



COMBATTING CHILD LABOUR IN COCOA PRODUCTION

INVESTOR EXPECTATIONS AND CORPORATE BENCHMARK

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G·E·S[®]

EXECUTIVE SUMMARY

A staggering number of over 100 million child labourers are working in agriculture worldwide¹. Two million of those are found in the world's top two cocoa-producing countries, Côte d'Ivoire and Ghana². GES has engaged the cocoa industry for many years to increase its effort in tackling the issue.

As part of its long-term engagement, GES issued its first public report on this topic last year, which clearly stated and included investor expectations in this area and including a benchmark of seven of the largest cocoa companies' responses to the issue of child labour.

More than 60 institutional investors from various countries supported GES' call for increased efforts by the cocoa industry to combat widespread child labour in its supply chain.

A year later, we now present our follow-up report. The same investor expectations relating to combating child labour still stand. This new report includes an updated benchmark and further reflections on key developments in the sector during the past year.

Some key findings from the report show that there have been considerable developments in the roll-out of child labour monitoring and remediation systems (CLMRS) in cocoa-growing communities in the past year. CLMRS has become a mainstream practice among larger cocoa and chocolate companies.

In terms of tackling poverty, a root cause of child labour, the report presents findings on industry efforts to raise farmer income. The report shows that the current status of investor expectation to move towards living incomes for cocoa-growing farmers is rather mixed. Cocoa prices fell to very low levels towards the end of 2016 and all throughout 2017. This year, prices have recovered slightly but remain low. While the reality for cocoa-growing farmers is challenging, there is a lot more recognition and efforts in the area of living income from the industry and others, compared to previous years. Recent studies have provided data on the actual levels of farmer income and living income in cocoa-growing communities.

Few would deny the existence of a substantial gap between the current level of farming income and living income levels, in fact one study points to the actual income levels in Côte d'Ivoire being at an average of 37 per cent of a living income³. More studies are underway and there is a notable increase in focus on the issue from the cocoa industry. Investors are expecting concrete measures to be taken and for child labour in cocoa production to decrease and ultimately be eliminated. A large-scale survey commissioned by the US Department of Labor from 2015 showed the prevalence of two million child labourers in cocoa growing in Côte d'Ivoire and Ghana. A follow-up survey will be conducted in the upcoming harvest season 2018/19⁴. This will be the litmus test that shows if the efforts applied by the cocoa industry and others have, in fact, been effective.

¹ ILO, 2017. https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_575499.pdf

² Tulane University, 2015. http://www.childlaborcocoa.org/images/Payson_Reports/Tulane%20University%20-%20Survey%20Research%20on%20Child%20Labor%20in%20the%20Cocoa%20Sector%20-%2030%20July%202015.pdf

³ Fair Trade. https://www.fairtrade-deutschland.de/fileadmin/DE/01_was_ist_fairtrade/05_wirkung/studien/fairtrade_international_response_study_cocoa_farmer_income_2018.pdf

⁴ US Department of Labor. <https://www.dol.gov/agencies/ilab/assessing-progress-reducing-child-labor-cocoa-growing-areas-cote-divoire-and-ghana>

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INTRODUCTION

Last year, GES released its first report on the issue of child labour in the cocoa supply chain in West Africa. The purpose of the report was to convey investor expectations on this particular issue. The report also identified areas of best practice to serve as encouragement for further action towards meeting investor expectations. The investor community demonstrated its commitment and engagement in the issue with more than 60 institutional investors from various countries supporting the GES report. Following the report, many investors also participated in meetings with several cocoa and chocolate companies.

This year's report reaffirms investor expectations on the cocoa industry and provides an updated benchmark, as well as a brief on key developments in combating child labour in the sector. Before we turn to the new results, let us look at the background of the issue.

The issue

Investors recognise that a lot of effort has been carried out in fighting child labour in the cocoa supply chain. Côte d'Ivoire and Ghana are the world's leading cocoa-producing countries⁵, accounting for almost 70 per cent of cocoa production worldwide. However, it is estimated that over two million children are working in strenuous and hazardous conditions in Côte d'Ivoire and Ghana⁶.

Since 2001, when the Harkin-Engel protocol, a commitment from the cocoa industry to combat child labour in its supply chain, was introduced, the industry has developed standards and made pledges to eliminate child labour in its supply chain. In 2010, the industry reaffirmed its commitment in a joint declaration to reduce the worst forms of child labour by 70 per cent by 2020. Various programmes aimed at increasing productivity and improving the livelihood of cocoa-growing farmers have been scaled up over the years. The development and implementation of widespread certification schemes have also acted as a tool for combating the risk of child labour. As such, certification, such as Fairtrade, the Rainforest Alliance and UTZ Certified, has spread.

In addition, specific systems to identify and remediate cases of child labour, often referred to as child labour monitoring and remediation systems (CLMRS), have been rolled-out in parts of the cocoa supply chain in Côte d'Ivoire and Ghana. There is also an understanding from governments, the industry and their stakeholders that poverty is a root cause to child labour. More and more voices are demanding that actions be taken to lift cocoa-growing farmers out of poverty and enable a living income for farmers to provide basic necessities for themselves and their families.

Across the cocoa supply chain, all parties involved - including the cocoa industry, governments and others, continue to deploy significant efforts. However, as child labour is widespread among the millions of small-scale farms involved in cocoa farming in West Africa, efforts must continue so as to meet commitments to eradicate child labour.

⁵ <https://www.icco.org/>

⁶ Tulane University, 2015. <http://www2.tulane.edu/news/releases/tulane-releases-report-on-child-labor-in-west-african-cocoa-production.cfm>

INVESTOR EXPECTATIONS ON THE COCOA INDUSTRY TO COMBAT CHILD LABOUR

Recognising the need for both immediate action against child labour, such as systems to identify and remediate actual cases of child labour, as well as long-term solutions to tackle root causes of the issue, investor expectations on investee companies set out two main areas for further improvements, namely:

- 1) Combatting cases of child labour through identification and remediation; and
- 2) Towards providing a living income for cocoa-growing farmers.

INVESTOR EXPECTATIONS

Expectation 1: Combatting cases of child labour through identification and remediation

- *Communication by cocoa companies of a detailed plan, including an expected timeline, on how child labour identification and remediation systems will be rolled out to the majority of their farmer bases in Côte d'Ivoire and Ghana by 2020.*
- *Ensure a continuous roll-out of the plan after 2020, so that it eventually covers their entire farmer base in both countries.*

Expectation 2: Towards providing a living income for cocoa-growing farmers

- *Report to what extent current income levels match a living income for cocoa-growing farmers in both countries.*
- *Demonstrate progress towards providing a living income for farmers in Côte d'Ivoire and Ghana, by reporting on the impact of farmer programmes and other initiatives on farmer income.*

Why is this important to investors?

Companies linked to child labour or other violations of international norms represent a reputational risk for investors. In some instances, these violations can also be contrary to investment policies or philosophies. In addition, poor living conditions for farmer families, as highlighted below, could also jeopardise a secure long-term supply of cocoa.

Whenever violations of international norms are identified, investors expect companies to proactively adopt swift measures to address such situations. Many investors believe that compliance with international human rights norms, including those relating to child labour, to be the minimum requirement needed to invest in a company. A growing number of investors expect companies to operate according to the UN Guiding Principles on Business and Human Rights, which state that:

*'Business enterprises should respect human rights. This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.'*⁷

International human rights norms are clear on child labour. ILO Convention No. 182 on the worst forms of child labour (article 3d) defines hazardous child labour as: *'work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children'*⁸. UN Global Compact Principle 5 regarding *'the effective abolition of child labour'* points to the responsibility of the private sector to respect children's rights⁹. Finally, child labour is specifically mentioned under *Sustainable Development Goal (SDG) 8 on Decent work and economic growth*, which sets out to:

*'Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms'*¹⁰.

Combatting child labour long-term also means improving farmer livelihood, enabling children to go to school and provide cocoa-growing farmers the opportunity to achieve a living income to sustain themselves and their families without having to use children in their workforce. There is also a financial incentive for investors to ensure that companies work towards this aim. In recent years, the macro trends in cocoa-producing countries that have put a strain on the sector are urbanisation and the aging farmer population. In order to attract and retain a workforce, the cocoa industry needs to ensure that cocoa farming is lucrative by paying farmers adequately so that they can provide for themselves and their families. In other words, in order to secure a long-term workforce and supply of cocoa, the industry needs to improve conditions for cocoa-growing farmers.

⁷ UN Guiding Principles on Business and Human Rights, Chapter II, Principle 11

http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

⁸ ILO, 1999. http://www.ilo.org/dyn/normlex/en/f?p=1000:12100::NO:12100:P12100_INSTRUMENT_ID:312327;

<http://www.ilo.org/ipec/facts/WorstFormsofChildLabour/Hazardouschildlabour/lang--en/index.htm?ssSourceSiteId=global>

⁹ The UN Global Compact. <https://www.unglobalcompact.org/what-is-gc/mission/principles>

¹⁰ UN Sustainable Development Goals. <http://www.un.org/sustainabledevelopment/economic-growth/>

BENCHMARK RESULTS A YEAR AFTER THE BASELINE

Based on the set above expectations, seven of the largest companies in the cocoa industry, namely Barry Callebaut, Cargill, Hershey, Lindt & Sprungli, Mondelez, Nestlé and Olam International, were benchmarked for the first time last year. Only listed companies and companies that issue bonds are included in the benchmark so as to ensure sufficient relevance from an investor point of view.

A new benchmark was performed in July-September 2018 within the same areas and against the same indicators as last year. Companies were scored on a 0-4 scale, based on how well they meet investor expectations on:

1. Current and future roll-out of systems to identify and remediate child labour, and;
2. Disclosure of impacts from initiatives by the company aimed towards closing the gap between current farmer income levels and a living income for cocoa-growing farmers in its supply chain.

For the full list of indicators and scores, please refer to the footnote¹¹.

This year, in parallel with the benchmark indicators, qualitative questions were posed to the companies about the methodology and implementation of child labour monitoring and remediation systems (CLMRS). This was done to ensure that companies are compared on a similar basis, even though there are variations in how CLMRS are set up. For instance, companies were asked to explain how they ensure that individual farmers are included in a CLMRS, whether they can track the number of children found in child labour, as well as those being taken out of child labour, etc.

¹¹ Scoring scale 0-4 on investor expectation on child labour monitoring and remediation:

0 = No work on child labour monitoring and remediation; 1 = Pilot work on child labour monitoring and remediation; 2 = Substantial work on child labour monitoring and remediation, likely to reach a majority of its farmer base in Côte d'Ivoire and Ghana by 2020; 3 = Substantial work on child labour monitoring and remediation with a clear plan to reach the majority of its farmer base in Côte d'Ivoire and Ghana by 2020. Transparent disclosure of targets, mid-term targets and plans until 2020; 4 = Substantial work on child labour monitoring and remediation with a clear plan to reach the majority of its farmer base in Côte d'Ivoire and Ghana by 2020. Transparent disclosure of targets, mid-term targets and plans until 2020 and disclosure on the scope and implementation beyond 2020.

Scoring scale 0-4 on investor expectation towards a living income:

0 = No efforts to increase farmer income; 1 = Programmes in place to increase farmer income, but difficult to estimate number of farmers reached and/or impacts by programmes on farmer income; 2 = Programmes in place and initial results disclosed on impacts on farmers income; 3 = Programmes in place, disclosure of impacts on farmer income over a number of years, showing an increase in farmer income; 4 = Programmes in place, disclosure of impacts on farmer income over a number of years, showing an increase in farmer income. Disclosure of comparison between actual farmer income and a living income, as well as an action plan to close any gaps.

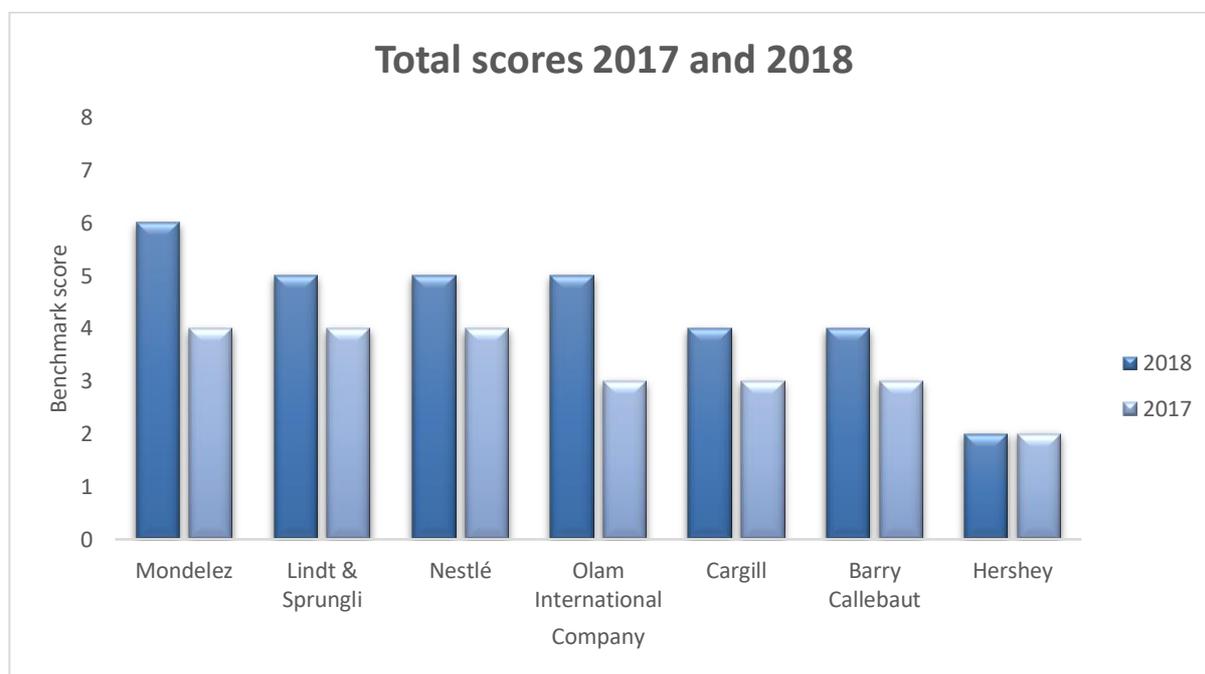


Chart 1. Total benchmark score: comparison of 2017 and 2018 combined results of investor expectations areas: 1) Combatting child labour through monitoring and remediation; 2) Towards a living income for cocoa-growing farmers.

Overall scores show progress, in comparison to last year, in tackling the issue of child labour, as seen in Chart 1 above. The most notable improvements are identified in the roll-out of CLMRS, where almost all companies have received higher scores than in the previous year due to further roll-outs and plans for an additional scale-up. Even the companies which did not receive a higher score than last year have reported more roll-outs and plans in comparison to the previous year (although not sufficiently enough to render a higher score). To a lesser extent, there is also progress in the second focus area, actions aimed towards providing a living income for cocoa-growing farmers. While only two out of seven companies achieved a higher score, there is considerably more focus on this topic in the industry compared to last year. Details on developments in the two focus areas are reported in the following chapters.

COMPANY	RANKING	CLMRS 2018	CLMRS 2017	LIVING INCOME 2018	LIVING INCOME 2017
MONDELEZ	1	4	2	2	2
LINDT & SPRUNGLI	2	4	3	1	1
NESTLÉ	2	3	3	2	1
OLAM INTERNATIONAL	2	4	2	1	1
CARGILL	5	2	1	2	2
BARRY CALLEBAUT	6	2	2	2	1
HERSHEY	7	1	1	1	1

Table 1. Breakdown of 2017 and 2018 results within the two investor expectations areas: 1) Combatting child labour through monitoring and remediation; 2) Towards a living income for cocoa-growing farmers.

In terms of general progress, one significant improvement, is also that three companies, Barry Callebaut, Cargill and Hershey, have all committed to future goals in relation to both the elimination of child labour in cocoa production and to decreasing poverty. Barry Callebaut has committed to the elimination of child labour in its cocoa supply chain by 2025, as well to lifting 500 000 farmers out of poverty by the same year¹². Similarly, Cargill has committed to zero incidents of child labour by 2025 and to strengthening farmer resilience by 2030 by including 1 million cocoa-growing farmers in its farmer programme¹³. Lastly, Hershey has adopted a new cocoa strategy until 2030, also including the elimination of child labour, as well as increasing economic empowerment of women and taking initiatives to strengthen alternative farming models¹⁴.

¹² Barry Callebaut, 2016. <https://www.barry-callebaut.com/news/2016/11/forever-chocolate-barry-callebaut-targets-100-sustainable-chocolate-2025>

¹³ Cargill 2018, <https://www.cargill.com/sustainability/cocoa/re-defining-our-goals>

¹⁴ Hershey, 2018. https://www.thehersheycompany.com/en_us/shared-goodness/shared-business/cocoa-for-good.html

EXPECTATION 1: PROGRESS ON COMBATTING CASES OF CHILD LABOUR THROUGH MONITORING AND REMEDIATION

Given the fact that child labour is a violation of international norms, a minimum requirement that can be expected from companies is that they develop systems that identify and remediate such cases, in particular when the issue of hazardous child labour has been reported as widespread¹⁵. Remediating the situation would also align corporate practices with the UN Guiding Principles on Business and Human Rights calling for companies to ‘*address adverse human rights impacts with which they are involved*’.¹⁶ This also includes human rights impacts in the company’s supply chain¹⁷.

INVESTOR EXPECTATIONS

- *Communication by cocoa companies of a detailed plan, including an expected timeline, on how child labour identification and remediation systems will be rolled out to the majority of their farmer bases in Côte d'Ivoire and Ghana by 2020.*
- *Ensure a continuous roll-out of the plan beyond 2020 so that it eventually covers their entire farmer base in the two countries.*

2017/2018 developments in child labour monitoring and remediation

There have been considerable developments in the roll-out of child labour monitoring and remediation systems (CLMRS) in cocoa-growing communities in the past year. From being driven by individual companies and organisations only a few years ago, CLMRS have spread across the industry and are now at the level of a substantial roll-out led by a number of companies and their partner organisations. The system has also been recognised as a mandatory part in the implementation of CocoaAction, an industry framework to spread good agricultural practices and improve socio-economic conditions for cocoa-growing farmers¹⁸.

¹⁵ Tulane University, 2015. <http://www2.tulane.edu/news/releases/tulane-releases-report-on-child-labor-in-west-african-cocoa-production.cfm>

¹⁶ UN Guiding Principles on Business and Human Rights. Chapter II, Principle 11
http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

¹⁷ UN Guiding Principles on Business and Human Rights. Chapter II, Principle 13b
http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

¹⁸ CocoaAction Annual Report, 2016. https://www.worldcocoafoundation.org/wp-content/uploads/2016-CocoaActionReport-English_WEB_10-30.pdf

When benchmarking the seven companies on the identification and remediation of cases of child labour, we have taken into account both the current level of roll-out of such systems, and future plans to scale them up. Please refer to the footnote to see the specific scores for this focus area¹⁹.

All seven companies have advanced in the roll-out of CLMRS since last year. As shown in Chart 2 below, four companies: Cargill, Lindt & Sprungli, Mondelez and Olam International, have improved to the extent that they merit a higher score in this year’s benchmark, as compared to last year. The best improvers are Mondelez and Olam International. Together with Lindt & Sprungli, they have received the maximum score for their level of implementation of CLMRS, meaning they are doing substantial work on child labour monitoring and remediation with a clear plan to reach the majority of its farmer base in Côte d’Ivoire and Ghana by 2020. The companies have also disclosed targets, mid-term targets and plans lasting until 2020, as well as the scope and implementation beyond 2020.

Companies at the lower end of the scoring in Chart 2 below are mainly failing to disclose a clear plan on how the majority of its farmer base will be covered by a system to identify and remediate cases of child labour by 2020.

We can expect the industry, including the seven companies in the benchmark, to further advance in the roll-out of CLMRS.

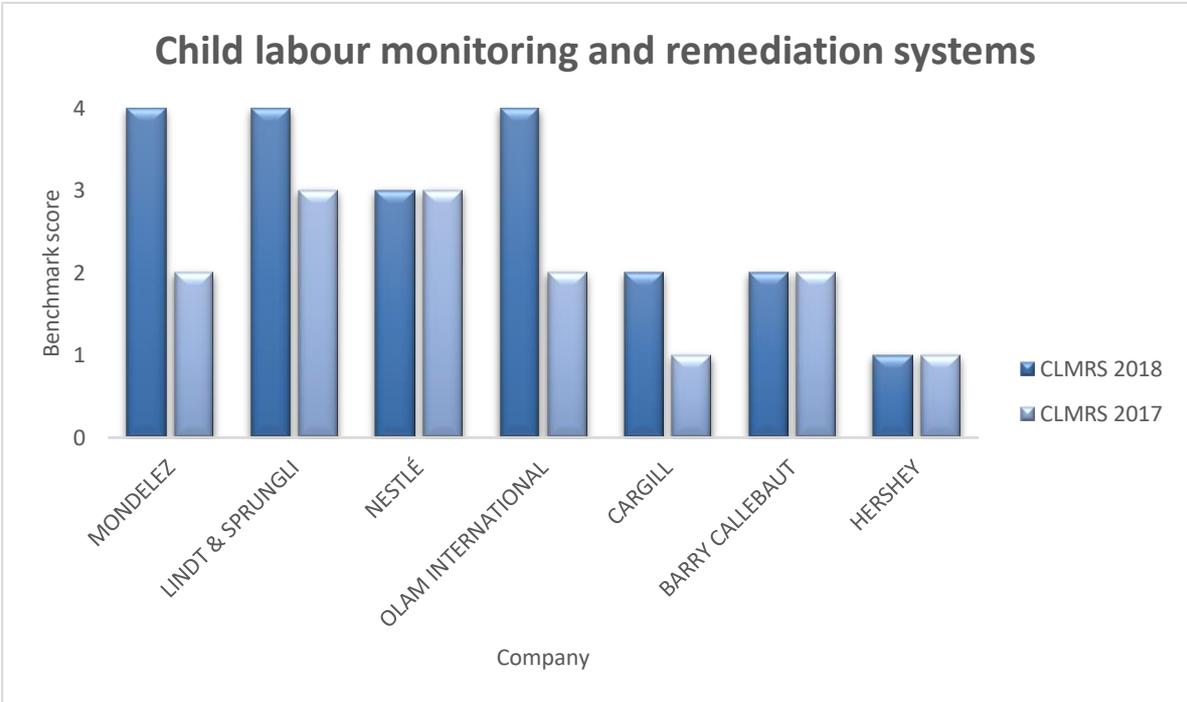


Chart 2: Comparison of 2017 and 2018 results on child labour monitoring and remediation.

¹⁹ Scoring scale 0-4 on investor expectations on child labour monitoring and remediation:

0 = No work on child labour monitoring and remediation; 1 = Pilot work on child labour monitoring and remediation; 2 = Substantial work on child labour monitoring and remediation, likely to reach a majority of its farmer base in Côte d’Ivoire and Ghana by 2020; 3 = Substantial work on child labour monitoring and remediation with a clear plan to reach the majority of its farmer base in Côte d’Ivoire and Ghana by 2020. Transparent disclosure of targets, mid-term targets and plans until 2020; 4 = Substantial work on child labour monitoring and remediation with a clear plan to reach the majority of its farmer base in Côte d’Ivoire and Ghana by 2020. Transparent disclosure of targets, mid-term targets and plans until 2020 and disclosure on the scope and implementation beyond 2020.

Another highlight in the past year was the release of Nestlé's report 'Tackling Child Labour'. The report is designated to the topic of measures undertaken by the company to combat child labour in its cocoa supply chain. It is a frank report and unique in the industry, disclosing numbers on cases of child labour found in the company's cocoa supply chain, remediation efforts in place and data to illustrate the effectiveness of such efforts. What is missing for Nestlé to achieve the highest score in the rating are commitments to roll-out its CLMRS beyond 2020.

EXPECTATION 2: PROGRESS ON ADDRESSING POVERTY AS THE ROOT CAUSE - TOWARDS A LIVING INCOME FOR COCOA-GROWING FARMERS

A poverty reduction strategy is the long-term solution to child labour. From a material point of view, farmers with the means to sustain themselves and their families, i.e. earning a living income²⁰, are more likely to provide a reliable supplier base and ensure a long-term supply for the cocoa industry.

INVESTOR EXPECTATIONS

- *Report to what extent current income levels match a living income for cocoa-growing farmers in the two countries.*
- *Demonstrate progress towards a living income for farmers in Côte d'Ivoire and Ghana, by reporting on the impact of farmer programmes and other initiatives on farmer income.*

2017/2018 developments on living incomes for cocoa-growing farmers

Although progress towards providing a living income for cocoa-growing farmers is more modest in comparison to the progress noted above on CLMRS, there have still been some interesting developments in the past year. Compared to a few years ago, the issue of a living income has now solidly made it to the agendas of cocoa and chocolate companies. Larger studies are being concluded in Côte d'Ivoire and Ghana respectively to understand where current levels of living income should be set in cocoa-growing regions in the two countries²¹. Fairtrade also published a living income study in Côte d'Ivoire in April 2018, which includes comparisons with actual levels of income among the over 3,000 cocoa-growing farmers surveyed. The results showed that, on average, farmers are earning 37 per cent of a living income from cocoa (when accounting for full employment from cocoa farming). The surveyed farmers all receive Fairtrade premiums but, as numbers shows, they are still substantially below a living income²². Another study by The Royal Tropical Institute is looking at household demographics, food security and nutrition, crop choices and crop diversification²³. This means that compared to a year ago, there is substantially more clarity on what the gaps between actual levels of income and living incomes are in cocoa-growing regions in Côte d'Ivoire and Ghana, what role cocoa plays in household income in such regions, and what the scale of the challenge ahead is to fill income gaps.

²⁰ The concept of a living income refers to an income for a person to sustain its own and its family's basic necessities such as accommodation, food, healthcare, education, etc, i.e: a decent standard of living.

²¹ ISEAL, 2018. Estimating living income of Ghanaian cocoa farmers. <https://www.isealliance.org/sustainability-news/estimating-living-income-ghanaian-cocoa-farmers>

²² Fair Trade. Cocoa farmer income. https://www.fairtrade-deutschland.de/fileadmin/DE/01_was_ist_fairtrade/05_wirkung/studien/fairtrade_international_response_study_cocoa_farmer_income_2018.pdf

²³ KIT, 2018. Demystifying the cocoa sector in Ghana and Côte d'Ivoire <https://www.kit.nl/sed/project/demystifying-cocoa-sector/>

GES recognises that all companies have similar programmes in place to improve agricultural practices and livelihoods among cocoa-growing farmers. It is, however, difficult to estimate to what extent they are effective in bringing farmers towards a sustainable level of living income. Thus, investor expectation is focused on *reporting the impact* of farmer programmes and other initiatives by the companies. This area should not be any different from other business areas, where investors would expect companies to measure the effectiveness of any investments made.

In recent years, GES has noticed that companies have initiated ways to measure impacts. Some companies have also disclosed initial data on crop yields and/or farmer income as a result of their farmer initiatives. Such initial disclosure has been awarded a higher score in the benchmark. As Chart 3 below shows, Mondelez, Nestlé, Cargill and Barry Callebaut are companies slightly ahead of the curve in this regard. Please refer to the footnote for full indicators and scores on a living income.²⁴

We, however, expect other companies, and the industry as a whole, to make continuous improvements in disclosing data on crop yields and farmer income. As the gaps between current income levels and living incomes are becoming a lot clearer, we can also expect the discussion to switch more towards how to fill income gaps. The multi-stakeholder group ‘Living income community of practice’ is effectively leading and advancing this discussion, with participation from the cocoa industry²⁵.

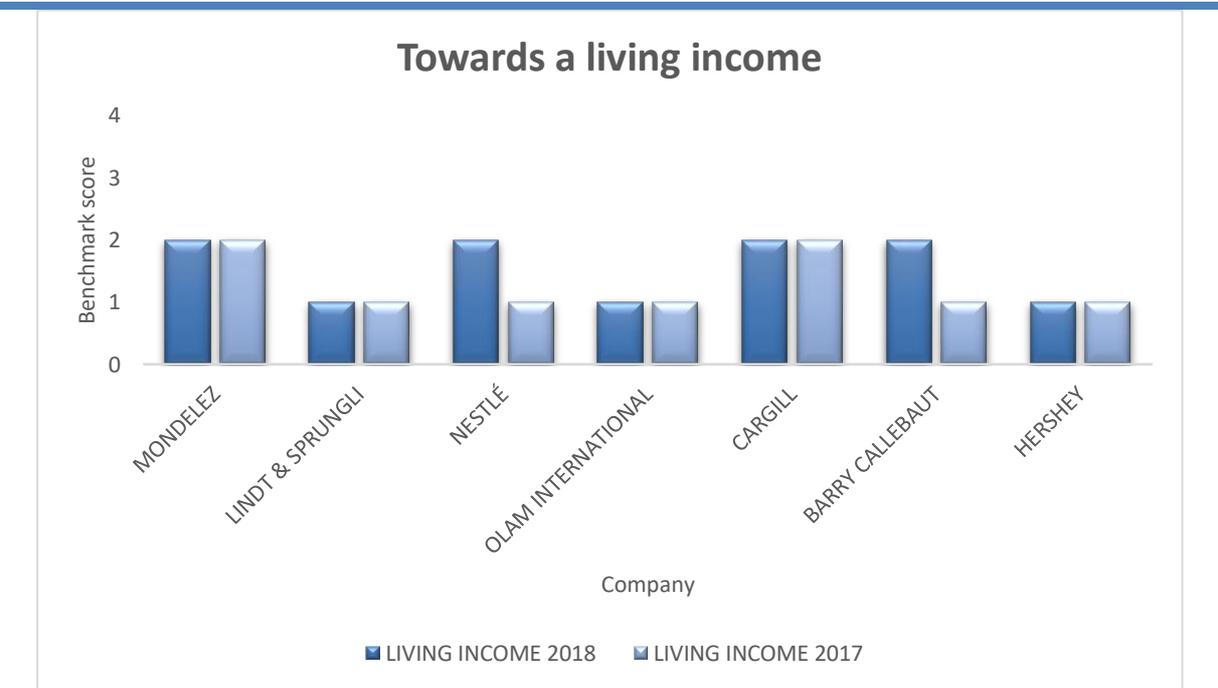


Chart 3: Comparison of 2017 and 2018 results on corporate efforts to provide a living-come for cocoa-growing farmers.

²⁴ Scoring scale 0-4 on investor expectation towards a living income: 0 = No efforts to increase farmer income; 1 = Programmes in place to increase farmer income, but difficult to estimate number of farmers reached and/or impacts by programmes on farmer income; 2 = Programmes in place and initial results disclosed on impacts on farmers income; 3 = Programmes in place, disclosure of impacts on farmer income over a number of years, showing an increase in farmer income; 4 = Programmes in place, disclosure of impacts on farmer income over a number of years, showing an increase in farmer income. Disclosure of comparison between actual farmer income and a living income, as well as an action plan to close any gaps.

²⁵ Living Income Community of Practice, 2018. <https://www.living-income.com/>

With important improvements noted above on bringing a living income to the agenda, conducting living income studies and initial impact measurements, the issue cannot be discussed without also looking at the reality of cocoa-growing communities. Cocoa prices fell to very low levels towards the end of 2016 and throughout 2017. Prices have recovered slightly but remain low. Production increases, stalled demand and speculation are factors argued as being behind the price decline. Reportedly, this may have caused an income decline for cocoa-growing farmers in Côte d'Ivoire of 30-40 per cent from one year to the next, while companies are seeing declining raw material costs.

What investors are expecting more of from the companies going forward are data showing increased farmer income and further effective efforts to close to the gap between actual income levels and living incomes for cocoa-growing farmers.

RECOMMENDATIONS AND CONCLUDING REMARKS

Even though the issue of child labour in the cocoa supply chain has been publicly known for almost two decades, there are still two million children working on cocoa farms in Côte d'Ivoire and Ghana. Investors expect more to be done from their investee companies. The expectations outlined in this report aim to respond to the issue of child labour in a long-term manner and across the cocoa supply chain. They are formulated both to identify and remediate actual cases of child labour and to tackle the underlying root causes of child labour in the cocoa industry, namely: poverty. Investors recognise the substantial amount of work carried out in the area by the industry, but specifically would like to see further roll-out of child labour monitoring and remediation systems, as well as impact reporting from corporate initiatives - demonstrating their effectiveness in closing the gap between actual income levels and living income levels for cocoa farmers.

It is our hope that this report will spur discussion and action from investors and other stakeholders to challenge companies towards the realisation of expectations. For companies, we hope that the report both gives credit to the many efforts already made, but also clearly sets the bar for what is expected by investors. It is our ambition to use this document to continue constructive dialogues and actions towards eliminating child labour in the cocoa supply chain. We encourage investors and stakeholders in the cocoa sector to do the same.



GES is a leading provider of responsible investment and engagement services to institutional investors. We support asset owners and asset managers in developing and implementing integrated investment strategies with regard for environmental, social and governance (ESG) considerations. Representing more than €1.7 trillion of investments worldwide, GES acts as an owner-advocate by evaluating material ESG risks in clients' portfolios, providing voting support at general meetings, and engaging with company representatives.

GES is an independent company founded in 1992 with over 60 employees globally, of which 40 are dedicated to corporate engagement.

We have offices in the UK, Sweden, Denmark, Poland and Switzerland with engagement professionals based in a number of other European countries.

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