

# Spotlight on the cocoa sector:

## Chocolate's hidden ingredient

**Chocolate is a vastly popular treat all over the world, yet many consumers do not know that forced or child labour may have been used to produce it.<sup>1</sup> The farming and harvesting of cocoa beans are particularly vulnerable to forced labour, trafficking, and the worst forms of child labour.<sup>2</sup>**

Nearly two-thirds of the world's cocoa originates from West Africa, primarily from Côte d'Ivoire (44 per cent) and Ghana (16 per cent).<sup>3</sup> Despite the steep profits made by chocolate companies, cocoa farmers earn significantly below a living income. For example, in 2021 the largest company in the cocoa sector, Nestlé, reported annual gross profits of approximately US\$18 billion.<sup>4</sup> In comparison, the average daily income of cocoa farmers is reportedly only the equivalent of US\$1.42 in Ghana and US\$1.23 in Côte d'Ivoire.<sup>5</sup> Farmers earn just 6 per cent of the retail price of a standard milk chocolate bar while chocolate manufacturers earn 33 per cent.<sup>6</sup>

In a 2018 study funded by the Chocology Foundation, Walk Free estimated that 3.3 in every thousand adult cocoa workers in Ghana had experienced forced labour, while in Côte d'Ivoire the figure is 4.2 in every thousand workers in medium and high cocoa production areas. Children were also at risk of forced labour; approximately 16,000 children across the two countries had been forced to work and were typically coerced by someone in their family.<sup>7</sup> Parents and adult family members, including siblings, aunts, uncles, and grandparents, are commonly found to be responsible<sup>8</sup> due to widespread poverty and limited alternative opportunities to earn income. Other reports indicate that children and migrants from Burkina Faso and Mali are trafficked for the purposes of labour exploitation within the Ivorian and Ghanaian cocoa sector.<sup>9</sup>

Modern slavery is driven by widespread poverty within cocoa-growing communities, together with highly variable cocoa prices, barriers to education,<sup>10</sup> small profit margins for farmers,<sup>11</sup> and the limited bargaining power of farmers to insulate against price shocks.<sup>12</sup> These structural inequalities lead cocoa-farming operations to recruit vulnerable workers, including their own children and migrants — and sometimes through forced labour, trafficking, or debt bondage<sup>13</sup> — in order to meet demand,<sup>14</sup> improve profitability, and earn a living income. Meanwhile, major companies reap the benefits of the expanding chocolate industry, which is expected to be worth US\$200.4 billion by 2028.<sup>15</sup> In fact, as the industry grows, risks of exploitation increase. Over the last decade, a 62 per cent rise in cocoa production in Côte d'Ivoire and Ghana was accompanied by a 13 per cent rise in hazardous child labour,<sup>16</sup> with children aged 10 to 17 years involved in land clearing, lifting heavy loads, using agro-chemicals and sharp tools, and working long hours and at night.<sup>17</sup>

COVID-19 increased the risk of modern slavery and left workers with even fewer protections. Vulnerability to modern slavery increased in the cocoa sector due to pandemic-related supply chain interruptions, price fluctuations, and unstable demand — in addition to increased food insecurity,<sup>18</sup> rising poverty,<sup>19</sup> and greater barriers to education.<sup>20</sup> For example, school closures, limited government assistance, and decreased parental incomes<sup>21</sup> exposed more vulnerable Ghanaian children to hazardous work.<sup>22</sup> In Côte d'Ivoire, one study found a 21 per cent increase in hazardous child labour on cocoa farms during a partial lockdown in 2020.<sup>23</sup>



### Commitments, action, and inaction

Efforts to reduce exploitation in the West African cocoa sector have focused almost exclusively on child labour. Since the 2001 Harkin-Engel Protocol,<sup>24</sup> a public-private partnership developed with United States federal legislators to eliminate the worst forms of child labour in the cocoa industry,<sup>25</sup> several cocoa buyers have made commitments to end the exploitation of children. Eight of the industry's major players<sup>26</sup> signed the Protocol and pledged to eliminate the worst forms of child labour from their cocoa growing operations.<sup>27</sup> Yet, in the two decades since the Protocol was adopted, exploitation remains common, with more than 1.5 million children engaged in child labour in cocoa productions in Côte d'Ivoire and Ghana.<sup>28</sup>

Some efforts have been made to monitor, identify, and provide remedy for children exposed to child labour. For example, the Child Labour Monitoring and Remediation Systems (CLMRS), first developed by Nestlé in partnership with the International Cocoa Initiative,<sup>29</sup> provides a structured approach to address and remediate child labour in Côte d'Ivoire and Ghana.<sup>30</sup> The CLMRS model is based on the proactive identification, record-keeping, engagement, and remediation with children vulnerable to hazardous work and their families. The work is delivered via specialised Community Liaison Officers, who maintain regular contact with vulnerable children, families, and communities as

needed.<sup>31</sup> When implemented correctly, CLMRS highlights how companies can work together with communities to identify, remediate, and in turn reduce child labour risks. However, the model has faced criticisms of ineffectiveness, poor coverage,<sup>32</sup> and untimely remediation.<sup>33</sup> Increased resources, collaboration, and funding are required to strengthen and expand current systems.

Other company actions to reduce risk include the creation of internal certification schemes. However, these schemes have also attracted criticism due to a lack of action and transparency on how the standards are implemented.<sup>34</sup> Certification schemes developed by independent sustainability labels, such as Fairtrade and the Rainforest Alliance, and those developed by regional bodies, including the ISO/CEN 34101 and ARSO/SRS 1001 standards,<sup>35</sup> have also faced issues. In 2021, 39 per cent of Fairtrade-certified cocoa farmers in Côte d'Ivoire were living in extreme poverty, while only 15 per cent of Fairtrade-certified farmers earned a living income.<sup>36</sup> Despite increases to Fairtrade minimum prices for cocoa in 2019, current prices paid for cocoa do not meet their own Living Income Reference Prices, which were established to quantify the gap between sustainable and market prices.<sup>37</sup> Clearly, unless they are coupled with other interventions addressing the core issue of poverty through paying more for cocoa and strengthening CLMRS, certification schemes alone will not address labour exploitation in the cocoa sector.

#### Accra, Ghana, June 2019.

*A worker removes the husk from roasted cocoa beans, as part of the chocolate production process. Cocoa farming is a significant source of income for families in Ghana and Côte d'Ivoire, yet despite the massive profits made by chocolate companies, farmers earn little income and often require their children to skip school in favour of going to work, in order to survive. Photo credit: Cristina Aldehuela/AFP via Getty Images.*

## Big chocolate company disclosures under the Modern Slavery Acts

An analysis of statements produced by cocoa companies required to report under the United Kingdom and Australian Modern Slavery Acts (MSAs) highlights the limited actions taken to address forced labour and exploitation in the industry. In February 2023, Walk Free and WikiRate assessed the modern slavery statements of 39 companies against a series of metrics<sup>38</sup> derived from the MSAs and their accompanying guidance.<sup>39</sup>

Perhaps most surprisingly, almost two-thirds of the cocoa companies did not include any sector-specific disclosures within their statements, despite including well-documented modern slavery risks within the sector such as addressing and monitoring child labour and supply chain wages. Not a single company disclosed a modern slavery policy applied beyond their immediate suppliers (tier 1), despite modern slavery risks increasing in deeper tiers. Further, despite the high risk of forced labour and the worst forms of child labour in the sector, only seven companies identified an incident of modern slavery in their cocoa-specific supply chain. Rather than indicating that the industry is low risk, these findings point to severe lack of industry transparency and reveal that the majority of companies are failing to conduct due diligence.

The companies were also assessed against five metrics that were specific to the cocoa industry.<sup>40</sup> Of these, the most commonly met was the disclosure of collaborative efforts, partnerships, or support for initiatives such as the International Cocoa Initiative and the World Cocoa Foundation. Over half of company statements included this type of disclosure. Only 33 per cent of companies included disclosure of supply chain wages, although for most this did not go further than referencing pledges to increasing farmer and worker incomes, rather than citing a commitment and action plan for implementing living wages throughout supply chains. Only one company disclosed that they had a CLMRS that covered all their cocoa suppliers, although five others described that they were planning to expand their current CLMRS to cover all cocoa suppliers by 2025. Despite increased modern slavery risks in the cocoa sector associated with COVID-19, only two companies reported having provided pandemic-related support to their suppliers or workers.

Consumers, human rights groups, and survivors have attempted to hold chocolate companies to account through legal action. Separate lawsuits against major chocolate companies<sup>41</sup> concerning exploitation in the cocoa sector in the US, under the Alien Tort Statute,<sup>42</sup> the Trafficking Victims Protection Reauthorization Act,<sup>43</sup> and consumer protection laws in the state of Massachusetts,<sup>44</sup> have had limited success to date. These cases have been dismissed due to the extraterritorial nature of the conduct<sup>45</sup> and for failing to show a traceable connection between the companies and the cocoa workers.<sup>46</sup> However, a new class action against Nestlé USA alleging a breach of a Californian law,<sup>47</sup> for deceiving consumers through sustainable and certification labels, is proceeding to trial.<sup>48</sup> Actions by source country governments have also had some limited impact,

but not without a struggle. For example, in 2020, the governments of Ghana and Côte d'Ivoire instituted the Living Income Differential (LID), which required chocolate makers to pay an extra US\$400 per tonne of cocoa, in addition to the farm gate price.<sup>49</sup> However, companies avoided paying the premium by negotiating with other cocoa-producing governments<sup>50</sup> and thereby diversifying their cocoa sources,<sup>51</sup> which resulted in decreased demand, oversupply, and reduced earnings for farmers.<sup>52</sup> Fortunately, following negotiations between buyers, cocoa regulators, and the Côte d'Ivoire Ghana Cocoa Initiative, 12 major cocoa buyers formally agreed to pay the LID and set a price floor in July 2022.<sup>53</sup> However, it remains yet to be seen if this commitment is being implemented.

**“I admit that it is a kind of slavery... They are still kids and they have the right to be educated today. But they bring them here to work, and it's the boss who takes the money.”**

*Ivorian farmer on unaccompanied children from Burkina Faso who come to work on cocoa farms.<sup>54</sup>*

## Confectionery with a conscience: Tony's Chocolonely

Tony's Chocolonely has a mission to make all chocolate slavery-free. The Netherlands-based company advocates for chocolate companies to take full responsibility for their supply chains by observing the company's Five Sourcing Principles,<sup>55</sup> which include: comprehensively tracing the production of cocoa beans; paying a higher price through premiums that enable a living income; strengthening farming cooperatives; improving the quality of cocoa beans and productivity through promoting sustainable farming practices; and making a long-term commitment to sales at a higher price to reduce demand shocks.<sup>56</sup> Transparency is a key part of the company's ethos, as evidenced through its annual FAIR report, which details its policies and their impact, along with gaps and trends, and identifies cases of modern slavery within its supply chain.<sup>57</sup> This commitment to transparency, despite attracting some criticism,<sup>58</sup> is crucial to raising awareness and to evaluating

the effectiveness of the company's theory of change.<sup>59</sup>

Awareness-raising efforts begin at the point of sale through the design of the chocolate bars,<sup>60</sup> through Tony's "Serious Friends" peer ambassador network,<sup>61</sup> and through purpose-driven campaigns such as the "Sweet Solutions" campaign launched in 2021,<sup>62</sup> which involved the creation of four chocolate bars resembling iconic products but made using Tony's sourcing principles. The campaign reached 32 million people, more than doubled the number of signatories on a petition demanding due diligence legislation and led to almost 15,000 new "ambassadors" joining the fight to make chocolate slavery-free.<sup>63</sup> Tony's decision to source cocoa from the West Africa, instead of avoiding this sector all together, demonstrates to the wider industry that sustainable sourcing and traceability is possible.

## Recommendations for governments

### In cocoa-producing nations:

- 1 Collaborate to raise farm gate prices and develop national traceability schemes.<sup>64</sup>
- 2 Commit to improve regional supply management to protect workers from price fluctuations, with more comprehensive regional coordination and strategies that target oversupply and enable sustainable domestic and international prices.
- 3 Increase support for cocoa workers and establish farmer-controlled cooperatives that enhance their bargaining power and foster a competitive domestic sector.
- 4 Undertake greater policy reform in social and safety protections, such as employment insurance and increased investment in cocoa agriculture, education, and healthcare.

### In cocoa-consuming nations:

- 1 Strengthen existing MSAs and introduce mandatory human rights due diligence to mandate stronger due diligence, transparency, and accountability mechanisms across entire supply chains. Voluntary codes and reporting alone will not prevent or address exploitation in the cocoa sector.
- 2 Fund independent research that highlights good practice and leading industry examples to track progress, address root causes, and identify effective remedy and detection mechanisms.
- 3 Strengthen partnerships and agreements with both cocoa-producing and other cocoa-consuming countries that hold international companies accountable and ensure good governance is upheld.