

DECEMBER 2022

Dutch Initiative on
Sustainable Cocoa

Annual Report 2021



DISCO
DUTCH INITIATIVE ON
SUSTAINABLE COCOA

CONTENTS

	Foreword by the chair of the Steering Committee Arjen Boekhold	3
1.	Background on DISCO	4
	Emergence of DISCO	4
	Joint ambition around sustainable cocoa	5
	In partnership we can achieve more than the sum of our individual efforts	7
	International collaboration	8
	Governance	8
2.	Activities executed under DISCO in 2020 & 2021	10
	Roadmaps developed by Working Groups	10
	Action plans signatories	13
	International collaboration	14
3.	Results from monitoring round	16
	Introduction to monitoring round	16
	Results from monitoring round	18
	The DISCO Scope	18
	Certification coverage	20
	Living Income	21
	Ending deforestation	25
	Child labour	31
	Observations on this year's monitoring round	35
4.	Finance	37
	Joint financing structure	37
	Financial overview	38
	Conclusion	40

FOREWORD BY THE CHAIR OF THE STEERING COMMITTEE ARJEN BOEKHOLD

You are reading the first words of the very first annual report covering the first two years of the Dutch Initiative on Sustainable Cocoa.

Since the launch in 2020, 2021 was the first full year of working towards the 3 common goals of this important initiative:

- ✓ Farming families with cocoa as their main livelihood activity will be enabled to earn a living income by 2030.
- ✓ Cocoa-related deforestation and forest degradation in producing regions where the Dutch cocoa industry and their trade partners are sourcing from will have ended in their supply chains by 2025.
- ✓ Effective measures and necessary actions contributing to ending all forms of child labor by 2025 are taken.

In May 2021, I was asked to be the independent chairman of DISCO's Steering Committee. I started the job by having conversations with all the signatories and the different actors involved, before jumping into action.

During these discussions and in our meetings throughout 2021, I experienced the commitment of signatories on individual level and by the different parties participating within DISCO. But as with many new ambitious initiatives, bringing partnerships into concrete practice could be more complex than you had hoped for.

After all signatories showed individual commitment towards reaching the goals by signing the declaration in 2020, in 2021 a lot of time was used to think and discuss how to move the initiative towards concrete action and how trust could be built to foster collaboration. I would describe 2021 as the year in which we created the foundation for further action.

An important and positive development was the signing of a Memorandum of Understanding with the other European multi-stakeholder initiatives on sustainable cocoa as increased coordination and cooperation in an international context is highly necessary in order to accomplish the objectives of DISCO. In the years to come we should increase this cooperation and European approach.

Another important milestone was the development of three strategic roadmaps by several experts and representatives of the different subsectors. We should not underestimate the time and effort put into the development of the roadmaps and should ensure to make the best use of these while developing next steps. Using these roadmaps all signatories were asked to fill in their individual action plans, after which an important conclusion was that the signatories together need to step up efforts, both in ambitions and finding ways to cooperate on the common goals of this important initiative.

As you can read in this report, some progress was made on the three main objectives, but the measurable impact attributed to the added value of DISCO must still be shown in the coming years. A personal worry I want to share with you is that the success of DISCO depends on the level of active participation of all signatories, and that this participation really needs to be improved. For this, I seriously call upon all signatories to translate their commitment in additional action, to pro-actively find ways of pre-competitive cooperation and take their responsibility.

Writing this foreword in 2022, 2020 and 2021 already feel a long time ago. Many things can change in the course of a few months. As we have seen, big changes can happen quickly, sometimes for the worse, and some for the better. Let us use this as an incentive to change the sector for the better as soon as possible.

I am looking forward to working together towards concrete action in the time to come!





1. BACKGROUND ON DISCO

The Dutch Initiative on Sustainable Cocoa (DISCO) is a public-private partnership active in the Dutch cocoa and chocolate sector working to sustainably improve the livelihoods of current and future cocoa farming families, and to protect their natural environment.

Emergence of DISCO

The Netherlands is the world's largest importer of cocoa beans. Origins such as Côte d'Ivoire, Cameroon, Ghana, and Nigeria are the most important sourcing countries for the Dutch cocoa and chocolate industry. In addition, cocoa companies also import beans from several other countries in Africa, Latin America, and Asia. Most of the imported beans

are processed in the Netherlands and exported to other EU countries as either cocoa powder, -mass and butter or as couverture and chocolate.

In 2010 several of the public and private partners signed a Letter of Intent on Sustainable Cocoa. Since then, the sector made considerable progress towards achieving the common goals. However, the combined effects of the sustainability initiatives in the cocoa production regions are not enough as there is a need to expand the scope and the ambition of the existing sustainability efforts, broaden the coalition of partners and strengthen the multi-stakeholder collaborations. This led to the emergence of the [Dutch Initiative on Sustainable Cocoa](#) in August 2020.





Joint ambition around sustainable cocoa

Under the umbrella of DISCO, stakeholders from the Dutch cocoa sector are jointly responsible for reaching the shared vision for a sustainable cocoa sector. The central objective is to improve the livelihoods of current and future cocoa farming families in a sustainable way.

For this, the Dutch Initiative on Sustainable Cocoa shares the vision that in the cocoa-production regions important to the Dutch cocoa industry the following needs to be achieved:



Farming families with cocoa as their main livelihood activity will be enabled to earn a **living income** by 2030



Cocoa-related **deforestation and forest degradation** in producing regions where the Dutch cocoa industry and their trade partners are sourcing from will have ended in their supply chains by 2025



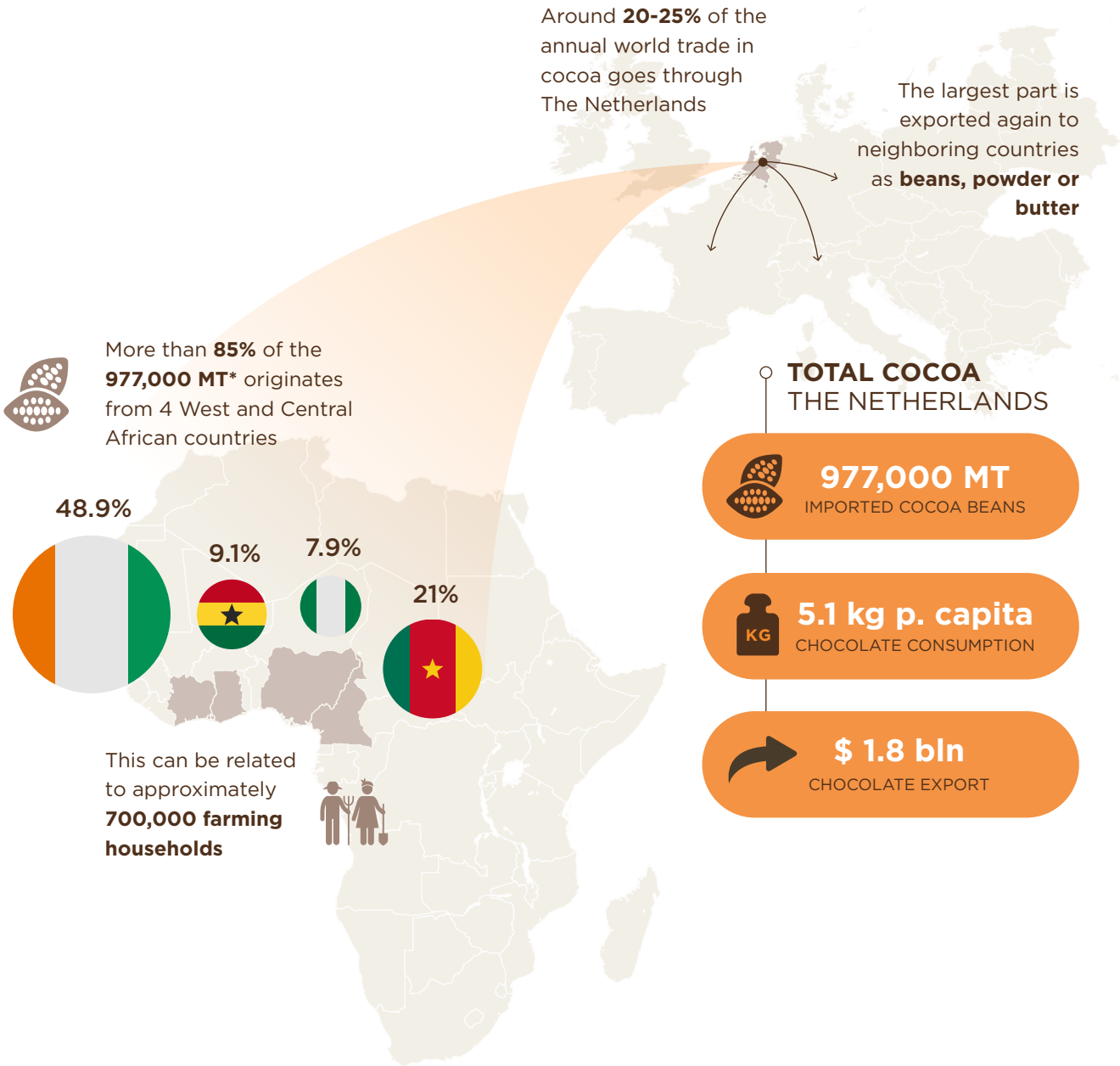
Effective measures and necessary actions contributing to ending all forms of **child labour** by 2025 are taken



The scope of the Dutch Initiative on Sustainable Cocoa contains all cocoa and cocoa products imported into the Netherlands which accounts for approximately 20-25% of the cocoa traded globally.



FIGURE 1 COCOA TRADE FLOWS TO THE NETHERLANDS



*Eurostat and ITC, 2021



In partnership we can achieve more than the sum of our individual efforts

A variety of organizations from different subsectors joined the DISCO partnership to contribute

collectively and individually to improve the livelihoods of current and future cocoa farming families and their natural environment:

COCOA TRADERS & PROCESSORS



CHOCOLATE MANUFACTURERS & BRANDS



RETAILERS



GOVERNMENT



CIVIL SOCIETY



CERTIFICATION



SERVICE PROVIDERS & KNOWLEDGE INSTITUTES



Secretariat by:





International collaboration

Effective cooperation with international partners, both in the public and private sector, is essential to achieve the DISCO goals. This includes first and foremost the governments and their agencies, as well as the cocoa farmers' organizations, local traders and other supply chain partners in the cocoa producing countries.

Governance

The implementation of the initiatives' strategies and goals will be undertaken by all signatories. The Steering Committee consisting of senior representatives from different subsectors develops and oversees the strategic direction of the partnership. The Steering Committee consists of the following members:

COMPOSITION OF THE STEERING COMMITTEE



Arjen Boekhold
Independent chair



Eric Nederhand
Olam Food Ingredients
Subsector 'Traders and processors'



Susanne Boetekees
Fairtrade Nederland
Subsector 'Certification organizations'



Laura Jungmann
Albert Heijn
Subsector 'Retail'



Steven Collet
Dutch Ministry of
Foreign Affairs
Subsector 'Government'



Roel Govers
Mars Nederland
Subsector 'Manufacturers and brands'



Boukje Theeuwes
Solidaridad
Subsector 'Civil society'



Thematic Working Groups on Living Income, Deforestation and Forest Degradation, and Child Labour composed of representatives from different subsectors serve to work on specific assignments or develop recommendations and frameworks for implementation for the partnership.

IDH, the Sustainable Trade Initiative acts as the Secretariat of DISCO by convening and facilitating the different groups and activities within the partnership.

More information on the governance structure can be found [here](#).

COMPOSITION OF THE SECRETARIAT



Mark de Waard
Program Manager
IDH



Marlene Hoekstra
Program Officer
IDH



2. ACTIVITIES EXECUTED UNDER DISCO IN 2020 & 2021

Roadmaps developed by Working Groups

In 2021, DISCO Working Groups on Living Income, Deforestation and Forest Degradation, and Child Labour developed roadmaps on how to reach the sustainability commitments within DISCO on the respective themes. The roadmaps include guidance on a recommended (range of) actions, their implementation, a set of indicators used to monitoring and reporting on progress, as well as recommendations for further actions by the partnership.

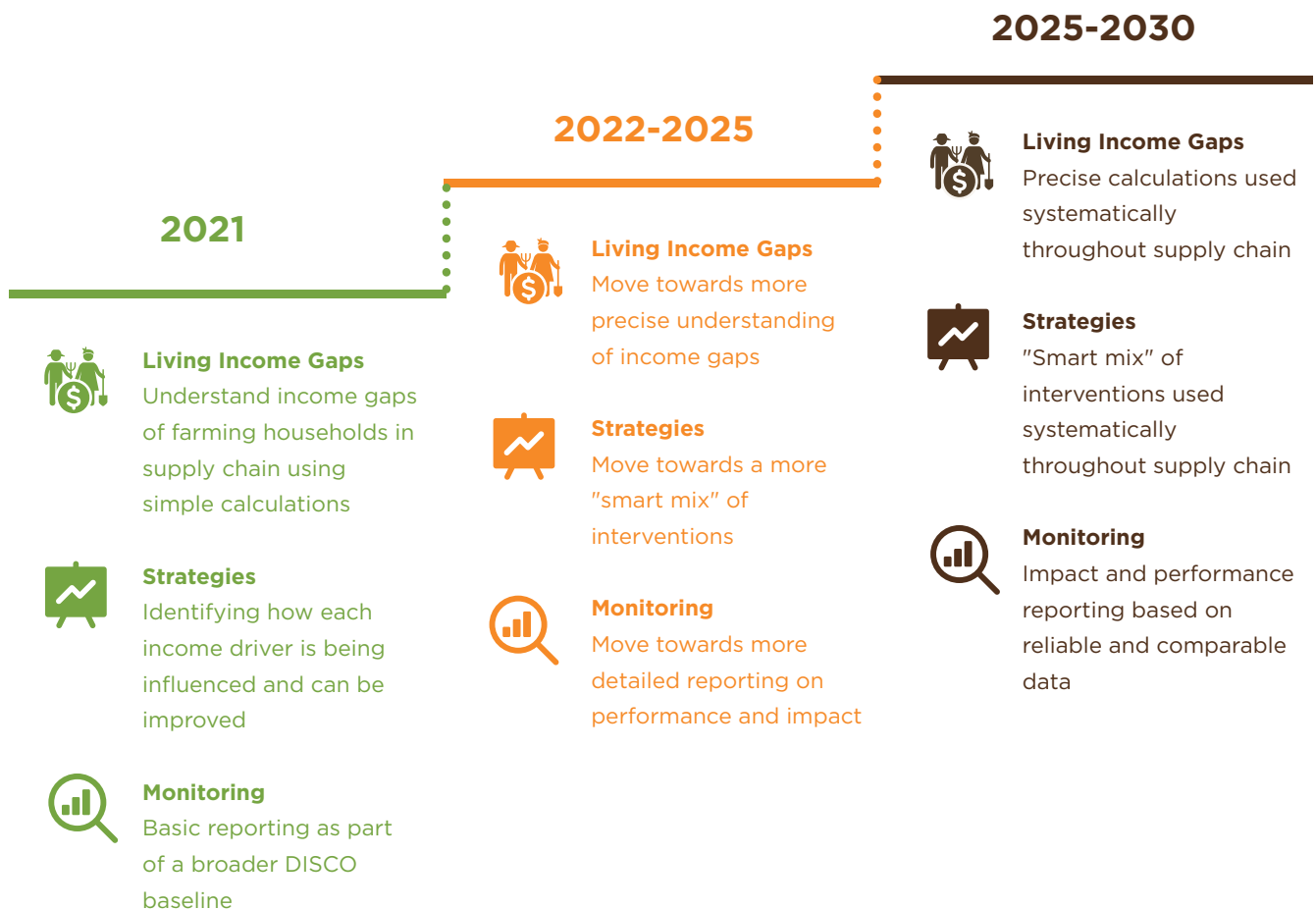
The aim of developing the Roadmaps is to provide a framework to DISCO signatories for implementing the

necessary actions around the three thematic areas that can be realized in a step-by-step manner. After publishing the Roadmaps, the DISCO signatories developed individual action plans based on those Roadmaps to specify how they will contribute individually to the DISCO commitments.

Roadmap on living income

The [roadmap on 'Living income for cocoa farming families'](#) includes guidance to understand income gaps of farming households in the supply chain using basic calculations, while moving towards more precise understanding of income gaps, and scaling precise calculations systematically throughout the supply chain.

FIGURE 2 ROADMAP ON LIVING INCOME





It also provides guidance to develop living income strategies by identifying how each income driver is being influenced and how it can be improved, while moving towards more “smart mix” of interventions, and scaling “smart mix” of interventions systematically throughout the supply chain.

Roadmap on deforestation and forest degradation

The [roadmap on ‘Ending deforestation and forest degradation’](#) includes guidance on how companies can carry out due diligence assessments in line with the OECD Guidelines for Multinational Enterprises on the cocoa entering their supply chain.

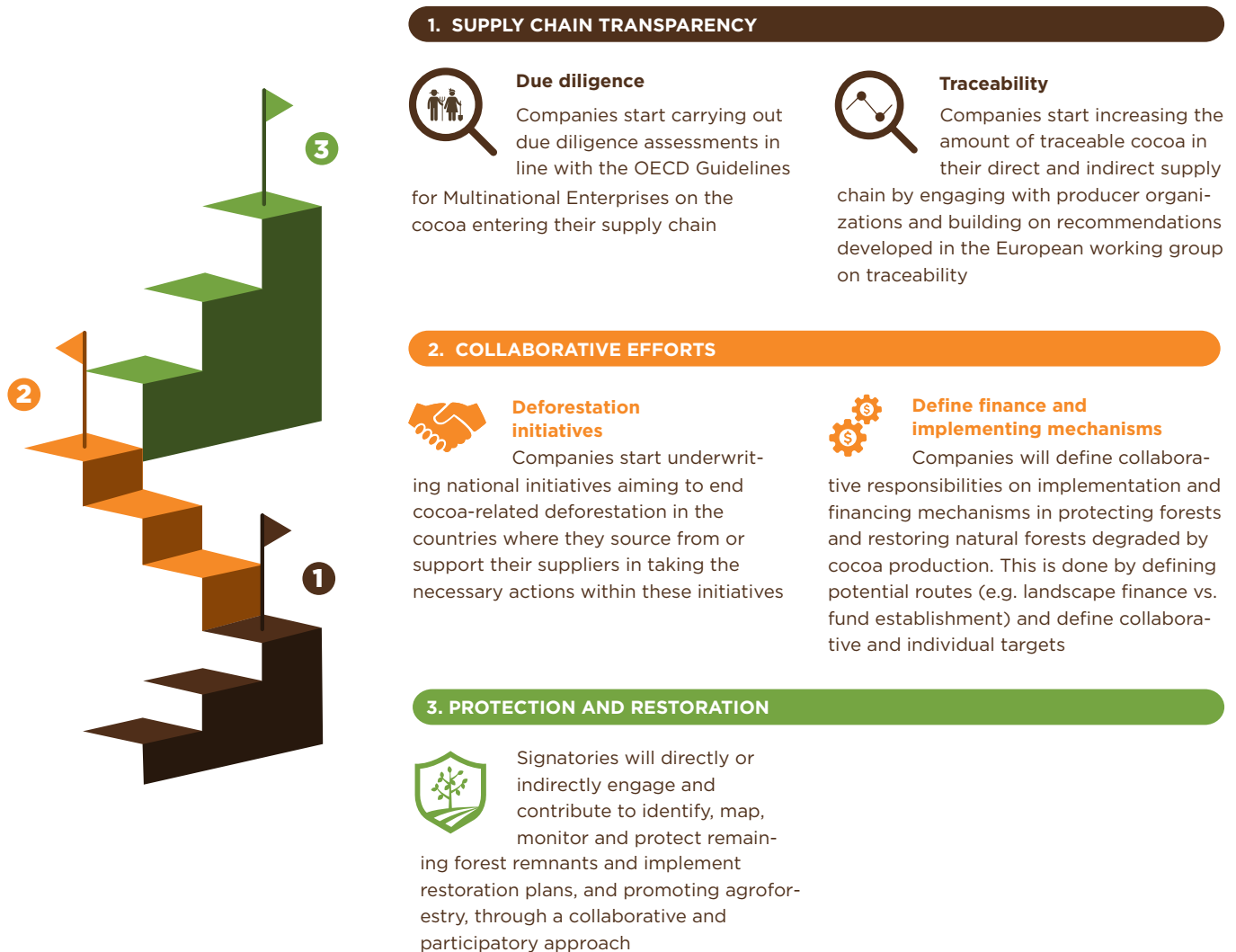
It also explains how companies can underwrite, support and promote, national initiatives in cocoa producing countries aiming to end cocoa-

related deforestation (e.g. Cocoa & Forests Initiative in Côte d’Ivoire and Ghana).

Additionally, the roadmap describes the commitment on increased traceability in direct and indirect supply chains and how additional recommendations will be developed through an ISCO Working Group.

Finally, the roadmap describes the next steps to be taken to define collaborative responsibilities on implementation and financing mechanisms in protecting forests and restoring natural forests degraded by cocoa production, including the identification, mapping, monitoring and protection of remaining forest remnants and implement restoration plans, while promoting the establishment of agroforestry systems.

FIGURE 3 ROADMAP ON DEFORESTATION AND FOREST DEGREGATION





Roadmap on child labour

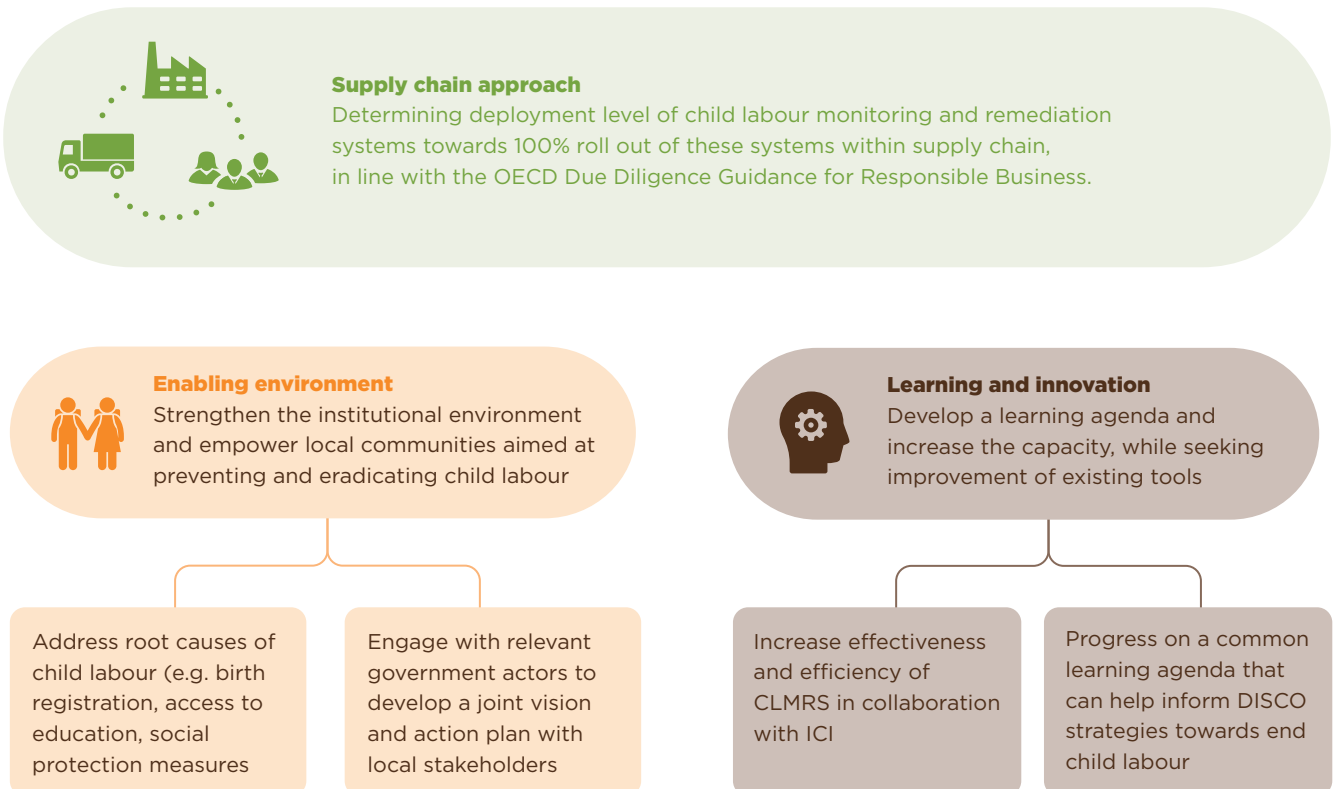
The [roadmap on 'Ending all forms of child labour'](#) on one hand provides guidance on how to determine the current deployment level of child labour prevention, monitoring and remediation systems in a specific supply chain, and is linked with the minimum requirements of the systems defined by benchmarking study conducted by the International Cocoa Initiative (ICI).

On the other hand, the roadmap provides guidance on how to develop and implement strategies to roll out child labour prevention, monitoring and remediation systems in a supply chain and how this can be linked with the OECD Due Diligence Guidance for Responsible Business.

Finally, the roadmap can also be used by DISCO signatories to engage with national and local governments and civil society in the sourcing/production countries on joint efforts to strengthen the institutional environment and empower local communities aimed at preventing and eradicating child labour.



FIGURE 4 ROADMAP ON CHILD LABOUR





International collaboration

Europe

Within Europe, DISCO works closely together with the other European Initiatives on Sustainable Cocoa (ISCOS) by aligning objectives, definitions, and strategies (including monitoring and evaluation). Alignment across these national initiatives can for example reduce the reporting burden for partners and increase the potential for impact at scale. With this in mind, DISCO signed a Memorandum of Understanding (MoU) which was already signed between the national initiatives in Belgium (Beyond Chocolate), Germany (GISCO) and Switzerland (SWISSCO). In

this MoU, the ISCOS have further underlined their collaboration efforts and how they will bundle efforts to address the key issues in the cocoa industry.

As part of the strong collaboration with the other ISCOS, five joint thematic Working Groups have been established around Living Income, Forests & Agroforestry, Child Labour, Traceability and Monitoring. By setting-up the joint ISCOS Working Groups, the DISCO Working Groups became passive Working Groups after they finalized the thematic roadmaps. These Working Groups will be reintroduced should there be topics or issues addressed specifically for DISCO.

FIGURE 6 THE EUROPEAN INITIATIVES ON SUSTAINABLE COCOA (ISCOS)

COMMON CHALLENGES

1

Contribute to a living income for cocoa farmers and their families

2

Halt cocoa-related deforestation and promote sustainable reforestation and biodiversity

3

End child labor and forced labor in the cocoa value chain

4

Enhance the transparency in the cocoa value chain



GISCO

German Initiative on Sustainable Cocoa
June 2012



SWISSCO

Swiss Platform for Sustainable Cocoa
January 2018



Beyond Chocolate

Partnership for a sustainable Belgian cocoa sector
December 2018



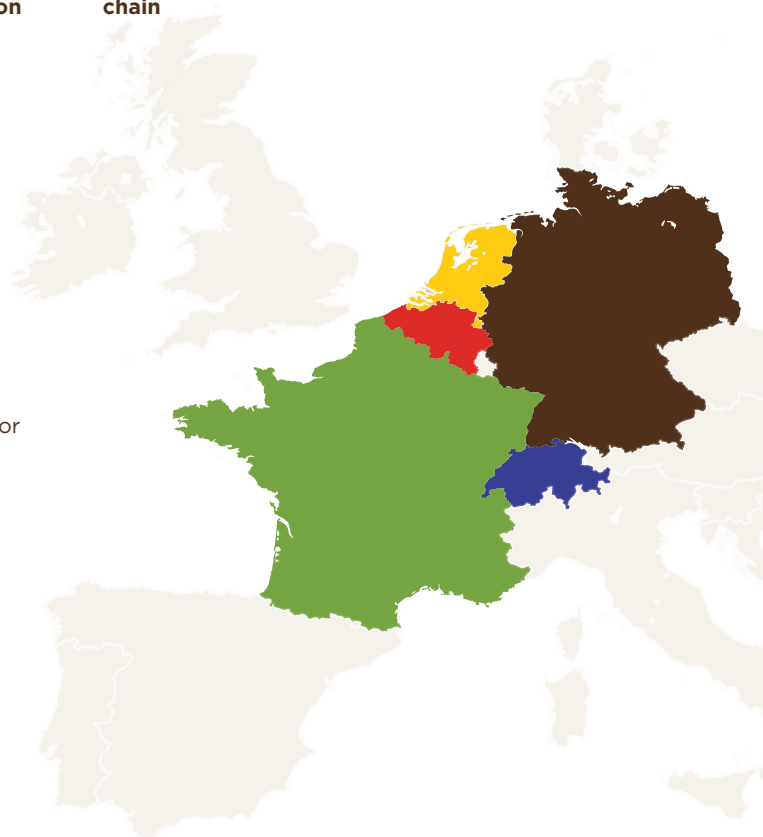
DISCO

Dutch Initiative for Sustainable Cocoa
August 2020



FRISCO

French Initiative on Sustainable Cocoa
May 2021





Cocoa origin countries

The Dutch Embassies in Accra, Ghana and Abidjan, Côte d'Ivoire have organized the Dutch Orange Cocoa Days during which the DISCO partnership was presented and launched for the Ghanaian and Ivorian stakeholders. These events brought together all Dutch organizations active in the cocoa sector in these countries but also national cocoa stakeholders such as the national cocoa authorities COCOBOD and Conseil du Cafe-Cacao. This marked the start of a collaboration between DISCO and the cocoa producing countries, through its key stakeholders and signatories active in those countries.





3. RESULTS FROM MONITORING ROUND

Introduction to monitoring round

Process towards 2020 and 2021 monitoring

The different DISCO partners have all reported in May 2022 on their progress in 2020 and 2021. Before DISCO partners reported, the DISCO monitoring workgroup and an external consultant developed a monitoring framework, based on the suggestions made in the thematic Roadmaps, which details what each subsector would report on. More details on the framework can be found [here](#).

Harmonization and online tool

With the signature of the Memorandum of Understanding (MoU) between the different European Initiatives on Sustainable Cocoa (ISCOs), the ISCOs have worked to harmonize the monitoring framework to reduce, and simplify the indicators, and reduce the burden of reporting on partners and signatories. The monitoring Working Group at ISCO level provides the necessary input and feedback from partners on how to further align and continuously optimize the monitoring framework.

Early 2021, GISCO and Beyond Chocolate jointly developed a reporting tool in which each signatory was able to provide their data in the tool. The tool is flexible as it generates specific questionnaires for each stakeholder group and ISCO. DISCO had joined

using this reporting tool for the 2022 monitoring round, while synchronizing the reporting timelines with those of GISCO and Beyond Chocolate.

The DISCO data was then cleaned by an external consultant and analyzed by the DISCO Secretariat. In September, the Secretariat presented the preliminary results to the Steering Committee, who provided feedback and helped to define and validate the key messages and main conclusions. The data is presented on an aggregated level due to competition law and to ensure confidentiality.

Reporting partners

For the 2022 monitoring round on 2020 and 2021 data, all signatories (with exception from sector organization VBZ) were supposed to report on their progress. During this monitoring round, 30 signatories reported and 2 did not fulfil their reporting requirements.

For the monitoring round, a distinction can be made in terms of indicators depending on subsectors. The supply chain subsectors "Traders and processors", "Manufacturers and brands" and "Retail" reported on quantitative indicators related to their activities. On the other hand, the non-supply chain subsectors "Government", "Certification", "Civil Society" and "Service providers and knowledge institutes" reported on qualitative contributions on living income, deforestation and forest degradation, and child labour.





FIGURE 7 OVERVIEW OF REPORTING SUPPLY CHAIN SIGNATORIES

Traders/processors	Large manufacturers	Smaller manufacturers	Retailers
<ul style="list-style-type: none"> • Barry Callebaut • Cargill Cocoa & Chocolate • Envium Life Sciences (ELS) • Export Trading Group (ETG) • JS Cocoa • Olam Food Ingredients 	<ul style="list-style-type: none"> • MARS • Mondelēz • Nestlé • Tony's Chocolonely 	<ul style="list-style-type: none"> • Friesland Campina 	<ul style="list-style-type: none"> • Albert Heijn • Jumbo • Superunie

FIGURE 8 OVERVIEW OF NON-SUPPLY CHAIN REPORTING SIGNATORIES

Government	Certification/standard organizations	Civil society	Service providers & knowledge institutes
<ul style="list-style-type: none"> • Ministry of Foreign Affairs of The Netherlands • Ministry of Agriculture, Nature and Food Quality of The Netherlands 	<ul style="list-style-type: none"> • Fairtrade Nederland • Rainforest Alliance 	<ul style="list-style-type: none"> • Care Nederland • Fairfood • International Cocoa Initiative • Oxfam Novib • Save the Children • Solidaridad Network • Tropenbos International • UNICEF The Netherlands 	<ul style="list-style-type: none"> • Agro Eco • Equipoise • Meridia • Port of Amsterdam • Koninklijk Instituut voor de Tropen



Results from monitoring round

Key considerations in interpreting the DISCO monitoring results

There are several elements to consider when interpreting the results from the 2022 monitoring round.

Firstly the 2022 reporting round is a voluntary self-reporting exercise. All results presented in this report therefore only represent the results of the DISCO partnership. Additionally, it is important to emphasize that the self-reporting exercise is not validated through third-party verification.

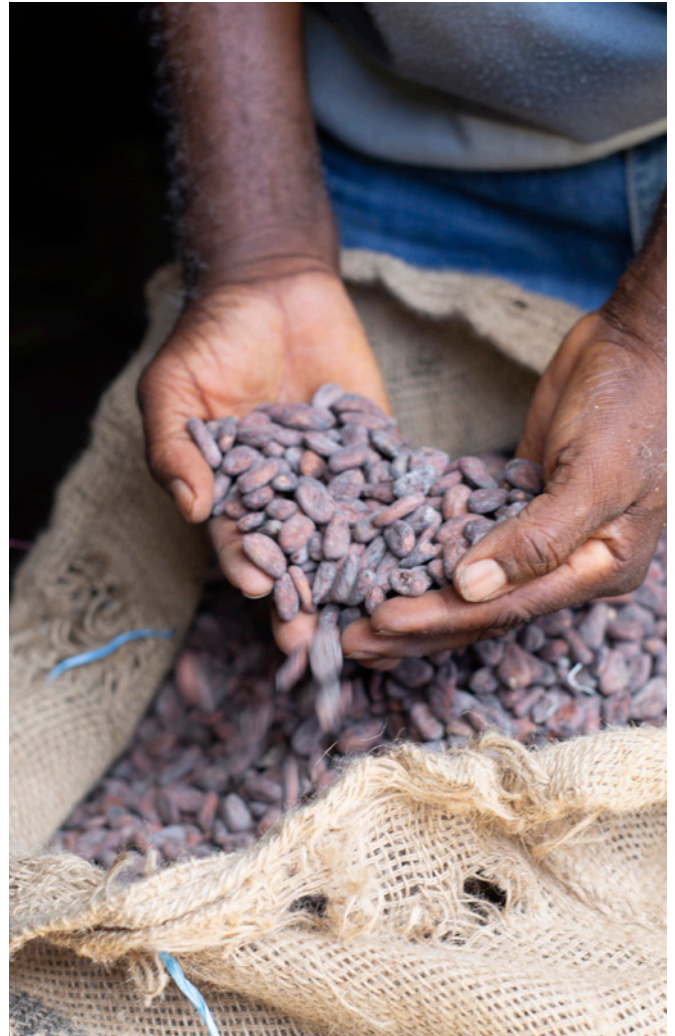
Secondly, it is important to note that compared to 2020, new partners joined the partnership in 2021 and therefore only reported on 2021 data. In the supply chain category one additional signatory reported. This partner's volumes are relatively low compared to other supply chain signatories; therefore, the effect is limited to the comparability of the results between the two years.

Lastly, there seems to be a difference in the numbers and volumes reported on the DISCO scope and volumes for indicators on living income, deforestation, and child labour. Supply chain signatories reported on global numbers and volumes, instead of DISCO linked volumes. This will logically also mean there will be some double counting between the different ISCOs, as well as between different actors in the supply chain (e.g., traders and their clients). This makes it difficult to draw conclusions on the progress that can be directly attributed towards the DISCO goals but provides mostly progress on the DISCO goals at a wider sectorial level.

The DISCO Scope

The scope of the Dutch Initiative on Sustainable Cocoa will contain all cocoa and cocoa products imported into the Netherlands.

The Netherlands is the world's largest importer of cocoa beans. Most of the imported beans are processed in the Netherlands and then exported as either cocoa powder, mass, and butter or as couverture and chocolate to other EU countries. According to sources such as Eurostat and ITC (2021), the total estimated volume of cocoa imported and processed in 2020 in the Netherlands was 977,000 metric tons while the total volume of cocoa consumed in the Netherlands is about 35,000 metric tons (Statista, 2017). For 2021, there is no updated data available yet.



The DISCO monitoring data shows that an important part of the Dutch cocoa sector is represented within the DISCO partnership, with about 39,704 MT of cocoa being imported (but not processed nor brought to the consumer market) in the Netherlands, 589,386 MT being processed in the Netherlands, and 25,155 MT of cocoa brought to the consumer market in 2020 alone. In 2021, the overall volume of cocoa traded, processed, and brought to the consumer market has even increased with 54,076 MT of cocoa being imported into the Netherlands, 624,330 MT being processed, and 26,726 MT of cocoa being brought to the consumer market; an 8% overall increase.

When comparing this data to external sources (Eurostat and ITC, 2021), we notice that the DISCO partnership, in terms of imported and processed cocoa covers about 64% of all Dutch cocoa imported and processed cocoa in 2020. The 36% gap can be explained as not all traders operating in the Netherlands are part of DISCO yet, and therefore will not report on their volumes.

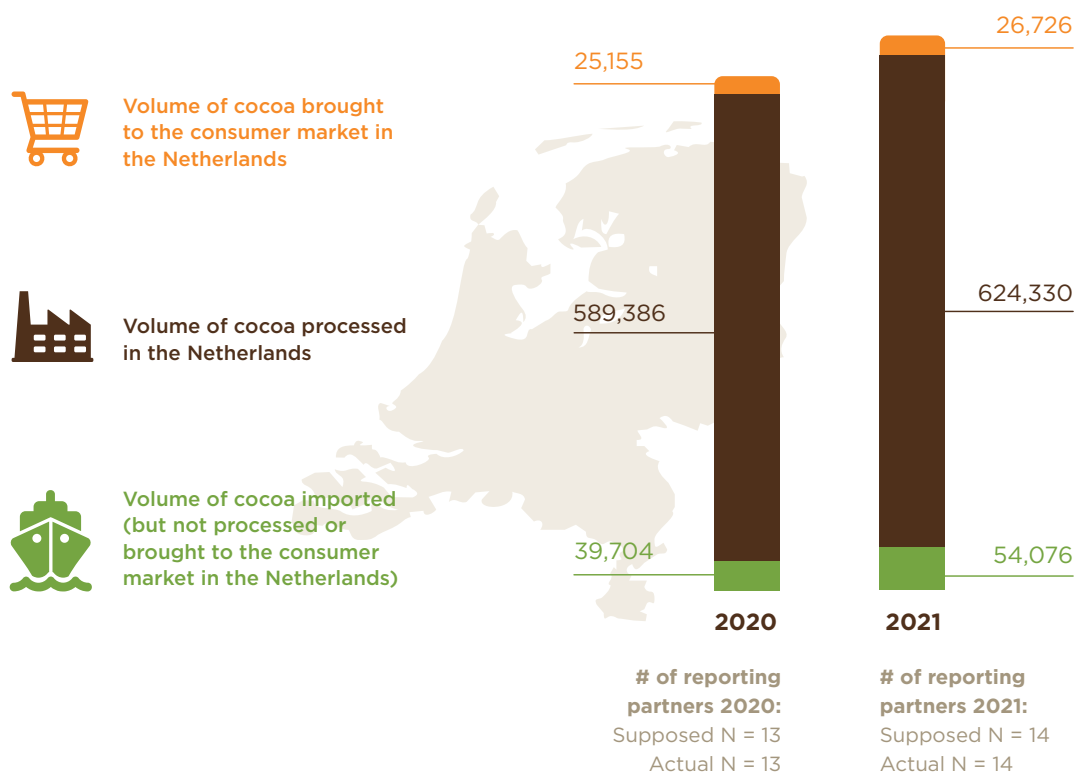


In terms of cocoa brought to the consumer market in 2020 within the DISCO partnership, this represents about 72% of the national cocoa brought to the consumer market. The 28% gap can be explained by the fact that not all (large) chocolate brands, smaller chocolate makers and chocolatiers are part of DISCO and therefore will not report on their volumes.

A minor part (4%) of all reported cocoa volumes is used for the Dutch consumer market. Therefore, it is advisable to look beyond the Dutch market only and define a strategy on how to address the part that is exported out of the Netherlands.



FIGURE 9 VOLUME (IN MT) IMPORTED, PROCESSED AND BROUGHT TO THE CONSUMER MARKET



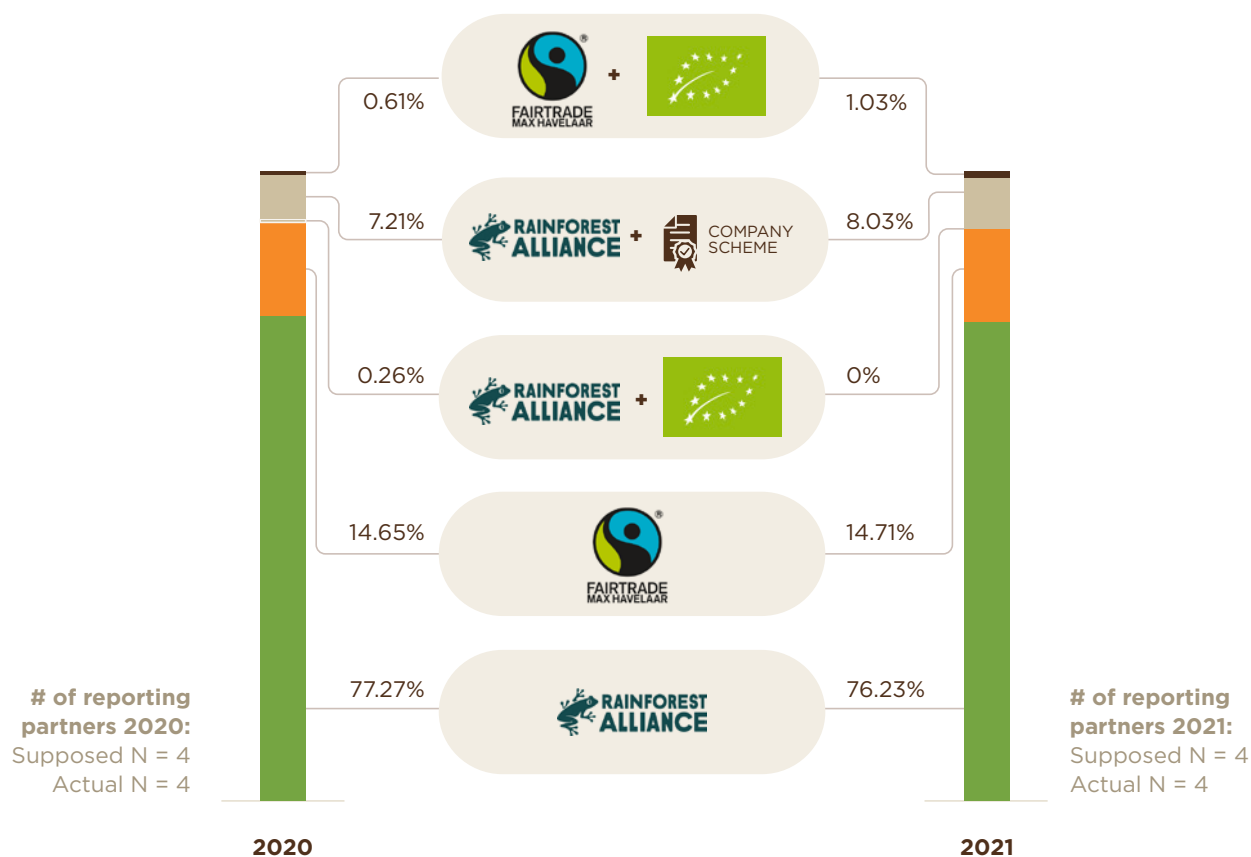


Certification coverage

The Letter of Intent on Sustainable Cocoa signed in 2010¹ by several of the Dutch public and private partners aimed to achieve 100% guaranteed sustainable cocoa consumption by 2025 (through certification). The 2020 and 2021 DISCO monitoring data shows that nowadays, through their private labels, 100% of cocoa brought to market by the DISCO signatories falling into subsectors 'Retail' and 'Small manufacturers' is covered by certification. This being either solely by a third-party certification, or in combination with a company scheme² as shown in the graph below. Although reaching the 100% certified milestone is an achievement, this also means that the next steps for these subsectors need to be defined to go beyond certification only.



FIGURE 10 PERCENTAGE OF CERTIFIED AND/OR INDEPENDENTLY VERIFIED COCOA



¹ <https://www.idhsustainabletrade.com/uploaded/2018/02/Annex-C-Letter-of-intent-sustainable-cocoa.pdf>

² Corporate sustainability programs such as Cacao-Trace, Cocoa Horizons, Cocoa Promise, Open Chain, Cocoa Life or Cocoa Plan



Living Income

Farming families with cocoa as their main livelihood activity will be enabled to earn a living income by 2030

When signing the DISCO declaration, signatories committed themselves that cocoa farming families with cocoa as their main livelihood activity would be enabled to earn a living income by 2030. To achieve this, the partnership commits to improve, align, and scale effective support programs, but also to work on institutional changes and improved market systems leading to more profitable and sustainable production and trade for cocoa farmers. Determining living income gaps and developing living income strategies around the most important income drivers (farm productivity, operational and transaction costs, quality improvements, farm gate pricing, farm income diversification) are the key strategies to use.

Living income gap measurement and strategy implementation

DISCO monitoring data shows that between 2020 – 2021, there has been moderate progress on living income measurements and strategies scores. Indeed, in 2021, partners reported 10,040 MT of cocoa bean equivalent for which the living income gap was measured (score 1), 15,700 MT of cocoa bean equivalent for which the living income gap was measured, and a strategy to close the gap was developed (score 2), and finally 8,066 MT of cocoa bean equivalent for which there was progress in closing the living income gap. This compared to 0 MT, 350 MT and 0 MT in 2020 for the respective scores.

A similar trend can be seen for the number of households per living income score. In 2020, only few partners were able to report on this number, and those who did, reported a limited number of households for which the living income gap was measured (302 households under score 1). However, in 2021, we see a sharp increase for the number of households for

FIGURE 11 LIVING INCOME GAP MEASUREMENT AND STRATEGY IMPLEMENTATION

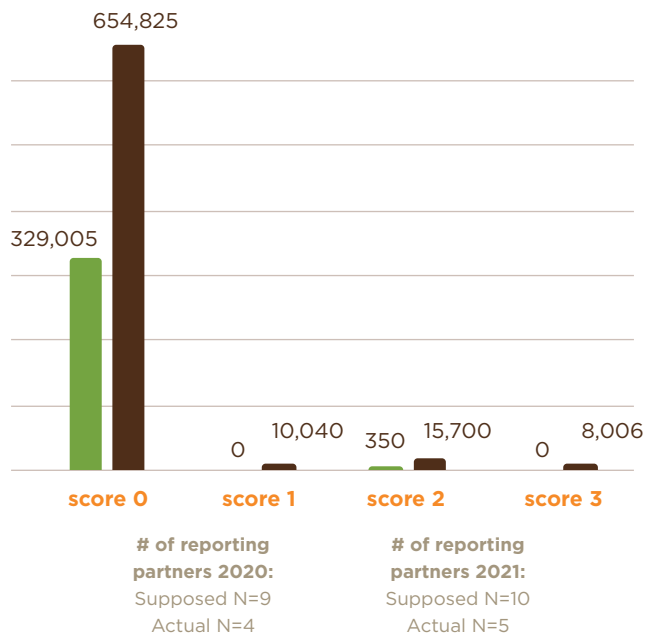
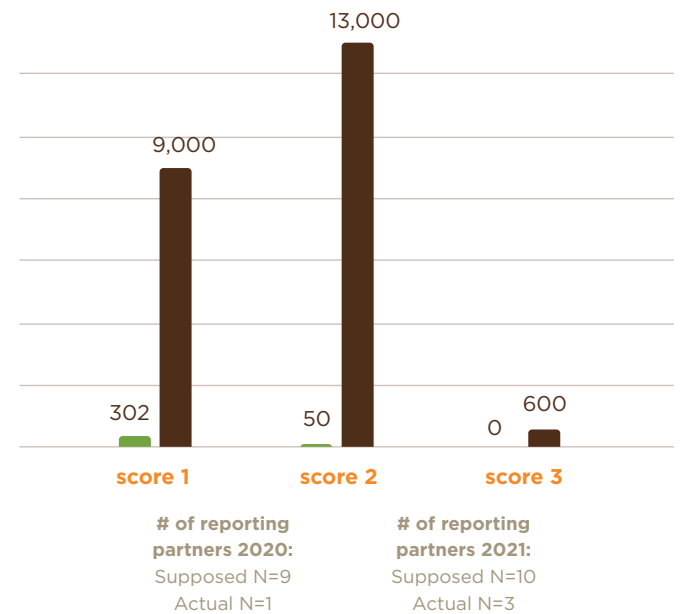


FIGURE 12 # OF HOUSEHOLDS PER LIVING INCOME SCORE



	score 0	score 1	score 2	score 3
2020	Volume without DISCO living income gap measurement and strategy implemented	Volume of living income gap measurement	Volume of living income gap measurement + strategy implemented	Volume of progress towards living income benchmark
2021				



which the living income gap is measured (9,000 under score 1), for households where the living income gap is measured with a strategy developed to address this gap (13,000 under score 2, compared to 50 the previous year) and about 600 households reporting progress on closing the living income gap under score 3, where none could in 2020.

While the above figures show progress in measuring and developing strategies, it also shows that there is still a long road ahead as for at least 394,825 MT of cocoa bean equivalents, as no living income measurements were calculated in 2021 for at least this volume, and more importantly, for this volumes and households, no living income strategy was developed either.

It is however important to consider a few limitations to the monitoring round and associated with this, the limited reported data. Firstly, the current living income

indicator and questionnaires resulted in fewer reporting partners than anticipated as for some partners the indicator did not resonate with their way of working. By making improvements to the indicators and questionnaires in the next monitoring round, we expect to see an increased number of reporting partners. Secondly, it can be argued that for investments in developing and implementing living income strategies at scale, results might not be measurable in the same year. As some of the reporting partners have reported to work and invest in living income measurement and strategies, we can expect to see more progress in the upcoming years. Some reporting partners explicitly mentioned that they expect to report on higher numbers in the upcoming years.



FIGURE 13 LIVING INCOME - DISCO NON-SUPPLY CHAIN ACTOR CONTRIBUTIONS 2020

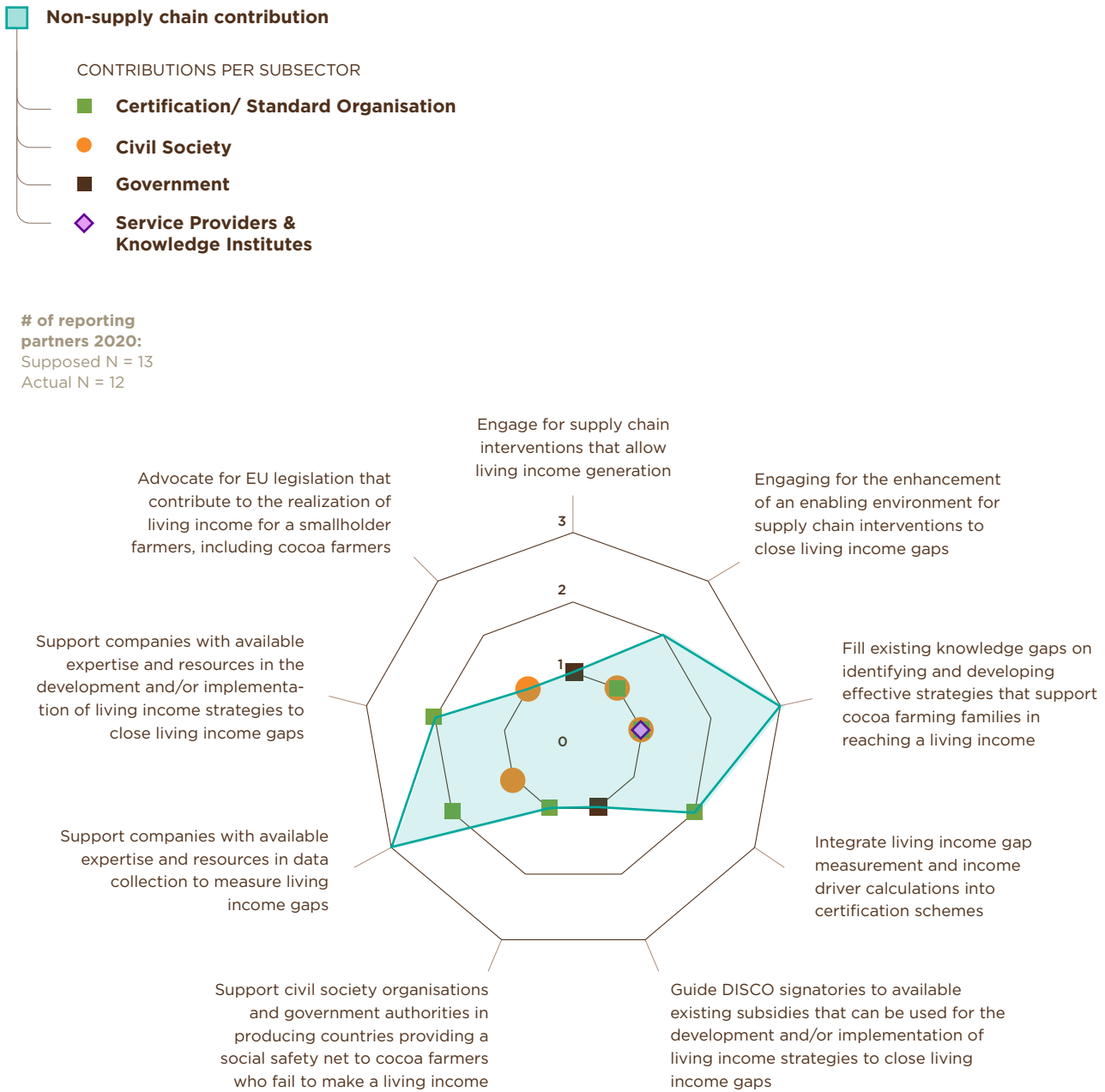




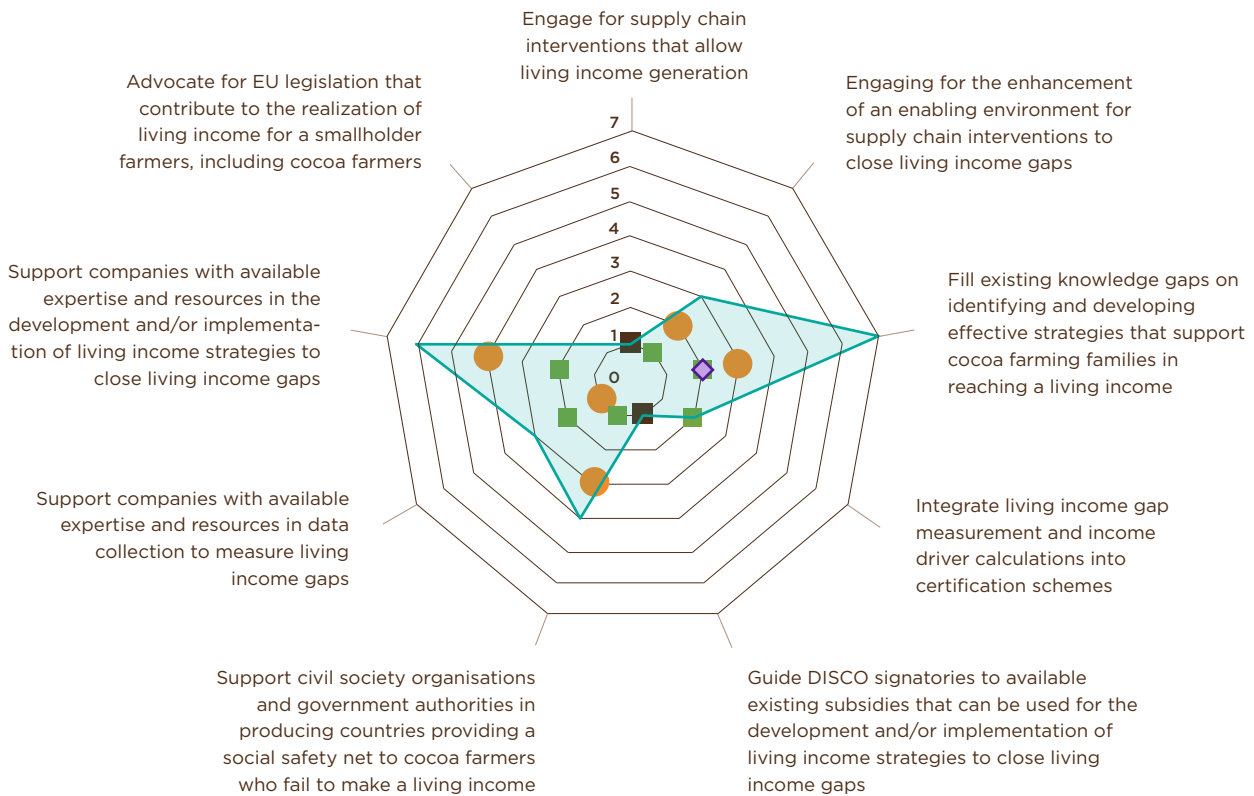
FIGURE 14 LIVING INCOME - DISCO NON-SUPPLY CHAIN ACTOR CONTRIBUTIONS 2021

Non-supply chain contribution

CONTRIBUTIONS PER SUBSECTOR

- **Certification/ Standard Organisation**
- **Civil Society**
- **Government**
- ◆ **Service Providers & Knowledge Institutes**

of reporting partners 2021:
 Supposed N = 18
 Actual N = 16





Contributions to closing living income gaps by non-supply chain signatories

In the figure above, the different non-supply chain contributions towards reaching the DISCO ambitions are shown. We see that to support companies reaching a living income, non-supply chain signatories can contribute in different ways, also based on the subsector. For example, the subsector ‘certification and standard organization’ contributes to reaching the partnership’s ambition by integrating living income measurement calculations into their certification scheme. Moreover, this subsector supports companies and other organizations in producing countries with available expertise and resources on data collection for gap measurement, as well as with the development and implementation of living income strategies. This is also true for the subsector ‘Service providers and Knowledge Institutes’ and ‘Civil Society’, both having a major role in filling existing knowledge gaps on for example identifying and developing strategies to support cocoa farmers in reaching a living income. The subsector ‘Government’ on the other hand, plays a different role in reaching the living income ambitions as it engages for supply chain interventions that allow living income generation, and guides DISCO signatories towards available subsidies.

Non-supply chain partners are on a moderate level active in all different areas around living income. A large increase in partners that work on filling knowledge gaps on living income and supporting partners in implementing living income strategies could be identified in 2021 compared to 2020.

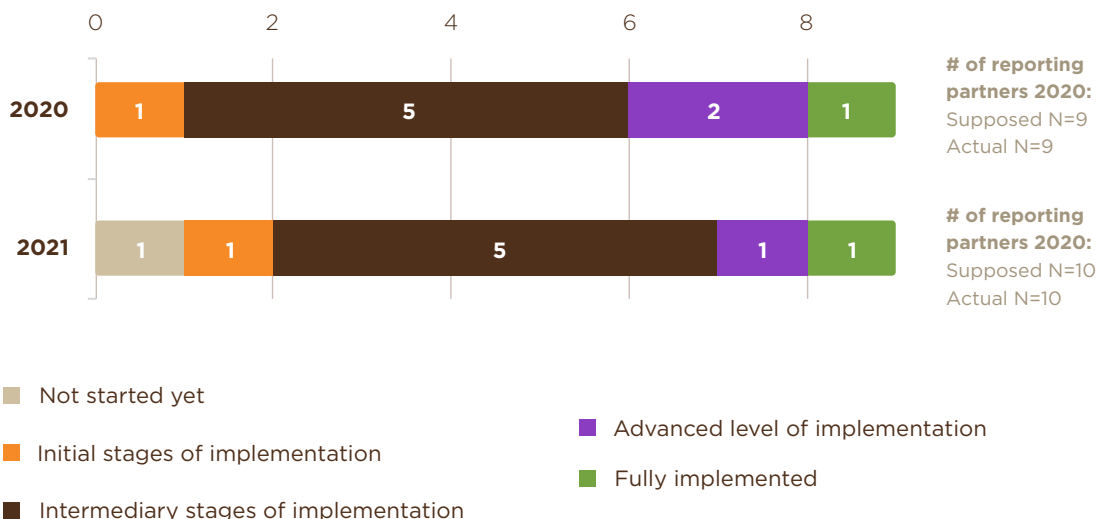
Ending deforestation

Cocoa-related deforestation and forest degradation in producing regions where the Dutch cocoa industry and their trade partners are sourcing from will have ended in their supply chains by 2025.

Supply chain due diligence

To meet the DISCO goal of ending cocoa-related deforestation and degradation in producing regions linked to the Dutch cocoa industry by 2025, different subgoals were developed. The first one related to signatories carrying out due diligence assessments to ensure no illegal cocoa enters their supply chains. In terms of reporting, each partner was asked to disclose how far their internal due diligence policy has progressed in line with the OECD guidelines for due diligence. In the graph below you can see that in 2020, most signatories were at an intermediate stage of implementation, with five partners reporting in this category. Two other companies reported that they were at an advanced stage, and one partner reported to have fully implemented an environmental risk management system. In 2021, there were some slight changes as one company reported not to have started with the implementation yet, and five companies reported to be at an intermediary stage, with two companies in the advanced level of implementation. From this we can conclude that from 2020 to 2021, there was not a significant change in the implementation of environmental risk management.

FIGURE 15 IMPLEMENTATION OF ENVIRONMENTAL RISK MANAGEMENT & DUE DILIGENCE APPROACHES IN COCOA SUPPLY CHAINS





It is important to note that one partner joined the partnership in 2021, which explains the number of reporting partners moving from 9 in 2020 to 10 in 2021.

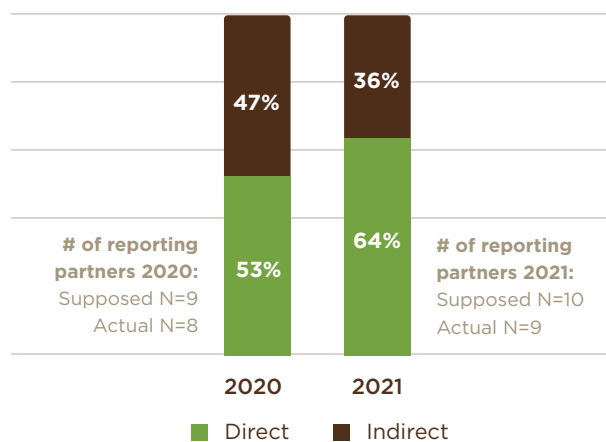
Traceability in direct and indirect supply chains

The second sub-goal pertains to traceability: signatories agreed that by 2025, 100% traceability to the farm level should be achieved in their direct supply chain, to in turn meet the sub-goal of full traceability for the sector by 2030.

Looking at the first milestone of 100% traceability in DISCO signatories' direct supply chains, it is important to understand what direct and indirect supply chains refer to. According to the definition as defined for the ISCOs, for cocoa to be categorized as "cocoa sourced through a direct supply chain", there should be a relatively stable partnership and/or collaboration for at least 3 years between the cocoa sourcing company and the cocoa producers. The partnership/collaboration can cover topics such as price, quality, good agricultural practices (GAP), as well as social, human rights and environmental issues, or even certification requirements. The partnership between the cocoa sourcing company and the producers can be conducted through cooperatives, farmer organizations, and/or through other intermediaries within the direct supply chain. However, it should be noted that different definitions around direct and indirect supply chains are used. These might have also been used by some signatories while reporting on this indicator.

Between 2020 and 2021, the percentage sourced through direct supply chains has been significantly increased from 53% to 64%.

FIGURE 16 DIRECT VS. INDIRECT SUPPLY





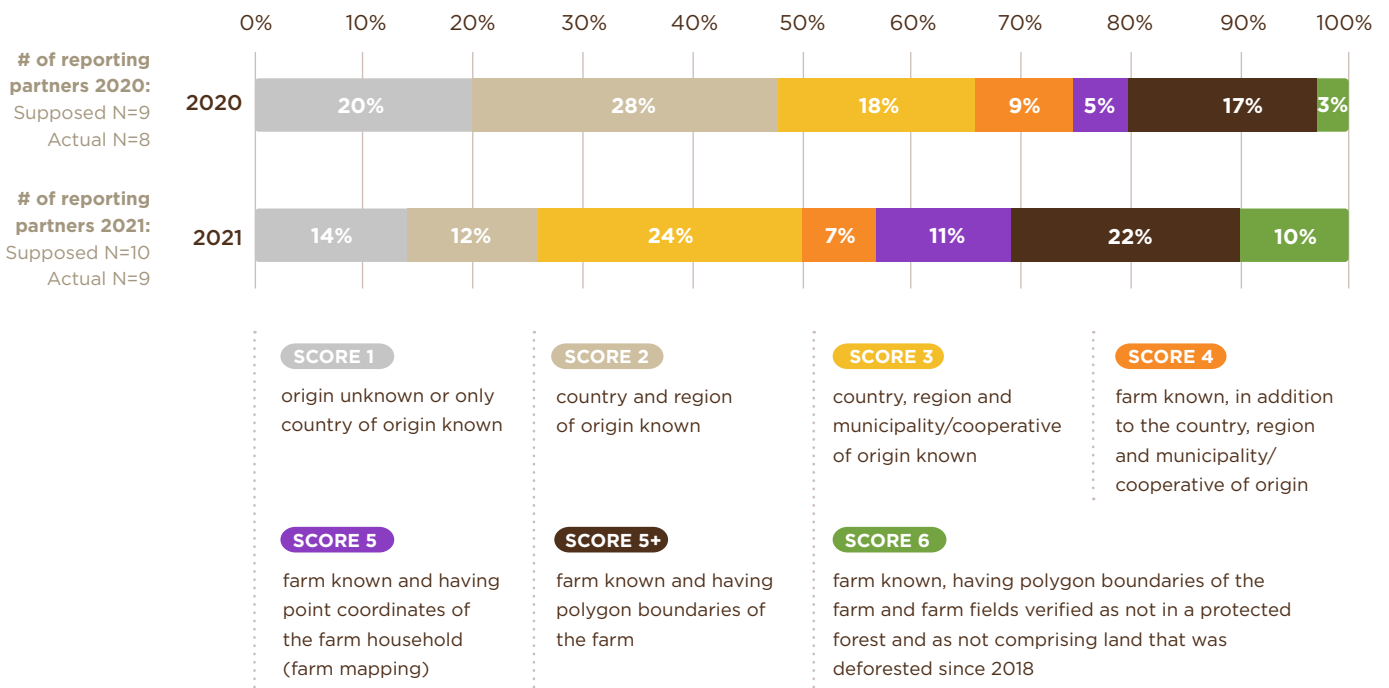
To measure cocoa traceability, a cocoa origin transparency scale was developed, with scores ranging from score 1, the lowest, for which the origin is unknown or where only the country of origin is known, to score 6, the highest score, for which the farm, polygon farm boundaries are known and for which farm fields are verified as not in a protected forest, neither comprising land that was deforested since 2018.

The DISCO monitoring data shows that between 2020 and 2021, a shift towards higher scores took place. In 2020, the three lowest scores represented about 91% of the cocoa, which in practical terms means for about 91% of the cocoa sourced the farm is not known. In 2021, this was reduced to 65% of the cocoa, a considerable change. The more remarkable shift happened at score 6 level, which increased from 4% to 23% in 2021.

This shift change might be attributed to the upcoming EU regulation for which signatories are already adapting their sourcing practices to be compliant with the deforestation-free requirements.



FIGURE 17 % OF COCOA SOURCED PER COCOA ORIGIN TRANSPARENCY SCORE





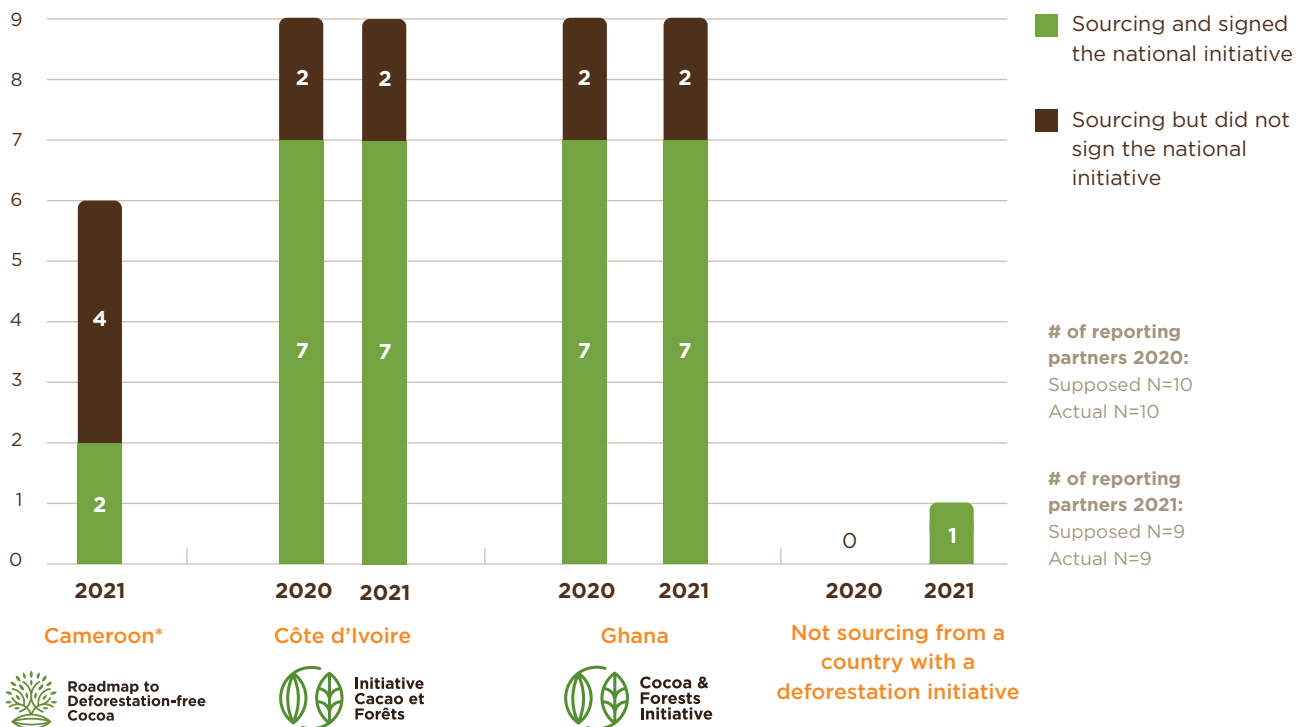
Underwriting national initiatives aiming to end cocoa-related deforestation

On the way to reach the DISCO commitment on ending deforestation, DISCO signatories committed themselves to (continue to) adhere to the Cocoa & Forests Initiative (CFI)³ active in Côte d'Ivoire and Ghana and to promote the underwriting of CFI among those companies that have not yet signed. Additionally, signatories committed themselves to promote CFI and similar initiatives (e.g. Roadmap to Deforestation-free cocoa in Cameroon that was launched in 2021)⁴ in countries which are not yet covered by CFI and supported when initiated.

Within the DISCO partnership, we see a relatively high number of partners signing national initiatives from which they are sourcing, as seen in the graph above. In the next year, it would be interesting to understand the reasoning behind not signing a national initiative, and potentially move the organizations to underwrite national initiatives of the countries they source from.



FIGURE 18 # OF COMPANIES THAT SIGNED NATIONAL INITIATIVES AIMING TO END COCOA-RELATED DEFORESTATION PER SOURCING COUNTRY



* The Roadmap to Deforestation-free Cocoa in Cameroon was signed in 2021. Therefore, no data is presented for 2020.

3 More information on the Cocoa & Forests Initiative can be found here: <https://www.idhsustainabletrade.com/initiative/cocoa-and-forests/>
 4 More information on the Roadmap to Deforestation-free Cocoa Cameroon can be found here: <https://www.idhsustainabletrade.com/initiative/roadmap-cameroon/>



FIGURE 19 CONTRIBUTIONS TO ENDING DEFORESTATION AND FOREST DEGRADATION BY NON-SUPPLY CHAIN SIGNATORIES 2020

Non-supply chain contribution

CONTRIBUTIONS PER SUBSECTOR

- **Certification/ Standard Organisation**
- **Civil Society**
- **Government**
- ◆ **Service Providers & Knowledge Institutes**

of reporting partners 2020:
 Supposed N = 13
 Actual N = 12

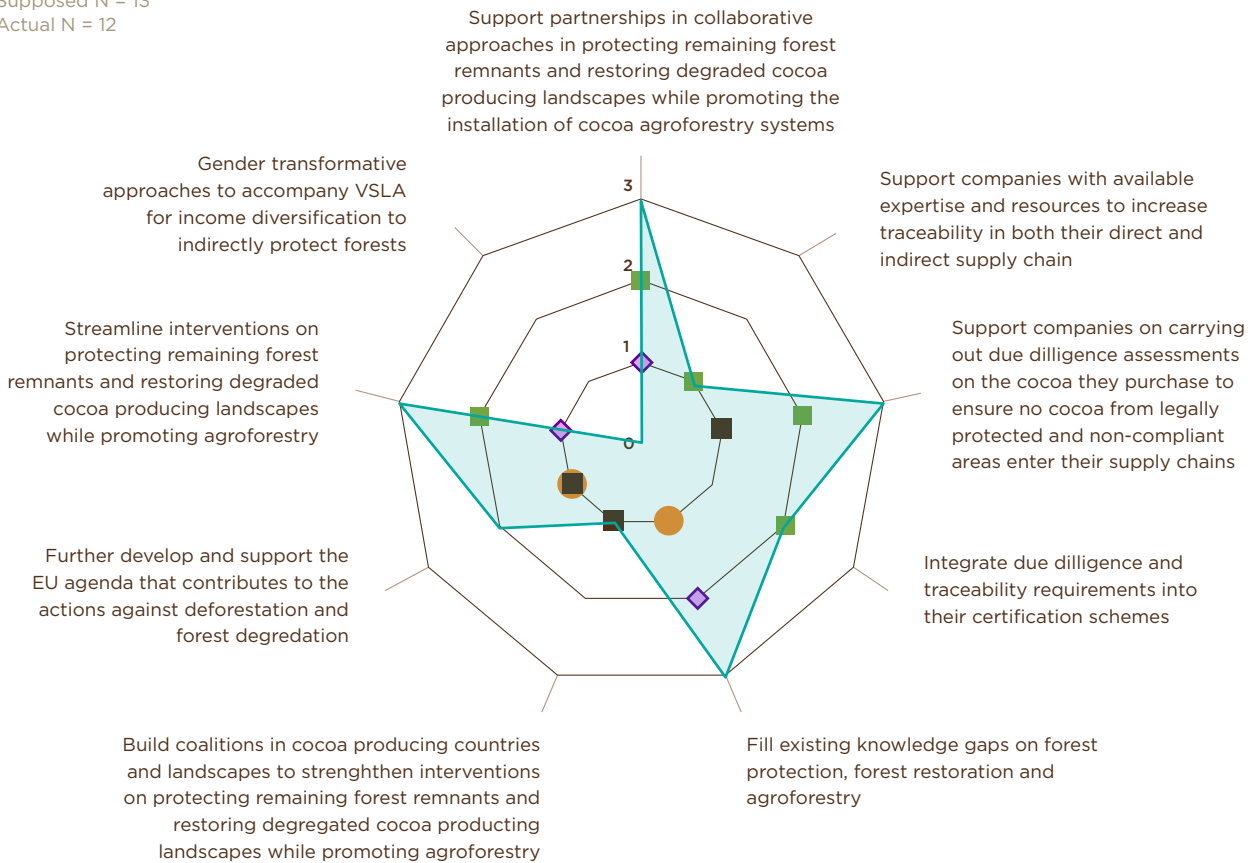




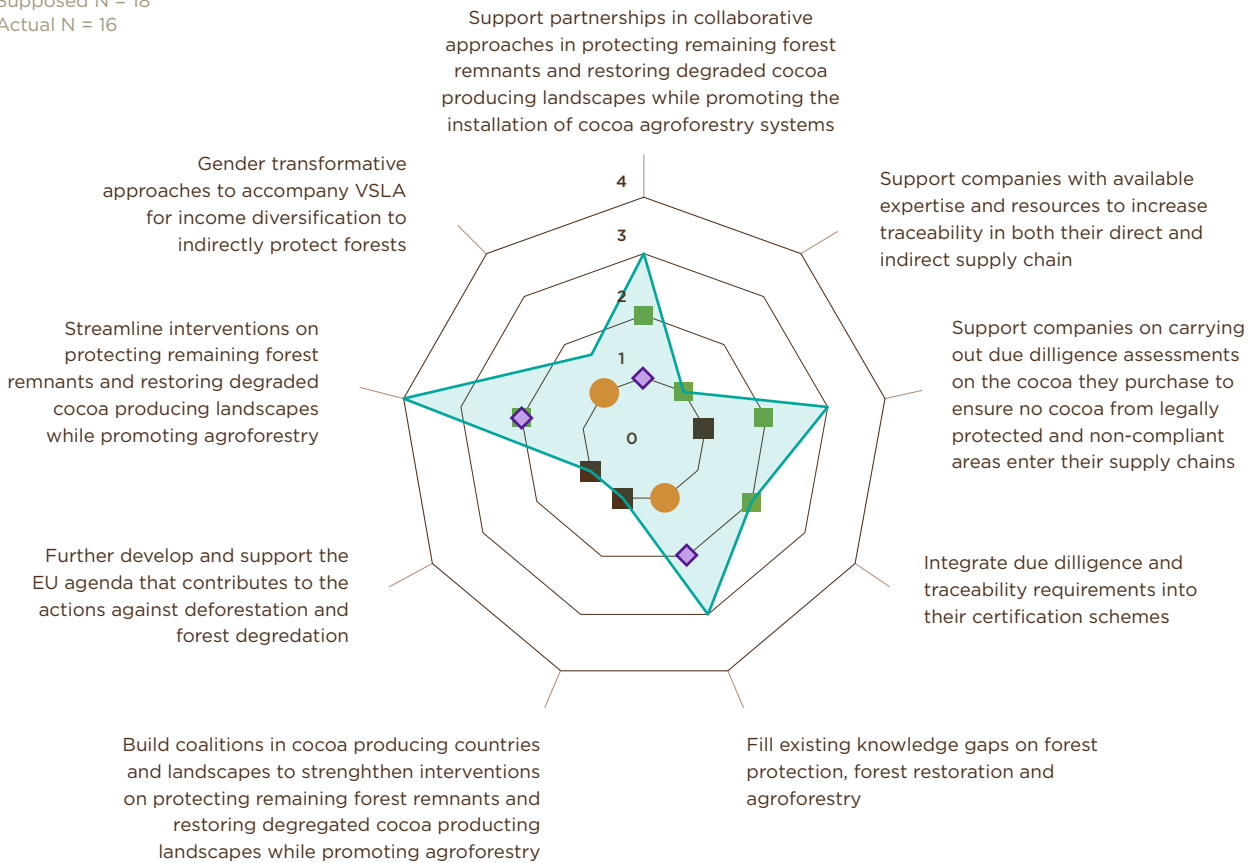
FIGURE 20 CONTRIBUTIONS TO ENDING DEFORESTATION AND FOREST DEGRADATION BY NON-SUPPLY CHAIN SIGNATORIES 2021

Non-supply chain contribution

CONTRIBUTIONS PER SUBSECTOR

- **Certification/ Standard Organisation**
- **Civil Society**
- **Government**
- ◆ **Service Providers & Knowledge Institutes**

of reporting partners 2021:
 Supposed N = 18
 Actual N = 16





Contributions to ending deforestation and forest degradation by non-supply chain signatories

When looking at the non-supply chain contributions above, we can see that in both 2020 and 2021, the government contributed through building coalitions to strengthen interventions on protecting remaining forest remnants and restoring degraded cocoa producing landscapes. Additionally, the government has been supporting the deforestation ambition by furthering developing the deforestation agenda on an EU level but also by supporting companies on the topic of due diligence. Certification and standard setting organization have also been supporting companies on this topic, but broader than this have been supporting companies with resources and expertise on traceability in their direct and indirect supply chain. Also, in carrying out due diligence assessments. Of course, part of this support is provided through the integration of such requirements in their standards. Lastly, civil society and service providers and knowledge institutes have contributed to the partnership's ambitions through filling-in knowledge gaps, streamlining interventions on protecting remaining forest remnants and by further the EU agenda on the topic of deforestation and restoration of cocoa producing landscapes.

Non-supply chain partners' activities on the various types of actions are equally distributed. It is remarkable that the overall number of non-supply chain partners from civil society and service providers/knowledge institutes active on deforestation is relatively low. Certification organizations and the government are quite active on this topic though.

Child labour

Effective measures and necessary actions contributing to ending all forms of child labour by 2025 are taken.

Ending and preventing all forms of child labour in cocoa producing communities requires strengthened community structures and local ownership. Therefore, the private sector and not-for-profit partners under the DISCO partnership aim to empower local communities, support, and align with local and national governments as well as other public and private actors to address the root causes, create strong community structures and facilitate lasting solutions.

Child labour prevention, monitoring and remediation systems deployment

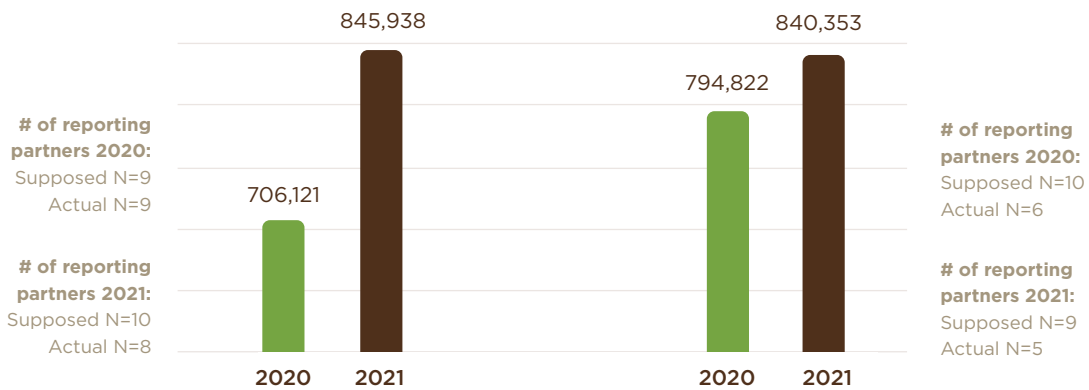
The deployment of child labour prevention, monitoring and remediation systems is a main enabler for ending and preventing child labour in the cocoa production regions. Therefore, the DISCO partners agreed to start with determining the extent to which these systems are currently deployed in the cocoa production regions important for the Dutch cocoa industry, and subsequently develop plans towards 100% deployment of prevention, monitoring and remediation systems by 2025.

Looking at the data for 2020 and 2021, we see a significant increase both on volume (+20%) and number of households (+6%) for reported coverage by child labour monitoring and remediation systems (CLMRS). Indeed, in 2020, about 706,121 households were covered by child labour monitoring





FIGURE 21 CLMRS COVERAGE



households in the supply chain for which the implementation of a CLMRS is supported by a DISCO signatory

Volume (MT) of cocoa sourced from households covered by a CLMRS

and remediation systems through a DISCO signatory, compared to 845,938 in 2021. A similar increase can be seen for the volumes sourced from cocoa households covered by a CLMRS: 794,822 MT in 2020, to 840,353 MT in 2021.

These results could indicate that the sector is seriously advancing around this specific commitment within DISCO. However, it is still difficult to say to what extent the sector is progressing towards the DISCO goals as these figures are generally for the entire, global operations rather than specified for the Dutch cocoa sector.

To better measure the effectiveness and impact of these systems, it could be worthwhile to measure the number of cases identified, and the number of remediated cases.

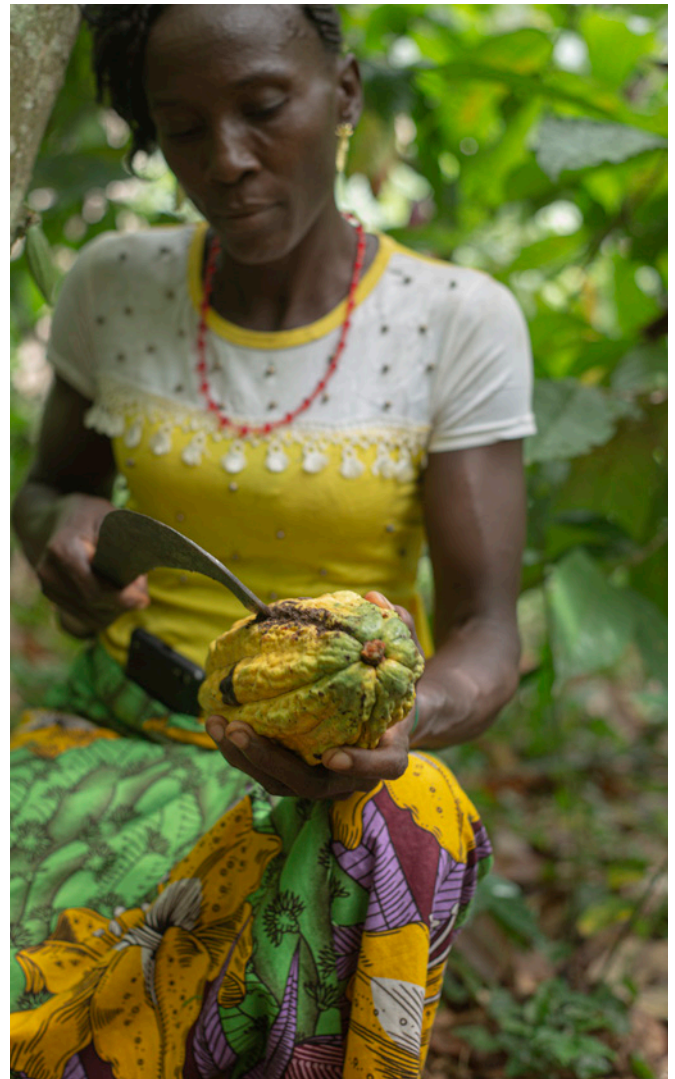




FIGURE 22 CONTRIBUTIONS TO END CHILD LABOUR BY NON-SUPPLY CHAIN SIGNATORIES 2020

Non-supply chain contribution

CONTRIBUTIONS PER SUBSECTOR

- Certification/ Standard Organisation
- Civil Society
- Government
- ◆ Service Providers & Knowledge Institutes

of reporting partners 2020:
 Supposed N = 13
 Actual N = 12

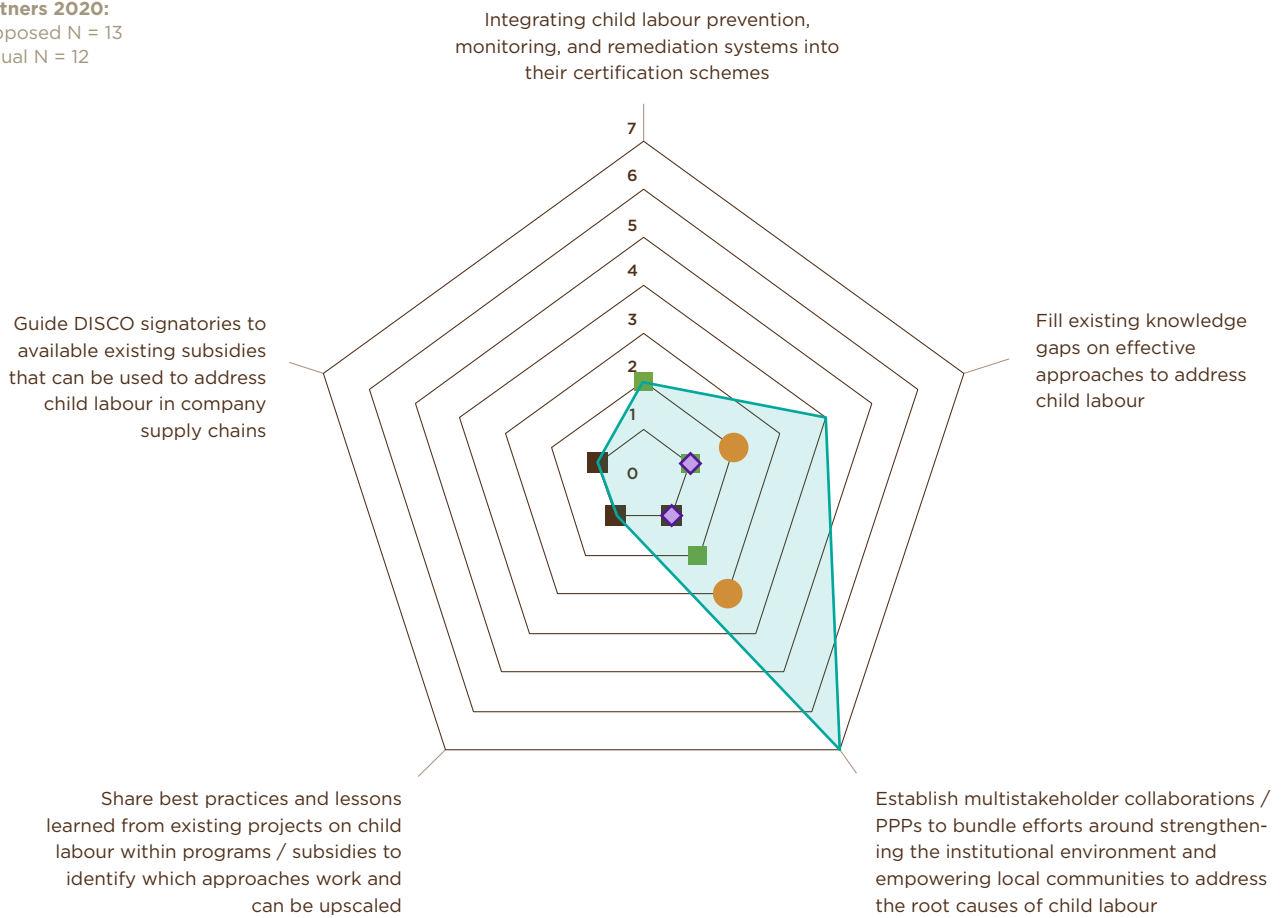
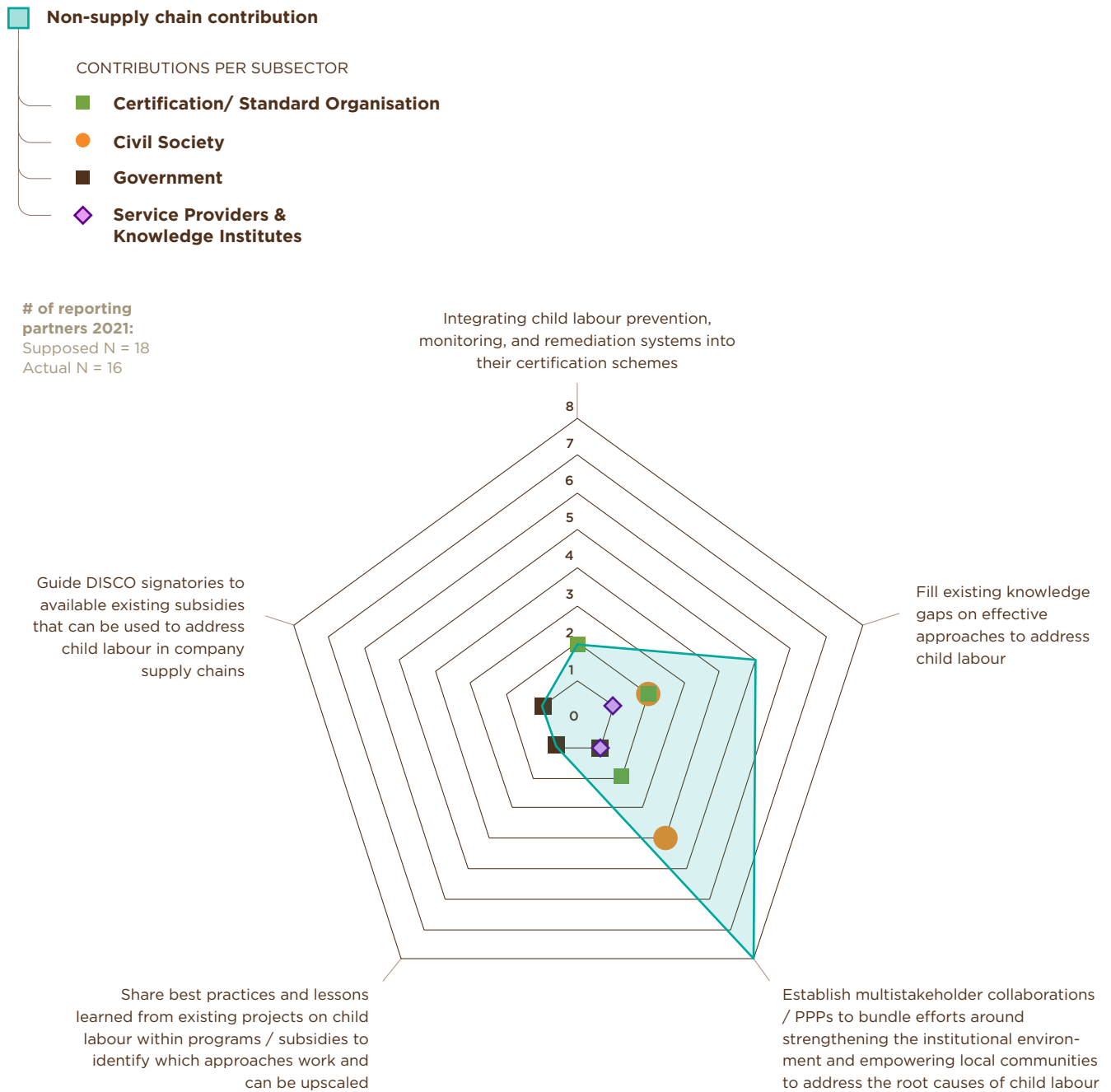




FIGURE 23 CONTRIBUTIONS TO END CHILD LABOUR BY NON-SUPPLY CHAIN SIGNATORIES 2021





Contributions to end child labour by non-supply chain signatories

The non-supply chain contributions on child labour show that the government has been active in 2020 and 2021 to share knowledge and best practices from existing projects in their portfolio; but also guided companies to other available subsidies to address child labour in supply chains. All subsectors were also involved in establishing multi-stakeholder collaborations to strengthen the institutional environment and empower communities to address the root causes of child labour. All three subsectors, civil society, service providers & knowledge institutes, and certification organizations helped close knowledge gaps on effective approaches to address child labour, with certification also integrating prevention, monitoring and remediation systems into their certification schemes.

A high number of non-supply chain partners are active on the various described actions as part of child labour. Especially a lot of activities are carried out around building multistakeholder collaborations to strengthen the institutional environment or address the root causes of child labour. It is notable that only the government shared best practices and lessons learned on addressing child labour.

Observations on this year's monitoring round

In this first round of monitoring, for 2020 and 2021, the initial progress of the DISCO partnership compared to the status when launching DISCO was measured. However, it is important to distinguish overall progress in the sector from progress by the DISCO partnership specifically as signatories report on their full supply chain.

In this year's monitoring round, we can see that progress has been made on some DISCO goals. Although we see more developments in deforestation and child labour, there are also some signals that living income will progress in the upcoming year as well. Since the living income theme is a relatively much newer topic than deforestation and child labour, this is not surprising. However, this should be reflected in the next year's reporting round in which it should at least show that signatories are measuring income gaps and implementing living income strategies for a large part of their supply chain.

More specific observations include:

- There is a gap between the reported volume of cocoa traded to the Netherlands compared to the actual volume in the Dutch cocoa sector. This can be explained as some Dutch cocoa sector



stakeholders are missing within the partnership. At the same time, the relatively small volumes meant for the Dutch consumer market show the necessity to define a strategy for the volumes being re-exported after processing in the Netherlands.

- The 100% coverage of certification schemes for private label products by retailers and smaller manufacturers indicate a next step is needed to follow a 'beyond certification' route.
- Around deforestation, the status of the sector on environmental due diligence and signing national initiatives aiming to end cocoa-related deforestation is quite advanced, but a stagnation between 2020 and 2021 might indicate little progress. On the other hand, for direct sourcing and traceability we see a significant progress between the two reporting years.
- The sector is showing significant progress on the rollout for Child Labour Monitoring and Remediation Systems. It is however unclear how this relates to the entire volumes and households that should be covered to reach the DISCO objectives, and what the effectiveness of these systems is and the impact that is made on ending child labour.

This year's monitoring round covered the baseline for the DISCO partnership together with the progress for the first year. It is therefore understandable that no major or substantial achievements could be presented. After all, the emergence of the DISCO partnership in 2020 aimed to address the major challenges in the sector that can't be solved on a short term. However, increased efforts and remarkable progress by the sector on closing living income gaps, ending deforestation and forest degradation, and ending child labour should become more visible in next year's monitoring round. An improvement in the quality of the monitoring framework should serve a better measurement of this progress and therefore enable accountability of the sector, aiming to lead to accelerated action by the cocoa sector.





4. FINANCE

Joint financing structure

The DISCO partnership adopted a joint financing structure end 2021. In the proposed structure, all organizations that are a signatory on 1 January of the year pay a fee for the entire calendar year. The fees are set for a period of 3 years (2021-2023). The division of the fees depend on the type of organization and turnover for profit organizations. The type of costs that will be covered by fees from signatories to DISCO include:

- facilitation of meetings and events (e.g. General Assembly, Steering Committee meetings, Working Group meetings)
- communication materials (e.g. development and design of articles, reports and other publications, promotional materials such as roll up banners or informative flyers)

- monitoring and evaluation (e.g. use of online reporting tool, consultant for development and analysis of framework and data)
- the fee for the chair of the Steering Committee, including travel & accommodation for DISCO related travels
- if applicable, other costs necessary for partnership support to be agreed upon in the General Assembly

IDH will cover through its institutional budget the costs that are necessary to manage the Secretariat activities. These costs entail:

- the fee for the staff involved in the initiative
- the travel & accommodation for DISCO related travels by the staff involved in the initiative





Financial overview

Partnership contributions received

In 2021, the DISCO partnership received € 56,500 in total through 28 signatories. In 2022 and 2023, this will be € 65,250 annually through 30 signatories. This means the total partnership contributions for the 3-year period will be € 187,000. The partnership contributions formed the basis for the multi-year budget as presented during the General Assembly on 1 December 2021. However, the actual received partnership contributions were lower than envisioned, as some partners left the partnership and, in some cases, individual partners' contributions were lower as some partners belonged to a different category than expected.

Expenses 2021 and available budget 2022 - 2023

Below overview gives an insight into the expenses for 2021. The expenses for 2021 were relatively

low, because most substantive expenses (e.g. start up costs for using the reporting tool, integration of M&E framework in reporting tool and data analysis) take place in the upcoming years.

Although the incoming funds from the partnership contributions are lower than expected when the joint financing structure was established, the remaining balance for 2022 and 2023 should be just sufficient to cover for the budgeted costs. It is expected that the total required budget for 2022 - 2023 is in line with the received partnership contributions, but with a very limited buffer. Therefore, the Secretariat will do its best to limit the costs covered from the partnership contributions to ensure the budget is sufficient. IDH might also play a role in covering unforeseen activities or additional costs that aren't part of this multi-year budget.





FINANCIAL OVERVIEW

Budget Item Description	Expenses				Updated budget	
	2021-2023	2021	2022	2023	2022	2023
	Total Expenses EUR	01/01/2021 - 31/12/2021	01/01/2022 - 31/12/2022	01/01/2023 - 31/12/2023	01/01/2022 - 31/12/2022	01/01/2023 - 31/12/2023
1. MEETINGS & SPECIFIC EVENTS						
1.1 Annual General Assembly	4,017	4,017	0	0	2,000	7,500
1.2 Steering Committee meetings	764	764	0	0	800	1,000
1.3 Working Group meetings	0	0	0	0	2,100	2,000
1.4 Other meetings	0	0	0	0	0	5,000
SUB TOTAL	4.781	4,781	0	0	4,900	15,500
2. COMMUNICATION						
2.1 Publication and development of reports and comms materials	669	669	0	0	5,000	7,500
SUB TOTAL	669	669	0	0	5,000	7,500
3. MONITORING & EVALUATION						
3.1 Start up reporting tool by AKVO	0	0	0	0	22,000	0
3.2 Integrate M&E framework in tool by C-Lever.org	672	672	0	0	11,500	11,500
3.3 Annual costs development reporting tool by AKVO	0	0	0	0	0	0
3.4 Annual costs data analysis by C-Lever.org	0	0	0	0	12,500	12,500
SUB TOTAL	672	672	0	0	46,000	24,000
4. HUMAN RESOURCES						
4.1 Chair Steering Committee	11,253	11,253	0	0	36,000	25,000
SUB TOTAL	11,253	11,253	0	0	36,000	25,000
5. STAFF TRAVEL						
5.1 Travel & accommodation for chair	256	256	0	0	2,500	2,500
SUB TOTAL	256	256	0	0	2,500	2,500
NET TOTALS EXPENSES	17,631	17,631	0	0	92,300	72,500
PARTNERSHIP CONTRIBUTIONS	187,000	56,500	65,250	65,250		
BALANCE BUDGET	169,369	38,869	65,250	65,250	77,069	4,569



5. CONCLUSION

With the formation of DISCO in 2020, the agenda around the key impact themes living income, deforestation and forest degradation, and child labour has been set for the Dutch cocoa and chocolate sector. One of the key achievements within DISCO around this, is the development of the thematic Roadmaps by the Working Groups, enabling signatories from all subsectors to play a role in reaching the subsequent commitments based on their role in the supply chain or cocoa sector. This resulted in the formulation of the subsequent individual action plans by all signatories through which the partnership gained more clarity on how signatories will contribute to the DISCO commitments. Although many action plans do not go beyond 'business as usual', they give more clarity on the key challenges the partnership need to address and what can be facilitated to accelerate action.

In this light, the first annual monitoring round provided more quantitative insights in the baseline for DISCO, but also shows the progress that is made in the second year (2021). Although it is understandable that no major or substantial progress has been achieved as DISCO has just started, however we expect to see progress on efforts taken by the sector. Improvements on the monitoring process will provide the partnership with better insights and support increased accountability within the partnership.

As cocoa sustainability goes further than the Dutch trading market, a collaborative framework with the other European Initiatives on Sustainable Cocoa (ISCOS) was established. This resulted in a joint monitoring process, thematic Working Groups, learning event and operational alignment. Although this collaboration provided a strong basis for increased alignment between the initiatives, it is important that more efforts are made to collaborate effectively and efficiently and thereby reducing the operational burden for secretariats, signatories from multiple ISCOS and external stakeholders aiming to collaborate with the ISCOS. Additionally, it is important to ensure that the ISCOS are complementary to origin country initiatives, instead of duplicating efforts. This will increase the additionality of the ISCOS.

Looking ahead to 2022, we expect an increase in actions and efforts by the sector towards reaching the DISCO commitments, a strengthened monitoring system better capturing the actions and efforts by partners that enables increased accountability within the partnership, and lastly an improved alignment with external related initiatives.





DISCO

DUTCH INITIATIVE ON
SUSTAINABLE COCOA