

Purchasing policy

Cocoa



Lidl Ireland & Northern Ireland • Last updated 19.08.2022



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Our Responsibility



Our Responsibility

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.

It is against this backdrop that we have developed our CSR strategy, which gives us clear guidance in fulfilling our responsibility to act responsibly. Our joint and comprehensive understanding of sustainable conduct addresses six strategic focus areas: conserving resources, protecting the climate, respecting biodiversity, acting fairly, promoting health, and engaging in dialog. These describe how we understand and implement Lidl's responsibility for the environment, people and our customers.

Our Responsibility for the Raw Material Cocoa

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.

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



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 equator¹. The top cocoa producing country is the Ivory Coast followed closely by Ghana².

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 [Purchasing 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 also a risk in the cultivation, harvesting, and processing of cocoa beans.

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

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.

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

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. 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 There are also inherent gender inequalities whereby women face discrimination and additional challenges, for example a lack of access to financial support,

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.

education, and land.⁶ Forced labor and human rights abuses are frequently reported by smallholder farmers both in the growing and during harvest.⁷

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

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 based on the four pillars below.

Since 2017, the cocoa used in our own brand products is 100 percent certified with either the Fairtrade product label, Fairtrade raw material label, Organic, or Rainforest Alliance label. We have made a further commitment to certify all of our own brand chocolate bars to Fairtrade by the end of 2022.

More information about the Lidl raw materials strategy can be found in our [Raw Materials Purchasing 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.

More information is available 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 understanding the risks in our supply chains.



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.

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



Income improvement through Fairtrade certification

Since 2006, Lidl has introduced a range of permanent, own brand products certified to Fairtrade. The Fairtrade label stands for fair farming and trade of products. This mark signifies that all ingredients that can be Fairtrade were purchased to 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.

Through our growing selection of Fairtrade certified cocoa products, Lidl ensures more security for cocoa farmers through long-term contracts, improving social standards and reliable income, independent from fluctuating global market prices.



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



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. 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.



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. We also use Fairtrade-certified cocoa for the seasonal "Favorina" assortment and the bars of chocolate from "Fin Carré."

In 2022, Lidl Ireland and Northern Ireland launched the first locally produced "Dairy Farm" Irish ice cream containing cocoa certified to the Fairtrade-certified cocoa label.

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. We want to extend and expand our offer of organic products containing cocoa in the future. To date, all Fairglobe chocolate bars, different types of waffles and biscuits in the 'Sunday' own brand, and Milbona yogurts with cocoa additives have the EU organic logo.

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



Supporting farmers with the Rainforest Alliance

By working with the Rainforest Alliance (RA) certification program, Lidl is promoting sustainable agriculture and better working conditions for those within the supply chain in over 70 tropical countries across the world. The seal particularly covers environmental criteria such as protecting bodies of water and biodiversity.



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.

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 SAN (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.

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 be implemented in retail.

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 for community projects and the Fairtrade Minimum Price, and aims to close income gaps for the long term.
2. Empowering growers: Through training and start-up kits, smallholder 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: Fairtrade should be fair for women too. Together with Fairtrade, we have developed a gender mainstreaming approach and project components specially tailored to women working on the Way To Go! concept.

Lidl is 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

Supporting cocoa farmers



Lidl is the first discounter to work to close the income gap 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.

Supply chain transparency



- Traceability of the cocoa from the chocolate bars to the growers' cooperative
- Transparent premium payment, linked to the sales of chocolate bars, to finance training and other measures.

Offer customers sustainable options



- Offer of a high-quality chocolate bar through which every single purchase has a direct 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 abck to the growers' cooperative. This ensures the farmers have a reliable source of income, thanks to the guaranteed minimum fairtrade price and the fairtrade premium. As part of this project, Lidl pays an additional premium

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.



that currently goes towards two funding projects. The funding projects are aimed at women in the 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 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 training.

Customers can find out about the 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 teach farmers how to grow cocoa sustainably. The training plan includes topics such as environmentally-friendly farming methods with pesticides, modern techniques to increase 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. 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 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 in the long term, by supporting a living income. 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 human rights due diligence requirements in our cocoa supply chain.



Forum Nachhaltiger Kakao
German Initiative on Sustainable Cocoa

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 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
- Protect and conserve the natural resources and biodiversity in the producing countries
- Increase the production and support profitability of sustainably produced cocoa.

Glossary



Glossary

EU organic label	The EU organic label 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 met. 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 meet the requirements on the use of fertiliser and seeds, pollution of the soil with animal excretions, and animal welfare. ⁸
Living wage	A living 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
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). ¹⁰

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

⁹ Fairtrade International: Decent livelihoods, n.d.

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

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.. ¹¹
Multi-stakeholder initiative	Multi-stakeholder initiatives are voluntary groups often made up of public, civil society, and private players. Multi-stakeholder initiatives aim to solve specific, complex issues in a cooperative way. ¹²
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. ¹³
Rainforest Alliance	The Rainforest Alliance is an international non-profit organization that works for a better future for people and nature. This seal promotes more sustainable farming and environmental protection, and improves the living conditions of farm owners. In 2018, Rainforest merged with the UTZ certification program to form one certification scheme with an aligned message and an updated logo of a green frog with the text people & nature. ¹⁴

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

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

¹³ Lidl: Responsible Cocoa Purchasing, n.d.

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

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Contact

Lidl Ireland & Northern Ireland
Main Rd,
Tallaght,
Dublin
D24 PW6K

Further information about CSR

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