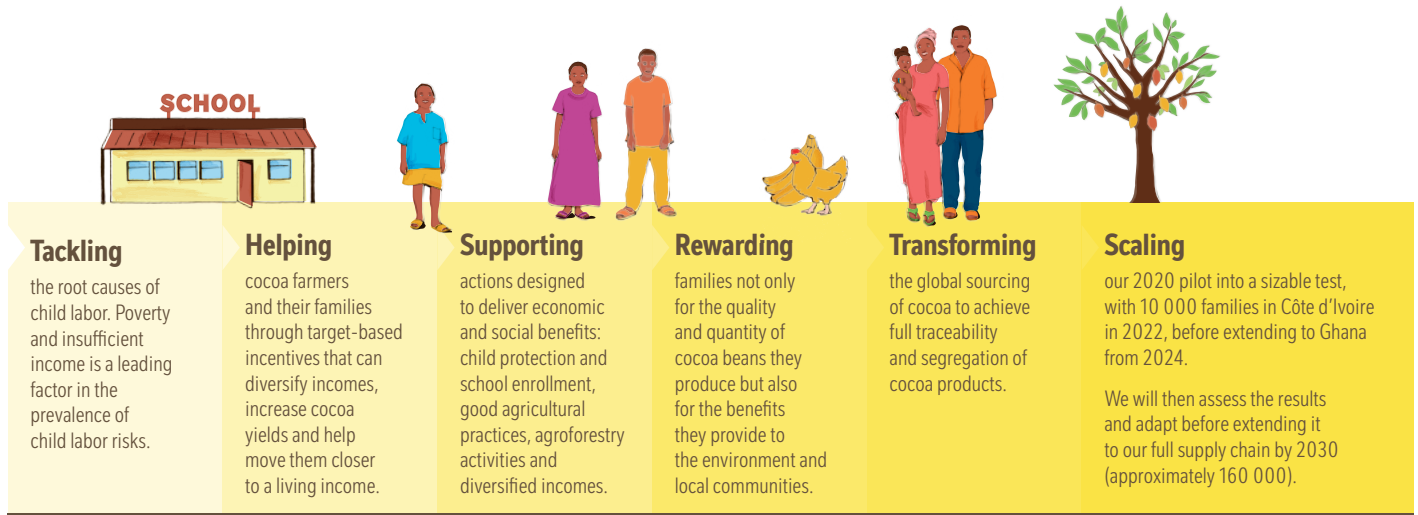![Nestlé – Good food, Good life]

THE INCOME *ACCELERATOR* PROGRAM

How it works

JANUARY 2022

Nestlé is building on its longstanding efforts to tackle child labor risks in cocoa production. Our innovative income accelerator program aims to improve the livelihoods of cocoa-farming families, while advancing regenerative agriculture practices. This ambition also includes transforming the global sourcing of cocoa to achieve full traceability and segregation of its cocoa products, helping to build consumer trust.
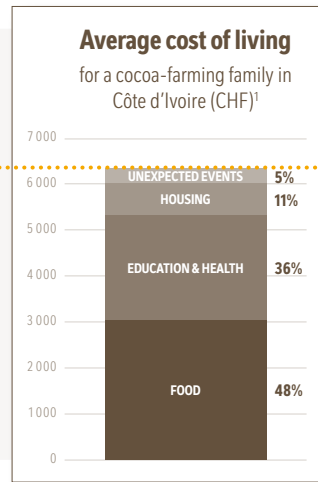
Tackling
the root causes of child labor. Poverty and insufficient income is a leading factor in the prevalence of child labor risks.

Helping
cocoa farmers and their families through target-based incentives that can diversify incomes, increase cocoa yields and help move them closer to a living income.

Supporting
actions designed to deliver economic and social benefits: child protection and school enrollment, good agricultural practices, agroforestry activities and diversified incomes.

Rewarding
families not only for the quality and quantity of cocoa beans they produce but also for the benefits they provide to the environment and local communities.

Transforming
the global sourcing of cocoa to achieve full traceability and segregation of cocoa products.

Scaling
our 2020 pilot into a sizable test, with 10 000 families in Côte d'Ivoire in 2022, before extending to Ghana from 2024.

We will then assess the results and adapt before extending it to our full supply chain by 2030 (approximately 160 000).

For more details on the program, visit **www.nestle.com/living-income-cocoa**

WHAT IS LIVING INCOME?

CHF **6 365** per year[1]

A living income is the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.

Average cost of living
for a cocoa-farming family in Côte d'Ivoire (CHF)[1]

UNEXPECTED EVENTS	5%
HOUSING	11%
EDUCATION & HEALTH	36%
FOOD	48%

(chart y-axis: 0, 1 000, 2 000, 3 000, 4 000, 5 000, 6 000, 7 000)

▶ **Living Income Benchmark**

Living income benchmark, adjusted by KIT using OECD factor for household size of 3.82 adults and 2.96 children.[2]

How is the program built?

The income accelerator program offers a novel approach to help farmers and their families steadily and sustainably build economic stability. The program enables, incentivizes and ultimately rewards practices that increase crop productivity and help secure additional sources of income, which aim to close the gap to living income and help protect children.

Net cocoa income	+	**Premium**	+	**Diversified income**	+	**Incentive**	=	**Net income**
Income based on cocoa revenue, minus the cost of production.		Additional cash payments for certified Rainforest Alliance cocoa.		Other sources of income outside cocoa production, such as raising livestock, growing fruit trees and beekeeping.		Up to CHF 500 per year for the first two years to encourage adoption and accelerate growth; CHF 250 per year thereafter.		Total of all income sources.

HOW DOES THE INCENTIVE WORK?

Incentives are put in place to accelerate the adoption of practices across four key areas. These incentives will stabilize over time as income from increased yields and diversified sources grows. **They will allow families to earn up to CHF 500 annually for the first two years* of the program and CHF 250 per year thereafter.**

Families receive the full amount of the incentive by achieving targets in all four key areas, which are verified by our partners, Rainforest Alliance, the International Cocoa Initiative and suppliers.

	SCHOOL ENROLLMENT	**GOOD AGRICULTURAL PRACTICES**	**AGROFORESTRY ACTIVITIES**	**DIVERSIFIED INCOMES**	**BONUS INCENTIVE**
KEY AREAS	**Reducing** child labor risks **through** school attendance and monitoring	**Helping** farmers improve cocoa production **by training** and **subsidizing** pruning groups	**Improving** farm resilience **by providing** forest and fruit trees	**Becoming** less dependent on cocoa **by helping** families to grow other crops or raise livestock	CHF **100** when each target is achieved, and a CHF **100** bonus for reaching all four targets
INCENTIVE	CHF **100***	CHF **100***	CHF **100***	CHF **100***	CHF **100***
TARGET	**Children** 6-16 enrolled and attending school	**Improved pruning**	**Number of** shade trees planted	Enrolled in **alternative incomes** program	**Targets achieved in all 4 areas**
PAID TO	**Spouse/Partner**	**Farmer**	**Farmer**	**Spouse/Partner**	**Spouse/Partner and Farmer**

Mobile payments
Payments will be delivered via a secure mobile service transfer that will ensure traceability directly from Nestlé suppliers to the intended recipient.

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

Empowering women
Incentive payments are divided evenly between the heads of household.

Leaving no farm behind
The fixed incentive amount is a key feature of the program. It is not paid on the volume of cocoa sold in order to provide smaller farmers meaningful support, leaving no one behind.

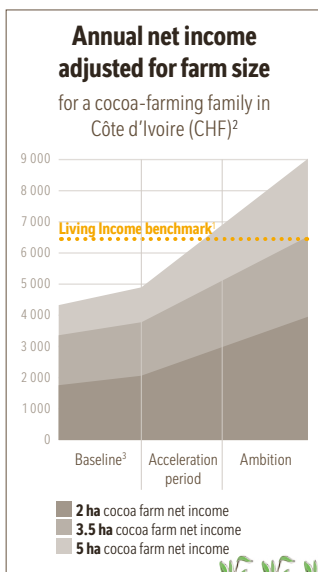## AIMING TO REACH A LIVING INCOME

Phase 1: Baseline

Our model assumes a baseline of CHF 2 973, informed by the average productivity and revenue of Nestlé Cocoa Plan farmers.[3]

Phase 2: Acceleration period

As families adopt the new practices and benefit from the program's training and services, as well as the impact of the cash incentives, we anticipate an acceleration in income growth.
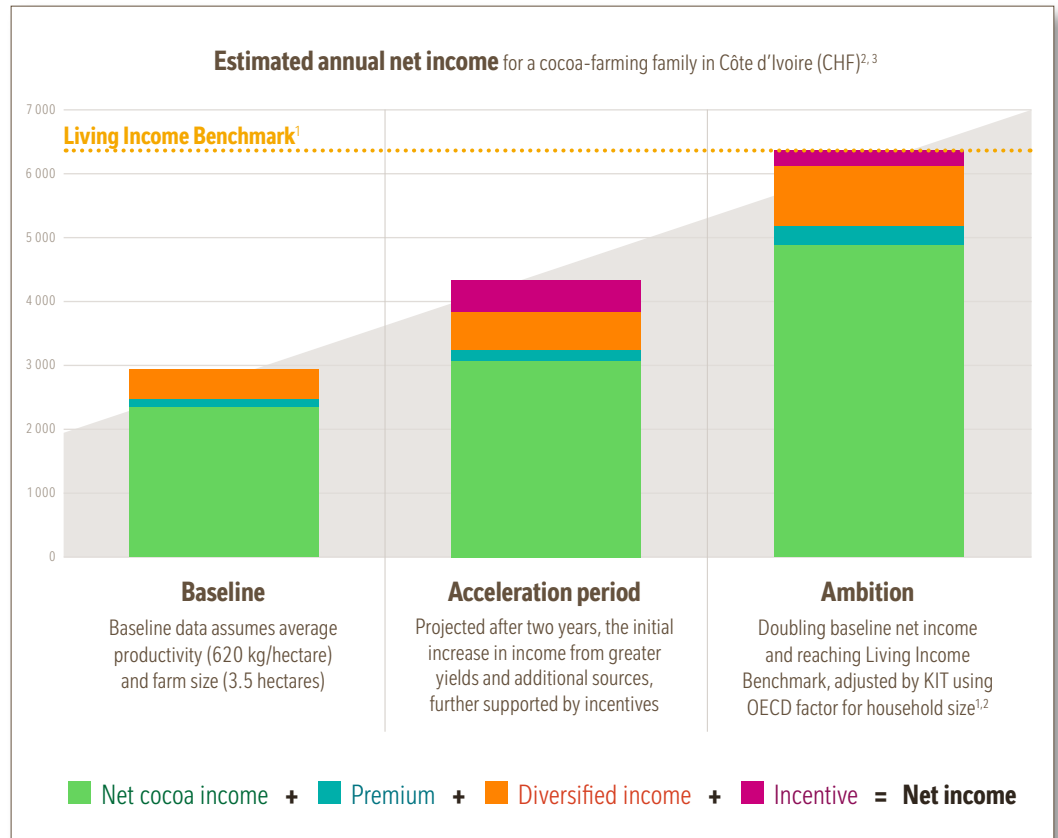
Phase 3: Ambition

The program is projected to double farmers' baseline income, achieving a living income for families who participate in the Nestlé Cocoa Plan.[1,2]

Estimated annual net income for a cocoa-farming family in Côte d'Ivoire (CHF)[2,3]

Living Income Benchmark[1]

Baseline
Baseline data assumes average productivity (620 kg/hectare) and farm size (3.5 hectares)

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

Ambition
Doubling baseline net income and reaching Living Income Benchmark, adjusted by KIT using OECD factor for household size[1,2]

■ Net cocoa income **+** ■ Premium **+** ■ Diversified income **+** ■ Incentive **= Net income**

Annual net income adjusted for farm size

for a cocoa-farming family in Côte d'Ivoire (CHF)[2]

Living Income benchmark[1]

Baseline[3] | Acceleration period | Ambition

■ **2 ha** cocoa farm net income
■ **3.5 ha** cocoa farm net income
■ **5 ha** cocoa farm net income

Pruning Proof

We set up demonstration plots as part of the pilot program to show the benefits of pruning and application of good agricultural practices. These were on normal farmers' fields with existing trees. Yields on these plots have reached on average more than 1 500 kg per hectare (in approximately 3 years).

CONTROLLING FOR VARIABLES

Our model was developed building on static data (cocoa price and exchange rates) combined with data from KIT Royal Tropical Institute and Rainforest Alliance. The model will be updated as the program progresses and we gather additional data.

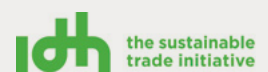| Cocoa price	CHF **1306** per 1 000 kg (CFA 825 per kg)[4]		
Farm size	**3.5** hectares[2]		
Family size	**3.82** adults **2.96** children[2]		
Productivity	**620** kg/ha[3] Baseline	**800** kg/ha Acceleration period	**1200** kg/ha Ambition
Exchange rate	CHF **1** = USD **1.0989**[1]		

MONITORING OUR PROGRESS

The success of the program will be monitored with the help of KIT Royal Tropical Institute and the continuation of our Child Labor Monitoring and Remediation System (CLMRS), in collaboration with the International Cocoa Initiative. Find out more about the CLMRS in our Tackling Child Labor report.

OUR PARTNERS

The rollout of the program would not be possible without the assistance and collaboration of our partners: KIT Royal Tropical Institute, International Cocoa Initiative, IDH, The Sustainable Trade Initiative, Rainforest Alliance, local cooperatives and cocoa farmers, including the Governments of Côte d'Ivoire and Ghana.

---

[1] Cost of living & living income benchmark: Ivorian Center for Socio Economic Research (CIRES) (2018). The Living Income Report, Rural Côte d'Ivoire, Cocoa growing areas. adjusted for household size based on Bymolt, R., Laven, A., & Tyszler, M. (2018). Demystifying the Cocoa Sector in Ghana and Côte d'Ivoire. The Royal Tropical Institute (KIT) updated for inflation in August 2020 and exchange rate on 13th January 2022.
[2] Average family size: 3.82 adults and 2.96 children; Average farm size: 3.5 hectares; sourced from Bymolt, R., Laven, A., & Tyszler, M. (2018). Demystifying the Cocoa Sector in Ghana and

Côte d'Ivoire. The Royal Tropical Institute (KIT). Available at: https://www.kit.nl/wp-content/uploads/2020/05/Demystifying-complete-file.pdf
[3] Based on average income measured from a random sample of 1 269 farmers from 34 coops; sourced from Nestlé Cocoa Plan M&E Survey & Analysis of productivity indicators 2020 Results. The Rainforest Alliance (February 2021)
[4] Model is based on the cocoa 2021/2022 season price