

NOVEMBER 2023

Dutch Initiative on
Sustainable Cocoa

Annual Report 2022



DISCO
DUTCH INITIATIVE ON
SUSTAINABLE COCOA

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FOREWORD BY THE CHAIR OF THE STEERING COMMITTEE ARJEN BOEKHOLD

You are reading the second annual report of the Dutch Initiative on Sustainable Cocoa covering the year 2022. In 2021, in my role of independent chairman of DISCO Steering Committee, I called upon all signatories to translate their commitments into action.

Hereby I want to applaud the individual signatories who took additional steps in 2022, either by committing themselves to join impactful initiatives like Open Chain or setting up new programs, for example on the topic of living income, in their own supply chain. Also, within the key topic of deforestation, most probably steered by upcoming European legislation, many partners have undertaken extra steps, which is great as it shows both that change is possible and the positive power of legislation. We are close to reaching our first interim milestone as part of the DISCO roadmap when it comes to deforestation, as well as for child labour.

However, looking at the overall picture and our ambitions towards our vision, outlined in the DISCO declaration, the situation is not as positive as we aspired at the start of 2022.

As you can read in this annual report, various steps have been taken, but especially on the topic of living income, we must conclude that our common efforts are thus far not sufficient to reach the interim milestones.

In 2022, numerous discussions took place within the partnership. These discussions were at times challenging, but I observed the strong dedication of representatives from different signatories, particularly the members of the Steering Committee.

Some key topics were the role of national initiatives within an international system, and the position of DISCO in this international system as a market-based initiative. These topics were, for example, discussed during a meeting with his excellency Akufo-Addo, the president of Ghana in the Netherlands but also during the first ISConference of the European Initiatives of Sustainable Cocoa hosted in Brussels.

At the DISCO Annual General Meeting, nearly all signatories gathered in person for the first time after the digital COVID years. The meeting resulted in a positive consensus regarding three primary focus areas for 2023: more focus on responsible procurement practices, international collaboration and improving accountability within the partnership.

As I write this foreword in 2023, I can see that those three crucial topics, essential for DISCO's success, are actively being pursued within the partnership. It is now crucial for each signatory's leadership to act swiftly to go the extra mile towards meaningful impact.

“There are risks and costs to action. But they are far less than the long-range risks of comfortable inaction.” John F. Kennedy



Arjen Boekhold



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 has 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



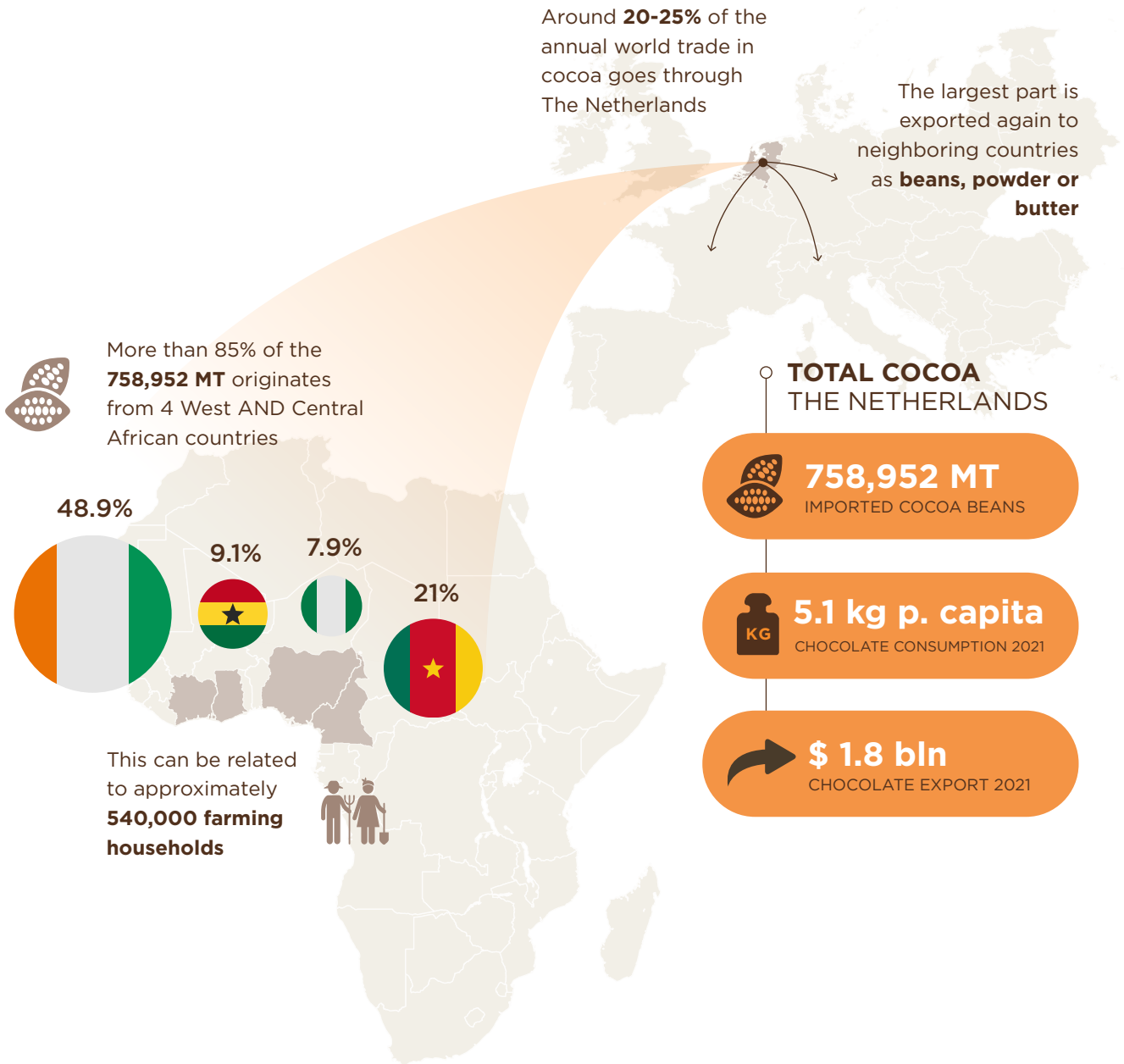
Effective measures and necessary actions contributing to ending all forms of **child labour** by 2025 are taken





FIGURE 1 COCOA TRADE FLOWS TO THE NETHERLANDS

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 caocoa traded globally.



*Eurostat and ITC (2021) & CBI (2022)



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



Siegfried Moeyersoons
Barry Callebaut
Subsector 'Traders
and processors'

Susanne Boetekees
Fairtrade Nederland
Subsector 'Certification
organizations, Service providers &
Knowledge institutes'



Laura Jungmann
Albert Heijn
Subsector 'Retail'

Isabelle van Tol
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 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 2022

DISCO Working group ICE Futures Market

On Monday October 31st, 2022, an information workshop was held with input from external experts Nicko Debenham (independent consultant) and Toby Brandon (ICE). The Working Group was established to explore possible support mechanisms for DISCO signatories in reaching the ambitions of DISCO on the cocoa that is traded through the ICE Futures Market. To be able to define whether support mechanisms should be further developed, the Working Group organized an information workshop to increase their understanding of the working and functioning of the ICE Futures Market. They also identified the ICE-related factors that have impact on reaching the DISCO ambitions related to living income, deforestation and forest degradation, child labour, and traceability, complemented with the impact from upcoming EU regulations. The Working Group then reported back to the Steering Committee with the following recommendations on the next steps: as we await the outcomes of the CIGCI Working Group on “pricing and markets”, the DISCO partnership expressed its interest in the to-be proposed recommendations and will work with the CIGCI secretariat on their implementation for the Dutch cocoa sector. Additionally, the Working Group recommended that ICE would include specifications on verifiable sustainability aspects of cocoa consignments (e.g. CLMRS, deforestation-free, etc.) for futures or options contracts.

Working group on Consumer communication

This Working Group, initiated by the subsector ‘manufacturers/brands’, aimed to develop a joint central and uniform DISCO communication strategy around the main sustainability challenges in cocoa to provide clarity and create consumer awareness. This Working Group built upon the DISCO declaration in which the partnership agreed that the *“Dutch consumers will be informed on the main sustainability challenges in the cocoa sector, the ongoing initiatives and the effects of the joint efforts. Raising awareness about sustainability and the improvements implemented in the cocoa sector is an integral part of the partnership’s communication*

strategy.” The Working Group held a kickoff meeting on their objective, outputs and next steps forward. The Working Group on consumer communication continues its work in 2023.

General Assembly

On December 1st, 2022, the annual General Assembly was held in the Passenger Terminal Amsterdam, hosted by the Port of Amsterdam. In the morning, half of the group also visited a newly built cocoa storage facility in the port area. The visit was organized by the Port of Amsterdam.

During the General Assembly, external speakers were invited to reflect on the role of the partnership based on their expertise and experience, the developments and progress after 2 years were presented, and an annual plan 2023 was introduced.





The General Assembly was also an opportunity for all participants to brainstorm, reflect on the strategic direction of the partnership, and address questions on the topic of purchasing practices, international collaboration, and DISCO roadmaps.

The event ended with signatories agreeing with the extension of the Steering Committee term and signatories giving the mandate to further work out the annual plan for 2023 in which the partnership will work more around procurement practices, international collaboration, and partners' accountability.

You can find the full report of the General Assembly 2022 [here](#).

International collaboration

ISCOs in 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). And on September 1st, during the ISCONference in Brussels, the MoU was extended to one more European country: France (FRISCO). 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.

FIGURE 2 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



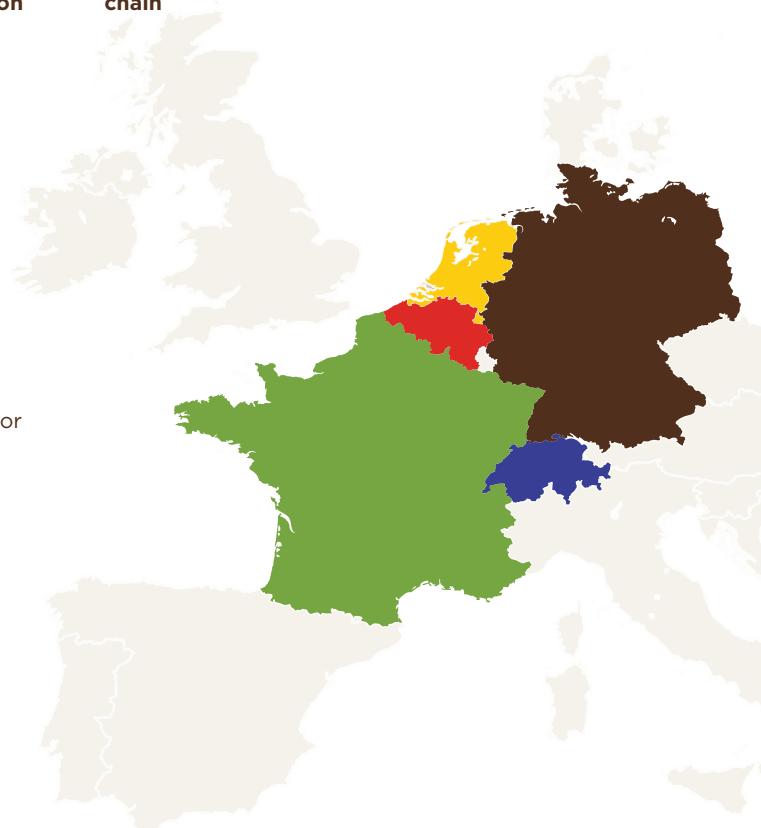
DISCO

Dutch Initiative for Sustainable Cocoa
August 2020



FRISCO

French Initiative on Sustainable Cocoa
May 2021





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. These Working Groups serve as platforms to guide members and signatories to move from commitment to action by fostering a common understanding of effective solutions through a common learning agenda.

ISConference

On September 1st, 2022, the first physical gathering of the ISCOs took place in Brussels during the ISConference. This event was the opportunity to have meaningful and inspiring exchanges amongst members of the different platforms and allowed the participants

to strengthen the European network. Having these transparent and open discussions in the precompetitive space is crucial to move towards a more sustainable chocolate sector.

The different podium discussions and learning sessions at the ISConference all concluded that there is a need to accelerate learnings and translate them into action. But also, that the ISCOs play a crucial role in creating a level playing field in the sector; the ISCOs should indeed ensure that companies are not competing when it comes to sustainability but raise the bar together. The learnings from the ISConference will be used to formulate the actions within the ISCOs in the upcoming period.





President Akufo-Addo from Ghana visits the Dutch cocoa sector

The Ghanaian president Nana Addo Dankwa Akufo-Addo came to the Netherlands for a work visit early September. He was interested to learn more about cocoa storage and processing in the Netherlands and therefore a visit to Cargill's facilities was organized. After this visit, a lunch with important stakeholders from the Dutch cocoa sector was organized by the Port of Amsterdam and the municipality of Zaanstad.

During this lunch, a pitching session was facilitated by IDH during which the various stakeholders from the Dutch cocoa sector reflected on cocoa trade, market conditions and farmer income as part of the broader debate on sustainable cocoa, and how Dutch and Ghanaian trade partners can work together towards sustainable livelihoods of cocoa farming families. Some key reflections during the pitching sessions included the roles the various players have towards a sustainable cocoa sector, the value distribution between origin countries and the cocoa industry in destination countries, opportunities for local processing and how living income is put central as a way towards addressing climate change.

The DISCO Steering Committee chair Arjen Boekhold joined the lunch to share the developments made within DISCO. He mentioned the roadmaps that were developed, and the individual action plans formulated as a result. He also argued that stakeholders and companies should align more with initiatives in the EU and West Africa.



Other guests from the Dutch cocoa sector included Cargill Cocoa & Chocolate, Olam Food Ingredients, Mars NL, Nestlé NL, Mondelez, Solidaridad, Port of Amsterdam and the Dutch Ministry of Foreign Affairs. The Ghanaian president was amongst others accompanied by his ministers for Environment, Foreign Affairs and the CEO of COCOBOD Joseph Boahen Aidoo.





ISCO secretariats mission to Ghana

In November 2022, the first joint mission of secretariats from the European Initiatives on Sustainable Cocoa (ISCOs) took place. The primary objective of the mission was to strengthen the relationship and collaboration with local partners, including cocoa origin country governments. The vision of the ISCOs is to build on existing initiatives and activities in the sector instead of duplicating efforts. In this light, the mission to Ghana allowed the ISCO secretariats to better understand the local processes and structures supporting a sustainable transition of the sector, and to identify potential synergies and areas of cooperation. Furthermore, the mission allowed the ISCO secretariats to better grasp the realities on the ground during field visits and interactions with cocoa farmers.

During the joint mission, the secretariats of the ISCOs visited several projects and factories and research institutes. For example, the ISCO secretariats were given a tour of the Cargill processing plant in Tema, visited the Way to Go!, project of Lidl, Rikolto, Fairtrade Africa and Kuapa Kokoo in Konongo but also went to see the Dynamic Agroforestry (DAF) plots on the Cocoa Research Institute Ghana (CRIG) premises. The ISCO secretariats were also able to see the chocolate factory of Fairafriic close to Suhum which gave insights into local manufacturing of organic chocolate.

Next to visits, the secretariats participated in different stakeholder meetings with for example Ghana Cocoa Board (COCOBOD), Côte d'Ivoire – Ghana Cocoa Initiative (CIGCI), Cocoa & Forest Initiative (CFI), the Ghana Civil Society Cocoa Platform Roundtable and the Swiss Embassy. These meetings were an opportunity to have exchanges on, for example, the background and mandate of the ISCOs, underlining the multistakeholder character of the initiatives and the targets and key challenges shared by all five ISCOs. But especially on how the ISCOs and the origin country initiatives could be complementary to each other.

A full report of the mission can be found [online](#).



3. RESULTS FROM REPORTING ROUND

Introduction to reporting round

Harmonization, online tool and ICI collaboration

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 reporting 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 reporting framework. Late 2022, and early 2023, the ISCO secretariats and the ISCO monitoring Working Group worked to further improve the reporting framework based on the feedback received by different member/signatories. For the 2023 reporting round, the ISCOs have also worked to further align the indicators, reducing the reporting burden for signatories of different ISCOs. This resulted in the following [reporting framework](#).

Additionally, for the 2023 reporting round, the ISCOs and ICI (International Cocoa Initiative) have piloted a data transfer on eight harmonized questions, ensuring that members that are part of both the ISCOs and ICI

can choose to only report once. Members have been able to indicate in the ICI tool as well as in the ISCO reporting tool that they consent to their data being shared with the ISCOs. These organizations were no longer required to report in the ISCO reporting tool on the child labour indicators. In case members did not want to share their data with the ISCOs through ICI, they were able to report again on a selection of data points through the ISCO reporting tool.

Reporting partners

For the 2023 reporting round on 2022 progress, all signatories (with exception from sector organization VBZ) were supposed to report on their progress. During this reporting round, 31 signatories reported and 1 did not fulfil their reporting requirements.

For the reporting 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 3 OVERVIEW OF REPORTING SUPPLY CHAIN SIGNATORIES

Traders/processors	Large manufacturers	Smaller manufacturers	Retailers
<ul style="list-style-type: none"> Barry Callebaut Cargill Cocoa & Chocolate Envirium Life Sciences (ELS) Export Trading Group (ETG) JS Cocoa Olam Food Ingredients (Ofi) 	<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 4 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 reporting round

Key considerations in interpreting the DISCO reporting results.

There are several elements to consider when interpreting the results from the 2023 reporting round.

Firstly, the 2023 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, 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 forest degradation, 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.

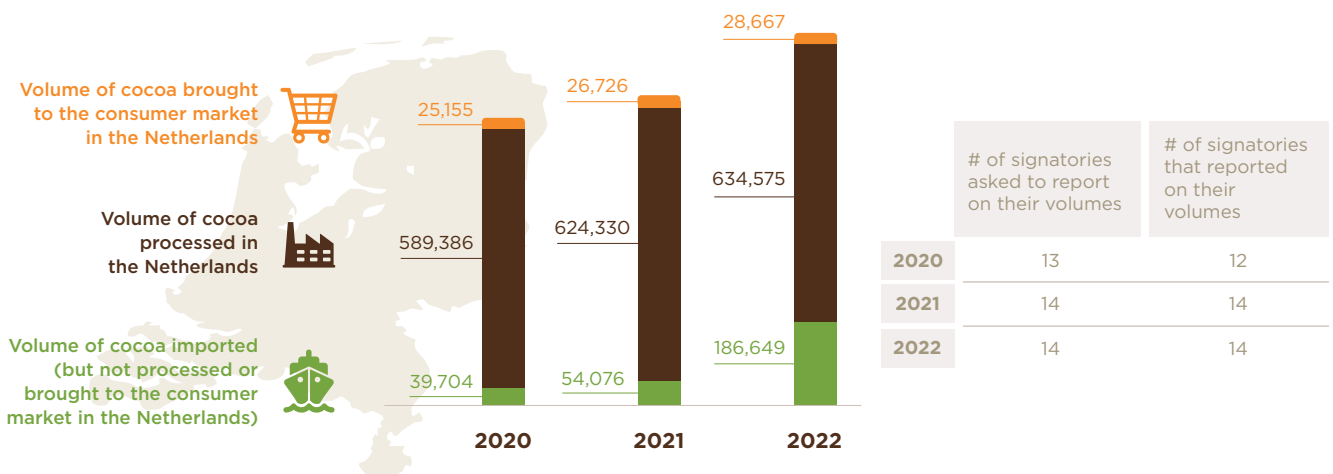
The DISCO Scope

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 Statista and CBI (2020, 2022), the total estimated volume of cocoa imported and processed in 2022 in the Netherlands was 758,952 metric tons while the total estimated volume of cocoa consumed in the Netherlands is about 35,000 metric tons (Statista, 2017, CBI, 2022).

The DISCO reporting data shows that an important part of the Dutch cocoa sector is represented within the DISCO partnership, with about 186,649 MT of cocoa being imported (but not processed nor brought to the consumer market) in the Netherlands, 634,575 MT being processed in the Netherlands, and 28,648 MT of cocoa brought to the consumer market in 2022 alone.

FIGURE 5 VOLUME (IN MT) IMPORTED, PROCESSED AND BROUGHT TO THE CONSUMER MARKET





Compared to 2021, the overall volume of cocoa traded, processed, and brought to the consumer market has increased by about 20%. A significant increase can be seen under the un-processed cocoa category, where from 2021 to 2022 an additional 132,573 MT has been reported. The increase in imported volumes that are not processed in the Netherlands could be explained by higher volumes being processed in other European countries, or in origin countries rather than the Netherlands as reported by [CBI](#) (2020). Next to the increase in cocoa being imported (as processed commodity), we also see a small increase (about 10,000 MT) in volumes processed reported by partners in the Netherlands.

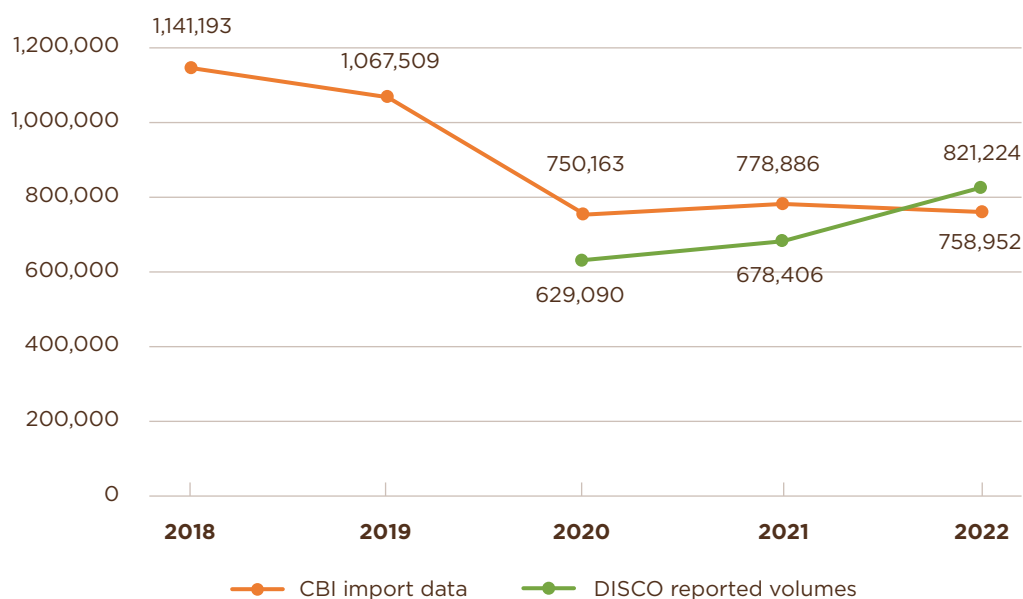
In terms of cocoa brought to the consumer market in 2022 within the DISCO partnership, this represents about 82% of the national cocoa brought to the consumer market. The 18% gap can be explained by the fact that not all (large) chocolate brands, smaller chocolate makers, chocolatiers and retailers are part of DISCO and therefore do not report on their volumes.

When comparing the DISCO reporting data to external sources, the DISCO partnership, in terms of imported and processed cocoa covers between 84 and 87% of the cocoa imports in the Netherlands, for 2020 and 2021 (based on [CBI data](#)). In previous year's annual report, it was mentioned that this gap could be explained by not all traders operating in the Netherlands being part of DISCO yet, and therefore these companies have not reported on their volumes. Turning to 2022, the volumes reported by DISCO

signatories currently exceeds the import volumes shared by [CBI](#) for 2022. Although slight variations between import data sources, and changes throughout the year are possible, it is not expected that the import data will change drastically.



FIGURE 6 COMPARISON WITH CBI IMPORT DATA





Sourcing countries

In the 2023 reporting round, DISCO signatories were asked to report on the origin of the cocoa they sourced. This data provides insights on the origins of the cocoa sourced by DISCO signatories (based on their entire supply chain sourcing).

The DISCO reporting data shows that the most important origins for DISCO signatories are Côte d'Ivoire, Ghana and Cameroon, representing respectively 44%, 21% and 10% of the total origins.

While comparing this with [CBI data](#) (2020), there seems to be a difference in the cocoa origin countries reported by DISCO signatories' for their entire supply chain and the country of origin of cocoa entering the Netherlands shared by CBI. Indeed, the CBI data shows that Côte d'Ivoire and Cameroon are the biggest suppliers to the Dutch market, respectively 49% and 21%. Ghana instead represents 9% of the cocoa imported in the Netherlands, as reported by CBI.

Certification coverage

The Letter of Intent on Sustainable Cocoa signed in 2010 by several of the Dutch public and private partners aimed to achieve 100% guaranteed sustainable cocoa consumption by 2025 (through certification). The 2020 - 2022 DISCO reporting data shows that for the past years, 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 scheme as shown in the graph below. Although reaching the 100% certified milestone is an achievement, the 100% coverage of certification schemes for private label products by retailers and smaller manufacturers indicates a next step is needed to follow a 'beyond certification' route as the division between standards/programs are nearly the same per year.

FIGURE 7 DISCO SIGNATORIES' SOURCING COUNTRIES

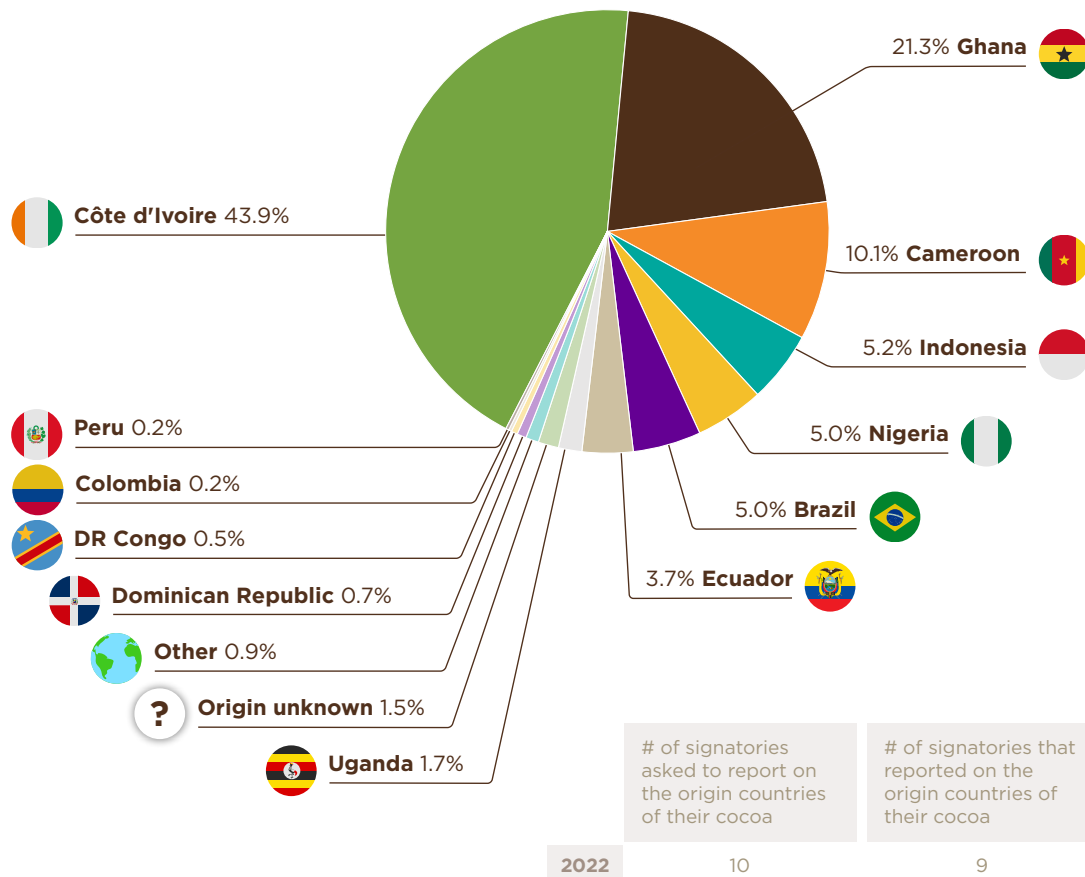
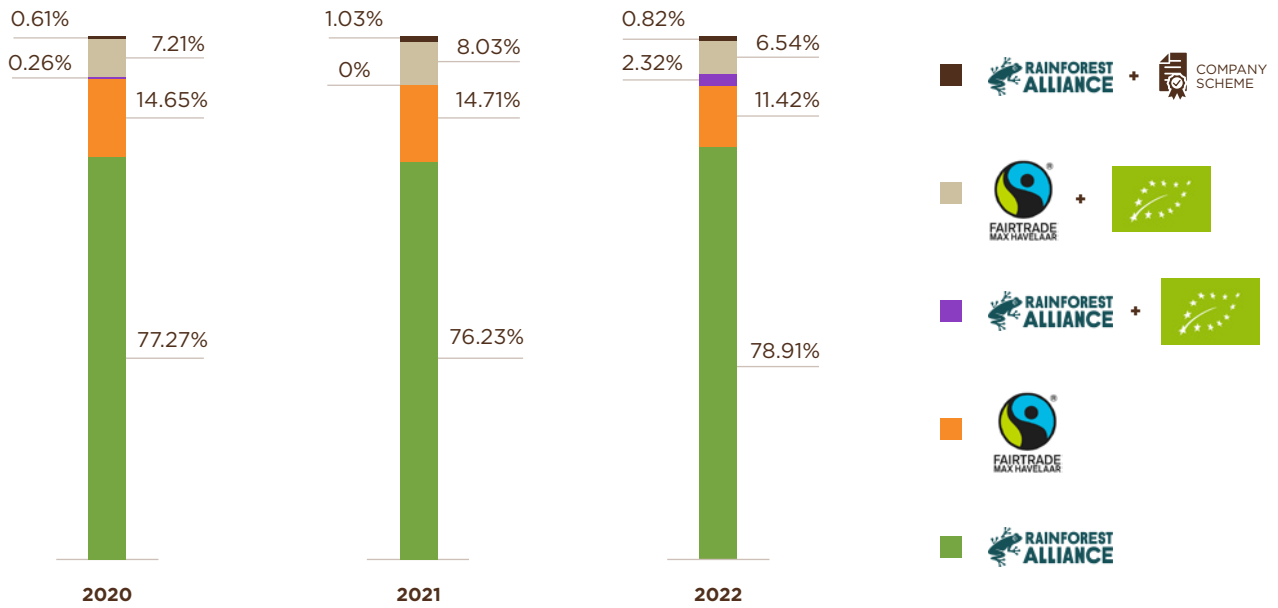




FIGURE 8 PERCENTAGE OF CERTIFIED AND/OR INDEPENDENTLY VERIFIED COCOA



	# of signatories asked to report on their share of certified/independently verified cocoa	# of signatories who reported on their share of certified/independently verified cocoa
2020	4	4
2021	4	4
2022	4	4





Living Income

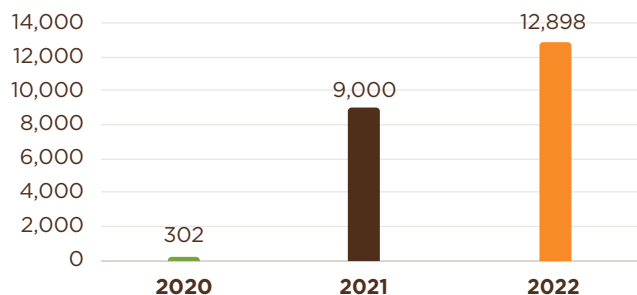
Farming families with cocoa as their main livelihood activity will be enabled to earn a living income by 2030.

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. As an interim checkpoint, the DISCO partnership agreed to determine 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). By the end of 2021, the above should be achieved for 100% of the Dutch cocoa sources. This interim checkpoint will prepare the Dutch cocoa sector to move towards enabling cocoa farming families to reach living income for first the cocoa equivalent consumed in the Netherlands by 2025 and moving towards the full DISCO scope in 2030.

Living income gap measurement

In the DISCO reporting data shown in figure 9, compared to 2020 – 2021, we can see a slight increase in the number of farming households for which a living income gap has been measured, as part of a sample.

FIGURE 9 LIVING INCOME GAP MEASUREMENTS



	# of signatories asked to report on living income gap measurement	# of signatories who reported to have measured living income gaps
2020	9	1
2021	10	3
2022	10	6

In 2022, DISCO signatories reported that they have measured the income for 12,898 households in their entire supply chain, compared to 9,000 in the previous year. Comparing this to the number of households linked to the Dutch Market (540,000 households), the current results remain very low, and far-off the interim targets outlined in the DISCO declaration.

What is considered a living income strategy?

(As defined in the [ISCO Reporting Framework](#), p.24)

A living income strategy is a strategy with the explicit goal to enable cocoa farming households to earn a living income. A living income strategy uses a combination, or "smart-mix" of strategies that target multiple income drivers. Multiple income drivers are being assessed strategically for the purpose of closing the living income gap**. The interventions for each driver depend on the current situation of those drivers and to what extent addressing these drivers can help close the living income gap among different segments and profiles of farmers.*

Strategies that can improve income drivers go beyond addressing changes in the farm system and household behaviour. These strategies include improved procurement practices. They range from service delivery for improved production and processing, to brand and consumer engagement, and to improving the enabling environment.

A living income strategy goes beyond income generating activities (IGAs) that do not have the explicit aim of closing living income gaps.

* land size, yield, price, cost of production, diversified incomes

** the difference between the actual household income and the existing living income benchmark



As the measurements are based on samples, and not necessarily performed on a yearly basis, the expectation is not for DISCO signatories to be able to report on the full 540,000 households, however the current result seems relatively low in comparison.

On another note, it is also worth noticing that compared to previous years, the number of signatories that reported to measure income gaps in their supply chain has also increased from 3 to 6 signatories, out of 10 signatories meant to report.

In conclusion, despite the increase in number of signatories that are measuring living income gaps, the total number of households for which a living income gap is measured is relatively low. The living income interim checkpoint for *"100% of the Dutch cocoa sources a living income gap should be determined by the end of 2021"* has not been met with 4 signatories that even did not start measuring living income gaps.

A second step towards enabling farmers to earn a living income requires organizations to develop and implement living income strategies tackling the

different income drivers. DISCO signatories reported on the number of households for which a living income strategy was implemented in their supply chain in 2022, which showed that for 127,591 households this was the case. Comparing this to 2020 - 2021 results, this is again an increase. However, major steps will need to be made in the next years to meet the 2030 target as many more cocoa farming families should be covered; currently the living income strategy coverage is about 3.1% of households covered (4,170,113 households). Taking into account the number of households linked to the DISCO scope (540,000 households), the living income coverage for 2022 is approximately 23%.

In conclusion, the large increase of companies (from 3 to 8) that implement living income strategies, as well as the large increase of households covered by a living income strategy is a positive development. However, as per the DISCO declaration, for *"100% of the Dutch cocoa sources a living income strategy should be implemented by the end of 2021"*. Considering this checkpoint, the DISCO partnership is not on track to meet the targets set in the DISCO declaration.

FIGURE 10 LIVING INCOME STRATEGY IMPLEMENTATION

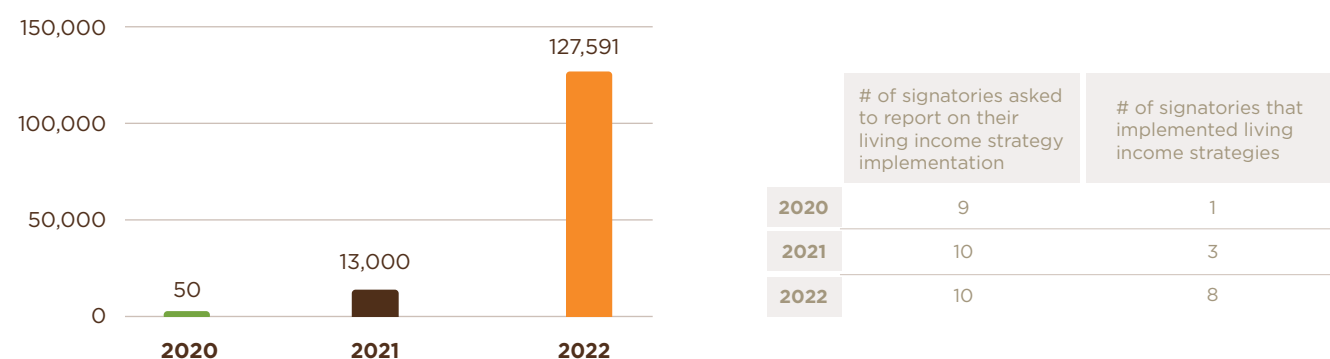
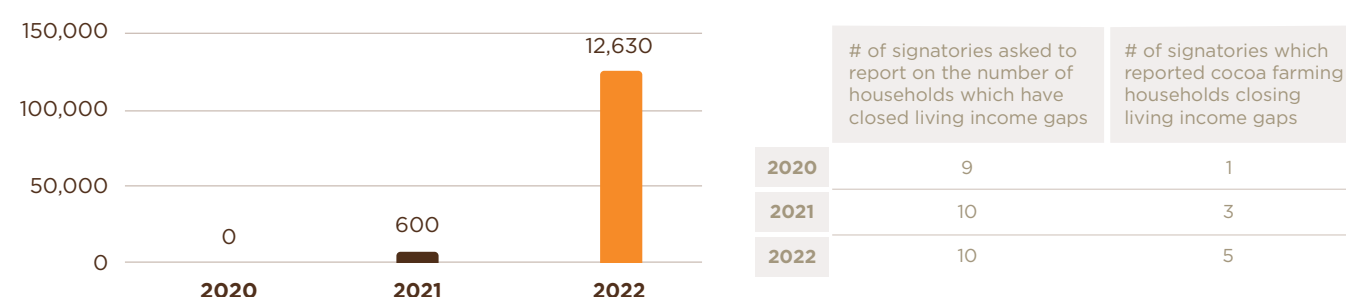


FIGURE 11 NUMBER OF FARMING HOUSEHOLDS WHO HAVE CLOSED THE LIVING INCOME GAP





The LIRP

“A Living Income Reference Price (LIRP) 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.”

[Fairtrade Living income Reference Prices for Cocoa](#) | Carla Veldhuyzen | 2019

For 2022, the LIRP values are:

Ghana: 16.50 GHC / 2.12 USD per kg

Côte d’Ivoire: 1.602 CFA / 2.39 USD per kg

More information on the calculations can be found [here](#)



paying a Living Income Reference Price can be seen as a means to increase farmer incomes and increase farmers’ resilience in times of price fluctuations. Due to limited reporting by DISCO signatories on this indicator, the DISCO Secretariat decided not to include aggregated numbers for the payment of the LIRP in this year’s annual report.

Living income gap closure

The DISCO reporting framework, for the 2023 reporting round aimed to get more insights into living income gap reduction and gap closure. Although a question was asked to DISCO signatories on the median change in % of living income earned by cocoa farming families, the Secretariat decided to not present the results from this indicator. The results were not reliable because the question was often misunderstood. However, the graph above shows the results on the living income gap closure indicator, in which DISCO signatories reported to have closed the gap for 12,630 households in their supply chain. The comparison with 2020 - 2021 is somewhat tricky due to the set-up of the indicator in previous years. However, it can be noted that this is a significant improvement, also in terms of partners reporting to implement living income strategies.

As approximately 25,000 households are linked to the Dutch consumer market, this result shows the partnership is around halfway towards the interim checkpoint *“Cocoa farming families in important sources are enabled to earn a living income for the volume of cocoa beans required to meet the Dutch consumption of chocolate and other products with >5% cocoa content by 2025”*.

Payment of a Living Income Reference Price by DISCO signatories

For the 2023 reporting round, the ISCOs have added a new indicator pertaining to the payment of a Living Income Reference Price by ISCO signatories. Although this is not a direct commitment in the DISCO declaration, this indicator gives insights on the volumes for which such a LIRP has been paid by signatories, as

Key consideration in interpreting the living income results

It is however important to consider a few limitations to the reporting round and associated with this, the reported data. Firstly, It is good to note that although there is a significant increase from year to year on the living income measurement indicator, some organizations mentioned in their reporting, and/or feedback that their living income gaps studies are not done on an annual basis which could therefore have impact on the current results and those of upcoming years. Additionally, living income gap measurements happen through samples, which means the reported numbers can represent larger groups of households. However, it is unclear what a representative sample size would look like to appropriately represent the entire DISCO scope.

Moreover, although it might be tempting to compare the number of households covered by a living income strategy and the number of households closing the living income gap, it is difficult to determine the effectiveness of implemented living income strategies, as several elements can have an impact on the living income gap closure by farming households. Additionally, looking at 2022, the high inflation rates and soaring cost of production will have had a negative impact on the number of households reaching the living income benchmark level.

It would be valuable to look at improving the indicator on living income gap reduction, to capture and reflect the progress made by organizations on reducing the gap, acknowledging that closing the living income gap will happen stepwise.

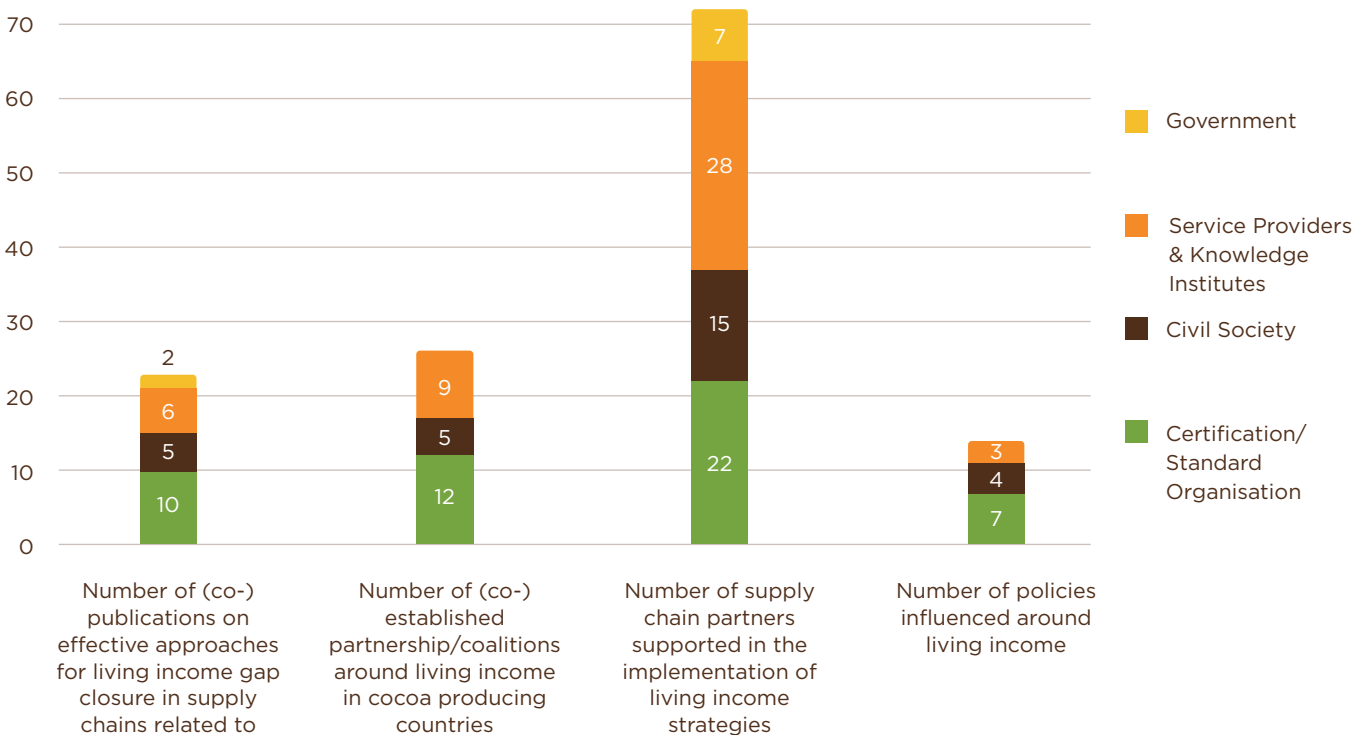


In the figure below, the different non-supply chain contributions towards reaching the DISCO ambitions are shown. Different to 2020 - 2021, non-supply chain DISCO signatories were asked to report quantitatively on their contributions. These contributions are then split per subsector.

For example, the subsector 'certification and standard organization' contributes to reaching the partnership's ambition by supporting about 22 supply chain partners in the implementation of living income strategies, and (co-)published about 10 publications on effective approaches for living income gaps closure. The subsector 'Service providers and Knowledge Institutes' and 'Civil Society', both having a major role in supporting supply chain partners in the implementation of living income strategies, respectively 28, 15 partners supported; but also have a major role in (co-)establishing partnerships and coalitions in producing countries around 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, as such supporting supply chain partners in the implementation of living income strategies.



FIGURE 12 CONTRIBUTIONS TO LIVING INCOME BY NON-SUPPLY CHAIN SIGNATORIES





Ending deforestation and forest degradation

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 forest 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.

Looking at the graphs on the next page, progress seems to have been made in terms of the implementation of environmental risk management and due diligence approaches by DISCO signatories. Indeed, compared to 2021, a majority of DISCO signatories seem to have moved towards the advanced and fully implemented stage of implementation. Where in 2021, only 3 signatories were in the two highest implementation categories, there are now 6 organisations reporting to be these stages. It is likely that the upcoming European legislations will play a significant role in this trend.



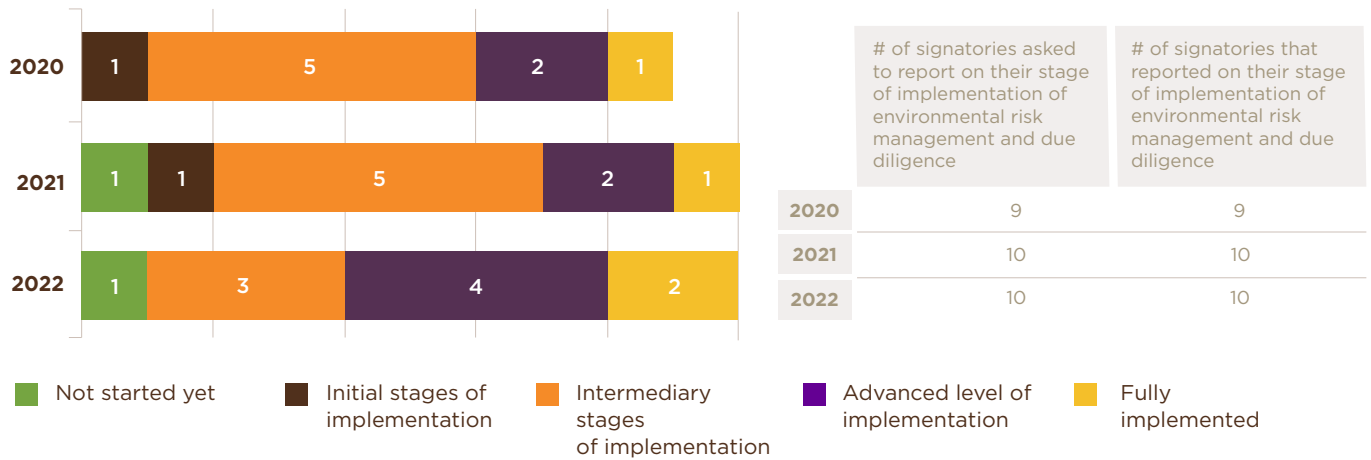
UN Guiding principles and OECD guidelines for due diligence.

The indicator has been added to the [ISCO reporting framework](#) to assess the members'/ signatories' efforts to assess and address environmental risks in their supply chain. Environmental due diligence can be broken down into six components, as per the UN Guiding principles, and OECD guidelines:

- **Element 1:** governance of environmental risks and responsibilities - policy statement that aims at embedding environmental management in the own organisation's/company's cocoa supply chain management.
- **Element 2:** risk assessment (identifying and assessing environmental risks of the supply chain).
- **Element 3:** measures - identifying and implementing measures to prevent or mitigate adverse environmental effects or to generate positive environmental impact.
- **Element 4:** tracking implementation and environmental results.
- **Element 5:** reporting (communicating on how environmental impacts are addressed).
- **Element 6:** grievance mechanisms



FIGURE 13 IMPLEMENTATION OF ENVIRONMENTAL RISK MANAGEMENT & DUE DILIGENCE APPROACHES IN COCOA SUPPLY CHAINS



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.

FIGURE 14 DIRECT VS. INDIRECT SUPPLY

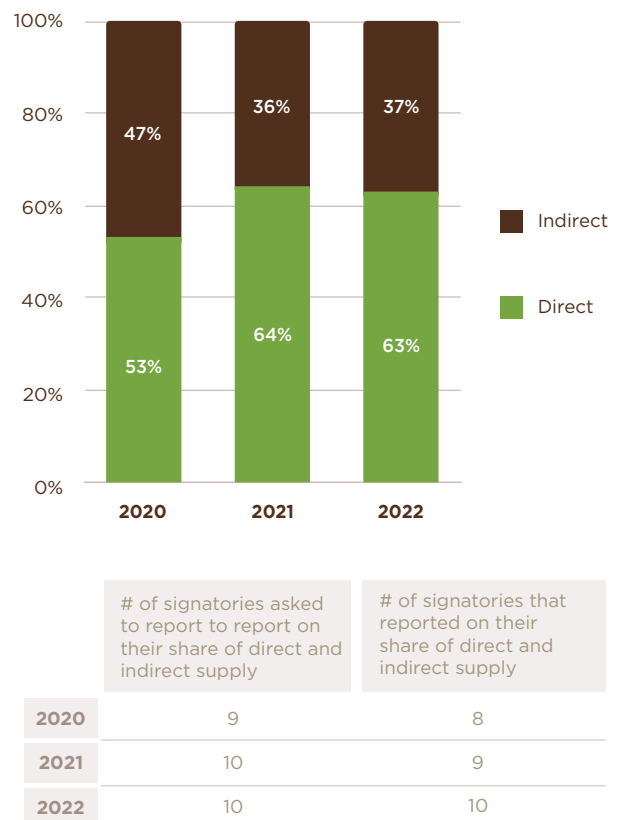
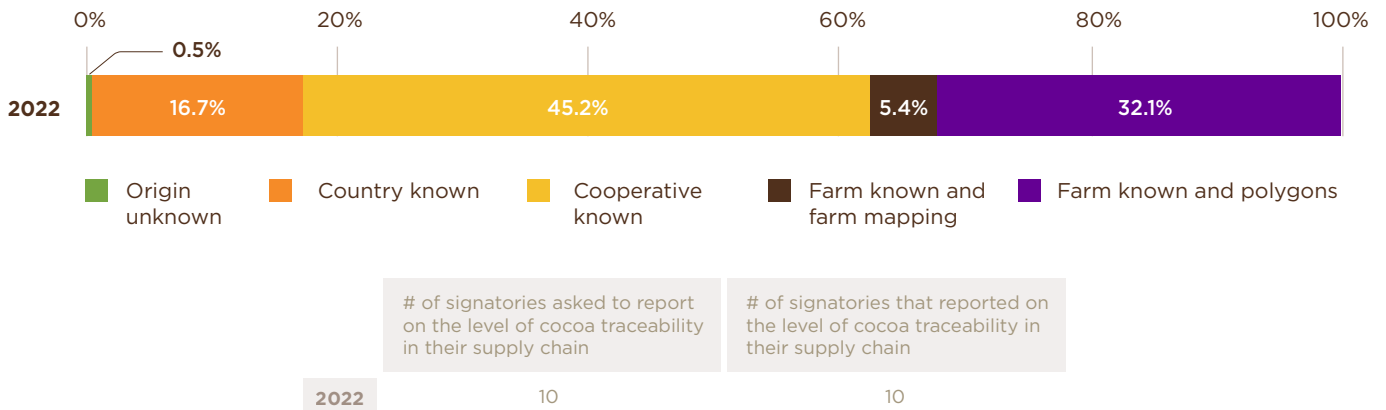




FIGURE 15 COCOA TRACEABILITY



Between 2020 and 2021, the percentage sourced through direct supply chains has significantly increased from 53% to 64%, however, from 2021 to 2022, the percentages have remained relatively stable. The slight difference between the two years could be explained by an additional reporting partner which reported in 2022. However, it is worth monitoring whether this trend will also stabilize in the upcoming years and see if it is necessary to take additional efforts for more direct sourcing.

During the 2022 reporting round, to measure cocoa traceability, a traceability scale was used, 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. However, the ISCOs received feedback that this scoring was not fit and therefore the indicator was slightly adjusted for the 2023 reporting round. As such historical comparison is difficult, also considering one additional reporting partner has shared data compared to previous year. Therefore only 2022 data will be presented in the annual report.

In the graph above, a very small percentage of DISCO signatories reported not knowing the origin of the cocoa (0.5%, as a weighted average for volumes reported under the DISCO scope). Instead, for most of the cocoa (approximately 45%), DISCO signatories are able to trace the cocoa back to the cooperative level, with about 37% of the cocoa being traceable to the farm level. Comparing these results to the reporting from 2021, we noticed that the DISCO partnership seems to have moved slightly from the levels 'Origin unknown' and 'Country Known' towards more volumes under 'Cooperative known'. However, the volumes

reported under 2022 by the partners also show that compared to last year, there seems to be a drop of the higher scores towards 'Cooperative known'. However, as mentioned previously, historical comparison remains tricky due to changes in the indicator and the number of reporting partners.

It is expected that the percentage of cocoa being traceable to farm level and above (farm mapping and polygons) will increase significantly in the next years, due to upcoming legislation on deforestation coming into effect in 2025. Also, a jump from the cooperative known to the farm known & polygons category directly is expected, as the sector seems to favor moving towards polygon mapping instead of the in-between step of farm mapping. These developments would lead to the partnership meeting the DISCO goal (100% traceability to farm level in direct supply chains by 2025).





Underwriting national initiatives aiming to end cocoa-related deforestation

On the way to reach the DISCO commitment on ending deforestation and forest degradation, DISCO signatories committed themselves *“to (continue to) adhere to the Cocoa & Forests Initiative (CFI)¹ 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)² 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. Over the years, the numbers seem to be stable over time. Both in Colombia and in Liberia, not pictured in the graphs above, there are also national initiatives aiming to end cocoa-related deforestation. But in both countries, no DISCO signatory reported to source there and be part of the national initiative.

It is however important to note that the focus should not necessarily be on the signature of the national initiative per se, but rather on the implementation of the required activities under the national initiatives. However, the accountability of the required activities

is addressed within those national initiatives. But it might be advisable to engage with the coordinating organization to ensure a proper implementation by signatories to avoid that this indicator becomes a tick the box exercise without implementing the activities under these national initiatives.

In conclusion, although most companies signed a national initiative aiming to end cocoa-related deforestation, there is a stagnation in the number of signatories that have signed. Steps need to be taken to stimulate the missing companies to also sign these initiatives to also reach this subgoal for DISCO.

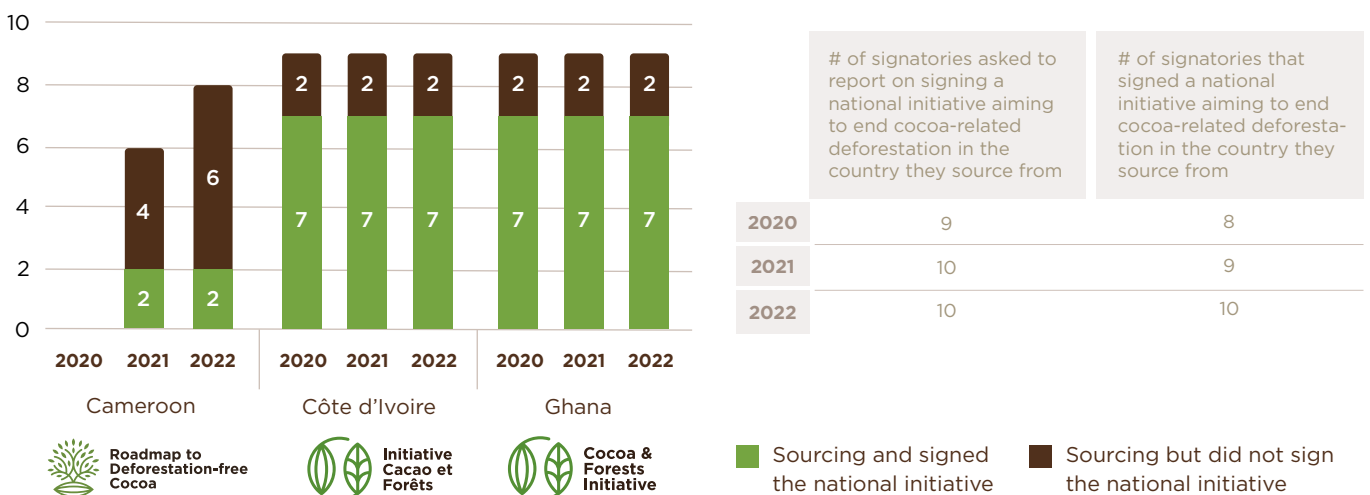
Claims of deforestation-free supply chains

In order to assess the extent to which signatories are complying to the future EU regulation on deforestation-free products, the ISCO reporting framework now includes an indicator on the share of the supply chain that a signatory can claim as deforestation-free, also requesting which cut-off date is being used by the given organization.

For cocoa to be claimed as deforestation-free, DISCO signatories should have polygons of the farm (> 4 ha) and farm plots (< 4 ha) verified as not in a protected forest and as not comprising land that was deforested since 31.12.2020.

1 More information on the Cocoa & Forests Initiative can be found here: <https://www.idhsustainabletrade.com/initiative/cocoa-and-forests/>
 2 More information can be found here: <https://www.idhsustainabletrade.com/initiative/roadmap-cameroon/>

FIGURE 16 PER SOURCING COUNTRY #, OF COMPANIES THAT SIGNED NATIONAL INITIATIVES AIMING TO END COCOA-RELATED DEFORESTATION IN SOURCING COUNTRIES

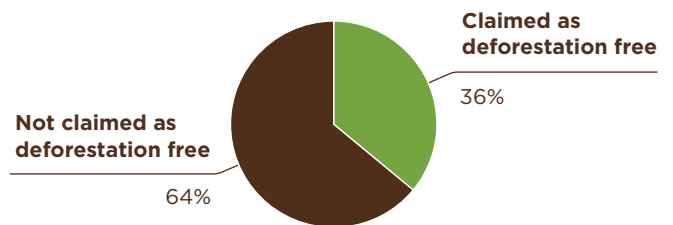




Looking at the graphs to the right, about 36% of the cocoa reported by DISCO signatories has been claimed as deforestation-free, compared to 64% for which this claim cannot be made. It is however interesting to see that there seems to be a difference between the cut-off date used by DISCO signatories. This seems to range from 2001 to 2022, with most using 2018. 2018 is the same cut-off date as used under the Cocoa & Forests Initiative in Côte d'Ivoire and Ghana. It is worth mentioning that 3 signatories did not share the cut-off date their organization is currently using.

Considering the upcoming European legislation, it is expected this share of cocoa claimed as deforestation-free to increase significantly over the next two years in order to be eligible for the European market. Indeed, it is expected that ISCO signatories will report more progress as the legislation will require 100% cocoa claimed as deforestation-free from December 2024 onwards with a cut-off date of 31 December 2020.

FIGURE 17 SHARE OF SUPPLY CHAIN CLAIMED AS DEFORESTATION FREE



2022	# of signatories asked to report on their share of supply chain which can be claimed as deforestation free	# of signatories that reported on their share of supply chain which can be claimed as deforestation free
	10	9

Cut-off date	Reporting partners
2020	1
2018	3
2014	1
2013	1
2001	1
No cut-off date	3



EUDR

“The upcoming Deforestation directive will encompass a mandatory due diligence requirement for all economic operators and non-SME traders exporting products to or from the EU internal market. This will include information on products, a risk analysis and risk mitigation activities. As such products will need to be deforestation free and legally produced, with a due diligence statement indicating that the risk of deforestation is negligible. For this, products will need to be traceable to production location (plot or country) through geolocation requirements (polygon from 4 ha.)”.

Source: DISCO information session on EU Deforestation Directive - presented by Julius Seinen (representative from the Dutch Government, Ministry LNV).

Key considerations in interpreting the deforestation and forest degradation results

There are several considerations to take into account in interpreting the 2022 DISCO reporting data on deforestation and forest degradation. Firstly, in terms of traceability scores, the comparison between the 2020 - 2021 and 2022 progress was not possible due to the restructuring of the indicator, which resulted in different categories compared to previous years. However, the indicator now provided a clearer split between origin unknown, and country of origin known, a split which according to the industry is more fitting to the reality of the sector.

Secondly, this reporting year, one additional indicator was added pertaining to the share of cocoa that can be claimed as deforestation-free, in combination with a specific cut-off date. The share of cocoa reported by DISCO signatories could be slightly higher, but it is worth noting that non-reporters, or limited reporters on this indicator were considered as claiming 0% of their supply chain as deforestation-free. This in combination with a weighting based on the volumes reported under the Dutch scope might influence the results of the reporting partners.



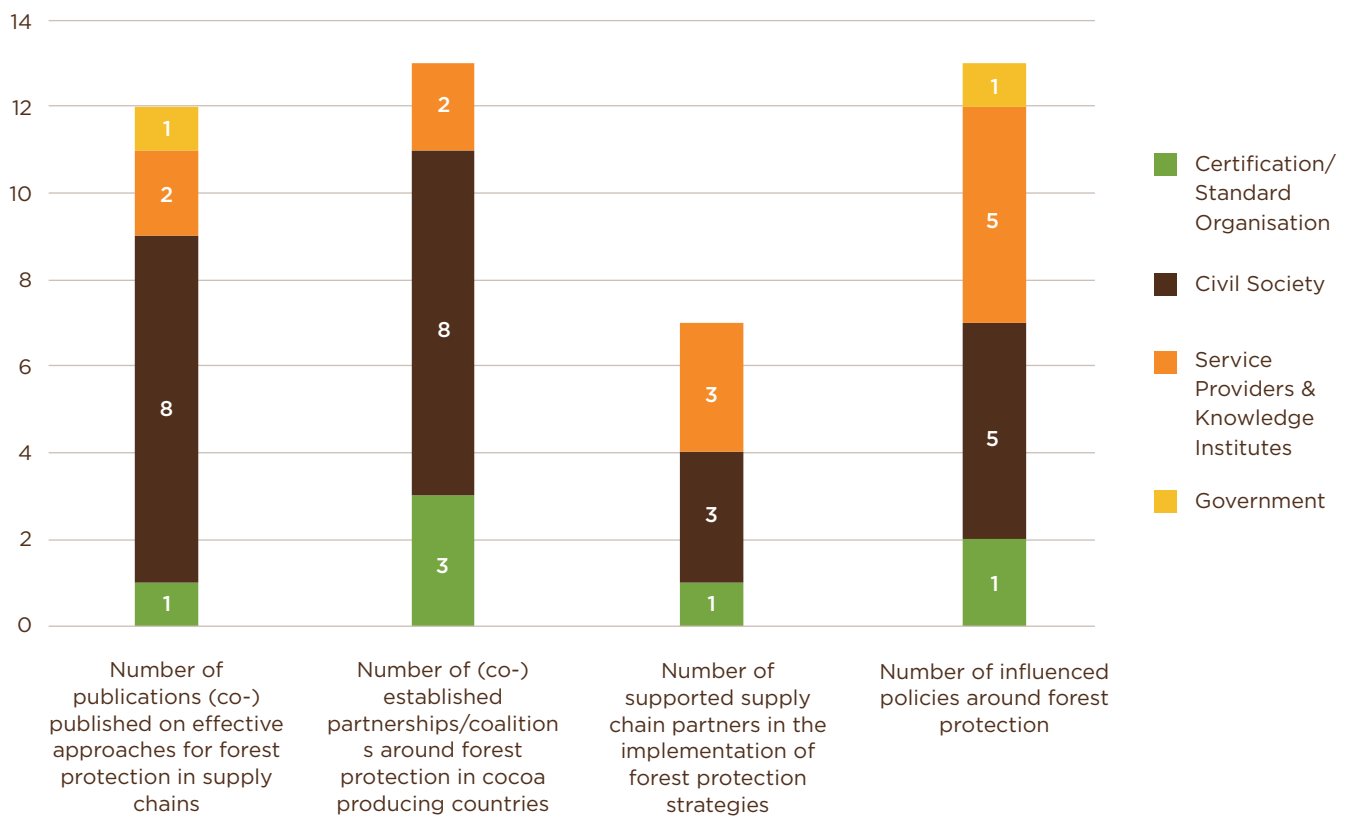


Contributions to ending deforestation and forest degradation by non-supply chain signatories.

Then looking at the non-supply chain contributions above, we can see that in 2022, both the subsector 'Civil society' and 'Service providers and knowledge institutes' have reported to have influenced about 5 policies around forest protection. The 'Civil Society' subsector has also played a major role in (co-) establishing partnerships and coalitions on forest protection in cocoa producing countries, and filling knowledge gaps by publishing on effective approaches for forest protection. '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 through their certification programs. Moreover, this subsector has worked to influence a number of policies on forest protection.



FIGURE 18 NON-SUPPLY CHAIN ACTOR CONTRIBUTIONS TO END DEFORESTATION





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 (CLMRS) 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.

FIGURE 19 # OF HOUSEHOLDS IN THE SUPPLY CHAIN FOR WHICH THE IMPLEMENTATION OF A CLMRS IS SUPPORTED BY A DISCO SIGNATORY*



* (Scope = CI, Ghana, Cameroon, Nigeria)

Child Labour Monitoring and Remediation systems (CLMRS)

CLMRS and equivalent systems are a means of targeting prevention, mitigation and remediation assistance to children involved in or at-risk of child labour, as well as to their families and communities. These systems are currently implemented by governments, civil society actors and businesses.

CLMRS alone cannot address all dimensions of child labour as a complex structural challenge. Other complementary and mutually reinforcing efforts are also required to tackle child labour holistically and address the socio-economic pressures and other root causes.

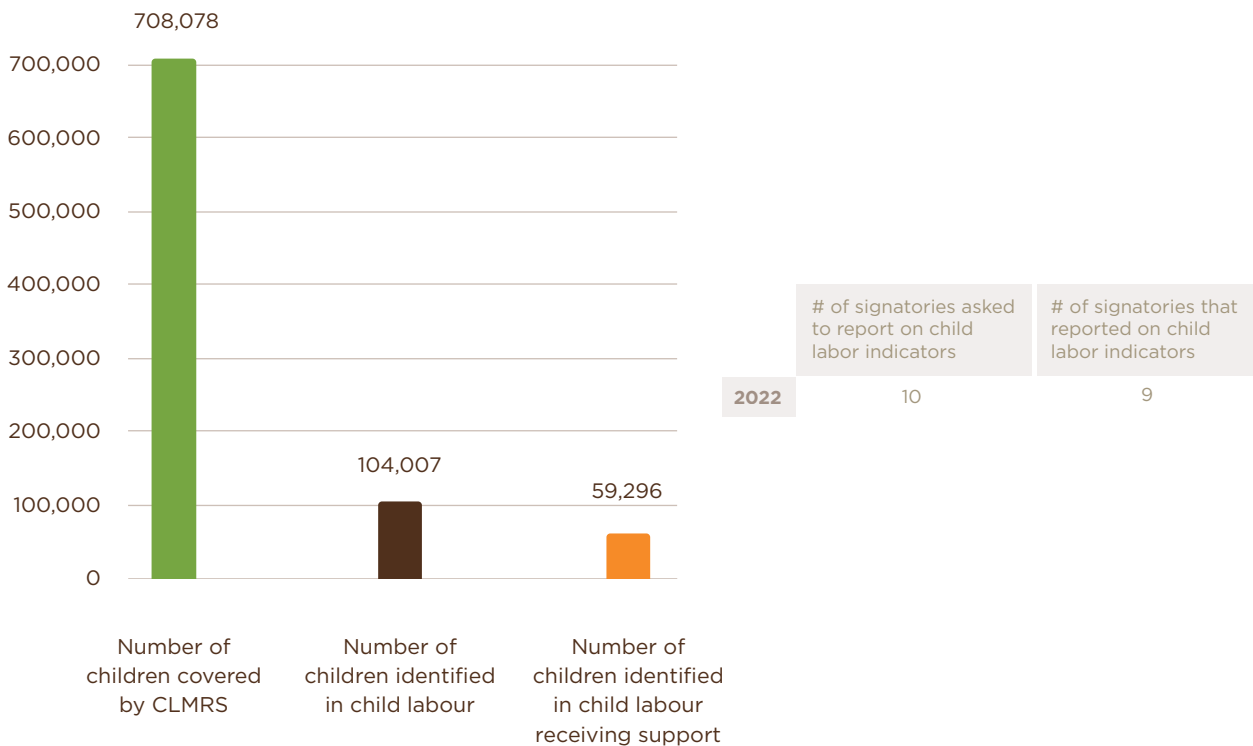
Child Labour Monitoring and Remediation Systems (CLMRS) must implement the following core activities:

1. *Raise awareness on child labour and resulting harm amongst farmers, children and the wider community.*
2. *Identify children in child labour through active, regular and repeated monitoring, using standardized data collection tools.*
3. *Provide support (prevention and remediation) to children in child labour, and others at risk, and document the support provided.*
4. *Follow-up with children identified in child labour and continue to monitor their status on a regular basis until they have stopped engaging in child labour and have satisfactory alternatives*

More information can be found [here](#).



FIGURE 20 NUMBER OF CHILDREN, COVERED BY CLMRS, IDENTIFIED IN CHILD LABOUR AND RECEIVING SUPPORT IN 2022



Looking at the data for 2022, DISCO signatories reported that for 478,754 households in Côte d'Ivoire, Ghana, Cameroon and Nigeria³, they are supporting the implementation of CLMRS. Comparing these number of households linked to the DISCO scope (approximately 540,000 households), the CLMRS coverage for 2022 would be 88%. Looking at the DISCO interim checkpoint of "50% coverage for the cocoa bean volume required to meet the annual Dutch exports of cocoa and cocoa-based products to other export markets by 2023 and 100% in 2025", the DISCO partnership seems on track.

Looking at the graph above, DISCO signatories reported that of the 708,078 children covered by CLMRS, of which about 104,007 were found in child labour, the CLMRS systems implemented by DISCO

signatories seem to have a detection rate of 15%. Usually, this rate is about 20% for the sector. Although this may be counter-intuitive, a mature CLMRS will usually have a higher child labour detection rate in the first phase, translating into a high number of children found in child labour. Only in later stages after implementation will this rate decrease, reflecting a decrease in child labour cases found. It is unclear in which phase the CLMRS of DISCO signatories are.

Of the 104,007 children found in child labour, about 59,296 children received support within the reporting year, approximately 40% of the children will receive at least two follow-up visits. Of the children identified in child labour, 11,292 children have stopped working, as measured for the reporting year.

³ The DISCO child labour data for the 2023 reporting round focuses on Côte d'Ivoire, Ghana, Cameroon and Nigeria due the ICI scope. Indeed, during the 2023 reporting round, the ISCOs have piloted a data exchange to reduce the reporting burden for signatories.



Key considerations in interpreting the child labour results

Starting from the 2023 reporting round, DISCO signatories are able to report on child labour indicators by agreeing on a data exchange with ICI. Most signatories took this opportunity, and therefore the DISCO secretariat received the aggregated ICI data reported by DISCO signatories. This data is more elaborate and granular compared to the data received in previous years. However, it is important to note the different scope of the data by ICI, and previously collected by the ISCOs. Indeed, the ICI data focuses on Côte d'Ivoire, Ghana, Cameroon and Nigeria, which is a different scope to the DISCO data from previous years. Therefore, it is not possible to compare the results from 2020 – 2021 to 2022. Moreover, the reporting set-up by ICI is slightly different, as reporting on child labour indicators is mostly taken-up by the subsector “Traders and manufacturers”, also on behalf of their clients down the supply chain. This set-up prevents to some degree a level of double counting which was most likely present under the DISCO results in 2020 – 2021.

Lastly, ending and preventing all forms of child labour in cocoa producing communities requires strengthened community structures and local ownership, which is currently not included in the DISCO child labour reporting, as the latter focuses on the number of children identified and received support. It is recommended to look, possibly

together with ICI, into the possibility of adding such indicators in the improved reporting framework. Also to provide more context of the reported data.

Contributions to end child labour by non-supply chain signatories

The non-supply chain contributions reported on the child labour topic show that all subsectors are active on the child labour topic. The graph below shows that all subsectors have supported several supply chain partners in the implementation of strategies to end child labour in their supply chains. Indeed, the subsector ‘Service providers & Knowledge institutes’ reported to have supported 23 supply chain partners. The ‘Certification’ subsector also reported a high number of partners supported: 31 in 2022. However, the ‘Certification’ subsector also played an important role in influencing policies around child labour (17 combined), as well as publications on effective approaches to end child labour in supply chains (11 in 2022). On the other hand, the ‘Government’ subsector reported to have established 2 coalitions in the previous year and supported about 11 supply chain partners. Lastly, the ‘Civil Society’ subsector reported to have supported about 20 partners in the implementation of strategies, and also played a significant role in setting up partnerships and/or coalitions on the topic in the cocoa producing countries.

FIGURE 21 CONTRIBUTIONS TO END CHILD LABOUR BY NON-SUPPLY CHAIN SIGNATORIES





Observations on this year's reporting round

In this second round of reporting, the progress of the DISCO partnership is compared to baseline measured for 2020 and 2021, but also compared to the interim checkpoints as outlined in the DISCO declaration. In comparing the results from the reporting round it is however important to distinguish overall progress in the sector from progress by the DISCO partnership specifically as signatories report on their full supply chain.

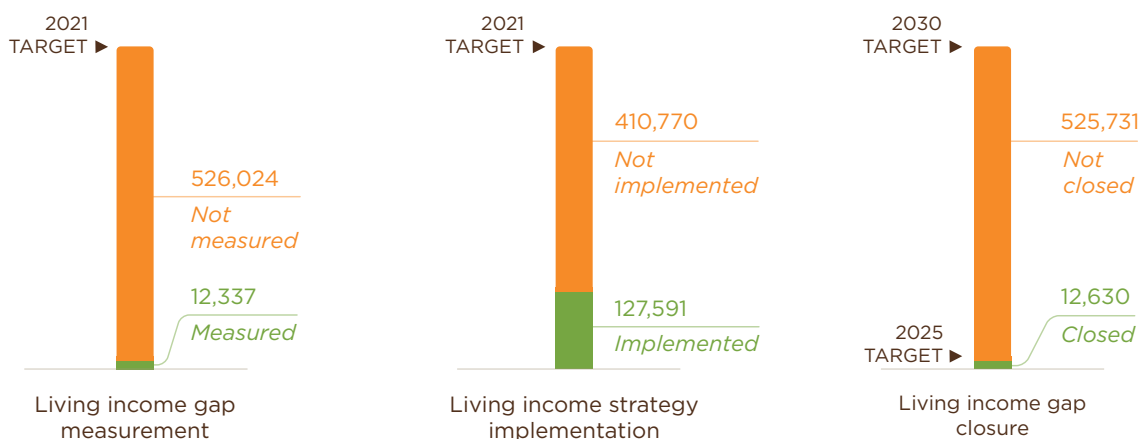
In this year's reporting round, we can see that the partnership seems to be on track to meet different interim checkpoints, on for example the roll out of child labour monitoring and remediation systems (CLMRS) and traceability. However, we can also

see that the partnership seems to be behind to meet the interim checkpoints on living income. Especially progress on the measurement of living income gaps and the implementation of living income strategies will need to accelerate in the upcoming years to meet the DISCO goals.

More specific observation include:

- The Netherlands remains an important hub for cocoa import and processing, with most cocoa originating from Côte d'Ivoire, Ghana and Cameroon. In 2022, we witness a shift increase in volumes imported in the Netherlands. However, a slight shift of processing in other countries is also identified.
- In terms of consumption of cocoa in the Netherlands, we can see a 100% coverage of certification schemes for private label products by retailers and smaller manufacturers. This indicates that a next step is needed to follow a 'beyond certification' route.
- In 2022, an increasing number of signatories reported on living income indicators which translated into overall progress compared to 2021. However, there is only a small increase in number of households for which a living income gap is measured which resulted in the interim checkpoints not being met. Although the DISCO partnership is currently halfway to meet the living income gap closure interim checkpoint by 2025, to see impact and reach the goals by 2030, the sector will need to take further action to measure living income gaps and implement living income strategies. This in turn should eventually increase the number of households who have closed the living income gap.

FIGURE 22 LIVING INCOME TARGETS



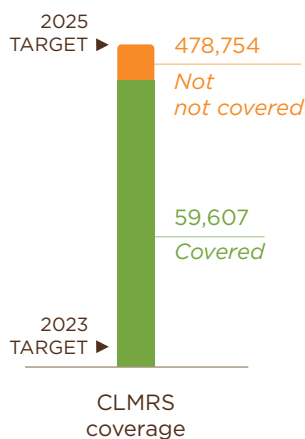


- The upcoming legislation on deforestation has pushed signatories in advancing in the implementation of risk management and due diligence approaches, and shift in cocoa traceability levels. The upcoming legislation is likely to continue to impact the results of the deforestation indicators. However, it is worth mentioning that there is a stagnation in the number of signatories that have signed a national initiative aiming to end cocoa-related deforestation. Steps will need to be taken to stimulate the missing companies to also sign these initiatives and ensure action in the origin countries to address cocoa-related deforestation.
- Lastly, the ICI data exchange provided new insights on the child labour theme in 2022, both in terms of CLMRS coverage and effectiveness through support received. Considering the new insights provided by the ICI reporting, it will be worth monitoring the maturity of the systems and improving the effectiveness of those to also decrease the number of children labour cases. It is however a positive development to see that the interim checkpoint for 2023 has already been met. In the following years, further progress is needed to meet the 100% coverage target by 2025.

FIGURE 23 DEFORESTATION AND FOREST DEGRADATION TARGETS



FIGURE 24 CHILD LABOUR TARGETS





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, this was € 65,250 through 30 signatories. It is expected that the same amount will be received for 2023 as for 2022, which means the total partnership contributions for the 3-year period will be € 185,000. 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 2022

The overview on the next page gives an insight into the expenses for 2022. To reflect the complete financial picture, the adjusted budgets for 2023 have also been added to the overview below.

As expected in the previous Annual Report, the expenses in 2022 are somewhat higher than in 2021, due to for example the set-up of the reporting tool and the analysis of the reporting data for both 2020 and 2021. Although the incoming funds from the partnership contributions are lower than expected when the joint financing structure was established, the remaining balance for 2023 should be sufficient to cover the budgeted costs. It is expected that the total required budget for 2023 is in line with the received partnership contributions, but with a limited buffer. Therefore, the Secretariat will do its best to limit the costs covered by 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

	Expenses			Updated budget
	2021-2023	2021	2022	2023
Budget Item Description	Total Expenses EUR	01/01/2021 - 31/12/2021	01/01/2022 - 31/12/2022	01/01/2023 - 31/12/2023
1. MEETINGS & SPECIFIC EVENTS				
1.1 Annual General Assembly	13,483	4,017	1,966	7,500
1.2 Steering Committee meetings	2,569	764	806	1,000
1.3 Working Group meetings	4,068	0	2,068	2,000
1.4 Other meetings	5,000	0	0	5,000
SUB TOTAL	25,121	4,781	4,840	15,500
2. COMMUNICATION				
2.1 Publication and development of reports and comms materials	12,592	669	4,423	7,500
SUB TOTAL	12,592	669	4,423	7,500
3. MONITORING & EVALUATION				
3.1 Start up reporting tool by AKVO	22,106	0	22,106	0
3.2 Integrate M&E framework in tool by C-Lever.org	32,736	672	20,564	11,500
3.3 Annual costs development reporting tool by AKVO	0	0	0	0
3.4 Annual costs data analysis by C-Lever.org	12,500	0	0	12,500
SUB TOTAL	67,342	672	42,670	24,000
4. HUMAN RESOURCES				
4.1 Chair Steering Committee	72,263	11,253	36,010	25,000
SUB TOTAL	72,263	11,253	36,010	25,000
5. STAFF TRAVEL				
5.1 Travel & accommodation for chair	4,672	256	1,916	2,500
SUB TOTAL	4,672	256	1,916	2,500
NET TOTALS EXPENSES	179,989	17,631	89,858	72,500
PARTNERSHIP CONTRIBUTIONS	185,000	56,500	65,250	63,250
BALANCE BUDGET	5,001	38,869	-24,608	-9,250



5. CONCLUSION

The 2022 annual reporting round provided valuable insights into the progress made across various indicators within the Dutch cocoa and chocolate sector. Indeed, it is evident that the partnership seems to be on track to meet various interim checkpoints. For instance, notable progress has been made in rolling out child labor monitoring and remediation systems (CLMRS) and enhancing traceability within the direct supply chain. However, the DISCO partnership is lagging in meeting the interim checkpoints related to living income. Specifically, efforts to measure living income gaps and implement living income strategies need acceleration in the coming years to meet the interim checkpoints.

The European legislation that will come into effect in the following years will most likely be supporting the necessary action by signatories. Indeed, these legislations are expected to drive progress in terms of traceability, claims of deforestation-free sourcing, and direct sourcing. As such, we anticipate that the next reporting round will demonstrate substantial progress in these areas. Nonetheless, it is crucial not to overlook the importance of addressing living income, which must continue to hold a prominent place on the agenda for DISCO signatories.

In parallel, recognizing that cocoa sustainability extends beyond the Dutch trading market, the partnership has established a collaborative framework with other European Initiatives on Sustainable Cocoa (ISCOS). In 2022, this collaboration resulted in a joint reporting process, further alignment on reporting frameworks, the establishment of thematic Working Groups, operational alignment, and the first ISConference in Brussels. While this collaboration has laid a strong foundation for increased alignment between initiatives, we recognize the need for ongoing efforts to ensure effective and efficient collaboration, reducing the operational burden for secretariats, signatories from multiple ISCOs, and external stakeholders aiming to collaborate with ISCOs. Additionally, it is crucial that we harmonize our efforts with initiatives in cocoa-producing countries to avoid duplication and enhance the overall impact of ISCOs.

Looking ahead to 2023, there is an anticipation of increased actions and efforts within the sector to achieve the DISCO commitments, especially related to living income and procurement practices. The next reporting round will hopefully show progress on the lagging checkpoints and reflect the impact of European legislation on the deforestation indicators.





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