

**ANNUAL TRADER
ASSESSMENT RESULTS**

2021

In collaboration with:

3keel

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RETAILER COCOA COLLABORATION

OUR PURPOSE

The Retailer Cocoa Collaboration (RCC) is a pre-competitive collaboration between eleven grocery retailers from the UK and Europe, founded in 2018. It exists to drive environmental and social improvements in the cocoa sector through the transparent engagement of cocoa traders operating within retail supply chains.

The goal is that by working with major physical traders of cocoa to understand and assess their performance across issues which are key points of vulnerability for cocoa, the RCC can, through **greater transparency and accountability, drive change** and **facilitate better decision making** within the cocoa supply chain.

As retailers selling many thousands of different food and non-food products to millions of customers across the UK and Europe on a daily basis, RCC Members are committed to high social and environmental standards and are held accountable by their stakeholders accordingly. Cocoa has, by its very nature, a highly complex supply chain with hundreds of players in each transaction, which is particularly susceptible to social and environmental challenges. By taking a collaborative approach, RCC Members are able to leverage their collective influence to develop the most efficient and effective model for taking action.

GOVERNANCE AND COMPETITION LAW COMPLIANCE

The RCC is chaired on a rotational basis by a group of three Members (reviewed annually). All Members agree that they share a commitment to ensure that the activities of the RCC are conducted in full accordance with competition law. In order to achieve that end, all Members agree that they shall not engage in any activity or conduct which could constitute a breach of competition law.



CONTENTS

1	INTRODUCTION	05
2	OUR APPROACH	09
3	TRADER PERFORMANCE	13
4	CONCLUSIONS & RECOMMENDATIONS	23
5	APPENDIX	25

The background of the slide is a photograph of a cacao farm. In the foreground, a wooden crate is filled with large, yellowish-brown cacao pods, some showing dark spots. In the background, several people are visible, including a child in a red and black plaid shirt and a person wearing a wide-brimmed hat and a plaid shirt, both engaged in activities related to the farm. The scene is set outdoors with lush green foliage.

01 INTRODUCTION

EXECUTIVE SUMMARY

Through its annual Trader Assessment process, the Retailer Cocoa Collaboration (RCC) aims to support existing industry efforts to drive improvements in the cocoa sector by working with major physical traders of cocoa to understand and assess their performance across issues which are key points of vulnerability for cocoa.

These points of vulnerability largely relate to the environmental impacts of cocoa production – primarily deforestation and habitat degradation – and the social implications arising from the nature of the cocoa supply chain, which is highly fragmented and dominated by smallholder production. Particularly challenging social issues include high incidences of forced and child labour, poverty and human rights abuses.

Through the RCC, Members can better define the role of the retailer in achieving **greater transparency and accountability** and **facilitating better collaborative decision making** within the cocoa supply chain. This is the third year that the RCC has carried out its annual Trader Assessment, but the first year in which the detailed conclusions and findings flowing from the Assessment results have been made public.

CONCLUSIONS

1

The supply chains of all traders, and thus all downstream customers, are exposed to human rights risks.

Traders do not have sufficient monitoring infrastructure in place to ensure that their suppliers do not engage in child labour, forced labour or other ethics violations. Monitoring is stronger in traders' direct supply chains, where they have greater influence over production conditions, but even these systems have apparent gaps.

2

No trader assessed by the RCC demonstrated a model of verifying that cocoa volumes are deforestation- and conversion-free.

The levels of GPS and/or polygon mapping are encouraging, but a lack of traceability indicates that geospatial monitoring of farms is not paired with the ability to track volumes back to their origins. Without farm-level assurance, traders' volumes remain at risk for contributing to deforestation and conversion. Further, gaps in zero-deforestation commitments leave room for traders to potentially source cocoa linked to deforestation and conversion that does not technically violate sourcing policies.

3

Verification levels remain low across all assessment areas.

There was a lack of verification across all traders and in all assessment areas, which compromises the credibility of sustainability programmes. A number of traders relied solely on certification as a means of verification which usually only then related to the certified proportion of traded volumes. With certifications levels variable, only a fraction of their overall supply comes with the audits, monitoring and compliance checks required for appropriate verification.

EXECUTIVE SUMMARY continued

Key Findings



Traders' **climate commitments** are relatively strong. However, it is not clear how directly deforestation and land use are addressed in Scope 3 (value chain) targets.



Levels of **certification** are relatively low – the most used third-party certification is Rainforest Alliance¹ at 22% of supply on average. Despite this, certification is claimed as a means of demonstrating progress.



Traders' **zero-deforestation commitments** are not entirely aligned with best practice, and the issue of verifying deforestation-free claims is outstanding.



Ambitions on **social issues**, particularly child and forced labour, are limited. Although commitments may exist, comprehensive risk management systems are infrequent.



Verification of commitments and progress is limited overall. The credibility of sustainability programmes can be undercut by a lack of validation.



Traceability of cocoa volumes to processing plant and farm/plot levels are relatively low. This is contrasted with relatively high levels of GPS mapping for farms.

Recommendations

Link climate strategies to deforestation-free commitments. Rigorously eliminating deforestation can reduce Scope 3 emissions significantly.

Use certification to strategically address different sustainability risks. For example, if risk assessments suggest high rates of deforestation are occurring in a supply chain, leverage the Rainforest Alliance Identity Preserved (or 'end-to-end') certification model to the fullest extent possible.

Set robust zero deforestation commitments and implementation plans consistent with the [Accountability Framework Initiative](#).

Allocate additional resources to tackle social issues (especially child and forced labour). Consider moving from a project-based approach to a more comprehensive risk assessment and mitigation approach. Collaboration can accelerate progress.

Build comprehensive monitoring systems to measure and verify progress on social and environmental targets, or contract verification out to a third-party specialist. Monitoring and assurance is vital for reporting and compliance checks.

Have GHG footprints and emissions reduction targets approved by the [Science Based Targets initiative](#).

THE COCOA STORY

The global scale of cocoa consumption is vast:

Around
3 MILLION TONNES
of cocoa products are consumed globally¹,

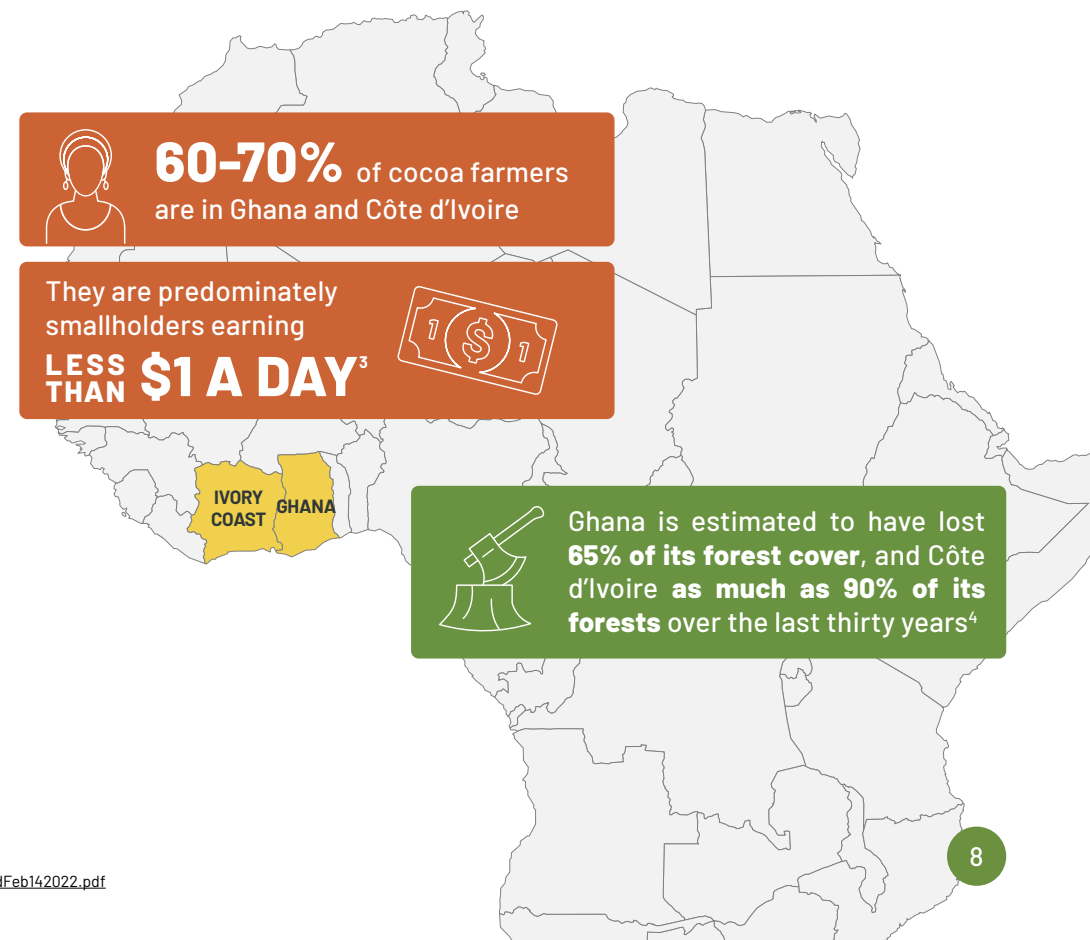
with a 2020 global processing
market value of around
\$12.4 BILLION

Per capita consumption of chocolate is at its highest in Europe: Europeans consume on average around 5kg of chocolate per capita per year². Cocoa is therefore big business, and the market value is only set to rise over the next decade.

However cocoa production has a number of significant challenges. Perhaps the most significant of these flow from the fact that the majority of **cocoa production is undertaken by some 5 to 6 million farmers worldwide, 60-70% of which are in Ghana and Côte d'Ivoire – predominantly smallholders earning less than \$1 a day³**. The fragmented nature of cocoa production creates a challenging environment for supply chain scrutiny, which in turn has held back opportunities to improve the environmental and social outcomes in cocoa over the last ten years.

Dominant issues in the cocoa supply chain are both social and environmental. On the social side, poverty, a high incidence of both child and forced labour and gender inequality are rife. On the environmental side, cocoa production is a significant driver of deforestation and conversion, with habitat removal continuing in all cocoa producing regions. Data suggests that in West Africa this includes designated protected areas, **with with Ghana estimated to have lost 65% of its forest cover, and Côte d'Ivoire as much as 90% of its forests over the last thirty years⁴**.

Given the value of the cocoa supply chain and the global per capita consumption of cocoa products, all stakeholders have a clear role to play in protecting the livelihoods and wellbeing of the communities growing cocoa, as well as the environments in which cocoa is grown. The RCC brings retailers together to work collaboratively and leverage their collective influence with the aim of achieving this, which includes assessing which of their own supply chain partners are working to combat the social and environmental challenges in cocoa – and holding to account those who are not.



¹<https://www.worldwildlife.org/pages/markets-institute-shifting-the-cocoa-production-paradigm>

²<https://www.cbi.eu/market-information/cocoa/trade-statistics>

³<https://www.worldwildlife.org/pages/markets-institute-shifting-the-cocoa-production-paradigm>

⁴https://www.mightyearth.org/wp-content/uploads/MightyEarthSweetNothingsReportFINAL_UpdatedFeb142022.pdf

A close-up photograph of cocoa beans and pods. In the foreground, a pile of dark brown, glossy cocoa beans is visible. Behind them, several cocoa pods are shown, some whole and some split open to reveal the beans inside. The pods have a rough, textured, reddish-brown husk. The background is softly blurred, showing more pods and beans.

02 OUR APPROACH

COLLABORATING TO ENGAGE:

HOW THE TRADER ASSESSMENT IS CARRIED OUT

TRADER SELECTION

The annual Trader Assessment is a robust process whereby RCC Members vote to select a number of the most prominent (by volume within Member supply chains, and also of global significance) cocoa trading businesses and assess their progress in cocoa sustainability. For the 2021 Trader Assessment process, nine traders were selected by RCC Members. Topics for the Assessment process are selected on the basis of their relevance to, and immediacy for, the cocoa supply chain, specifically issues such as deforestation and conversion, traceability, gender equality, farmer incomes and child and forced labour.

ASSESSMENT DISTRIBUTION AND VERIFICATION

The assessment is conducted through a questionnaire designed collaboratively by retailers. Distribution and verification of the assessment is conducted by 3Keel, who are on hand to support with the completion of questions, and who then finally verify and score responses.

SHARING RESULTS

Although the 2021 Assessment was the third annual assessment process undertaken by the RCC, it is the first year in which the key findings from the Assessment are being made public. This is a key development for RCC Members in terms of their ability to hold cocoa traders and themselves accountable against those actions.

See our 3 step trader assessment on the next page



2021 ASSESSMENT PROCESS

1

Trader Identification

Retailer members identify and vote on major growers, processors, importers and traders of cocoa. Traders generally represent a major European import footprint and a significant share of global cocoa production/processing. A total of nine traders were selected for the 2021 Assessment.

Confidentiality

For the reporting year 2021, the identity of the nine Traders selected for Assessment and the information that they have provided for the purposes of the Trader Assessment process will not be publicly disclosed.

2

Trader review and engagement

The Trader Assessment is conducted through direct engagement with the selected companies. The primary tool employed is a questionnaire that covers six social and environmental topic areas:

Certification and traceability, Deforestation and land use, Climate, Child and forced labour, Gender, and Labour practices and income.

Questions are regularly updated or added to reflect the increasing ambitions of the retailer members and the evolving understanding of best practices in the cocoa sector.

In order to reduce the traders' reporting burden, questionnaires are pre-populated through desk review of sources in the public domain. Traders then complete any missing information and ensure the accuracy of all claims and figures.

Once traders have submitted their responses 3Keel reviews all questionnaires and in certain instances may flag any potential areas where added clarity is needed (e.g., if incomplete evidence has been submitted).

3

Performance assessment

3Keel consolidates and scores all questionnaire responses. Claims are verified against publicly available resources and previous years' responses. Additionally, all evidence is reviewed, and incongruent justifications are flagged.

Each trader's responses are scored against a performance index that gives some credit for disclosure and enhanced ratings for actions that exceed the norms in a given impact area.

Retailers are then able to weight traders' scores according to their individual priorities and social/environmental agendas. For example, if a retailer has specific commitments around sourcing cocoa from companies that do not engage in child or forced labour, the weight of that impact area can be increased to reflect its added importance.

For further information on Scorecard weighting please see the [Performance Summary](#).

Assessment Areas are defined in more detail on the next page.

ASSESSMENT AREAS

HOW THE TRADER ASSESSMENT IS CARRIED OUT

Traders disclosed information across **six key sustainability issues**. Scores are based on traders' commitments, credible action plans, demonstrated progress and verification of results.



1. Certification and traceability

Traders were judged on the share of their cocoa supply certified to three independent standards: Fair Trade, Rainforest Alliance and Organic. In addition, any proprietary schemes created and maintained by traders were considered. Traceability reflects the ability for cocoa volumes to be tracked back to their origins. Trader performance was assessed on the ability to trace cocoa to three levels: country of origin, processing plant and individual farm/plot.



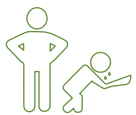
2. Deforestation and land use

The ambition of traders' commitments to achieve zero-deforestation and zero-conversion, as well as the associated timelines, were assessed. Other issues included support for increased farm productivity, progress on farm GPS mapping and measures undertaken to protect forests and promote Good Agricultural Practices.



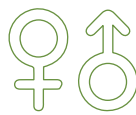
3. Climate

Traders' climate pledges were assessed for both credibility and robustness. Data was also collected on the current status of traders' carbon footprints, and whether climate commitments have been independently verified by the Science Based Targets initiative (SBTi).



4. Child and forced labour

Systems for monitoring child and forced labour were rated according to alignment with international standards, ambition on deadlines and independent verification. Progress on remediating cases of child and forced labour was also accounted for.



5. Gender

Commitments to improve the position of women in the cocoa supply chain were assessed for strength and transparency. Traders' efforts to monitor gender issues in their supply chains also factor into scores in this assessment area.



6. Labour practices and income

Traders' policies on enforcing fair labour practices and engaging in ethical behaviour throughout the supply chain were assessed. Programmes supporting living wages (including monitoring and evaluation systems) were also taken into account.



03 TRADER PERFORMANCE

KEY FINDINGS



Traders' **climate commitments** are relatively strong. However, it is not clear how directly deforestation, conversion and land use are addressed in Scope 3 (value chain) targets.



Verification of commitments and progress is limited overall. The credibility of sustainability programmes can be undercut by a lack of validation.



Traders' **zero-deforestation commitments** are not entirely aligned with best practice, and the issue of verifying deforestation- and conversion-free claims is outstanding.



Ambitions on **social issues**, particularly child and forced labour, are limited. Although commitments may exist, comprehensive risk management systems are infrequent.



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Traceability of cocoa volumes to processing plant and farm/plot levels are relatively low. This is contrasted with relatively high levels of GPS mapping for farms.

PERFORMANCE SUMMARY

Overall performance reflects aggregate scores across the six assessment areas. With seven out of nine companies falling at or below 60%, there is significant room for all traders to improve. Individual performance ranged from almost total inaction on most issues to relatively strong commitments accompanied by concrete action plans (albeit with limited verification of progress). Of note is the fact that company size did not directly correlate with performance – some of the best performing traders were relatively small (compared to the largest global commodity trading houses).

The table at lower right displays the average score for each assessment area. The lowest performing area was child and forced labour, where the average score across traders was 35%. This issue is the most overlooked, despite it being one of the most publicised. Traders have frequently been engaged on outstanding problems in handling child and forced labour, but RCC disclosure indicates that little progress has been made. Scores were also weak across the other social issue areas: labour practices and income (43%) and gender (48%).

Traders performed best in the certification and traceability assessment area at 70%. However, it should be noted that traders received some credit for disclosing information, whether or not responses

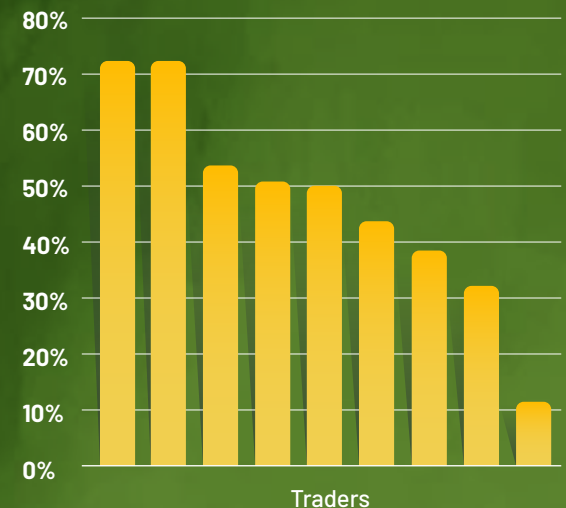
met the expected threshold for sustainable action or transparency.

This year's RCC findings are consistent with other benchmarks of cocoa traders – for example, the 2022 Chocolate Scorecard coordinated by Be Slavery Free¹. As in this year's RCC Trader Assessment, the Chocolate Scorecard found that there are relatively few traders who perform better than the pack, but even the top performers have substantial issues and headroom for improvement across sustainability issues.

Scorecard weightings

During the Trader Assessment process for 2021, 3Keel has supported the RCC with the introduction of scorecard weighting. This is a new development being used for the first time since the RCC was established in 2018. As a pre-competitive, collaborative group, the RCC is neutral and does not make any subjective judgements on which areas of action are most important or what the desired response from a trader should be on any questions. However, these judgements can be made by individual RCC Members, with weightings used to develop an adapted set of results according to which issues are significant to that Member. The weighted results can then be used by each Member to engage traders on their bespoke interpretation of trader responses. Results used for the analysis in this report are unweighted, and therefore consider all issues on which traders are assessed to be of equal importance to each other.

Trader aggregate scores across the six assessment areas



Assessment area	Average score
Certification and traceability	70%
Deforestation and land use	67%
Gender	48%
Labour practices and income	43%
Climate	40%
Child and forced labour	35%



FINDINGS: CLIMATE COMMITMENTS

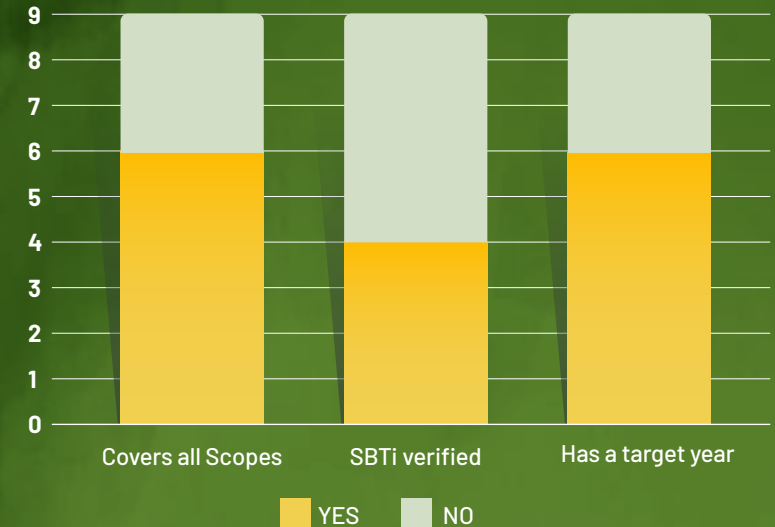
Climate pledges adopted by the assessed cocoa traders were relatively robust. Six traders (67%) have climate commitments covering all 3 Scopes¹, and commitments from four traders (44%) are verified by the Science Based Targets initiative – the SBTi, the world's leading GHG reduction target verifying body. Climate is a key focal point for stakeholders and a common action area for companies because it is perhaps the most visible sustainability issue that corporates engage with.

The scale of effort required to address the different scopes varies considerably. Scope 1 and 2 emissions are generally straightforward to address through actions that a company can control directly. Examples of traders' Scope 1 and 2 mitigation measures included switching to more efficient transportation modes, sourcing renewable electricity and adopting less energy intensive industrial processes.

Scope 3 emissions, on the other hand, arise from a complex set of sources that can be challenging to address. Because these emissions originate from outside the company, addressing Scope 3 emissions involves supporting actors up and down the value chain in reducing their own GHG footprints. For cocoa, the majority of these emissions arise from the pre-processing stages of production – of the emissions associated with one kilogram of dark chocolate, approximately 75% arise from land use change or crop production (both components of the agricultural stage of production)². These emissions are also the most important for traders to address. Among companies that reported the breakdown of their emissions across scopes, Scope 3 accounted for more than 95% of each footprint.

Despite this, traders reported very few concrete steps taken to address their Scope 3 emissions. Although targets have been set, it is not clear whether progress has been made – and if it has been made, by what means. Only one trader tracked progress in reducing Scope 3 emissions, and the measures employed to obtain reductions were not disclosed.

Climate Commitments



1. Scope 1 includes all emissions directly produced by a company (e.g., emissions from combustion of natural gas used to heat buildings); Scope 2 includes all emissions indirectly produced as a result of power consumed by the company (e.g., power plant emissions from the burning of coal or other fossil fuels); and Scope 3 includes all non-Scope 2 indirect emissions embedded in the value chains of the company's goods and services (e.g., the agricultural emissions associated with producing a tonne of cocoa, or the emissions associated with disposing of post-consumer packaging).

2. Poore and Nemecek (2018). Reducing food's environmental impacts through producers and consumers. Available from: <https://www.science.org/doi/10.1126/science.aag0216> [Accessed 15 April 2022].



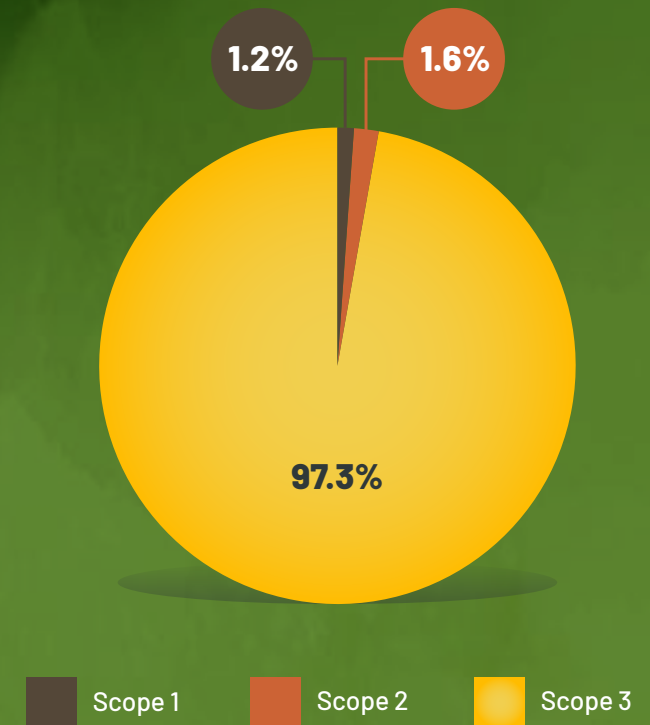
FINDINGS: CLIMATE COMMITMENTS

Land use change, which includes deforestation and conversion, can significantly increase a trader's GHG footprint. It is additionally important to consider land use through a climate lens because there is considerable synergy between climate strategies and deforestation-free commitments. Robust mitigation of deforestation and conversion can directly reduce Scope 3 footprints. Whatever approach traders take to address deforestation and conversion in their supply chains will have direct implications for emissions reductions – but not all strategies are created equal. For example, traders should be aware that purchasing certified volumes of cocoa does not always mean those volumes are verified deforestation- and conversion-free (and thus free from those forms of land use change emissions).

Traders with SBTi-approved targets (or those considering setting SBTi-approved targets) should also be aware of the new Forest, Land and Agriculture (FLAG) guidance from the SBTi. Under this new framework, any company with more than 20% of emissions, regardless of scope, arising from forestry, agriculture or other land-based sources will be required to set separate targets to address these emissions. FLAG targets for cocoa traders can include measures to avoid emissions by preventing deforestation and conversion, increasing forest carbon stocks and generate nature-based carbon removals³.

The FLAG framework requires that all agricultural, forestry and other land-based emissions be calculated and accounted for separately from other emissions sources. In addition, the separately formulated FLAG targets are subject to SBTi approval. Currently, no trader has presented their emissions to these standards, and traders without fully defined GHG footprints are not in a position to do so anytime soon.

Average GHG by footprint scope





FINDINGS: ZERO-DEFORESTATION COMMITMENTS

Many traders reported maintaining zero-deforestation and zero-conversion commitments that do not cover all forms of deforestation and conversion, or that omit certain kinds of forests. Further, two suppliers reported no commitment to eliminating deforestation and conversion at all. In both cases, traders' land use agendas diverge from guidance issued by the Accountability Framework initiative (AFi), the leading body on setting zero-deforestation targets. The AFi recommends that deforestation and conversion commitments cover all forms of deforestation and conversion, whether legal or illegal, occurring in all natural forests (or other biomes, where relevant) where the company operates or sources from.

Numerous traders indicated that their participation in the Cocoa and Forests Initiative (CFI) equated to maintaining a comprehensive zero-deforestation commitment. However, the CFI only applies in Côte d'Ivoire and Ghana¹ – for some traders this means that cocoa sourced outside of these countries is not explicitly covered by a zero-deforestation commitment. Further, the CFI's land use mandate specifies a prohibition of deforestation and forest degradation in specially designated forests. In Côte d'Ivoire, this refers to National Parks, Reserves and other Classified Forests. It is possible that forested areas not meeting these designations could be technically excluded from a trader's zero-deforestation commitment.

For traders that have made commitments, the issue of verifying cocoa volumes as originating from a farm/plot free from deforestation and conversion also remains outstanding. Claims that a share of a trader's supply is free from deforestation or conversion require substantial evidence from the farm level. According to data disclosed by traders, average levels of traceability back to the farm/plot level were low (see the [Traceability](#) section for more detail). This lack of traceability, paired with a lack of agreed approaches for claiming verified deforestation- and conversion-free supply chains for cocoa, means that it is challenging to corroborate where traders have reported that their supplies are free from deforestation and conversion.

Zero deforestation commitment

Commitment	No. of traders
Public commitment covering all sourcing countries	2
Cocoa and Forests Initiative membership	5
No commitment	2



FINDINGS: CERTIFICATION

The use of certification was low across the three third-party schemes assessed by the questionnaire. Uptake of both Fair Trade and Organic certification was less than 10% on average. Rainforest Alliance was the most utilized third-party scheme at 22%. Use of proprietary schemes – which traders author, monitor and maintain themselves – was higher, averaging 46%. Several traders reported that 100% of their supply was accounted for under a proprietary scheme.

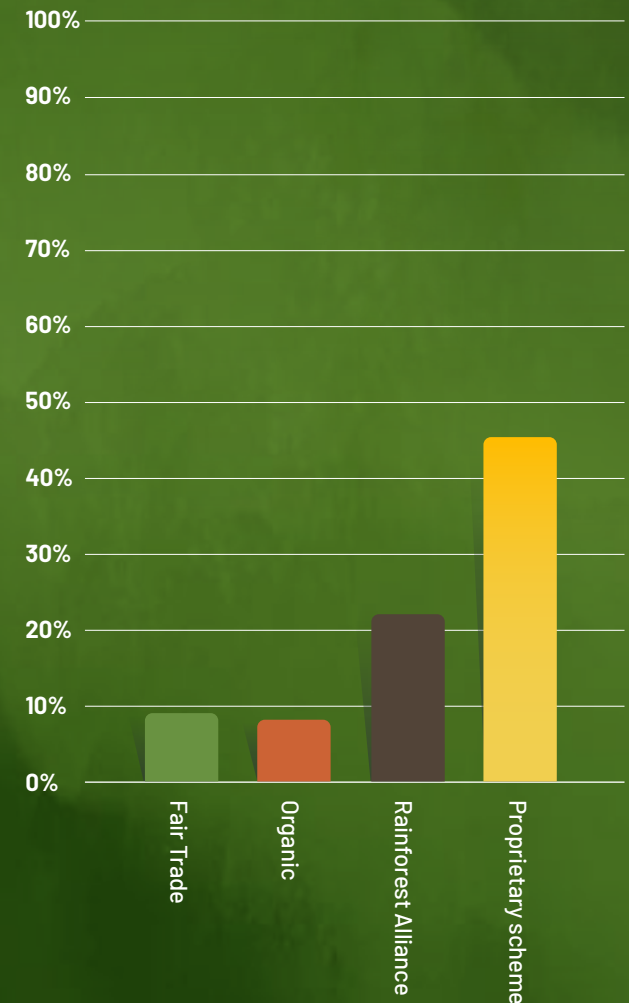
It should also be noted that some double (or even triple) counting was reported, as volumes can be certified under multiple third-party standards. This may further overlap with a trader's own proprietary scheme. For this reason, several traders reported that the exact share of the total supply certified to individual schemes was unknown.

Despite low levels of certification, these schemes were cited as a mechanism for mitigating social and environmental issues. In several cases, certification was the primary (or sole) action a trader reported as driving progress. However, this only holds true for the share of supply that is covered by certification, which was the minority of total volumes in many cases. This leaves the question of how risks in uncertified volumes are addressed.

In addition, producing cocoa in line with a certification standard does not automatically eliminate sustainability risks. The differing requirements of individual schemes can leave gaps in coverage. For example, volumes certified to the Fair Trade standard must comply with a suite of social requirements, but relatively few environmental stipulations. Conversely, Organic certification covers very few social issues.

Though the share of supply certified under proprietary schemes is higher, these programmes also have limitations. Sometimes proprietary scheme criteria are co-developed with reputable NGOs. However, where this is not the case, lack of transparency can mean that definitions, monitoring requirements and outcome criteria are unknown. Further, these schemes typically lack third-party verification (e.g., through independent audits), meaning that claims are subject to an additional degree of uncertainty (see the [Verification](#) section for more detail).

Average share of supply





FINDINGS: VERIFICATION

The levels of verification reported across all assessment areas in the questionnaire were notably low. Each section of the questionnaire provided traders with the space to explain how the evidence presented in prior answers had been independently assessed for accuracy and completeness. The purpose of these questions is to understand the level of oversight that traders' claims are subject to.

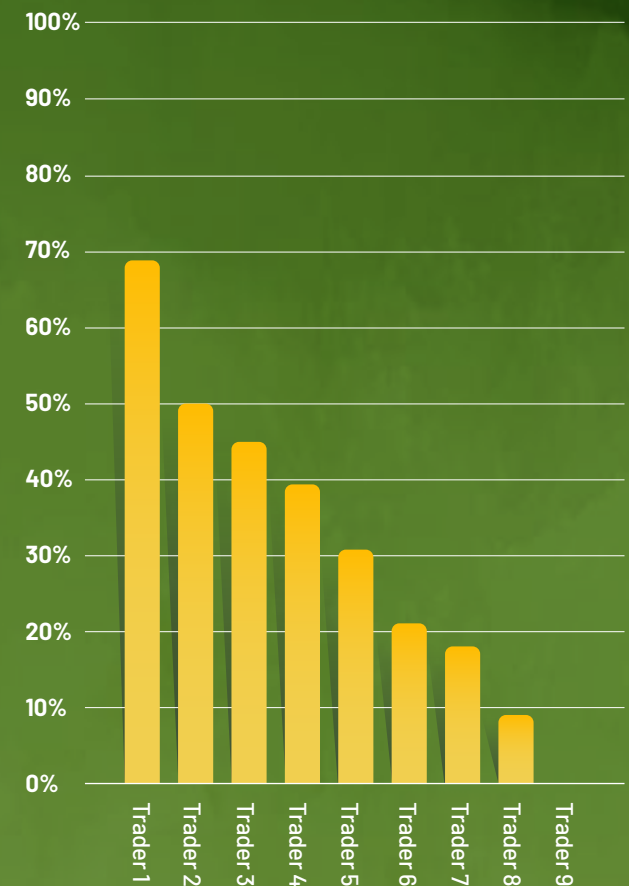
As demonstrated in the graph at right, only one trader achieved over 50% of the maximum possible score for verification. Further, detailed assessment of responses indicates that in some cases where traders replied that verification occurs, this only applies to a share of volumes. Verification is often tied to individual programmes and initiatives, rather than being systematically conducted for the entirety of a trader's cocoa supply.

A prime example of this is progress reporting linked to the Cocoa and Forests Initiative (or the Cocoa, Forests and Peace Initiative in Colombia). CFI requires members to annually report on activities and disclose specific indicators. Where the questionnaire overlapped with data required for CFI reporting, traders were able to provide more detailed information and more clearly evidenced responses. Where traders' activities are not as tightly coordinated by membership to a coalition, as is the case in labour practices and living income, varying approaches, standards and definitions are employed.

Another issue appears where traders report that verification is conducted solely by certification bodies. In these cases, only the fraction of cocoa covered by certification is accompanied by independent assurance. However, as seen in the certification section, the share of supply covered by a third-party certification scheme tends to be scant – the highest is Rainforest Alliance at an average of 22%. This means that where traders reported that certification bodies perform verification, only a fraction of their overall supply comes with the built-in audits, standards monitoring and compliance checks.

Although issues are not uniform for all traders, verification is an area where ambitions and actions to date have been limited. Lack of verification can substantially undercut the credibility of sustainability programmes.

% of maximum verification score





FINDINGS: LABOUR AND GENDER

The level of commitments applied to social issues varied by assessment area. For example, eight out of nine traders reported that they had a commitment to eliminate child labour from their cocoa supply chain, and seven reported that they had a commitment to eliminate forced labour. On the other hand, only four traders disclosed that they had a commitment to improve the position of women in the cocoa supply chain. However, even where traders maintain commitments, very limited progress has been demonstrated across social issues.

The status of child and forced labour is a prime example. Globally, only 13% of the traders' average cocoa supply was monitored for child labour, and only 28% was monitored for forced labour. Traders disclosed that in some sourcing countries the incidence rate of child labour in cocoa farming households was as high as 20%. Despite this, numerous traders reported that all of their cocoa supply complies with their commitments on child and forced labour – though insufficient evidence was provided to verify this.

Many traders reported their support for or involvement in one-off programmes with the objective of improving social conditions for cocoa labourers and farmers. However, these programmes typically apply to only a subset of suppliers or a limited geographic scope. For example, although a trader may source from countries in South America, Southeast Asia and West Africa, only one country in West Africa was covered by an initiative to mitigate child labour.

Unless activities are aligned under the heading of a common initiative or collective, approaches tend to be scattered and varying indicators of success are applied. For example, traders reported a widely ranging set of tactics used to improve incomes for labourers and farmers. They also reported numerous different benchmarks for setting a living wage, some of which relied on rigorous input from NGO experts, others of which targeted unambitious global poverty level wages.

Region	Average share of supply monitored for child labour ¹	Average share of supply monitored for forced labour ¹
Global	13%	28%
Cote d'Ivoire	6%	8%
Ghana	26%	16%

Commitment (applies to own operations/joint ventures)	Yes ✓	No ✗
Eliminate child labour	8	1
Eliminate forced labour	7	2
Respect human rights	9	0
Improve the position of women	4	5
Only work with organisations that practice ethical behaviour	6	3
Support improved wages	6	3



FINDINGS: TRACEABILITY

Traceability is a critical issue for cocoa. It enables verification of labour conditions, monitoring for deforestation and conversion and assessing for compliance with legal and voluntary standards. Without traceability data, it is difficult to sufficiently evidence claims about production practices. It is for this reason that rigorous certification models include strict traceability requirements.

Levels of traceability disclosed by the traders varied considerably at each tier. Six traders reported 100% traceability back to country of origin, and the average share of global supply traceable to this level was 83%. However, the ability to track cocoa back up the supply chain diminishes for most traders, especially at the farm level. The highest individual share of cocoa traceable to farm/plot was approximately 80%, and only one other trader exceeded 50%. The global average share of cocoa traceable to farm/plot for the remaining seven traders was 19.6%, which includes two traders with less than 5%.

The generally low levels of traceability to the farm level are a significant obstacle to the validation of traders' progress on all the issues addressed by the questionnaire. However, there is one area where traders' capacity for monitoring exceeds reported levels of traceability: where farms are GPS and/or polygon mapped to geospatially monitor for deforestation and conversion. Traders disclosed that the percentage of farms GPS and/or polygon mapped exceeds the share of cocoa that is traceable to the farm in all regions.

This discrepancy is notable because identification of individual farms is typically paired with volumes sourced from those farms via traceability systems. The fact that traders do not report rates of traceability to farm at similar levels to the geospatial monitoring of those same farms indicates a mismatch in monitoring capacity.

Traceability tier	Average share of global supply traceable to...
Country of origin	83%
Processing plant	59%
Farm/plot	33%

Region	Average share of farms GPS and/or polygon mapped	Average share of supply traceable to farm/plot
Global	56%	33%
Cote d'Ivoire	66%	43%
Ghana	70%	58%



04 CONCLUSIONS & RECOMMENDATIONS

CONCLUSIONS

1

The supply chains of all traders, and thus all downstream customers, are exposed to human rights risks.

Traders do not have sufficient monitoring infrastructure in place to ensure that their suppliers do not engage in child labour, forced labour or other ethics violations. Monitoring is stronger in traders' direct supply chains, where they have greater influence over production conditions, but even these systems have apparent gaps.

2

No trader assessed by the RCC demonstrated a model of verifying that cocoa volumes are deforestation- and conversion-free.

The levels of GPS and/or polygon mapping are encouraging, but a lack of traceability indicates that geospatial monitoring of farms is not paired with the ability to track volumes back to their origins. Without farm-level assurance, traders' volumes remain at risk for contributing to deforestation and conversion. Further, gaps in zero-deforestation commitments leave room for traders to potentially source cocoa linked to deforestation and conversion that does not technically violate sourcing policies.

3

Verification levels remain low across all assessment areas.

There was a lack of verification across all traders and in all assessment areas, which compromises the credibility of sustainability programmes. A number of traders relied solely on certification as a means of verification which usually only then related to the certified proportion of traded volumes. With certifications levels variable, only a fraction of their overall supply comes with the audits, monitoring and compliance checks required for appropriate verification.

RECOMMENDATIONS FOR TRADERS



Link climate strategies to deforestation- and conversion-free commitments. Rigorously eliminating deforestation and conversion can reduce Scope 3 emissions significantly.



Set robust, Accountability Framework Initiative-aligned zero-deforestation commitments. Ensure that commitments do not leave room for technical exceptions. All sourcing geographies and forest types should be covered explicitly.



Certification can play a part in mitigating social and environmental risks, but it is not typically sufficient as a standalone measure. Traders should not rely on certification as the sole means of achieving progress.



Build comprehensive monitoring systems to measure and verify progress on social and environmental targets, or contract verification out to a third-party specialist. Monitoring and assurance is vital for reporting and compliance checks.



Allocate additional resources to tackle social issues (especially child and forced labour). Consider moving from a project-based approach to a more comprehensive risk assessment and mitigation approach. Collaboration can accelerate progress.



Traders with SBTi-approved targets (or those considering setting targets) should be aware of the new Forest, Land and Agriculture (FLAG) guidance, and set targets appropriately.



THANK YOU

The aim of the RCC is to be a pre-competitive group that supports existing industry efforts to drive environmental and social improvements in the cocoa sector.



The RCC is supported by 3Keel LLP. 3Keel provide programme coordination and technical expertise to Members and Affiliates.

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