INTRODUCTION

All companies utilising cocoa products must ensure that their own supply chain is legal, sustainable, and free from deforestation and conversion of natural ecosystems. They must guarantee Indigenous Peoples and Local Community rights and foster fair relationships with producers to ensure a living income. Additionally, they must take charge in guiding the cocoa sector towards sustainable development. A broader supplier engagement and collaborations that are more ambitious are needed to achieve concrete change.

This paper developed by WWF clarifies asks to retailers to achieve tangible results at the pace and scale required to curb the current destruction of ecosystems and human rights abuse taking place in the cocoa sector.

For detailed guidance on establishing and implementing responsible cocoa supply chains – as well as ensuring adherence to the recommendations outlined below – WWF encourages companies to refer to the Accountability Framework.

For detailed guidance on improving purchasing practices to achieve a living income for farmers, WWF encourages companies to refer to the Good Purchasing Practices consultation paper developed by the Voice Network.

Retailers must commit to and actively engage in fostering more sustainable cocoa supply chains across regional, national, and international levels. They play a crucial role for several reasons:

- Cocoa traders, grinders, and processors are in most cases not the producer of the final chocolate product. As such, they also depend on chocolate brands and retailers to pay for additional costs linked to sustainability.

- Retailers tend to look for the cheapest certification system, using for instance the Mass Balance system, thus neglecting the potential negative effects of this price pressure. The Mass Balance system lacks full physical traceability and transparency up to the farm level. It allows products potentially related to deforestation, conversion and human rights abuses to enter the supply chain.

According to Le Basic, on average 70% of the total value and 90% of the total margins generated from cocoa farmers to end consumers accrue to the two last actors in the chain: brands and retailers. Upstream, only 18.6% of the total value and less than 7.5% of the total margin are generated by actors in cocoa producing countries (from cocoa cultivation up to bean exports). In addition, at constant margins for downstream players, doubling the price paid to cocoa farmers would only increase the price per bar in Europe by less than 20 cents.

More and more cocoa is sold as an own brand of the big retailers. As such, they have become chocolate companies themselves.

It is important to stress that the responsibility of retailers goes beyond their private label products, and should include their role as key outlets for – and profit-makers of – all the major chocolate brands. Under EUDR and UK DD, retailers retain responsibility for the compliance of the products sold within their operations.

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1 Cocoa Barometer, Voice, 2022, page 84.
2 Comparative study on the distribution of value in European chocolate chains (Le Basic, 2020).
3 Cocoa Barometer, Voice, 2020, page 32.

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KEY ASKS FOR RETAILERS

DEFINE AND ADOPT ROBUST COMMITMENTS

➔ **Ensure commitments** cover the aspects of legality, deforestation and conversion, human rights, rights of indigenous people and local communities as well as workers’ rights.

➔ **Ensure commitments and actions** cover the entire company or corporate group, apply to all countries where the group or its suppliers operate and cover all the types of cocoa products that they use (beans, nibs, liquor, butter, powder, couverture and chocolate).

➔ **Ensure commitments** cover branded products; these include the brands of the chocolate manufacturers that are sold in the stores of the retailer.

➔ **Use the cut-off date of January 1st, 2018** as defined by the Cocoa Forest Initiative (CFI) and following AFi guidance mentioning that if a sector-wide cut-off date exists, companies should reference and use it in their own commitments and supply chain management.

➔ **Ensure commitments** are quantified and verifiable using SMARTER KPIs and regularly reviewed and adapted for impact, as part of a Due Diligence approach that is using a Plan-Do-Check-Act cycle.

➔ **Publicly disclose annually**, status, targets and third-party verified progress.

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4 Retailers commonly formulate and apply cocoa policies primarily targeting chocolate bars. Nevertheless, the vast majority of cocoa is used to produce products with a very low percentage of cocoa, such as chocolate spreads or chocolate biscuits, while the market for chocolate bars is extremely limited in quantity and geographically confined to a few countries such as Belgium, France, Switzerland, or the United States (BASIC, 2016). To illustrate, in France, for example, the share of chocolate bars in the sale of chocolate finished products is 33%, far ahead of the European average of 5% (Xerfi, 2017).

5 Key Performance Indicators that are Specific, Measurable, Attainable, Relevant, Time-bound, Evaluated and Re-evaluated.
PRIVATE LABEL PRODUCTS

It is critical for retailers to procure cocoa products with the guarantee of being deforestation and conversion-free, while fully respecting the human rights of Indigenous Peoples, local communities, and workers. For their private label products, retailers should:

1. **Require supplier Due Diligence**
   - Require that suppliers and sub-suppliers have robust due diligence systems and conduct or commission thorough checks to ensure compliance. Conduct your own field audits of suppliers’ or sub-suppliers’ facilities or hire a qualified party to carry out audits on your behalf. Numerous providers offer these services outside of the context of certification.
   - Ensure that suppliers have public-facing grievance mechanisms in place that are accessible, anonymous, and are being used.

2. **Support the EU Regulation on Deforestation-free Products (EUDR) compliance**
   - Actively support your supply base in the collection and submission of geospatial data at the farm level in line with EUDR requirements and ensure these polygon maps are shared with producer governments.
   - Support intermediaries and farmers to comply with EUDR compliance, help them mitigate risks effectively and ensure that smallholders bear only their fair share of the costs associated with regulatory compliance.
   - Support the adoption of mechanisms that enable payments to cocoa farmers for providing sustainability data (e.g., mapping, land titles) and demonstrating progress towards EUDR compliance (e.g., no forest clearance to establish new or expand existing cocoa plantations).
   - To comply with some requirements of the sourcing policy, require that products be certified under the leading international cocoa certification schemes. Only use independent third party verified standards allowing a full and transparent disclosure of the criteria audited. These standards incorporate safeguards within their segregated and identity-preserved models, effectively reducing the risk of cocoa mixing and consequently, the presence of noncompliant products entering into the EU market.  

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6 GPS polygon mapping is mandated by the EUDR for plots larger than 4 hectares. However, given that the majority of cocoa producers operate on plots smaller than 4 hectares, the WWF advises companies to gather data pertaining to the polygon mapping of all cocoa farms from which they source. The geolocation of source farms will help companies drill down to the more granular level needed to enable effective risk assessment and regulation.

7 EUDR does not recognize certification as “green lanes” for compliance; just because a product is certified, does not mean that it is automatically deforestation- and forest-degradation free and legal. However, the controls built into these schemes (e.g., third party auditing, stakeholder consultation) provide a higher level of assurance than do many other mitigation measures.
3. **Exercise diligent selection of your suppliers**

For the cocoa products purchased only source from manufacturers and traders who:

- Adopt, demonstrate concrete actions, and provide guarantees of implementing a deforestation and conversion-free policy,
- Provide clear assurances of upholding human rights and eliminating abuses in their operations,
- Demonstrate progress towards sourcing exclusively from diverse agroforestry systems and eliminating of the most hazardous pesticides,
- Provide sufficient investment to support and train farmers in the latest best agro-ecological practices,
- Adopt publicly transparent human rights Due Diligence policies and implement a Child Labour Monitoring & Remediation System (CLMRS),
- Engage in long-term contracts with farmers and cooperatives. It is key to require suppliers to define the long-term purchasing responsibilities of the company and selling rights of the farmer/cooperative to reduce risks to farmers,
- Engage in multi-sectoral collaboration and dialogue in fostering gender equity within the cocoa supply chain.

4. **Ensure implementation of a Living Income action plan**

- Develop, publish and implement a time-bound living income action plan, including a commitment to paying a living income reference price (LIRP) at farm-gate level to all farmers by 2025, using a credible LIRP benchmark.
- Ensure 100% of farmers in their supply chains are provided with standardised long-term contracts by 2030 and 50% by 2025.

5. **Strengthen transparency**

- Ensure transparency by disclosing where the chocolate sold is processed and by communicating the identity of their secondary suppliers (so called “tier 2 suppliers”).
- Support all suppliers to invest in farmers’ access to finance, via mobile money banking, with the added benefit of major traceability improvement by tracing the money all the way from the exporter to individual farm gate payments, to complement the traceability of the cocoa in the opposite direction (i.e. from farm gate to the port of export).

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8 Including World Health Organization Class 1A or 1B chemicals, and those listed under the Stockholm or Rotterdam Conventions, FSC Highly Hazardous list, SAN prohibited pesticide list and PAN Highly Hazardous Pesticide list.

9 A CLMRS is only credible if a company publicly reports annually on: Number of households covered by the CLMRS (absolute numbers, as well as % of total sourcing, both direct and indirect); Number of children in the CLMRS (absolute numbers, as well as % of total sourcing, both direct and indirect); Number of cases identified in (worst forms of) child labour; Number of children no longer in (worst forms of) child labour after one and two follow up visits; Type of support provided.

10 Risks for farmers include: cash flow risk, price risk, volume risk and investment risk.

11 A Living Income Reference Price indicates the price needed for an average farmer household with a viable farm size and an adequate productivity level to make a living income from the sales of their crop.

12 LIRP is credible when it:

- involves participation of local people and organisations (including, wherever possible, farmers representation)
- is based on realistic variables such as cost of production, yield per hectare, farm size, other sources of income, household size and the relevant living income benchmark. Costs are differentiated for different parts of the country where significant differences in costs exist. See Publications – VOICE Network, p.7 for more background
- is transparent and provides detailed documentation of the methodology and the analysis on which the LIRP benchmark is based.
It is crucial to emphasise that retailers’ responsibility extends beyond their private label products to encompass their role as primary distributors of major chocolate brands. They are also accountable for ensuring compliance with regulations for all products sold within their operations. Thus, retailers should:

- **Harmonise all cocoa products** available in stores with their corporate commitments;

- **Sell product items** from manufacturers that can demonstrate that:
  - Cocoa was sourced with the guarantee of being legal, deforestation and conversion-free and human rights abuse-free,
  - Cocoa was sourced within the framework of sustainable purchasing practices and the implementation of a holistic Living Income strategy,
  - Cacao was cultivated using good agricultural practices.

- **Conduct due diligence** on the traceability of branded cocoa products.
WHAT CAN COMPANIES DO?

RETAILERS’ STRATEGIES FOR THE IMPLEMENTATION OF COCOA POLICIES

Retailers can use different strategies to ensure cocoa supply chains are legal, deforestation and conversion free and free from human rights abuse. These strategies are complementary and need to be applied for private label and branded products.

1. Raising awareness

- Empower consumers to comprehend and mitigate the adverse effects of their consumption decisions by:
  - Engaging in public communication and outreach initiatives to raise awareness about cocoa production and its impacts on forests, biodiversity, and local communities,
  - Selling chocolate bars with packaging that transparently displays farm gate prices, fostering informed consumer choices,
  - Advocating for sustainable chocolate bars through straightforward marketing tactics such as social media campaigns, seasonal promotions, and strategic shelf placement,
  - Sharing chocolate scorecard results to promote transparency and accountability within the chocolate industry.

- Increase awareness among key staff members (senior management, sourcing teams, CSR teams, etc.) regarding cocoa-related issues and proposed solutions.

- Call upon policymakers to enact ambitious regulatory measures aimed at enhancing supply chain transparency and sustainability, and call for the thorough implementation and enforcement of adopted regulations.

2. Convening

- Become a part of the Retailer Cocoa Collaboration (RCC) and advocate for transparency and individual accountability against joint objectives.

- Evaluate how the company could use its influence to leverage change along the supply chain, especially at the manufacturing level.

- Share best practices;
3. Collaborating

- Use the chocolate scorecard and the Retailer Cocoa Collaboration report to evaluate how manufacturers and traders are performing on sustainable cocoa, and make responsible purchasing decisions based on the information provided.

- Promote supplier engagement in sustainability efforts through initiatives such as a supplier code of conduct, requirements for audits or certification, and offering premium prices.

- Participate in public-private partnership platforms (ISCOs), actively engage as a member within these platforms, and maintain transparency regarding progress toward the shared objectives.

- Collaborate with the Science Based Targets initiative (SBTi) and commit to reducing emissions in line with the Paris Agreement goals. For instance, to reach the Scope 3 FLAG targets, the company should focus on reaching a deforestation-free supply network and on helping farmers to carry out more environmentally responsible agricultural practices.

- Implement cocoa policies by developing partnerships with NGOs on the ground, and with service providers.

- Develop partnership with responsible manufacturers. For instance, work with Tony Chocolonely and follow their five sourcing principles. Please find further information in the Annex.

- Develop and implement grievance and remediation mechanisms that include consequences and thresholds for noncompliance as well as an actionable and time bound remediation process. In case of non-compliance of a supplier, the company will either engage with its supplier to help resolve the non-compliance, suspend or exclude the supplier. The response depends on the severity of the non-compliance as well as the supplier’s degree of culpability and the supplier’s commitment and capacity to move towards compliance.

- Require that suppliers use collaborative approaches that can catalyse a unified process and concerted effort towards establishing traceability systems and safeguards aimed at minimising the risk of cocoa mixing. It is imperative for the industry to foster collaboration with producing governments and contribute data to the national monitoring and traceability systems. Recognising the invaluable role of farmers, it is essential to require that suppliers compensate them for sharing their data and ensure they possess both access to and ownership of their data.

4. Financing

- Take ambitious action within and beyond the supply chains to end deforestation, conversion and human rights abuse in the cocoa sector.

- Support incentives that recognize the value of complex forms of agroforestry associated with a good level of biodiversity and provide sufficient investment to support farmers within the supply chain to transition to diverse agroforestry systems.

- Strengthen support for large-scale, mainstream, biome-wide solutions. It is critical to support on-the-ground action in cocoa producing landscapes, such as conservation of protected areas, forest restoration, community development and smallholder farmer sustainability.
The WWF Basket

The WWF Basket sets out a series of Outcomes and Measures to support the goal of halving the environmental impacts of UK baskets by 2030, and a Blueprint for Action, which outlines priority actions for retailers to address climate and nature impacts.

WWF is working with a number of UK retailers to deliver on these outcomes and measures to meet the aim of halving the environmental impact of UK shopping baskets by 2030.

Retailers may choose to take other actions and approaches to achieve these targets, but every retailer that signs up to the overall ambition is expected to take meaningful action and provide data to track progress. From 2024, cocoa products will be included in the WWF UK Basket.

The WWF Basket was initially developed through the WWF Tesco partnership.

Tony’s Open Chain

Tony’s Open Chain is an industry-led initiative that helps chocolate brands and retailers transform their cocoa supply chains.

Tony’s Open Chain consists of five Sourcing Principles.

- **Traceable Beans**: from known partner cooperatives and known farmers.
- **A higher Price**: on top of the certified bean price, it is necessary to pay an additional premium to ensure that the market price offers a living income.
- **Strong Farmers**: Tony’s Open Chain facilitates the professionalisation and growth of partner cooperatives. To achieve this, Tony’s Open Chain provides an additional € 51 per metric ton of cocoa to cooperatives on top of the Living Income Reference Price.
- **Long Term** commitment. Tony’s Open Chain Engage in 5-year commitments with cooperatives to facilitate investments.
- **Productivity and Quality**: Tony’s Open Chain undertakes productivity, diversification and quality programs to improve the yield (without increasing illegal labour).

These five Sourcing Principles need to be implemented as they interact with each other to strengthen the positive impact, but also to counteract possible, negative side-effects. An integrated approach is needed, geared to structurally change the system. Every principle has its own tools.

You could follow the example set by the retailer Alberth Heijn who purchase cocoa for their chocolate brand Delicata according to these five sourcing principles.
FURTHER READING

• **The Chocolate Scorecard** (External, in partnership with WWF, 2023)

• **Specific asks to primary cocoa processors, traders, grinders and manufacturers** (WWF, 2023). This paper clarifies asks to companies to achieve tangible results required to curb the current destruction of ecosystems and human rights abuse taking place in the cocoa sector.

• **WWF Vision, Guiding Principles & Asks** (WWF, 2021). This paper clearly defines what companies, financial institutions, and governments must do to create Deforestation- and Conversion-Free (DCF) supply chains at the necessary pace and scale.

• Cocoa Barometer (**EN, ES, FR**, Voice in partnership with WWF, 2022). A biennial publication, with the aim of creating an up-to-date, fair, and clear overview of the state of sustainability of the cocoa sector. The Barometer looks at the sector as a whole, but also couples aggregated and disaggregated company and country data with clear visualisations and fair contextualization of challenges, commitments, and accomplishments.

• Living income compendium (Voice in partnership with WWF, 2022). The first part of this report tries to answer the “myths” regarding living income in a concise but clear manner. The second part suggests a way forward, outlining actions for all actors involved.

• Consultation paper on Good Purchasing Practices is [here](#), as well as the [executive summary](#) and [one-pager](#). (External - Voice in partnership with WWF, 2023)


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WWF is one of the world’s largest and most experienced independent conservation organizations, with over 5 million supporters and a global Network active in more than 100 countries. WWF’s mission is to stop the degradation of the planet’s natural environment and to build a future in which humans live in harmony with nature, by: conserving the world’s biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.
COMPANIES NEED TO TRANSITION FROM SIMPLY DE-RISKING THEIR OWN SUPPLY CHAIN, TOWARDS A PRO-ENVIRONMENT AND PRO-PEOPLE APPROACH.