RETAILER COCOA COLLABORATION

2023 Annual Trader Assessment Results

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Executive Summary

The Retailer Cocoa Collaboration (RCC), a coalition of 11 UK and European retailers, has been collecting and assessing data on cocoa trader performance across social and environmental metrics since 2019. This process is aided by input from expert NGOs Mighty Earth and VOICE Network. In this 2024 public report, RCC members share insights into the current state of the cocoa sector at the trader stage of the supply chain. This sharing aims to increase transparency, inform conversation, and ultimately drive improved social and environmental performance in the cocoa sector.

The year 2023 was challenging for the cocoa sector. A combination of a cocoa shortage due to unfavourable weather conditions and flooding, disease, upward spiralling prices, and incoming legislation in Europe and the UK has created a very testing environment for many of those operating in the different stages of the cocoa value chain.[1]

Despite the challenges and unpredictability, in some areas significant improvements were seen. Traceability levels have accelerated, particularly in the direct portion of supply chains. Climate action is also steadily progressing forward, with most traders having now conducted a carbon assessment of the supply chain and putting reduction commitments in place.

However, many of the deeply embedded social and environmental issues persist, and data collected from traders show significant gaps in policies and initiatives. Across all traders, we see that commitments and actions are focused on the direct portion of the supply chain, leaving a significant part of supply chains unaccounted for and at high risk of serious human rights abuses and deforestation. While deforestation policies and commitments are now mostly in place, these

Across all traders, we see sole focus on the direct portion of the supply chain, leaving risk hot spots for human rights abuses and deforestation within indirect supply.

are too often limited in scope by sourcing geography, or do not include any form of land conversion. Additionally, of particular concern is the lack of action around poverty and child labour. Traders report low levels of living income in supply chains, and scant coverage of Child Labour Monitoring and Remediation Systems (CLMRS) or other measures to detect, remediate and prevent child labour occurring.

This report sets out four key recommendations for traders. First, to include indirect supply chains in sustainability commitments and actions. Second, to expand the scope of deforestation commitments so that they cover all geographie and at a minimum the worst forms of land conversion. Third, to address and report on progress to tackle child labour, which is widespread in many of the sourcing areas. Fourth and finally, to ensure all cocoa farmers receive a living income, and benefit from the large market price increases seen in 2023 and into 2024.

This report lays out the leaderboard of trader performance on the 2023 RCC annual assessment, followed by in-depth key findings across thematic areas, finishing with the four key recommendations.

1 https://www.icco.org/cocoa-market-report-for-december-2023/#:~:text=During%20the%20calendar%20year%202023,to%20the%20mid%2Dcrop%20harvest.

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WHAT IS THE RCC ANNUAL TRADER ASSESSMENT REPORT?

The Retailer Cocoa Collaboration is a collaboration of 11 UK and European retailers tackling the social and environmental challenges in cocoa supply chains. The RCC conducts an annual assessment of some of the main traders in the cocoa supply chain, and in this public report have shared top-line anonymised findings. See page 23 for more information on the report approach, and page 24 for more about the Retailer Cocoa Collaboration.

Overall trader performance

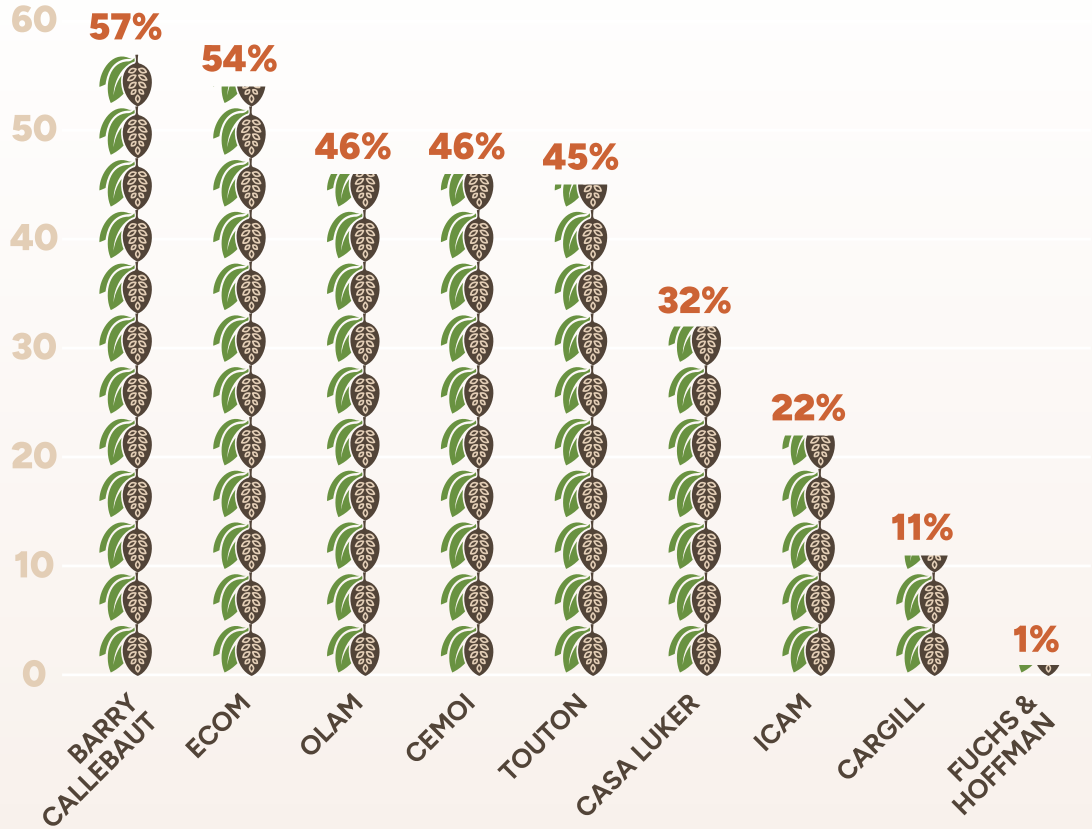
Overall, trader performance improved in 2023 when compared with previous years - this year's 2023 average score was 35%, compared to 31% in 2022. It is encouraging that the industry is pushing forward on environmental and social performance. This year's 2023 assessment saw both a new highest score of 57% (compared to 45% in 2022), but also a wider range in scores, suggesting a widening gap in social and environmental actions between best and worst performing traders.

As part of the assessment, expert NGOs – Mighty Earth and the VOICE Network - prioritise 'critical' issues that should be urgently addressed, and set a threshold for minimum expected performance on them. These issues include ability to demonstrate cocoa is deforestation and/or conversion free for more than 75% of volumes, and implementation of a CLMRS system in direct and indirect supply chain.

Data shared with and assessed by the RCC showed that a significant number of these critical issues are still not being sufficiently addressed by traders. Of particular concern is the indirect supply chain: 12 of the 17 critical issues identified by NGOs that had not been met by any trader relate to actions in the indirect supply chain.

> 2023 saw a new high score, but also a wider range of scores.

2023 PERFORMANCE %



*Cargill and Fuchs & Hoffmann did not respond to the RCC assessment questionnaire deadline. They have been marked according to publicly available information, or else information shared with the RCC in previous assessment cycles.

Scoring methodology

The overall scores are calculated as a percentage of the total score achieved.

There are more than 600 questions in the assessment split into six thematic areas (Certification & traceability, Deforestation & land use, Climate, Child & forced labour, Gender, Labour practices & income).

Every individual question and its response is scored out of 4 points depending on the type of question. There are 20 different question types. For example:

- Some question types are scored based on whether data is transparently disclosed,
- Other question types are scored depending on reaching a minimum threshold (e.g. % of supply traceable to farm)
- Other question types are scored depending on whether the response is a yes or a no.

Each question is categorised into one of five stages: Commitment, Target Date, Plan, Progress or Verification. These refer to the point in the sustainability journey that a company is on with regards to each question.

For each of the five stages the score achieved is calculated as a percentage of the total points available in that category. These are then weighted as follows: Commitments 15%, Target Dates 15%, Plan 20%, Progress 25% and Verification 25%.

We recognise that the review of trader commitments and policies is somewhat subjective, but every effort is made to ensure fairness and consistency of how scoring is applied across traders and years.

All subsequent charts in this report have been anonymised and the order of traders appearing in charts has been scrambled. The letters used to refer to traders in the chart are not used consistently throughout the report (e.g. letter A does not refer to the same trader throughout the report).

Key findings overview

1. **Indirect supply chains are risk hotspots for environmental and human rights issues**
   → Nearly all commitments and initiatives cover just the direct portion of a trader's supply chain, leaving risks of unchecked human rights abuses and deforestation in a significant proportion of supply chains.

2. **Traceability has jumped forward by an average of 19 percentage points in direct supply chains in just a year**
   → In 2022 no trader reported near full traceability of direct supply chain, in 2023 three traders have achieved this.
   → Significant shifts are also seen in indirect supply chains.

3. **The proportion of supply chain certification has increased**
   → Rainforest Alliance is the most prevalent independent scheme. Traders have significant volumes falling under their own proprietary certification schemes too.

4. **Deforestation is still a significant risk, with land conversion not being addressed**
   → While most traders now have a deforestation commitment and policies in place, these are nearly always limited in scope by geography and/or exclusion of land conversion.

5. **Climate change progress is pushing forward**
   → Significant gains have been made by traders in assessing carbon in supply chains and setting climate targets.

6. **Child labour issues are not being sufficiently identified, remediated or prevented**
   → This serious human rights issue is pervasive in West African sourcing geographies and is not being significantly addressed, with low levels of CLMRS in all trader supply chains.

7. **Poverty and lack of living income are still significant issues**
   → Many traders remain unable to report on proportion of farmers receiving a living income, and those that are often report limited progress.

Indirect supply chains are risk hot spots for environmental and human rights issues

What are direct and indirect supply chains?

Cocoa supply chains are highly complex with multiple stages, intermediates, and significant geographical variation. One element of this complexity is the split a trader has between direct (defined as being bought directly from the cocoa farmer) and indirect sourcing (through intermediaries, such as licenced buying groups).

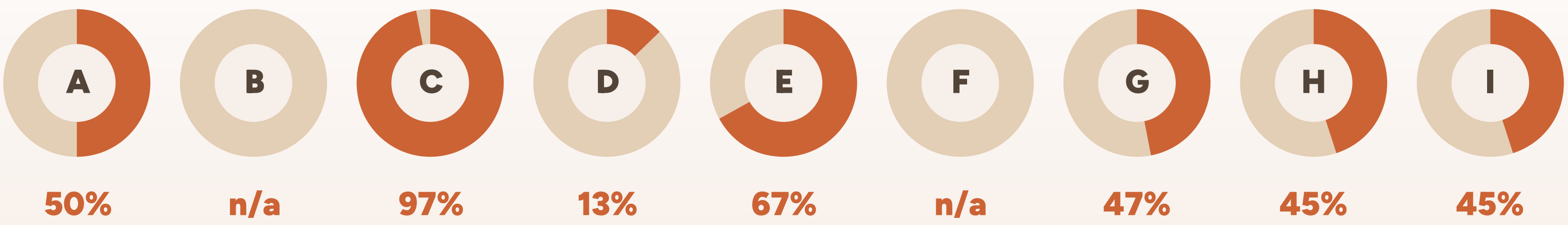
What proportion of supply is direct versus indirect?

RCC collects data on the proportion of cocoa volumes that are direct versus indirect supply. There is a very large range in the proportion of supply chains that are indirect supply, starting at 13%, going up to 97%. The average proportion of indirect supply for a trader is just over half at 52% of cocoa volumes.

What sustainability differences are there between direct and indirect supply chains?

In all thematic areas, be it child labour monitoring and remediation, traceability, or deforestation-free verification, a significantly better performance is reported in the direct supply chain compared to the indirect supply chain. Where traders have direct supply and therefore a closer relationship with the farmers, there is much greater reporting of sustainability initiatives, traceability, and monitoring for human rights abuses. This is in stark contrast to indirect supply chains. For example, in 2023, within indirect supply chains, no trader reported use of CLMRS systems to tackle child labour, only one trader could report some level of farm mapping, and certification levels were significantly lower. Given that indirect supply chains can be as much as 97% of a trader's cocoa volumes, this represents a very significant oversight and risk hotspot for the occurrence of serious human rights abuses and deforestation.

PROPORTION OF TRADER COCOA VOLUMES THAT ARE INDIRECT



EUDR is driving progress on traceability

What is traceability and why does it matter?
Traceability in cocoa supply chains means that information is gathered about the farm location where beans are grown, and that this information is passed down the supply chain. The incoming EU Deforestation Regulation (EUDR) and UK Forest Risk Commodities (FRC) regulations require that all cocoa brought onto EU and UK markets is legally produced and proven deforestation-free. Significant fines can be levied for non-compliance – up to 4% of a company's EU turnover in the case of EUDR.

How can traders ensure traceability and meet EUDR?
In order to meet upcoming legal requirements, the industry has been pushing forward with mapping cocoa supply chains and ensuring cocoa beans can be proven deforestation-free. The RCC assessed trader progress on traceability by collecting and reviewing data on:

- Percentage of cocoa beans that are traceable to farm (otherwise called production unit), sourcing area, and country of origin, and how this is disaggregated by direct and indirect supply chains.
- Percentage of supply chain that is Global Positioning System (GPS) or polygon mapped.
- Target date by which all cocoa will be traceable to farm.
- Percentage of supply chain that is satellite monitored for deforestation.
- Whether its list of suppliers is publicly published.
- Independent verification on traceability.

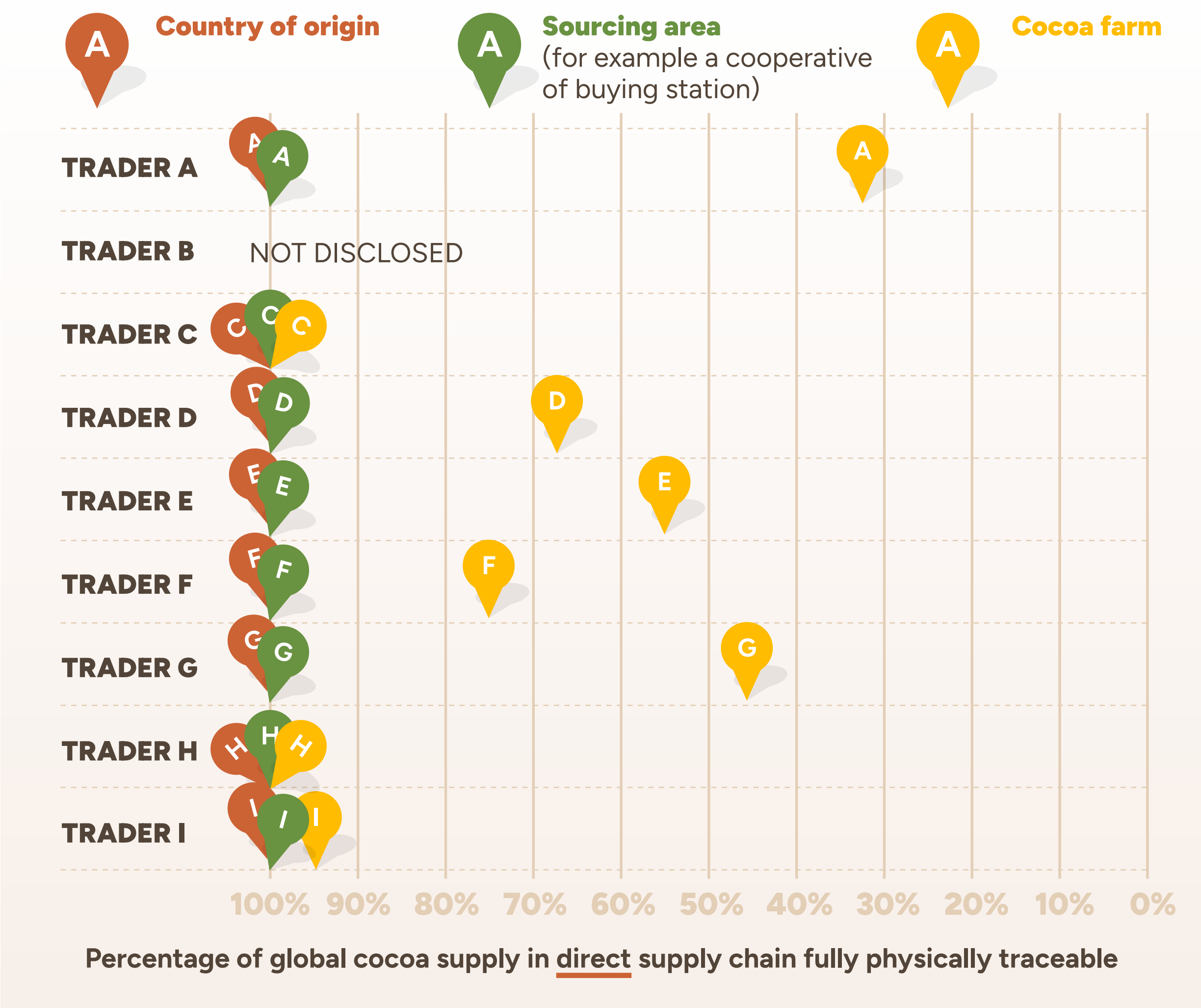
Traceability has jumped by 19 percentage points over one year in direct supply chains

What progress has been made?
It is hard to overstate the jump in traceability seen over just one year. The 2022 results showed that no trader had yet achieved near full traceability to farm for the direct supply chain. In just the space of a year, three traders are reporting more than 95% of their direct supply chain is traceable to farms, and all but one of the traders who responded to the questionnaire have now achieved traceability to sourcing areas (for example a cooperative or buying station) in their direct supply chain. In 2022, the average proportion of a trader's direct supply of cocoa traceable to farm was 52%. By 2023, this had jumped to 71% - a 19 percentage point increase.

Six traders reported using satellite monitoring in their direct supply chain, and on average have 82% of direct supply farms monitored.

In 2022, no trader achieved near full traceability to farm. After just one year, three traders are reporting more than 95% of the direct supply chain being traceable to cocoa farms.

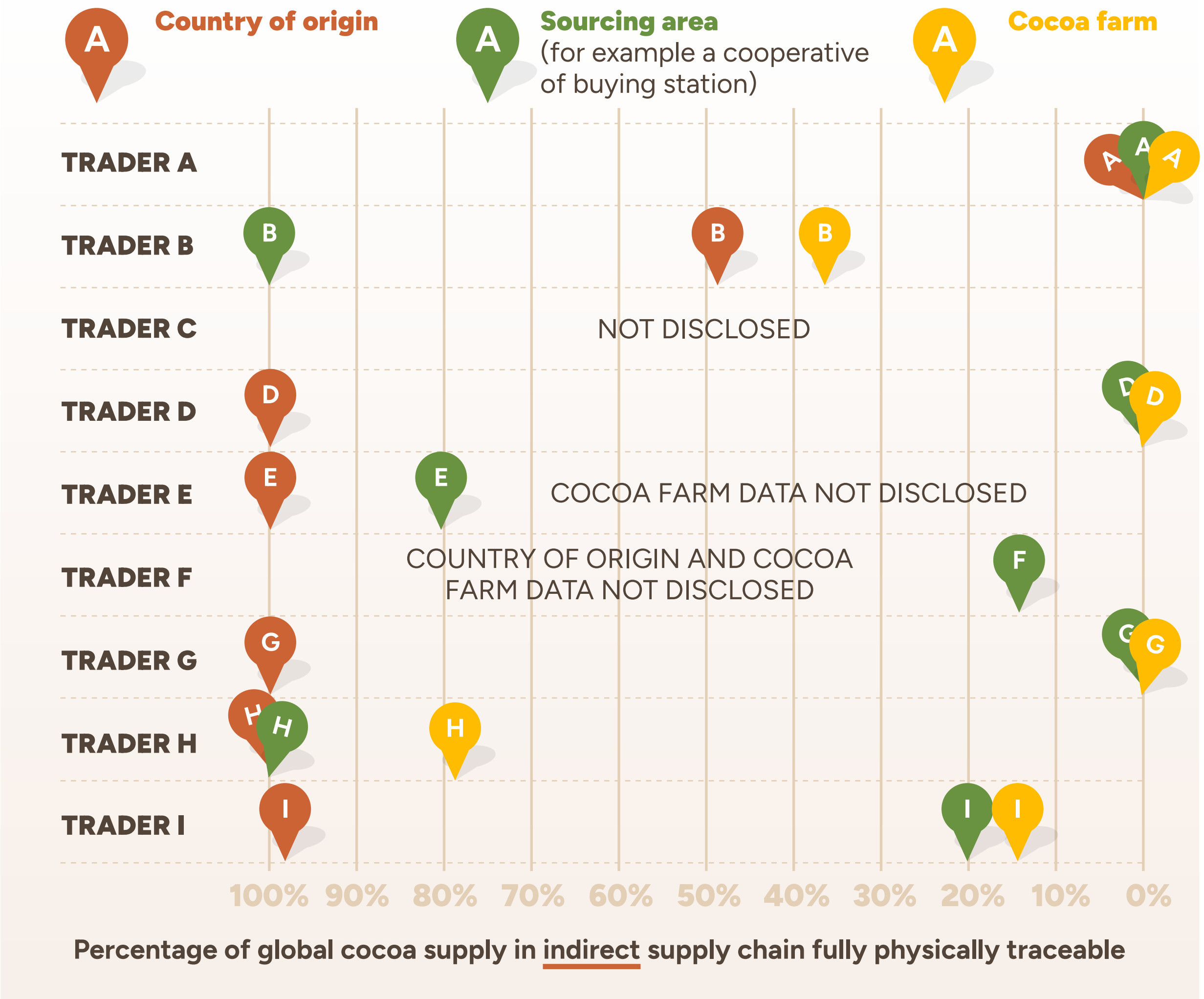
TRACEABILITY IN DIRECT SUPPLY CHAINS



A smaller increase of 13 percentage points seen in traceability of indirect supply chains

Indirect supply chains pushing forward
The indirect portion of trader supply chains (which can be as much as 97% of volumes) have also seen significant improvements, with three traders now reporting traceability to farm for some portion of the indirect supply chain. In 2022, the average proportion of a trader's indirect supply of cocoa traceable to farm was 9% - by 2023, this had jumped to 22%. While there is still a significant gap to close for the indirect supply chain, the speed of change is accelerating, and most traders report that this is a priority for them.

TRACEABILITY IN INDIRECT SUPPLY CHAINS IN



> **While significant improvements are seen, there is still a significant gap to close for traceability in the indirect supply chain**

Certification levels have increased

What certification exists in cocoa supply?
In cocoa supply chains, the most prevalent independent certification schemes are Fairtrade, Rainforest Alliance and Organic. These schemes promote social and environmental sustainability standards with farmers supplying traders, and are audited by a third party organisation. Many traders have also developed their own proprietary certification schemes, such as Cocoa Horizons or Cocoa Compass.

Certification ensures farmers receive a premium for improved practices, which translates into a higher cost for customers. While most traders use independent certification standards to complement their own sustainability initiatives, one trader reported using independent certification schemes as the primary mechanism for achieving farm-level sustainability and living incomes.

% OF TRADER'S DIRECT SUPPLY CERTIFIED

	Fairtrade	Rainforest Alliance	Organic
TRADER A	Not disclosed	Not disclosed	1%
TRADER B	Not disclosed	Not disclosed	Not disclosed
TRADER C	0%	100%	0%
TRADER D	13%	25%	3%
TRADER E	1%	18%	<1%
TRADER F	22%	22%	21%
TRADER G	17%	10%	25%
TRADER H	2%	23%	Not disclosed
TRADER I	Not disclosed	Not disclosed	Not disclosed

Two traders reported that a barrier to higher certification levels was lack of customer demand.

Higher levels of certification exist in direct supply compared to indirect

What is the current progress on certification?
The use of certification by the cocoa traders assessed is at an all time high. Rainforest Alliance was the most prevalent scheme, both in direct and indirect supply, followed by Fairtrade in direct supply and Organic in indirect supply. One trader reported 100% of direct supply Rainforest Alliance certified. However many traders did not disclose specific sustainability percentages, one citing it would breach customer confidentiality.

Six traders have developed their own proprietary certification schemes, which on average cover 62% of their direct cocoa volumes.

> **Traders with their own proprietary schemes have an average of 62% of their direct cocoa volumes certified under them.**

% OF TRADER'S INDIRECT SUPPLY CERTIFIED

	Fairtrade	Rainforest Alliance	Organic
TRADER A	Not disclosed	Not disclosed	Not disclosed
TRADER B	Not disclosed	Not disclosed	Not disclosed
TRADER C	0%	0%	2%
TRADER D	Not disclosed	Not disclosed	5%
TRADER E	6%	16%	1%
TRADER F	Not disclosed	Not disclosed	Not disclosed
TRADER G	13%	4%	22%
TRADER H	2%	26%	<1%
TRADER I	Not disclosed	Not disclosed	Not disclosed

Deforestation is still a risk, and virtually no attention is being paid to land conversion

Why is deforestation and conversion an issue in cocoa?
Cocoa production is linked to deforestation in major producing areas. Côte d'Ivoire and Ghana, the two largest producers of cocoa, are responsible for more than half of global cocoa production[2]. They have lost 90% and 65% of their forest cover respectively since 1950[3], and cocoa production has been alleged to account for 37% and 13% of deforestation in protected areas in Côte d'Ivoire and Ghana respectively[4].

How can traders tackle deforestation and conversion?
The Accountability Framework Initiative (AFi) recommends seven actions to tackle deforestation and conversion[5]:

- Set goals
- Establish systems
- Manage production and supply chains
- Collaborate
- Monitor
- Verify
- Report progress

The RCC assesses a number of areas to determine how traders are tackling this challenge, including:

- Public commitments for achieving zero deforestation and conversion.
- Proportion of cocoa volumes that can be demonstrated deforestation and/or conversion free.
- Agroforestry policies and the proportion of cocoa sourced in an agroforestry setting.
- Use of satellite monitoring for deforestation.
- Investments in cocoa farms, for example to increase productivity, plant shade trees, and train on Good Agricultural Practices.

What is the current progress on deforestation and conversion?
Six of the nine traders assessed have set zero deforestation commitments. However, this is not a significant improvement on previous years and, as noted in last year's report, commitments assessed vary significantly in coverage and ambition.

Some traders' deforestation commitments are based on membership to the Cocoa and Forests Initiative (CFI), and are therefore limited to Côte d'Ivoire and Ghana. Traders have varying dates for achieving zero deforestation, with the earliest being in 2024 and the latest being in 2027. Only one trader explicitly includes land conversion in their commitment, while two traders explicitly state that they have no plans to include conversion in their deforestation commitment. One trader reported their reasoning to be concerns about the impact on cocoa-growing communities.

Another stated it was a lower priority in cocoa compared to other commodities in their supply chain, and that they plan to first implement monitoring of no conversion for their other commodities before making a commitment on cocoa.

While progress was observed on setting deforestation commitments, only four traders were able to demonstrate that parts →

2 https://www.fao.org/faostat/en/#data/QCL
3 https://www.nature.com/articles/s43016-023-00751-8
4 https://www.nature.com/articles/s43016-023-00751-8
5 https://accountability-framework.org/use-the-accountability-framework/for-companies/

of their cocoa supply are deforestation and/or conversion free.

All but one trader has an agroforestry policy in place, although for four traders these are limited to certain countries or sourcing regions. The majority of traders reported data for the percentage of direct supply farms they had helped plant shade trees and supported with Good Agricultural Practices - an average 24% and 75% of farms respectively.

WHAT IS AN AGROFORESTRY POLICY?

It is a policy set by a trader to encourage the growing of both trees and agricultural crops (in this case cocoa) on the same piece of land[6].

WHAT ARE GOOD AGRICULTURAL PRACTICES?

Traders commonly offer training to supply chain cocoa farmers on methods to increase yields in an environmentally sustainable way. These include practices such as disease management and pruning.

PROGRESS ON TACKLING DEFORESTATION AND CONVERSION

	Public zero deforestation commitment?	Includes conversion?	By what date?	% of cocoa supply chain claimed to be deforestation and/or conversion free?
TRADER A	Yes	✗	2025	**38%**
TRADER B	Not disclosed	Not disclosed	Not disclosed	Not disclosed
TRADER C	Yes	✗	2027	**0%**
TRADER D	Yes	✗	2024	**46%**
TRADER E	Yes	✗	2025	**95%**
TRADER F	No	✗	Not disclosed	**0%**
TRADER G	No	✗	Not disclosed	**0%**
TRADER H	Yes	✗	Not disclosed	**0%**
TRADER I	Yes	Yes	2025	**60%**

6 https://www.agroforestry.co.uk/about-agroforestry/

Child labour issues are not being sufficiently identified, remediated or prevented

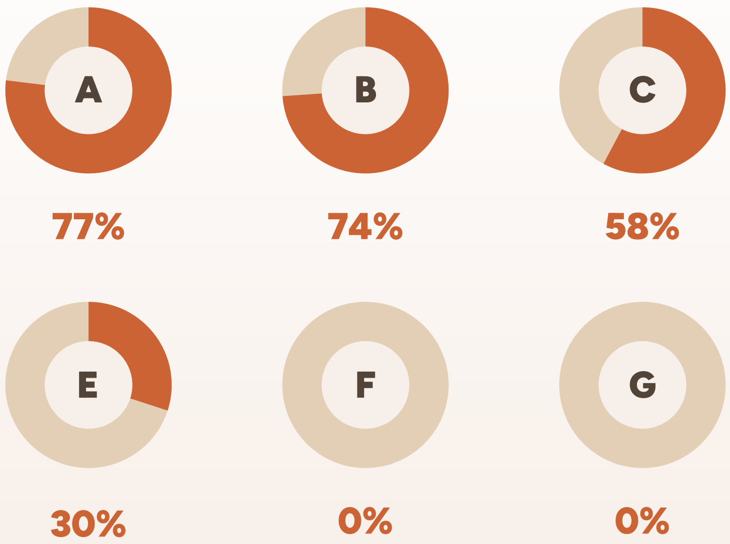
What is child labour?
Child labour is a major concern in cocoa supply chains, predominantly in West African producing countries, such as Ghana and Côte d'Ivoire. While some level of child help is permitted on farms - for example non-hazardous age-appropriate work outside of school hours - much work done by children falls outside of this allowance. Child labour is inextricably linked with poverty, as farmers who are struggling below the poverty line may resort to unpaid or child labour to increase the productivity of a farm. However, the negative impacts of child labour can be acute, such as injury from tools and machinery, health consequences from pesticide exposure, and missing out on an education.

How can traders tackle child labour?
Child Labour Monitoring and Remediation Systems (CLMRS) remain a key tool for traders to tackle child labour in the supply chain. The RCC assesses traders on a number of data points, including the provision of CLMRS in both direct and indirect supply chains, time-bound commitments and action plans to tackle child labour.

What is the current progress on tackling child labour?
Seven of the nine traders who responded to the RCC questionnaire have significant sourcing operations in West Africa where child labour is a significant problem. Of these seven, five reported data on CLMRS use in supply chains. The top performing trader for direct supply has 77% of direct supply households covered by CLMRS. However, significant areas for improvement remain across the industry:

- Two traders with significant operations in West Africa reported no data to the RCC on CLMRS coverage.
- Two traders reported a decrease in coverage of CLMRS coverage in the direct supply chain.
- No trader reported coverage of indirect supply chains with CLMRS, meaning a large portion of all trader supply chains are at high risk of child labour. This was flagged as a critical issue by expert NGOs.
- Time-bound commitments on tackling child labour varied from 2028-2030.
- Only four traders report full independent verification of CLMRS.
- Only two traders reported full independent verification on child labour commitments.

PERCENTAGE OF DIRECT SUPPLY HOUSEHOLDS SURVEYED BY CLMRS FOR TRADERS WITH SIGNIFICANT SOURCING OPERATIONS IN WEST AFRICA



WHAT IS CLMRS?

Child Labour Monitoring and Remediation Systems (CLMRS) were developed by the International Labour Organisation over 20 years ago. They provide systems to identify children in child labour, or at risk of child labour, and to put in place support to effectively prevent and address it. CLMRS are now widely used across the industry to support commitments on tackling child labour.

A credible CLMRS needs to demonstrate, as a minimum, four key functions:

- awareness raising
- identification of cases
- provision of support
- follow up[7]

7 https://www.cocoainitiative.org/our-work/operational-support/child-labour-monitoring-and-remediation-systems

Poverty and lack of living income still significant issues

Why is poverty an issue in cocoa farming?
Poverty is an endemic issue in cocoa farming. It is widely accepted to be the root cause of the major social, environmental and productivity issues that have plagued supply chains for decades. Addressing and alleviating poverty therefore provides the key to unlocking improved outcomes across multiple metrics.

Cocoa farming presents a harsh and volatile reality for many working in the sector. Unfavourable conditions include unpredictable weather (worsening due to climate change), often low and fluctuating market prices, insufficient government support, labour shortages and disease.

In 2023, the cocoa market experienced a challenging harvest season, predominantly due to poor weather conditions, leading to →

Three traders reported that 10% or fewer of direct supply farmers receive a living income.

PROGRESS ON LIVING INCOMES IN DIRECT SUPPLY CHAINS

	% of direct supply farmers reported to be receiving a living income	% of direct supply farmers that have received a wage increase
TRADER A	NOT DISCLOSED	NOT DISCLOSED
TRADER B	51%	51%
TRADER C	54%	NOT DISCLOSED
TRADER D	4%	NOT DISCLOSED
TRADER E	NOT DISCLOSED	NOT DISCLOSED
TRADER F	NOT DISCLOSED	NOT DISCLOSED
TRADER G	16%	10%
TRADER H	NOT DISCLOSED	NOT DISCLOSED
TRADER I	5%	7%

a shortage in the market, which in turn led to increases in market prices. This increased market price did not immediately translate into increased farmgate price or incomes for farmers in the primary production regions of Ghana and Côte D'Ivoire due to the national governments setting the farmgate price of cocoa in advance of harvest, and not updating this price until 2024. Many farmers in other production regions did however receive an increase in income.

What can traders do to address poverty?
Providing farmers with a living income is the main lever for traders to alleviate poverty. The RCC asks traders to report across a number of metrics, including:

- Proportion of farmers receiving a living income.
- Methodology used to define living income.
- Average wage increases of farmers in supply chain.
- Facilitation of crop or income diversification projects.
- Proportion of cocoa farmers receiving a loan.
- Training offered, for example on Good Agricultural Practices.
- Measures taken to prevent human rights abuses in supply chain.
- Public policy stating a living income is a human right.

What is the current progress on alleviating poverty?
Data assessed by the RCC shows limited progress has been made across the board on addressing poverty in supply chains.

Five traders reported data on living wage levels and wage increases in their supply chain. The highest performing traders reported that 54% and 51% of direct supply farmers received a living income. Other traders reported that only 10%, 5% and 4% of farmers in their direct supply receive a living income. Only one trader reported the percentage of farmers that receive a living income in the indirect supply chain, which stood at 51%.

It is difficult to make direct comparisons across traders on achieving living incomes, due to the discrepancy in methodologies used in defining what a living wage equates to between companies and within producing nations. Examples of different approaches include the World Bank Poverty Line, the Anker Method, and the Living Income Community of Practice.

ANKER METHODOLOGY

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'.

Climate change progress is pushing forward

Why is climate action relevant to cocoa?
Cocoa farming is highly vulnerable to the impacts of climate change, as demonstrated by the challenging weather conditions and subsequent drop in harvest in 2023. But it can also be a contributor, predominantly through deforestation. It therefore makes sense that the industry takes significant measures to tackle emissions and land use change within cocoa supply chains.

What climate action can be taken?
The RCC assesses climate action through:

- Climate assessment of the supply chain.
- Public commitments (including Science Based Targets initiative (SBTi) Forest, Land and Agriculture (FLAG) targets – see box for more information).
- Full supply chain emission reduction targets (Scope 1 - Scope 3).
- Reporting of progress across full supply chain emissions.
- Independent verification.

Consistently traders report that the vast majority of their corporate GHG emissions are scope 3 (supply chain related) – encompassing the growing and harvesting of cocoa.

What is current progress on climate action?
Over the five years that the RCC has been assessing trader performance, there has been an increase in climate action and policy shifts to address climate change in cocoa supply chains.

Key performance highlights in 2023 include:

- All but one trader has completed a carbon scope 1-3 assessment of supply chain.
- The majority of traders - 66% - have a climate commitment in place.

Areas for improvement in 2024:

- Setting credible independently verified carbon reduction targets for the full supply chain.
- Progress towards delivering against these commitments.

What are SBTi FLAG targets?

The Science Based Targets Initiative (SBTi) has developed Forest, Land and Agriculture (FLAG) as a new methodology for developing carbon reduction targets relating to land use and land use change. Companies who depend on agriculture, land, or forestry for more than 20% of their revenues need to generate FLAG targets separately from their overall carbon reduction targets in order to have their targets recognised.

Find out more here.

All but one trader has completed a carbon scope 1-3 assessment of their supply chain.

PROGRESS ON CLIMATE ACTION

	Climate assesment of supply chain (scope 1-3)	Climate commitment	SBTi target verified?	SBTi FLAG targets?	Emission reductions reported?
TRADER A	✓	✓	✗	⊖	✗
TRADER B	✓	✓	✗	⊖	✓
TRADER C	✗	✗	✗	✗	✗
TRADER D	✓	✓	✓	⊖	✓
TRADER E	✓	✗	✗	⊖	✓
TRADER F	✓	✓	✓	✓	✗
TRADER G	✓	✓	✓	✓	✗
TRADER H	✓	✗	✗	✓	✓
TRADER I	✓	✓	✓	✓	✗

⊖ No - planning to do so

Conclusion

Despite challenges in cocoa markets, overall trader performance has improved compared to previous years. Areas of improvement include levels of traceability to farm, proportion of supply chain certified to independent schemes, and progress on climate action. Multiple traders reported that the current challenging environment in cocoa has demonstrated the importance of working closely with farmers to address social, environmental, and productivity issues, since this relationship fosters a greater security of supply of cocoa beans.

Progress has not been uniform across traders in addressing the serious human rights and deforestation challenges that continue to be present in the sector. Sustainability commitments and actions should cover the entire supply chain, not just farmers that are easiest to reach. Insufficient action and progress reported on poverty and child labour is of particular concern, and deforestation and land conversion are still not being sufficiently prevented in supply chains.

With the upcoming EUDR legislation and unprecedented high market price for cocoa, it is hoped that 2024 will bring greater traceability in cocoa supply chains (both direct and indirect supply), and farmers receiving a living income for the cocoa they produce.

Four key recommendations for traders

1.

Include indirect supply chain in sustainability commitments and actions

Whether it be deforestation or child labour, analysis from the RCC has identified that public commitments and initiatives are all too often limited to the direct supply portion of the supply chain. Conversely, the indirect supply chain, which can be the majority of a trader's supply (up to 97% for one trader), is not covered and so remains highly vulnerable to risk of human rights abuses and deforestation. While it is harder for traders to gain traceability and access to the indirect supply chain farmers, it is vital for ensuring cocoa is ethically produced and traded. The next step for traders should be widening the applicability of commitments to include the indirect supply, and assessing it for key environmental and social risks.

2.

Complete deforestation commitments

For many traders, deforestation commitments remain limited in geographic scope (for example only covering Ghana and Côte d'Ivoire) or do not sufficiently address all the ecosystems at risk of land use change. These omissions leave the opportunity for cocoa to be produced at the expense of important ecosystems and forests. Traders should establish deforestation commitments that cover all possible sources and relevant causes of deforestation, while incorporating restrictions on land conversion.

3.

Address and report progress on child labour in supply chain

Child labour persists in cocoa production, and the limited progress, particularly on CLMRS coverage, means there remains much work to do. Traders should have time-bound commitments in place for full coverage of supply chains, and be transparently reporting progress, such as number of child labour cases identified and remediated.

4.

Ensure all cocoa farmers receive a living income

Poverty lies at the root of the worst practices in the cocoa sector, and eliminating it will have a positive knock on effect in all areas. Most traders were unable to report the proportion of farmers receiving a living income. Those that did report data show that we are a long way from farmers receiving a fair and living income for the cocoa they produce. In the context of upward spiralling cocoa prices in 2023 and into 2024, traders should ensure that this is translated into farmers receiving a fair and living income for the cocoa they produce.

Our approach

The RCC annual trader assessment engagement process:

Trader selection
RCC Members vote on the traders to be included in the annual trader assessment, based on their supply chain needs. This year, the same nine traders as last year were invited to participate in the process.

KEY THEMATIC AREAS

- Certification & traceability
- Deforestation & land use
- Climate
- Child & forced labour
- Gender
- Labour practices & income

Questionnaire development
On an annual basis, 3Keel reviews and develops the questionnaire, with an aim of balancing simplification and rigour. Inputs into the questionnaire development work are:

NGO input: 3Keel received input and guidance from the VOICE Network, who are experts in the social elements of cocoa supply chains (gender, child & forced labour, labour practices & income); and Mighty Earth, who specialise in the environmental elements (traceability, deforestation & land use, and climate).

Alignment with other frameworks: where possible, 3Keel aligns the RCC questionnaire to other external cocoa frameworks, as well as other questionnaires produced by other 3Keel-led commodity coalitions, such as soy and palm oil.

Data collection
The questionnaires are distributed to the traders and they have seven weeks to submit their responses.

We received full responses from seven traders. Cargill decided not to participate in the RCC questionnaire this year. Fuchs & Hoffman, despite positive engagement, did not submit a response. Cargill's and Fuchs & Hoffman's scores have been prepared on the basis of publicly available information about their businesses, or else information shared with the RCC in previous assessment cycles.

Data review and trader engagement
Returned responses are reviewed and collated. Calls are arranged between each trader, interested RCC Members, and 3Keel to provide greater clarity, communication and transparency on questionnaire responses.

Finalisation of results
Trader response data is shared with RCC Members in two forms: i) a written one-page summary describing key elements of each trader's sustainability strategy and performance, and ii) a scorecard based on criteria that are either defined by the Member or by 3Keel in collaboration with the VOICE Network and Mighty Earth.

About 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 challenge for retailers

RCC Members are retailers which are held accountable for their sustainability performance across a range of metrics by millions of consumers across Europe. This includes sustainability in cocoa: Europe is the world's largest importer of cocoa beans 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, by their customers and wider stakeholders.

The solution

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 process to engage global cocoa traders on sustainability topics.

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.

RETAILER COCOA COLLABORATION

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:

3keel

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

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