



Nestlé Good food, Good life

Nestlé's Salient Issue Action Plan:

LIVING INCOME

February 14, 2023

[nestle.com/sustainability/humanrights](https://www.nestle.com/sustainability/humanrights)

This action plan is one of a series that forms part of our [Human Rights Framework and Roadmap](#). You can find all our action plans, which address Nestlé's salient issues, on our [dedicated human rights webpage](#).

These plans guide our due diligence approach and enable us to act as a force for good. They articulate our strategy for embedding, assessing, addressing and reporting on each salient issue, defining what we need to do across our value chain, as well as what collective action can be taken.

We harnessed the strengths and capacities of each Nestlé department to define the action areas we will focus on in the years to come, in consultation with external partners and stakeholders. With collaboration built into each action plan, we hope to spark new engagement and inspire collective action with peers, business partners, civil society, non-governmental organizations (NGOs) and governments. This way, we can work together to tackle the root causes of our salient issues and create positive impact at scale.

We want these action plans to be dynamic and reflect the evolution of stakeholders' expectations and of the contexts in which we operate. Input and feedback are welcome and can be sent to us by email: humanrights@nestle.com.

We will report on progress against the indicators identified in each action plan by the end of 2025.



¹ Nestlé throughout this document refers to the Nestlé Group.

EXECUTIVE SUMMARY

Definition of the issue

Living income defines the net income a household needs to earn in order to enable all members of the household to afford a dignified and decent standard of living, including basic needs (food, water, housing, education, health care, transportation, clothing, other essential needs and a provision for unexpected events).¹

Why it matters

Globally, approximately 500 million smallholder farmers (85% of the world's total farmers) produce raw materials that they sell through formal and informal markets, and which end up in local and global supply chains. Living income is key for farmer investment, yet globally, smallholder farmers have difficulty earning a living income. Many of Nestlé's commitments rely on progress at the farm and community levels, and as such we rely on farming households to help fulfill our commitments. The ability of farming households to earn a living income is an important outcome in and of itself, but it is

also a critical driver of our plans to support and accelerate the transition to a regenerative food system that is just and fair.

Key actions

- Strengthen our risk assessment approach
- Implement dedicated living income programs in cocoa, coffee and dairy as priority raw materials for this action plan

- Align our approach to living income across priority raw materials
- Collaborate with peers and stakeholders to help address systemic issues and develop common approaches and tools for supporting a living income
- Raise awareness of and advocate for a living income within the sectors Nestlé is involved in, starting with priority raw materials

Value chain priority



We recognize the importance of listening to and consulting workers, local communities and farmers on issues that affect them. As we implement this action plan, we will identify and engage with them to strengthen our understanding of risk and the impact and sustainability of our actions.

Contribution to Sustainable Development Goals (SDGs)

The actions laid out in this action plan will contribute – directly and indirectly – to SDGs 1, 2, 10 and 17.



Geographical priority

Colombia, Côte d'Ivoire, Ethiopia, Ghana, Guatemala, Honduras, India, Indonesia, Kenya, Mexico, Peru, Sri Lanka and Uganda



BACKGROUND

What we are talking about

A living income is the benchmark income level that allows people to enjoy a decent standard of living as stated in Article 25 of the Universal Declaration of Human Rights (UDHR).

It defines the net income a household needs to earn in order to enable all members of the household to afford a dignified and decent standard of living.ⁱ This includes basic needs (food, water, housing, education, health care, transportation, clothing and other essential needs).ⁱⁱ

Living income has gained considerable traction across the food and beverage industry. It is increasingly recognized by donors, industry, researchers and civil society as a credible and

The difference between living income and living wage

“The concepts of living wage and living income are both about achieving a decent standard of living for households. The idea of a living wage, however, is applied in the context of hired workers (in factories, on farms, etc.), whereas living income is discussed in the context of any income earner, such as self-employed farmers.”ⁱⁱⁱ

Living income is used in agriculture to consider decent standards of living for farmers’ households, particularly smallholder farmers.

practical framework to address the incomes of smallholder farmers.^{iv}

Living wage, a separate but related topic based on a worker’s ability to afford a decent standard of living, has its own [Living wage salient issue action plan](#).

Why it matters

Globally, there are approximately 500 million smallholder farmers (85% of the world’s total farmers),^v many of whom have difficulty earning a living income. A large number of these smallholder farming households produce raw materials – cocoa, coffee, milk, hazelnuts, palm oil, etc. – selling through formal and informal markets into local and global supply chains, often in developing areas of Africa, Asia and Latin America.^{vi}

Today, as many as 24 million small-scale farming households may be living in poverty.^{vii} They all face immense challenges, including widespread rural poverty, increasing climate risks and a lack of access to financial services and basic infrastructure like water, health care and adequate food and education.^{viii} This lack of access, in turn, affects those households’ children, as they are challenged with learning difficulties, poor health, lower productivity and lower earnings over their lifetime.^{ix} There is also a strong link between poverty and child labor that encourages a cycle of poverty across generations as children are kept out of school, minimizing their likelihood to break out of poverty through education.^x

Why this issue is relevant and important for us

Poverty is one of the root causes of numerous social and environmental challenges such as child labor and deforestation.^{xi} Many of Nestlé’s commitments rely on progress at the farm and community levels, and as such we rely on farming households to help fulfill our commitments. Farming households’ ability to earn a living income is an important outcome in and of itself. It is also a critical driver of our plans to support and accelerate the transition to a regenerative food system that is just and fair.

Living income is key for farmer investment. Nestlé is committed to accelerating the shift to a regenerative food system by helping to improve the livelihoods, resilience and well-being of communities wherever we have a business presence, and to help to protect, renew and restore our environment through regenerative practices. This includes supporting improved and diversified farmer incomes through our sustainability programs.^{xii} Nestlé’s work on living income is at the heart of our [plans to support and accelerate regenerative food systems at scale](#), as farming households that reach a living income are able to save money to become more resilient and improve their livelihoods. Farming households that are able to consistently achieve a decent standard of living are also more willing and able to invest in regenerative agriculture practices that we know are critical to protecting, renewing and restoring the environment.^{xiii}

Living income work is a critical accelerator in our efforts to address the risk of child labor, as poverty is linked with child labor.^{xiv} Living income is also key to attracting the next generation of farmers. Right now, we see young people leaving farming altogether to find other forms of work. We know that in order to build a regenerative food system, we will need to attract and train the next generation of farmers. To make this a success, it must be paired with a farming system that is economically attractive to the next generation, enabling them to earn a living income and invest in the future.

The challenges in addressing this issue

Farming households’ ability to earn a living income is dependent on a number of fundamental drivers: land size, volume of raw material produced, the cost of production of the raw material, the price at which the raw material is sold and any other income the farming household earns. Persistent challenges related to many of these drivers make earning a living income difficult and complex.^{xv, xvi}

These drivers are interlinked and make smallholder farmers particularly vulnerable to shocks. For instance, many farming households enter into a cycle of poverty when a climate shock (drought/flood, pest and disease) or financial shock (drop in price, rise in cost of production or lack of market to sell a raw material) cause households to

BACKGROUND CONTINUED

underinvest in their farms, driving down productivity (and total volume), lowering income and making households even more risk averse to farm investment.

In coffee and cocoa in particular, this is compounded by aging tree stock that calls for renovation (i.e. replacement with new planting material or stumping – cutting down the tree to produce new growth).^{xvii}

Poverty is multi-dimensional, and emerging economy governments can struggle to fund and sustain adequate social services to address other dimensions of poverty: health, education, living standards, etc. They may also lack the infrastructure for competitive agriculture. Often, these issues are major impediments to the farmers realizing their earning potential, and in many cases, such challenges are beyond Nestlé's ability to address on its own. In this light, it is important for us to continue to work with governments to advocate for good conditions that enable efficient farming, such as land tenure, rural development, and sector management and enforcement, as well as with development organizations to help fill gaps where necessary in areas like education, health and access to clean water.^{xviii}

NESTLÉ'S VISION AND APPROACH

Our vision and approach

Nestlé aims to improve the livelihoods of farming families in our supply chain, by helping them close the living income gap and become more resilient and enabled to invest in regenerative agricultural practices that will be more appealing to the next generation of farmers.

We are committed to supporting improved and diversified farmer incomes through our sustainability programs. Furthermore, we aim to implement new living income programs for farmers in our value chain to make farming more attractive.

We will initially focus this action plan on our cocoa, coffee and dairy supply chains. With a network of agronomists and technical teams already helping farmers who produce those raw materials in producing countries, as well as the prevalence of direct sourcing and strong direct supplier relationships, cocoa, coffee and dairy hold strong promise for impactful living income engagement.

Within these supply chains, Nestlé will design interventions to address the social and economic challenges to reaching a living income by supporting farming households as they invest in maximizing farm efficiency, adopting regenerative agriculture practices and diversifying their sources of income. Meanwhile, Nestlé will partner with other key stakeholders to improve the enabling environment for efficient and profitable farming in key sourcing regions.

These efforts, paired with rigorous monitoring, aim to help us understand the living income gap and how to support improved livelihoods of farming families.

Over the years, and based on increased understanding and learning, our livelihoods programs have become more robust, including a sharper focus on farming households' ability to earn a living income and a clearer impact target. This action plan can be considered a continuation of prior work with two important differences:

1. A change in perspective from farm economics to farming household income.

Past programs have focused largely on improving productivity and lowering cost of production, as well as ensuring farming households have a range of income-generating activities. A living income approach takes this one step further by collecting data to understand how farm economics variables – including the price received at farmgate – add up to the net income from the raw material and ultimately to the net household income by incorporating other on-farm income, off-farm income and any other income generated over the course of the year. This approach includes full consideration for both male and female earners in farming households to understand their different constraints, preferences and decision-making power.

2. **Incorporation of a meaningful income target.** The second difference is the use of the living income benchmark, which puts the households' financial picture in context. The benchmark allows us to compare net household income to what a farming household would need to earn in order to afford a decent standard of living in a given year and therefore provides a specific target. Interventions can then be designed accordingly.

NESTLÉ'S VISION AND APPROACH CONTINUED

How we are currently addressing this issue

Living income is governed through the ESG and Sustainability Council, as well dedicated governance structures built within specific brands' and business units' programs, such as the *Nestlé Cocoa Plan* for cocoa, the *Nespresso AAA Sustainable Quality™ Program* and the *Nescafé Plan* for coffee, and *Farmer Connect* for dairy (see also the *Governance* section for this issue).

Nestlé has a long history of smallholder livelihood interventions, particularly in cocoa, coffee and dairy. These have mostly focused on improving on-farm management through extension services and farm economics across a variety of levers. This forms an important foundation for our living income work going forward.

Cocoa: Since 2009, *Nestlé Cocoa Plan* has trained and certified 100 000 farmers, supporting improved farming to increase their incomes. The program has three pillars of action: better farming to improve yields and incomes and prevent deforestation; better lives to improve social conditions and tackle child labor risk; and better cocoa to create a transparent and traceable supply chain built on long-term relationships.

The program also aims to maximize household income by supporting income diversification. This work continues and is accelerated through the *Income Accelerator Program* that we launched in January 2022.

Coffee: For 20 years, *Nespresso's AAA Sustainable Quality Program* has aimed to ensure the continued supply of high-quality coffee while improving the livelihoods of farmers and their communities, and protecting the environment.

Nespresso's living income strategy draws on its long-term relationships and knowledge of the different types of farmers we work with. It also combines investment in productivity, quality, efficiency and long-term trading relationships with premium prices to ensure that a smart mix of interventions works together to maximize farmers' incomes and assets. Furthermore, *Nespresso* is addressing systemic causes of diminished incomes – including creating greater environmental resilience to climate change at the farm level, improving access to social services and reviving economic opportunities in the community – underpinned by the fundamental respect of human rights.

For over 10 years, *Nescafé* has implemented the *Nescafé Plan* to buy responsibly sourced coffee from over 20 countries, delivering more than 900 000 farmer trainings, empowering 10 000 women and young farmers, and distributing 250 million high-yielding and disease-resistant coffee plantlets. Our *Nescafé Plan 2030* builds on these foundations toward an integrated approach that uses regenerative agriculture to deliver multiple impacts simultaneously: reduce greenhouse gas emissions, improve farmers' income and create better social conditions. The *Nescafé Plan 2030* will track the income progression of the farmers participating in field programs as a critical success factor. Farmers' incomes will be benchmarked against living income levels to create a measurable pathway.

Dairy: Through the *Dairy for You* program, Nestlé works with over 200 000 dairy farmers in 27 countries to continuously improve local production systems that enhance farmers' livelihoods and animal welfare. This includes farmer training in direct milk sourcing operations, which focuses on practices that optimize productivity and improve incomes.

Accompanying this program, Nestlé Dairy offers support to hundreds of thousands of smallholder dairy farmers in emerging economies to professionalize and grow into medium or large-scale farms. To do this, Nestlé uses a data-driven analysis of the current state of farms that helps to uncover the interventions needed to improve efficiency to the point where farms become economically viable. The company then supports farmers with implementation of their plan. Nestlé has rolled out this model with success in China, Pakistan, India and Colombia, and plans to continue this support as it ladders up its farm economics model to include total household income in comparison to the living income benchmark.

NESTLÉ'S ACTION PLAN (2023–2025)²

Embed: Policies and processes

Objectives

- Mainstream living income in our governance and incentives' structure.
- Clarify and strengthen Nestlé's commitments on living income in line with existing and emerging best practices, and in consultation with rights holders and stakeholders.

Action

Scope

Governance, capacity-building and incentives

Leverage Nestlé's ESG and Sustainability Council and related bodies, as well as our Human Rights Community to foster cross-departmental exchange.

Global

Identify and train all relevant employees and staff on living income.

Global

Reflect the actions laid out in the action plan in relevant employees' objectives.

Global

Policies and control systems

Review and update our *Responsible Sourcing Standard* on living income, as needed.

Global

Review and support emerging sector-level commitments on living income, as relevant.

Global

² Our action plan will be reviewed and updated as necessary as we increase our understanding of impacts and risks, and monitor the effectiveness of actions taken in delivering on our vision and approach.



NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

Assess: Our risk exposure

While living income gap analysis can identify risk hotspots in the supply chain, it often falls short in singularly providing a list of priority regions for action. Because our approach to living income due diligence is risk-based, the measures we take to prevent and mitigate risks and impacts need to be prioritized as well as be commensurate with the severity and likelihood that our activities or those of our suppliers and business partners will result in an adverse impact on people. For the purpose of this action plan, this has been combined with other considerations such as farm size, materiality and impact (see page 8).

The lenses through which we assess living income gaps

Our risk assessment approach for this issue comprises three interrelated lenses, each currently at varying levels of maturity. Through this approach, we seek to assess both *potential* and *actual* living income gaps. Our assessment approach therefore seeks to understand both future risks (in order to prevent and mitigate such risks) and present risks (that may need to be stopped and remediated).

We understand the value of using multiple tools to assess our exposure to living income gaps and the importance of a dynamic system that periodically updates our understanding of risks and issues.

Informed by global datasets such as Verisk Maplecroft, assessments carried out by the Nestlé Sustainable Sourcing team for specific raw materials and information from stakeholders.

We generate a global-level overview of priority countries

We use this data to prioritize:

- 1** Countries for more granular assessments.
- 2** Business activities, direct suppliers and raw materials, for engagement.
- 3** Support to our relevant staff and suppliers.

Informed by subnational datasets, desk-based risk assessments, information from rights holders or their credible representatives, grievance information, data from our *Sustainable Sourcing Program* (e.g. landscape initiatives or site assessments) and living income benchmarks.

We generate country- or location-specific risk information

We use this data to make decisions about where and what action to take at national, subnational, landscape or site levels within priority countries.

Informed by desk-based risk assessments, information from and consultations with rightsholders or credible representatives, grievance information and data from our *Sustainable Sourcing Program* (e.g. landscape initiatives or site assessments) living income benchmarks.

We generate raw material- or business activity-specific risk information

We use this data to refine our list of priority countries for specific raw materials or business activities and to inform decisions about how and why to engage with sectoral actions, whether at global, country or regional levels.

NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

Results of our initial global assessment for living income gaps

Based on global datasets, such as Verisk Maplecroft data, information from stakeholders and raw material-specific risk assessments on living income gaps, we have identified 13 priority countries for this 2023–2025 phase of the action plan.

The following criteria informed the prioritization of countries:

- **Farm size:** In many supply chains, the number of farmers whose incomes are below the living income correlates with the prevalence of small-scale farmers (often less profitable) versus larger farms (typically more profitable), or to the level of farming efficiency. For example, in the *Nescafé Plan 2030* strategy, Côte d'Ivoire and Indonesia are prioritized over Brazil and Vietnam for living income actions in large part due to the prevalence of large-scale plantations in Brazil and efficient small-scale farms in Vietnam.

- **Materiality assessment:** Where living income gaps are found, we asked ourselves how important a sourcing geography or particular supplier is to a business's overall sourcing program – by volume, total spend or any other relevant metric. As an example, the *Income Accelerator Program* focuses on Côte d'Ivoire because the country represents close to 50% of Nestlé's cocoa sourcing volume.
- **Impact evaluation:** We identified opportunities to create the most impact. These could correlate with practices that are relatively easy to change on farms to increase productivity and efficiency, such as a particularly close relationship with a supplier who can partner on initiatives, Nestlé staff presence on the ground, enabling local government policy and infrastructure, etc.

Our list of priority countries does not imply that action will be limited to these countries. Although some of the actions we have listed in this plan (see *Address: Our priority actions*) will focus on priority countries, many of the actions are raw material-wide (e.g. our Supplier HREDD Assurance Framework).

Priority countries

Cocoa	As the next stage in its <i>Cocoa Plan</i> , Nestlé has prioritized Côte d'Ivoire for its <i>Income Accelerator Program</i> , where 10 000 households are being targeted, before expanding to Ghana and then to the entire portfolio of sourcing origins where relevant – estimated at a total of 160 000 households.
Coffee	The Nescafé business has prioritized Côte d'Ivoire, Indonesia and Mexico for its first living income pilots, with Colombia and Honduras to follow. The Nespresso business has prioritized Ethiopia, Uganda, Kenya, Guatemala, Mexico, Colombia and Peru .
Dairy	Building on previous work done on farm economics, the Nestlé Dairy category's interventions will focus on India, Sri Lanka and Peru , and ultimately include all countries we source from.

NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

Risk assessment going forward

As we are still improving our understanding of living income gaps, there may be actual and potential gaps in countries not included in our priority list. To this end, we will gradually improve the information we have through the following different risk lenses:

Lens	Actions
Global-level overview of priority countries	<ul style="list-style-type: none">• Refine the existing global risk assessment methodology with additional external and internal sources of data and information.
Country- or location-specific risk information	<ul style="list-style-type: none">• Further improve our understanding of risks on the ground, including through rapid appraisal research and regional stakeholder consultations in priority countries – with, among others, rights holders and their representatives – as well as grievance mechanisms and landscape information.• Use grievance and landscape information to inform our understanding of country- and location-specific risk.• Explore how to support community-based monitoring, reporting and verification of social and environmental impacts in high-risk landscapes.
Raw material-specific risk information	<ul style="list-style-type: none">• Further improve the level of traceability of raw materials in scope for this action plan.



NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

Address: Our priority actions

Nestlé: Taking action within our value chain

With many years of livelihoods actions to build on, the next phase of interventions in our cocoa, coffee and dairy supply chains will focus on reframing the existing livelihoods theories of change through a living income lens. One of the advantages of the living income methodology is the clarity of purpose it provides. While the analytical leg work is technical in nature, once a living income gap is identified and the primary drivers of household income are understood, priority actions will be targeted at activities that will help close the living income gap, with progress measured against reduction in the living income gap over time.

With the support of external partners, living income gaps have been identified in key cocoa- and coffee-sourcing regions. Pilots have been designed and will be launched to test interventions aimed at helping close living income gaps. For dairy, having collected and worked with robust farmer data samples for years, we will incorporate a living income gap analysis into the dairy farm profitability model.

Cocoa

Objective

Help farming households in our cocoa supply chain reach a living income through rollout of the *Income Accelerator Program*.

Action

As part of the test phase of our *Income Accelerator Program*, provide the conditions for farmers and their families to close the living income gap and tackle child labor risks through cash incentives and enabling activities.

Scope

Côte d'Ivoire

Source 100% of our cocoa through the *Nestlé Cocoa Plan* by 2025.

Global

Assess the results of the *Income Accelerator Program* test phase and adapt where necessary, before moving to reach all cocoa-farming families in our global cocoa supply chain where relevant by 2030.

Priority countries

NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

Coffee

Objective

Help coffee farmers transition to a regenerative and resilient agricultural model that lowers coffee farming emissions while also delivering better farmers' income through greater farming efficiencies, enabling progress toward a living income

Nescafé's Action

Pilot actions aimed at accelerating smallholder farmers' transition to regenerative and resilient agriculture using conditional cash incentives and other income protection tools, incorporating comprehensive farmer household income tracking and a pathway toward a living income.

Source 100% of the Nescafé coffee responsibly

Scope
Indonesia,
Côte d'Ivoire,
Mexico

All origins

Nespresso's Action

Continue to provide individualized AAA agronomy support to more than 130 000 AAA farmers to reach sustainable productivity and incentivize good practices.

Provide farmers with technical assistance for crop diversification, and collaborate with organizations to bring innovative ideas to provide additional sources of income.

Scale crop insurance to protect farmers against losses in coffee income from weather-related events in the case of an unexpected natural disaster or pest or disease outbreak.

Pilot Living Income Reference Price (LIRP) with Fairtrade International in relevant AAA origins to help close the gap toward a living income if sustainable productivity is achieved. Continue ensuring stability of procurement and long-term relationship with farmers. Improve access to social services such as clean water, health and retirement saving schemes.

Improve access to social services such as clean water, health and retirement saving schemes.

Global
Priority
countries
Priority
countries

Priority
countries



NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

Dairy

Objective

Incorporate a formal living income benchmark into our dairy farm economic model.

Action

Pilot the integration of living income metrics into our dairy farm economic modeling.

Scope

India, Sri Lanka and Peru

Rollout of living income analysis and targeted farm support through our agripreneurship program, scaled across all Nestlé's dairy sourcing origins.

All sourcing origins

Cross-cutting

Objective

Align our approach across priority raw materials

Action

Align our approach across priority raw materials through a set of principles (see box on the right).

Scope

Global

Living income program principles

Different programs to address livelihood challenges have been developed across the raw materials prioritized for this action plan. Our new living income approach/strategy will, however, follow these key principles across all specific programs:

1. Continue to develop a deep understanding of farm economics.
2. Prioritize action in regions that are material for Nestlé and where opportunities exist for sustainable, transformational change.
3. Focus on farm efficiency as the key income driver.
4. Link living income programs to regenerative agriculture practices.
5. Strengthen support programs and teams.
6. Strengthen long-term engagement with farmers.
7. Help empower women and improve gender equality.
8. Continue to work with small-scale farmers.
9. Incorporate living income into indicators (see *Monitor and report on indicators, overall performance and challenges*).
10. Work with external advisors and partners (see *Collective action: Helping tackle root causes with relevant stakeholders*).

NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

Collective action: Helping tackle root causes with relevant stakeholders

Many of the issues and challenges around living income are complex and linked to a wide range of factors (as outlined in *The challenges in addressing this issue* section above) that cannot be addressed by Nestlé on its own.

Tackling these issues and their root causes requires collaboration between many different stakeholders, including the farmers themselves, companies, governments, and multilateral, non-governmental and civil society organizations. We are therefore committed to collaborating with rights holders and stakeholders both in specific landscapes in production countries as well as at global and sectoral levels to promote and help strengthen farmers' living income.

Production country and on-the-ground initiatives

Objective

Support living income in production areas.

Action

Identify and prioritize specific interventions on strengthening living income at national and subnational levels where we source our raw materials through:

- Engagement or advocacy at national or regional government levels.
- Supporting sectoral-, landscape- or jurisdictional-level initiatives.

Scope

Priority countries

Global and sectoral collaboration and advocacy

Objectives

- Collaborate with peers and stakeholders at global and sector levels to address systemic issues and develop common approaches for taking steps to support living income.
- Raise awareness of, and advocate for, a living income within the sectors Nestlé is involved in, starting with cocoa, coffee and dairy.

Action

Identify and prioritize sector initiatives where Nestlé can advocate or support living income (e.g. certification schemes or sector collaboration groups).

Identify and leverage collaborative initiatives that are developing common approaches and tools on living income in order to promote and support the development and uptake of strong, effective tools to mitigate, address and remediate living income issues (see *Key partners* section on page 18).

Scope

Cocoa, coffee and dairy

Cocoa, coffee and dairy

NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

Fostering a dialogue on difficult and complex issues

A key area for collective action revolves around the challenging issue of commodity pricing, as it relates to living income. Without a doubt, price is only one of many drivers of household income and is a complex issue. Nonetheless, it cannot be ignored. Individual companies should consider how the price they pay for raw materials and ingredients can impact farmer incomes. But there is also an important dialogue that needs to happen at the sector level. In cocoa, Nestlé, together with several other multinational companies, will

engage in dialogue with the governments of Côte d'Ivoire and Ghana to search for solutions to the challenges around cocoa pricing, living income and sustainability more broadly.^{xix} In coffee, Nestlé will continue to be part of the International Coffee Organization's Public-Private Task Force, which, while not focused specifically on price, has adopted a living income framework to work toward the prosperity of smallholder farming families.

Grievance mechanism

Objective

Support access to remedy via safe and effective grievance mechanisms for farmers.

Action

Ensure our employees and workers in our supply chain potentially affected by our operations can raise grievances and have access to remedy, including through Speak Up (Nestlé's grievance mechanism).

Scope

Global

Ensure the landscape initiatives and on-the-ground projects of which we are part provide for grievance mechanisms and access to remedy for farmers.

Global

Engage in collaborative approaches to managing and addressing grievances at the sector-wide level, including supporting the development of common tools and approaches for identifying and engaging suppliers on grievances.

Global

Monitor and report on indicators, overall performance and challenges

We are committed to transparently communicating our progress on implementing this action plan, as well as sharing our learnings and the challenges we face.

We will publicly report on the following indicators in relation to this action plan by the end of 2025.

Cross-cutting indicators:

1. Grievance mechanism performance

- Number of material grievances received through Speak Up related to living income, of which number of material grievances substantiated and addressed.
- Number of material grievances received through other channels related to living income, of which number of material grievances under investigation and number addressed.

2. Impact on people

- Number of cases farmers in our supply chains benefited from our interventions on living income.

Issue-specific indicator:

- Number of farmers enrolled in living income pathway programs.

As we progress toward implementation of this plan, we will develop more impact-focused indicators.

CONNECTION WITH OTHER SALIENT ISSUE ACTION PLANS

Living income is intrinsically linked to multiple salient issues we have identified, in particular:

Child labor and access to education	Households living in poverty are linked to a lack of access to education, a lack of basic health services, and to hunger and undernourishment. This lack of access, in turn, affects those households' children, as they are challenged with learning difficulties, poor health, lower productivity and lower earnings over their lifetime. There is also a strong link between poverty and child labor. Helping increase farming families' incomes can help address these challenges by breaking the cycle of poverty across generations through improved access to education.
Gender equity, non-discrimination and non-harassment	There are gender-specific cultural and institutional barriers that can affect only the income of female smallholder farmers. For change to have a lasting impact on farming communities, actions should encourage women's empowerment and their financial stability as drivers of productivity and increased incomes.
Indigenous peoples' and local communities' land rights	Smallholder farms are often quite small and continue to diminish as land is divided and passed on. Small land size, coupled with the fact that the land is often used to grow more than one raw material and/or maintain livestock, means that there is a finite amount of income that can be earned from the raw material. Securing land ownership and tenure help contribute to long-term returns for the farming household.
Right to food and access to nutritious, affordable and adequate diets	The inability of many smallholder farming households to earn a living income represents the non-fulfillment of basic rights, as they are unable to afford the cost of a decent standard of living, including access to nutritious and adequate diets. Higher incomes contribute to improve food security.



CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The actions laid out in this action plan will contribute – directly or indirectly – to SDGs 1, 2, 10 and 17 as follows:

Goal



End poverty in all its forms everywhere

Target 1.1: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day.

Target 1.2: By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.

Target 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

Target 1.5: By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.

Target 1.a: Ensure significant mobilization of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions.

Goal



End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Target 2.3: By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.



Reduce inequality within and among countries

Target 10.1: By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average



Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Target 17.17: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

GOVERNANCE FOR THIS ISSUE

Nestlé Executive Board

Approves all the salient issue action plans.

Nestlé ESG and Sustainability Council

Provides strategic leadership and execution support for this topic.

Nestlé ESG Climate and Sustainable Sourcing Workstream

Responsible for the implementation of the action plan through the dedicated governance structures of the *Cocoa Plan*, *Nescafé Plan*, *Nespresso AAA Program* and *Farmer Connect* program.

Nestlé Human Rights Community

Leads the human rights agenda throughout the company. It coordinates the implementation of *Nestlé's Human Rights Framework and Roadmap* throughout the value chain, including this action plan. Finally, it monitors the implementation of the framework and roadmap, and the efficiency of the program.

Nestlé Markets

Those prioritized for this action plan will support its implementation at local level. This may include holding national or subnational stakeholder consultations; implementation of relevant guidelines and grievance mechanisms at local level; or identification of government engagement opportunities.

Income Accelerator Strategic Advisory Committee

An external multi-stakeholder body, including cocoa farmers, whose mission is to assist Nestlé in steering the direction and objectives of our interventions on living income within the cocoa sector.

Nespresso Sustainability Advisory Board

Provides strategic leadership on the Sustainability Agenda, including all human rights topics for Nespresso.



KEY PARTNERS

Main implementing partners

Partner	Activities	Raw material
Sustainable Food Lab	<ul style="list-style-type: none"> Provides strategic advice to Nestlé on the development and implementation of this action plan. Supports Nestlé as a thinking partner in its overall living income strategy and implementation in pilot countries. Supports the development of farmer income strategy, approach and measurement for <i>Nescafé Plan 2030 and Nespresso AAA</i> programs. 	Global
Royal Tropical Institute (KIT)	<ul style="list-style-type: none"> Collects income data in priority origins, conducts analysis to understand the income gap to a living income and monitors progress of its interventions. 	Cocoa
Rainforest Alliance	<ul style="list-style-type: none"> Collects income data in priority origins, conducts analysis to understand the income gap to a living income and monitors progress of its interventions. Supports implementation of regenerative-resilient farming pilot in Côte d'Ivoire. 	Coffee (Nescafé)
Solidaridad	<ul style="list-style-type: none"> Supports implementation of regenerative-resilient farming pilot in Mexico. 	Coffee (Nescafé)
Enveritas	<ul style="list-style-type: none"> Monitoring & Evaluation partner. Collects income data at the global level. 	Coffee (Nespresso)
Blue Marble	<ul style="list-style-type: none"> Provides crop insurance to help small coffee growers manage increasingly unpredictable weather. 	Coffee (Nespresso)
IFCN Dairy Research Network	<ul style="list-style-type: none"> Provides globally comparable dairy economic data to understand Nestlé farmer partners' income and what is needed to reach optimal efficiency and become a viable farm. 	Dairy

Main industry and multi-stakeholder collaborations

Platform	Workstreams	Nestlé's involvement
IDH – the Sustainable Trade Initiative	Living Income Steering Committee	We – Nestlé and Nespresso – are active members of the IDH Living Income Steering Committee, providing insights on IDH's Roadmap on Living Income and its implementation at the global level and across sectors.
World Cocoa Foundation (WCF)	Board	We are a board member of WCF, the main collaborative platform for sustainability work in cocoa.
World Business Council for Sustainable Development (WBCSD)	The Global Agribusiness Action on Equitable Livelihoods (GAA-EL) project	We work with GAA-EL staff and members across the value chain to improve access to markets and finance for smallholders and small- and medium-sized agricultural enterprises (agri-SMEs); to strengthen human rights policy and practice; and to promote inclusive innovation and technology.
International Coffee Organization (ICO)	Public-Private Task Force	Technical Workstream 1 focuses on improving assessment of living income benchmark levels for coffee-growing communities, and catalyzes collective action to support coffee farmer household income progress. We are co-funding work on living income benchmark assessment in several coffee origins.

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- xii [Nestlé. Nestlé unveils plans to support the transition to a regenerative food system, 2021.](#)
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- xv [IDH. Step 2: Assess the Living Income Gap. Accessed Aug 2022.](#)
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- xviii [Living Income Community of Practice. Guiding steps towards living income in the supply chain, 2020. Slides: 'Take Action and Monitor Results'](#)
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