



# EU Regulation on Deforestation-Free Products: Reference Document for Cocoa Producers and Importers

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# Table of contents

<b>1. Introduction.....</b>	<b>5</b>
<b>2. What is Deforestation Due Diligence? .....</b>	<b>6</b>
Introduction to Deforestation Due Diligence .....	6
The deforestation due diligence process: Six steps.....	7
Key terms of Deforestation Due Diligence .....	7
Key definitions of Deforestation Due Diligence.....	9
Key components of Deforestation Due Diligence.....	9
Existing guidance on supply chain Due Diligence .....	10
General Deforestation Due Diligence actions for cocoa supply chain actors .....	10
<b>3. Existing tools and approaches for tackling deforestation in cocoa supply chains .....</b>	<b>12</b>
3.1 Producer country sustainability programmes and systems .....	12
3.2 International and regional certification schemes.....	13
3.3 Collaborative approaches .....	15
3.4 Company systems and sustainability programmes .....	16
<b>4. Deforestation Due Diligence steps: opportunities and best practices.....</b>	<b>18</b>
4.1 Information collection.....	18
4.2 Risk assessment.....	24
4.3 Mitigation .....	27
4.4 Monitoring.....	32
4.5 Remediation .....	36
<b>5. Summary .....</b>	<b>40</b>
<b>6. References .....</b>	<b>43</b>
<b>7. Annexes.....</b>	<b>48</b>
A. Côte d’Ivoire national traceability and monitoring systems.....	48
B. Ghana national cocoa traceability and monitoring systems.....	50
C. Cocoa & Forests Initiative action plan for Côte d’Ivoire: Forest Protection and Restoration Pillar. ....	51
D. Synthesis of the different approaches and tools for risk analysis.....	53
E. Example of a deforestation risk assessment of a cocoa supply base in Ghana. ....	54

## Summary of Figures

Figure 1: Deforestation Due Diligence process adapted by Proforest from OECD guidance and the EU DDD proposed regulation.....	7
Figure 2: General Deforestation Due Diligence actions for cocoa supply chain actors .....	11
Figure 3: Jurisdictional/landscape risk-based approach, indicating the importance of assessing risk beyond individual supply chains and existing farms.....	27
Figure 4: Cocoa smart hexagons from the operational guidance on EU DDD for cocoa producers and importers. Using the example of the EU proposed DDD regulation, the smart-hexagons illustrate the relevance of using a smart mix of tools for meeting DDD requirements.....	41
Figure 5: EU DDD and Deforestation Free compliance claims process flow from the operational guidance on EU DDD for cocoa producers and importers.....	42

## Summary of Tables

Table 1: Summary of how producer country sustainability programmes and systems can help companies implementing Deforestation Due Diligence .....	12
Table 2: Summary of how international and regional certification schemes can help companies implementing Deforestation Due Diligence .....	14
Table 3: Summary of how collaborative approaches can help companies implementing Deforestation Due Diligence ....	16
Table 4: Summary of how company systems and sustainability programmes can help companies implementing Deforestation Due Diligence .....	16

## Summary of Boxes

Box 1: Human Rights & Environmental Due Diligence (HREDD) in a nutshell .....	6
Box 2: Direct and indirect volumes .....	8
Box 3: Existing guidance on supply chain Due Diligence .....	10
Box 4: Indicators for reporting on cocoa transparency level .....	23

# List of acronyms

<b>AFi</b>	Accountability Framework Initiative
<b>AI</b>	Artificial Intelligence
<b>ARSO</b>	African Organisation for Standardisation
<b>BMUV</b>	German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection
<b>CAFI</b>	Central African Forest Initiative
<b>CB</b>	Certification Body
<b>CCC</b>	Conseil Café et Cacao (Côte d’Ivoire)
<b>CFDP</b>	Cocoa Farm Development Plan
<b>CFI</b>	Cocoa & Forests Initiative
<b>CMS</b>	Cocoa Management System
<b>COCOBOD</b>	Ghana Cocoa Board
<b>CSDD</b>	Corporate Sustainability Due Diligence (EU)
<b>CSRD</b>	Corporate Sustainability Reporting Directive (EU)
<b>DD</b>	Due Diligence
<b>DDD</b>	Deforestation Due Diligence
<b>DIASCA</b>	Digital Integration of Agricultural Supply Chains Alliance
<b>DISCO</b>	Dutch Initiative on Sustainable Cocoa
<b>DRI</b>	Deforestation Risk Index
<b>ESIA</b>	Environmental and Social Impact Assessment
<b>EWS</b>	Early Warning System (deforestation)
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>FC</b>	Forestry Commission (Ghana)
<b>GFW</b>	Global Forest Watch
<b>GIS</b>	Geographic Information System
<b>GISCO</b>	German Initiative on Sustainable Cocoa
<b>GRI</b>	Global Reporting Initiative
<b>HCV</b>	High Conservation Value
<b>HIA</b>	Hotspot Intervention Area (CFI)
<b>IDH</b>	The Sustainable Trade Initiative
<b>IFC</b>	International Finance Corporation
<b>IKI</b>	International Climate Initiative (German government)
<b>INA</b>	Initiative for Sustainable Agricultural Supply Chains
<b>ISCOs</b>	National European platforms on Sustainable Cocoa
<b>ISO</b>	International Organization for Standardization
<b>KPI</b>	Key Performance Indicator
<b>LBC</b>	Licensed Buying Company
<b>LUCA</b>	Land Use Change Analysis
<b>MTS</b>	Modified Taungya System (Ghana)
<b>NFMS</b>	National Forest Monitoring System (Ghana)
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>PLP</b>	Production Landscape Programme (Proforest)
<b>RACP</b>	Remediation And Compensation Procedure (RSPO)
<b>RCC</b>	Retailer Cocoa Collaboration
<b>REDD+</b>	Reducing Emissions from Deforestation and Forest Degradation programme
<b>SCRA</b>	Supply Chain Risk Assessment
<b>SME</b>	Small and Medium-Sized Enterprise
<b>SOP</b>	Standard Operating Procedure
<b>SYDORE</b>	Système D’information sur les Données Régionales
<b>SWISSCO</b>	Swiss Platform for Sustainable Cocoa
<b>UNGPs</b>	UN Guiding Principles on Business and Human Rights
<b>WCF</b>	World Cocoa Foundation

# Introduction

Under its [Production Landscape Programme](#) (PLP), [Proforest](#) developed this reference document on existing good practices and operational tools that cocoa companies (especially importers and producers) could use to support them in meeting emerging Deforestation Due Diligence (DDD) regulations. This reference document focuses on the cocoa sector and is not specific to one DDD regulation.

Recently, several countries such as the UK, Germany and the US have developed or are developing resolutions for mandatory Due Diligence in forest commodity supply chains. Similarly, the EU Commission proposed a [regulation to prevent products associated with deforestation and forest degradation from being placed on the EU market](#).<sup>1</sup> These developments are in line with companies' voluntary "No Deforestation" commitments and present an opportunity to take the next step in raising the regulatory floor.

Despite massive attention on Due Diligence regulations and many organisations publishing policy position papers, there is a lack of operational guidance on what exactly cocoa supply chain companies will need to meet regulatory requirements. Similarly, there is a lack of guidance on (or support for) how farmers and their organisations to meet such requirements and limited analysis of the impact of those new regulations on farmers and their market access.

Additionally, a wide range of supply chain and producer country tools and approaches already exist to support sustainable cocoa production; these can be built on to learn from experience and avoid duplication of efforts.

In this reference document, Proforest synthesises existing best practices and tools for conducting supply chain Deforestation Due Diligence in the cocoa sector and identifies key unanswered questions for regulators and companies. Throughout the document, potential negative impacts of Deforestation Due Diligence regulations are identified, and best practices to avoid them are discussed.

This guidance does not focus on a specific Deforestation Due Diligence regulation but mostly contains references to the EU DDD proposed regulation, as it is the most developed and complete example.

## Guidance objectives:

- Introduce the main operational steps anticipated for cocoa importers, exporters, and producers in a Deforestation Due Diligence system
- Present existing approaches and tools that can be used to support companies with the Deforestation Due Diligence process

**In addition to this reference document, Proforest has developed an [operational guidance intended for cocoa supply chain companies and focusing on compliance with the EU regulation on deforestation-free products proposed the EU Commission](#). The operational guidance is a complementary, shorter, and more operational version of this reference document.**

<sup>1</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021)



## 2. What is Deforestation Due Diligence?

### Introduction to Deforestation Due Diligence

Deforestation Due Diligence is a process to **identify and assess** the impact that commodity production and sourcing have on deforestation/forest degradation; to **mitigate the risks** of further deforestation/forest degradation; to **monitor** i. suppliers/operations to ensure that deforestation has not occurred or ideally also that forest is protected ii. to monitor progress and continuous improvement of DDD systems; to **remediate** non-compliant clearance; and to **report** on DDD compliance and progress (Figure 1).

**Remediation of harms** is NOT included in the EU proposed DDD regulation, but it is included in other supply chain Due Diligence processes, such as the [UN Guiding Principles on Responsible Business and Human Rights](#).<sup>2</sup> Remediation of harms is not just a fundamental aspect of Human Rights Due Diligence; it is also a key tenet of many deforestation sustainability policies made by companies. Remediation of past harms linked to supply chains– including deforestation – should be considered as industry best practice. The need for remedy and examples of remediation approaches are discussed further in Section 4.

As stated in the EU proposed DDD regulation, commodities and products must have been produced **in accordance with the relevant legislation of the country of production (both national and international)**. ‘Relevant legislation of the country of production’ means the ‘rules applicable in the country of production concerning the legal status of the area of production in terms of land use rights, environmental protection, third parties’ rights and relevant trade and customs regulations under legislation framework applicable in the country of production’.<sup>3</sup>

Furthermore, implementation of DDD should be accompanied by the **adoption and application of the appropriate environmental and social safeguards** to mitigate any negative impact on farmers. [The operational guidance on EU regulation on deforestation-free products](#) developed by Proforest elaborates further on the potential negative impacts of the regulation on farmers.

It is important to recognise that any DDD regulation sits in a **wider universe of international regulations and voluntary standards**. For instance, at international level the [United Nations Guiding Principles on Business and Human Rights](#) and the [Guidelines for Multinational Enterprises from the Organization for Economic Cooperation and Development](#). At the European level, the [EU Corporate Sustainability Due Diligence](#) (CSDD), which will require Due Diligence at a corporate level, not product level, and the [Corporate Sustainability Reporting Directive](#) (CSRD).

Even though this operational guidance focuses on Deforestation Due Diligence regulations, companies should **follow all the industry best practices that go beyond the regulatory minimum standards**.

#### Human Rights & Environmental Due Diligence (HREDD) in a nutshell

- “Due diligence is the process enterprises should carry out to **identify, prevent, mitigate, and account for** how they address these **actual and potential adverse impacts in their own operations, their supply chain and other business relationships** [...]”. (OECD, 2018, p. 15)
- Scope: All salient human rights and environmental issues
- DD should be embedded in a continuous improvement process
- Existing guidance on HREDD is available from OECD-FAO and the Accountability Framework Initiative, as well as in parts of ISO and GRI standards.

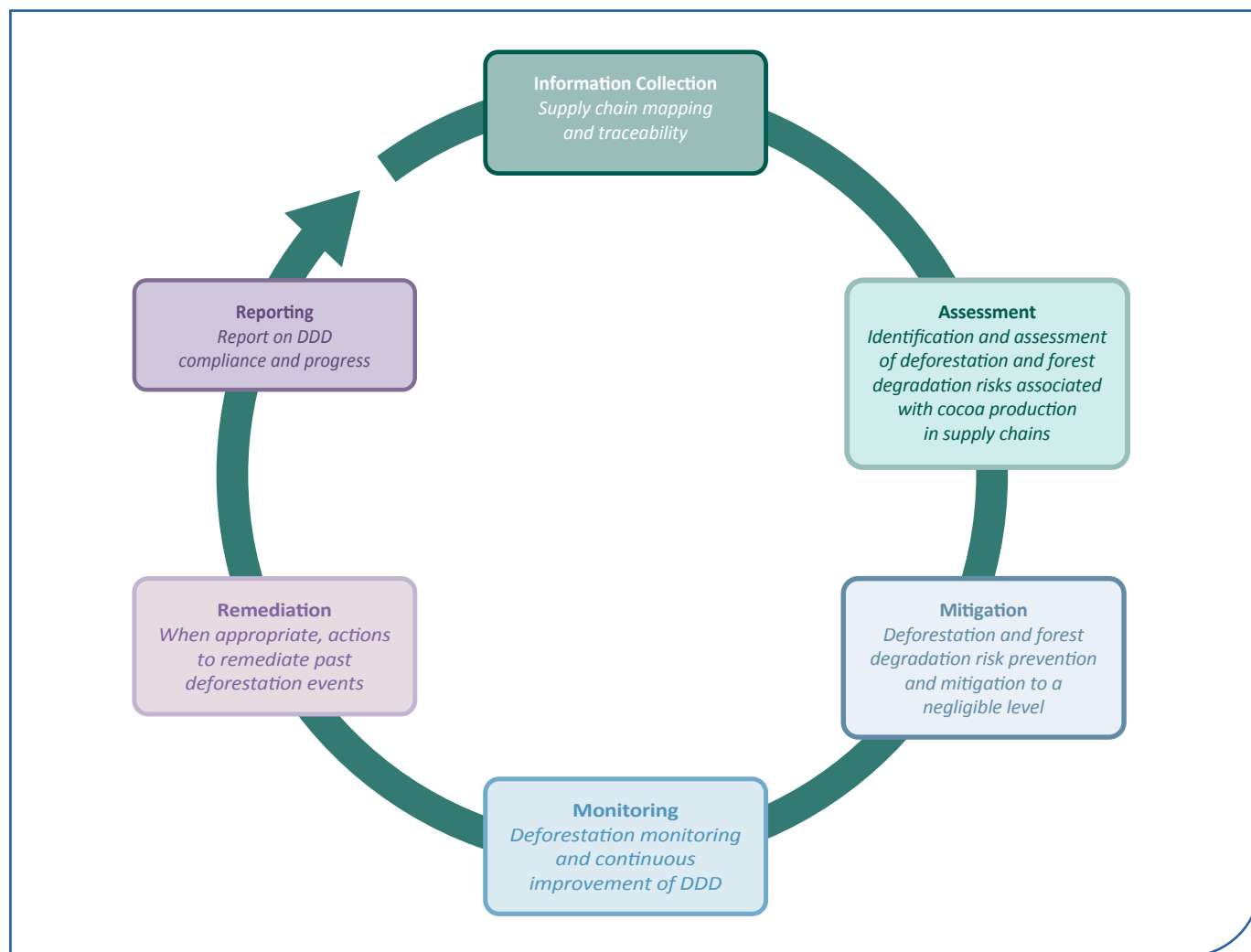
**Box 1:** Human Rights & Environmental Due Diligence (HREDD) in a nutshell

<sup>2</sup> (United Nations, 2011)

<sup>3</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021) Article 2 (28)

## The Deforestation Due Diligence process: Six steps

Figure 1 draws on both the Deforestation Due Diligence EU proposal for a regulation,<sup>4</sup> and other Due Diligence processes to arrive at these six steps. Note that the tools and approaches outlined in [Section 3](#) of this document contribute to these six steps.



**Figure 1:** Deforestation Due Diligence process adapted by Proforest from OECD guidance and the EU DDD proposed regulation.<sup>5</sup>

Even though the EU proposed deforestation-free regulation does NOT currently mention remediation, including remediation in the due diligence process should be considered as industry best practice.

For further detailed information on DDD requirements specific to the EU proposed deforestation-free regulation, see the [EU Regulation on Deforestation-Free Products: Operational Guidance for Cocoa Producers and Importers](#). The operational guidance is focused on EU DDD and is a complementary, shorter, and more operational version of this reference document.

## Key terms of Deforestation Due Diligence

For any Deforestation Due Diligence process, there are **key terms** that need to be established. Some are detailed here, and others are elaborated in Section 3 of this document.

**COMPLIANCE THRESHOLDS:** Non-compliance with Deforestation Due Diligence requirements would mean that:

- There is a **non-negligible** risk that commodity production and sourcing contribute to deforestation and/or forest degradation
- Deforestation Due Diligence is not conducted, or is not conducted in accordance with regulatory requirements

<sup>4</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021)

<sup>5</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021)

**CUT-OFF DATES:** The various Deforestation Due Diligence regulations set cut-off dates after which deforestation/forest degradation associated with commodity production is not permissible. In the case of the proposed DDD regulation by the EU Commission, any products contributing to deforestation after the cut-off date of 31 December 2020 cannot be placed on the EU market.<sup>6</sup>

**SCOPE:** The scope of the various DD regulations can be different. As an example, the EU proposal for a DDD regulation is product based, meaning that any cocoa or derived cocoa products placed in the EU market are covered by the regulation. It applies to all operators and traders placing cocoa products on the EU market or exporting products from the EU market (regardless of their size, their legal status, or whether they are EU or non-EU companies).<sup>7</sup> Whereas, the EU Corporate Sustainability Due Diligence (CSDD) will require DD at a corporate level, not product level, that covers own operations, subsidiaries, and value chains.

For the cocoa sector, an important consideration is the need to cover **both direct and indirect volumes** (See Box 2), given that only 30% to 50% of cocoa can be physically traced to the cooperative level.<sup>8</sup> The EU proposal for a regulation also applies to **all “operators”**<sup>9</sup> placing cocoa products on the EU market (regardless of their size, their legal status, or whether they are EU or non-EU companies), although traders<sup>10</sup> that are small and medium-sized enterprises<sup>11</sup> (SMEs) are subject to information collection requirements only (they are not subject to risk assessment and mitigation).

## Direct and indirect volumes

### Cocoa direct and indirect volumes definitions from the World Cocoa Foundation Monitoring and Evaluation guidance

**DIRECT SUPPLY:** Recognizing that “membership” of farmer organizations is dynamic and not controlled by the upstream purchaser, “direct suppliers” are those farmers / producer cooperatives / organizations which operate at the point where their cocoa is collected / aggregated for onward sale. The buyer at first purchase point serves as the source of financing for the direct purchase of that cocoa from the farmer; in which companies are implementing longer term sustainability related programs; and in which there is a positive historical record (at least 1 year) of payments and deliveries with each cooperative or organization included in the count. It is encouraged that such direct supply chain relationships include the documentation of and sharing of records of farmer members, including GPS farm locations, polygon boundary mapping, and basic household information. In cases where intermediaries are involved in purchasing, the above criteria apply in order to be considered “direct”.

**INDIRECT SUPPLY:** All cocoa that does not meet the above definition. This would include all cocoa purchased through independent middlemen (such as traitants and pisteurs in Cote d’Ivoire) as well as cocoa purchased from farmers / producer cooperatives / organizations which operate outside of companies’ longer term sustainability related programs or without a positive historical record (at least 1 year) of payments and deliveries.

Source: (World Cocoa Foundation, Monitoring and Evaluation guidance, version 1.4, 2022)

**Box 2:** Direct and indirect volumes

<sup>6</sup> 31 December 2020 is the initial cut-off date proposed by the EU Commission, however an amendment was adopted by the EU parliament to set the threshold to 31 December 2019, while the EU Council has proposed 31 December 2021.

<sup>7</sup> In the EU proposed DDD regulation, operators and traders should ‘exercise due diligence with regard to all relevant commodities and products supplied by each particular supplier’. (European Commission, Proposal for a regulation on deforestation-free products, 2021), Article 8

<sup>8</sup> (Sustainable Cocoa Initiative, Cocoa Talks: Conclusions from the first round of the dialogue on sustainable cocoa, 2021)

<sup>9</sup> The EU proposal for a regulation defines the term ‘operator’ as ‘any natural or legal person who, in the course of a commercial activity, places relevant commodities and products on the Union market or exports them from the Union market’ (European Commission, Proposal for a regulation on deforestation-free products, 2021). In the cocoa industry, this refers to companies that import and place cocoa and chocolate products on the EU market (e.g., cocoa trading companies).

<sup>10</sup> The EU proposal for a regulation defines the term ‘trader’ as ‘any natural or legal person in the supply chain other than the operator who, in the course of a commercial activity, makes available on the Union market relevant commodities and products’ (European Commission, Proposal for a regulation on deforestation-free products, 2021). In the cocoa industry, this refers to companies selling cocoa and chocolate products in the EU market (e.g., brands, retailers).

<sup>11</sup> The EU proposal for a regulation defines the term ‘SME’ as ‘micro, small and medium-sized enterprises as defined on Directive 2013/34/EU’ (European Commission, Proposal for a regulation on deforestation-free products, 2021).



## Key definitions of Deforestation Due Diligence

A key component of any Deforestation Due Diligence requirements are the definitions used for forest, deforestation, and forest degradation.

For instance, the EU proposal for a DDD regulation builds on the Food and Agriculture Organization of the United Nations (FAO) definitions<sup>12</sup> and adopted the following definitions<sup>13</sup>:

**Deforestation:** The conversion of forest to agricultural use, whether human-induced or not

**Forest degradation:** Harvesting operations that are not sustainable and cause a reduction or loss of the biological or economic productivity and complexity of forest ecosystems, resulting in the long-term reduction of the overall supply of benefits from forest, which includes wood, biodiversity and other products or services.

**Forest:** Land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10%, or trees able to reach those thresholds in situ, excluding agricultural plantations and land that is predominantly under agricultural or urban land use. The EU proposal for a regulation also explicitly states that cocoa plantations (sun, shade or agroforestry systems) are not considered as forest.

Note that the definition of ‘deforestation-free’ in the regulation proposed by the EU Commission states that degradation only applies to timber, not to commodities like cocoa (Article 2 (8)). However, in the case of incremental deforestation where for instance, natural forest is thinned from a canopy cover of 70% down to 20% (above the FAO threshold) and underplanted with cocoa, our understanding is that this would be considered as deforestation given that the definition of forest proposed by the EU Commission (Article 2 (2)) excludes ‘agricultural plantations’, and given that ‘agricultural plantations’ include ‘agroforestry systems when crops are grown under tree cover’ (Article 2 (3)) and that cocoa is included in Annex I. In reality, such changes will be difficult to monitor using publicly available remote sensing data due to low resolution. Note that these definitions are currently under negotiation in the Trilogues and changes might occur.

Once the regulation is enacted, the EU Commission should develop further guidance on this.

## Key components of Deforestation Due Diligence

Beyond definitions, there are several other pieces of effective and efficient DDD systems:

### Risk-based Due Diligence

OECD guidelines state that “...the nature and extent of due diligence should correspond to the type and level of risk of adverse impacts”, and that “A risk-based approach should not prohibit enterprises from engaging in certain contexts or with certain business partners, but should assist them in effectively managing the risks of adverse impacts in high-risk contexts.”<sup>14</sup> Interpreting “risk-based” in practice can be done in different ways. For example, the EU proposal includes a benchmarking system whereby countries or “parts of countries” will be classified as low, standard, or high risk and where companies will be able to follow “simplified due diligence”<sup>15</sup> procedures in low-risk countries. Within voluntary supply chains, companies and certification schemes are already using risk-based approaches that are discussed further in Section 4 and which could be built on without regulatory DD systems.

### Verification

Robust monitoring of DDD requirements and sustainability policies relies on transparency, verification of results and public reporting and disclosure of progress, to build trust amongst stakeholders and demonstrate impact. There is an argument that voluntary measures have failed in part due to weak enforcement, for example, there has been criticism of certification schemes’ auditing and assurance measures. Satellite monitoring of farm plots has been proposed as a central assurance pillar of the EU’s DDD regulation, but there are lessons to be learned from the voluntary sector on the pros and cons of satellite monitoring for smallholder commodities like cocoa. These are discussed in Section 4.

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<sup>12</sup> (FAO, 2021)

<sup>13</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021), Article 2

<sup>14</sup> (OECD-FAO, 2016)

<sup>15</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021), Article 12

## Existing guidance on supply chain Due Diligence

There is still a lack of operational guidance from the different regulators on what exactly cocoa supply chain companies will need to do to meet Deforestation Due Diligence regulatory requirements. Similarly, there is a lack of guidance on (or support for) how farmers and their organisations meet such requirements and limited analysis of the impact of those new regulations on farmers and their market access. See Box 3 for a list of existing guidance on supply chain Due Diligence. The EU Commission provided some direction on what the main Deforestation Due Diligence steps should be in its proposal, but the regulation is not yet finalised.<sup>16</sup>

### Existing guidance on supply chain Due Diligence

- International organisations such as the [Organisation for Economic Co-operation and Development \(OECD\)](#) and the [Food and Agriculture Organization \(FAO\)](#).
  - [OECD Due Diligence Guidance for Responsible Business Conduct](#) (2018)
  - [OECD and FAO Guidance for Responsible Agricultural Supply Chains](#) (2016)
- Environmental Management Systems guidance from various standards organisations such as the [International Finance Corporation \(IFC\)](#) and the [International Organization for Standardization \(ISO\)](#).
- Collaborative initiatives such as the [Accountability Framework Initiative](#).
- Reporting initiatives such as the [Global Reporting Initiative \(GRI\)](#).

**Box 3:** Existing guidance on supply chain Due Diligence

## General Deforestation Due Diligence actions for cocoa supply chain actors

Figure 2 below provides a simplified visualisation of the cocoa supply chain with a summary of the main activities to be undertaken and the data to be collected by the different actors in the supply chain. The cocoa supply chain here is divided into two categories: actors in the producing countries and actors in the purchasing countries.

The [operational guidance](#) that Proforest developed in parallel to this document provides a much more complex and detailed visualisation of the cocoa supply chain (refer to Figure 2 in the operational guidance).

<sup>16</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021)



### Main activities to be undertaken by supply chain actors in:

Cocoa-producing countries	Cocoa-purchasing countries
<ul style="list-style-type: none"> <li>• Data collection and disclosure to intermediaries and buyers</li> <li>• Due Diligence for new site acquisitions/developments (farm or processing) such as Environmental and Social Impact Assessment (ESIA), High Conservation Value (HCV) assessments, etc.</li> <li>• Farm management and monitoring plans</li> <li>• Deforestation monitoring and response systems</li> <li>• Collaboration with buyers regarding their risk mitigation activities, e.g. certification, traceability or collaborative efforts such as landscape management and monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a process for onboarding new suppliers and ensuring that it meets the company specifications, including cocoa responsible sourcing policy</li> <li>• Traceability system and clear requirements not only for data collection from producers and/or landscapes/jurisdictions, but also for how information is verified</li> <li>• Assessment of deforestation risks in the supply chain and the process to mitigate them</li> <li>• Technical and financial support to farmers and their organisations to fulfil their obligations</li> <li>• Engagement with suppliers to put in place plans to remedy non-compliant volumes</li> <li>• Deforestation monitoring system linked to effective on-the-ground response mechanism</li> <li>• Remediation and compensation mechanisms</li> <li>• Publish clear Due Diligence methodology</li> </ul>

Governments from cocoa producing and purchasing countries play a key regulator role, especially the producer country governments setting up the national cocoa organisations that oversee the cocoa market and supply chain in the country. They could also have a key role in providing data and information related to legality.

### Examples of data to be collected by supply chain actors in:

Cocoa-producing countries	Cocoa-purchasing countries
<ul style="list-style-type: none"> <li>• Farm geodata and attributes associated with farmer unique ID</li> <li>• Certification records (if available)</li> <li>• Purchase orders</li> <li>• Cocoa batch identification – to cooperative</li> <li>• Local trader – collection requests</li> </ul>	<ul style="list-style-type: none"> <li>• Cover and distinguish between sustainable and conventional supply <sup>17</sup></li> <li>• Purchase orders</li> <li>• Batch numbers</li> <li>• Deforestation monitoring</li> <li>• Traceability to country/cooperative/plantation</li> </ul>

**Figure 2:** General Deforestation Due Diligence actions for cocoa supply chain actors

<sup>17</sup> Use of the term “sustainable supply” by downstream companies usually refers to a form of agricultural extension programme to support communities and farmers.

### 3. Existing tools and approaches for tackling deforestation in cocoa supply chains

This section outlines how the existing tools and approaches can help meeting fully or partially emerging DDD regulations. The tools and approaches covered in the documents are:

- [Producer country sustainability programmes and systems](#)
- [International and regional certification schemes](#)
- [Collaborative approaches](#)
- [Company systems and sustainability programmes](#)

There are valuable lessons to be learned by regulators to ensure that new regulations are as impactful as possible and do not repeat mistakes learned elsewhere. Some of these lessons are outlined in this section.

#### 3.1 Producer country sustainability programmes and systems

Cocoa producer countries such as Côte d'Ivoire and Ghana, which together represent more than 60% of global cocoa production,<sup>18</sup> have established or are developing systems to trace and certify cocoa, and to monitor cocoa-driven forest degradation and deforestation. Producer countries also implement sustainability programmes including cocoa, such as REDD+ programmes, [Roadmap to Deforestation-free Cocoa in Cameroon](#)<sup>19</sup> or the [Roadmap to a Sustainable Cocoa Sector in Liberia](#)<sup>20</sup>. These programmes and systems can help supply chain companies to implement Deforestation Due Diligence in various ways, see the examples for every Deforestation Due Diligence step in the Table 1.

INFORMATION COLLECTION	RISK ASSESSMENT	MITIGATION	MONITORING	REMEDATION
→ Cocoa traceability systems → Cocoa farm mapping and registration databases → Forest and land use maps	→ Future deforestation risk (e.g. the Ivorian IMAGES system)	→ National/ regional certification schemes (e.g., African Regional Standard for Sustainable Cocoa, Ghana Climate Smart Cocoa Standard) → REDD+ programmes	→ Deforestation and forest monitoring systems	→ The Ghana CFI National Implementation Plan proposes a 25-year exit strategy using the Modified Taungya System (MTS) <sup>21</sup> for cocoa farms in more degraded forest reserves (condition score 4 and 5). MTS exist in Ghana only.

**Table 1:** Summary of how producer country sustainability programmes and systems can help companies implementing Deforestation Due Diligence

Notably, both Côte d'Ivoire and Ghana are creating farmer databases with farm mapping and easier farmer registration via identification cards.<sup>22</sup> REDD+ programmes and public-private collaborations are also a key part of producer country-led actions to tackle deforestation. These are covered under section 3.3 Collaborative approaches.

Producer country sustainability programmes have the advantage of being led at the national level and involve the most relevant national and local stakeholders: landowners, users and managers. A crucial benefit of producer country forest monitoring systems in comparison to company monitoring systems is that they cover all land, not just individual companies' supply farms where typically there is no forest left (except for shade trees where present), which means they cover remaining forests. The monitoring systems are led by government agencies with a mandate to respond to deforestation on the ground; this is something off-taking and downstream companies lack, since they are only responsible for deforestation cases that occur on-farm. However, key questions around such platforms still have to be resolved, such as a platforms' mandates and accessibility to data by companies, long term financing, responsibilities and capacities.

<sup>18</sup> (German Initiative on Sustainable Cocoa)

<sup>19</sup> (Ministry of Agriculture and Rural Development, Ministry of Commerce, Ministry of Forestry and Wildlife, & Ministry of Environment and Sustainable Development, 2021)

<sup>20</sup> (Liberia National Cocoa Public-Private Partnership, 2021)

<sup>21</sup> The Modified Taungya System (MTS) is an agroforestry system under which farmers receive land to grow food crops alongside the planted cocoa trees during the early years of plantation development. The legally binding arrangement stipulates that the benefits must be shared between the Forestry Commission, the farmers, the traditional landowners, and the forest-adjacent community (Cocoa & Forests Initiative, CFI Joint Framework for Action, 2018, p. 3)

<sup>22</sup> (Sustainable Cocoa Initiative, Cocoa talks, EU virtual multi-stakeholder roundtables on sustainable cocoa. Summary report on meeting 3B traceability, transparency and accountability with regards to deforestation and forest degradation, 2021)

## Côte d'Ivoire and Ghana's cocoa traceability, farm mapping, and deforestation monitoring systems

Côte d'Ivoire and Ghana's traceability and forest monitoring systems (see Côte d'Ivoire national traceability and monitoring systems and Ghana national cocoa traceability and monitoring systems in Annexes), came in part out of their leadership in the [Cocoa & Forests Initiative \(CFI\)](#) which is driving progress towards sustainable cocoa supply chains in West Africa. National traceability, mapping and monitoring systems are key elements of the two countries' CFI action plans.

- **CÔTE D'IVOIRE:** In its CFI implementation plan, Côte d'Ivoire committed to developing a national traceability system, improved supply chain mapping and an auditable cocoa tracking system from farm to port.<sup>23</sup> It is a large undertaking to develop these systems, and Côte d'Ivoire, based on the outputs of a [feasibility study](#)<sup>24</sup> conducted in 2020, decided to adopt an integrated public traceability system from farm to port aiming at setting up a "unified traceability system and a satellite-based deforestation monitoring and early warning system."<sup>25</sup> To complement the traceability system, the Ivorian government has adopted the [IMAGES](#) system as the monitoring system for the CFI.<sup>26</sup> IMAGES provides land use maps, deforestation alerts and future deforestation risk index.
- **GHANA:** A new Cocoa Management System (CMS) is being developed by the Ghana Cocoa Board (COCOBOD) to ensure traceability from farm to port.<sup>27</sup> The CMS is now being populated with cocoa farm data (farm mapping and farm attributes) from Ghana's seven cocoa-producing regions. In end of October 2022, data from 6 of the 7 cocoa-producing regions in Ghana were collected, and in the 7<sup>th</sup> region, data from only 6 districts were still to be collected.<sup>28</sup> The new CMS will upgrade the current paper-based cocoa traceability system that enables traceability to community level but not to farm level. Farm data could be combined with yield data and deforestation trends to identify risks of cocoa laundering from illegal farms (e.g. non-admitted farms inside forest reserves) or deforestation-linked farms. Cooperatives are expected to have a key intermediary role between the farmers and COCOBOD, especially for farmer assistance and the reporting of illegal farms. In addition to the CMS, Ghana also launched their national forest and land use mapping platform in 2021, in partnership with Ecometrica.<sup>29</sup> By overlaying farm data and land cover maps, it will be possible to identify where the risks associated with cocoa farming are. COCOBOD also considers the integration of a deforestation alert system. In the long term, the new CMS could undergo further development to introduce the African Regional Standard for Sustainable Cocoa in the system.

## 3.2 International and regional certification schemes

International and regional certification schemes have been present within the cocoa industry since 1994,<sup>30</sup> and have grown to become recognisable symbols in the cocoa production and retail space. It is estimated that between 27% and 44% of global cocoa production area is certified, assuming no double certification.<sup>31</sup> There are several cocoa certification schemes available, with the two most recognisable being Fairtrade and Rainforest Alliance, with regional certification schemes emerging in producer countries such as the African Regional Standard for Sustainable Cocoa that is developed by the African Organisation for Standardisation (ARSO) and that will be mandatory at least in Côte d'Ivoire by 2024 at the latest.

Certification schemes have published sets of standard requirements, auditing processes and criteria. Standards are reviewed periodically in public consultations.

Certification schemes complement these codified standards interventions with additional programmatic work bringing together farmers, traders, brands, retailers, donors and governments. For instance, Fairtrade is involved in the Sankofa project that seeks to improve cocoa farmer income by the introduction of diversified cropping on their land and to mitigate climate change by the avoidance of practices such as burning.<sup>32 33</sup> Another example is the Rainforest Alliance-Olam Partnership for Livelihoods & Landscapes in Western Ghana that aims to conserve and sustain the agricultural livelihoods of communities in the cocoa forest landscape in a corridor covering 3 districts.<sup>34</sup>

<sup>23</sup> (The Sustainable Trade Initiative (IDH), Le Conseil du Café-Cacao mobilise des ressources pour le financement de l'étude de faisabilité visant la mise en place d'un système national de traçabilité du cacao d'origine Côte d'Ivoire., 2019)

<sup>24</sup> (Nitidae, TRACAO - Evaluer la faisabilité d'un dispositif de traçabilité et de transparence dans la filière cacao en Côte d'Ivoire et au Ghana, 2020)

<sup>25</sup> (Sustainable Cocoa Initiative, Cocoa talks, EU virtual multi-stakeholder roundtables on sustainable cocoa. Summary report on meeting 3B traceability, transparency and accountability with regards to deforestation and forest degradation, 2021)

<sup>26</sup> (World Cocoa Foundation, Cocoa & Forests Initiative Reports Progress Despite Challenging Year, 2021)

<sup>27</sup> (The Sustainable Trade Initiative (IDH), 2020)

<sup>28</sup> Figure provided by COCOBOD during an online consultation organized by Proforest in 31st of October 2022.

<sup>29</sup> (Ghana Forestry Commission, 2021)

<sup>30</sup> In 1994, the first Fairtrade certified product was launched: Green & Black's Maya Gold Chocolate made with cocoa from Belize.

<sup>31</sup> (International Trade Center, 2021)

<sup>32</sup> (Fairtrade Africa, n.d.)

<sup>33</sup> An example of Fairtrade work is detailed in (Fairtrade International, Fairtrade West Africa Cocoa Programme Monitoring Report, Second Edition, 2021)

<sup>34</sup> (The Sustainable Trade Initiative (IDH), Rainforest Alliance and Olam are improving cocoa forest landscape corridor to sustain the agricultural livelihoods of communities, 2018)

Additionally, some certifications schemes foster collaboration and bring a wide range of stakeholders together, including farmer representatives which, in the case of Fairtrade are incorporated into the General Assembly. Their standards are subject to public consultation by these stakeholders.

Certification schemes often include associated supporting structures for certified farmer organisations, for example, Fairtrade has formed Producer Networks that are governed by producers and provide services to those producers. Fairtrade and Rainforest Alliance both include premiums for farmers and farmer organisations. Fairtrade also requires a minimum price to be paid. These financial incentives ensure that investment is released to the farmers and their organisations when cocoa is bought on certified terms.

International certification schemes respond to many of the needs of DDD requirements, through their requirements and tools for collecting traceability data, and for assessing, mitigating, and monitoring deforestation risks. Some examples for every DDD step (see Figure 1) are included in Table 2.

INFORMATION COLLECTION	RISK ASSESSMENT	MITIGATION	MONITORING	REMEDATION
→ Chain of custody requirements (e.g. Segregated or Mass Balance)	→ Farm risk assessment tools (e.g., Rainforest Alliance Farm Risk Assessment Tool for large farms and groups of farms) → Risk identification requirements (e.g., Fairtrade requiring organisations to identify risk areas where members' practices may lead to deforestation)	→ Deforestation cut-off dates with globally recognised forest definitions → Farm management plans (or similar) → Requirements for impact assessments before new developments	→ Audits → Deforestation monitoring systems (e.g., Fairtrade partnership with Starling to monitor deforestation in Ghana and Côte d'Ivoire) <sup>35</sup> .	→ Corrective action requirements → Grievance procedures

**Table 2:** Summary of how international and regional certification schemes can help companies implementing Deforestation Due Diligence

In this document, the three dominant certification schemes in the cocoa sector are covered (listed below), and Section 4 explains specifics of how they can support meeting DDD requirements.

- **Rainforest Alliance:** Rainforest Alliance represents the largest international certification scheme for cocoa in terms of market coverage. As of 2020, 2.7 million hectares were Rainforest Alliance certified<sup>36</sup>. In 2019, Rainforest Alliance represented about 7% of global cocoa land area, and UTZ represented about 21%.<sup>37</sup>
- **Fairtrade:** This scheme has the second-largest coverage, with 1.4 million hectares certified in 2020<sup>38</sup>, representing about 11% of global cocoa land area in 2019.<sup>39</sup> At the time of publishing this document, the Fairtrade Cocoa Standard was going through a public consultation which included multiple proposals anticipating the EU regulation.<sup>40</sup>
- **EU Organic:** Total organic cocoa production is estimated to cover around 400,000 hectares globally, representing about 4% of global cocoa land area.<sup>41 42</sup> However, the EU Organic standard is included in this guidance due to its fast rate of growth and pertinence to the EU market. Other consumer countries also have their own organic standards.

<sup>35</sup> (Fairtrade International, 2022)

<sup>36</sup> (Rainforest Alliance, Cocoa Certification Data Report 2020: Rainforest Alliance and UTZ programs, 2021)

<sup>37</sup> (Meier, et al., 2021, pp. 38-39)

<sup>38</sup> (Fairtrade International, Top 7 Products Dashboard, n.d.)

<sup>39</sup> (Meier, et al., 2021, p. 32)

<sup>40</sup> (Fairtrade International, Fairtrade Cocoa Standard Review, n.d.)

<sup>41</sup> (IFOAM - Organics International & Research Institute of Organic Agriculture FiBL, 2021)

<sup>42</sup> (EuroAfri Link, 2021)



### 3.3 Collaborative approaches

The cocoa sector faces a number of systemic social and environmental issues due to factors such as the dominance of smallholder producers, dynamics of land use and tenure, the complexity of the supply chain (especially for indirect volumes, see Box 2) and the role of migration into some production landscapes. Arguably more so than for any other sector, due to the fact that cocoa is practically 100% smallholder-produced, these challenges cannot be tackled by one company or even multiple companies alone, and collective, multi-stakeholder action is needed.

This is widely recognised in the sector now and a number of collaborative initiatives and approaches have been established in recent years with the aim of addressing root causes driving inequality and environmental impacts in the sector. These approaches enable companies to work with governments and local communities who are often the key stakeholders for leading change on the ground, and to work pre-competitively with multiple other companies, thus unlocking data, allowing for the sharing of costs and activities and providing a critical mass for change.

Tackling deforestation in particular requires collaboration, as most new deforestation happens outside existing farms and therefore outside the control of individual companies' sustainability systems, and because deforestation-linked and illegal cocoa is often laundered into supply chains via indirect supply routes.<sup>43</sup> See [the operational guidance on EU regulation on deforestation-free products](#) that Proforest developed for the cocoa sector especially figure 2 which shows the cocoa supply chain with potential laundering points and safeguards throughout.

The main collaborative approaches established in the cocoa sector can be divided into the following approaches:

- **Sectoral initiatives:**

The most prominent sectoral initiative in the cocoa sector is the public-private [Cocoa & Forests Initiative \(CFI\)](#), facilitated by the World Cocoa Foundation (company convening) and The Sustainable Trade Initiative (IDH) (multistakeholder convening), which brings together 35 cocoa companies to collaborate with the governments of Ghana and Côte d'Ivoire. CFI government and company signatories have all committed to action plans focused on delivering three key goals: forest protection and restoration; sustainable cocoa production and farmers' livelihoods; and community engagement and social inclusion.<sup>44</sup> The CFI also works in close collaboration with the Ghana and Côte d'Ivoire governments' REDD+ programmes, bringing companies to the table. In Colombia, the [Cocoa, Forests & Peace Initiative](#) has also been created, and discussions are also underway to establish similar initiatives in other cocoa-producing countries, such as Indonesia. In Cameroon, [the Roadmap to Deforestation-free Cocoa](#) was signed in January 2021<sup>45</sup>, and the [Roadmap to a Sustainable Cocoa Sector in Liberia](#) was launched in December 2021<sup>46</sup>. Several other sectoral collaborations have also engaged strongly with Deforestation Due Diligence discussions, including the [EU Sustainable Cocoa Initiative](#) which held a series of dialogues between EU delegations in several African cocoa-producing countries, the [European Forest Institute \(EFI\)](#), the [European Commission's Joint Research Centre \(JRC\)](#) and the [German Agency for International Cooperation \(GIZ\)](#) in 2020 and 2021.<sup>47</sup> The European platforms on Sustainable Cocoa (ISCOS) as well as the [EU Road Map/Alliance on Sustainable Cocoa](#) are important multi-stakeholder formats in the cocoa sector. Several ISCOs were established and bring together cocoa sector stakeholders at European level, around sustainability commitments, such as: [Beyond Chocolate](#) in Belgium; the [Dutch Initiative on Sustainable Cocoa \(DISCO\)](#); the [German Initiative on Sustainable Cocoa \(GISCO\)](#); the [Swiss Platform for Sustainable Cocoa \(SWISSCO\)](#) and the [French Sustainable Cocoa Initiative](#). There is also the Informal cocoa coalition, which has published several position papers related to the Deforestation DD guidance,<sup>48</sup> and the [International Cocoa Initiative](#), which focuses mainly on child rights in the sector.

- **Company coalitions:**

There are also numerous industry associations or more informal company collaborations with different configurations of cocoa supply chain companies. These company coalitions help to clarify industry roles and drive collaborative action on sustainability. Examples include the [Retailer Cocoa Collaboration \(RCC\)](#),<sup>49</sup> a pre-competitive group that supports existing industry efforts to drive environmental and social improvements in the cocoa sector. The trade association, [European Cocoa Association](#), representing primarily European cocoa traders and processors, has been established since 2000 and has also issued a policy position paper regarding the EU's DDD proposed regulation.<sup>50</sup>

<sup>43</sup> E.g. (Askew, 2020)

<sup>44</sup> (Cocoa & Forests Initiative, 2021)

<sup>45</sup> (The Sustainable Trade Initiative (IDH), Press Release: Cameroonian cocoa stakeholders sign a Roadmap towards sustainable and deforestation-free cocoa, 2021)

<sup>46</sup> (Solidaridad)

<sup>47</sup> (European Commission, Knowledge Centre for Global Food and Nutrition Security: EU Sustainable Cocoa Initiative)

<sup>48</sup> E.g. (VOICE Network, 2021)

<sup>49</sup> (Retailer Cocoa Collaboration, n.d.)

<sup>50</sup> (European Cocoa Association, 2021)

- **Landscape and jurisdictional initiatives or projects:**

Landscape and jurisdictional initiatives or projects complement and/or form a key implementation mechanism of cocoa-producing countries' REDD+ programmes and are increasingly being supported by the regional and international collaborations listed above. A wide range of landscape initiatives have been established with the aim of forming multi-stakeholder coalitions to holistically identify, manage and monitor forests and support community livelihoods in cocoa landscapes. Examples include landscape approaches convened by the Sustainable Trade Initiative (IDH) such as Cavally in Côte d'Ivoire and Grand Mbam and Djoum-Mintom in Cameroon. In Ghana, there are several landscapes in REDD+ Hotspot Intervention Areas, such as the Juaboso-Bia landscape and the Asunafo-Asutifi landscape.<sup>51</sup> Landscape and jurisdictional initiatives take time to establish but have the particular advantage of being able to tackle deforestation and protect forest beyond existing farms. There is also now a growing investment by the private sector into landscape initiatives which could strengthen their effectiveness in the years ahead. However, this investment is typically only made by companies if they see the long-term supply potential of the landscape, therefore, for this growing revenue stream not to be lost it is crucial that strict Deforestation DD requirements do not drive companies away from landscapes that may be considered "risky".

Collaborative approaches can support DDD in various ways that are summarised in Table 3, and covered in detail in Section 4 of this document.

INFORMATION COLLECTION	RISK ASSESSMENT	MITIGATION	MONITORING	REMEDATION
→ Traceability and farm mapping systems (e.g., farm mapping as part of CFI national implementation plans) → Baseline forest mapping to feed into landscape monitoring systems	→ Supplier risk assessment (e.g., by the RCC)	→ CFI government and company action plans → Landscape or jurisdictional management plans → Company investment in cocoa landscapes	→ Landscape or jurisdictional-level monitoring systems → Community-based monitoring → Landscape-level assurance, (e.g., SourceUp or Landscape)	→ Restoration pledges and programmes

**Table 3:** Summary of how collaborative approaches can help companies implementing Deforestation Due Diligence

### 3.4 Company systems and sustainability programmes

The vast majority of the major cocoa traders and chocolate manufacturers are committed to eliminating deforestation from their supply chains, and are using a range of tools, systems and programmes to try to implement these commitments and to mitigate deforestation risk in their supply chains. This includes collaborative approaches, third-party certification as well as their own tools and systems, such as risk assessment systems, forest monitoring systems, supplier management systems and company-branded sustainability programmes. These tools and systems can support the DDD steps as summarised in Table 4.

INFORMATION COLLECTION	RISK ASSESSMENT	MITIGATION	MONITORING	REMEDATION
→ Traceability systems → Supply chain mapping	→ Supplier risk assessment	→ Company-branded sustainability programmes → Supplier management systems → Supplier action plans	→ Deforestation monitoring systems → 2nd/3rd party verification	→ Grievance procedures

**Table 4:** Summary of how company systems and sustainability programmes can help companies implementing Deforestation Due Diligence

The tools and systems listed above are covered in more depth in Section 4 of this guidance, and a few key characteristics of the systems are summarised below.

<sup>51</sup> (Brasser, 2013)

## SUPPLIER MANAGEMENT SYSTEMS

For cocoa traders, supplier management systems are a central tool for implementing their commitments, as well as the commitments of their customers (many of whom require traders to cascade supplier specifications upstream). The main components of supplier management systems are:

- Databases of suppliers and traceability information
- Risk assessment as an early step to assess deforestation and other risks for suppliers
- Supplier engagement and action plans, which can then be monitored
- Supplier progress reporting systems
- Forest monitoring systems to monitor supplier farms or cooperatives.

Supplier engagement is an important part of this process and includes training on policy commitments, provision of Standard Operating Procedures (SOPs) on cocoa sourcing for current and new suppliers as well as requests for information sharing. Traders typically have good coverage of their direct volumes with these systems, but limited coverage and traceability for indirect volumes.

## COMPANY-BRANDED SUSTAINABILITY PROGRAMMES

Over the past 10 years, company sustainability programmes have become the norm in the cocoa sector, and virtually all of the major cocoa traders and chocolate manufacturers have such programmes (e.g. [Mondelēz International's Cocoa Life](#), [Cargill's Cocoa Promise](#), [Olam's Cocoa Compass](#)). The aim of these programmes is for companies to take more direct control over sustainability in their supply chains, where this may previously have been more commonly outsourced to certification schemes. Using their own programmes allows companies to build stronger relationships with and invest directly in their farmers and farming communities to help address specific issues (e.g., declining yields and productivity), which in turn can enable longer sourcing relationships. Another benefit of company programmes is that they invest in cocoa communities beyond farmers, which means they have the potential to engage with other community members on forest protection. These community members are typically not reached by narrow supplier-focused systems. There has been criticism of company-led programmes over the loss of transparency and credibility compared to third-party systems, and over the risk of re-enforcing existing power imbalances between farmers, their organisations, and companies. But the current scale, coverage and growth of company programmes points to their potential impact and a recent increase in transparency of reporting can help address concerns.

Company systems and programmes have provided companies with significantly more control over their supply chains, and the large cocoa traders have invested significantly to expand the coverage of their traceability systems and sustainability programmes to most of their direct volumes in recent years. However, a supply chain system is ultimately only intended to be a system focused on collection, management, transmission and monitoring of data and volumes within a company's direct purview. Supply chain traceability systems are designed primarily to avoid or mitigate risks and are therefore far less effective at addressing the root causes of deforestation – sustainability programmes do address some root causes but currently only focus on direct supply. As a result, there is now strong recognition that individual company action alone is insufficient to address systemic issues in the cocoa sector, such as deforestation.

A challenge associated with company sustainability systems and programmes is that they have been built in silos, and lead to different companies approaching the same cooperative and farmers with their own support program. Hence, farmers might receive support program from a company conflicting, in some cases, with a support programme from another company.

## 4. Deforestation Due Diligence steps: opportunities and best practices

### 4.1 Information collection

Different regulations and Due Diligence guidance have different expectations on what information collection and traceability is required. As an example, the EU proposal for a regulation sets the traceability requirements up to plot of land.<sup>52</sup> Amongst other information, the EU proposed regulation requires operators to collect and keep for five years “geo-localisation coordinates, latitude and longitude of all plots of land where the relevant commodities and products were produced, as well as date or time range of production.”<sup>53</sup>

The main rationale for this farm-level traceability is for downstream companies to confirm that their cocoa supply did not contribute to deforestation, by allowing a geospatial analysis of past clearance since the cut-off date and then monitoring in the future of any remaining on-farm “forest”. Therefore, a traceability system is central to information collection.<sup>54</sup> However, there is significant experience from voluntary supply chain action on the importance of using traceability as a “means to an end”, rather than as an end in itself. This means having traceability to a level of granularity to be able to confirm that there was no deforestation or conversion associated with production, but most importantly to a level that allows companies to engage to mitigate future deforestation risks and address any potentially non-compliant clearance. This does not always mean having traceability to farm because most forest is by definition outside of farms. Therefore, without the latter traceability risks being a tool for cleaning your house by excluding risky suppliers, rather than solving the problem.<sup>55</sup>

To address this problem, risk-based “traceability to production” approaches have been used, for example in palm. These involve getting traceability to a landscape or village level, categorising landscapes/villages as low or high deforestation risk, and then focusing farm-level traceability efforts only on high-risk areas but crucially also only in combination with wider engagement activities to protect remaining forest in those high-risk areas, e.g. via community or smallholder programmes or landscape initiatives. See for example, the risk-based or supply shed approach of Musim Mas a palm oil trader/refiner.<sup>56</sup>

In the cocoa sector, for downstream companies, their traceability is often more limited outside of Ghana and Côte d’Ivoire, and varies between a company’s direct and indirect volumes, and the type of company in the supply chain. For traders, sourcing and traceability information is not currently linked to production site for indirect volumes, and often not yet even for all direct volumes. The [operational guidance](#) that Proforest developed in parallel to this document provides a much more complex and detailed visualisation of the cocoa supply chain (refer to Figure 2 in the operational guidance).

See Figure 2 for a summary of data to be collected by actors along the cocoa supply chain.

#### ZOOM IN ON THE EU PROPOSED DEFORESTATION-FREE REGULATION

Annex II of the EU deforestation-free proposed regulation lists the information to be contained in the DD statement.<sup>57</sup> However, given that the regulation is not finalised yet, it is not possible to say at this stage what will be considered as verifiable and good enough information. For instance, it is not clear which information will be inspected at the different stages of the verification processes. Once the regulation is enacted, the EU Commission should develop further guidance on this.

<sup>52</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021)

<sup>53</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021, p. 39)

<sup>54</sup> (According to the International Organization for Standardization (ISO), a traceability system is a ‘manual or electronic system that provides the ability to access any or all information relating to the material or product under consideration throughout their life cycle, by means of accessing documented information’ (ISO))

<sup>55</sup> See (Proforest & IDH, EU Regulation on Deforestation-Free Products: Recommendations for a Forest Positive Impact, 2022). [Link](#).

<sup>56</sup> (Musim Mas)

<sup>57</sup> (European Commission, Annexes to the proposal for a regulation of the European Parliament and of the Council, 2021)

## Tools and approaches contributing to information collection as part of the Deforestation Due Diligence process

APPROACH	INFORMATION COLLECTION
<b>Producer country sustainability programmes and systems</b>	<p>See Annexes A and B for details about national sustainability programmes and systems in Côte d'Ivoire and Ghana, including:</p> <ul style="list-style-type: none"> <li>• National cocoa traceability systems</li> <li>• National cocoa farm mapping systems and registration databases</li> <li>• Forest and land use mapping</li> </ul> <p>Additionally, Cameroon is in the process of defining the features of its own traceability system as the Framework for Action of the Cameroonian Roadmap to Deforestation-free Cocoa includes a commitment to develop a national traceability system and the ONCC (the National Cocoa and Coffee Board) just commissioned a feasibility study for a national cocoa traceability system in Cameroon.<sup>58</sup> Similarly, commitment 3.6 of the Roadmap to a Sustainable Cocoa Sector in Liberia is the implementation of full traceability from farm gate - warehouse - port of export by implementing a cost-effective traceability system to link sustainability and quality characteristics with the produced cocoa. Traceability of 100% of the cocoa supply is to be reached by 2026.<sup>59</sup></p> <p>If credible enough, the use of national traceability and supply chain mapping systems<sup>60</sup> by importers/exporters could be generalised to avoid duplication of mapping and traceability efforts.<sup>61</sup> Hence, instead of collecting mapping and traceability data via their own company sustainability systems,<sup>62</sup> importers and exporters could collect the necessary information through national systems.</p> <p>To allow the use of cocoa national traceability and supply chain mapping systems by importers/exporters, it is key to align the expectations and needs of national stakeholders with those of importers/exporters:</p> <ul style="list-style-type: none"> <li>• Data collected via national cocoa traceability and supply chain mapping systems should be usable by importers/exporters and feed into their own management systems. Interoperability allowing data exchange between the different private and public systems is key. Read more about systems interoperability in the information collection best practices section, after this table.</li> <li>• Collected data should allow importers/exporters to conduct Due Diligence and to demonstrate compliance with the upcoming Deforestation Due Diligence regulations.</li> <li>• A critical point is that producer country systems should be accompanied by clear legal frameworks, covering data protection, amongst other aspects.</li> </ul> <p>Moreover, if well implemented, farmers could go through only one registration process and traceability system, the information from which could be cascaded downstream to customers, and which would lighten the burden of existing multiple systems.</p> <p>However, key questions around such platforms still have to be resolved, such as a platforms' mandates and accessibility to data by companies, long term financing, responsibilities and capacities.</p> <p>Cocoa producer countries could have a central role in the production of data related to legality, see the point below in the best practices section about legality data collection.</p>

<sup>58</sup> (The Sustainable Trade Initiative (IDH), Roadmap to Deforestation-free Cocoa, n.d.)

<sup>59</sup> (Liberia National Cocoa Public-Private Partnership, 2021)

<sup>60</sup> See Section 3.2 about producer country sustainability programmes and systems

<sup>61</sup> Currently, farms can be mapped several times by various exporters

<sup>62</sup> See section 3.3 about company systems and sustainability programmes

<b>International and regional certification schemes</b>	<p><b>Chain of custody requirements</b></p> <p>Chain of custody requirements vary amongst the different certification schemes, establishing various levels of traceability and information collection requirements. See below for a list of the different traceability levels, from the highest level to the lowest level. Note that traceability level definitions might change slightly from one certification scheme to another.<sup>63</sup></p> <ul style="list-style-type: none"> <li>• <b>Identity Preserved</b> Certified cocoa is uniquely identifiable to its origin and is kept physically isolated from all sources throughout the supply chain.</li> <li>• <b>Segregation</b> Certified cocoa comes only from certified sources. Mixing of certified product from a variety of sources is permitted.</li> <li>• <b>Mass Balance</b> When a producer or company delivers a quantity of cocoa to a factory or site, only the equivalent amount of processed cocoa leaving that site may be sold as certified. Physical mixing of certified and non-certified cocoa is allowed, provided that the quantities are controlled in documentation.</li> </ul> <p>International certification systems also require farmer organisations to maintain processes and structures to manage segregation of certified and non-certified cocoa from farm to farmer organisations. These requirements are complemented with support services to farmer organisations to comply with requirements.</p> <p>Transfer of information related to certified products bought by companies and needed for their DDD statements should be ensured. Certification schemes should put systems in place to check the farmers' consent to share information to further downstream buyers.</p> <hr/> <p><b>Information collection systems tailored to cocoa farmers and their organisations</b></p> <p>With the launch of its 2020 certification programme, Rainforest Alliance developed the Farm Intelligence App that is a digital tool to help ensure a smooth implementation of the program at the farm level. It supports certificate holders at the farm and farm group level with data collection, data management, and analysis to identify risks, gaps, and opportunities. The mobile version, that is to be used for internal inspections, allows among others to collect data on farmers and farms, including geodata. Importantly, data collected in the app will be owned by the certificate holder and not shared with the Rainforest Alliance until the certification manager approves the sharing of the data.<sup>64</sup></p> <p>Building on a number of years of building farmer organisation capacity in terms of management structures followed by research and piloting digitalisation since 2019, Fairtrade has been working on digitalised internal management systems owned by farmers and their organisation<sup>65</sup>. In partner with Farmforce, Fairtrade is now moving the first phase of a scale up in Côte d'Ivoire with 25 farmer organisations due to receive support in the digitalisation of Internal Management Systems. Such systems enable farmer organisations to maintain the farm to farmer organisation traceability information digitally which they need for market access. Additionally, the farmer organisations can run more efficiently, better understand and manage their farmer members data and therefore better respond to their farmer members' needs.</p>
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<sup>63</sup> To have an overview of the different traceability definitions of the main cocoa international certification schemes, refer to (Stoop, Ramanan, Geens, Lambrecht, & Dekeister, Technical Brief on Cocoa Traceability in East and Central Africa, 2021, p. 43)

<sup>64</sup> (Rainforest Alliance, What's New in the 2020 Standard? Farm Intelligence App, 2020)

<sup>65</sup> (Fairtrade International, Fairtrade West Africa Cocoa Programme Monitoring Report, Second Edition, 2021)



<b>Collaborative approaches</b>	<p>Collaborative approaches allow information collection via:</p> <ul style="list-style-type: none"> <li>• Setting shared traceability/mapping requirements</li> <li>• Driving a collaborative and potentially more efficient process of information collection</li> <li>• Baseline forest mapping to feed into landscape monitoring systems</li> </ul> <p><b>CFI action plans</b></p> <p>Companies participating in the CFI released action plans pledging no further conversion of forest land for cocoa production and committing to the phased elimination of illegal cocoa production and sourcing in protected areas in Ghana and Côte d’Ivoire (see example in annexe C). This has led to significant improvements in supply chain transparency and traceability through investments in digitalisation, data gathering and satellite monitoring for farm mapping:</p> <ul style="list-style-type: none"> <li>• 82% (Ghana) and 74% (Côte d’Ivoire)<sup>66</sup> of direct cocoa supply is tracked by CFI downstream companies from the farm to the first purchase point.</li> </ul> <p>About 605,000 farms have been mapped in 2020 as part of CFI actions.<sup>67</sup></p>
<b>Company systems and sustainability programmes</b>	<p><b>Internal systems</b></p> <p>As part of their sustainability requirements, supply chain companies set up:</p> <ul style="list-style-type: none"> <li>• Traceability systems</li> <li>• Supply chain mapping</li> <li>• Farmer questionnaires</li> <li>• Deforestation monitoring systems</li> </ul> <p>Usually, companies have their own staff or subcontractors collecting farm data in the field. Some rely on cooperatives for data collection, but that requires capacity building for cooperatives and cleaning of the data collected. Farmer questionnaires are used not only to collect traceability information, but also to understand practices in the field, and eventually lead to targeted interventions. These systems allow more advanced reporting for supply chain companies; however, they are limited to direct sourcing so far. As an example, the Olam Farmer Information System enables Olam’s staff to “collect data, record GPS data points for farms and social infrastructure, manage training activities and track all ‘first mile’ transactions, including financing, input distribution and crop purchases.”<sup>68</sup></p> <p>Some systems allow companies to assign risk levels to jurisdictions based on the outputs of farmer questionnaires.</p> <p>One step further in company traceability systems is financial traceability and digital payment mechanisms. As an example, Cargill’s CocoaWise eFinance allows Cargill to pay Ghanaian direct supplying farmers via digital payments.<sup>69</sup> The main limitation of these systems so far is farmers’ access to e-payments, hence digital payments usually reach cooperative level only. These systems can be used to track premiums as “linking payments from cooperatives to the farmers IDs would enable tracking of the amounts paid to the farmer that can be verified against the database and through periodic surveys with farmers.”<sup>70</sup></p> <p><b>Service providers</b></p> <p>Some companies use <b>service providers</b>, such as <a href="#">Sourcemap</a> and <a href="#">ChainPoint</a>, to map their supply chains, and eventually establish questionnaires for farmers, and conduct deforestation monitoring and risk assessments.</p> <p><b>Public data providers</b></p> <p>Several public information and data providers can be used by companies to feed into their management systems.</p> <p>Trase is a data transparency initiative which provides supply chain mapping aiming at linking consumer markets and deforestation and other impacts associated with commodity production. <a href="#">Trase</a> can be used by importers and downstream actors to manage risks in their supply chains. In October 2022, Trase provides cocoa supply chain mapping for Peru, Colombia, Brazil, Ghana and Côte d’Ivoire up to mid-downstream level. Trase does not provide traceability for farm to cooperative. For example, the Trase data for Côte d’Ivoire allows companies to link cocoa production in different departments to logistic hub, exporter and country of destination.</p>

<sup>66</sup> (Cocoa & Forests Initiative, 2021)

<sup>67</sup> (Cocoa & Forests Initiative, 2021)

<sup>68</sup> (Olam)

<sup>69</sup> (Cargill, 2017)

<sup>70</sup> (Stoop, Ramanan, Geens, Lambrecht, & Dekeister, Technical Brief on Cocoa Traceability in East and Central Africa, 2021, p. 34)

## Information collection best practices

### MAPPING GRANULARITY

Supply base mapping should be undertaken at a scale or granularity sufficient to confirm that there was no deforestation or conversion associated with production, or most importantly to allow companies to engage to mitigate future deforestation risks and address any potentially non-compliant clearance. Therefore, based on the outputs of risk assessment and understanding of entry points to engage on mitigation (e.g., cooperative or landscape level), mapping granularity requirements might differ (e.g., from low-risk landscape or region to farm).<sup>71</sup> Some certification schemes such as Rainforest Alliance encourage farmers to provide points for low-risk farms and to collect farm polygons in high-risk areas. However, in this situation, farm mapping should be considered as a supporting process for mitigation action on the ground.

### RISK-BASED TRACEABILITY

It is clear that the cocoa sector is making strides to achieve full farm level traceability, and this is likely to accelerate in the years ahead. The direction of travel is towards farm traceability that could then enable more segregated supply. However, risk-based approaches to traceability could bring efficiencies to close the gap, whilst also potentially allowing more resources to be directed to engagement/mitigation activities for high-risk origins instead of collecting detailed data that may not all be used operationally. Combining this data collection with engagement is likely to be particularly important for the indirect supply chain if traceability field staff are also tasked with wider engagement of farmers and community members on forest protection and “future-proofing” supply, but this engagement has to reach beyond current farmers. Setting traceability data requirements at a level that incentivises the right behaviour from companies is important; this includes allowing stepwise completion of traceability within a timebound period. An example of indicators that downstream cocoa companies could report on traceability is provided below in Box 4.

### DATA AND SYSTEMS OWNERSHIP AND SENSITIVITY

Ownership of farm boundaries and other farm data is a very sensitive topic and farmers should be in control of who has access to their data. The growth of technical service providers risks undermining the rights of farmers to choose how their data is used. Most collectors should follow good practices to inform farmers how data will be used. However, without careful consideration, data collected for one purpose originally may then start to be used for different purposes, such as exclusion from supply chains.

One opportunity is the development of farmer organisation digitalised internal management systems. Such systems enable farmer organisations to maintain the farm to farmer organisation traceability information digitally, as opposed to the common paper practise, that is needed for market access. These systems, owned by farmer organisations, bring multiple benefits for the organisations and their members such as efficiency in the organisation functioning, better understanding and managing of farmer members data and therefore better responses to farmer members’ needs. Such systems need capacity building on the analytical processes to maximise their usefulness, and investment.

### INCENTIVES AND BENEFITS FOR SMALLHOLDERS AND INTERMEDIARIES

As traceability collection data relies on intermediaries and farmers, incentives should be promoted to engage them in traceability data collection and to make the process less of an additional burden for them. Benefits of traceability systems for farmers such as improved payment for premiums (e.g., via e-payment) or rewards for improved sustainability should be pointed out. Similarly, data ownership by farmers and cooperatives can encourage them to collect and share data.

### LEGALITY DATA COLLECTION

Regarding the EU proposed deforestation-free regulation, collection of information related to legality poses challenges and questions around what aspects (scope) of legality will be covered, who will provide information, and what evidence will be required.<sup>72</sup> Accuracy of data and information related to legality is also a challenge as, for instance, in some cocoa producer countries there may be multiple conflicting versions of boundaries of protected areas. Data and information related to legality should reflect the prevailing local definition and use of proxies where possible (e.g., mandatory national certification schemes).

<sup>71</sup> The EU proposal for a regulation includes a benchmarking system whereby countries or “parts of countries” will be classified as low, standard or high risk and where companies will be able to follow “simplified Due Diligence” procedures in low-risk countries. For volumes subject to “simplified Due Diligence”, it means that companies are dispensed from carrying out risk assessment and risk mitigation (European Commission, Proposal for a regulation on deforestation-free products, 2021)

<sup>72</sup> As stated in the EU proposed DDD regulation, commodities and products must have been produced in accordance with the relevant legislation of the country of production (both national and international). ‘Relevant legislation of the country of production’ means the ‘rules applicable in the country of production concerning the legal status of the area of production in terms of land use rights, environmental protection, third parties’ rights and relevant trade and customs regulations under legislation framework applicable in the country of production’. (European Commission, Proposal for a regulation on deforestation-free products, 2021) Article 2 (28)

## ALIGNMENT AND INTEROPERABILITY OF INFORMATION COLLECTION AND TRACEABILITY SYSTEMS

Every traceability system has strengths and weaknesses. They might not all have necessarily the same goal, but they definitively have common information collection needs. Compatibility between the different traceability systems is key and would lead to more efficient data exchange along the cocoa supply chain. Collaboration between different stakeholders in the cocoa sector should be encouraged to ensure the interoperability of the various traceability systems, aiming at avoiding duplicated efforts and putting resources together to maximise efforts. National traceability and farm mapping systems could play this role, and CFI has been seeking to drive collaboration here. The EU DDD regulation proposal could be an incentive to double down on these efforts. Actually, the [Digital Integration of Agricultural Supply Chains Alliance](#) (DIASCA) led by the Initiative for [Sustainable Agricultural Supply Chains](#) (INA) aims at facilitating and supporting the efforts to ensure the compatibility between the systems and the data collection efficiency, and the participation of smallholder organisations in the benefits of due diligence legislation, among others.<sup>73</sup> Platforms like Global Forest Watch are also seeking to strengthen alignment of data and secure or anonymised sharing of data where appropriate.

There is also an opportunity to streamline the data collection process in the cocoa sector by standardising farmer questionnaires. The more reporting requirements from exporters/importers are aligned, the more questionnaire standardisation makes sense, since farmer questionnaires should be set up according to what the companies and the government bodies aims to do with the data collected.

### Indicators on cocoa origin transparency level used by the ISCOs

Distinction is made between the following origin transparency levels:

- Score 1: origin unknown or only country of origin known
- Score 2: country and region of origin known
- Score 3: country, region and municipality / cooperative of origin known
- Score 4: farm known, in addition to the country, region and municipality / cooperative of origin
- Score 5: farm known and having point coordinates of the farm household (farm mapping)
- Score 5+: farm known and having polygon boundaries of the farm.
- Score 6: farm known, having polygon boundaries of the farm and farm fields verified as not in a protected forest and as not comprising land that was deforested since 2018.

Source: Beyond Chocolate, DISCO, & GISCO, [Monitoring definitions](#)

The [WCF Monitoring and Evaluation guidance](#) also provides useful indicators on traceability and mapping.

**Box 4:** Indicators for reporting on cocoa transparency level

<sup>73</sup> (INA, 2022)

## 4.2 Risk assessment

A deforestation risk analysis assesses the likelihood that deforestation has happened or could happen in your supply base (across direct and indirect volumes). A risk assessment is needed to identify the risk of non-compliance with importing countries' Deforestation Due Diligence regulations. Risks are typically associated with suppliers and/or geographies (see Annex D). Once risks are better understood, downstream companies can appropriately engage within and beyond their supply chains to mitigate the risks.

Risk assessment is an established activity within company sustainability systems, certification schemes and in the systems and plans of some producer country monitoring platforms and collaborative landscape initiatives. Risk assessment for deforestation can be broadly divided into the following categories of risk:

- 1) That deforestation has happened on farms in the supply chain in the past (since a cut-off date)
- 2) That deforestation will happen in the future on farms in the supply chain
- 3) That new farms enter the supply chain that have deforested since the cut-off date

Understanding the type and timeframe of deforestation risk is important to understand the appropriate methods for risk assessment and appropriate mitigation strategies.

### ZOOM IN ON THE EU PROPOSED DEFORESTATION-FREE REGULATION

In the EU proposal for a deforestation-free regulation, operators are required to assess if there is a non-negligible risk that the relevant commodities and products intended to be placed on or exported from the Union market are non-compliant with the requirements of this Regulation, and if this is the case the operator should take mitigation measures to lower the risk to a negligible level. However, the EU proposal does not set neither definition nor threshold for non-negligibility. It is important to note that the risk assessment is to identify possible noncompliance of relevant commodities and products with this regulation, meaning that the assessment encompasses deforestation, forest degradation and legality.<sup>74</sup> The proposed regulation lists the risk assessment criteria that must be taken into account, and it is understood that the EU will produce additional guidance on criteria for risk assessment once the regulation is enacted.<sup>75</sup>

The EU proposal for a regulation integrates DDD requirements with “a country benchmarking system that will categorise countries taking into account deforestation and forest degradation linked to the relevant commodities alongside criteria related to the countries’ engagement in fighting deforestation and forest degradation. There will be three categories of countries — low, standard and high risk. The obligations for operators and Member States’ authorities will vary according to the level of risk that the country of production represents, with simplified due diligence requirements for operators for low risk and enhanced scrutiny by regulators for high-risk countries.”<sup>76</sup>

[The operational guidance on EU regulation on deforestation-free products](#) developed by Proforest elaborates further on the risk assessment requirements from the regulation.

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<sup>74</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021, p. 19)

<sup>75</sup> For the list, see (European Commission, Proposal for a regulation on deforestation-free products, 2021, pp. 40-41), article 10.

<sup>76</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021, p. 9)

## Tools and approaches contributing to risk assessment as part of the Deforestation Due Diligence process

APPROACH	RISK ASSESSMENT
<b>Producer country sustainability programmes and systems</b>	Producer country programmes and systems, such as the Ivorian IMAGES system, can inform on current and future deforestation risks. See Annexes A and B for more details on the Ivorian and Ghanaian systems.
<b>International and regional certification schemes</b>	<p><b>Risk assessment for initial certification</b></p> <ul style="list-style-type: none"> <li>• <b>Rainforest Alliance</b> The Rainforest Alliance Sustainable Agriculture Standard 2020 requires an organisation to complete a supply chain risk assessment (SCRA) to become certified. The SCRA reviews an organisation's activities, location, location of sites, compliance and social risks, amongst others. The SCRA determines the level of verification, which will determine whether the organisation will require an audit, or whether it can be exempted from an audit to become certified. The audit includes both social and environmental requirements for high-risk operations.</li> <li>• <b>Fairtrade</b> Compliance with Fairtrade Standards are audited by FLOCERT. Prior to certification actors must be audited. At this stage high risk areas are focused on by the auditor.</li> </ul> <p><b>Requirements related to deforestation and non-compliance risk assessment</b></p> <ul style="list-style-type: none"> <li>• <b>Rainforest Alliance</b> The Rainforest Alliance Sustainable Agriculture Standard 2020 requires large farms and groups of farms to conduct a farm risk assessment at least every three years, to identify the risks associated with farms and the measures to address them (criterion 1.3.1).<sup>77</sup> To conduct a farm risk assessment Rainforest Alliance provides a Farm Risk Assessment Tool: a set of questions that helps group managers to identify risks.<sup>78</sup> Identified mitigation measures should be included in an organisation's management plan and be implemented. The tool allows organisations to assess the likelihood of High Conservation Values in the landscape.</li> <li>• <b>Fairtrade</b> Fairtrade classes itself as a development standard with the requirements increasing in intensity over set timeframes in line with the development of the Small Producer Organisations capacity. Fairtrade certified producer organisations have to comply with two standards. In case of cocoa these are the Fairtrade Standard for Small Producer Organisations and the Fairtrade Cocoa Standard. The Fairtrade Small Producer Organisation standard requires in year 0, as soon as the certification is started, that the Small Producer Organisations members do not deforest (3.2.31). In year 1 of certification any risk of non-compliance with the standard – including deforestation is identified (3.1.2), and the Small Producer Organisation must have a plan to ensure their members do not cause deforestation (3.2.32). This must be repeated periodically, and at least every 3 years (3.1.3). Where Small Producer Organisations are found to be non-compliant, they are issued with time limited periods to put in place and action plans for compliance.<sup>79</sup></li> </ul> <p><b>Assessments for new plantings</b></p> <p>Standards also include requirements for members or farmers to conduct basic assessments of the vegetation found in areas where new farms are being planned. For example, Rainforest Alliance has a risk assessment tool that requires users to state if they plan to expand farms and if so to ensure natural ecosystems are demarcated and avoided.</p>
<b>Collaborative Approaches</b>	<p>The RCC conducts joint supplier risk assessments for their retailer members as a way of sharing efforts and enabling critical mass to engage suppliers on identified risks.</p> <p>CFI company action plans include a requirement on deforestation risk assessment over direct sourcing to assess the risk of converting forest land or HCV areas.</p>
<b>Company systems and sustainability programmes</b>	<p>Company systems and sustainability programmes include supplier performance evaluation and deforestation risk assessment. To conduct such evaluation and assessment, companies can use internal systems, but they can also subcontract service providers. See examples of service providers in Annex D</p> <p>Additionally, publicly available deforestation risk assessment platforms exist, such as <a href="#">Global Forest Watch Pro</a>.</p>

<sup>77</sup> (Rainforest Alliance, 2020 certification program)

<sup>78</sup> (Rainforest Alliance, Annex S3: Risk Assessment Tool, 2021)

<sup>79</sup> (Fairtrade International, Explanatory document for the Fairtrade Standard for Small-scale Producer Organizations, 2019)

## Risk assessment best practices

### PRECAUTIONARY APPROACH

Risk assessment should follow a precautionary approach if data is missing or limited, which means considering “potential” risk until more detailed data can be obtained, usually from suppliers.

### FOLLOW UP ACTIONS

Another key aspect of risk assessment is that companies have clear actions and timelines for how they will use the results as part of risk mitigation and monitoring. For example, to prioritise suppliers for collecting more granular data, engagement, or support/investment to mitigate future risks or where needed remediate past harms, rather than excluding high-risk sources of cocoa which could harm smallholder livelihoods and mean that companies are not taking responsibility for contributing to address the non-compliant clearance.<sup>80</sup>

### ASSESSMENT GRANULARITY

Based on the outputs of risk assessment, mapping granularity requirements might differ (e.g., from low-risk landscape or region to farm), but only if a clear and robust methodology for risk assessment was set up. However, when cocoa is produced in an area exposed to a risk of deforestation, farms should be mapped. For cocoa farms, single reference points are often used as boundary polygon collection can be extremely time-consuming. Farm boundary polygons can be aggregated for cooperatives or villages. Additionally, a buffer applied to the reference point can be used to approximate the farm boundaries or the smallholder group when boundaries are not available.

### COST AND FEASIBILITY

For smallholders, this is a key consideration – tools used must be appropriate in terms of technical expertise and cost required. Many certification schemes have battled with this balance and, for example, use risk-based approaches or try to provide simple templates or tools to help farmers. Mobile applications can also help to simplify the process by allowing data aggregators or extension officers to access pre-existing basemaps. Any requirements for DDD need to learn from this experience and ensure that technical support and resources are provided to help small farmers and to make sure that technology used from afar (e.g., satellite imagery) by more powerful and resourced companies or regulatory bodies is not used to exclude smallholders without sharing access to this information and giving opportunities and support to reform. Details such as farm maps are and should remain the property of farmers and their organisations.

### JURISDICTIONAL/LANDSCAPE RISK-BASED APPROACHES

Geospatial risk assessment for suppliers is possible where traceability exists, but do little to assess the risk of new farms entering the supply chain that have deforested since the cut-off date. For these farms it is possible to conduct retrospective land use change analysis or risk assessment when they enter the supply chain, but by that point the deforestation has already happened (usually at least 3-4 years ago for cocoa farms). Furthermore, for indirect supply with no traceability, it is challenging to even understand exposure to deforestation risk at all. Therefore, in these cases it is more effective to assess risk of future deforestation *beyond the supply base* at a jurisdictional or landscape level, to understand deforestation risk hotspots and then work to engage farmers or communities to mitigate future risk of deforestation, for example by:

- Recognising countries or jurisdictions (e.g., districts in Ghana and departments in Côte d’Ivoire) where there is little or no forest conversion and therefore no ‘value-add’ to investing resources into high resolution mapping or monitoring. In higher risk countries or jurisdictions, reviewing cocoa production and focusing on the places which account for a high proportion (80 - 90%) of the ongoing deforestation and consider remaining areas low risk even if some residual small-scale conversion is occurring (see Figure 3).
- For supply traceable up to cooperatives, a buffer can be applied to the cooperative point and be used as a proxy for the extent of the cooperative’s supply area. The size of the buffer should be as specific as possible, at least country specific, and should be based on the maximum distance cocoa can travel from farms to cooperatives. For supply where no information on origin is available, a specific methodology should be set up, under the form of a decision flow chart for instance.

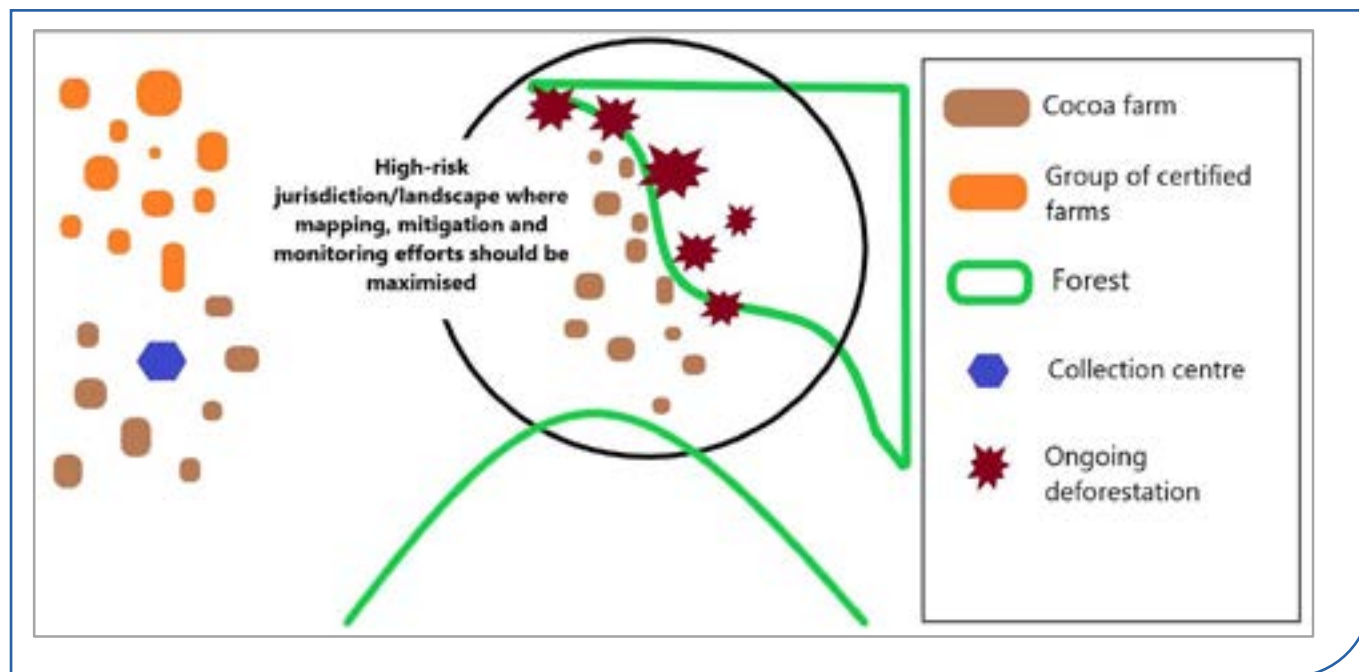
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<sup>80</sup> (VOICE Network, 2021)



## FOREST AND DEFORESTATION IDENTIFICATION

When setting up the risk assessment methodology it should be clear which definitions and layers of forest/deforestation are used. The draft EU proposal for a DDD regulation uses the definitions of forest, deforestation, and forest degradation based on the FAO ones,<sup>81</sup> whereas most cocoa companies are using either national forest definitions in producer countries or recognised global approaches such as High Carbon Stock forests or High Conservation Values. There have already been decades of debate and disagreement on forest definitions, but ultimately the most important consideration is to use forest definitions that are understood and recognised on the ground so that companies are better able to take action with suppliers and farmers to mitigate risks.



**Figure 3:** Jurisdictional/landscape risk-based approach, indicating the importance of assessing risk beyond individual supply chains and existing farms.

## 4.3 Mitigation

After collecting traceability information and conducting risk assessment, companies need to put in place appropriate measures to mitigate identified deforestation risks in their supply chains, or potentially linked to their supply chains.

In practice this can be broken down into what needs to happen for existing and new suppliers:

- **Existing suppliers:** protect or manage remaining “forest” on farm, systems in place to monitor forest and response/ remediate if any breaches, ensure no expansion of farms into forest, no laundering of cocoa from deforested land and no mixing from neighbouring farms.
- **New suppliers:** establish on-boarding/due diligence procedures (SOPs) for new farms to map their land and assess whether any forest was cleared on the land after the cut-off date.

### ZOOM IN ON THE EU PROPOSED DEFORESTATION-FREE REGULATION

In the EU proposed deforestation-free regulation, it is important to note that mitigation refers to mitigating the risk of non-compliant products entering the EU market. The EU regulation states that:

*“Adequate and proportionate policies, controls and procedures to mitigate and manage effectively the risks of non-compliance of relevant commodities and products identified shall include*

*a) model risk management practices, reporting, record-keeping, internal control and compliance management, including for operators that are not SMEs, the appointment of a compliance officer at management level;*

*(b) an independent audit function to check the internal policies, controls and procedures referred to in point (a) for all operators that are not SMEs.”<sup>82</sup>*

Once the regulation is enacted, the EU Commission should develop further guidance on this.

<sup>81</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021)

<sup>82</sup> (European Commission, Proposal for a regulation on deforestation-free products, 2021) Article 10

Therefore, the regulation is not necessarily about mitigating deforestation on the ground, but rather mainly about supply chain control. This means that most “mitigation” measures are likely to focus on safeguards to reduce mixing (of compliant volumes with non-compliant ones) and to verify supply chains, and procedures to avoid on farm deforestation or felling of shade trees. A focus on mitigating entry of non-compliant volumes is not going to mitigate the risk of future or new suppliers deforesting, because they will never enter a supply chain or be engaged by sourcing companies. Yet this is where most deforestation happens. As said below in the best practices subsection, mitigation of future deforestation risk is most effectively done through proactive and often collaborative approaches address root causes of deforestation and engaging with communities and farmers in high-risk areas.

## Tools and approaches contributing to Mitigation as part of the Deforestation Due Diligence process

APPROACH	MITIGATION
Producer country sustainability programmes and systems	<p><b>National/regional certification schemes</b></p> <ul style="list-style-type: none"> <li>• <b>African Regional Standard for Sustainable Cocoa</b></li> </ul> <p>The African Regional Standard for Sustainable Cocoa requires that “no deforestation or degradation of primary forests has occurred as at the date of first release of this African Standard series”. The standard also states “... there shall be no farming in protected areas, such as national parks, wildlife refuges, forestry reserves and other public or private conservation areas, unless the national context allows it.” Given that most remaining forest in Ghana and Côte D’Ivoire is inside protected areas, this theoretically provides reasonable mitigation if adequately enforced. However, the standard might not provide deforestation mitigation for the remaining forest which do not have a protection status. This especially true in countries that are still forested, such a Cameroon, where some forested land (that are not primary forest) do not have a protection status.</p> <p>The African Regional Standard for Sustainable Cocoa also outlines requirements for a Cocoa Farm Development Plan (CFDP) for registered farmers via farmer groups and farmer cooperatives. The CFDP is created following the cocoa farm diagnosis and is specifically tailored for each farm, to measure the progress against predefined KPIs.</p> <p>The scheme is in the early stages of roll out in African Organization for Standardization (ARSO) member states. The standards require that the cocoa supply chain actors are also required to participate in annual internal audits and to provide information on whether the traceability system conforms to the African Regional Standard for Sustainable Cocoa and whether it has been effectively implemented and maintained.</p>
Producer country sustainability programmes and systems	<p><b>REDD+ programmes</b></p> <p>The Ghana Cocoa Forest REDD+ Programme has identified Hotspot Intervention Areas. It targets Hotspot Intervention Areas (HIAs) in the cocoa landscape which are also adopted as implementation areas for the CFI. These landscapes are being prioritised for landscape programmes to conduct baseline assessments that inform management and monitoring plans to mitigate deforestation (amongst other social and environmental issues) in the landscapes. The landscapes are at different stages of development, but see e.g., “Collaborative approaches” below. The Asunafo-Asutifi landscape is one of the major agro-commodity production landscapes in Ghana, and accounts for over 10% of the national cocoa output. Due to the high level of deforestation within the landscape, it has been identified as a priority hotspot intervention area in Ghana under the Ghana Cocoa Forest REDD+ Programme. The Côte D’Ivoire government is also prioritising landscape action through, for example, rehabilitation of state private and public forests with public-private partnerships (including through “agro-forests”) where remaining forest should be protected, and forest should also be restored in degraded areas. Baseline assessments are underway for at least three classified forests.</p>

<b>International and regional certification schemes</b>	<p><b>Deforestation cut-off dates with globally recognised forest definitions</b></p> <p>The cut-off date for deforestation differs between the three international certification schemes:</p> <ul style="list-style-type: none"> <li>• <b>Rainforest Alliance:</b> 1 January 2014</li> <li>• <b>Fairtrade Cocoa:</b> Date of certification, as of July 2019<sup>83</sup></li> <li>• <b>EU Organic certification:</b> 31 December 2020</li> </ul> <p><b>Farm management plans</b></p> <ul style="list-style-type: none"> <li>• <b>Rainforest Alliance Sustainable Agriculture Standard 2020</b></li> </ul> <p>The standard requires large farms and groups of farms to set measures for mitigating risks identified via the Farm Assessment Tool. Identified mitigation measures should be included in an organisation’s management plan and be implemented (criterion 1.3.1).<sup>84</sup> The Risk Assessment Tool allows organisations to assess the likelihood of High Conservation Values in the landscape.<sup>85</sup> The Farm Requirements set that members keep an up-to-date map of the farm (for large farms) or the farm area (for a group of small farms), including farms/farm units/production zones; natural ecosystems, including water bodies and forests; and other existing natural vegetation (1.2.10)<sup>86</sup>. The standard also requires producers to enhance natural ecosystems near crop production areas to increase habitat for natural enemies<sup>87</sup> (4.5.6 L2)<sup>88</sup>. The farm management plan also specifies that farms and groups do not contribute to deforestation, forest degradation and destruction of other natural ecosystems.</p> <ul style="list-style-type: none"> <li>• <b>Fairtrade small producer standard</b></li> </ul> <p>The Fairtrade small producer standard requires that members have procedures in place to not deforest, with guidance on a) Mapping of protected areas, including geo-mapping and polygon maps; b) Identifying if and how your member’s activities have negative impacts on at-risk areas; c) Raising awareness amongst members on mitigating negative impacts; d) Promoting the implementation of production practices that have a positive impact and e) Monitoring members’ production practices and other activities in at-risk areas.<sup>89</sup></p> <p><b>Requirements for impact assessments before new developments</b></p> <p>Rainforest Alliance requires members to do a risk assessment if any new planting is planned and to demarcate any natural ecosystems to ensure no expansion into those ecosystems. Fairtrade requires that members “do not cause deforestation and do not destroy vegetation in carbon storage ecosystems or protected areas” (3.2.31), and that they “have a procedure in place to ensure that your members do not cause deforestation or degradation of vegetation.” (3.2.32). Fairtrade also requires that farmers “avoid negative impacts on protected areas and in areas with high conservation value within or outside the farm or production areas.” (3.2.30)<sup>90</sup></p>
<b>Collaborative Approaches</b>	<p><b>Mitigation approaches at national level</b></p> <p>Collaborative approaches can set comprehensive deforestation mitigation approaches at national level, such as the CFI “Country Action Plans” which outline comprehensive mitigation approaches (see Annexe C for examples). These plans invite companies to focus on the 6 HIAs in Ghana, and the 5 priority regions in Côte d’Ivoire.</p>

<sup>83</sup> The Fairtrade Standard for Small Producer Organizations states from July 2019 onwards Small Producer Organisations’ and their members starting certification “do not cause deforestation and do not destroy vegetation in carbon storage ecosystems or protected areas”. There is a transition time for already certified organizations. At the time of publishing this guide the Fairtrade Cocoa Standard was going through a public consultation which included multiple proposals anticipating the EU regulation.

<sup>84</sup> (Rainforest Alliance, Rainforest Alliance sustainable agriculture standard. Farm requirements., 2020)

<sup>85</sup> (Rainforest Alliance, Annex S3: Risk Assessment Tool, 2021)

<sup>86</sup> (Rainforest Alliance, Rainforest Alliance sustainable agriculture standard. Farm requirements., 2020)

<sup>87</sup> Rainforest Alliance defines natural enemies as ‘Organisms which kill, decrease the reproductive potential of, or otherwise reduce the numbers of another organism’. (Rainforest Alliance, Guidance H. Integrated Pest Management (IPM), 2020)

<sup>88</sup> (Rainforest Alliance, Rainforest Alliance sustainable agriculture standard. Farm requirements., 2020)

<sup>89</sup> (Fairtrade International, Fairtrade Standard for Smallscale Producer Organizations. Version 03.04.2019\_v2.5., 2019)

<sup>90</sup> (Fairtrade International, Fairtrade Standard for Smallscale Producer Organizations. Version 03.04.2019\_v2.5., 2019)

<b>Collaborative Approaches</b>	<p><b>Landscape/jurisdictional approaches</b></p> <p>CFI plans are comprehensive national plans, but as these take time to roll out there is also investment in landscape/jurisdictional approaches to establish landscape level management and monitoring plans. Such approaches have the potential to establish mitigation measures that cover all areas in a landscape and focusing on where remaining forest is found, not just current farmers where forest was already cleared in the past. This enables them to work to mitigate deforestation before it happens.</p> <p>For that matter, The CFI framework for Action clearly invite the adoption of landscape approaches, e.g., commitment 6 of the Ivorian Framework for Action: “Implement agreed actions in the context of a broader landscape-level approach, with strong links with similar initiatives in other commodities, and full alignment with the national REDD+ strategy and other relevant national strategies and plans”.<sup>91</sup></p> <p>For example, the Asunafo-Asutifi landscape is one of the major agro-commodity production landscapes in Ghana, and a landscape management and investment plan is being developed to protect remaining forest, support farmers and invest in reforestation and agroforestry where appropriate in the landscape.</p>
<b>Company systems and sustainability programmes</b>	<p><b>Supplier management systems</b></p> <p>Supplier management systems allow suppliers to benchmark a supplier’s progress against their own commitments and to ensure their policies are being cascaded along the supply chain.</p> <p>Downstream companies purchasing cocoa have less visibility of the supply chain. The key strategies for mitigating risk within supplier management systems are to invest in traceability efforts and then, based on risk assessment, to set action plans consistent with CFI action plans (for Ghana and Côte D’Ivoire).</p> <p>This includes working with upstream suppliers to establish SOPs for new suppliers (that exclude farmers from protected areas), to support agroforestry systems for off-reserve farmers, to support farmers on land titling and providing education on forest law.</p> <p><b>Company sustainability programmes</b></p> <p>In addition to supplier management, many cocoa companies’ own sustainability programmes deploy various approaches to mitigating deforestation in their supply chains. The approaches used include setting timebound goals and KPIs to track and manage the implementation of deforestation commitments. Barry Callebaut’s cocoa sourcing programme Forever Chocolate has set timebound goals to be achieved by 2025 that address the largest sustainability challenges in the chocolate supply chain. Mondelez International’s Cocoa Life programme aims to reach 200,000 farmers and one million community members by 2022. Cocoa Life has additionally shared Key Performance Indicators (KPIs) to measure and track progress of the programme. The programmes provide the key mechanism for the companies to roll out traceability, farm mapping, and training on good environmental practices (including no deforestation) to the directly supplying “sustainable” programme farmers and usually work closely with extension officers in cooperatives who are the main agents conducting training and mapping work.</p> <p>One limitation of company programmes is that their interventions and investment typically cover only a subset of direct volumes/supply.</p>

<sup>91</sup> (Cocoa & Forest Initiative, 2020)

## Mitigation best practices

### SUPPLIER ENGAGEMENT

Supplier engagement is central to mitigation as suppliers need to be part of the solution. Supplier engagement is not only to gather information from suppliers to identify occurrence or risks of non-compliance, but also to report on progress, and to assess whether mitigation activities are effective. Furthermore, it aims at identifying needs and provide training, guidance, and direct support for suppliers to meet DDD requirements. For further guidance on supplier engagement, refer to [Proforest guidance on supplier engagement for responsible sourcing](#).

### DISENGAGEMENT AS A LAST RESORT

Disengagement from a business relationship should be considered as a last resort and take into account potential social and economic adverse impacts. Disengagement "*may be appropriate as a last resort after failed mitigation attempts at preventing or mitigating severe impacts; when adverse impacts are irremediable; where there is no reasonable prospect of change; or when severe adverse impacts or risks are identified and the entity causing the impact does not take immediate action to prevent or mitigate them.*"<sup>92</sup> For more guidance on mitigation of adverse impact or risks, and on business relationship disengagement, refer to the [OECD Due Diligence Guidance For Responsible Business Conduct](#).

### INVOLVING ALL THE APPROPRIATE STAKEHOLDERS IN MITIGATION ACTIVITIES

A key consideration for effective mitigation with a smallholder crop like cocoa is to make sure a) that farmer mitigation or management plans are practical and simplified, and to mitigate future risk; b) that mitigation measures involve all the appropriate stakeholders responsible/involved in protection of remaining forest (e.g. government agencies, local communities beyond farmers).

Indeed, communities have a key role to play in mitigation. Communities can help in building the awareness, and they can play a key role prior to the cocoa establishment. To get them involved, mechanisms rewarding and incentivising them to protect forest need to be set up. A strength of the collaborative approaches, such as landscape/jurisdictional initiatives, or any programme involving communities beyond cocoa farmers, is that they engage with all the stakeholders in a landscape/jurisdiction that can, in a way or another, drive deforestation. This also applies to any Human Rights or legality issue.

### COLLABORATIVE APPROACHES TO MITIGATE FUTURE RISK OF DEFORESTATION

Companies and certification schemes already have protocols for implementing many of the above activities. However, a critical limitation of individual supply chain approaches is that they do not effectively mitigate risk of future or new suppliers deforesting, they only mitigate the risk of them entering the supply chain. Therefore, mitigation of future deforestation risk is most effectively done through proactive and often collaborative approaches that engage with communities and farmers in high-risk areas to mitigate future clearance through training, forest protection, livelihood support and monitoring programmes. In some cases, this may involve customary agreements or law, the use of train the trainer approaches, community-based monitoring and effective enforcement.

In some situations, where protected areas are known to be well managed and effectively protected this could be also considered as an effective mitigation strategy against deforestation, which could indicate that if combined with effective monitoring and traceability, cocoa can be sourced from the buffer zones without risk of deforestation entering the supply chain in the future. There are challenges remaining in the implementation of government regulations and enforcement, for example, with lack of alignment between agencies or limited resources at a local level for implementation. Support is needed to help close these gaps and public-private collaboration can help in places.

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<sup>92</sup> (OECD, 2018, p. 80)



## 4.4 Monitoring

In a Deforestation Due Diligence process, both progress monitoring of DDD systems, and monitoring of deforestation in the cocoa production areas should be considered as best practices.

### Deforestation monitoring in cocoa production areas

Several deforestation and forest monitoring tools and approaches are currently being used within the cocoa sector, most notably company and government monitoring systems. Deforestation monitoring systems consist of real-time satellite monitoring to monitor ongoing deforestation. In the case of deforestation monitoring as part of a company's management system, deforestation is monitored in the company's supply area. Forest and deforestation monitoring systems established by producer countries monitor the whole national territory, making them more efficient to monitor forest dynamics and deforestation leakage at the scale of a specific country. Landscape level monitoring can complement national monitoring systems and provide a more operational scale to implement monitoring. For a system to be effective it also requires a clear "response protocol" with resources and responsibility to take action on the ground to prevent further clearance whilst working together with farmers or community members. This is where community-based monitoring can be a useful tool to drive effective and inclusive results.<sup>93</sup>

The monitoring of cocoa farms has faced technological challenges, as distinguishing the forest cover of cocoa agroforestry systems with shade trees is subtle. Cocoa deforestation systems have struggled with mapping some cocoa areas and mistakenly categorise deforested areas. Nevertheless, advances in machine learning and artificial intelligence (AI), along with images with greater resolution, are proving helpful particularly with private monitoring service providers being used by government and the private sector. This draws in part from innovation in the palm sector. This means use of detailed 10m imagery, local knowledge, and field visits to support the verification of cocoa plantations.

If widely trusted by the cocoa sector, national deforestation and forest monitoring systems could be generalised to ensure that all importers/exporters use the same data. They also have the benefit of being able to be linked to responses on the ground as government agencies are responsible for monitoring of most remaining forest in Ghana and Côte D'Ivoire (e.g., Forestry Commission for forest reserves in Ghana). Furthermore, having a national monitoring system as a reference could allow for the tracking of deforestation leakage instead of only monitoring farmers in existing company supply chains where, in most cases, deforestation already occurred some time ago. This would enable mitigation actions to be targeted at locations where deforestation is highest.

However, key questions around such platforms still have to be resolved, such as a platforms' ownership, accessibility to companies, long term financing, responsibilities and capacities.

A remaining challenge is inadequate resourcing for monitoring staff, and in Côte D'Ivoire there remain major enforcement challenges in some 'forêts classées', which will only be overcome via extensive community/farmer engagement programmes that are starting to get underway.

Regarding the EU proposed deforestation-free regulation, it is important to note the EU Commission launched the EU Observatory on deforestation, forest degradation, changes in the world's forest cover and associated drivers that will facilitate access to information on supply chains for public entities, consumers and business. Additionally, member states and their competent authorities will have the possibility to use EU's own satellite Positioning, Navigation and Timing (PNT) technology (EGNOS/Galileo) and its own Earth observation and monitoring system (Copernicus) to conduct regulation compliance monitoring.

### Progress monitoring and continuous improvement of DDD systems

Due Diligence systems in general should be embedded in a continuous improvement process. Robust monitoring of DD requirements and sustainability policies relies on transparency, verification of results and public reporting and disclosure of progress, to bring trust amongst stakeholders and demonstrate impact.

In that sense, companies use 2nd or 3rd party verification to provide partial or full assurance on the effectiveness of their cocoa sustainability programmes, including claims on traceability, tackling deforestation or reforestation. Certification schemes also have auditing and assurance measures in place.

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<sup>93</sup> "Community based monitoring is more effective than satellite monitoring in identifying specific perpetrators and drivers of deforestation" (Sustainable Cocoa Initiative, Cocoa talks, EU virtual multi-stakeholder roundtables on sustainable cocoa. Summary report on meeting 3B traceability, transparency and accountability with regards to deforestation and forest degradation, 2021)



## Tools and approaches contributing to Monitoring as part of the Deforestation Due Diligence process

APPROACH	MONITORING
Producer country sustainability programmes and systems	<p><b>Deforestation and forest monitoring systems</b></p> <p>The largest cocoa producer countries are developing such systems, with different levels of advancement. See annexes A and B for detailed information on the Ghanaian and Ivorian systems.</p> <p>In Cameroon, the Framework for Action of the Roadmap to Deforestation-free Cocoa includes a commitment to develop a satellite-based monitoring system with deforestation alerts.<sup>94</sup> The Ministry of Forests and Wildlife (MINFOF) and Ministry of Environment and Sustainable Development still have to decide on which system to use as their national forest monitoring system. Notably, they have been engaged in the development of the <a href="#">Central African Forest Initiative</a> (CAFI) / FAO deforestation and forest degradation maps for the Congo basin.<sup>95</sup></p>
International and regional certification schemes	<p><b>Audits and compliance control systems</b></p> <p>All of the cocoa international schemes require independent audits and control systems.</p> <ul style="list-style-type: none"> <li>• <b>Rainforest Alliance</b> <ul style="list-style-type: none"> <li>○ Rainforest Alliance requires annual monitoring and inspections to confirm compliance with the standard. A corrective action plan is created to eliminate non-conformities.</li> <li>○ Rainforest Alliance requires a Supply Chain Risk Assessment (SCRA), which is accompanied by an audit for Social and Environmental Requirements for operations identified as high risk.</li> <li>○ Rainforest Alliance monitors and evaluates compliance with their 2020 Sustainable Agriculture Standard and measure progress towards sustainability improvements. For landscape-level monitoring and evaluation, an individual Theory of Change and set of indicators are developed and monitored for each project. Additionally, the Rainforest Alliance and independent researchers conduct a variety of projects, analyses, and studies to evaluate the effectiveness of their certification and landscape-level programs.<sup>96</sup></li> <li>○ Rainforest Alliance provides farmers and companies with the MultiTrace Platform facilitating high-level reporting for their internal management and external communication. The platform records all cocoa purchases and sales, linking volumes from individual farms and the final claim being made.<sup>97</sup></li> </ul> </li> <li>• <b>Fairtrade</b> <ul style="list-style-type: none"> <li>○ In Fairtrade, every producer and company involved in the buying and selling of a Fairtrade product has to be certified, and certified organisations are audited regularly by the global certification body FLOCERT. Up to three audits are carried out during a three-year certification cycle, depending on FLOCERT's assessment of the organisation's individual needs. Additional unannounced audits can be conducted at any time.</li> <li>○ Fairtrade, through its certification body FLOCERT, monitors custody and trade of products from certified producers onwards via its reporting platform Fairtrace. FLOCERT checks on the correct reporting of these product flows during its audits. FLOCERT also checks that cooperatives do not have members in protected areas.</li> <li>○ In addition to auditing of producer organisations compliance by FLOCERT, Fairtrade commissions and publishes independent data collection on the implementation of its producer organisation support and capacity building programme, the West Africa Cocoa Programme and household income studies.</li> </ul> </li> <li>• EU Organic certification requires any operator who produces, prepares, stores, or imports products from a third country in the meaning of Article 1(2) or who places such products on the market to adhere to a control system. Regulations 834/2007 and 889/2008 provide rules about evidence requirements for organic production, labelling and control.</li> </ul>

<sup>94</sup> (The Sustainable Trade Initiative (IDH), Roadmap to Deforestation-free Cocoa, n.d.)

<sup>95</sup> (FAO, Évaluation de la déforestation et de la dégradation des forêts et des moteurs directs associés à l'aide de SEPAL)

<sup>96</sup> (Rainforest Alliance, Monitoring and Evaluation, n.d.)

<sup>97</sup> (Rainforest Alliance, Understanding End-to-End Cocoa Traceability and the MultiTrace Platform, 2022)

<b>International and regional certification schemes</b>	<p>Assurance of certification standards have been criticised by some NGOs, and they are not without fault, but regulatory DD tools will not be without their own assurance challenges and must learn from certification. For example, in the context of the EU deforestation-free proposed regulation, enforcement is only done remotely from the EU, hence auditing of deforestation by EU competent authorities will require the EU authorities to have access to appropriate data and a nuanced understanding of land tenure and farm contexts which is often lacking outside of the producer countries themselves. Ultimately this top-down auditing approach will be a screening tool for exclusion rather than one to address the deforestation.</p>
	<p><b>Deforestation monitoring systems</b></p> <ul style="list-style-type: none"> <li>• Some international certification schemes have deforestation monitoring systems in place (e.g., Fairtrade partnership with Starling in Ghana and Côte d’Ivoire).<sup>98</sup></li> <li>• Both Rainforest Alliance and Fairtrade either encourage or require farmer groups to collect farm geodata and to monitor these using freely available tools. In Côte d’Ivoire, Fairtrade has been working with producer organisations to make digitalised internal management systems, with mapping capabilities available directly for the producer organisations.</li> </ul>
<b>Collaborative Approaches</b>	<p><b>CFI commitments and national action plans</b></p> <ul style="list-style-type: none"> <li>• As part of their CFI commitments, SNV and Touton have a deforestation monitoring system with the remote sensing company Satelligence in collaboration with Ghanaian GIS experts. The approach builds on the methods developed in Ghana to detect and distinguish cocoa plantation from forests and other vegetation types. The SNV website states, “The combined use of 10m detail radar imagery that can better capture forest structure, and new machine learning techniques enabled us to achieve higher accuracy than previously possible. We engaged local knowledge including field visits and active support by national experts.”<sup>99</sup></li> <li>• The CFI action plans include commitments to strengthen monitoring on the ground. Companies report their progress annually, and the collective progress reports are publicly shared. Government action plans also include targets for the roll out of the national monitoring systems.</li> </ul>
<b>Collaborative Approaches</b>	<p><b>Landscape/jurisdictional initiatives</b></p> <p>Landscape/jurisdictional initiatives either already have monitoring systems in place (e.g., the landscape with Satelligence in Ghana above) or have plans to establish these systems as part of their management and monitoring plans.</p> <p>The disadvantage with these initiatives is that they take time to develop, and most have been initiated only in recent years. However, the strong advantage is that landscape level monitoring can provide a more operational scale to implement monitoring than national level monitoring systems. Additionally, they can bring efficiency and include monitoring of all forest in the landscape (i.e., beyond just the farms in a supply chain). Furthermore, community-led boards within many initiatives (e.g., in Ghana Rainforest Alliance’s Landscape Management Boards or Community Resource Management Areas (CREMAs)) facilitate participatory governance that allows stakeholders in the landscape to own and implement monitoring, e.g., with community-based monitoring. This approach is inclusive and brings responsibility for sustenance of livelihoods and natural resource management to local people.</p>

<sup>98</sup> (Fairtrade International, 2022)

<sup>99</sup> (SNV, 2019)

<b>Company systems and sustainability programmes</b>	<p><b>Deforestation monitoring systems</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Global Forest Watch</a> (GFW) is a free platform managed by the World Resources Institute (WRI) which provides a global map and an extensive set of datasets on forests and deforestation. In addition, GFW Pro provides to companies a deforestation alert system that can be used to monitor conditions at farm (if companies upload their farm data), supply shed or jurisdictional level and to track changes over time. <a href="#">GFW Pro</a> has been used primarily in palm, but expanded to other commodities, including cocoa. Some precautions should be taken when using the datasets in GFW in the context of cocoa in West and Central Africa as cocoa trees felling might be captured as tree cover loss, which should be distinguished from deforestation.</li> <li>• Many companies use private monitoring providers who have access to the best basemaps and alert technologies and are designed to manage large volumes of farm boundary data.</li> <li>• For example, <a href="#">Satelligence</a>, <a href="#">Descartes Labs</a>, <a href="#">MapHubs</a> and <a href="#">Starling</a> regularly capture the changes occurring in cocoa-growing landscapes and provide deforestation alert notifications to companies for them to act on.</li> </ul> <hr/> <p><b>2<sup>nd</sup>/3<sup>rd</sup> party verification</b></p> <p>Companies are using 2<sup>nd</sup> or 3<sup>rd</sup> party verification to provide partial or full assurance on the effectiveness of their cocoa sustainability programmes, including claims on traceability, tackling deforestation or reforestation.</p> <p>For instance, Mondelez partners with Ipsos and FLOCERT to 3<sup>rd</sup> party monitoring and verification for the implementation of the Cocoa Life programme. Ipsos evaluates annually the progress made by the company on its programme KPIs. FLOCERT verifies the flow of cocoa volumes produced by communities being part of the programme, and the benefits that farmers receive.<sup>100</sup></p> <p>Barry Callebaut's Cocoa Horizons Programme undergoes 3<sup>rd</sup> party verification of its programme KPIs once a year. Verification is done by PwC.<sup>101</sup></p>
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## Monitoring best practices

### TECHNOLOGY TO IDENTIFY FOREST DEGRADATION AND DEFORESTATION

It is critical that monitoring systems for cocoa can identify forest degradation and separate shade cocoa from forest, otherwise deforestation and degradation are hard to differentiate from farm management or replanting of new clones. Medium resolution (10-30m) is not always sufficient to make this distinction. However, newer technologies such as very high-resolution imagery, RADAR<sup>102</sup> and LIDAR,<sup>103</sup> and improvement of classification algorithms provide ever-improving identification capabilities.

### PROTOCOLS AND CAPACITY FOR ON-THE-GROUND RESPONSE

Monitoring systems are meaningless unless they are combined with on-the-ground response systems. This means having clear responsibilities for monitoring different zones and trained staff that can verify satellite information and then act appropriately and safely to resolve the clearance. This should link to remediation protocols (see section 4.5 Remediation). Examples of response systems could be those run by cooperatives for on-farm areas, government protocols for inside protected areas or community-based monitoring within landscape initiatives. Relying on response systems run by cooperatives will require investment in cooperatives and stability in long term trading relationships.

### LOCAL OWNERSHIP AND COMMUNITY-BASED MONITORING

In the cocoa sector where all production is by smallholders, monitoring systems for off-reserve areas are likely to be most effective if they are locally owned by or jointly with communities that own and use the land. This enables communities to take ownership and develop customarily suitable monitoring protocols, which in some cases could be captured in customary regulations.

### NUANCED UNDERSTANDING OF THE LOCAL CONTEXT

Having a nuanced understanding of land tenure and farm contexts, that is often lacking outside of the producer countries themselves, and access to appropriate data is key for monitoring compliance with DDD regulations. Hence, the reality of deforestation or forest degradation in the field is very complex with multiple crops, many different drivers and stakeholders. Verifying whether deforestation events are associated or not with a specific crop and/or a specific supplier will be very challenging (e.g. illegal loggers cut shade trees from farms without the farmer or land owner's

<sup>100</sup> (Mondelez International, n.d.)

<sup>101</sup> (Barry Callebaut, 2022)

<sup>102</sup> Radio Detection And Ranging

<sup>103</sup> Light Detection And Ranging

permission, some shade trees are economic trees planted by farmers and their felling make be picked up remotely as “deforestation”). It requires an understanding of every context and interactions in a given landscape, and it needs field verification when remote data are not sufficient.

Regarding the EU deforestation-free proposed regulation, once the regulation is enacted, the EU Commission should develop further guidance on the criteria and process for confirming / refuting deforestation alerts.

## 4.5 Remediation

Remediation of harms is a central tenet of the [UN Guiding Principles on Business and Human Rights](#) (UNGPs). Best practice for management of human rights grievances in supply chains in line with the UNGPs requires companies to ensure that their grievance mechanisms require or provide for remediation for the rights holder.

Additionally, existing Due Diligence guidance and processes such as the [OECD-FAO guidance on Responsible Agricultural Supply Chains](#) include remediation of negative environmental impacts as a principle.<sup>104</sup> International buyers and supply chain companies are increasingly requiring suppliers to put in place recovery plans for non-compliant deforestation, to ensure positive outcomes for forest rather than simply excluding suppliers permanently without a means to address the harm done. See for instance the [FPC palm deforestation monitoring and response framework](#).<sup>105</sup>

On environmental restoration or remediation, there is a strong global focus on ecosystem restoration, for example, with the [UN Decade on Ecosystem Restoration \(2021–2030\)](#)<sup>106</sup> acting as a global policy push to turn the tide on rapid deforestation and ecosystem loss this decade. However, unlike the case of the UNGPs, there is not the same powerful precedent in international law or guidance for how companies should remediate environmental harms linked to their supply chains. Debate on the topic has been polarised due to concerns that remediation becomes offsetting and criticism of “zero net deforestation” approaches, where new deforestation is permitted if compensated elsewhere. However, existing DD guidance and processes do include remediation of negative environmental impacts as a principle.<sup>107</sup> There is also experience from voluntary certification schemes and more recently corporate No Deforestation commitments which indicates that requiring remediation, rehabilitation or recovery for non-compliant deforestation, if managed with the right safeguards and used in the right circumstances, is an important tool to move towards deforestation-free production and to maximise forest protection outcomes on the ground. It is for this reason that an effective DDD framework should require remediation of non-compliant clearance.

In the context of the CFI national implementation plans, the CFI has set up a Safeguards Task Force in Ghana that aims to prepare a Guide to Social and Environmental Safeguards Compliance, which defines a stepwise approach to ensure that implementation of the CFI plans does not cause negative impacts on the environment and the population. Similarly, the CFI Social Inclusion Thematic Group in Côte d’Ivoire aims to develop guidelines on social safeguards. Such safeguards are crucial in the case of cocoa farmers/communities that are illegally encroaching on forest areas and where some of these communities will need to find alternative livelihood activities and sometimes be relocated. In that case it is crucial that social and environmental rights are not violated.<sup>108</sup>

However, currently the EU proposed deforestation-free regulation does NOT mention remedial actions for operators and traders to be removed from the non-compliant list. But, voted amendments by the EU parliament in September 2022 consider the possibility for operators and traders that were included in the non-compliant list to be reintegrated when ‘sufficient remedial action was taken’<sup>109</sup>. In the proposed amendments, sufficient remedial action that should be taken by operators and traders includes ‘have made full payment of penalties or carried out improvements to its due diligence system, and no other penalty or procedure concerning an alleged infringement has been reported’<sup>110</sup>.

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<sup>104</sup> (OECD-FAO, 2016)

<sup>105</sup> (The Consumer Goods Forum FPC, 2022)

<sup>106</sup> (UN Environment Programme & FAO)

<sup>107</sup> E.g. The OECD-FAO guidance on Responsible Agricultural Supply Chains states that companies should improve their environmental performance by “remediating pollution and negative impacts on air, land, soil, water, forests and biodiversity, and reducing greenhouse gas emissions” (OECD-FAO, 2016)

<sup>108</sup> (The Sustainable Trade Initiative, 2019)

<sup>109</sup> (European Parliament, 2022) Amendments 194 & 195

<sup>110</sup> (European Parliament, 2022) Amendments 194

Remediation of past harms, including of past deforestation events, is an especially important point of equity for the cocoa sector, where permanent exclusion of smallholder farmers may have direct negative impacts on the livelihoods of farmers.

Some lessons learned from certification schemes and voluntary supply chain commitments on where and when remediation can be important, include:

- **In cases where producers/farmers have not been engaged on or made aware of policy cut-off dates, remediation should be considered to ensure equity in implementing No Deforestation requirements.** Reaching all farmers for smallholder dominated commodities such as cocoa is especially challenging due to the vast numbers of farmers who are very disconnected (especially in the indirect supply chain) from downstream companies and consumer countries and for whom cocoa is a subsistence commodity rather than a cash crop. **In particular, new farmers clearing land on forest frontiers rarely have any relationship with cocoa buyers, whose engagement focuses on current suppliers, at the time of land clearance meaning they are rarely aware of any downstream policy requirements.** This is especially true when it comes to retrospective cut-off dates, such as the cut-off date included in the draft EU DDD regulation.
- **Permanent exclusion of non-compliant farmers risks pushing them into leakage markets.** For certain commodities, this could mean that farmers end up selling to other local or regional markets with less stringent demands, as is known to happen in the palm and soy sectors. In the case of cocoa farmers in West Africa this may currently mean that farmers end up selling into the indirect supply chain where regulation of bean collectors is limited and farmers are at risk of being exploited.
- **Permanent exclusion of non-compliant smallholder farmers can worsen the livelihoods of cocoa farmers and risks driving serious human rights abuses,** such as pushing farmers into bonded contracts with unregulated buyers. If remediation activities and responses to deforestation are not rights-based, this risks encouraging forced eviction of farmers. Internationally recognised social safeguards to mitigate the impact on farmers should be applied.
- **Remediation can provide a mechanism to hold supply chain actors or deforesters accountable** for clearance, and to achieve positive conservation outcomes that would never have been achievable if the suppliers simply shift to selling to a leakage market.
- Remediation is a complex and divisive topic being grappled with by various certification schemes (see for example the [FSC Green Paper](#)).<sup>111</sup> However, there is some emerging experience from the palm sector (based mainly on larger growers/plantations)<sup>112,113</sup> suggesting that a **“deforester pays” approach could be a strong deterrent against further non-compliance. However, a different approach is needed for smallholders who don’t have the resources to pay, for example, exploring mechanisms for supply chain support.**

Forest restoration and remediation are well established parts of the cocoa sector’s sustainability efforts. However, the main activities supported by companies in the cocoa sector are not intended to directly remediate known clearance by farmers in the supply chain, but are part of industry reforestation efforts to drive climate resilience. These can be divided into two main activities: 1. On-farm agroforestry or shade trees, and 2. Landscape or larger scale reforestation programmes (usually working with government in protected areas).

Both are important activities for transforming the sector, but there has been reluctance to connect reforestation and remediation efforts to sourcing due to concerns about the cost of paying for remediation and restoration efforts, and potential livelihood impacts on farmers who may have to give up their land. However, the sector may be able to tackle deforestation and restore forests more effectively if restoration efforts are explicitly connected with efforts to engage with farmers, communities or cooperatives in the supply chain, especially in the indirect supply chain where deforestation rates are thought to be highest. If there can be industry agreement between government and the private sector that costs for remediation need to be shared, then integrating remediation with sourcing could place greater emphasis on holistic programmes (e.g., at a landscape level) for avoiding deforestation and restoration in forest frontier areas, whilst also potentially increasing company accountability by understanding how much “past” deforestation companies are likely to be connected to. The cocoa sector is well suited to a range of remediation scenarios, because it grows well under shade trees or in agroforestry systems.

Under the CFI, there are promising examples captured in the table below, such as the Ghanaian government’s programme to use the Modified Taungya System for farmers that have illegally deforested in forest reserves. Payment for Ecosystem Services programmes are also being implemented by some companies, which provide possible models for alternative income. Ultimately the cocoa sector needs greater alignment on expectations and good practice for how to remediate for “non-compliant” deforestation, and for cost sharing.

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<sup>111</sup> (Richard Zell Donovan, 2020)

<sup>112</sup> (RSPO, 2021)

<sup>113</sup> (Chain Reaction Research, 2019)



A few principles of good practice for equitable and effective remediation are outlined here, and a table of remediation approaches from the cocoa sector are provided below the bullet point list.

- **Agree a clear process or develop simple tools to calculate non-compliant clearance.** Calculating the area requiring remediation can be readily done with GIS tools, but experience from the RSPO's remediation and compensation procedure (RACP) shows this can be costly and time consuming, so the cocoa sector should develop a simplified tool for running the land use change analysis (LUCA), e.g., building on national monitoring systems or off-the-shelf tools like GFW or GRAS. There may be a case for focusing initially on only direct supply where traceability data is available, although proxies could be used for indirect volumes to avoid all resources being diverted into traceability.
- **Develop a range of remediation options:**

Given the complexity of implementing and paying for remediation in the cocoa smallholder context, a range of recovery or remediation options should be considered. An exercise to understand the different scenarios of non-compliance has proved useful for other commodities like palm to determine the severity of the non-compliance and then in turn appropriate recovery pathways based on the context. The RSPO's RACP has differentiated scenarios and Proforest also supported Cargill to develop guidance for their palm suppliers that considers different scenarios.<sup>114</sup> The Accountability Framework Initiative also provides guidance on remediation for smallholder deforestation.<sup>115</sup> Key factors to consider could include the date of clearance; the quality of vegetation cleared; the connectivity or proximity of the location to other forest; the legality of the clearance; and the knowledge or engagement of the farmer. Possible scenarios in the cocoa sector could include:

  - **More severe:**

“comprehensive” recovery options (e.g., restoring cleared land back to natural forest) may be deemed necessary for illegal deforestation in protected areas (e.g., as per the CFI) that has happened recently or for cases where farmers were already informed of no deforestation expectations. In this scenario, farmers should be offered some support to find alternative livelihoods.
  - **Less severe:**

agroforestry on existing cocoa farm areas may be more appropriate where farmers had not been informed of policy requirements at the time of clearing forest legally (outside protected areas). Alternatively, consideration could be given to “offsite” forest restoration, for example, by restoring forest in the wider landscape.
  - For any recovery options, the well-established principles of additionality, permanence, knowledge-based and rights-based should be applied.
- **Monitor remediation plans/programmes:**

Once remediation plans are agreed and being implemented, they need to be monitored to ensure they are effectively implemented and to ensure unintended negative outcomes do not occur in the future (e.g., experiences from unmodified Taungya systems used historically in West Africa where farmers were able to sabotage tree regeneration). The most efficient way to monitor remediation activities is to embed them in existing monitoring systems, for example, the systems established by the Ghanaian or Ivorian governments or by companies. However, crucially, these “top down” monitoring systems need to be complemented by on-the-ground monitoring protocols that are led or owned by farmers or communities involved in the activities, i.e., community-based monitoring.
- **Develop options for shared funding of recovery options:**

To make remediation work for smallholder cocoa farmers, there will need to be mechanisms to share the cost of remediation activities with supply chain companies and governments. Individual cocoa farmers cannot be expected to pay for remediation themselves, or if punishments are deemed necessary then the amount should be heavily discounted or covered under favourable credit terms. There could be opportunities to draw from examples from other commodities or programmes, such as the [Trillion Trees ReForest Fund](#) and the Funding for Soy Farmers in the Cerrado Initiative.

<sup>114</sup> (Proforest & Cargill, 2020)

<sup>115</sup> (Accountability Framework Initiative, 2019)



# Tools and approaches contributing to Remediation as part of the Deforestation Due Diligence process

APPROACH	REMEDATION
<b>Producer country sustainability programmes and systems</b>	<p><b>Ghana</b> The government of Ghana's CFI National Implementation Plan proposes a 25-year exit strategy using the Modified Taungya System (MTS)<sup>116</sup> for cocoa farms in more degraded forest reserves (condition score 4 and 5).</p> <p><b>Côte d'Ivoire</b> The Ivorian CFI implementation plan for the joint framework of actions<sup>117</sup> includes targets for:</p> <ul style="list-style-type: none"> <li>• Developing and implementing the national reforestation programme (June 2018-December 2019)</li> <li>• Rehabilitating State Public Domain Forests (National Parks, Reserves) (August 2018 - December 2020)</li> <li>• Rehabilitating State Private Forests (Forest reserves) (January 2019-December 2020)</li> <li>• Rehabilitating the forests in the rural domain (January 2019-December 2020)</li> </ul>
<b>International and regional certification schemes</b>	<p><b>Corrective Action Requests</b> Certification schemes can set corrective action requirements, and therefore potentially have a leverage for implementing remediation actions. This varies according to each scheme.</p> <p>For instance, Rainforest Alliance requires that for large farms and individual farms where conversion of forests and other natural ecosystems to agricultural production or other land uses occurred after the 1<sup>st</sup> of January 2014, and that do not comprise 1% of the land of the farm or more than 10 hectares ("minor conversions"), a restoration/compensation plan should be developed. This plan should show how the conversion of forest or ecosystem will be remediated in collaboration with an ecologist. The plan should be proportional, equivalent, additional, and permanent.<sup>118</sup></p> <p>The Fairtrade small producer standard does not specify restoration or compensatory actions in the event of deforestation after the cut-off date. However, the standard does require members to take actions to enhance biodiversity such as restoring natural ecosystems.<sup>119</sup></p>
<b>Collaborative approaches</b>	<p><b>CFI commitments and national action plans</b> Sectoral initiatives, such as the CFI, can support remediation actions, such as shade tree planting, while landscape initiatives can implement these remediation actions.</p> <p>Company signatories to the CFI have commitments to support forest restoration efforts, for example, in Ghana to support farmers in Category 2 Forest Reserve areas in their restoration and reforestation programmes, and to train farmers in the Modified Taungya System (MTS).</p> <p>Additionally, the CFI Safeguards Task Force in Ghana aims to prepare a Guide to Social and Environmental Safeguards Compliance, which defines a stepwise approach to ensure that implementation of the CFI plans does not cause negative impacts on the environment and the population. Similarly, the CFI Social Inclusion Thematic Group in Côte d'Ivoire aims to develop guidelines on social safeguards.<sup>120</sup></p> <p><b>Landscape/jurisdictional initiatives</b> Landscape and jurisdictional initiatives can implement remediation actions defined by national plans (e.g., CFI national plans).</p>
<b>Company systems and sustainability programmes</b>	<p><b>Sustainability programmes</b> Companies can implement their no deforestation commitments, including remediation, via actions made through their sustainability programmes. This remediation may also support delivery of SBTi Scope 3 commitments.</p>

<sup>116</sup> "The Modified Taungya System (MTS) is an agroforestry system under which farmers receive land to grow food crops alongside planted cocoa trees during the early years of plantation development. The legally binding arrangement stipulates that the benefits must be shared between the Forestry Commission, the farmers, the traditional landowners, and the forest-adjacent community." (Cocoa & Forests Initiative, CFI Joint Framework for Action, 2018, p. 3)

<sup>117</sup> (Cocoa & Forests Initiative, Implementation plan for the joint framework of action 2018-2020. Republic of Cote d'Ivoire.)

<sup>118</sup> (Rainforest Alliance, Annex Chapter 6: Environment. Document SA-S-SD-24-V1., 2022, pp. 4-5)

<sup>119</sup> (Fairtrade International, Fairtrade Standard for Smallscale Producer Organizations. Version 03.04.2019\_v2.5., 2019)

<sup>120</sup> (The Sustainable Trade Initiative, 2019)

## 5. Summary

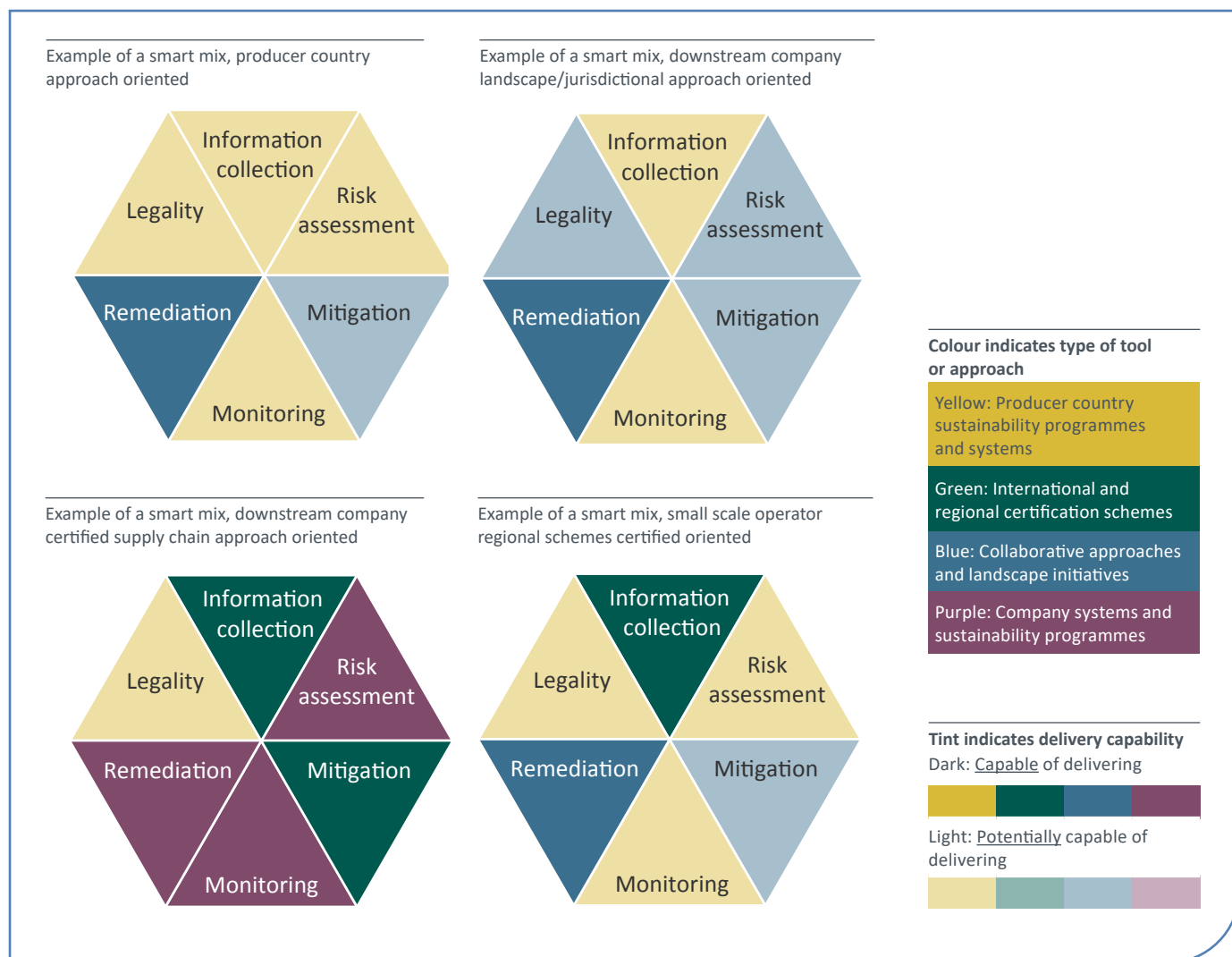
This guidance has identified the range of different existing tools, approaches and programmes in the cocoa sector that are already providing some or all of the needs of Deforestation Due Diligence. It is clear that there are no silver bullets, but there has been a wealth of practical experience and efforts to build existing tools and approaches that could be built on and further strengthened for new Deforestation Due Diligence requirements. There is a strong rationale to do this and learn from these approaches, and avoid missing out on valuable approaches in an attempt to produce something new.

Several key conclusions of this guidance are summarised below:

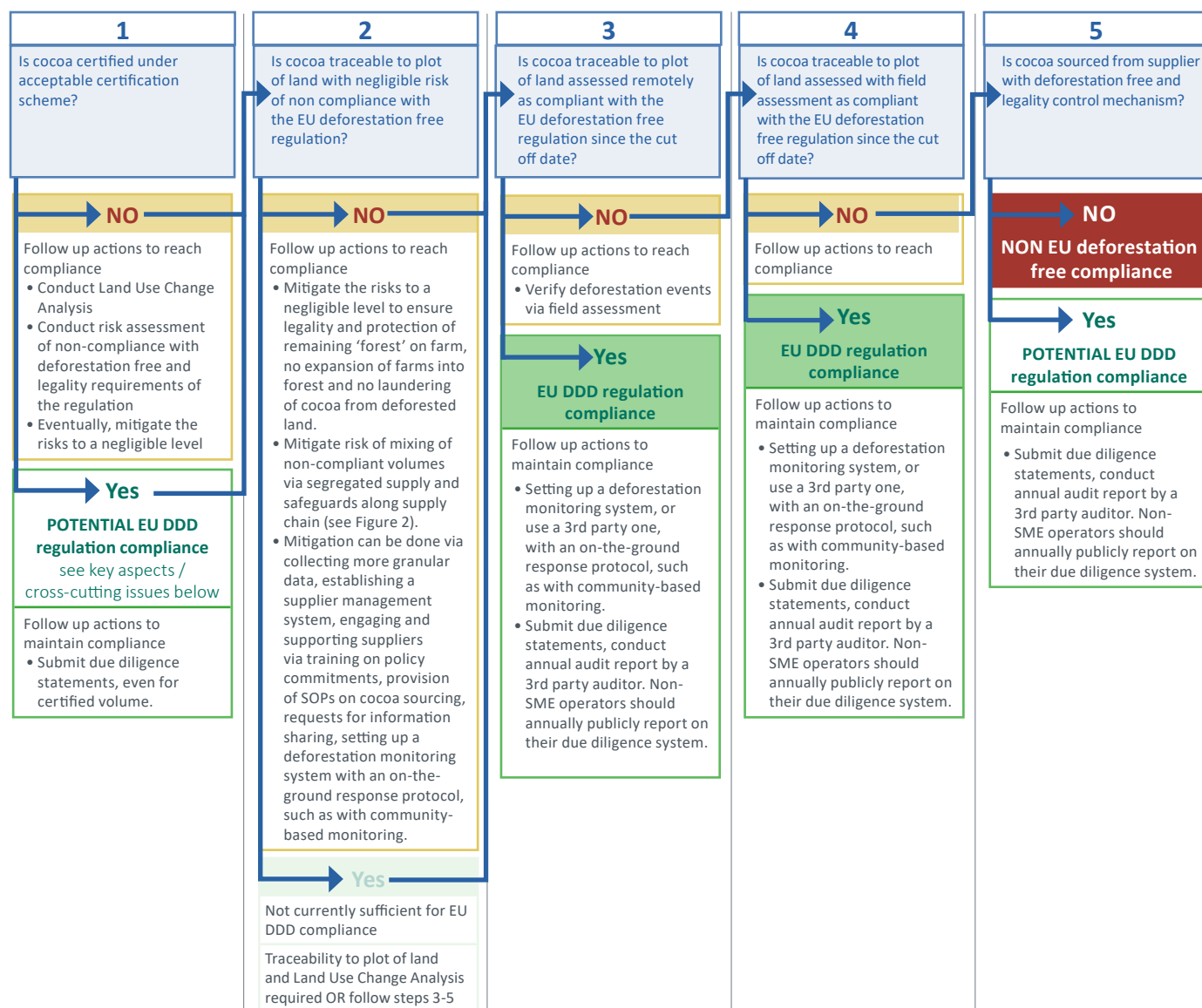
- **Most progress has been made, and attention given to, information collection, especially farm boundary mapping and traceability.** This is being driven by private sector efforts and more recently development of national traceability systems in Ghana and Côte d'Ivoire.
- **There is significant scope to bring greater efficiency to information collection** through data sharing and collation within national systems. Obstacles to this happening have been significant so far, but Deforestation Due Diligence regulations could provide an impetus.
- **Most tools/approaches for supply chain management and traceability do not stop deforestation happening, as most deforestation is done off-farm by new farmers.** Proactive engagement and collaborative action are needed to stop deforestation happening – in particular on the mitigation and monitoring steps. Therefore, it is crucial that Deforestation Due Diligence requirements incentivise companies to support change/impact on the ground, not just to clean their own houses.
- **Investment in locally owned and led mitigation and monitoring systems is crucial** to support communities and farmers, and to put forest protection in the hands of those best placed to manage and protect it. However, building these systems takes time and investment. **Therefore, impactful Deforestation Due Diligence may need to allow stepwise implementation within a timebound plan to allow such systems to be built.**
- **Deforestation Due Diligence requirements should include provisions for forest remediation.**
- **For a monitoring system to be effective it must include a clear on-the-ground “response protocol”** with resources and responsibility to take action on the ground to prevent further clearance whilst working together with farmers or community members.
- **Deforestation Due Diligence should not create adverse social impacts,** e.g., smallholder exclusion without support or alternative livelihood provision. Similarly, it is vital that provisions do not add cost or burdens for the most vulnerable cocoa farmers.
- **There is growing investment by the private sector into landscape initiatives** which could strengthen their effectiveness in the years ahead. However, this investment is typically only made by companies if they see the long-term supply potential of the landscape. Therefore, for this growing revenue stream not to be lost it is crucial that strict Deforestation Due Diligence requirements do not drive companies away from landscapes that may be considered “risky”.

In addition to this reference document, Proforest developed an [operational guidance on the EU regulation on deforestation-free products](#). In section 8 of the operational guidance, the cocoa “smart-hexagons” visualise how different tools and approaches can meet the EU proposed Deforestation Due Diligence regulation requirements. Even though these “smart-hexagons” are specific to the EU proposed regulation, they illustrate the relevance of a smart mix approach for companies to meet Deforestation Due Diligence requirements. See Figure 4 and please refer to the [operational guidance](#) for more details.

Additionally, in section 7, the operational guidance provides practical and actionable steps for cocoa producers and importers to assess and demonstrate compliance with the EU proposed DDD and that can be integrated in deforestation free reporting. Note that the proposed steps are tailored to the EU proposed regulation. See Figure 5 and please refer to the [operational guidance](#) for more details. Finally, for more information on Verified Deforestation and Conversion Free (V-DCF), see the [generic methodology and approach to V-DCF that Proforest developed](#).



**Figure 4:** Cocoa smart hexagons from [the operational guidance on EU regulation on deforestation-free products](#) for cocoa producers and importers. Using the example of the EU proposed DDD regulation, the smart-hexagons illustrate the relevance of using a smart mix of tools for meeting DDD requirements.



#### KEY ASPECTS

<p><b>KNOWN</b></p> <p>Criteria for acceptable certification schemes:</p> <ul style="list-style-type: none"> <li>✓ CoC: Identity preserved and segregated</li> <li>✓ Data collection to plot of land</li> <li>✗ Mass Balance supply where a small portion of 'non-compliant' volumes is mixed with 'compliant' volumes is not acceptable</li> </ul> <p><b>UNKNOWN</b></p> <ul style="list-style-type: none"> <li>• No guidance provided by the EU regarding acceptable international/regional/national certification schemes.</li> <li>• No guidance by the EU regarding the need for certified volumes under acceptable scheme to undergo a 3rd party audit for DDD systems and to report annually on DDD.</li> </ul>	<p><b>KNOWN</b></p> <p>Traceability to low risk jurisdiction/landscape or plot of land will not be sufficient for EU DDD compliance</p> <p><b>UNKNOWN</b></p> <ul style="list-style-type: none"> <li>• Criteria for acceptable risk assessment</li> <li>• Criteria for negligible risk</li> <li>• Criteria for meaningful mitigation</li> </ul>		<p><b>UNKNOWN</b></p> <ul style="list-style-type: none"> <li>• Criteria for credible field assessment and acceptable verification evidence</li> </ul>	<p><b>KNOWN</b></p> <ul style="list-style-type: none"> <li>• Volumes supplied with control mechanism must be segregated</li> <li>• Company systems could be accepted if they are able to provide information required for EU DDD compliance, and if the systems follow EU DDD definitions on traceability, forest etc.</li> </ul> <p><b>UNKNOWN</b></p> <ul style="list-style-type: none"> <li>• Criteria for acceptable control mechanisms</li> <li>• Criteria for acceptable verification protocols</li> </ul>
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#### CROSS CUTTING ISSUES

<p><b>KNOWN</b></p> <ul style="list-style-type: none"> <li>• Compliance with the EU deforestation free regulation encompasses deforestation, forest degradation and legality</li> <li>• Cut off date: 31st of December 2020*</li> <li>• Forest and deforestation definitions are the FAO ones</li> </ul> <p><i>*31 December 2020 is the initial cut-off date proposed by the EU Commission, however an amendment was adopted by the EU parliament to set the threshold to 31 December 2019.</i></p> <p><b>UNKNOWN</b></p> <ul style="list-style-type: none"> <li>• Even though it is likely that digital tracking / transactional traceability won't be required, it is not yet clearly stated by the EU.</li> <li>• There is not much information available on an eventual process to align national cocoa traceability systems and deforestation monitoring systems with the regulation requirements, and it is the same unknown regarding the funding of these national systems' development on the long term.</li> <li>• There is no confirmation yet that forest and land use maps from producing countries' systems are acceptable for running Land Use Change Analysis and risk assessment, but it can be assumed that they should be if their forest and deforestation definitions align with the EU DDD regulation.</li> </ul>
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**Figure 5:** EU DDD and Deforestation Free compliance claims process flow from [the operational guidance on EU regulation on deforestation-free products](#) for cocoa producers and importers

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# Annexes

## A. Côte d'Ivoire national traceability and monitoring systems

CÔTE D'IVOIRE NATIONAL COCOA TRACEABILITY AND FARM MAPPING SYSTEMS	
Existing Systems	
Traceability	<p><b>Cocoa sales registration at farm level</b> Cocoa sales on farms are registered on paper-based receipts provided by Conseil Café et Cacao (CCC).</p> <p><b>Intermediary cocoa sales registration</b> A digital system named SYDORE <sup>121</sup> is run by CCC. SYDORE collects purchased volumes and sub-prefecture origins from cocoa cooperatives and national traders. So far, SYDORE provides limited traceability level (from first buyer only) and coverage.</p> <p><b>Cocoa sales registration before export</b> A digital system called SIVATC registers all cocoa export sales. Authorised importing companies must register with SIVATC.</p>
Farm mapping	CCC initiated a national census of cocoa farmers, including georeferencing all cocoa farm plots and collecting socioeconomic indicators.
Systems Under Development	
<p>An ongoing large reform process aims to set up:</p> <ul style="list-style-type: none"><li>• An effective public, unified, and auditable traceability system from farm to port</li><li>• Improved supply chain mapping and identification of cocoa farmers</li><li>• A unified satellite-based deforestation monitoring and early warning system.</li></ul>	

See next page for an overview of Forest and Deforestation Monitoring Systems in Côte D'ivoire.

<sup>121</sup> Système d'information sur les données régionales (SYDORE)

## Côte D'Ivoire National Forest and Deforestation Monitoring Systems

### Existing Systems

#### Deforestation and forest monitoring

##### IMAGES system

System maintained by the Ministry of Planning and Development and realised by Vivid Economics in partnership with Remote Sensing Applications Consultants (RSAC). It was selected by the CFI to monitor cocoa associated with deforestation for 2021 and 2022.<sup>122</sup>

The IMAGES system provides:

- Visualisation of different data layers
- Statistical reports
- Deforestation Early Warning System (EWS), providing alerts every 12 days
- Deforestation Risk Index (DRI) providing estimated future deforestation hotspots

##### Potential future national system under REDD+

In addition, a national and permanent forest monitoring system could be adopted within the REDD+ framework. This is under discussion.<sup>123</sup>

##### Starling in Cavally forêt classée

Additionally, Starling satellite monitoring technology is used to monitor deforestation in the Cavally forêt classée.

### Systems Under Development

#### An ongoing large reform process aims to set up:

- An effective public, unified, and auditable traceability system from farm to port
- Improved supply chain mapping and identification of cocoa farmers
- A unified satellite-based deforestation monitoring and early warning system.

<sup>122</sup> (Initiative, Annual report Cocoa & Forests Initiative 2020, 2020) (Initiative, Annual report Cocoa & Forests Initiative 2020, 2020)

<sup>123</sup> (Initiative, Annual report Cocoa & Forests Initiative 2020, 2020) (Initiative, Annual report Cocoa & Forests Initiative 2020, 2020)

## B. Ghana national cocoa traceability and monitoring systems

### GHANA NATIONAL COCOA TRACEABILITY AND FARM MAPPING SYSTEMS

#### Existing Systems

<b>Traceability</b>	<p><b>Cocoa sales registration at farm and community buying centre level</b></p> <p>A paper-based tracking system managed by the Quality Control Division of COCOBOD.</p> <p>Beans from farms are sold to local buyers, purchasing clerks, who are buying on behalf of one of the approximately 40 LBCs at the community buying centre. Sales are registered in the paper-based farmer's passbook containing information on the farmer, farm, and sales.</p> <p>This is an unreliable system as there is no proper verification, hence farmers growing cocoa on illegal farms can still have a passbook. It is at this point in the supply chain that the main traceability gap exists.<sup>124</sup></p> <p>Local buyers must register their daily purchases on paper-based documentation.</p> <p>At this point, cocoa is not segregated, and cocoa bean bags can contain beans from different farms. A paper-based bulking sheet should be filled in with the farmer's ID.</p> <p><b>Intermediary cocoa sales registration</b></p> <p>A paper-based tracking system managed by the Quality Control Division of COCOBOD.</p> <p>Beans from different buying centres are sent in district depots where a paper-based receipt is issued to the seller.</p> <p>Transport from the previous point to depots is tracked via waybills.</p> <p><b>Cocoa sales registration before export</b></p> <p>From district depots, cocoa is transported to one of the takeover points (in Kaase, Tema or Takoradi) and then to the port.</p> <p>Several tracking documents accompany cocoa beans to ports.</p> <p>The distinction between traceable and non-traceable cocoa is detailed in the tracking documentation.</p> <p>Only LBCs can segregate conventional and certified cocoa.</p>
<b>Farm mapping</b>	<p>There is currently no digitised farm mapping existing system, but the new CMS is in development.</p>

#### Systems Under Development

A digital CMS is being developed by COCOBOD, aiming to:

- trace cocoa from farm to port
- collect farm attributes and geodata

The CMS is now being populated with cocoa farm data (farm mapping and farm attributes) from Ghana's seven cocoa-producing regions. In end of October 2022, data from 6 of the 7 cocoa-producing regions in Ghana were collected, and in the 7<sup>th</sup> region, data from only 6 districts were still to be collected. Additionally, at COP26, the Forestry Commission (FC) announced the development of a comprehensive National Forest Monitoring System (NFMS). It is to be linked to the upcoming CMS.

<sup>124</sup> (Nitidae & EFI, Traceability and transparency of cocoa supply chains in Côte d'Ivoire, 2021)



## GHANA NATIONAL COCOA FOREST AND DEFORESTATION MONITORING SYSTEMS

### Existing Systems

<b>Monitoring</b>	The Forestry Commission (FC) of Ghana has adopted the Ecometrica mapping platform to produce the delivery of high-quality maps and forest monitoring information. These maps and information are crucial for the Cocoa & Forests Initiative Frameworks for Action. The information accessible through Ecometrica also helps to ensure compliance with national and voluntary commitments. The system continues to be expanded with the monitoring system and response protocols still being rolled out/finalised.
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### Systems Under Development

A digital CMS is being developed by COCOBOD, aiming to:

- trace cocoa from farm to port
- collect farm attributes and geodata

The CMS is now being populated with cocoa farm data (farm mapping and farm attributes) from Ghana's seven cocoa-producing regions. In end of October 2022, data from 6 of the 7 cocoa-producing regions in Ghana were collected.

Additionally, at COP26, the Forestry Commission (FC) announced the development of a comprehensive National Forest Monitoring System (NFMS). It is to be linked to the upcoming CMS.

## C. Cocoa & Forests Initiative action plan for Côte d'Ivoire: Forest Protection and Restoration Pillar

### EXTRACTS RELATED TO INFORMATION COLLECTION

COMMITMENT	ACTIONS
1. No further conversion of any forest land (as defined under national regulations, and using HCS and HCV methodologies) for cocoa production.	1.1 Conduct farm mapping within direct supply chain to identify and collect cocoa farm boundaries to ensure cocoa is not being sourced from forest lands, National Parks and Reserves, and Classified Forests.
14. Improve supply chain mapping, with the goal of 100% of cocoa sourcing traceable from farm to first purchase point. An action plan will be developed for traceability, which will be implemented step-by-step to achieve full traceability and verification, applicable to all by end-2019.	14.1 Conduct farm mapping within direct supply chain to identify and collect cocoa farm boundaries to ensure cocoa is not being sourced from forest lands, National Parks and Reserves, and Classified Forests.  14.2 Implement traceability system to farm level in direct supply chain.

Source: (Cocoa & Forests Initiative, Summary of Company Initial Action Plans for Côte d'Ivoire 2018-2022, 2018)

## EXTRACTS RELATED TO MITIGATION

COMMITMENT	ACTIONS
4. A differentiated approach based on the level of degradation of forests for Classified Forests will be developed and translated into a national forest restoration strategy	4.1 Support the restoration of Classified Forests by working with cocoa farmers, the government and the forestry industry to implement contracts for mixed agroforestry as a restoration and livelihoods
5. Legal protection and management status for the remaining forests of Côte d'Ivoire in the Rural Domain	5.1 Cooperate with the government on enforcement to prevent deforestation in the legally protected forest estate (rural domain)
6. Up-to-date maps on forest cover and land-use for the different forests, and socio-economic data on cocoa farmers developed and publicly disclosed, and detailed operational guidelines prepared	6.1 Support the government's forthcoming adaptive management plans for different forest areas to benefit the livelihoods of forest-dependent cocoa communities
	6.2 Participate in the development and operation of land-use and land-use planning at national and regional levels by sharing existing land use maps with government
7. Public enforcement of the new Forest Code and its subsequent guidelines, and public sector governance will be strengthened	7.1 Promote and participate in awareness-raising campaigns to educate farmers on the new Forest Code
	7.2 Update farmer engagement materials and training with the revised Forest Code
8. Public-private collaboration to mobilise resources for forest protection and restoration	8.1 Mobilise finance for forest protection and restoration

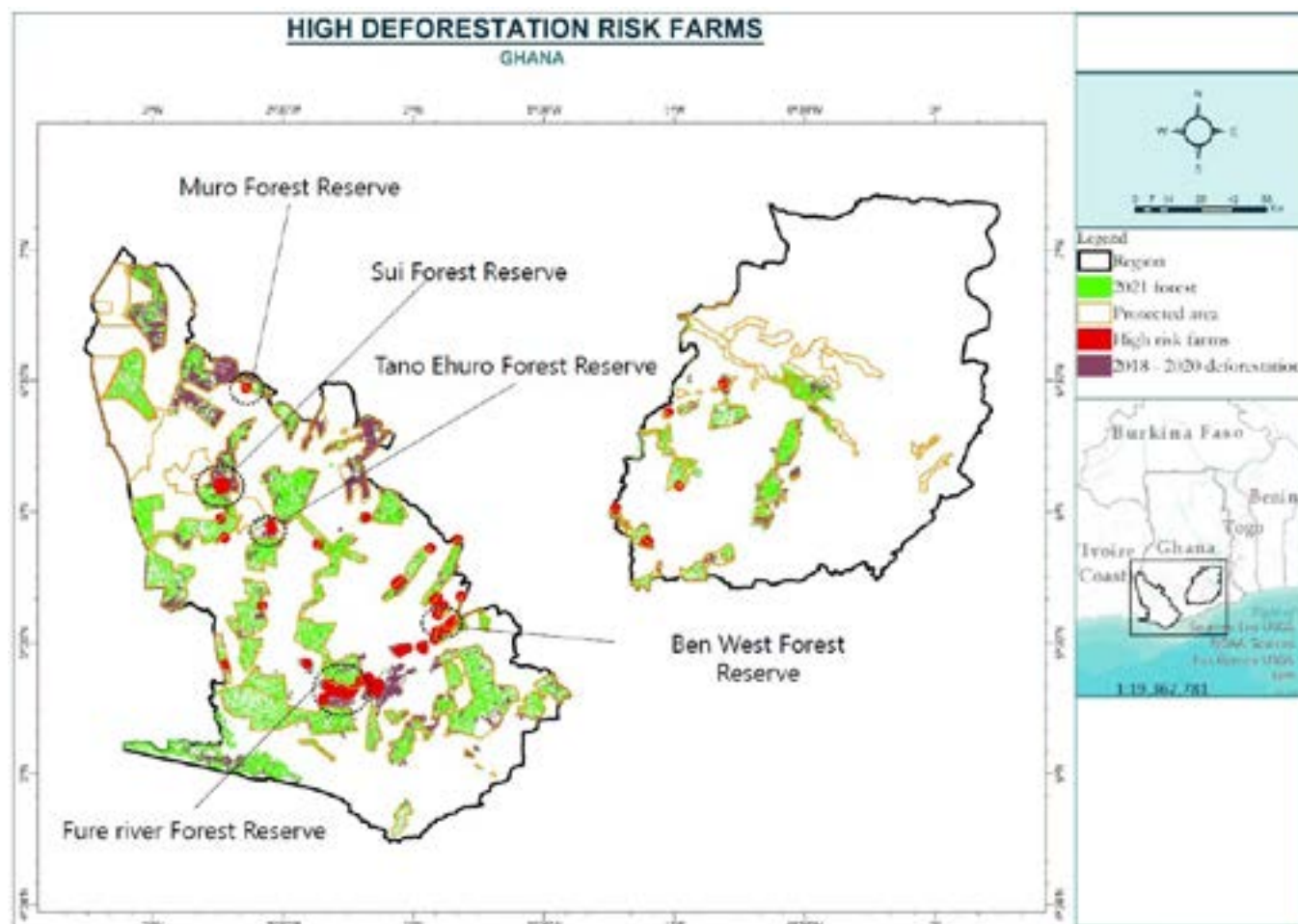
Source: (Cocoa & Forests Initiative, Summary of Company Initial Action Plans for Côte d'Ivoire 2018-2022, 2018)

## D. Synthesis of the different approaches and tools for risk analysis

RISK ANALYSIS	SUPPLIER PERFORMANCE EVALUATION	DEFORESTATION RISK ASSESSMENT
<b>What is it?</b>	An assessment to determine the degree to which cocoa suppliers' policies, systems and performance are in compliance with exporting/importing countries' regulations or buyers' sustainability commitments.	This assessment combines information on the origin of production with deforestation risk information that has a geographic component. It can be undertaken at country or jurisdictional level, or at the level of a specific supply chain, through geospatial assessment. See annexe E for an example.
<b>Which actor in the supply chain?</b>	Typically, relevant for downstream cocoa buyers. Usually conducted in-house or by external consultants.	Relevant for downstream level.
<b>When to run it?</b>	To be conducted across the supply chain as a one-off exercise before transitioning into monitoring where traceability data exists, and then risk assessment is repeated only for new suppliers/origins.	
<b>Which tools to use?</b>	<b>Scorecards</b> <ul style="list-style-type: none"> <li>• These evaluate the performance of cocoa suppliers based on a set of no-deforestation related criteria.</li> <li>• They only provide high-level information.</li> <li>• Publicly available scorecards for cocoa supply chain: <a href="#">Supply Change</a>, <a href="#">Easter scorecard</a>.</li> </ul>	<b>National level risk screening</b> <ul style="list-style-type: none"> <li>• This looks at risks in countries or sub-national jurisdictions.</li> <li>• Global third-party organisations and service providers: CSR Risk Check, Verisk Maplecroft.</li> </ul> <b>Geospatial sub-level risk assessment</b> <ul style="list-style-type: none"> <li>• More granular supply chain specific risk analysis conducted in Geographic Information Systems (GIS).</li> <li>• Information on risk factors (e.g., deforestation occurrence, protected areas...) is widely available and can be gathered from a variety of providers.</li> <li>• Publicly available geospatial risk assessment platforms: <a href="#">Global Forest Watch Pro</a>.</li> </ul>

## E. Example of a deforestation risk assessment of a cocoa supply base in Ghana

This deforestation risk assessment of a cocoa supply base in Ghana identifies the farms exposed to a high risk of deforestation and the threatened forest areas.



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