



# 2022 Annual Trader Assessment Results

In collaboration with:

**3keel**



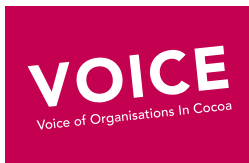
**Report Authors:**

Emily Scott  
 Eve Nelson  
 Will Schreiber  
 Garrett Stoll  
 Ellie Gorringer

**Design**

Robbie Dawson

NGO Collaborator:

**Disclaimer:**

3Keel Group Ltd (3Keel) have prepared this report for the sole use of the Retailer Cocoa Collaboration (RCC). 3Keel has exercised due and customary care in preparing the report but has not, unless explicitly stated, verified the information provided by the companies included in this report. No other warranty, express or implied, is made in relation to the contents of this report. The use of this report, or reliance on its content, by retailers or third parties in decision making processes shall be at their own risk, and 3Keel accepts no responsibility for the outcomes of those decisions. Any recommendations, opinions, or findings stated in this report are based on the facts and information provided to 3Keel or as otherwise available in the public domain as they existed at the time the report was prepared. Any changes in such facts and information may adversely affect the recommendations, opinions, or findings.



# Contents

- 4 Executive Summary
- 5 Introduction to the Retailer Cocoa Collaboration
- 6 Our approach
- 8 Findings
- 16 Conclusions and Recommendations



# Executive Summary

This is the second public facing annual report of the Retailer Cocoa Collaboration (RCC), building on the information shared in its first public report. By sharing the anonymised results of the RCC cocoa trader assessment, the RCC and its Members hope to create transparency and a platform to further ignite public conversation about sustainability in cocoa, particularly with retail supply chains in mind.

Since the publication of the 2021 Report, the European Union (EU) has passed the EU Deforestation Regulation (EUDR). This key piece of legislation accelerates the conversation around traceability and transparency in sourcing for a number of key forest-risk commodities including cocoa. The EUDR requires all traders and their downstream customers to undertake due diligence to ensure all cocoa placed on the European market is deforestation-free and legally produced (including compliant with labour and land rights in the country of production). In order to carry out this due diligence, companies will be required to know the precise location of cocoa production and submit this information to the relevant authorities. The results of our assessment found that whilst some traders have made good progress in ensuring traceability to farm level for their direct supply chains, no single trader is currently able to ensure 100% traceability to farm level for both its direct and indirect supply chains. This is a key requirement for compliance with the EUDR which suggests there is some distance to go before retailers operating in Europe can feel comfortable that they will be compliant with their own obligations under the legislation.

**No single trader is currently able to assure 100% traceability to farm level for both its direct and indirect supply chains**

However, overall we have seen a growing awareness of the need for improved traceability across cocoa traders. Traceability in cocoa is key to progress across all sustainability metrics, from zero deforestation and conversion to the elimination of child labour.

Key findings from the RCC assessment process, brought together on a thematic basis, are set out below alongside our recommendations for action in order to create meaningful change.



# 01 Introduction





# Introduction to the **Retailer Cocoa Collaboration**

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

**//**  
**The coalition exists to drive environmental and social improvements in the cocoa sector**

## The challenge for retailers

RCC Members are all national, and in some cases international, retailers which are held accountable for their sustainability performance across a range of metrics by millions of consumers across Europe on a daily basis. This includes sustainability in cocoa: Europe is the world's largest importer of cocoa beans worldwide, with around 56% of global imports, and as such sustainability of cocoa in Europe - including the UK - is highly visible in retail supply chains\*. RCC Members are expected to demonstrate excellence in sustainable cocoa sourcing.

## The solution

All RCC Members are committed to strong sustainability performance and have set out commitments on environmental and social standards. To have a clear idea of how they are performing against these standards, an understanding of their own supply chain dynamics is essential. The RCC provides a pre-competitive platform where retailers can collaborate on best practice in cocoa supply chain sustainability, and bring together a set of harmonised asks to cocoa traders, with the ultimate end-goal of increasing cocoa sustainability together. This is achieved through an annual cocoa trader survey.

## Competition law compliance

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.

\* [What is the demand for cocoa on the European market?](#) CBI, December 2022



# 02 Our Approach



# Our approach

The RCC is convened by 3Keel Group Ltd (3Keel). On behalf of the Members of the RCC, 3Keel undertakes three key functions: i) review, develop and share the questionnaire with cocoa traders, ii) collate and score trader responses, and iii) prepare results: a one-page summary and a scorecard for Members and a public Report for stakeholders.

We are conscious that cocoa traders, and indeed traders and importers of all commodities, are subject to scrutiny and are required to report and respond to enquiries about their performance. We try to balance reducing reporting burden with Member desire for the transparency that they need to be accountable to their own customers across the full spectrum of cocoa trader activity, particularly as the EUDR has shone a much needed light on supply chain transparency for forest-risk commodities.

## Key steps in our trader engagement process are as follows:

1

### Questionnaire review

3Keel reviewed the questionnaire to ensure it was up to date and reflective of current best practice in the cocoa sector. This was undertaken for two reasons: firstly, so that we can ensure the framing of the questionnaire continues to be relevant. This element of the questionnaire review was undertaken, in part, in collaboration with VOICE Network. Secondly, we know that some RCC Members are also members of the Palm Oil Transparency Coalition (POTC) and the Soy Transparency Coalition (STC). As part of an alignment process we migrated a number of new questions from STC and POTC to the RCC questionnaire where they were considered to be both relevant to cocoa and useful to RCC Members.

2

### Trader selection

It was agreed by Members that the same nine traders would be assessed as for the 2021 process, to aid comparability of performance.

3

### Questionnaire distribution and response window open

Questionnaires are developed with stakeholders and sent to traders for verification. All companies had seven weeks to respond and provide additional information.

4

### Data review and trader engagement

Once trader responses were submitted, data was reviewed and collated. Calls were arranged between each trader, interested RCC Members and 3Keel to provide greater clarity, communication and transparency on the questionnaire response.

We received full responses from seven of the nine traders. One trader was unresponsive, and one was not able to complete the questionnaire within the allotted time frame. Of the two traders which did not respond, their scores have been prepared on the basis of publicly available information about their businesses.

5

### Finalisation of results

Trader response data was shared with RCC Members in two forms: i) a written one page summary describing key elements of each trader's sourcing, traceability and transparency data alongside its performance across key thematic areas in cocoa sustainability, and ii) a scorecard which can be used to create a score based either on the Member's pre-defined criteria, or using pre-selected criteria which are defined, in part, in collaboration with VOICE Network.

## Key thematic areas



Gender

Child and  
forced labourDeforestation  
and land useLabour practices  
and incomeTransparency  
and traceability

Climate



# 03 Findings





# Key Findings

**1**

**Lack of consistent traceability in the cocoa supply chain indicates there will be challenges in complying with the EU Deforestation Regulation (EUDR) for all traders.**

Current efforts are focused predominantly in traders' direct, rather than indirect, supply chains.

**2**

**Deforestation commitments continue to rely heavily on the Cocoa and Forests Initiative which is limited in geographic scope (Ghana and Côte d'Ivoire only).**

Any standalone deforestation commitments tend not to include conversion.

**3**

**Most traders use Child Labour Monitoring and Remediation Systems (CLMRS) but few have systems that are independently verified.**

Ensuring a CLMRS is credible and robust is important to assure efficacy.

**4**

**Approaches to defining and applying living income are inconsistent, data collection is poor and a number of traders do not recognise a living wage as a human right.**

The development of consistent approaches to measuring and ensuring living income will be instrumental in poverty reduction.

**5**

**Increasingly, traders are engaging with climate issues and developing Science Based Targets Initiative (SBTi) verified targets.**

This is a positive step forward for Greenhouse Gas (GHG) reduction goals in the wider cocoa sector.



# 2022 Overall performance summary

There is an overall narrowing of the disparity in performance – in 2022 the top 5 scoring traders are within a 10% margin whereas for 2021, a 20% margin separated the top 5 scoring traders. This suggests that overall performance relative to each other is improving, and that the sector as a whole is moving positively towards better performance.

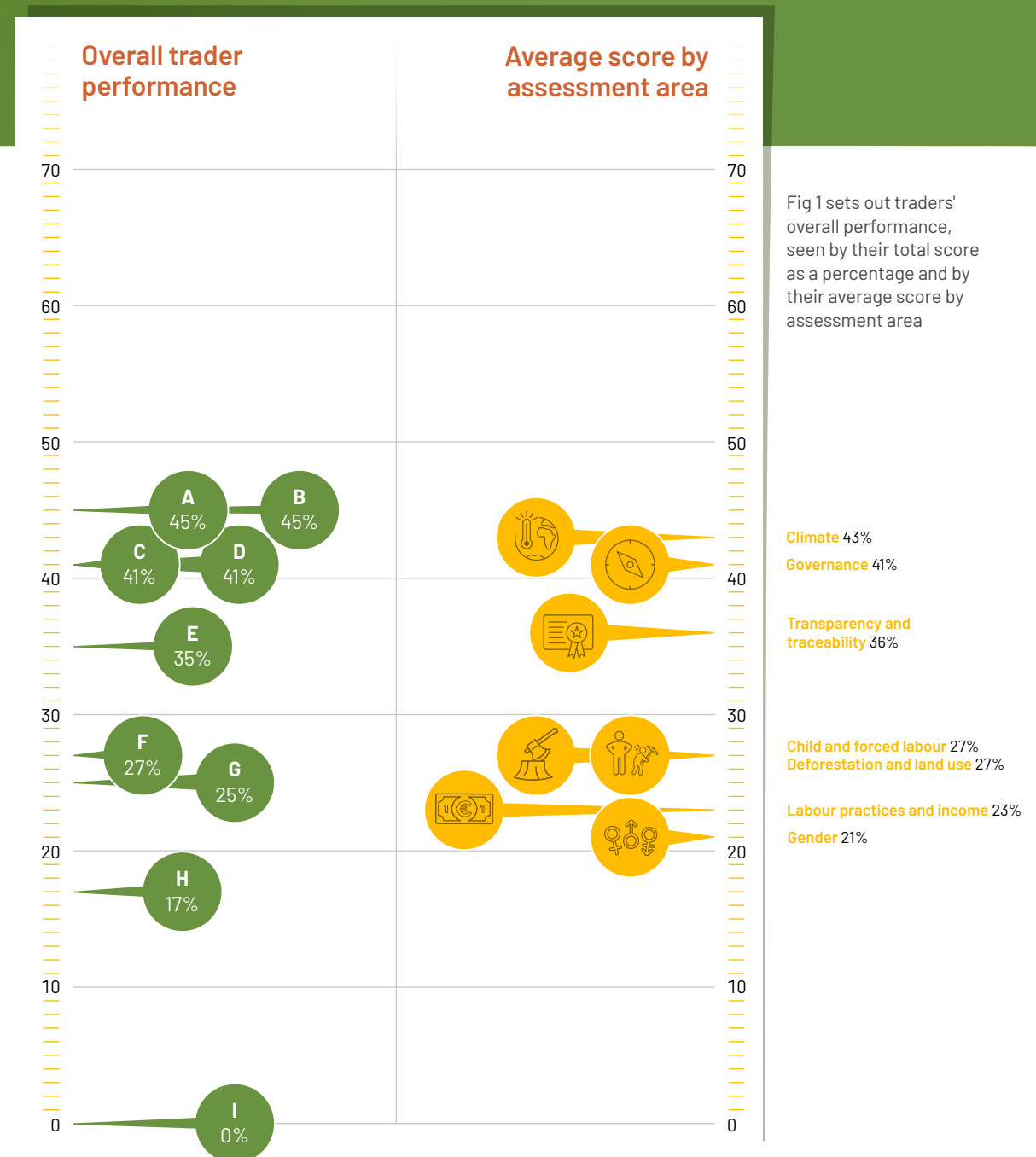
Individual performance remains highly variable across the different thematic assessment areas, with some cocoa traders demonstrating commitment and progress across the full spectrum of issues in cocoa, but with others conversely showing a lack of corporate action stemming from an overreliance on certification as a means to assure sustainability. Fairtrade and Rainforest Alliance continue to be the two primary certification bodies used for this purpose.

## Individual trader performance remains highly variable across the different thematic assessment areas

Figure 1 reflects the average score for each assessment area. As in 2021, we continue to see social issues in cocoa reflected poorly in trader performance. Conversely, performance in climate is improving, with more traders undertaking assessments of their supply chain emissions and committing to GHG reductions targets. Of concern is the traceability and transparency score, low relative to its importance for the whole cocoa supply chain, given the advent of the EUDR and the fact that it underpins change in all other areas.

### Confidentiality and Scoring

For the reporting year 2022, the identity of the nine traders selected for assessment and the information that they have provided in their responses will not be publicly identifiable. In our graphics setting out performance we have used the titles Trader A, Trader B etc to show individual performance, but to ensure trader anonymity, these titles do not apply consistently throughout and are used for representative purposes only. **Overall performance reflects aggregate scores across the six assessment areas.**



## Key finding 1

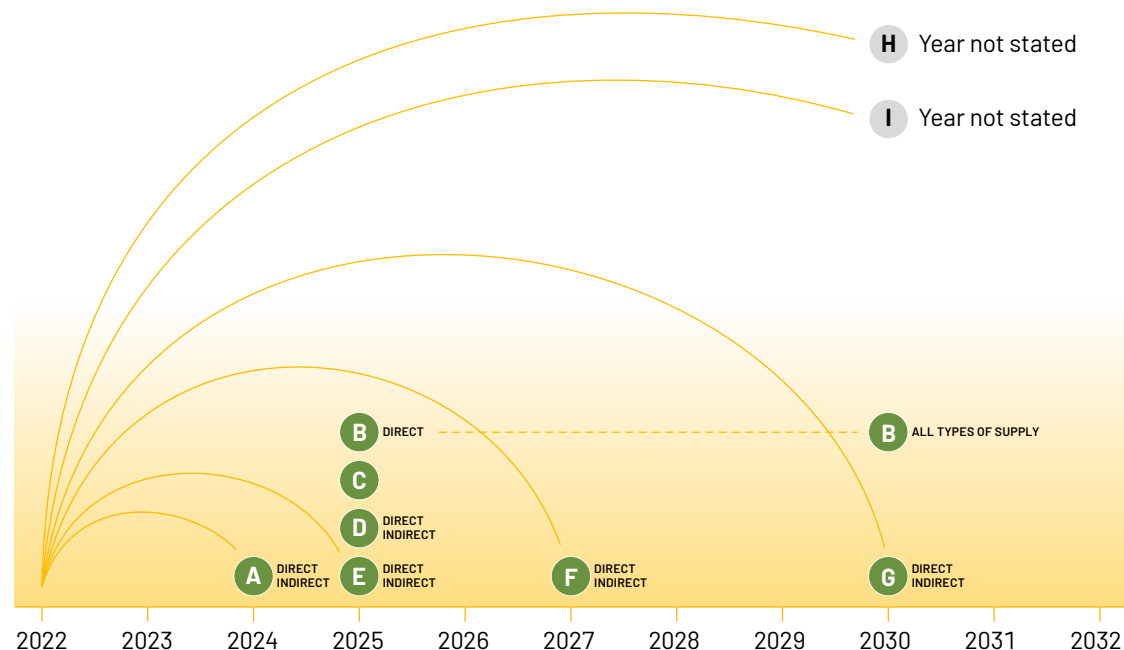
Lack of consistent traceability in the cocoa supply chain indicates there will be challenges in complying with the EU Deforestation Regulation for all traders. Efforts are focused predominantly in traders' direct, rather than indirect, supply chains.

The EU Deforestation Regulation (EUDR) requires all traders to know the precise location of cocoa production in order to be able to assure that all cocoa placed on the European market is deforestation-free and legally produced. This requirement will dramatically change the landscape of traceability in cocoa. RCC assessment findings indicate that currently, traders will struggle to comply with the legislation in both their direct and indirect supply chains. As a collective there was limited evidence of clear plans in place to provide the required information to customers, and a number did not have any aspiration to be able to provide 100% traceability in their direct and indirect supply by the currently expected EUDR effective date (early 2025). One trader noted that they would not make any plans regarding their approach to traceability until the legislation was formally agreed at a European level.

RCC trader and Member calls allowed us to draw some key conclusions. Firstly, in many cases the onus is being placed on indirect suppliers to perform the due diligence. A continued focus on direct supply, to the exclusion of indirect supply, is consistent across all traders. Within their direct supply chain traders have more control in terms of the measures that they are able to put in place to manage traceability, but in many cases direct supply accounts for less than 50% of overall volume. On that basis there continues to be large volumes of cocoa that are not subject to traders' traceability requirements, or indeed many of their other sustainability commitments. Collaboration across the sector is essential to ensure issues are addressed in both the direct and indirect cocoa supply chains.

Figure 2 indicates the variability in terms of goal dates to achieve 100% traceability to production unit, with at least 50% (if not more) traders currently forecast to miss a 2025 goal date for 100% traceability in direct and indirect supply.

### 100% traceability to production unit – goal date



Most cocoa traders are able to apply higher levels of traceability beyond their currently reported levels, but this data is only available to their customers at additional cost. Feedback from traders suggest that further investment and cost sharing throughout the supply chain, from trader to end consumer, is needed to achieve the required levels of traceability and facilitate compliance with the EUDR.

Fig 2 shows the stated goal dates traders gave in response to the question 'By what date will you have 100% of the cocoa you use traceable to the production unit?'



**A continued focus on direct supply, to the exclusion of indirect supply, is consistent across all traders**



## Key finding 2

Deforestation commitments continue to rely heavily on the Cocoa and Forests Initiative which is limited in geographic scope (Ghana and Côte d'Ivoire only). Any standalone deforestation commitments tend not to include conversion.

The 2022 assessment results paint a complex picture in relation to zero deforestation and conversion commitments from traders. Initial results show that all traders now have some form of commitment, whether as members of the World Cocoa Foundation's Cocoa and Forests Initiative (CFI) only, or as a standalone commitment to zero deforestation. This is a welcome step on from 2021, where two traders had no commitment at all. This is a development which demonstrates that positive change continues to happen in the sector.

However there continues to be a lack of consistency in how these commitments are expressed. In some cases the overarching intention of the trader in relation to deforestation (and conversion, where this was included) was challenging to find within their public reporting, or the commitment was not publicly made at all. We recommend that wider adoption of agreed industry definitions (eg. the Accountability Framework Initiative (AFi), the leading coalition on setting deforestation and conversion targets) would improve consistency and approaches to deforestation in the cocoa sector.

### **Wider adoption of agreed industry definitions would improve consistency in approaches to deforestation**

As was the case for the 2021 assessment, a large number of traders rely on membership of the CFI to make zero deforestation commitments or claims. The CFI continues to be the cocoa sector's foremost movement spearheading the elimination of deforestation, working to tackle not only deforestation in Ghana and Côte d'Ivoire, but also farmer productivity and community well being, with a broad range of stakeholders.

Trader	CFI Member	Has a standalone deforestation commitment:
A	Yes	Yes, but doesn't cover conversion
B	Yes	Yes, covers deforestation and conversion
C	No	Yes, but doesn't cover conversion
D	Yes	Yes, covers deforestation and conversion
E	Yes	Yes, but doesn't cover conversion
F	Yes	No data provided
G	Yes	Yes, but doesn't cover conversion
H	Yes	Yes, but doesn't cover conversion
I	Yes	Yes, but doesn't cover conversion

Fig 3 shows the range of different approaches to deforestation commitments across all traders

**For the 2022 assessment we broadened the wording in our question on deforestation commitment to reflect best practice and alignment with the AFi.**

#### **In 2021 we asked:**

Do you have a public commitment to achieve zero deforestation from your cocoa supply (i.e., no conversion of protected areas, High Conservation Value and High Carbon Stock areas)?

#### **In 2022 we asked:**

Do you have a public commitment to achieve zero deforestation and conversion from your cocoa supply?

Few retailers include wording around conversion in their zero deforestation commitments, so the scores for 2022 on this topic are lower than the 2021 scores.

## Key finding 3

Most traders use Child Labour Monitoring and Remediation Systems (CLMRS) but few have systems that are independently verified. Ensuring a CLMRS is credible and robust is important to assure efficacy.

Child labour continues to be a major social issue of concern in the cocoa supply chain, predominantly in West Africa, where children are frequently involved in hazardous and inappropriate work on their family farms. Child labour is inextricably linked with poverty, as children represent 'free' labour which can increase the productivity of a farm without any financial outlay. However the impacts of that on the child are obviously not without consequence.

Child Labour Monitoring and Remediation Systems (CLMRS) were developed by the International Labour Organisation over 20 years ago, and in the years since have become a key method by which cocoa traders can address and reduce the risk of child labour in their supply chains. From RCC assessment data we know that a number of traders use a CLMRS as a tool to manage and reduce child labour in their (almost exclusively direct) supply chains. Those who were not using a CLMRS did state that they had a commitment to eliminate child labour in their supply chains but were less clear on how they were intending to achieve this.

### Only one trader was able to state that their CLMRS was independently verified

However we also know that only one trader using a CLMRS was able to state that the functioning of their CLMRS was independently verified, which calls into question what these systems are monitoring and how effectively they are doing so. Given that there has been significant research into the role of a CLMRS (see information box to the right) and the functions that it needs to be able to deliver, traders need to be able to establish the robustness of their systems and ensure that it is fit for purpose.

What proportion of the cocoa farming households that supply you are covered by a functioning CLMRS?

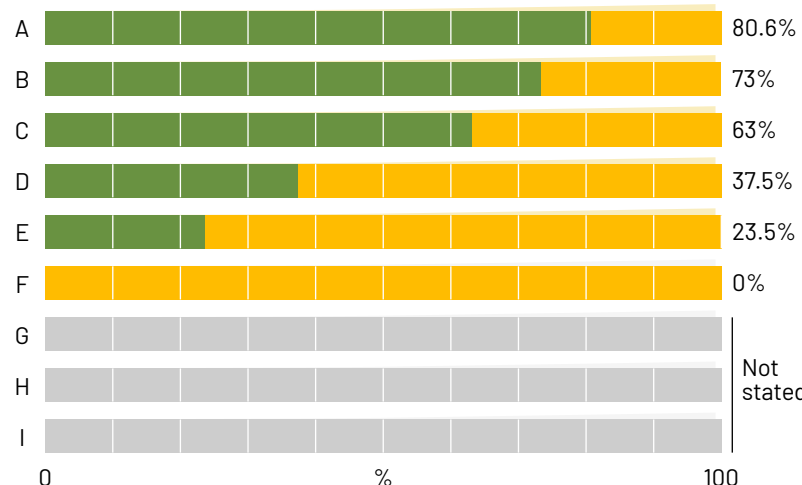


Fig 4 shows trader responses to the question: 'What proportion of the cocoa farming households that supply you are covered by a functioning CLMRS?'

■ Covered  
■ Not covered  
■ No data

## What makes a successful CLMRS?

In the 20 years since the introduction of the CLMRS concept there have been a number of moves to define exactly what a successful CLMRS should cover. Research from the International Cocoa Initiative has suggested a credible CLMRS needs to demonstrate four key functions: awareness raising, identification of cases, provision of support, and follow up\*.

The 2022 Cocoa Barometer goes beyond this, and proposes some key metrics that a company needs to be making public in order to demonstrate the credibility of its CLMRS\*\*.

- 1** Number of households covered by the CLMRS (in absolute numbers, as well as in % of total sourcing, both direct and indirect)
- 2** Number of children in the CLMRS (in absolute numbers, as well as in % of total sourcing, both direct and indirect)
- 3** Number of cases identified in (worst forms of) child labour
- 4** Number of children no longer in (worst forms of) child labour after one and two follow up visits
- 5** Kind of support provided

\* ICI announces new strategy to tackle child labour in cocoa with more effective CLMRS

\*\* 2022 Cocoa Barometer



## Key finding 4

Approaches to defining and applying living income are inconsistent, data collection is poor and a number of traders do not recognise a living wage as a human right.

We know that farmer poverty underlines all other issues in the cocoa supply chain, from deforestation and conversion to productivity to child labour and gender equality. Addressing farmer poverty is the key that unlocks progress across all metrics, but as a first step living income needs to be recognised as a basic human right. A question on this issue: 'Do you have a policy or available statement which states that living income is a basic human right?' was a new addition to the 2022 Assessment, aligned with the Chocolate Scorecard 4th Edition.

Responses demonstrate that traders are still some way from a consensus on this issue. An approach which views living income as a human right is considered best practice, not only for cocoa traders but – in order to really drive change – for the whole supply chain.

RCC assessment data shows that trader approaches to tackling poverty are varied both in terms of the issues that they are identifying and the ways in which they're addressing them. Traders continue to use a range of approaches to defining and ensuring a living income – ranging from focusing exclusively on productivity to defined targets and use of definitions such as the Anker Methodology. Traders were asked 'what benchmark do you use to define a living income/wage?'. Responses to this question show that although approaches are beginning to coalesce around the Living Income Community of Practice\*, which supports the correct use and wider uptake of the Anker Methodology, there are still traders which do not use a benchmark to assess living wage at all.

Originally developed by Richard Anker and Martha Anker in 2017 for calculating a living wage, the **Anker Methodology**\*\* has gained widespread acceptance as a method of estimating living wages, and living incomes around the world. The methodology has been applied and championed by the [Global Living Wage Coalition](#) and a number of other organisations, and is endorsed by the Living Income Community of Practice. The Anker Methodology has been used by a range of stakeholders in the cocoa sector for the development of living costs for 'a basic but decent standard of living'.



Do you have a policy or available statement which states that living income is a basic human right?

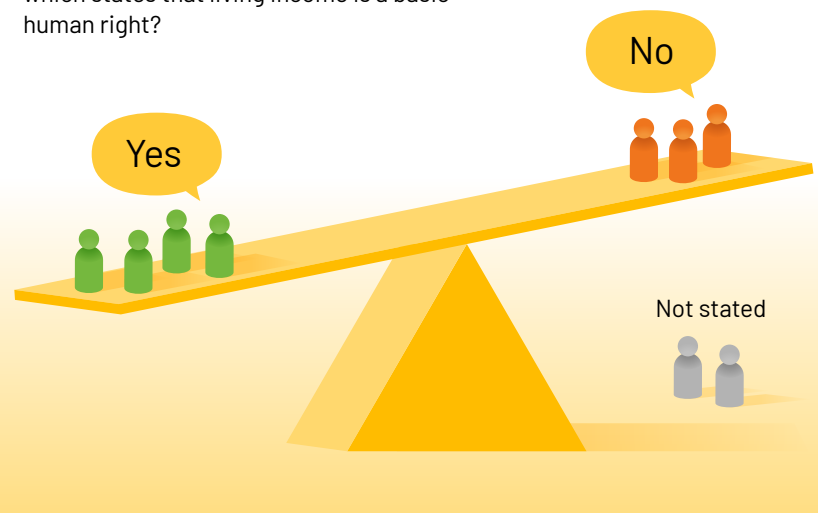


Fig 5 demonstrates that over 50% of traders do not have a clear policy or statement setting out that living income is a basic human right

It is important to emphasise that traders need to consider living income not only nationally, but also regionally. Using an appropriate benchmark will enable traders to consider living costs on a local basis, working with local stakeholders in the relevant regions rather than nationally, to ensure the correct metrics are set to enable cocoa farmers to achieve a wage which allows them a decent standard of living based on their actual needs.

Fig 6 shows the variability in trader approaches to defining a living income, in response to the question 'What benchmark do you use to define a living income/wage?'



## Key finding 5

Increasingly, traders are engaging with climate issues and developing Science Based Targets Initiative verified targets, which is a positive step forward for Greenhouse Gas reductions goals in the wider cocoa sector.

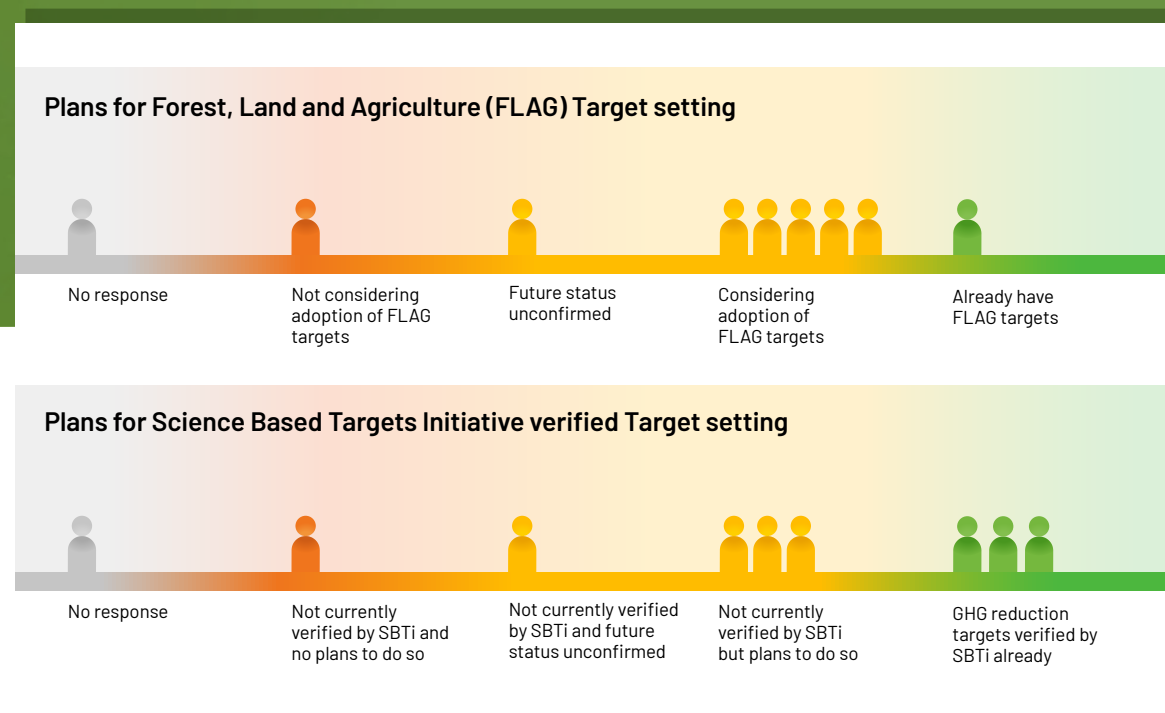
Given the impact of cocoa farming on deforestation and land conversion, and the key role of forests in mitigating climate change, it has been positive that this connection seems to be increasingly recognised in traders' climate commitments. In the 2022 assessment results, we have identified good progress on climate, with most traders moving towards Scope 1-3 mapping and adoption of Science Based Targets Initiative (SBTi) verified targets. In September 2022 the SBTi introduced their Forest, Land and Agriculture (FLAG) Target Setting Guidance as a means of recognising that agriculture, forestry and other land use emissions represent nearly a quarter of global annual greenhouse gas (GHG) emissions\*, but these have historically been poorly accounted for owing to a lack of appropriate methodology.

In order to capture this development, we included a question around FLAG targets for the 2022 assessment. Responses suggest that the number of traders considering adopting FLAG targets is aligned with the number which have already adopted, or are intending to adopt, SBTi verified targets.

One of the key requirements of the FLAG guidance is that companies who have set SBTi verified targets are now required to set zero deforestation commitments alongside their emissions reduction targets. SBTi is very clear in proposing appropriate language for this commitment, suggesting that companies make the following statement:

**"[Company X] commits to no deforestation across its primary deforestation-linked commodities, with a target date of [no later than December 31, 2025]."**

SBTi suggests that the no-deforestation commitment is met using Afi guidance, with a recommended cut-off date of no later than 2020, and a target date implementation date no later than 2025. SBTi also recommends that companies set no-conversion commitments across their value chains.



For those traders who have formally assessed and disclosed their Scope 1-3 emissions, Scope 3 emissions count for upwards of 94%, and in some cases more than 99%, of their overall carbon footprint. Cocoa trading businesses have a unique opportunity to reduce their GHG emissions through carbon sequestration - whether in the form of restoration of degraded and deforested areas, or through agroforestry projects. In most cases traders indicated that they had active agroforestry programmes, in some cases with 100% agroforestry goals (by 2030, for example).

Fig 7 demonstrates the parallels between trader plans to set i) FLAG targets and ii) SBTi verified targets



**We have identified good progress on climate, with most traders moving towards Scope 1-3 mapping**



# 04 Conclusions and Recommendations





# Conclusions

**1**

**The focus on traders' direct supply chains is holding back progress in their indirect supply chains, and may compromise trader compliance with the EU Deforestation Regulation.**

The cocoa sector needs to take a more collaborative, cross-supply chain approach to the challenges of traceability and mapping, particularly in high risk sourcing countries in West Africa, to ensure that traceability across all volumes is maximised.

**3**

**Verification levels continue to be low across all assessment areas.**

In many cases traders relied on certification as a means of verifying performance, but this only applies to their certified volume, which represents an average of around 25% of trader volume.

**2**

**Consistency is increasing across a number of measurement criteria, for example, living wage and child labour monitoring systems.**

Further consistency will support the development of agreed baseline standards for sustainable cocoa sourcing.

**4**

**Setting long-term SBTi FLAG targets is an opportunity for cocoa traders to truly link climate strategies with deforestation- and conversion-free commitments.**

Traders are expressing interest in setting FLAG targets and we see this as a key moment to capitalise on the requirement to make a comprehensive, AFi aligned deforestation- and conversion-free commitment as set out in the FLAG Guidance.





# Recommendations for Traders

1

**Setting Forest Land and Agriculture (FLAG) targets can be used as an opportunity to take a more holistic approach to deforestation, conversion and climate change.**

Traders should articulate the challenge accordingly to their stakeholders, particularly in their corporate reporting and external communications.

2

**Full supply chain traceability - in both direct and indirect supply - to the production unit (farm) needs to be implemented at pace to ensure compliance with the EUDR by its expected effective date.**

Focus on achieving 100% direct supply chain traceability and a collaborative approach to improving traceability in the indirect supply chain will help to achieve this.

3

**More open and transparent public disclosure and reporting is an important step for all traders.**

The EUDR brings new focus to compliance in the cocoa sector, and a move to more transparent reporting would further improve accountability.

4

**Formalising public commitments to address the key issues in cocoa (eg. deforestation and conversion, child labour, living wage) is critical.**

Traders also need to hold themselves accountable by communicating the detailed action plans that demonstrate how these commitments will be achieved.

5

**The International Labour Organisation\* recognises an 'adequate living wage' as a human right; this is an essential step in alleviating not only poverty but also associated challenges - child labour, gender inequality, deforestation - in the cocoa sector.**

Establishing an appropriate benchmark for a living wage (eg. the Anker Methodology) will enable traders to understand what that living wage needs to be.

\* [ILO Constitution, Preamble](#)



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.

In collaboration with:



The RCC is convened by 3Keel Group Ltd. 3Keel provide programme coordination and technical expertise to Members and Affiliates.

+44 (0)1865 236500  
[office@3keel.com](mailto:office@3keel.com)