

Purchasing policy

Cocoa



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Our
Responsibility
for the **Raw**
Material Cocoa



Our Responsibility for the Raw Material Cocoa

Our CSR Strategy at Lidl

Sustainability is one of Lidl's core strategic goals for a brighter future. Wherever our actions impact people and the environment, we are there to take responsibility. This is how we reaffirm our commitment to quality each and every day, thereby ensuring the best possible future for the Company.

Our Responsibility for the Raw Material Cocoa

In our assortment we stock many own brand products containing varying proportions of cocoa, for example, bars of chocolate or cocoa butter in cosmetics. The raw material cocoa has a high-risk supply chain. By taking a targeted approach in the cocoa value chain, Lidl can make a positive contribution to the four strategic focus areas of protecting the climate, conserving resources, respecting biodiversity, and acting fairly.



Background for the Raw Material Cocoa



Background for the Raw Material Cocoa

Globally, some five million tons of cocoa beans are harvested every year, some 40 percent of which are processed in Europe. The countries that consume the most cocoa are in Europe, North America, and North and East Asia. Yet cocoa is cultivated almost exclusively by small-scale farmers in what is known as the "cocoa belt," in the tropics around the globe.¹ The top producing country is the Ivory Coast, followed by Ghana.²

Cocoa farming is one of the main reasons for the rainforest being cleared, which jeopardizes the local ecosystem and drives climate change. More information about this in the [> Purchasing Policy for Supply Chains Free from Deforestation and Conversion](#). What is more, cocoa beans are primarily grown in monoculture plantations. This method and the increasing use of fertilizer and pesticides endanger biodiversity.³

In addition to deforestation, climate change, and loss of biodiversity, human rights violations are also a risk in the cultivation, harvesting, and processing of cocoa beans. Because cocoa beans are first and foremost export goods, the cocoa farmers are exposed to the highly volatile global market prices. As a consequence, they do not receive

appropriate pay for their work. The income of the workers in cocoa farming is as a rule below the internationally defined poverty line.⁴

2 million

minors work in cocoa farming in Ghana and the Ivory Coast

Farmers often don't have access to equipment that protects them from pesticides and when using dangerous tools such as machetes when they harvest and process the beans. Child labor is also widespread due to structural reasons, such as family poverty, lack of childcare, and poor schools, according to research by the German Initiative on Sustainable Cocoa (Forum Nachhaltiger Kakao). In Ghana and the Ivory Coast alone, some 2 million children and young people work in cocoa farming according to NGOs.⁵ The women who work in cocoa farming also have to struggle against economic discrimination, particularly in terms of their access to cooperatives, education, and land.⁶ Forced labor and human rights abuses are reported by small-scale farmers both in the growing and during harvest.⁷

¹ Fairtrade International: Fairtrade Products – Cocoa, n.d.

² Statistisches Bundesamt: Erntemenge der führenden Anbauländer von Kakaobohnen bis 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, n.d.

⁶ Fairtrade Deutschland e.V.: Geschlechtergerechtigkeit im Fokus, n.d.

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

Our
**Commitment to
Sustainable
Cocoa
Purchasing**



Our Commitment to Sustainable Cocoa Purchasing

At Lidl, we are committed to more sustainable cocoa farming on multiple levels within our raw materials strategy. We have two aims: to improve the working and living conditions in the producing countries, and to work towards more environmentally-friendly production. To achieve our goals, we have partnered with external stakeholders to develop a holistic strategy based on four pillars.

Since 2021, cocoa used in our products has been 100 percent certified with either the Fairtrade product seal, Fairtrade raw material seal, Organic, or Rainforest Alliance seal. All of our chocolate bars will have a Fairtrade product seal or Fairtrade raw materials seal by the end of 2022.

Comprehensive details about the Lidl raw materials strategy can be found in our [Raw Materials Purchasing Policy](#).

We will procure our cocoa raw material in a more sustainable way by the end of 2022.

We are investigating the risks inherent in our supply chains, buying certified cocoa, and working on alternatives and changes to improve the situation for cocoa farmers.



1. Understanding impacts:

We are identifying risks in our supply chains and are creating transparency.

2. Establishing standards:

We use certified cocoa as one of our critical raw materials.

3. Promoting alternatives:

We are promoting the use of more sustainable alternatives in our assortment and reducing the procurement of critical raw materials.

4. Driving change:

We are participating in initiatives and projects.

Prioritizing Cocoa as a Critical Raw Material and Understanding the Impacts

We have carried out a risk assessment and identified the raw materials that are critical for us together with our stakeholders, to ensure that we act in a way that is both targeted and effective.

More information in the [> Corporate Due Diligence Policy](#) and the [> Raw Materials Purchasing Policy](#).

Our critical raw materials at a glance



In line with the **first pillar** of our raw materials strategy, we are determining the ecological and social risks associated with our supply chains.



Risks in the supply chain, particularly in the producing countries

Lidl supply chains involve a diverse range of suppliers that produce goods in many different countries. According to our assessments, cocoa is one of our critical raw materials, with risks across the whole supply chain, particularly at the origin, in the producing countries. Our risk assessment defines the starting point for the development of further

measures and gives us guidance about how we can ensure our products containing cocoa are more sustainable.

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

Social risks

Child labor	Ivory Coast, Ghana, Nigeria
Forced labor	Ivory Coast, Ghana, Indonesia
Employee rights	Brazil, Ivory Coast, Indonesia
Discrimination	Ivory Coast, Ghana, Indonesia

Environmental risks

Biodiversity	Ivory Coast, Ghana, Nigeria
Climate vulnerability:	Dom. Republic, Nigeria
Land use and deforestation of coastal vegetation	Brazil, Ecuador, Ivory Coast, Ghana
Water risks	Brazil, Ghana, Nigeria



Driving Fair Cocoa Trade with Fairtrade

Since 2006, Lidl has permanently introduced items containing cocoa certified with the Fairtrade product seal. The Fairtrade seal stands for fair farming and trade of products. All ingredients were purchased 100 percent under fairtrade conditions. Through the certification, we help ensure a living income wage in the growing regions and support producers to increase their productivity sustainably and improve their living conditions.



With the wide offer of products containing Fairtrade-certified cocoa, Lidl wants to give growers planning security with long-term supply contracts. This way we guarantee reliable income and social standards for the participating cocoa farmers, independent from fluctuating global market prices. We also incentivize ecological farming, helping to reduce the use of chemical and synthetic fertilizers and pesticides.

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



The Fairtrade raw materials seal on our packaging demonstrates that the cocoa volume required for the product was purchased under 100 percent Fairtrade conditions. The Fairtrade Cocoa Program offers cocoa farmers an additional opportunity to sell a larger proportion of their harvests under Fairtrade conditions – and therefore earn higher and Fairtrade premium incomes.



Unlike the classic Fairtrade product seal, the Fairtrade raw materials seal focuses on fair purchasing of cocoa and not on the certification of manufactured products. At Lidl we work with both standards and are extending our assortment with some products with the Fairtrade raw materials seal. Lidl was one of the first retail companies in Germany to start switching the cocoa in its "Crownfield" own brand breakfast cereals containing cocoa to the Fairtrade raw materials seal back in 2014. We also use Fairtrade-certified cocoa for the seasonal "Favorina" assortment and the bars of chocolate from "Fin Carré."

Offering Cocoa Products That Meet the Minimum Requirements of Organic Quality

We designate our products containing cocoa from organic farming, in which sustainable aspects are considered in relation to fertilizer, pest control, and crop rotation, with the Europe-wide organic seal. The seal is protected Europe-wide, thereby ensuring a minimum standard across the EU.



The EU organic logo applies to all prepackaged organic food that is produced in an EU member state, and satisfies the EU legislation for organic farming. This means that the food must be free from genetically-modified organisms (GMO), flavor enhancers, artificial flavors and colors. Neither artificial pesticides nor easily dissolvable mineral fertilizer may be used. Within our range of organic products, there are also some items that contain certified organic cocoa.

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



Rainforest Alliance Seal – for Environmental Protection and Human Rights in the Tropics

By working with the Rainforest Alliance certification program, Lidl is addressing the specific conditions in tropical countries and more sustainable management practices in over 70 tropical countries covered by Rainforest Alliance. The seal particularly covers environmental criteria such as protecting bodies of water and biodiversity.



Another goal of the consumer seal is empowering farmers to increase their yields and get higher prices for products of higher quality. This aims to sustainably improve the living conditions of farmers, their families, and the local communities in growing regions. The places of origin must work according to the strict policies of the SAN (Sustainable Agriculture Network). The policies were initially developed to protect and conserve wild animals and plants, as well as the soil and bodies of water. Since 2021 cocoa used for products containing cocoa at Lidl has been certified according to the "Rainforest Alliance Sustainable Agriculture Standard" among others.

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

The Way To Go demonstrates how fair value distribution can look in retail.

The Way To Go concept has three main goals:

1. The payment of an additional premium (Income Improvement premium) for a higher income, that goes beyond the Fairtrade premium for community projects and the Fairtrade minimum price, and aims to close income gaps in the long term.
2. Empowering growers: Through training and start-up kits, small-scale farmers are supported as they implement sustainable farming practices and also create other sources of income alongside their main earnings.
3. Promoting gender equality: Fairtrade should be fair for women too. Together with Fairtrade, we have developed a gender mainstreaming approach and project components specially tailored to women for the Way To Go concept.

Lidl is the first discounter to introduce a Fairtrade chocolate as an own brand product with Way To Go. We are offering our customers fair, fully traceable products from which the original producers profit in multiple ways with the support of Fairtrade.



Goals of the Way To Go Chocolate Project

Supporting Cocoa Farmers



Lidl is the first discounter to work to close the income gaps to ensure a living income wage: the premium payments in the form of funding projects facilitate training for long-term cocoa production (increase in income, more sustainable farming) and alternative agriculture. The farmers also receive a minimum price for cocoa from Fairtrade and a Fairtrade premium for community projects.

In 2022, the project was extended, with a cash disbursement directly to the participating producers of the cooperative, in addition to the support measures.

Protecting the Environment & Biodiversity



Training for cocoa farmers facilitates:

- Environmental conservation by enabling cocoa farmers to produce more sustainably.
- Promotion of biodiversity through environmentally-friendly methods, like developing agroforestry.

Create transparency



- Traceability of the cocoa from bars of chocolate to the growers' cooperative
- Transparent premium to finance training and other measures per chocolate bar sold.

Offer customers sustainable options



- Offer of a high-quality chocolate bar through which every single purchase has a direct impact on cocoa farmers.
- Spreading information and awareness to the consumer on sustainable alternatives to the consumption of cocoa.

In 2019, Lidl initiated the Way To Go project, which is implemented together with Fairtrade Germany, the NGO Rikolto, and Kuapa Kokoo, the largest Ghanaian small farming cooperative. This chocolate is different from others: 100 percent of the cocoa comes from Kuapa Kokoo, and can be traced through a tracking system from the chocolate bar to the growers' cooperative. This ensures the farmers have a reliable source of income, thanks to the guaranteed minimum price and the Fairtrade bonus. As part of this project, Lidl pays an additional premium that currently goes to two funding projects. The funding projects are aimed

In line with the **third pillar** of our raw materials strategy, we are promoting the use of more sustainable alternatives in our assortment and reducing the procurement of critical raw materials



explicitly at women and have been well-received by farmers. Women have made up around 40 percent of participants to date.

Promoting additional sources of income

One project promotes education for sustainable cocoa farming, while a second encourages farmers to grow yams, rice, 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 for the young people in local communities. Training is offered and equipment provided. The cocoa farmers are also supported with financial issues. Customers can find out about the project from the packaging and a website.



Agricultural College for More Sustainable Cocoa Production in the Ivory Coast with "PROCACAO"

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 teach farmers how to grow cocoa sustainably. The contents include environmentally-friendly farming methods without pesticides, modern techniques to increase yields, and explanations of social topics.



Farmers were trained to run the training courses themselves to continuously pass on their knowledge. More than 8,000 training courses have already taken place. More than 18,000 cocoa farmers have taken part, further educated themselves on the college's training plantation, and consequently significantly increased their yields. A big success is that the school has been able to finance itself since 2019 and continues to be managed by ANADER and the government.

In accordance with the **fourth pillar** of our raw materials strategy, we are driving change and are participating in a range of initiatives and projects.



Sustainable Cocoa Forum: Improving Working Conditions in Farming

The Forum Nachhaltiger Kakao e.V. [German Initiative on Sustainable Cocoa] aims to improve the living conditions of cocoa farmers in the long term, by contributing to their guaranteed living income wage. From the beginning, Lidl has been an active founding member and was voted onto the Board of Directors in September 2020. As a member, we are committed to complying with due diligence as regards human rights in our cocoa supply chain.



We are particularly helping to ensure that cocoa production becomes more sustainable with the Pro-Planteurs project. The project is being implemented with the German and Ivorian government, and aims to reach 30,000 cocoa producing family businesses and their cooperatives in total by May 2025, particularly women. They will be given the opportunity to plant other agricultural crops to provide for themselves or to generate additional income.

In accordance with the **fourth pillar** of our raw materials strategy, we are driving change and are participating in a range of initiatives and projects.



Working closely together 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
- Preserve and conserve the natural resources and biodiversity in the production countries
- Increase the production and commercialization of sustainably produced cocoa.

Glossary



Glossary

EU organic seal

The EU organic seal was introduced on July 1, 2012. It is compulsory on prepackaged organic food that is produced and sold in the EU as an organic product. One of its requirements is that the manufacture of products must include a processing step in the European Union, and the EU legislation for organic farming must be satisfied. Unpackaged organic products or organic food imported from non-EU countries can be labeled with the organic logo on a voluntary basis. The criteria for this are that the food must be free from genetically-modified organisms (GMO), and no chemical and synthetic pesticides can be used. The products must also satisfy the requirements on the use of fertilizer and seeds, pollution of the soil with animal excretions, and animal welfare.⁸

Living income wage

A living income wage is one that covers the living costs of workers and their dependents and allows them to make appropriate provisions for emergencies. If it is available, the minimum wage is as a rule less than the living income wage.⁹

⁸ European Commission: The organic logo, n.d.

⁹ Fairtrade International: Decent livelihoods, n.d.

Fairtrade

Fairtrade is committed to improving the working and living conditions of smallholders and workers in Global South countries. Fairtrade agrees stable minimum prices including a Fairtrade premium for collaborative projects, regulated working conditions and the promotion of environmentally friendly farming. To this end, development aid organizations from various countries came together in 1997 under the umbrella of FLO (now known as Fairtrade International) and merged their individual standards to create one common standard. The Fairtrade label was introduced in 2002. It is underpinned by general standards (for smallholder organizations, plantations or contract farmers), product standards, which set out product-specific regulations, and a trader standard, which contains rules for traders and producers (including regulations for payment methods or mixed products).¹⁰

Forum Nachhaltiger Kakao

In the German Initiative on Sustainable Cocoa, the federal government, represented by the German Federal Ministry for Economic Cooperation and Development (BMZ) and Federal Ministry for Food and Agriculture (BMEL), the German confectionery industry, food retail, and civil society have all joined together. Together in a multi-stakeholder initiative, they pursue the goal of improving the living conditions of cocoa farmers and their families, and increasing the production and marketing of cocoa certified according to the sustainability standard. The members of the initiative are committed to working closely together with the governments of the cocoa-producing countries.¹¹

Multi-stakeholder initiative

Multi-stakeholder initiatives are voluntary consortia of public, civil society, and private players. Multi-stakeholder initiatives aim to solve specific, complex social problems in a cooperative way.¹²

¹⁰ Fairtrade International: What is Fairtrade?, n.d.

¹¹ German Initiative on Sustainable Cocoa: About Us, German Initiative on Sustainable Cocoa, n.d.

¹² Gabler Wirtschaftslexikon: Multi-stakeholder initiative, n.d.

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). 18,000 cocoa farmers have already developed their knowledge and skills with quantifiable success through PROCACAO. In this way, the use of pesticides were reduced, the soil preserved, and a greater yield could be achieved in the same crop area already in the first years. Since 2019, the school has been so successful that it has been able to finance itself and continues to be managed independently by ANADER and the government. That means that in the future, cocoa farmers can be trained through PROCACAO.¹³

Rainforest Alliance

The Rainforest Alliance is an international non-profit organization that works for a better future for people and nature. It awards the consumer seal with the green frog. This seal promotes more sustainable farming and environmental protection, and improves the living conditions of farm owners. In 2018, Rainforest Alliance joined forces with the UTZ certification program.¹⁴

¹³ Lidl: Responsible Cocoa Purchasing, n.d.

¹⁴ Rainforest Alliance: Who we are, n.d.

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Contact

Lidl Malta
Triq il-Karmnu
Luqa, LQA 1311, Malta

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