

A young woman with dark skin and braided hair, wearing a dark blue button-down shirt, smiles warmly at the camera. She is holding a large, yellow, textured cocoa pod in her left hand. The background is a blurred outdoor setting, possibly a market or farm, with other people and structures visible. The overall tone is positive and focused on sustainable cocoa production.

Dutch Initiative on
Sustainable Cocoa

Annual Report 2023



DISCO
DUTCH INITIATIVE ON
SUSTAINABLE COCOA



CONTENTS

Foreword by Judith Sargentini	3
Background on DISCO	4
DISCO goals	4
DISCO Signatories	5
Partnership focus in 2023	6
Results from reporting round	8
Introduction	8
Key considerations for data interpretation	8
Dutch cocoa market and DISCO scope	9
Living Income	12
DISCO commitment	12
Collective and individual progress on Living Income	13
Ending Deforestation and forest degradation	17
DISCO commitment	17
Collective and individual progress	17
Ending Child labour	20
DISCO commitment	20
Collective and individual progress	20
Conclusion	21
Non Industry contributions	22
Finance	23
Addendum	25

FOREWORD BY JUDITH SARGENTINI, INDEPENDENT CHAIR OF THE STEERING COMMITTEE

By the end of 2023, DISCO waved goodbye to its Chair Arjen Boekhold who served the partnership as an inspiring and dedicated leader for three years. Under his leadership the position paper on procurement practices was developed and ready to be adopted in early 2024. This achievement will serve as a foundation for a joint effort from all the ISCOs (National Initiatives on Sustainable Cocoa in Europe), to promote a European-wide understanding of the importance of sustainable procurement to enable living incomes in the cocoa sector.

Looking at the 2023 results of DISCO partnership, it is encouraging to see the sharp increase in the number of households with measured living income gaps, but we still have a long way to go to actually provide cocoa farming families with a living income by 2030.

Bad harvest made the world market prices for cocoa beans go through the roof end of 2023, showcasing two things: one, farmers are not benefiting enough from increased prizes and two, climate change affects the yield. There could be no doubt that it is to the advantage of all stakeholders to trade cocoa sustainably.

It is late summer 2024 while I write this, and two important milestones should be reached by 2025:

DISCO signatories have pledged to reach 100% deforestation-free cocoa for the Dutch market in 2025. Are we going to reach that? The results over 2023 suggest it will still need some work. Hopefully, the EUDR will provide the extra adrenaline to get there.

We are halfway to our goal of having taken effective measures and necessary actions to end all sorts of child labour by 2025. We can be proud of the frontrunners, but how can we support those who still have a long way to go?

If we want to hold ourselves as individual organisations and as a partnership accountable, we need to increase the level of transparency on the progress that everyone is making. The individual Action Plans that are being developed in 2024 are a key moment for that, in which industry players will make their data on their shorter term ambition public. While I understand the commercial sensitivity of sharing some types of data, the DISCO partnership benefits from two-way inspiration and – let's face it – some peer pressure. Hopefully next year we can be more open towards each other?

I thank the members of the Steering Committee and the Secretariat at IDH for the welcoming atmosphere which made it easy to step into the role of chair in 2024.



Judith Sargentini

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.

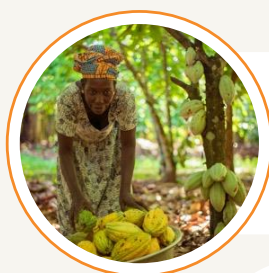
Since its establishment in 2020, the Dutch Initiative on Sustainable Cocoa or DISCO has brought together the key actors of the cocoa sector in the Netherlands to accelerate the transition to a sustainable cocoa sector. With a shared vision for a sustainable cocoa sector, the partnership is guiding members and signatories to move from commitments to action by fostering a common

understanding of effective solutions to improve the livelihoods of current and future cocoa farming families, their communities and their environment.

The relevance of DISCO lies in the scope of the partnership itself, as it contains all cocoa and cocoa products imported into the Netherlands. This accounts for approximately 20% of the cocoa traded globally.

DISCO goals

DISCO signatories have committed to achieve together the following milestones:



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





DISCO Signatories

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

COCOA TRADERS & PROCESSORS



CHOCOLATE MANUFACTURERS & BRANDS



RETAILERS



GOVERNMENT



Ministry of Foreign Affairs of the Netherlands



Ministry of Agriculture, Nature and Food Quality of the Netherlands

CIVIL SOCIETY



Save the Children



CERTIFICATION



SERVICE PROVIDERS & KNOWLEDGE INSTITUTES



Royal Tropical Institute



C. Steinweg · Handelsveem B.V.

Secretariat by:



For more information on DISCO please visit [our website](#).



Partnership focus in 2023

Each year, the partnership decides some key focus area where all the efforts are concentrated to ensure progress of the partnership. For 2023, DISCO identified the following three priorities to advance the partnership's objectives.

Procurement practices

As a market-based initiative, procurement practices – both on the importing and exporting side – are believed to accelerate the impact on the three main sustainability impact areas. A DISCO working group made a significant contribution in 2023 by developing [a position paper](#) outlining how sustainable procurement can contribute to reach the DISCO living income targets included in the DISCO [Roadmap on Living Income](#). This Roadmap emphasizes the need of more precise understanding of income gaps, of “smart mix” of interventions throughout the supply chain and a more detailed monitoring on performance and impact. While formally adopted in 2024, the foundational exploration and development for this position paper were completed in 2023.

International collaboration

DISCO aims to become more responsive to international developments and opportunities. Within Europe, DISCO works closely together with the other National Initiatives on Sustainable Cocoa (ISCOs). The ISCOs have signed a Memorandum of Understanding (MoU) to address the sector's most pressing challenges by focusing on transparency, living incomes for farmers, deforestation prevention, and eradicating child labour.

To achieve their targets, the initiatives collaborate closely to streamline operations, enhance communication with multinational industry stakeholders, and harmonize monitoring efforts across platforms. The collaboration strives to create a more equitable and environmentally responsible cocoa industry.¹ As part of this collaboration with the other ISCOs, the five joint thematic Working Groups established around Living Income, Forests & Agroforestry, Child Labour, Traceability and Monitoring have continued their efforts during 2023.



¹ Find more on the ISCOs collaboration: [here](#)



FIGURE 1: THE EUROPEAN INITIATIVES FOR 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



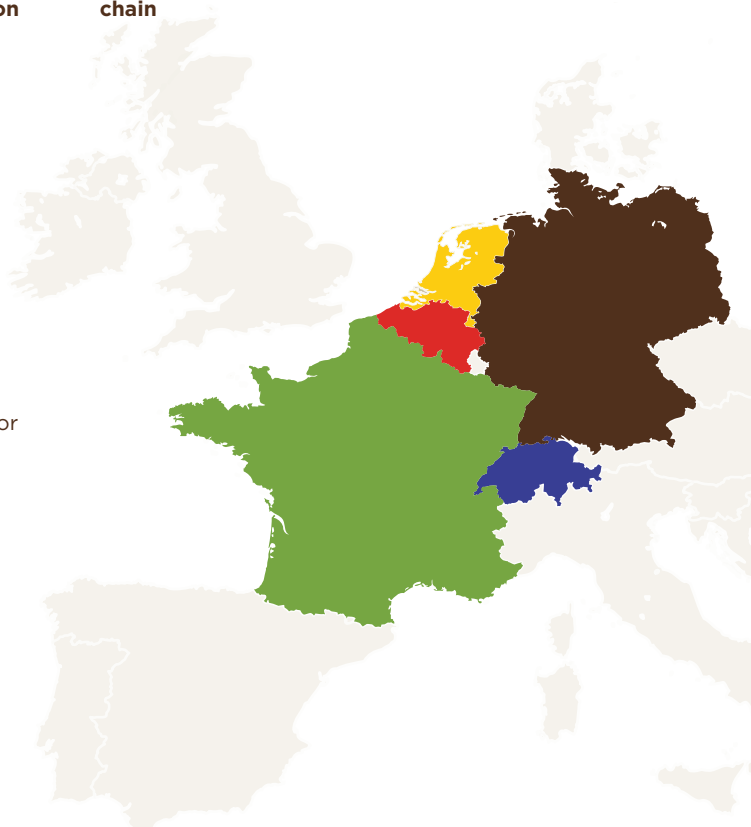
Beyond Chocolate
Partnership for a sustainable Belgian cocoa sector
December 2018



DISCO
Dutch Initiative for Sustainable Cocoa
August 2020



FRISCO
French Initiative on Sustainable Cocoa
May 2021



Accountability

In 2023, accountability within DISCO has been further defined and strengthened based on the shared belief that sufficient measurement of progress on the core commitments and a clear division of roles of actors in the accountability system is key to accelerate progress.

The partnership started to discuss how accountability should work in DISCO to hold signatories accountable, individually but also as a partnership.

The accountability mechanism shall be developed on the idea that all signatories have core individual responsibilities (payments of the fees, annual reporting and the submission of actions plans), but also partnership responsibilities, such as being open and transparent, and communicate about progress or lack thereof. The Steering Committee and the entire partnership will continue to operationalize the accountability mechanism in DISCO throughout 2024.

RESULTS FROM REPORTING ROUND

Introduction

In pursuit of tracking the progress of the DISCO partnership and its signatories towards the three impact goals, and increasing accountability and transparency within the sector, signatories have committed to report on their performances on an annual basis.

This third edition of the DISCO annual report shares key insights on the collective achievements of signatories in 2023, based on data gathered through [a reporting framework](#). This framework has been developed collaboratively with signatories and meticulously harmonized with the other ISCOs to ensure consistency and reducing the reporting burden for signatories. This year all signatories submitted their reports, reporting on indicators touching on all the three impact themes of DISCO, namely Living Income, Deforestation and Child Labour.

The primary objective of this year's results presentation is to provide a more precise assessment of the partnership's progress and to enhance accountability within the partnership. This is achieved by simultaneously offering insights of the collective progress overviews of each signatory's performance against the DISCO commitments. To have a better understanding on the progress towards the targets set on Living Income, Deforestation and Child Labour specifically for the Dutch market, we made an estimation of the number of households linked to the Dutch import and consumer market based on available data. Our calculations suggest approximately 521,000 cocoa farming households are connected to the Dutch import market, and around 24,500 are tied to the Dutch consumer market.

Response rate: 100%

32 out of 32 signatories have reported data on their progress for year 2023.

Key considerations for data interpretation

Before delving into the key insights, it's crucial to acknowledge some key aspects related to the data collection and reporting process:

- The data presented in this report is voluntary self-reported by DISCO signatories without external verification and validation.
- Although the large majority of the Dutch cocoa sector is represented in DISCO, not all Dutch companies have signed DISCO. Therefore, this report reflects the progress of DISCO signatories only and may not be entirely representative of the entire Dutch cocoa market.²
- The majority of data reflects the global market, with adjustments made for the Dutch context using weighted averages related to the volume of cocoa imported, processed, manufactured and or supplied to the market in the Netherlands.
- This will also result in some double counting between the different ISCOs, as well as between different actors in the supply chain (e.g., traders and their clients), making it difficult to draw conclusions on the progress that can be directly attributed towards the DISCO goals.
- Please note there might be a certain degree of instability when comparing year-over-year aggregated results due to:
 - » The partnerships growing year after year.
 - » The reporting framework developing over the years.

It is key to stress that the aim of the presented insights is providing a snapshot on the progress of DISCO goals at a wider sectorial level that can be used as a reference to further address, develop, discuss the way forward to achieve a more sustainable cocoa sector.

² See next section for a better understanding of DISCO scope.



Dutch cocoa market and DISCO scope

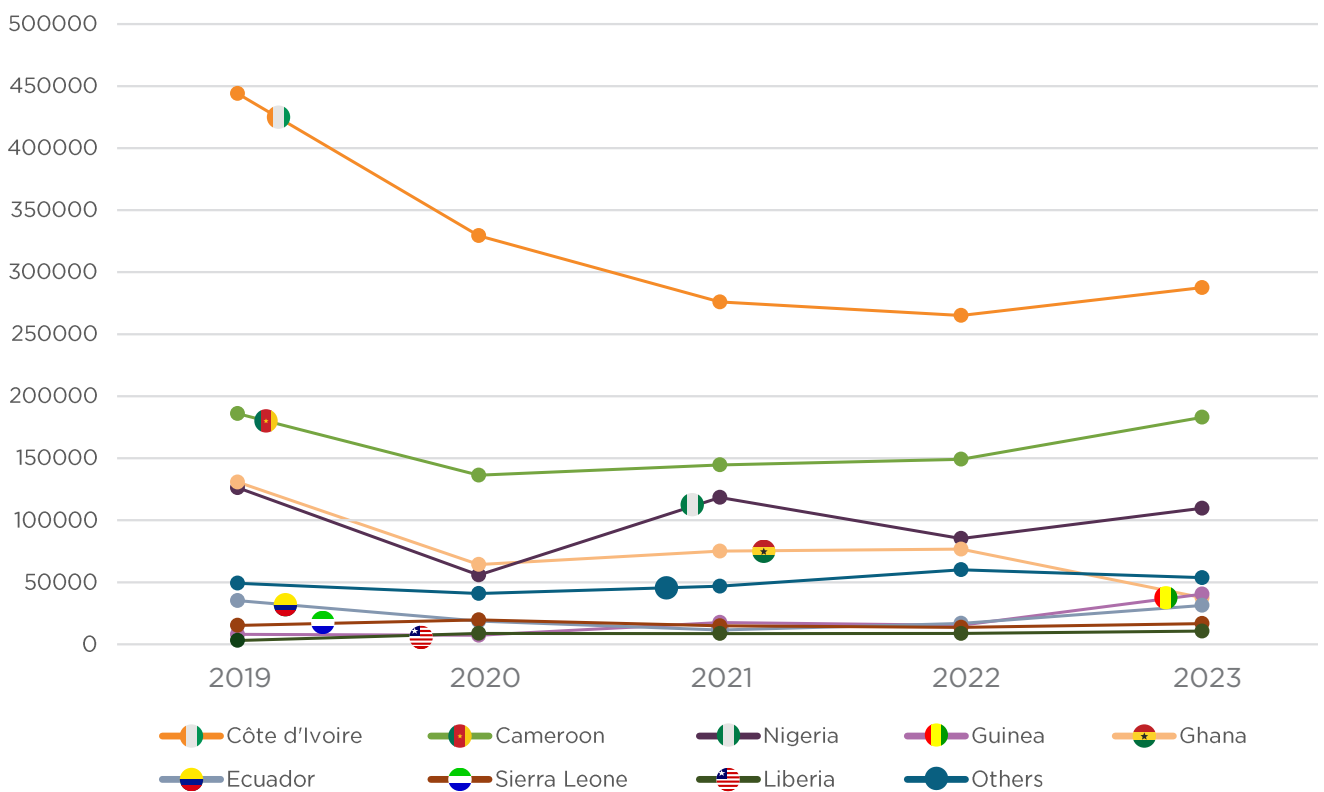
As the world's largest importer of cocoa beans, accounting for a substantial 20.1% of global imports in 2023, the country serves as a critical entry point for the commodity. At the other end of the trade, the Netherlands ranks as the second largest exporter of cocoa and cocoa semi-finished products worldwide³.

The Dutch market experienced a remarkable surge in both cocoa imports and exports in 2023, with values

skyrocketing by +25% to reach unprecedented highs of € 5.1 billion and € 6.4 billion respectively, solidifying the country's position as a global cocoa powerhouse.⁴

The country imported an estimated 774,447 metric tons of cocoa beans in 2023. The main import countries for the Netherlands are Côte d'Ivoire, supplying 37% of the beans, followed by Cameroon (24%), Nigeria (14%), Ghana (5%), Guinea (5%) and Ecuador (4%)⁵.

FIGURE 2 MT COCOA PER SOURCING COUNTRIES TO DUTCH MARKET



Given its central role in the international cocoa trade, particularly within the midstream segment of the value chain, the Dutch market constitutes a strategic trade and processing hub.

Consequently, the objective of the Dutch Initiative on Sustainable Cocoa is to reach all cocoa and cocoa products imported and processed in the Netherlands through the partnership and accelerate the transition to sustainable cocoa.



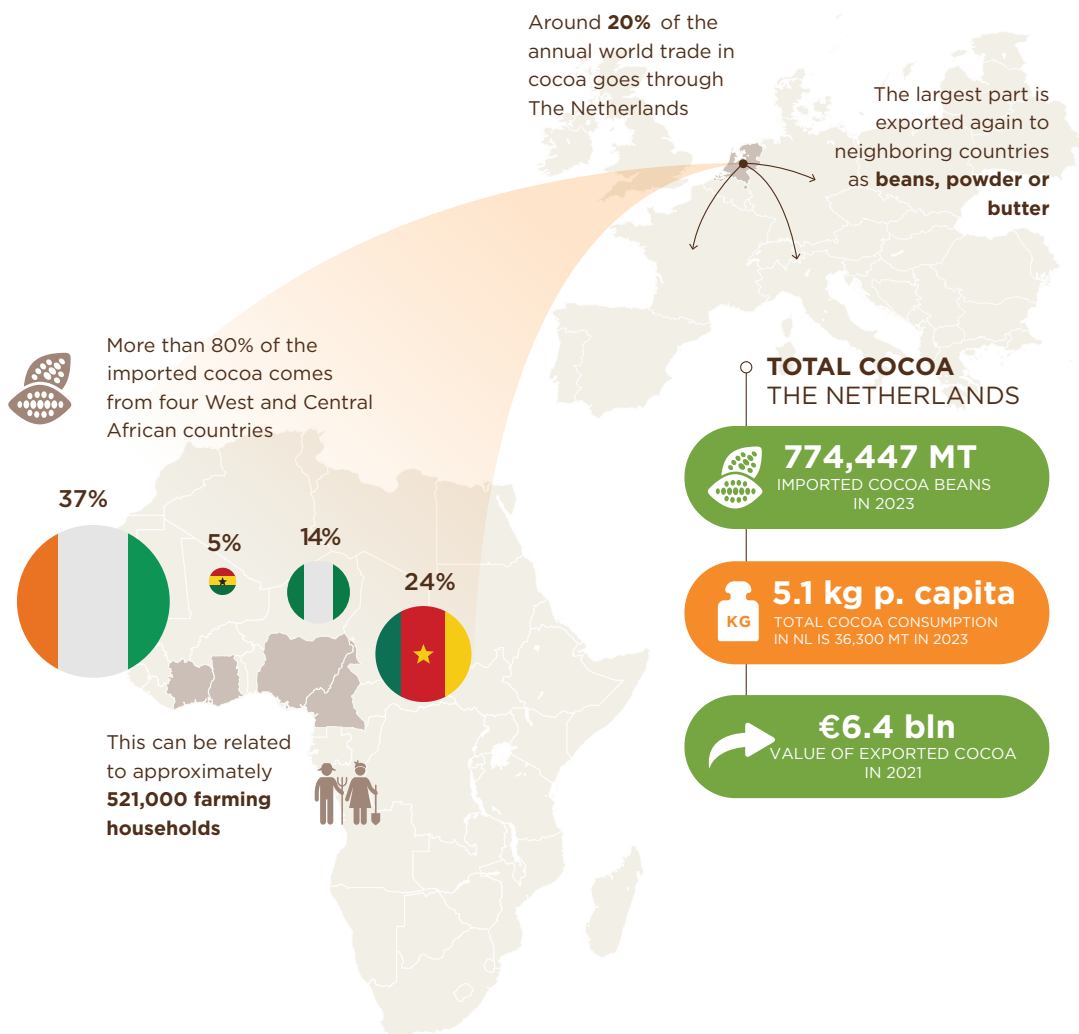
³ TradeMap, 2023

⁴ Statista, 2024

⁵ The World Integrated Trade Solution (WITS), 2024



FIGURE 3 COCOA TRADE FLOWS TO THE NETHERLANDS



DISCO Scope

The DISCO partnership keeps representing a substantial portion of the Dutch cocoa sector.

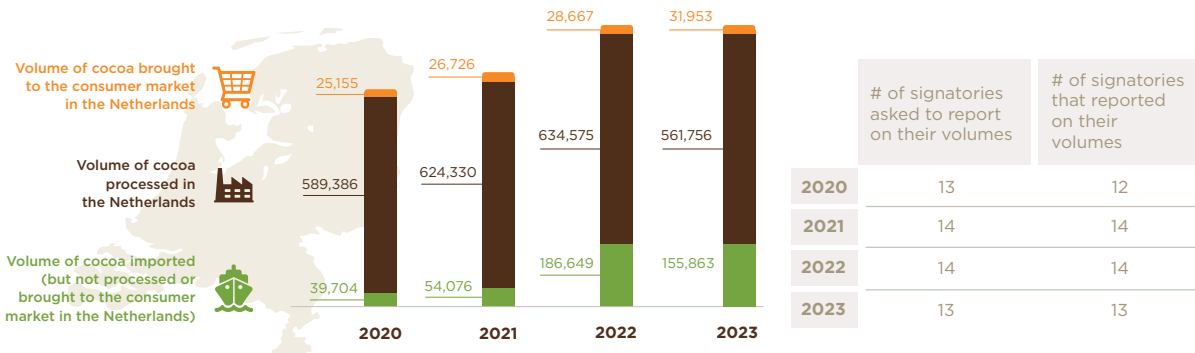
According to the 2023 DISCO reporting data (Figure 2), DISCO signatories collectively imported and processed around 713,116 metric tons of cocoa within the Netherlands while 31,953 metric tons of transformed cocoa products are introduced to the Dutch consumer market. The cocoa importing and processing made by the partnership collectively represents around 92% of the total cocoa imported and processed within the Dutch market.

As the estimated cocoa consumption within the Netherlands is approximately 36,300 MT⁶, the minor discrepancy between supplied volumes by DISCO signatories and estimated consumption might be covered by a share of DISCO non-signatories.

⁶ DISCO Report 2022



FIGURE 4: DISCO SCOPE: VOLUMES OF IMPORTED, PROCESSED, MANUFACTURED AND BROUGHT TO THE MARKET



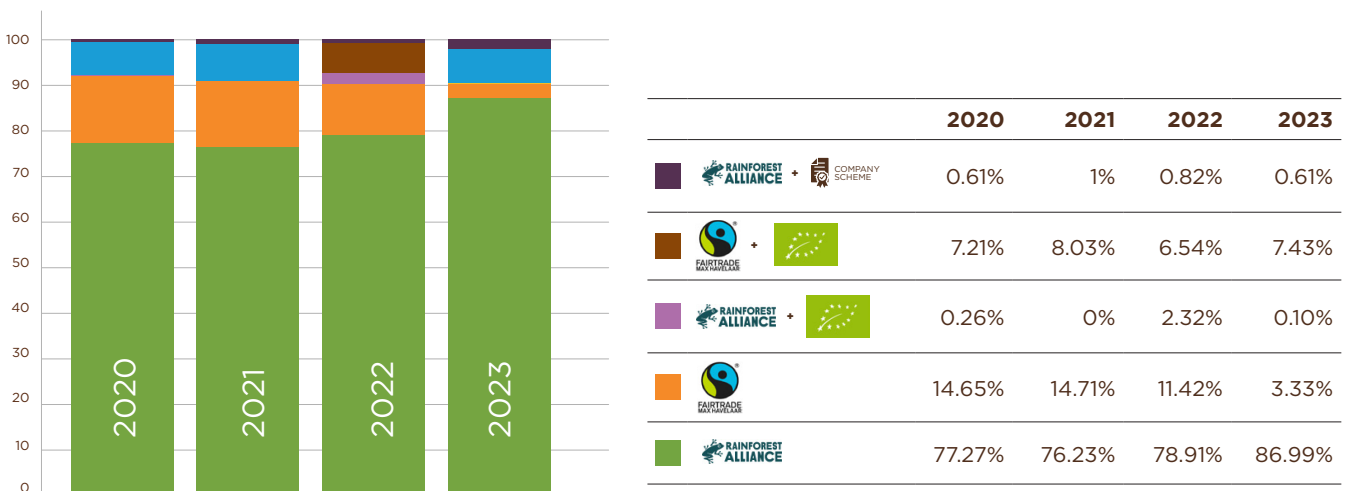
Certified cocoa in DISCO

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.

DISCO reporting data demonstrates that since few years, DISCO retailers and small manufacturers are bringing to the Dutch market 100% certified cocoa for their private labels of cocoa products. Their products are being covered mostly by a third-party certification or standard, with a few differences in their adoption in 2023 (Figure 5). In addition, there seems to be a

growing trend in combining certification with company programs. For the retail organizations and small manufacturers reporting in DISCO, the shares covered with Rainforest Alliance (single and in combination with organic), Fairtrade (single and in combination with organic) and company scheme (in combination with Rainforest Alliance) are all growing in absolute numbers of volumes.⁷ Rainforest Alliance and company scheme has sharper increases than Fairtrade, which explains the differences in percentages in Figure 5. Reaching 100% certified cocoa milestone marks an important achievement, while suggesting that next steps 'beyond certification' are needed.

FIGURE 5 PERCENTAGE OF CERTIFIED AND OR INDEPENDENTLY VERIFIED COCOA



⁷ Due to data confidentiality, absolute numbers on volumes can't be shared

LIVING INCOME

DISCO commitment

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

The DISCO partnership recognizes living income⁸ as a key priority to move towards a sustainable cocoa sector. Therefore, DISCO signatories have the joint ambition to enable a living income for all cocoa farming families linked to the Dutch market by 2030.

BOX 1: INTERIM CHECKPOINTS OUTLINED IN THE DISCO LIVING INCOME ROADMAP

The DISCO partnership agreed on a pathway to achieve the living income target with the following interim check points:

Living income gap determined and living income strategy (including incremental steps towards closing the living income gap) developed for 75% of the Dutch cocoa sources before mid-2021 and for 100% of the Dutch cocoa sources by the end of the year 2021;

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;

Step-wise increases in the percentages of cocoa farming families that are enabled to earn a living income for the volume of cocoa beans and cocoa products exported to markets outside the Netherlands.

In practical terms, the [DISCO living income roadmap](#) suggests that each partner should:

- Identify benchmarks and measure⁹ living income gaps for the farming households in their supply chain;
- Implement living income strategies (see Box 2) for the farming households in their supply chain tackling the different income drivers;
- Monitoring and report on the progress.

BOX 2: LIVING INCOME STRATEGY DEFINITION AS DEFINED IN THE ISCO REPORTING FRAMEWORK

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 includes a monitoring and learning component and 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.*

⁸ Living income is defined as: 'the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.' (LICoP, 2023). It covers the costs of food, water, housing, education, healthcare, transport, clothing, and a margin for unexpected events, and is intended as a stepping stone towards achieving prosperous incomes.

⁹ For Living income measurements there are a number of methodologies that can be used to calculate or approximate a living income and or living income benchmarks (See: [Anker Methodology](#), [LICOP's Guide](#))



Collective and individual progress on Living Income

Living Income gap measurements

Data from 2023 reveals a significant trend in DISCO partnerships. As illustrated in Figure 6 there was a sharp increase in the number of households with measured living income gaps associated with DISCO signatories compared to the previous year. A 15% increase from the previous year indicates a positive trend, especially if signatories maintain this growth rate in the coming years. Yet, the partnership remains significantly behind schedule. Despite the 100% target set for 2021, 85% of households' living income gaps remain unmeasured in 2023.

Checkpoint 2021:

Living income gap determined for 100% of the cocoa farming households linked to the Dutch market

15,33% achieved

On the individual level on the living income measurement for each partner, Figure 7 suggests that only few frontrunners are really moving towards achieving results closer to the targets, whereas most of the others are just at the beginning of their living income journey and have really started.

Living Income Strategies

Similarly, DISCO signatories report that living income strategies for 5,29% of farming households are implemented within their direct supply chains. This represents a 15% increase compared to previous year, although it remains significantly below the DISCO interim checkpoints.

Checkpoint 2021:

Living income strategy developed for 100% of the cocoa farming households linked to the Dutch market

5,29% achieved

At the individual signatory level, all have initiated some form of living income strategy implementation. Nevertheless, the majority is in the initial stages of this process, with limited household coverage. Only few leading companies have demonstrated substantial progress in this area.

Living Income gap closure

A primary concern highlighted by the data is the minimal progress made towards closing the living income gap for cocoa-farming households within DISCO signatories' supply chains. Only 0,21% of households achieved an income above the living income benchmark in 2023.

This year, six members (out of nine) were able to report on the different categories of income earned

by the households in their supply chain. Figure 8 presents a concerning overview of farmer income distribution, indicating that the majority of the farming households in DISCO signatories supply chains earn less than 40% of a living income benchmark. And overall, 88% of cocoa farming households fail to achieve a living income. These findings align with broader sector data, underscoring the persistent challenge of poverty among cocoa farmers.

DISCO Goal

2030: *Enable cocoa farming households linked to the Dutch market to earn a living income*

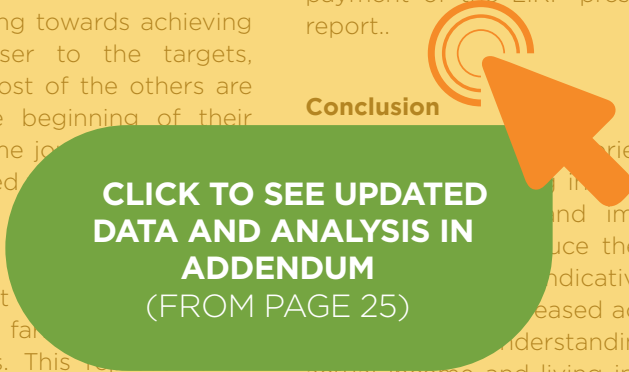
0,21% achieved

For the second year, DISCO signatories were asked to disclose the volumes for which they pay a Living Income Reference Price (LIRP)¹⁰. Due to limited reporting by DISCO signatories on this indicator and thereby no guaranteed data confidentiality for the companies that reported, there will be no aggregated numbers for the payment of the LIRP presented in this year's annual report..

Conclusion

The data from 2023 demonstrates that DISCO signatories demonstrated increased progress in identifying and measuring the living income gaps within their supply chains. However, the limited data on the implementation of corresponding strategies to address these gaps indicates that the living income gap remains a significant challenge. These findings are indicative of a sector progressing towards addressing the living income gap, but the increased actions around living income, such as the implementation of living income strategies, are still in the early stages. A deeper understanding of the gaps between the actual income and living income benchmarks is necessary. Yet the partnership is behind schedule on all DISCO (interim) targets and significant improvements and efforts are necessary. Enabling 100% of cocoa farming households linked to the Dutch market to earn a living income is an ambitious target, that seems challenging to achieve and demonstrate (due to farm level constraints, e.g. farm size). However, while effective strategies for achieving the desired impact exist, the sector needs to accelerate actions and scale them up to larger parts of the supply chain to actually achieve concrete impact. The current percentage of cocoa farming households for which a living income strategy is implemented (5,29%) and only 0,21% of the cocoa farming households in the supply chains of DISCO signatories earn a living income show that the DISCO partnership is far from reaching its targets..

Closing living income gaps is a complex challenge requiring multifaceted solutions. It is evident that a singular income driver, intervention, or actor cannot independently achieve this goal. A comprehensive, or 'smart mix' of strategies targeting multiple income



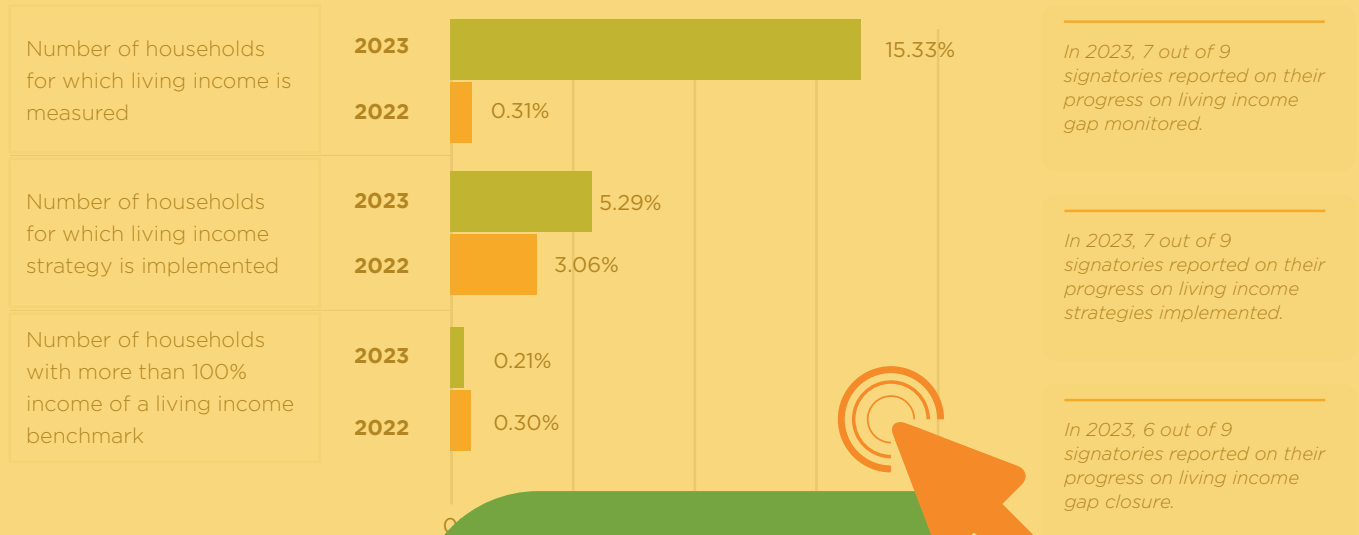
¹⁰ A LIRP is the price that a typical farmer household with a viable farm size and a sustainable productivity level needs in order to earn a living income from the sales of their crop (Fairtrade definition).



drivers is essential for generating positive outcomes and impact. All actors have their own individual responsibility to do whatever they can to contribute to closing living income gaps through a 'smart mix' of strategies approach. A multi-stakeholder approach that

goes beyond individual efforts is required to approach the complexities that go beyond the individual efforts of single value chain actors. In this context, partnerships such as DISCO (and other ISCOs) are uniquely positioned to support the whole sector moving in this direction.

FIGURE 6 DISCO SIGNATORIES JOINT PROGRESS ON LIVING INCOME TARGETS



CLICK TO SEE UPDATED DATA AND ANALYSIS IN ADDENDUM (FROM PAGE 25)

Absolute numbers of households reached

	2021	2022	2023
Living Income Gap Measurement	342,068		342,068
Living Income Strategies Implemented	13,000	127,591	139,274
# Households earning a Living Income*	600	12,630	5,647

*For coherency on this data point, it is important to highlight the different nuances in the questions during the last reporting years. In 2021 and 2022 signatories reported on the amount of farming households in their supply chain that have closed the living income gap. Whereas this year the indicator requested the share of households per incomes levels (Figure 6). Only 6 out of 9 signatories reported on this indicator.





FIGURE 7 DISCO SIGNATORIES' INDIVIDUAL PERFORMANCE ON LIVING INCOME INDICATORS (ONLY CONSIDERING DIRECT SUPPLY CHAIN)

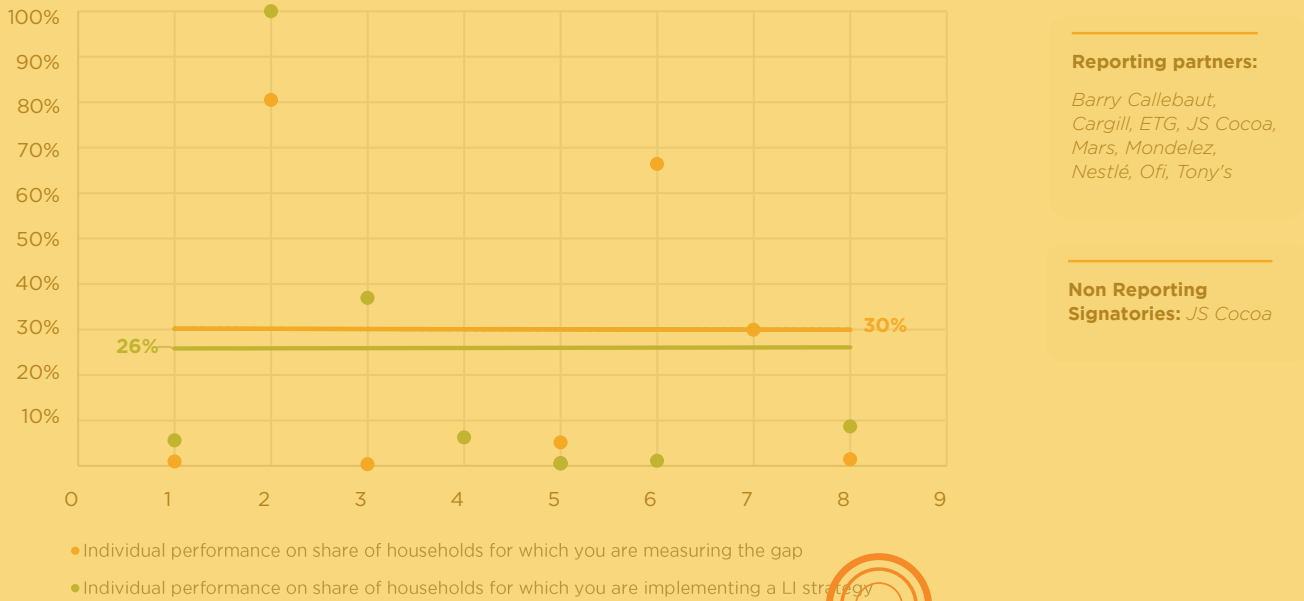
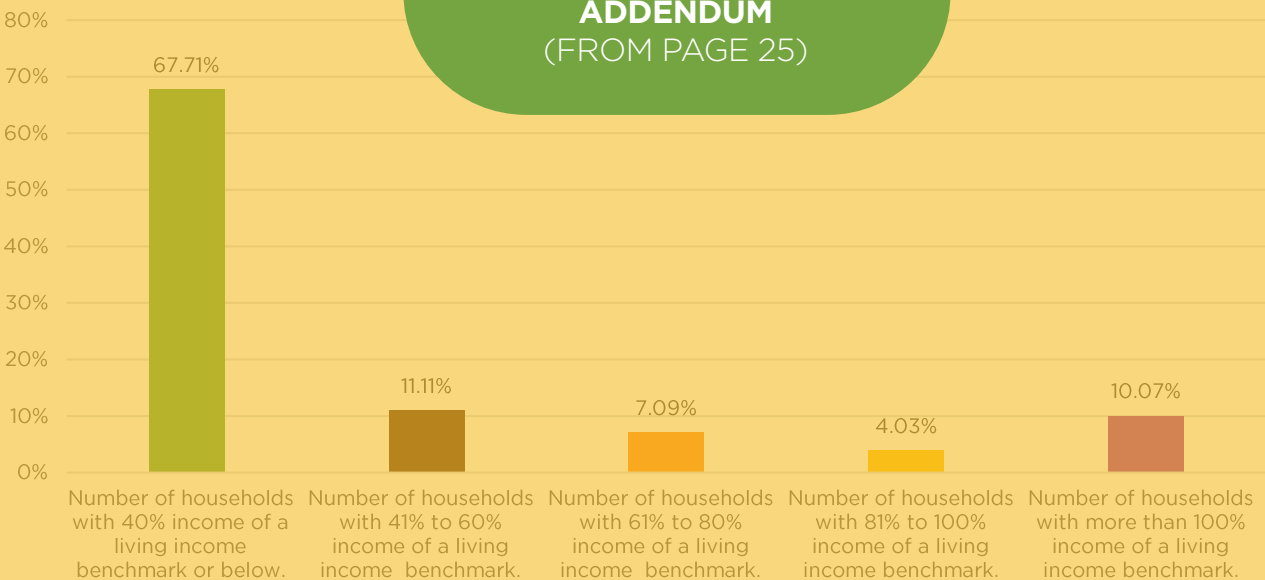


FIGURE 8 AVERAGE INCOME DISTRIBUTION OF THE HOUSEHOLDS WITH A MEASURED LIVING INCOME BENCHMARK OF THE





CASE STUDY: Nestlé's Living Income strategy through the Income Accelerator Program

In 2022, Nestlé launched the Income Accelerator Program in Côte d'Ivoire with the ambition of closing the Living Income gap among cocoa farmers and combat the root causes of child labour risks. The program involved 10,000 farming households in cooperatives that supply cocoa to Nestlé. An evaluation of the first two years of the program was published by KIT, showing positive initial results for the 10,000 participating households in Côte d'Ivoire. Specifically, the Income Accelerator Program has achieved:

1. Increased net cocoa income from cocoa farming, especially for medium land size farms. A 32% increase of cocoa production was obtained with higher yield levels obtained by improvements in GAP adoption and pruning activities. Farmers in the Accelerator group produced 730 kg of cocoa per hectare on average in the 2022-2023 season.
2. Increased household's income. Households participating in the Income Accelerator Program registered an average increase in their annual net income of US\$1,320 as a result of a higher increase in both cocoa and non-cocoa income in the household. The data demonstrates a growing number of households earning a living income (10% growth in one year).
3. Promoted financial access and inclusion for women through VSLAs and cash transfer.

This also demonstrating effective income diversification strategies. 79% of women registered in Village Savings and Loans Associations (VSLAs) allowing them to invest in small businesses.

4. Enhanced productivity and mitigated diseases on cocoa farms,
5. Significant increase in school attendance among children in the households of the Accelerator group. The proportion of children attending school rose from 79% to 89% in the Accelerator group, compared to a 5% increase in the other group.
6. Increased financial support extended to others within the community. The results show that for every US\$ received in cash transfers by one household, there is an associated increase of US\$0.41 in financial support given to neighbours, family, and friends.

The Income Accelerator program's scale up plan is particularly noteworthy. It aims to expand to 30,000 farmers and reaching Ghana by 2024, and further rollout to Nestlé's global supply chain. This objective is reaching 160,000 cocoa-farming families worldwide by 2030.



ENDING DEFORESTATION AND FOREST DEGRADATION

DISCO commitment

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.

To reach this goal, DISCO partnership has set a series of targets. Among others, signatories are focusing on achieving 100% traceability to the farm level in their direct supply chain by 2025 and full traceability by 2030; adhering to the existing Cocoa & Forests Initiatives¹¹ (CFIs) and carrying out due diligence assessments in their supply chains.

Additionally, the establishment of the EU Deforestation Regulation (EUDR)¹² will level the playing field for the sector by imposing stringent due diligence requirements and exclude products that contributed to deforestation from the European market. Effective from end 2024, companies will have to demonstrate that their products are deforestation-free, legally sourced, and traceable through robust risk assessments, supply chain mapping, and transparent reporting. For this reason, our signatories are asked to disclose the share of their cocoa supply chain that can be claimed as deforestation-free¹³ with the respective cut-off date.

Collective and individual progress

The 2023 data confirms that most traders and large manufacturers that are DISCO signatories have signed the national initiatives to end deforestation applicable for the countries they source from (Table 1). These signatories report on their progress to these initiatives on a yearly basis. We see however a stagnation in the number of companies that signed those initiatives. Where there are constantly 2 missing for the Cocoa & Forests Initiative in Côte d'Ivoire and Ghana, 6 are missing for the Roadmap to Deforestation-free Cocoa in Cameroon.

TABLE 1: NUMBER OF DISCO SIGNATORIES THAT UNDERWROTE THE THREE INITIATIVES



Being a CFI signatory does not directly result in being able to claim 100% deforestation-free cocoa. As Figure 9 illustrates, a significant portion of DISCO signatories have made improvements since last year, expanding their share of deforestation-free cocoa from an average of 36% last year to 42% in 2023. Three signatories are showing positive examples of 100% deforestation free cocoa, moving the entire partnership closer to the target. Yet, the majority is currently in the midst of implementation and a smaller group still in the early stages of their journey.

Target 2025: 100% deforestation free cocoa linked to Dutch market

42% achieved

¹¹ These initiatives are platforms in top cocoa-producing countries (Cote D'Ivoire, Ghana and Cameroon) where most of the key chocolate and cocoa market players have agreed and committed on ending deforestation and restoring forest areas, through no further conversion of any forest land for cocoa production. For more information on CFIs follow this link, for Roadmap Cameroon here.

¹² For more info on EUDR: visit the DISCO info session here or the EU website at this link.

¹³ For cocoa to be claimed as deforestation-free, you 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.



Analysis of DISCO signatory supply chain traceability presents a complex picture. In 2023, while some signatories enhanced farm-level mapping, others experienced a decline in traceability (Figure 10).

Positively, there has been an increase in traceability to specific farm coordinates or polygons compared to the previous year. However, this progress is counterbalanced by a significant decrease in traceability to cooperatives level, with a modest rise in products of unknown origin.

Target 2025: 100% traceability to farm level in direct supply chain

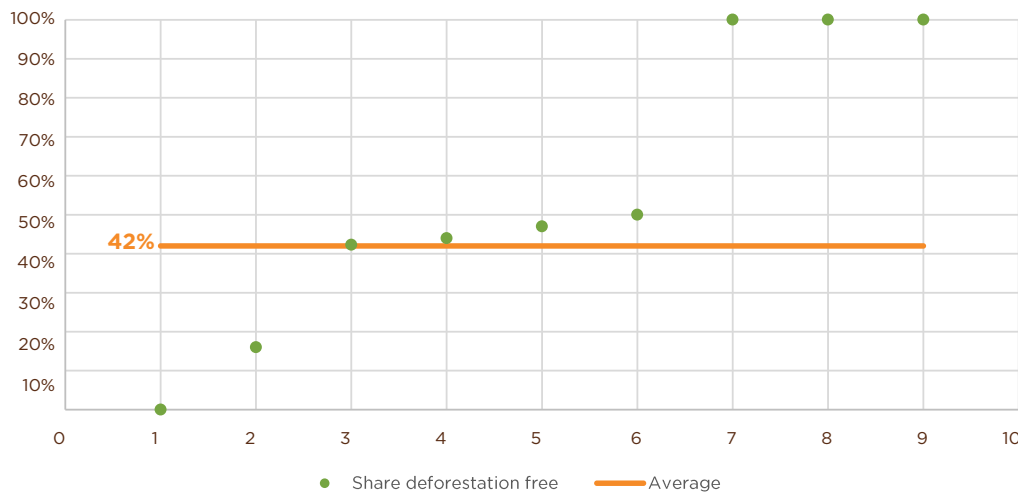
43,2% achieved

Target 2030: 100% traceability to farm level in the entire supply chain

28,9% achieved

Nevertheless, it is anticipated that the EUDR's mandatory due diligence requirements will accelerate at a higher speed the transition towards a more traceable cocoa supply chain in the coming years.

FIGURE 9 SHARE OF SUPPLY CHAIN THAT CAN BE CLAIMED AS DEFORESTATION-FREE



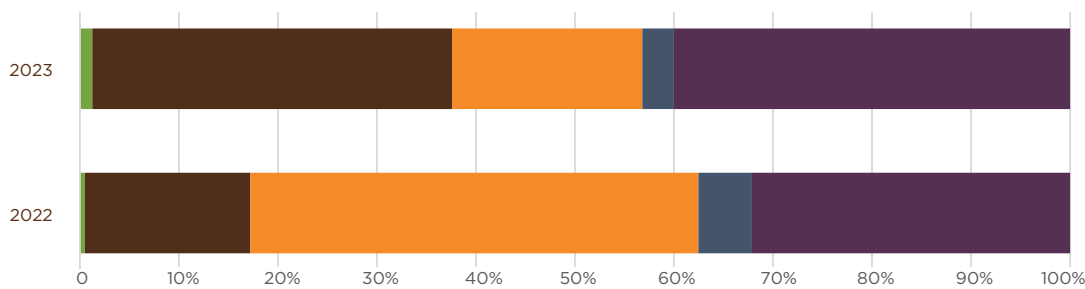
Reporting signatories:

Barry Callebaut, Cargill, ETG, JS Cocoa, Mars, Mondelez, Nestlé, Ofi, Tony's

Response Rate: 100%

9 out of 9 signatories reported on the share in their supply chain that can be claimed deforestation-free

FIGURE 10: COCOA TRACEABILITY



Response Rate: 100%

9 out of 9 signatories reported on their progress vis a vis DISCO indicators on the level of traceability of their supply chain

Reporting Signatories:

Barry Callebaut, Cargill, ETG, JS Cocoa, Mars, Mondelez, Nestlé, Ofi, Tony's

	2022	2023
Origin unknown	0.5%	1.2%
Country known	16.7%	36.3%
Cooperative known	45.2%	19.2%
Farm known and having at least one coordination per farm (farm mapping)	5.4%	3.2%
Farm known, having point coordinates and/or polygons for plots less than 4ha and polygon boundaries of the plots bigger than 4ha	32.1%	40.0%



Conclusion

While progress has been made by DISCO signatories in addressing deforestation and improving supply chain traceability, significant challenges remain to achieve the DISCO targets of a deforestation-free cocoa and fully traceable supply chain by 2025. The majority of signatories underwrite the relevant national initiatives, and engage with in-country stakeholders such as the government, industry, civil society and research organizations to ensure alignment in effort to end deforestation with the local context. Furthermore, they

show an increased deforestation-free cocoa volumes, and growing investment in traceability. Yet, the rate of progress seems too slow to meet the partnership targets.

We expect the effects from the implementation of the EU Deforestation Regulation that will serve as a catalyst to accelerate industry-wide efforts through the imposition of robust due diligence obligations.



ENDING CHILD LABOUR

DISCO commitment

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

Eradicating and preventing all forms of child labour within cocoa-producing communities necessitates robust community structures and local leadership. To this end, the private sector and not-for-profit entities also signatories in DISCO, are committed to empowering local communities, fostering collaboration with local and national governments, and aligning efforts with other public and private stakeholders to address the root causes of child labour.

The Child Labor Monitoring and Remediation Systems (CLMRS) has been demonstrated its efficacy in eliminating and preventing child labour within cocoa-producing regions. In recognition of this, the DISCO partnership has established a joint commitment to achieve full CLMRS deployment by the year 2025 for all DISCO signatories.



However, the level of CLMRS implementation varies significantly among DISCO signatories (Figure 12). A small group of frontrunners signatories have made substantial progress and are implementing the system for significant share of their entire supply chain, while others are in the initial stages of system implementation.

DISCO goal 2025: Signatories have taken effective measures and actions contributing to ending all sorts of child labour

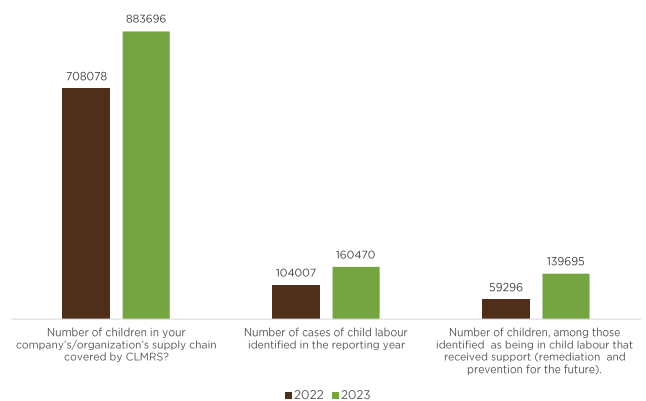
54% achieved

Collective and individual progress

Data shared by DISCO partners to the International Cocoa Initiative (ICI)¹⁴ indicates that signatories are better equipped to monitor and address child labour cases compared to the previous year. While the proportion of the direct supply chain covered by CLMRS has increased from 42% in 2022 to 54% in 2023, modest progress towards the target of full coverage remains, particularly when considering the full supply chain¹⁵.

Encouragingly, CLMRS is demonstrating improved effectiveness (Figure 11). A larger number of children are being covered by the systems, leading to a higher identification rate of child labour cases¹⁶. In addition, a substantial proportion of children identified as engaged in child labour in 2023 received support, a marked improvement over the previous year.

FIGURE 11 NUMBER OF CHILDREN, COVERED BY CLMRS, IDENTIFIED IN CHILD LABOUR AND RECEIVING SUPPORT



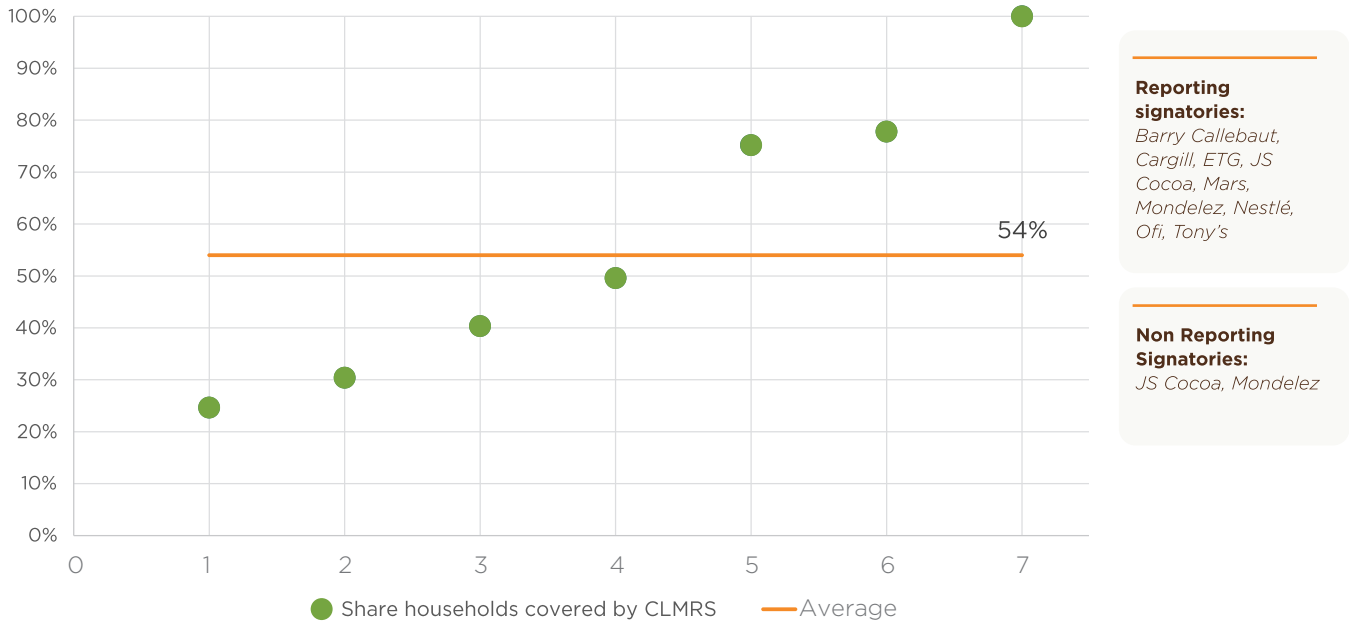
¹⁴ Since ICI (International Cocoa Initiative) and the ISCOs have clear similarities in terms of targets, monitoring systems and members, for the second year the reporting systems was aligned and data exchange conducted. Members of both ICI and the ISCOs only reported once for both organisations, thus limiting the burden for signatories and increasing efficiencies. DISCO signatories are free to decide whether they want to share the data reported to ICI with the ISCOs. This year 7 out of 8 signatories approved the data exchange.

¹⁵ Please note that the shared results are for the direct supply chain, which only account for 67% of the total supply chain. Also, the data is limited to Côte d'Ivoire, Ghana, Nigeria and Cameroon.

¹⁶ While an increase in identified child labour cases is not a positive outcome in absolute terms—ideally, this number would decline—it is important to note that enhanced monitoring efforts often lead to the discovery of previously undetected cases.



FIGURE 12 SHARE OF HOUSEHOLDS COVERED WITH CLMRS IN DIRECT SUPPLY CHAIN



Conclusion

Data shared by the DISCO partnership offers a mixed picture of the progress against child labour targets within DISCO. Advancements appears minor, as coverage of CLMRS among DISCO signatories is currently at approximately half of the targeted level. Encouragingly, we see that three signatories are on track to reach fully CLMRS coverage, while the majority are implementing these systems in limited portions of their supply chains. This lag in implementation is hindering progress. However, there is positive evidence of increased system effectiveness in remediating and preventing child labour.

To accelerate progress towards the DISCO commitment to ensure effective measures are taken to tackle child labour, signatories should continue to increase coverage of effective measures, including CLMRS, to prevent and address child labour. For these efforts to be effective, industry, civil society and government stakeholders need to work together to build an enabling environment, encompassing laws, policies, resources and essential services across cocoa growing areas.



NON INDUSTRY CONTRIBUTIONS

The DISCO partnership includes a diverse range of non-industry stakeholders key to advancing the three DISCO impact themes.

The partnership comprises four subsectors representing the non-industry portion. All subsector signatories reported their contributions to DISCO and Figure 13 provides a comprehensive overview of these efforts across key DISCO topics.

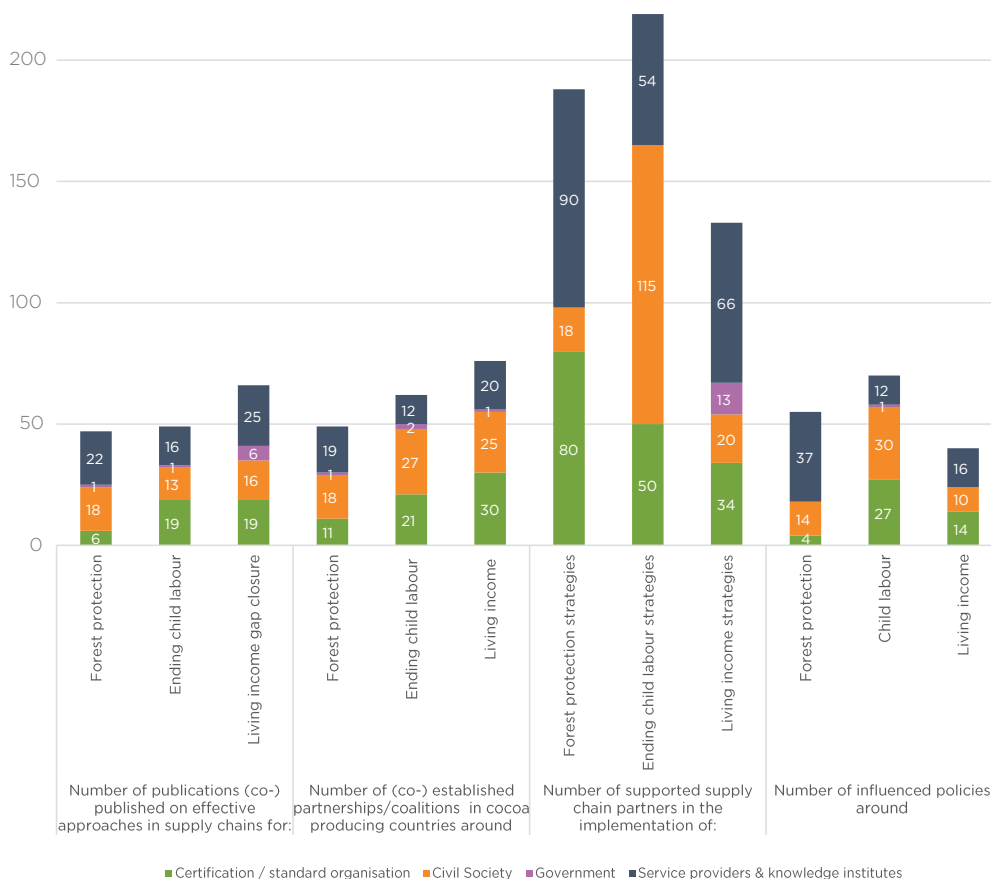
The analysis indicates that non-industry signatories significantly support the industry, particularly in implementing strategies aligned with all DISCO impact themes. While **certification and standards organizations** primarily focus on deforestation, **civil society organizations** (CSOs) concentrate on child labour, and **service providers** contribute across all three themes. Some of the reported strategies include supporting programs focusing on land ownership facilitation, Village Savings and Loan Associations (VSLAs), and financial support through cash transfers.

All subsectors have contributed to research and publications, with a particular emphasis on living income and including some of the sector’s most recognized materials on the subject. A similar trend towards living income is evident in coalition and partnership formation within cocoa-producing countries.

Influencing policies at national and European levels is another key contribution reported by these subsectors. Among the most relevant, some signatories have actively influenced the discussions on the European Union Deforestation Regulation (EUDR) and the Corporate Sustainability Due Diligence Directive (CSDDD).

It is important to note that this analysis presents a quantitative overview of the non-industry signatories’ contributions, which may underrepresent the full scope of their engagement. Nevertheless, the data clearly demonstrates their significant efforts while highlighting some opportunities for further collaboration to achieve DISCO’s goals.

FIGURE 13 CONTRIBUTIONS BY NON-SUPPLY CHAIN DISCO SIGNATORIES



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 onlinereporting 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.

Partnership contribution

In 2023, the DISCO partnership received € 63.250 in total through 30 signatories for a total partnership contribution for the 3-year period will be € 188.500. The partnership contributions formed the basis for the multi-year budget as presented during the General Assembly on 1 December 2021.

Financial overview

The next page provides an overview of expenses for 2023. To give a complete financial picture, expenses for 2021 and 2022 are also included.

		EXPENSES			
		2021-2023	2021	2022	2023
Budget Ref.#	Budget Item Description	Total Expenses EUR	01/01/2021 31/12/2021	01/01/2022 31/12/2022	01/01/2023 31/12/2023
1.0	MEETINGS & SPECIFIC EVENTS				
	1.1 Annual General Assembly	10,121	4,017	1,966	4,138
	1.2 Steering Committee meetings	2,175	764	806	605
	1.3 Working Group meetings	4,068	0	2,068	0
	1.4 Other meetings	6,457	0	0	6,457
	SUB TOTAL	20,821	4,781	4,840	11,200
2.0	COMMUNICATION				
	2.1 Publication and development of reports and comms materials	11,570	669	4,423	6,478
	SUB TOTAL	11,570	669	4,423	6,478



3.0	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	25,483	672	20,564	4,247
	3.3 Annual costs development reporting tool by AKVO	0	0	0	0
	3.4 Annual costs data analysis by C-Lever.org	0	0	0	0
	SUB TOTAL	47,589	672	42,670	4,247
4.0	HUMAN RESOURCES (STAFF)				
	4.1 Chair Steering Committee	72,971	11,253	36,010	25,708
	SUB TOTAL	72,971	11,253	36,010	25,708
5.0	STAFF TRAVEL				
	5.1 Travel & accommodation for chair	7,356	256	1,916	5,184
	SUB TOTAL	7,356	256	1,916	5,184
	NET TOTALS EXPENSES	160,307	17,631	89,858	52,817
	PARTNERSHIP CONTRIBUTIONS	185,000	56,500	65,250	63,250
	BALANCE BUDGET	24,693	38,869	-24,608	10,433



ADDENDUM

This addendum updates the Annual Report to reflect additional data received from one signatory. Further analysis of the data has led to different conclusions, necessitating the following adjustments. This addendum replaced pages 13-15 on living income in the previous version as published in November 2024. Any references to the living income results of DISCO should therefore be made to the data as presented in this addendum.

Collective and individual progress on Living Income

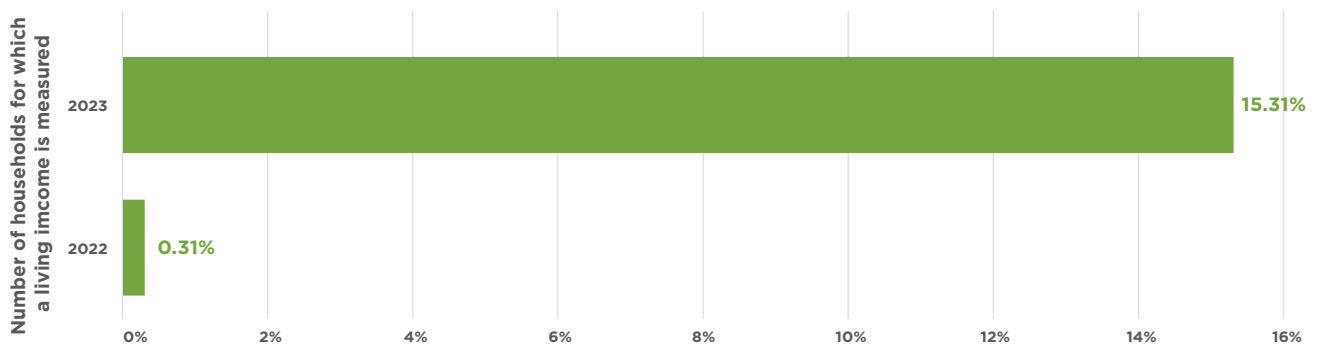
Living Income gap measurements

Data from 2023 reveals a significant trend in DISCO partnerships. As illustrated in Figure 6 there was a sharp increase in the number of households with measured living income gaps associated with DISCO signatories compared to the previous year. A 15% increase from the previous year indicates a positive trend, especially if signatories maintain this growth rate in the coming

years. Yet, the partnership remains significantly behind schedule. Despite the 100% target set for 2021, 85% of households' living income gaps remain unmeasured in 2023. On the individual level on the living income measurement for each partner, Figure 8 suggests that only few frontrunners are really moving towards achieving results closer to the targets, whereas most of the others are just at the beginning of their living income journey or haven't really started yet.

Checkpoint 2021:
Living income gap determined for 100% of the cocoa farming households linked to the Dutch market
15.31% achieved

FIGURE 6: DISCO SIGNATORIES' JOINT PROGRESS ON LIVING INCOME MEASUREMENT



	Signatories expected to report	Signatories who reported
2020	9	1
2021	10	3
2022	10	6
2023	9	7



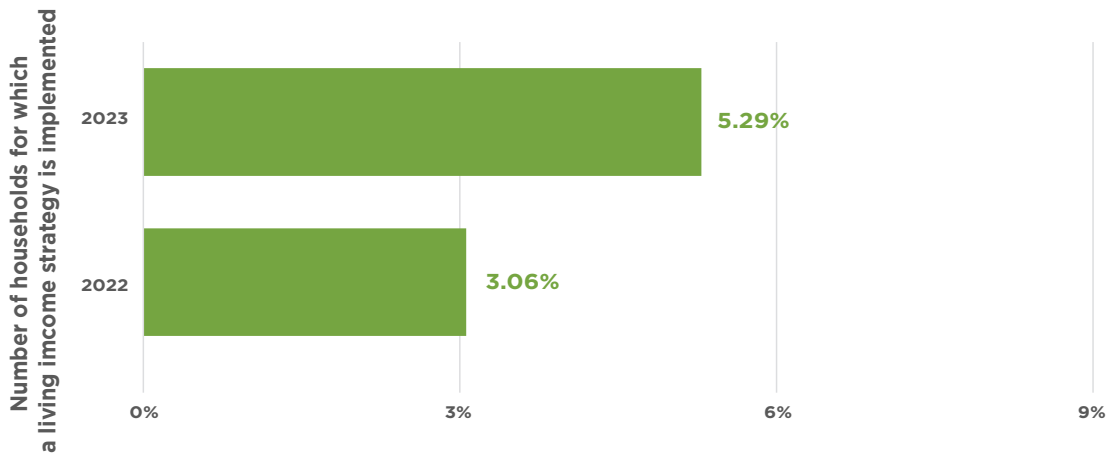
Living Income Strategies

Similarly, DISCO signatories report implementing living income strategies for 5.29% of farming households within their direct supply chains (Figure 7). This represents an increase compared to previous year, although it remains significantly below the DISCO interim checkpoints. At the individual signatory level, all

have initiated some form of living income strategy implementation. Nevertheless, the majority is in the initial stages of this process, with limited household coverage. Only few leading companies have demonstrated substantial progress in this area.

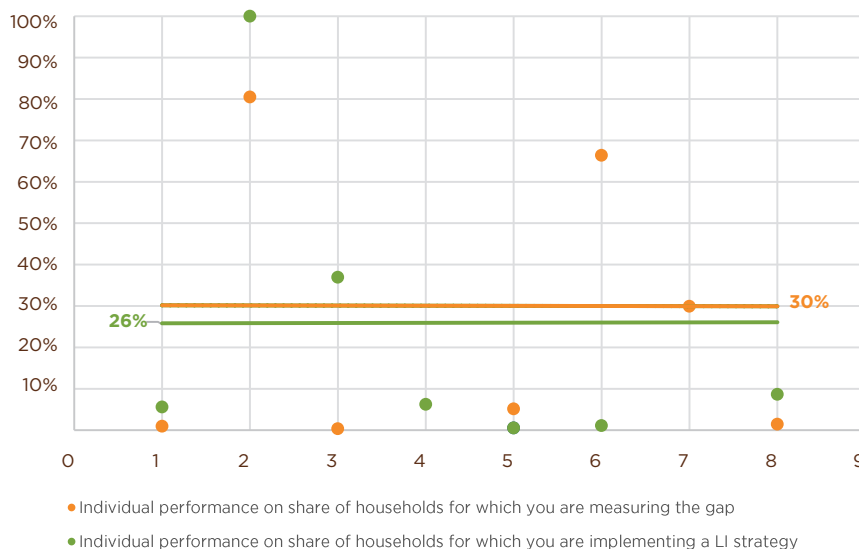
Checkpoint 2021:
Living income strategy developed for 100% of the cocoa farming households linked to the Dutch market
5.29% achieved

FIGURE 7: DISCO SIGNATORIES' JOINT PROGRESS ON LIVING INCOME STRATEGIES



	Signatories expected to report	Signatories who reported
2020	9	1
2021	10	3
2022	10	8
2023	9	7

FIGURE 8: DISCO SIGNATORIES' INDIVIDUAL PERFORMANCE ON LIVING INCOME INDICATORS (ONLY CONSIDERING DIRECT SUPPLY CHAIN)



Reporting partners:
Barry Callebaut, Cargill, ETG, JS Cocoa, Mars, Mondelez, Nestlé, Ofi, Tony's

Non Reporting Signatories: JS Cocoa

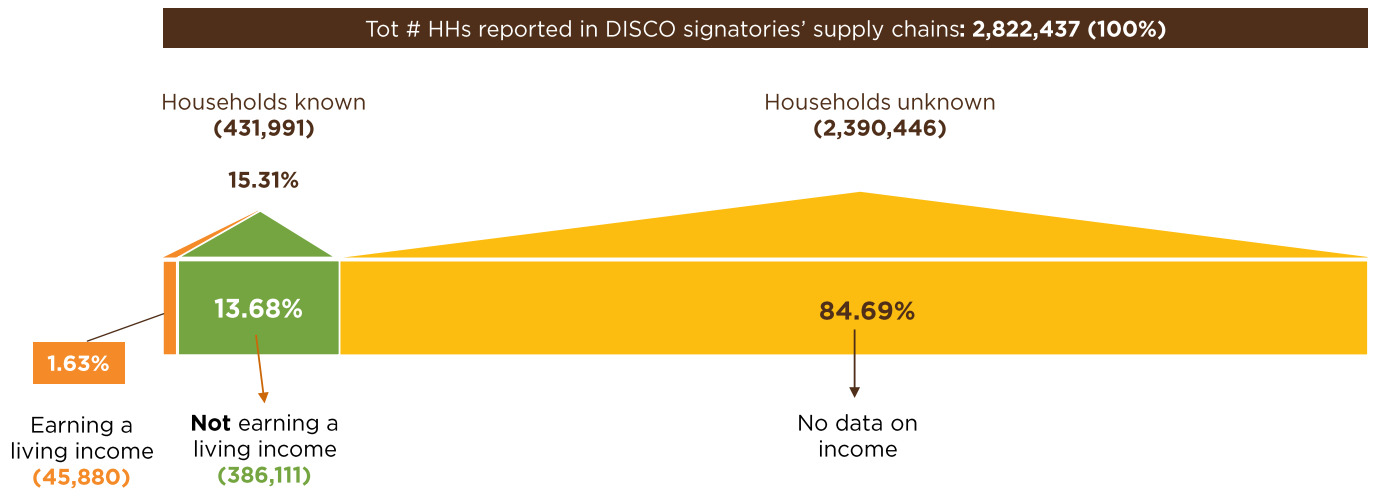


Living income gap closure

As signatories have only assessed living income gaps for around 15.31% of households in their supply chain, conclusions can only be drawn for that group of households. The data indicates a minor positive progress in closing living income gaps for cocoa-farming households within DISCO signatories' supply chains compared to 2022. From the 15.31% of

households for whom a living income gap is measured, 1.63% of households have reached an income above the living income benchmark and 13.68% did not earn a living income in 2023. The income distribution for the remaining 84.69% is unknown as no data is collected for that group (see Figure 9). This limited data collection hinders a complete and accurate assessment of living income gaps.

FIGURE 9: OVERVIEW OF LIVING INCOME GAP CLOSURE FOR HOUSEHOLDS IN DISCO SIGNATORIES' SUPPLY CHAINS



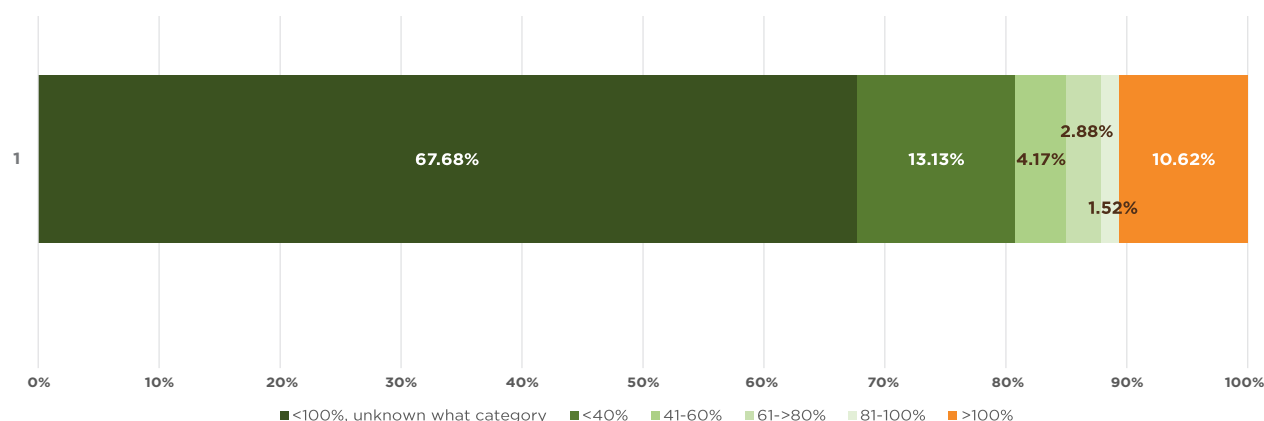
This year, six out of nine members were able to provide data on household incomes in their supply chain. Three members were able to share information on a wider variety income categories, while three others only reported on number of households above or below a living income benchmark. Figure 10 presents an overview of farmer income distribution reflecting the households for which signatories have data (only 15.31% households in DISCO signatories' supply chains). The distribution indicates that only 10.62% households are earning above a living income, while the majority of the remaining farming households have an unknown level of income below the benchmark. These findings align with broader cocoa sector data, underscoring the persistent challenge of poverty among cocoa farmers.

In addition, the data is only reported for Ghana and Cote d'Ivoire, leaving out some of the key sourcing countries such as Cameroon and Nigeria, and therefore failing to provide a complete picture of the income levels of households linked to the Dutch market.





FIGURE 10 AVERAGE INCOME DISTRIBUTION AS % OF THE LIVING INCOME BENCHMARK OF THE HOUSEHOLDS WITH A MEASURED GAP



Living Income Reference Price (LIRP)

For the second year, DISCO signatories were asked to disclose the volumes for which they pay a Living Income Reference Price (LIRP). Due to limited reporting by DISCO signatories on this indicator and thereby no guaranteed data confidentiality for the companies that reported, there will be no aggregated numbers for the payment of the LIRP presented in this year's annual report.

Conclusion

In 2023, DISCO signatories demonstrated increased actions in measuring income gaps within their supply chain households and implementing corresponding interventions to reduce the living income gap. These developments are indicative of a sector progressing towards taking increased actions around living income, especially on understanding the gaps between the actual income and living income benchmarks. Yet the partnership is behind schedule on all DISCO (interim) targets and significant improvements and efforts are necessary. Enabling 100% of cocoa farming households linked to the Dutch market to earn a living income is an ambitious target, that seems challenging to achieve and demonstrate (due to farm level constraints, e.g. farm

size). However, while effective strategies for achieving the desired impact exist, the sector needs to accelerate actions and scale them up to larger parts of the supply chain to actually achieve concrete impact. The current percentage of cocoa farming households for which a living income strategy is implemented (5.29%) and only 10.62% of the cocoa farming households for whom a living income gap is measured earn a living income, show that the DISCO partnership is far from reaching its targets.

Closing living income gaps is a complex challenge requiring multifaceted solutions. It is evident that a singular income driver, intervention, or actor cannot independently achieve this goal. A comprehensive, or 'smart mix' of strategies targeting multiple income drivers is essential for generating positive outcomes and impact. All actors have their own individual responsibility to do whatever they can to contribute to closing living income gaps through a 'smart mix' of strategies approach. A multi-stakeholder approach that goes beyond individual efforts is required to approach the complexities that go beyond the individual efforts of single value chain actors. In this context, partnerships such as DISCO (and other ISCOs) are uniquely positioned to support the whole sector moving in this direction.

FIGURE 11: ABSOLUTE NUMBERS OF HOUSEHOLDS REACHED FOR EACH LIVING INCOME TARGET

	2021	2022	2023
Living Income Gap Measurement	9,000	12,898	342,068
Living Income Strategies Implemented	13,000	127,591	139,274
# Households earning a Living Income	600	12,630	45,880



DISCO

DUTCH INITIATIVE ON
SUSTAINABLE COCOA