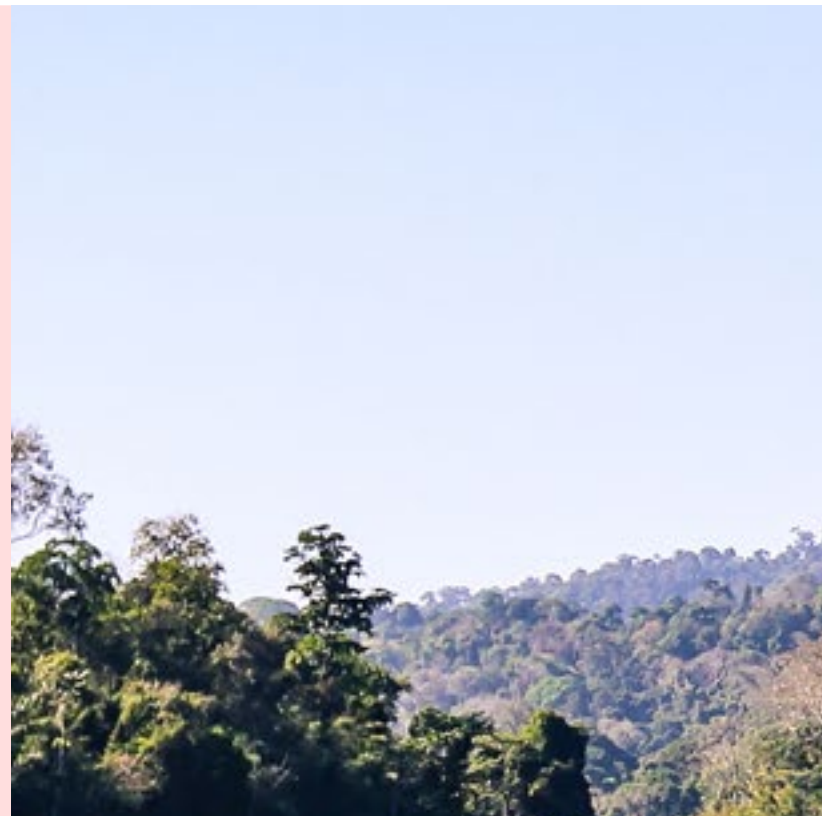
Our work through collaboration

COLLECTIVE ENERGY SPARKS PROGRESS

A mix of formal and informal collaboration drives industry change

The urgency surrounding climate change has caused major shifts in how companies are engaging with others in their industry. This has led to an alignment and understanding among major brands on how best to help ensure a sustainable future for the food industry. If 2010-2020 had been considered the decade to solve issues in a company's own supply chain, this next decade should aspire to be that of collective action: achieving scale and transformation by joining together.

Such collective action has sparked a number of opportunities for industry peers to come together, share experiences and work towards solutions that help address the drivers of deforestation and create enabling environments for a Forest Positive future.



Cocoa & Forests Initiative (CFI)

In 2017, the governments of Côte d'Ivoire and Ghana and 35 leading cocoa and chocolate companies joined together in the Cocoa & Forests Initiative with the objective of ending deforestation and restoring forest areas.

Consumer Goods Forum (CGF)

CGF engages members to address key challenges facing the industry together. In 2020, the CGF launched the Forest Positive Coalition of Action, consisting of 20 member companies committed to moving efficiently and quickly towards a forest positive future. Nestlé plays an active role in the Forest Positive Coalition of Action and the related Commodity Working Groups for soy, pulp and paper, palm oil and beef.

“There is social, economic, political awareness and willingness to address climate change. And the best way to not only mitigate but really fight climate change is through nature-based solutions and through agriculture.”

Benjamin Ware, Global Head of Climate Delivery and Sustainable Sourcing at Nestlé





FROM PAST TO FUTURE

THE DEEP ROOTS OF AN EVOLVING APPROACH

Emily Kunen, Nestlé Global Climate Delivery Leader, Forests, reflects on a decade's work towards deforestation-free supply chains and how it has shaped the evolution of Nestlé's Forest Positive strategy.

When Nestlé committed to no deforestation in 2010, there was a lot of work ahead. As Emily puts it: "The team was starting from square one because at the time we didn't have visibility beyond our direct suppliers. The objective was to pinpoint exactly where our ingredients were coming from, who was in our supply chains, and the deforestation risks around those sites, to be able to take action to address them."

Since she joined Nestlé in 2017, discovering the details behind these risks was illuminating for Emily. There were numerous learnings, including an acknowledgement that forests intact today could change dramatically tomorrow. Looking at the current supply chain was only one piece of a bigger deforestation picture linked to social and economic

issues, such as smallholder livelihoods, human rights and regional economic development. The visibility was essential in expanding the agenda to identify future risk, in addition to current risk.

That's why our Forest Positive strategy invests not just in the direct supply chain itself, but in the sustainability of the landscapes those supply chains are part of. "It's about really understanding the multiple actors in the supply chain and the dynamics and interactions in the landscape," explains Emily. "Where are your raw materials grown? How are they produced? Is the producer a smallholder farmer or a large farm or plantation? What are the different land uses and economic sectors in that landscape around the farm? What are the needs



of the local communities and what opportunities are available?"

Putting action against the issues

The answers are informing Nestlé's response to deforestation risks across commodities – working to monitor the trends of deforestation and its drivers, and address deforestation not as isolated events, but as part of the broader dynamics within supply chains and sourcing landscapes. They also point the way forward to how Nestlé can engage more closely with governments and communities to protect and conserve forests.

Emily highlights a Nestlé-funded smallholder project in Indonesia as a prime example. The community had collaborated as a village

to map out areas of standing forest for conservation. But because the land was classified for economic activity, someone else could still clear the trees. “It was a really great collaborative effort among the community members and subsequently with project partners and the government,” she recalls of the effort to reclassify the forest as conservation land. “It was heavy to realize how complex the challenge was, but also very exciting to see what we could help to achieve.”

The lessons over the last decade have helped Nestlé engage more deeply with direct suppliers as true partners and promote shared responsibility and collaboration. Our initiatives in Indonesia and around the world also underscore the importance of Indigenous Peoples and Local Communities in safeguarding forests and natural ecosystems.

What has emerged is a set of tools, developed over time, to address the particular causes of deforestation: mapping supply chains, monitoring them with satellites, engaging suppliers, supporting smallholder initiatives, and investing in landscape projects. It is important to recognize that no single tool, be it certification or a satellite monitoring

system, will solve the challenge of deforestation, let alone get us to a Forest Positive future. We must use the right tools in combination with one another.

Supply chains fit for the future

Nestlé has made a lot of progress since its original no-deforestation commitment in 2010, but Emily points out that there’s still a gap: “We were always reacting to deforestation and forest degradation alerts, peat development, or land conflict after they happened. We’ve made improvements with more real time satellite monitoring.”

“We needed to focus not only on ensuring that our suppliers don’t convert natural ecosystems, but that they also actively conserve and restore them. It was a realization that we need to make the role of human rights, livelihoods, and local communities more central in our approaches to protecting and restoring forests. We want to be forward looking and identify where is the risk of future deforestation and engage actively in conservation before the trees are lost.”

“Today, our Forest Positive strategy is made up of three pillars: we are working to achieve and keep our supply chains deforestation-free,

to help protect, restore and regenerate forests and natural ecosystems in and around our supply chains, and to address the sustainability of the broader landscapes from which we source, while promoting sustainable livelihoods and helping to protect the rights of Indigenous Peoples and Local Communities.”

Shaking the tree

The urgency of our climate crisis has spurred greater scrutiny over supply chains, but also the need to think bigger about solutions. This has put forests and natural ecosystems in the spotlight, and the incredible role they can play in reversing the trend, contributing to our planet’s biodiversity and sustaining people everywhere. As a result, there have been new incentives and opportunities for industry collaboration and more meaningful investment.

“Across different value chains, we’re seeing a shift from short-term investments in discrete, single-issue projects to investment in holistic, longer-term and multi-stakeholder initiatives. The work to stop deforestation, restore the degraded forest and strengthen farmers’ resilience around the Cavally Forest Reserve, and the

sustainable finance mechanism connecting palm oil buyers with conservation efforts through the Rimba Collective, are examples of what we can do with a forward-looking and holistic approach.”

Emily shares that business models can and should evolve to integrate these approaches into how ingredients are sourced. A mindset shift is needed to make this happen. To help drive this transformation, incentives must change – starting with the way outcomes are measured and reported.

“Companies are used to seeing directly quantifiable outcomes from sustainability initiatives, with established metrics reported in quarterly and annual reports. But measuring the impact of long-term, multi-faceted, multi-stakeholder initiatives, aimed at demonstrating that deforestation was prevented, is more nuanced – and it also requires industry convergence around common measurement and reporting frameworks.”

Planting positive

Nestlé is engaged in facing these hard questions and collaborating with others to find solutions. We are moving forward with implementing Forest Positive actions now,

in parallel with the development of common measurements and impact frameworks. We take an active role in sharing our experiences and challenges to implement natural climate solutions.

“The motivation and the momentum exist, internally and externally, to drive a Forest Positive strategy forward. The lessons ahead – how we measure and attribute interventions; how we engage and collaborate with stakeholders at all levels; how we analyze the needs of the wider landscape – will build on what we’ve already learned. This ongoing and dynamic process is how we will scale our strategy and make it an integral part of our business.”

“We want to be forward looking and identify where is the risk of future deforestation and engage actively in conservation before the trees are lost.”



4.

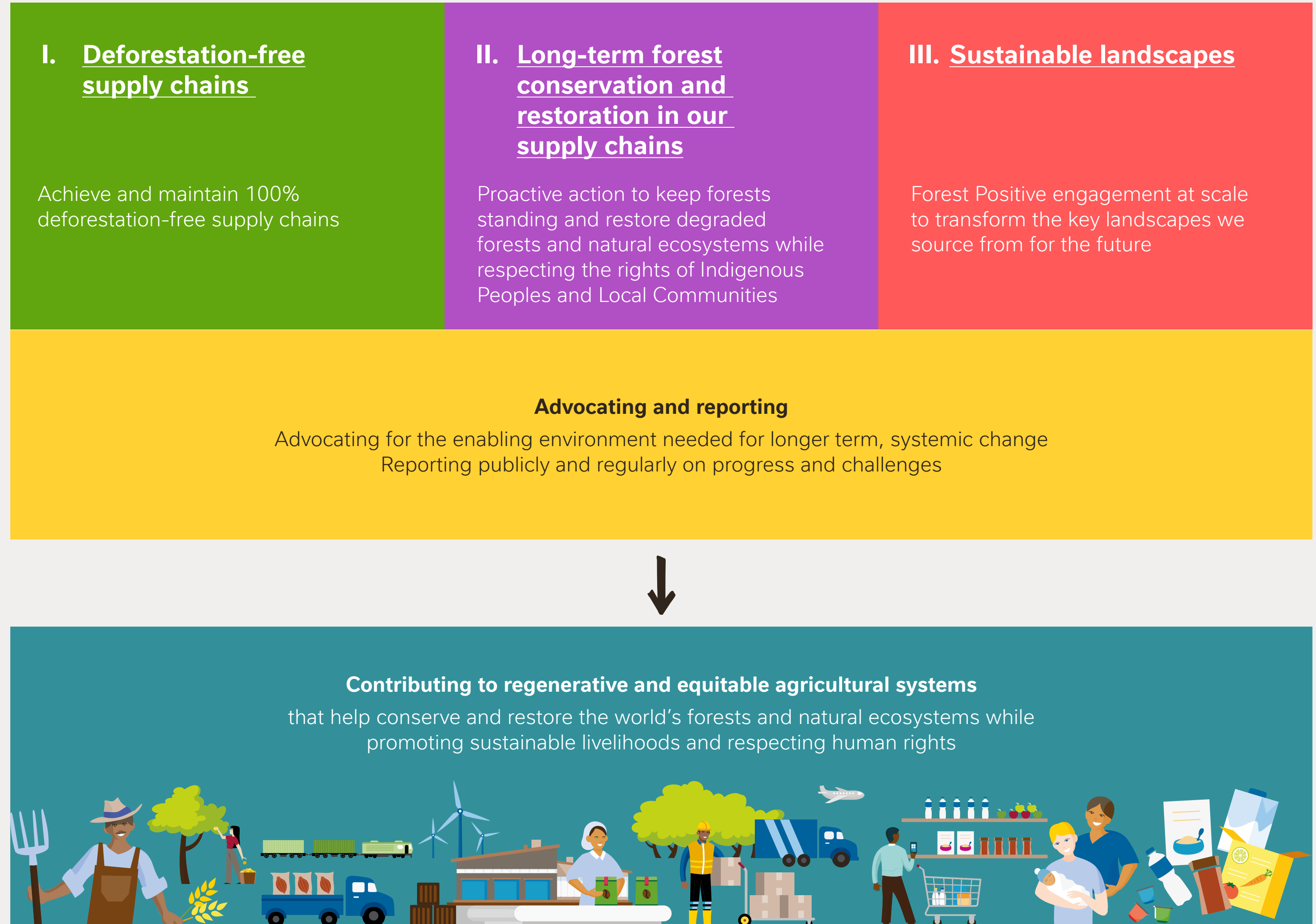
**OUR FOREST
POSITIVE
STRATEGY**



OUR FOREST POSITIVE STRATEGY

A forward-looking approach to our supply chains and beyond

The big picture gives the right perspective on sustainable supply chains worldwide. Reaching our goal means understanding and addressing the drivers of deforestation for our key forest-risk commodities, and approaching the work by looking at our supply chains within the context of the wider landscapes they are a part of, with a holistic approach for our engagements and investments.





I. Deforestation-free supply chains

STANDING UP FOR OUR FORESTS



Achieving and maintaining 100% deforestation-free supply chains must remain a core pillar of our Forest Positive strategy. While the lessons of the past decade have shown us this work alone is not enough, it is critical that we continue to ensure our sourcing practices do not directly contribute to additional forest loss.

We have focused on achieving deforestation-free supply chains for the last ten years. As of December 2020, we have achieved a 90% deforestation-free assessment across our forest-risk commodities, and we will continue to work with our partners and suppliers to reach our 100% deforestation-free goal for respective commodities: by 2022 for our palm

oil, sugar, soya, meat and pulp and paper, and by 2025 for coffee and cocoa.

Our progress so far has been substantial. We can now trace the majority of our supplies to origin, and thanks to better data and monitoring, we can respond more effectively to deforestation alerts in our supply chains.

We need to continue to build on this work as an integrated part of our Forest Positive strategy. Ensuring deforestation does not slip into our supply chains requires continuous work. We have the right tools in place, and we feel confident that our supply chains are on the path to becoming 100% deforestation-free.

OUR KEY ACTIONS

We will transform our supply chains by

Conducting deforestation risk assessments across commodities

Using a range of tools for at-risk origins:

- Traceability
- No deforestation verification via satellite monitoring and/or on-the-ground assessments including certification
- Grievance management
- Recovery and remediation when required

We will go beyond individual efforts by

➤ **Advocating for the harmonization of monitoring and response tools** through industry groups, such as the Consumer Goods Forum (CGF), the Palm Oil Collaboration Group (POCG), and the World Cocoa Foundation (WCF)

➤ **Engaging suppliers through industry associations**, such as the CGF's Forest Positive Coalition, and WCF's Cocoa and Forests Initiative

II. Long-term forest conservation and restoration in our supply chains

PRODUCE AND PROTECT

Long-term conservation of standing forests

WE WILL PLANT
200 MILLION
TREES BY 2030

Sustainable livelihoods and protection of the rights of Indigenous Peoples and Local Communities

Forest restoration

A Forest Positive future is only possible when agricultural production and forest protection exist in harmony. We want to buy from suppliers who are not just avoiding deforestation, but who are also implementing Forest Positive practices. This means buying from suppliers who are actively conserving and restoring forests while promoting sustainable livelihoods and respecting human rights.

We will reward Forest Positive suppliers by purchasing their goods at a premium, buying bigger quantities or co-investing in programs that promote forest conservation or regenerative production practices, such as agroforestry and intercropping.

Being forward-looking is essential. We want to prevent deforestation and degradation, rather than responding

reactively. To this end, we will be identifying areas of future risk to forests, peatlands and customary land rights near our supply chains through a global Forest Footprint exercise and engaging our direct suppliers to take preventative action where needed.

Our approach recognizes that local communities are central to managing forest conservation. It is critical that the approach puts respect for the rights of Indigenous Peoples and Local Communities front and center. We will assess these risks and work to find ways to integrate further protection for tenure-based land rights into our approach.

Where forest degradation has happened, we have set an ambitious reforestation goal: we will plant 200 million trees* by 2030 in and

around farms where we source our ingredients, including 3 million by 2023 in Malaysia through Project ReLeaf and at least 3 million in the Americas with One Tree Planted.

Our ambition is to make conservation and restoration standard practices throughout our supply chains.

**We will disclose the project portfolio related to this initiative on an annual basis. This will include information related to the types of actions taken, such as, but not restricted to, contracted trees, bamboo growing and wetland restoration.*



+ RECOGNIZING AND RESPECTING LAND RIGHTS

Recognizing and respecting land rights is a critical step to achieving sustainable supply chains and a Forest Positive future, and a salient human rights risk for Nestlé.

In 2019 and 2020, we used Landesa’s LandAssess tool to assess sugar estate operations in Nigeria. The tool complements our Responsible Sourcing Standard and allows for a more detailed assessment of land rights risks for our supplier operations, including legal compliance and community engagement.

Our assessment of two of our largest sugar suppliers helped to identify areas for improvement, including the need to establish

a land use plan that secures the rights of communities within the operation areas and strengthen the stakeholder engagement process. We also found legacy issues with compensation, which is quite prevalent in concessions acquired from previous government ownership.

The findings were shared with suppliers along with recommendations for improvements. Action plans were developed in conjunction with our partner Proforest. The results from our assessments are helping us to agree on best approaches and improvement areas for sustainable sugar production in the country.



OUR KEY ACTIONS

We will transform our supply chains by

- **Carrying out a global Forest Footprint**
This will identify forests at risk of future deforestation in and around our supply chains and risks to the respect of the rights of Indigenous Peoples and Local Communities
- **Obtaining commitments and active engagement from our suppliers to identify and protect standing forests**
Working to achieve commitments to no deforestation, conservation, and the respect of the rights to Indigenous Peoples and Local Communities, in particular Free, Prior, and Informed Consent (FPIC)
- **Supporting sustainable livelihoods for smallholder farmers**

- **Supporting suppliers and farmers** in active conservation and restoration initiatives in and around our supply chains
- **Rewarding Forest Positive supply chains** through procurement practices

We will go beyond individual efforts by

- › **Supporting the deployment of the High Carbon Stock Approach (HCSA) toolkit**
- › **Addressing data gaps** needed to conduct complete Forest Footprint analyses
- › **Co-developing approaches to better integrate** the protection of human rights, including land rights in our forest conservation and restoration strategies

**Forest Positive
pillar II in action**

GETTING AHEAD OF DEFORESTATION

A “Forest Footprint” for our forward- looking strategy



Informed interventions

Since January 2019, Nestlé has been using Starling to monitor deforestation risk throughout its global palm oil supply chain. Starling has been a gamechanger for palm oil and beyond, uncovering the priority areas within concession and sourcing areas where Nestlé can prioritize suppliers to engage with and address deforestation risk.

In the Aceh province in North Sumatra, Indonesia, Nestlé’s Forest Footprint pilot has harnessed this technology and data to not just monitor deforestation after it has happened, but to better understand future risks to forests and peatlands, and the rights of Indigenous Peoples and Local Communities. By growing our understanding of these issues, we can inform effective, forward-looking Forest Positive strategies.

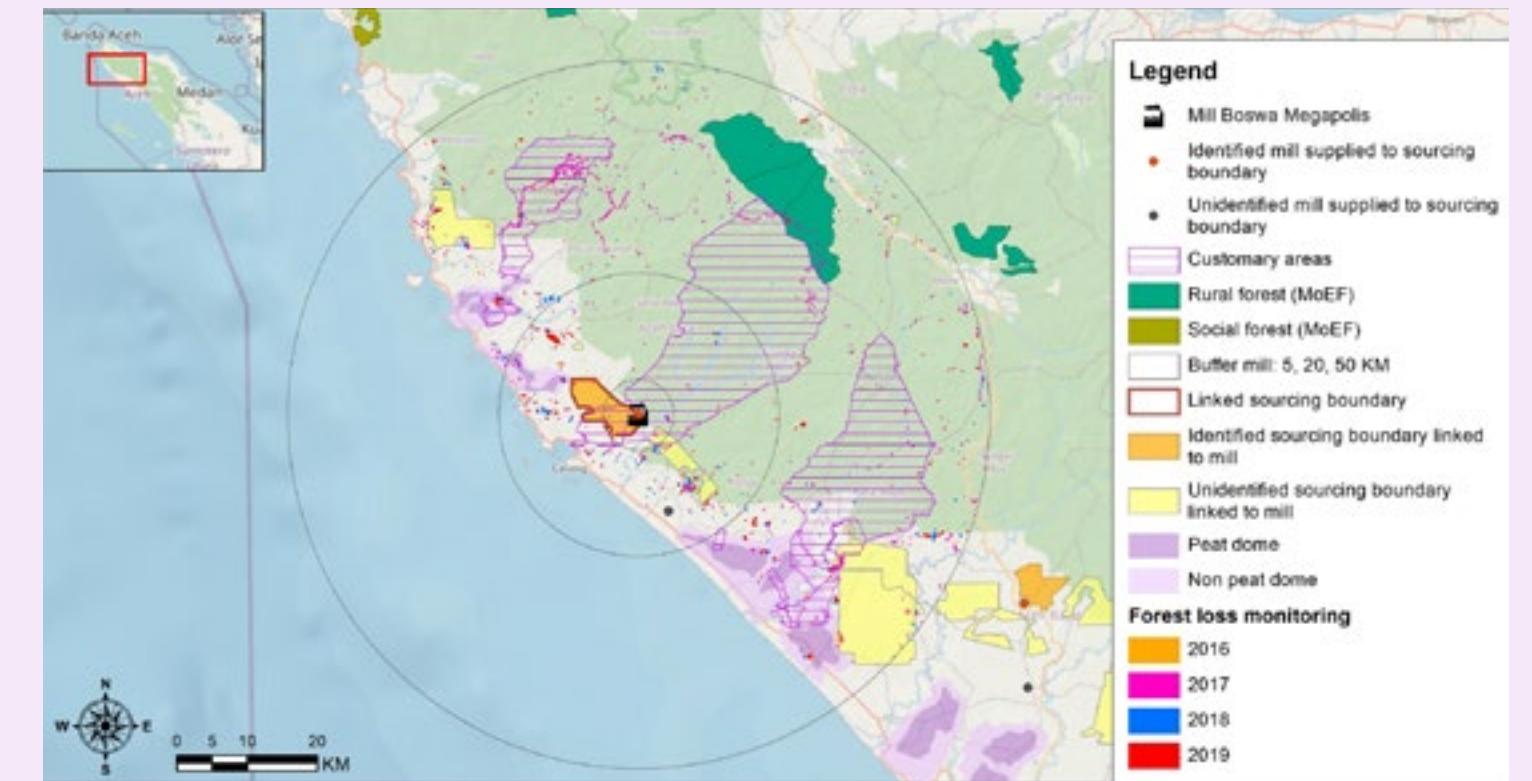
At the time of the exercise, Nestlé was sourcing indirectly from 41 mills in Aceh, linked to 21 refineries. The region is home to more than 270,000 palm oil farmers and the Leuser Ecosystem, known as “The Last Place on Earth,” where orangutans, tigers,

elephants and rhinoceros share the landscape. Aceh is also among Indonesia’s lowest-income provinces and analysis indicates that poverty is the main driver of deforestation in this area. Based on Starling data, between 2016 and 2019, more than 39,000 hectares of Aceh’s almost four million hectares were lost to deforestation. While the overall forest loss is decreasing, there is still evidence of farmers encroaching into the forest to make a living.

Methodology

Starling data was used to identify forest areas, peatlands and community lands located within or in proximity to mills in Nestlé’s supply chains, while overlaid boundary markers added important context. These included available concessions with confirmed links to mills in our supply chains; available sourcing boundaries without confirmed links to mills in our supply chains but that could enter our supply chains in the future; and five, 20 and 50-kilometer radius markers around mills in our supply chains for which we did not have sourcing boundaries.

Combined, the overlapping data sets provided a picture of our exposure to risk of future deforestation and land rights conflicts in Aceh.



OUR RISK FINDINGS

89,667
hectares of forest
and peatland at risk
of potential future
clearances within
palm oil concessions

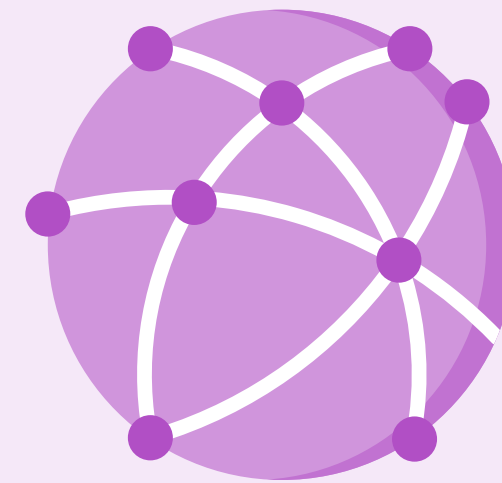
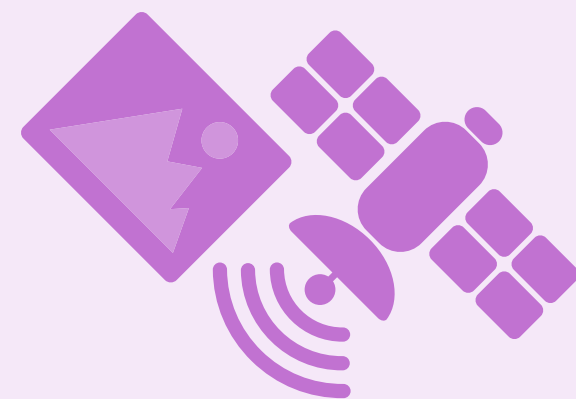
1.45
million hectares
of forested land
suitable for palm oil
cultivation located
within 50 kilometers
of mills in our
supply chains



What we learned

Seeing risks mapped helps to inform interventions. The findings highlight the need to verify producers' commitments and plans on the ground to protect standing forests, peatlands, and customary lands within their concessions. It helps us understand how sourcing boundaries may be linked to mills in the future, and to clarify the situation with customary lands within the region.

More broadly, the exercise stresses the need to engage suppliers and producer groups further upstream on their commitments to protect these areas. It also underlines the importance of conducting High Carbon Stock Approach (HCSA), High Conservation Value (HCV) and Free, Prior, and Informed Consent (FPIC) assessments prior to future development.



Filling gaps

Certain gaps in the data are an important reminder of the work still to do to reveal the full picture of our supply chains and enable us to develop informed strategies.

While carrying out the Forest Footprint exercise, we found incomplete information - such as linkages between plantations and mills, identification of concessions' and mills' parent companies, and mill capacity, which would enable us to identify which mills may require additional plantation areas in the future.

We also observed that accurate data in relation to Traceability to Plantation - peatlands, moratorium areas inside and outside concessions, and plans for restoration or rezoning of lands in 'Other Utilization Area' (APL) as well as mapping of customary lands, information on usage rights, land rights issues and community-company conflicts - were either missing or not consolidated.



Leading Forest Positive

The Forest Footprint pilot in Aceh reflects the future of our global Forest Positive agenda: identifying areas of future risk and taking preventive action.

By 2023, we will complete a global Forest Footprint for key forest-risk areas in and around our supply chains.



III. Sustainable landscapes

LOOKING AT THE BIG PICTURE

We have a lot of ground to cover – quite literally – when it comes to Forest Positive outcomes. With reportedly two dozen deforestation fronts around the world, and half already having suffered from some type of fragmentation, we can't drive real transformation by focusing solely on the farms and plantations in our own supply chains.

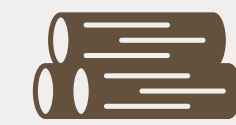
We must recognize farms in our supply chains are not isolated sites, but are part of a broader landscape, with multiple interconnected industries and land uses.

That means examining the dynamics beyond the farm and understanding: Who are the stakeholders across the landscape? How can we support smallholder livelihoods, so that incomes are strengthened, farms are more productive, forests are kept standing and regenerative agricultural practices are adopted? Are there land conflicts, land tenure issues, or community conflicts? How can we rethink conservation funding models so that we can restore degraded land over the decades to come?

We need to take collective action in and apply integrated strategies that help address the multitude of deforestation drivers in the key regions we source our raw materials from.

By joining together with the industry and other private sector players, governments, smallholder farmers, as well as Indigenous Peoples and Local Communities, we can reshape incentives and strengthen conservation and restoration initiatives to achieve the vision of a regenerative and equitable agricultural system.

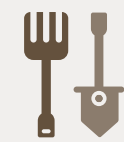
DIRECT DEFORESTATION DRIVERS



Logging



Tree plantations



Smallholder farming



Large-scale agriculture



Cattle ranching



Extractive industries



Urban development



Infrastructure expansion



Forest fires

INDIRECT DEFORESTATION DRIVERS



Population increase



Demand for food



Demand for materials



Conflicts



Climate change

WE WILL SUPPORT
15
LANDSCAPES
BY 2023

Source: Information adapted from [WWF Deforestation Fronts report](#)

+ NEW HEIGHTS FOR FOREST CONSERVATION

The scale of action needed to halt deforestation, conserve and restore natural landscapes, enable resilient livelihoods for smallholders and ensure respect for human rights, means we need to re-think funding mechanisms and become more innovative in our approach.

The good news is that innovative financing models providing sustainable and scalable finance for conservation and restoration projects are emerging.

One such mechanism is the Rimba Collective, the largest private sector forest conservation initiative, led by [Lestari Capital](#).

Incentivizing lasting impact

Through the Rimba Collective, Nestlé is supporting the protection and restoration of over 500,000 hectares of tropical forest landscapes in Southeast Asia. Over the next 25 years, the initiative aims to deliver USD 1 billion to forest protection and restoration in the region by integrating and embedding funding for conservation across the palm oil supply chain.

This funding mechanism is paving the way for a large-scale conservation and restoration approach:

- **It shares the cost** across the entire value chain

- **It invests in decades-long projects** within production landscapes
- **It provides a scalable model** to other geographies and commodities in the future.

The conservation efforts will initially focus on Indonesia, one of the world’s largest palm oil producers, with long-term projects in frontier communities to strengthen livelihoods, accelerate peat and mangrove restoration, and reduce deforestation.

Projects will be prioritized based on their potential to protect and restore large, continuous areas of natural ecosystems and critical habitats. Other priorities include generating measurable ecosystem benefits (such as keeping more carbon in the ground, purifying water and improving soil health) and making livelihoods more resilient for local communities.

By delivering a stable and predictable source of project funding, and releasing performance-based payments, the funding mechanism has the potential to deliver real and lasting impact.

› *Read about why innovative conservation funding mechanisms are so important*

THE POWER OF COLLECTIVE FINANCE

We recently joined other leading companies as well as the governments of Norway, the United Kingdom and the United States in a new public-private coalition to finance the efforts of tropical forest countries to protect their forests, support sustainable development and strengthen forest communities.

The Lowering Emissions by Accelerating Forest Finance (LEAF) Coalition is mobilizing at least USD 1 billion to increase the speed and scale of jurisdictional-level programs that include all key stakeholders, including Indigenous Peoples and Local Communities. Through results-based finance, LEAF will empower these countries to meet climate targets under the Paris Agreement and accelerate the end of deforestation.



OUR KEY ACTIONS

We will promote regenerative landscapes by

- **Supporting landscape and jurisdictional initiatives**
We will prioritize high-risk landscapes in our strategic procurement origins
- **Supporting active conservation and restoration initiatives** in priority landscapes where forests are at risk of conversion and degradation
- **Supporting smallholder livelihood initiatives** in priority landscapes that deliver forest protection and farmer resiliency and inclusion
- **Focusing our sourcing** on landscapes demonstrating Forest Positive practices
- **Participating in the development of sustainable finance mechanisms** for conservation and restoration initiatives that include social and environmental co-benefits, including improved biodiversity, more resilient livelihoods and respect for human rights

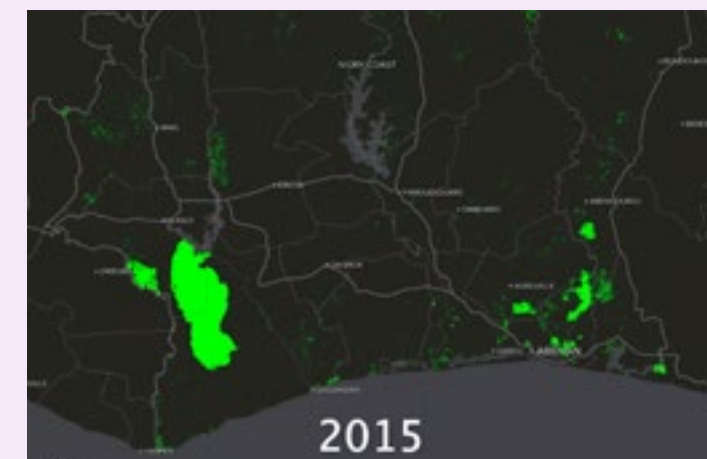
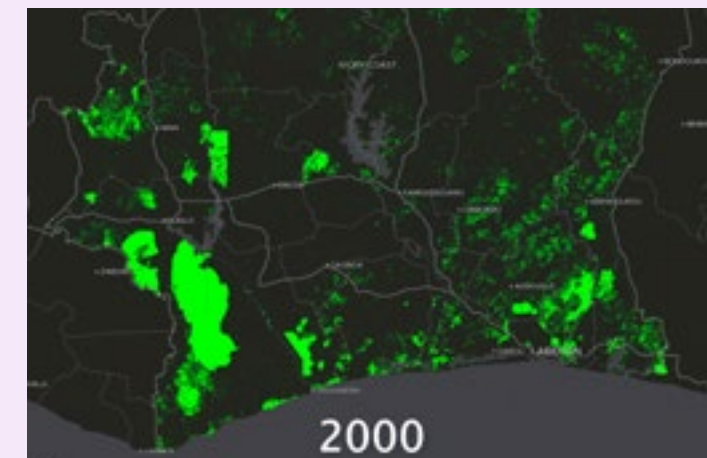
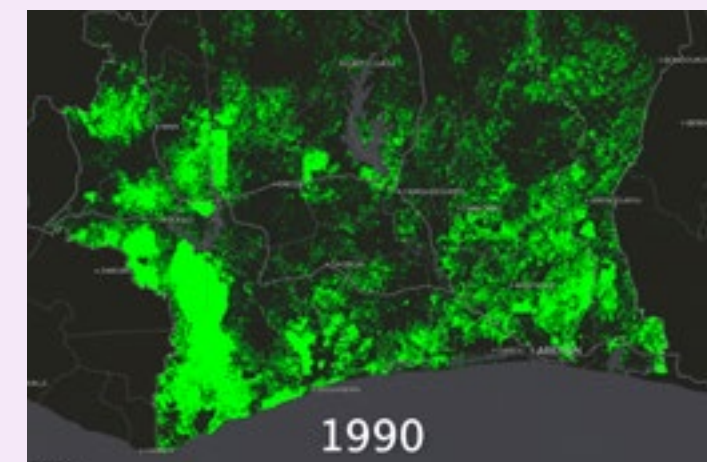
**Forest Positive
pillar III in action**

WORKING WITH COMMUNITIES FOR HOLISTIC SOLUTIONS

The Cavally project lays Forest Positive foundations

Between 1960 and 2015, Côte d'Ivoire's forests shrank from 16 million to 3.5 million hectares. Much of the forest loss is attributed to agricultural expansion, primarily for cocoa plantations.

Recent progress in the region has been the welcome result



of the Cocoa & Forests Initiative (CFI), a public-private partnership facilitated by The Sustainable Trade Initiative (IDH), committed to end deforestation and restore forest areas. The government of Côte d'Ivoire has taken a strong role in CFI.

Aligned with our participation in CFI, Nestlé has partnered with the Ministry of Water and Forests of Côte d'Ivoire to protect and restore the Cavally Forest Reserve and enhance the resilience of local communities.

Located in the far west of the country, the reserve is one of the few remaining largely intact forests and forms part of a larger wildlife corridor. With 52% of the forest still intact, it offers hope for protection and restoration.

Alongside Earthworm Foundation, Nestlé's holistic approach goes beyond ensuring no deforestation in our cocoa supply chain to encompass the rights and wellbeing of all people living and working around the reserve, as well as the

sustainability of the broader forest landscape and environment.

Updated land use maps, based on Starling satellite imagery, and interviews with people from the villages in and around the Forest Reserve provide important strategy inputs as well as a baseline for monitoring the progress of our initiative. Support from Côte d'Ivoire's Ministry of Waters and Forests as well as greater industry alignment through the CFI have also facilitated these efforts.

“Ultimately, the most important thing is the actual forests that remain. And there are so few that you really have to save those. If we have a deforestation-free supply chain but someone else cuts down all the forests, it's a pretty empty victory. That's why the wider landscape is important.”

Darrell High, Head of the Nestlé Cocoa Plan



Nestlé's CHF 2.5 million investment will finance efforts to end deforestation and restore degraded forest, support transition pathways for farmers currently producing in the reserve and promote regenerative agriculture for areas around the reserve.

Understanding community needs

Interviews with farmers and communities within the Forest Reserve have provided important information and insights, including origins and nationalities, whether they have access to water sources and basic services, their economic situation and annual earnings, living conditions and gender roles.

So far, there have been meetings with 66 villages and more than 1,600 community members. Gaining perspectives from women, business owners, producers, young people and many others underline the project’s commitment to taking lessons from local people to co-create solutions.

90% of recent interviewees responded that the only available land was within the Cavally Forest Reserve

We learn more about how and where they work; if they are farming cocoa, rubber or both; are they working for themselves or for others; their average yields and productivity; and how they engage with middle-men and others in the supply chain to get their product to market.

Plan of action

Land use maps and interviews highlight the systemic social and environmental issues that must be overcome. Addressing these issues forms the foundation of our strategy: planning where and how projects can have the most impact – how we can find a balance in which production, forests and livelihoods can thrive.

The plan includes replanting 1,500 hectares of trees

within the Forest Reserve and 11 kilometers of forest perimeter by members of the neighboring communities. Alongside SODEFOR, the Ivorian forest agency, community members will take part in joint patrols. Training programs will help smallholder farmers to build resilience and capacity, while exploring agricultural alternatives to cocoa and promoting financial inclusion. Satellite mapping of the Forest Reserve will be undertaken by our technology partner Starling, which will monitor the landscape regeneration. Findings will be shared with local authorities, civil authorities and local villages.

Positive evolution

The Cavally example can point the way forward for future forest positive work. Building on our work to stop deforestation, the holistic model highlights the evolution: applying the lessons learned over a decade to investigate and address the wider issues, working beyond our own supply chains to help protect and respect the land and the people that provide our ingredients.



©Earthworm



BRANCHING OUT

IT'S ALL ABOUT THE IMPACT

Mike Zrust, Founder, Director and Chief Sustainability Officer at Lestari Capital, doesn't let a Zoom meeting subdue his passion for forest conservation and funding. He tells us how the paradigm of conservation financing is changing.



A 30-minute interview with Mike Zrust covers so much ground it's unreal. But then he is an invited expert and representative on numerous technical and governance bodies for certification systems, including the Roundtable on Sustainable Palm Oil and the Forestry Stewardship Council.

In his current role, Mike co-founded Lestari Capital with the goal of connecting a portfolio of high-impact conservation projects to financing from the commodities sector. This is not simply a CSR-based fund – Lestari Capital strongly believes in the need to make conservation finance an integrated part of business-as-usual.

Doing so would mean upending traditional charitable donations towards conservation causes. What if company contributions were linked to procurement volumes of sustainable products, like sustainable palm oil, instead?

This is exactly what Lestari Capital is trying to incentivize – a long-term, performance-based approach that links conservation with operations and procurement budgets.

As Mike says: "There's a clear need to connect corporates who are demanding measurable conservation outcomes with projects that need long-term operating capital, and by that, I mean 25 years or more. I'm passionate about increasing the scale and effectiveness of conservation investment, because the real value of conservation is just not being recognized at the moment".

Rather than focusing on generic key performance indicators, like a number for protected forest hectares, Mike and his company are building a portfolio of projects that will deliver long-term impacts, such as reducing greenhouse

gas emissions, increasing biodiversity, and improving local communities' livelihoods through ecotourism and wild forest products, for example. "It's one thing to have a supply chain without deforestation", he says, "quite another to demonstrate the long-term impact of local conservation and restoration. We need to change the conservation narrative and embed this thinking much more into the business model."

The ambition, then, is to have a large project supply pool that supports local communities and has more appeal for corporates because the projects are forward-looking, longer term, and linked to the

climate benefit claims that those companies want to make. "The companies want to move beyond preventing deforestation in their supply chain to proactively supporting conservation," says Mike. "It's about being proactive and bringing other tiers of the supply chain into it, such as producers and growers – and then sharing costs and responsibilities across the supply chain."

"We need funding commitments for 25 years or longer based on conservation projects that deliver on the conservation outcomes that are being stipulated" he says, "that's why we help to set different KPIs, develop

long-term budgets, and see that annual monitoring and reporting is in place. We want to prove that conservation can stand on its own two feet, and shift the mindset from short-term to long-term success."

Lestari Capital leads the [Rimba Collective](#) – an initiative led by buyers and processors of palm oil to support long-term, sustainable conservation – to fund these projects. Through the Rimba Collective, Nestlé has already announced its support for the protection and restoration of over 500,000 hectares of tropical forest landscapes in Southeast Asia.

"It's a good example of a forest-positive project" says

Mike, "Nestlé will buy from suppliers who are actively conserving and restoring forests and at the same time contribute to their commitments to zero net emissions, so it's a win-win all round."

For Mike and his team, it's all about the projects and working to longer timescales. Lestari means 'everlasting' in Indonesian, and it's no surprise that Mike has chosen to live and work in that heavily forested country for the last ten years. There's a great deal of work to do in identifying and building his project portfolio, and we wish him success.

"Businesses are becoming more innovative in ways to address conservation and forest protection, so why shouldn't finance?"



5.

**MAKING FOREST
POSITIVE
A SUCCESS**



CREATING THE ENABLING ENVIRONMENT

The right mix of actions

When it comes to protecting forest landscapes on the ground and improving the livelihoods of forest communities, no single approach can do it all. Deforestation, climate change, population growth, food security, biodiversity, human rights and sustainable development are issues that are directly connected to one another. That means we need to come up with integrated solutions.

The United Nations Guiding Principles on Business and Human Rights advocate for a “smart mix of measures” to foster business respect for human rights. They call for states to enact a mix

of mandatory and voluntary, national and international policies that incentivize collaboration with business communities, civil society and governments. It’s an approach that recognizes that for systemic change to happen, everyone must take a proactive role.

The same applies to Forest Positive outcomes. Along with many other companies and non-profits, Nestlé recently signed a “Smart Mix” of Measures proposal that calls on the European Union to tackle the different forces that put pressure on forest ecosystems, forest communities and livelihoods.

We know we can do more collectively by engaging producers and producer countries, strengthening due diligence requirements, fostering international collaboration and directing finance and investment towards more sustainable supply chains. A long-term framework incentivizing continuous improvement is essential to achieve change across global landscapes.



Supply chain transparency

Obtaining supply chain linkages and ownership information, achieving traceability to origins, and monitoring and reporting progress to deliver on commitments and drive improvement



Due diligence legislation

So that all business actors involved in the supply chain implement processes for assessing, addressing and reporting human rights and environmental risks based on the same criteria



Smallholder farmer inclusion

Developing solutions that increase smallholder farmers’ resilience while incentivizing forest protection



Producer country engagement

An operating policy environment that provides enabling conditions for forest conservation, restoration and the protection of Indigenous People and Local Communities’ rights



Private sector collaboration

Collaboration between different tiers of the supply chain, across industries and with the finance sector to co-develop and scale-up solutions at landscape level

We believe that for a Forest Positive strategy to be successful, we need to set strong foundations in the following areas:



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TRANSPARENT SUPPLY CHAINS

Transparency is key to holding all supply chain actors accountable and demonstrating progress against commitments

Global supply chains are complex and opaque. Traders, manufacturers and retailers are not always aware of how many actors participate in the production, processing, storage and transport of their commodities.

A large number of smallholder farmers connect to markets informally, which makes the task to trace a product back to its origin even more difficult.

We need to know the exact origin of commodities, their methods of production, and who buyers are along the supply route so we can drive standards and transform practices in the industry. The data should facilitate progress, mitigate risks and make improvements.

Delivering on deforestation-free commitments also requires a common set of reporting tools. This is key to monitor progress, identify gaps and drive improvement effectively as an industry.

Achieving supply chain transparency is key to holding all supply chain actors accountable and demonstrating progress against commitments.

+ PUTTING WHAT'S IMPORTANT IN SIGHT

Recently Nestlé joined other business leaders across the food industry to support [action by the European Union \(EU\)](#) to increase supply chain transparency and traceability for commodities that may be linked to deforestation. All the signatories call on the EU to put in place measures to scale up the use of innovative technologies to improve supply chain traceability, as well as stronger cooperation with producing countries to ensure that forests are protected and restored.

SUCCESS FACTORS

- Knowing suppliers by name and location, and understanding structures and relationships between different tiers of the supply chain
- All actors must demand traceability to the farm or plantation
- Common monitoring and reporting frameworks to ensure progress can be tracked and assessed consistently

SYSTEMS THAT ENABLE CHANGE

Driving due diligence among supply chain actors

Due diligence legislation can foster a better understanding of supply chains and exposure to adverse human rights and deforestation risks. It also encourages plans to address these risks with an approach that stresses continual improvement.

We believe the following key measures are needed to be effective:

Level playing field

Appropriate legislation should act as a leveler to realize scalable changes by including

all business actors. This will create a level playing field where all actors can do their part in a collaborative and effective way, with big players leveraging their expertise, and smaller players learning further along.

Measures and support should be included to minimize the burden on small- and medium-sized enterprises (SMEs) and smallholders.

Governments should also be required to implement due diligence in their own public procurement policies. This can be useful to expand the scope of the legislation and to educate regulators on what responsible supply chains mean as well as a way to encourage public-private engagement and collaboration on the topic.

Transparent reporting

The legislation should include a reporting requirement, with the aim of improving transparency and facilitating scrutiny of the evolution of due diligence systems. Systems for complaints and remediation should also be included, as outlined in [OECD guidelines](#) and the [Accountability Framework initiative \(AFi\)](#).

Alignment

Alignment should be sought with definitions and criteria (including those relating to deforestation) from existing supply chain initiatives like the AFi, as well as those applied within voluntary certification schemes. Voluntary certification schemes should be encouraged to align with AFi definitions, where they currently diverge.



+ HUMAN RIGHTS

We support appropriate legislation that aims at encouraging companies to address their potential impacts on human rights and the environment and would lead to increased transparency, collaborative action and a level playing field. Such legislation should typically include the obligation to conduct human rights due diligence as defined in the [UN Guiding Principles of Business and Human Rights](#). The ultimate goal of such regulatory framework should be to advance corporate awareness on human rights and environmental responsibility, which should translate into collaborative, impactful and effective actions on the ground.

› *Read more about our approach to human rights*

When due diligence is strengthened, global commodity supply chains are strengthened, too

SUCCESS FACTORS +

- Alignment with the [UN Guiding Principles on Business and Human Rights](#) and [OECD guidelines](#) to ensure robust due diligence processes that are fully embedded in company governance and culture
- Harmonization at regional or supranational level (e.g. EU) to create legal certainty for businesses and the ability to focus on concrete actions on the ground
- The inclusion of all business actors to create a level playing field and incentivize collaboration along supply chains
- Appropriate and proportionate sanctions to incentivize transparency and avoid disengagement from risky sourcing

RESILIENT FARMERS AND COMMUNITIES

Improving smallholder farmer livelihoods

In many parts of the world, a driver of deforestation and forest degradation is small-scale agriculture. Smallholder farmers face specific challenges, including low yields, aging trees and lack of access to finance. These factors can lead to low incomes and vulnerability to climate change and market shocks, which in turn drive agricultural expansion into forests.

Our future challenge is to produce more food on less land, so it's critical that smallholder farmers are included in and can benefit from more resilient supply chains.

Managing risk by removing smallholders from the supply chain may do more harm than good. Their livelihoods depend on these crops, which make up a large portion of the local economy. Already, a single disaster could wipe away a household's or a community's earnings. Addressing economic and societal challenges among this group is essential for both protecting forests and achieving more resilient livelihoods.

Capacity building

Often farmers lack technical knowledge, support or resources to implement changes towards sustainable agriculture. Training in good agricultural practices can make a big difference in helping farmers achieve longer-term planning with environmental benefits.

› *Read about our support for a palm oil smallholder project in North Sumatra*

Common ground

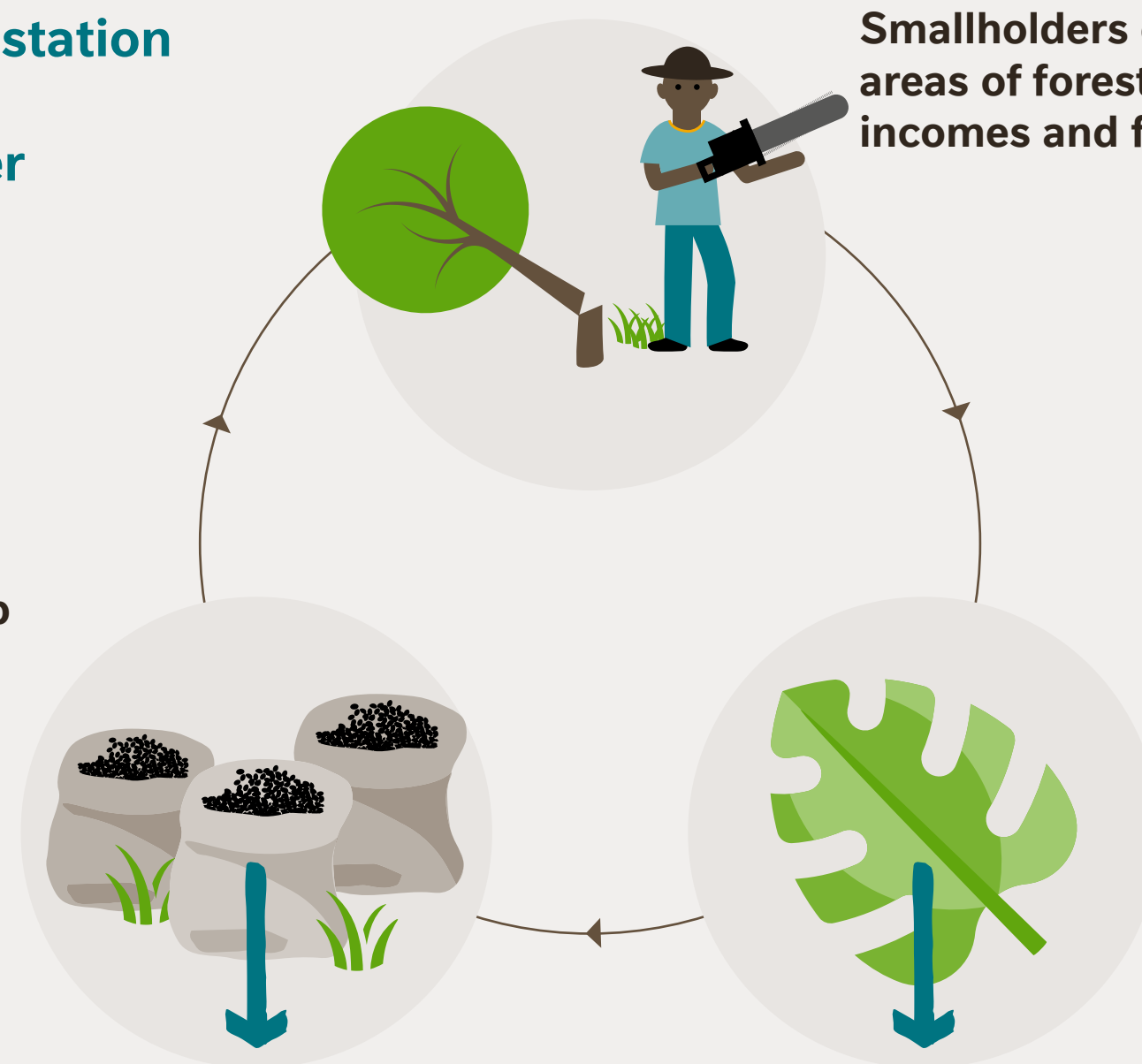
Reducing the risk of unsustainable practices and creating economic resilience and opportunity for farmers should come hand in hand. Initiatives are being undertaken to incentivize better agricultural practices, as well as empower

farmers to engage their own community members to contribute to active conservation and restoration.

› *Read about how sustainable finance is contributing to forest conservation*

The deforestation trap for smallholder farmers

Lower crop yields



Damage to the forest's productivity and eco-services, such as rainfall, carbon storage, soil stability, shade and biodiversity

An estimated **400 – 600 million cultivators**, many of whom are **impoverished smallholders**, seek **new fertile plots in the forest every two to three years to try to make a living**

SUCCESS FACTORS +

- Developing context-specific solutions that get to the root of smallholder challenges
- Incentivizing forest protection
- Making sure smallholders have the tools and skills to transition to sustainable practices for more resilient livelihoods



STRENGTH IN PARTNERSHIPS

Producer countries hold the key to creating enabling environments

A basis for action

Political, economic and social forces can contribute to the fragility of forest landscapes. We need to work across the sector to address these underlying conditions in producer countries that lead to deforestation and gain the right insights to inform collaborative actions.

In addition to due diligence legislation that will encourage companies to proactively assess, address and report on human rights and environmental risks in their supply chains, there needs to be action on the ground in producer countries to help provide many of the necessary enabling conditions to protect human rights and the environment.

We support constructive engagement and partnerships between demand-side and producer countries to assist with the creation of enabling environments. Areas of support should include standards of governance and law enforcement, development of national traceability systems, increased access to basic services and infrastructure, and the recognition and respect for the customary tenure rights of Indigenous Peoples and Local Communities.

Local leadership

Landscapes are a mosaic of activity, with forests, farms and communities. Government leaders of administrative territories have a powerful role as enablers of sustainability in their jurisdictions. This leadership has often proven

effective to incentivize conservation of standing forests and sustainable land use.

› *Read about our local and regional government engagement to protect Northwest Russia's intact forest*

Standards of governance and law enforcement

Efforts to end deforestation and forest degradation can be undermined in areas where governance and law enforcement may not be strong enough. Land-use and forest management regulations need to exist and be properly enforced and monitored. For authorities in producer countries, this takes time, investment and commitment. Potentially effective solutions must also be maintained and monitored so that new

problems are not created – such as deforestation shifting to less protected forest areas.

› *Read about our conservation efforts in and around the Cavally Forest Reserve in Côte d'Ivoire*

Protecting land rights and communities

Stronger measures to recognize and protect the critical land and resource ownership of communities and private landholders should be taken. Indigenous Peoples and Local Communities (IPLC) make up the largest population living in and living from the world's forests, with important tenure rights to the land. Yet they increasingly face the threat of displacement due to expanding agriculture and other industries, which in turn drives deforestation

and biodiversity loss. By securing land rights, producer countries have an opportunity to combat environmental destruction and protect local peoples' cultures and livelihoods.

Indigenous Peoples and Local Communities can play an important role in the protection and conservation of our most vulnerable forests, which also contributes to more resilient livelihoods.

› *Read more about challenges relating to land and human rights in forest conservation*

SUCCESS FACTORS

- Collaboration with all levels of producer-country supply chain actors: governments, industry, farmers and civil society
- Jurisdictional involvement for sustainable land use, production and planning
- Clear national laws protecting against deforestation and mechanisms for enforcement
- Recognition of resource ownership and tenure rights of Indigenous Peoples and Local Communities

BETTER TOGETHER

Scaling up with the power of the private sector



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Engagement on all fronts

Deforestation fronts are dynamic, and solutions must be, too. The private sector can tackle the multiple challenges in achieving sustainable supply chains by working closer together, exchanging learnings and leveraging greater collective action across landscapes.

In addition to this, engagement with public authorities and civil society organizations is key to shaping policies that strengthen sustainable land-use planning while protecting forests and the rights of Indigenous Peoples and Local Communities. All key actors can and should play an active role in developing solutions that will help achieve deforestation-free supply chains.

Making technology count

More robust and accurate data is part of the solution, as well. Achieving transparency in data is a multi-stakeholder effort. It takes a range of partners to verify that commodities linked to deforestation and human rights abuses are not entering supply chains. Technologies and innovations developed in the private sector play a key role in supporting these on-the-ground efforts. Private-sector funding can also help incubate pioneering solutions in areas of sustainable landscapes and forest conservation.

New financing mechanisms

Private financing and investment are playing an increasingly important role in driving forest conservation and restoration, and resilient

communities. By funding initiatives that reward conservation and provide support services for forest communities, the private sector is opening opportunities for local economies, Indigenous Peoples and Local Communities, while ensuring respect for the environment. Direct financing and climate finance are also being applied to large investments to scale-up the public sector's sustainability efforts.

The private and public sectors will need to work even closer together to ensure that forest regeneration and community resilience work for the benefit of both the environment and the people.

› *Read a perspective on innovative private financing for sustainable landscapes*

USD 70-160 billion per year

Estimated funding needed for sustainable forest management around the world

SUCCESS FACTORS

- Set ambitious forest positive goals
- Align on actions and work with multiple stakeholders at local, regional and global levels
- Operate with high levels of transparency
- Share progress and challenges as a way to identify further areas of action
- Leverage finance mechanisms to incentivize forest conservation and restoration

BRANCHING OUT

LAND RIGHTSHOLDERS AND THE POWER OF RECOGNITION



Andy White (Coordinator) and Bryson Ogden (Associate Director, Strategic Analysis and Global Engagement) from Rights and Resources Initiative, explain that to achieve forest positive supply chains, companies must do more to secure community land tenure.



Nestlé’s progress to eliminate deforestation from its supply chains demonstrates the remarkable potential of the private sector to contribute to the realization of global conservation and climate goals. But as Nestlé and its peers now shift from avoiding harm to “forest positive” strategies that proactively reduce the risk of deforestation and contribute to sustainable livelihoods and landscapes, they are confronting a difficult reality: the widespread tenure insecurity of Indigenous Peoples, local communities, and Afro-descendant peoples.

Securing the collectively held land rights of local peoples is critical to eliminating supply-chain driven deforestation, the success of nature-based solutions (NBS), and realizing more ambitious corporate environmental and social

commitments. Indigenous Peoples, local communities, and Afro-descendant Peoples, numbering 2.5 billion people globally, customarily claim almost half of the world’s lands and forests – a significant portion of the terrestrial carbon sink – yet have legal rights to less than 20%.

This creates significant risk for companies, since overlaps between customary and formal claims of rural rightsholders with companies’ sourcing areas – conservatively estimated by one study to impact at least 30% of emerging market concessions – restrict supply chains from driving positive forest and livelihood outcomes. Furthermore, few countries explicitly recognize communities’ rights to carbon in customary lands, putting community forests and carbon

at risk of being “grabbed” by state actors in response to growing investment and interest in NBS.

The gap in the recognition of community land tenure and carbon rights means that despite progress by companies to reduce deforestation, supply chains and investments continue to drive conflict, poverty and political marginalization for communities at the local level. Human rights defenders are being targeted, conflicts between suppliers and communities in sourcing areas are growing, and governments are rolling back progressive laws, ultimately driving deforestation. Companies already struggle to monitor these local, persistent impacts, and will be further challenged to comply with emerging

legislation in the [European Union](#) and [United Kingdom](#) which would potentially prevent the import of products or commodities linked to human rights violations and deforestation.

At the same time, recognition of the rights of local peoples represents a powerful solution to achieving “forest positive” strategies. Research and experience show that forests owned or managed by communities – representing at least [300 million](#) metric tons of carbon – have lower rates of [deforestation](#) and higher levels of [biodiversity](#). Supporting local peoples’ proven ability to conserve the world’s forests is fundamental to advancing [inclusive economic development](#) and to the success of [investments in NBS](#).

Yet investment in securing collective land tenure has languished relative to other priorities. In the last decade, barely [0.1%](#) of all official development assistance dedicated to climate mitigation and adaptation went to securing the land rights of local peoples.

Looking towards 2030, we suggest three major opportunities for Nestlé and other global companies to make even more progress towards a “forest positive”

future by leveraging their supply chains and political influence:

1. Direct engagement with local peoples

Shift from top-down monitoring of supply chains and investments in NBS towards direct engagement with local peoples to monitor, verify, and validate social and environmental impacts.

Adoption of this decentralized approach would:

- Provide companies with access to new data on local social and environmental impacts, land usage, and conflict that they have historically been challenged to access
- Empower local peoples as counterparties to help shape the investments that impact their rights

Pilot initiatives are already [demonstrating the potential](#) for community-sourced data – based on clear land rights – to support dialogue and conflict resolution.

2. Leverage influence with governments

In key emerging markets where civic space is shrinking and governments have a poor track record of stewarding carbon transactions, progressive

companies represent one of the few voices with which governments will meaningfully engage.

Many governments seeking to boost floundering economies recognize that community rights is a prerequisite to investment in supply chains or in NBS. Bodies such as the [Interlaken Group](#) have created spaces for balanced and constructive exchanges between policymakers, companies, and communities.

3. Financing efforts to secure land rights and conservation

By joining donors and NGOs, companies can directly finance efforts to secure the collective land rights of local peoples as a necessary and complementary approach to NBS commitments and carbon market investments.

While the gap between communities’ customary rights and what is legally recognized seems daunting, the finances required to close it are not. Project experience indicates it would cost [approximately USD 1.8 billion](#) to map and register community forest rights in ten countries that are ready for implementation at the national scale. By comparison, the new [LEAF Coalition](#) has committed

US\$1 billion to finance carbon offsets in tropical forests. The emerging Community Land Rights and Conservation Finance Initiative (CLARIFI) represents a community-led and designed vehicle through which companies can directly finance the recognition of collective forest rights.

Securing community land rights represents a critical and cost-effective solution to conserving forests and carbon and contributing to the prosperity of billions of rural rights-holders by 2030. By prioritizing community rights, companies like Nestlé have a unique opportunity to not only advance their vision of a “forest positive” future, but to show its peers how it can be done.



“Securing community land rights represents a critical and cost-effective solution to conserving forests and carbon and contributing to the prosperity of billions of rural rights-holders by 2030.”



6.
**CREATING A
FOREST POSITIVE
FUTURE**

THE ROLE OF FOREST POSITIVE FOR OUR FUTURE



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To have a positive impact on forests, we have work to do.

It's not just about getting to deforestation-free supply chains faster. We need inputs and outcomes for our agricultural food systems that are socially and economically equitable. The last decades have shown us the consequences: the diminishment and destruction of our vital natural resources is a major contributor to climate change and to the displacement of tens of millions of people. As a leading food and beverage company, our consumers, customers, investors and stakeholders expect us to take the lead and contribute positively to the resilience of our environment and communities.

A Forest Positive strategy will be a significant part of meeting our net zero commitment.

The impacts of climate change are accelerating around the world. As

defined by the Paris Agreement, the world needs to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels. Our Net Zero Roadmap, published in December 2020, lays out our plan to halve Nestlé's greenhouse gas emissions by 2030 and to achieve net zero by 2050 – even as our business continues to grow. Our Forest Positive strategy contributes to this goal.

There is no time to lose.

A change is taking place that is galvanizing companies across the supply chain, NGOs, governments and private sector participants to re-think and re-shape our impact on the future. Investors are not looking into Environmental and Social Governance (ESG) management as a nice-to-have, but an urgent call to action. Companies are expected to manage risks, make timebound commitments and report on progress.

At Nestlé, this is a challenge we will not shy away from. A business with our size and reach must help to address climate change and the stewardship of our planet while navigating our growth, as outlined recently by our CEO Mark Schneider. We will continue to engage in discussions that shift the industry with associations and partners across the sector. Our Forest Positive strategy gives us a framework to advocate for and take action towards supply chains that empower people, restore forests and natural landscapes and fight against climate change.

OUR PLEDGE FOR THE PLANET

“Tackling deforestation and restoring forests are must-win battles for addressing global climate change.”

Mark Schneider, Nestlé CEO

In 2020, Nestlé released its Net Zero Roadmap. While our business grows, we need to limit our impact on the planet, strive for regenerative food systems and inspire others to do so, too. We want to make our progress clear. And we know where we need to go: **net zero emissions by 2050 at the latest.**

The conversion of natural landscapes for our ingredients accounts for an estimated 25-35% of our total ingredient emissions. For key crop supply chains, such as cocoa, coffee, palm oil and soya, the proportion can be even higher.

Our Forest Positive strategy is critical to reaching our goal of net zero greenhouse gas emissions (GHG) and

multiple other environmental, social and governance (ESG) commitments. It will enable us to source from regenerative and sustainable production sites, and to achieve and maintain no deforestation in our supply chains, while helping to protect human rights and contributing to sustainable livelihoods.

Key dates for our Forest Positive strategy

92 mio tCO2 Nestlé’s 2018 baseline GHG emissions*

11.5 mio tCO2 emissions associated with land use change (driven primarily by deforestation)

**Total GHG emissions were 113 million tonnes (CO2 equivalent) in 2018, 92 million of which are in scope of our UN 1.5°C pledge.*

We will finalize our Forest Positive strategy’s operational plan

We will complete a global Forest Footprint for key forest-risk areas

We will reduce our emissions by 20%

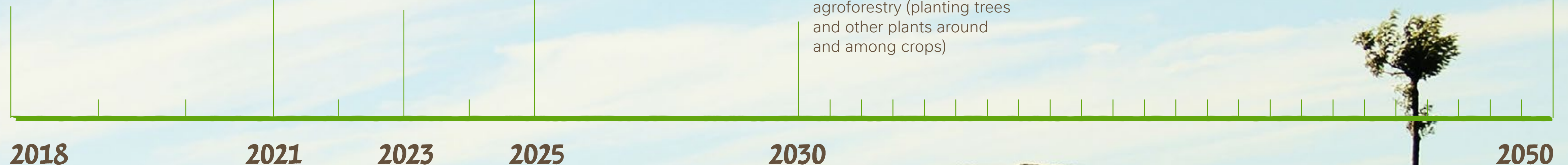
We will reduce our emissions by 50%. This includes:

- 8 mio tCO2 by preventing deforestation in our supply chains
- 2 mio tCO2 by restoring degraded forests and peatland
- 5 mio tCO2 with on-farm agroforestry (planting trees and other plants around and among crops)

- 2 mio tCO2 with agroforestry off-farm

We will plant 200 million trees by this year

We will reach net zero

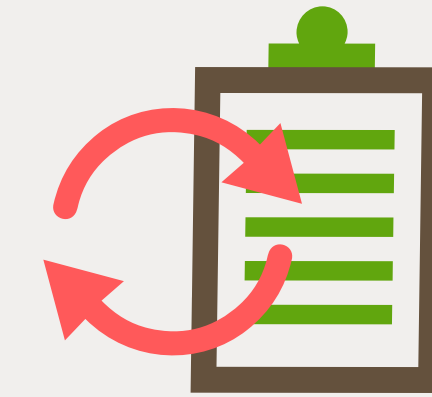


FROM ADVOCACY TO ACTION

It's clear that to achieve our Forest Positive vision, we 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.



We will seek expert advice and guidance. We don't have all the answers and want to learn from others to ensure we focus our efforts on achieving the most impactful, equitable, and sustainable interventions towards a Forest Positive future. To guide this effort and support us in navigating the complexity at hand, we are forming an external advisory council composed of independent experts from civil society, academia and technical organizations. We are committed to an approach that is transparent, credible, and science based.



We will press for change. We will actively participate in industry forums and feed our advocacy points into policy processes, such as that for the European Union, COP26 and the United Nations Food Systems Summit.



We will build together. No one should go it alone. We will build long-term alliances with like-minded organizations and take an active role, such as our co-leadership of two of the CGF's Forest Positive Coalition working groups (the Soy working group and the Communication & Engagement working group) and through our participation in landscape initiatives, such as the Cocoa & Forests Initiative.



We will be transparent. The lessons that we have learned, our progress – and our challenges – need to be communicated if we want to set the bar higher for the industry. We will also encourage industry transparency in all of our advocacy efforts.

PARTNERSHIPS MAKE THE DIFFERENCE

Our partners on the ground enable us to understand the different contexts and actors in our landscapes, trace the origins of our raw materials and implement interventions. Industry and multi-stakeholder platforms are crucial to sharing learnings, building common approaches and frameworks and, ultimately, creating impact at scale.

	Partners	Industry and multi-stakeholder platforms
 Palm oil	<ul style="list-style-type: none"> • Earthworm Foundation • Airbus (Starling) • Proforest 	<ul style="list-style-type: none"> • CGF Forest Positive Coalition • Palm Oil Collaboration Group • The Rimba Collective • RADD (Global Forest Watch) • Roundtable for Sustainable Palm Oil (RSPO) • Palm Oil Transparency Coalition
 Pulp and paper	<ul style="list-style-type: none"> • Earthworm Foundation • Airbus (Starling) 	<ul style="list-style-type: none"> • CGF Forest Positive Coalition
 Meat	<ul style="list-style-type: none"> • Proforest 	<ul style="list-style-type: none"> • CGF Forest Positive Coalition
 Soy	<ul style="list-style-type: none"> • Proforest 	<ul style="list-style-type: none"> • CGF Forest Positive Coalition • Round Table on Responsible Soy Association (RTRS)
 Sugar	<ul style="list-style-type: none"> • Proforest 	<ul style="list-style-type: none"> • Bonsucro
 Cocoa	<ul style="list-style-type: none"> • Rainforest Alliance • Earthworm Foundation • Multiple satellite imagery providers • Côte d'Ivoire's Ministry of Water and Forests 	<ul style="list-style-type: none"> • Cocoa & Forests Initiative (World Cocoa Foundation)
 Coffee	<ul style="list-style-type: none"> • Pur Projet • Solidaridad • Rainforest Alliance • 4C Services / Meo Carbon • Multiple satellite imagery service providers 	<ul style="list-style-type: none"> • Global Coffee Platform • Sustainable Coffee Challenge • International Coffee Organization (ICO) Public Private Taskforce
 Corporate partners	<ul style="list-style-type: none"> • One Tree Planted • Pur Projet • SouthPole • Earthworm Foundation 	<ul style="list-style-type: none"> • Tropical Forest Alliance • 1t.org • One Planet Business for Biodiversity (OP2B) • Interlaken Group • High Carbon Stock Approach • LEAF Coalition



BRANCHING OUT

JOINING FORCES FOR POSITIVE OUTCOMES

Justin Adams, Executive Director, Tropical Forest Alliance, advocates for a shift towards a Forest Positive narrative. Through collective action, he believes we can turn the corner.



When Tropical Forest Alliance (TFA) was created in 2012, its aim was to support the hundreds of companies that were making no deforestation commitments as members of the Consumer Goods Forum (CGF) and beyond. A key challenge was the lack of clarity on how to measure or implement “no deforestation” policies. But an important realization was that without implementation and real action, these statements were no more than hollow promises. Much of the criticism that has been levelled at the private sector over the last few years has been this lack of follow through.

TFA has evolved over time to work with leaders committed to driving the agenda, both in terms of cleaning up their own supply chains, but also in terms of actually driving deeper systemic shifts in the broader commodity and forest agenda overall. It meant that companies needed to build smart strategies around protecting what they could – where were the threats and where were the important areas of forest that remain? It has also meant that individual company action alone was insufficient and there has been growing recognition of the need for collective action and public-private partnership to address the complex issue of deforestation.

Unless we shift this agenda to how we can start doing more good, rather than just less bad, then at best TFA would be just treading water, rather than actually inspiring and motivating companies to do more.

Need for leadership

We have seen a few leaders really engaging this way – driving hard on their individual supply chains, making significant progress and investment, but getting almost zero recognition. While reaching 100% deforestation-free supply chains is still a critical part of this agenda, it shouldn't be our only focus. We need to be asking: What are companies like Nestlé

doing to engage the actors in their own supply chains and production landscapes? These conversations are integral to the global food system and the intractable problem of deforestation.

It is no longer a singular issue about trees and forests; it has become a more nuanced conversation about livelihoods and food security as well as forests. If you speak to the local stakeholders, in any of these countries, about their priorities, they'll tell you: it's about local jobs, local food security, rural development and opportunities for the future; and how can that be done in a way without destroying the forest. That's the sort of shift that we're starting to see and that's what forest positive is all about.

Add to this the enormous pressure for climate action and the growing awareness of how agriculture practices, land use change, forest loss and supply chain emissions leave a significant climate footprint. The conversation at the World Economic Forum at global policy level has also shifted this way: as well as an energy transition, we need a food and land use transition. With COP26 around the corner, the pressure on companies to

find nature-positive solutions is only going to increase.

This can represent both a huge threat and a huge opportunity for companies like Nestlé as they look to accelerate action. TFA's Collective Action Agenda, Nestlé's Forest Positive strategy and broader regenerative agriculture work is the direction companies need to take, and points the way towards this bigger transition that we know the world needs to make.

Realizing a Forest Positive future

The Forest Positive term is starting to shift the conversation from how we think about our impact to how we can leave a positive mark.

This is the shift in mindset we see from Nestlé and the leaders of the CGF's Forest Positive Coalition, through initiatives like Forest Footprinting, which is a really promising start to getting to the heart of some of these issues. It's a recognition that one company cannot achieve it on its own, but a company working with governments and other groups to address both the social and environmental issues surrounding its supply chain can become a far greater positive force for change. It's

a force that can reconcile and recognize some of the trade-offs that need to exist in these rural landscapes.

Those trade-offs are a reminder that we must move beyond the rather simplistic notion of "win, win." When we bring voices from big companies together, we can discuss what is essential for sustainable landscapes – including shifts that could hurt parts of their own business. Finding consensus on these issues will only be possible through collective action.

If we focus on the areas where companies have real agency and influence, we can effect positive change. It means that global companies have to engage in conversations with suppliers, the local civil society and the local government to say: How are we going to make progress in our own locale? How can we have more sustainable landscapes and ensure better livelihoods and better governance in the critical palm oil landscapes of Indonesia and Malaysia, in the critical soya landscapes in Latin America, in the critical cocoa landscapes of West Africa, and companies' other key forests risk supply chains?

“The Forest Positive term has shifted the conversation from how we think about our impact to how we can leave a positive mark.”



THE PATH FORWARD

BOLD CHANGE REQUIRED

The transition to Forest Positive has taught us many lessons at Nestlé, but perhaps the most significant is related to the shift in mindset that it requires. The private sector needs to collectively move from managing risk to genuinely focusing on how we can achieve a positive impact in the critical landscapes that underpin our food systems, and in which we are important actors.

In embracing this shift, we should be honest about the complexities and challenges ahead. We need to recognize that forest conservation and restoration is about much more than keeping trees standing and natural ecosystems intact.

It is about reshaping incentives and how people behave at scale to help protect the forests for the long term. It is about supporting resilient livelihoods for farmers who grow our food and their communities, while promoting economic development opportunities for producer countries. It is about taking key steps to help promote and protect human rights, a key enabler of forest conservation.

Implementing community-based approaches in production landscapes – the places where drivers of deforestation manifest – and investing and working collectively in those places for success is also part of the solution. This also means we need to find solutions together on how to share cost and impact benefits when working together. Finally, companies also need to evolve to integrate Forest Positive approaches into their business models and procurement strategies.

“We need to recognize that forest conservation and restoration is about much more than keeping trees standing and natural ecosystems intact. It is also about supporting resilient livelihoods for farmers and human rights.”

While the challenges ahead may seem vast, we feel encouraged and confident. Already there are examples of what Forest Positive looks like, such as our partnership with the government of Côte d’Ivoire working with cocoa communities to help stop deforestation, restore the degraded forest and strengthen farmers’ resilience and livelihoods around the Cavally Forest Reserve, or the Rimba Collective, a private sector forest conservation initiative.

Our aim is to influence others and inspire collective action that will help address the climate, biodiversity and inequality crises. Indeed, it is only by working collectively that we can unlock the scale and create the needed transformation for our agricultural systems to become both regenerative and equitable.

We look forward to working with our industry peers, suppliers and partners to shape a Forest Positive future in our supply chains and key production landscapes. But first we will lead by example. We will take tangible actions, report transparently on our progress and challenges, and share our learnings.



MAGDI BATATO

Executive Vice President, Head of Operations, Nestlé



Nestlé

Good Food, Good Life