

Buying Policy

Cocoa



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Our responsibility



Our responsibility

Our CSR strategy

At Lidl, we believe that everyone should be able to shop sustainably. We have set a clear sustainability purpose to ‘make good food accessible to everyone.’ We deliver against this purpose by embedding our sustainability strategy, the ‘Good Food Plan’, into the core of our business, challenging the common misconception that sustainability equals higher prices and strengthens the notion of what constitutes good food. Good food is more than being high quality and affordable, it is food which is Good for Producers, Good for People and Good for our Planet.

We approach sustainability across these three themes of Producers, People and Planet, with each theme housing priority topics ranging from Human Rights to Sustainable Sourcing. We regularly consult with key stakeholder groups to ensure that our approach remains relevant and ambitious. Changing stakeholder expectations alongside shifting social and environmental factors shape our topic plans. Across each topic we’ve set long-term targets, working with industry leads to build partnerships and strive for greater transparency and accountability. This is the framework of our strategy to provide Good Food.

Our responsibility for cocoa in our products

Lidl offers a wide range of own brand products that contain cocoa, from chocolate bars, cereal to chocolate chip cookies to customers. By conducting a risk assessment, Lidl has been able to identify cocoa as a critical raw material within our supply chain.

This is due to the inherent environmental and human rights risks associated with the cocoa supply chain, and the high volumes of cocoa which we source. We are committed to addressing identified risks and making a positive impact within our supply chain by implementing our CSR strategy and meeting our commitments.



Background



Background

It is estimated that approximately 5 million tonnes of cocoa beans are harvested globally each year, 40% of which are exported to Europe to be processed. The countries that consume the majority of harvested cocoa are in Europe, North America, and North and East Asia. Cocoa is cultivated predominately by smallholder farmers in an area known as the "cocoa belt," which can be found in tropical regions within 20° of the equator.¹ The top cocoa producing country is the Ivory Coast followed closely by Ghana.²

There are systemic risks within the cocoa supply chain that make it a critical raw material for Lidl. For example, cocoa cultivation is a significant driver of global deforestation, which has detrimental impacts on the surrounding ecosystem and is a contributor to climate change. More information about this can be found in Lidl's [Buying Policy for Supply Chains Free from Deforestation and Conversion](#). Additionally, cocoa beans are primarily grown in monoculture plantations, a monoculture plantation is an area of land that only grows one species of crop, which coupled with heavy usage of fertiliser or pesticides, threatens biodiversity and water sources in the surrounding area.³

In addition to the environmental impacts, human rights violations are a prevalent risk in the cocoa supply chain. Due to cocoa being a globally exported commodity, farmers are exposed to the highly volatile global market prices and as a consequence, farmers are exposed to unstable and inadequate remuneration for their crop. In most cases, a cocoa farmer's income is below the internationally defined poverty line.⁴ This and other systemic issues such as lack of access to education, are some of the reasons why child labour is particularly widespread within cocoa farming, according to research by the Forum Nachhaltiger Kakao. In Ghana and the Ivory Coast alone, it is estimated that 2 million children and young people are currently working in the cocoa supply chain.⁵

Further to this, farmers often don't have sufficient personal protective equipment to use when handling agrochemicals or dangerous tools such as machetes that are needed during harvest. There are also inherent gender inequalities whereby women face discrimination and additional challenges, for example a lack of access to financial support, education, and land.⁶ Forced labour and human rights abuses are frequently reported by smallholder farmers and appropriate grievance mechanisms are not in place to ensure they are remediated effectively.⁷

¹ Fairtrade International: Fairtrade Products – Cocoa

² Statistisches Bundesamt [Federal Office of Statistics]: Erntemenge der führenden Anbauländer von Kakaobohnen bis 2019/20 [Harvest yields of the leading producing countries of cocoa beans to 2019/20], 2020.

³ Voice Network: Cocoa Barometer, 2020.

⁴ Voice Network: Cocoa Barometer, 2020.

⁵ German Initiative on Sustainable Cocoa: Challenges in the Cocoa Sector

⁶ Fairtrade Deutschland e.V.: Geschlechtergerechtigkeit im Fokus [Gender equality in focus]

⁷ US Department of State: 2020 Trafficking in Persons Report, 2020.

Our commitment to sustainable cocoa



Our commitment to sustainable cocoa

At Lidl, we have committed to sourcing the cocoa within our supply chain sustainably. As part of our raw materials strategy we have two main aims; to improve the working and living conditions in the producing countries, and to promote more sustainable agricultural practices. To achieve our goals, we have partnered with external stakeholders to develop a holistic, pragmatic strategy which is based on the four pillars below.

Since 2017, 100% of the cocoa sourced for our own brand products has been Fairtrade or Rainforest Alliance certified. We have made a further commitment to certify all of our own brand block chocolate to Fairtrade by the end of 2022.

More information about the Lidl raw materials strategy can be found in our [Raw Materials Buying Policy](#).

We have committed to sourcing 100% of our cocoa from sustainable sources

To achieve this commitment, we have analysed our supply chain to understand the risks and impacts inherent to Lidl and will continue to buy certified cocoa, promote more sustainable alternatives and collaborate on initiatives to support cocoa farmers.



1. Understanding our impact:

We identify risks in our supply chains and promote transparency

2. Enforcing standards:

We are sourcing sustainably certified cocoa

3. Promoting alternatives:

We promote the use of more sustainable alternatives in our product range

4. Driving systemic change:

We engage with multi-stakeholder initiatives and projects

Identifying critical raw materials and understanding the impacts

We have carried out a risk assessment of our supply chain and business operations in order to identify the critical raw materials and their risks specific to Lidl. This risk assessment supported the development and implementation of our approach to achieve our sustainability goals.

Further information is available in the [> Human Rights & Environmental Due Diligence Policy](#) and the [> Raw Materials Buying Policy](#).

Risks in the supply chain

The Lidl supply chain is complex, it is made up of a variety of stakeholders at each tier of the supply chain. Through our risk assessment, we have identified that cocoa is one of our critical raw materials with risks across the entire supply chain, but most salient risks occur in the country of origin where the cocoa is sourced. We have used our risk assessment as a tool to provide initial guidance on how we can implement our strategy to source cocoa sustainably.

In line with the **first pillar** of our raw materials strategy, we are understanding the risks in our supply chains.



Our critical raw materials at a glance



We have identified the following risks within the cocoa supply chain:

Social risks

Child labour	Ivory Coast, Ghana, Nigeria
Forced labour	Ivory Coast, Ghana, Indonesia
Workers' rights	Brazil, Ivory Coast, Indonesia
Discrimination	Ivory Coast, Ghana, Indonesia

Environmental risks

Biodiversity	Ivory Coast, Ghana, Nigeria
Climate change	Dominican Republic, Nigeria
Deforestation & land conversion	Brazil, Ecuador, Ivory Coast, Ghana
Water	Brazil, Ghana, Nigeria



Income improvement through Fairtrade certification

Since 2006, Lidl has introduced a range of permanent, own brand products certified to Fairtrade. The core Fairtrade mark stands for fairly produced and fairly traded products. This mark signifies that 'all that can be' Fairtrade, including all ingredients, were purchased to Fairtrade terms. Through this certification, Fairtrade means farmers and workers can receive higher incomes and increase their productivity sustainably.



Through our growing selection of Fairtrade certified products, Lidl ensures more security for cocoa farmers through long-term contracts, improving social standards and reliable income, independent from fluctuating global market prices. Fairtrade certification also incentivises sustainable farming practices, helping to reduce the use of chemical or synthetic fertilisers and pesticides.

The Fairtrade Sourced Ingredient: Cocoa (FSI Cocoa) seal on our packaging demonstrates that the cocoa ingredient within the product was purchased under Fairtrade terms. Through our cross-category commitment to FSI cocoa, cocoa farmers have more opportunity to sell a larger proportion of their produce on Fairtrade terms and therefore benefit from the Fairtrade Premium and the Fairtrade Minimum Price.



At Lidl, 100% of cocoa used as an ingredient in our product range is third-party certified. Lidl was one of the first retailers to start certifying the cocoa in its "Crownfield" own brand breakfast cereal range in 2014.

Through the annual Fairtrade Fortnight campaign, we promote the importance of Fairtrade certification to our customers, highlighting the positive impact certification has on the incomes and conditions of producers in global sourcing regions. As one of the largest Fairtrade partner companies worldwide, we plan to continue to promote our Fairtrade range prominently, as the Fairtrade system supports our wider strategy working towards living wages in the supply chain.

In 2021, Lidl GB's overall Fairtrade cocoa volumes represent 28% of the UK market for Fairtrade cocoa. During this period, Lidl GB generated more Premium for cocoa farmers than any other UK retailer, totalling over £1.2 million.

We certify our critical raw material cocoa in line with the **second pillar** of our raw materials strategy.



Supporting farmers with the Rainforest Alliance

By supporting the Rainforest Alliance certification programme, Lidl is promoting sustainable agriculture and better working conditions for those within the supply chain in over 70 countries across the world. Lidl has been supporting the Rainforest Alliance certification programme and using the Rainforest Alliance seal across a wide range of our own brand products since 2017.



Through Rainforest Alliance certification, farmers must use sustainable land management practices that protect forests, biodiversity, and natural resources which adhere to the requirements of the Sustainable Agriculture Network. Additionally, the Rainforest Alliance addresses human rights abuses within the supply chains such as child labour, gender inequality and forced labour, and promotes good working conditions.

The Rainforest Alliance seal on our packaging demonstrates that farmers have met specific, rigorous standards in four key areas (livelihoods, climate, forests and biodiversity and human rights), to cultivate the cocoa in Lidl's own brand products.

The Rainforest Alliance trains farmers to grow better, more resilient crops that enable them to mitigate and adapt to the impacts of climate change, whilst improving their crop yields and in turn the prices they receive for their cocoa. This aims to improve the livelihoods of farmers, their families, and the local communities in growing regions for the long term, as well as promoting more efficient agricultural practices.

We are certifying our critical raw material cocoa in line with the **second pillar** of our raw materials strategy.



Way To Go! Chocolate: Securing additional income for cocoa farmers in Ghana

Lidl's Way To Go! concept demonstrates how fair value distribution can work for retail businesses.

The Way To Go! concept has three main goals:

1. The payment of an additional premium: The Income Improvement Premium (IPP), is in addition to the Fairtrade Premium and the Fairtrade Minimum Price, and aims to close income gaps for the long term.
2. Empowering growers: Through training and start-up kits, small-scale farmers are supported as they implement sustainable farming practices and diversify their businesses, ensuring they benefit from other sources of income alongside their main earnings.
3. Promoting gender equality: Alongside Fairtrade and the participating cocoa cooperative, Lidl have introduced projects specially tailored to empower women in the cocoa sector.

Lidl was the first discounter to introduce an own brand, 100% traceable Fairtrade chocolate bar, working towards higher incomes for cocoa farmers.



Way To Go! Chocolate project goals

Support cocoa farmers



- Through premium payments, Way To Go! enables training for more sustainable cocoa production (increased income, more sustainable farming practices and crop diversification).
- Farmers receive the Fairtrade Minimum Price for their cocoa alongside the Fairtrade Premium which is invested into projects for the cooperative and wider community.
- In 2022 the Way To Go! project was extended with a cash disbursement directly to the participating producers of the cooperative.

Protect the environment & biodiversity



- Cocoa farmers learn about environmental preservation, which supports farmers to practice sustainable agriculture.
- Promote biodiversity through more sustainable farming practices, for example developing agroforestry.

Supply chain transparency



- 100% traceable to the cocoa growers' cooperative.
- Transparent premium paid to finance training and investment into the cocoa cooperative.

Offer customers sustainable products



- Offer of a high-quality chocolate bar through which every purchase has a direct, positive impact on cocoa farmers.
- Improving consumer awareness on more sustainable products.

In 2019 Lidl initiated the Way To Go! project, alongside partners Fairtrade, the NGO Rikolto and Kuapa Kokoo, the largest Ghanaian small farming cooperative. This chocolate is different: 100% of the cocoa comes from Kuapa Kokoo, and can be traced through a tracking system from the chocolate bar back to the growers' cooperative. Way To Go! ensures the farmers have a reliable source of income, thanks to the guaranteed Fairtrade Minimum Price and the Fairtrade Premium. As part of this project, Lidl also pays an additional premium that currently goes towards two funding projects which are aimed at women in the

In line with the **third pillar** of our raw materials strategy, we are promoting more sustainable alternatives in our product range



cocoa sector and have been well-received by farmers. Women have made up approximately 40% of participants to date.

One project promotes education for sustainable cocoa farming, while a second encourages farmers to diversify their crops through growing yams and rice, or producing honey or soap, as additional sources of income. To make cocoa plantations more productive, cutting and spraying services are offered. These services also create jobs, particularly aimed at young people in local communities. Through this programme, training is offered and equipment is provided. The cocoa farmers are also supported with financial training.

Customers can find out more about the Way To Go! Project through the product packaging and on our [website](#).



Driving systemic change through multi-stakeholder initiatives: PROCACAO & Retailer Cocoa Collaboration

In 2012, together with the GIZ (Deutsche Gesellschaft für internationale Zusammenarbeit) and the National Agency for Support to Rural Development (ANADER) in the Ivory Coast, Lidl founded an agricultural college to educate farmers on how to grow cocoa sustainably. The training plan included topics such as sustainable farming methods, pesticide use, modern techniques to increase crop yields and human rights issues in the supply chain.



The college is located in the heart of the cocoa production area in Ivory Coast and people from across the country visit to attend the training. More than 8,000 training courses have already taken place and more than 18,000 cocoa farmers have completed the course. To support further personal development, farmers were also trained on how to run the training courses enabling them to continuously pass on their knowledge and learnings. The college is managed by the government and ANADER but has been so successful that it has now been handed back to the local community and has been financially sufficient since 2019.

Retailer Cocoa Collaboration

Since 2018 Lidl have been members of the [Retailer Cocoa Collaboration \(RCC\)](#), a pre-competitive group of food retailers that supports industry efforts to drive environmental and social improvements in the cocoa sector.

As part of this membership, we support the annual trader assessment whereby selected cocoa traders are assessed on progress in cocoa sustainability, covering topics such as deforestation, traceability, gender equality, living wages and child and forced labour. We engage with the members of this group to align and discuss key challenges within the cocoa supply chain to ensure a more consistent approach across the sector.

In accordance with the **fourth pillar** of our raw materials strategy, we are driving systemic change by engaging with multi-stakeholder initiatives and projects



Forum Nachhaltiger Kakao: Improving working conditions

The Forum Nachhaltiger Kakao (German Initiative on Sustainable Cocoa) aims to improve the living conditions of cocoa farmers for the long term, by supporting a living income. Lidl has been an active founding member and was voted onto the Board of Directors in September 2020. As a member, we have committed to complying with human rights due diligence requirements within our cocoa supply chain.



Lidl are committed to ensuring that cocoa production becomes more sustainable which is why we have collaborated on the Pro-Planteurs project. This project has been implemented through a partnership of the German and Ivorian government, with the aim to train 30,000 farmers and their workforce by May 2025, with a focus on supporting women in the cocoa sector. The farmers will be given support to plant other crops on their farms to generate additional income and to diversify their portfolio.

In accordance with the **fourth pillar** of our raw materials strategy, we are driving systemic change by engaging with multi-stakeholder initiatives and projects



The Forum Nachhaltiger Kakao is a multi-stakeholder initiative with representatives from the government, German confectionery sector, food retailers, and civil society. This initiative has enabled collaboration that intends to improve the living conditions of cocoa farmers and their families, to work towards more sustainable production, and support the growth of the sustainable cocoa sector.

Working closely with the governments of the cocoa producing countries, the members commit to the following goals:

- Improve the living conditions of the cocoa farmers and their families and contribute to a secure livelihood,
- Protect and conserve the natural resources and biodiversity in producing countries
- Increase the production and support profitability of sustainably produced cocoa.

Glossary



Glossary

Living wage

The Global Living Wage Coalition (GLWC) describes a living wage as the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and their family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.⁸ In its Convention No.100, the ILO also defines principles stipulating equal remuneration for men and women workers for work of equal value. According to the ILO, this principle should be applied by:

- 1) national laws or regulations
- 2) legally established or recognised machinery for wage determination
- 3) collective agreements between employers and worker

Fairtrade

Fairtrade is committed to improving the working and living conditions of smallholders and workers in Global South countries. Fairtrade aims to ensure a set of standards are met in the production and supply chain of a product or raw material. Fairtrade promotes better workers' rights, safer working conditions and fairer pay for farmers and workers in the supply chain. Fairtrade is made up of general standards (for smallholder organisations, plantations, or contract farmers), product standards, which set out product-specific regulations, and a trader standard, which contains specific requirements for traders and producers (including regulations for payment methods or mixed products).⁹

Forum Nachhaltiger Kakao

The German Initiative on Sustainable Cocoa (Forum Nachhaltiger Kakao), is a multi-stakeholder initiative represented by government, the German Federal Ministry for Economic Cooperation and Development (BMZ) and Federal Ministry for Food and Agriculture (BMEL), the German confectionery sector, food retail, and civil society. The aim of the initiative is to improve the living conditions of cocoa farmers and their families as well as to increase the amount of sustainably certified cocoa. The members of the initiative are committed to working with the governments of the cocoa producing countries.¹⁰

Multi-stakeholder initiative

Multi-stakeholder initiatives are voluntary groups often made up of public, civil society, and private stakeholders. Multi-stakeholder initiatives aim to solve specific, complex issues using a collaborative approach.¹¹

PROCACAO

Project PROCACAO was launched in 2012 in the Ivory Coast by Lidl together with the GIZ (Deutsche Gesellschaft für internationale Zusammenarbeit) and the National Agency for Support to Rural Development (ANADER). The aim of PROCACAO is to develop cocoa farmers' knowledge and skills to make them more sustainable.¹²

Rainforest Alliance

The Rainforest Alliance was founded in 1987 and is committed to promoting sustainable and fair agricultural practices in over 70 countries worldwide. The Rainforest Alliance requirements include upholding human rights, such as access to education or a preventing child labour, as well as environmental standards, such as the promoting biodiversity and protecting water sources. In 2018, the Rainforest Alliance merged with the UTZ certification programme to form one certification scheme with an aligned message and an updated logo of a green frog with the text people & nature.¹³

⁸ GLWC: What is a Living Wage?, 2021.

⁹ Fairtrade International: What is Fairtrade?

¹⁰ German Initiative on Sustainable Cocoa: About Us, German Initiative on Sustainable Cocoa

¹¹ Gabler Wirtschaftslexikon: Multi-stakeholder initiative

¹² Lidl: Responsible Cocoa Purchasing

¹³ Rainforest Alliance: Who we are

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