FROM BEAN TO BAR

An assessment of chocolate producing companies advancements towards closing the living income gap of smallholder cocoa farmers

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Sustainable Business and Innovation

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Abstract

This thesis explores how chocolate producing companies address the lacking living income of cocoa smallholder farmers by means of their corporate social responsibility (CSR) strategies. Using data from nine small to medium-sized and nine multinational firms competing in the chocolate market, this paper uses an in-depth multiple case study research design to investigate how well company strategies ensure a living income and hence a decent standard of living to smallholders. For this purpose, five interconnected variables, namely *Climate Change*, *Sustainable Agriculture*, *Gender Equality*, *Market Factors* and *Transparency and Accountability*, were developed to evaluate the case companies. The findings demonstrate that all small to medium-sized chocolate producing companies portrayed provide a living income to cocoa smallholders, distinguishing themselves from the presented multinational corporations. None of the latter companies performs well enough on the variables to be considered successful in closing the living income gap. This study's contribution is two-fold. Firstly, it contributes to academic theory, adding to the still scarce literature on living income in the cocoa industry and beyond. Secondly, this study aids the practical implementation and evaluation of companies' CSR strategies concerning a living income. By comparing the approaches of differently sized market players with diverging CSR strategies, a contrast in impacts on living income is revealed, providing an essential base for adopting best practices. This provides an essential base for adopting best practices. The study demonstrates that with a changed market model, based on direct trade and transparency, the provision of a living income to farmers can be achieved.

Executive Summary

The chocolate industry is one of the wealthiest industries of the world, making well over a billion dollars per year. This contrasts with the deeply ingrained poverty at the beginning of the cocoa supply chain, where the majority of smallholders makes less than one dollar a day. Poverty is a root cause of the problems that trouble the industry for over decades, ranging from child labour to deforestation. Estimates outline that in West Africa alone 1.3 million children are doing illegal work and 85% of the forest cover disappeared in Ivory Coast from cocoa related actions.

The substantial concentration in the cocoa value chain paints the picture of an hourglass. At the beginning of the value chain, millions of smallholder farmers are growing cocoa beans, and at the end of the chain, millions of consumers are enjoying chocolate. The centre of the hourglass is dominated by a few powerful multinational companies, trading and manufacturing the cocoa. This pyramid scheme leads to a widespread lack of transparency, dislocating consumers and manufacturers from the smallholder farmers producing the cocoa beans. Therefore, to solve the issue of poverty in the cocoa supply chain and close the living income gap for smallholder farmers, chocolate manufacturers need to engage in a holistic implementation of strategies. Furthermore, the current economic system of the chocolate industry needs to drastically change from building on impoverished smallholders to equalising power structures and valuing smallholders work with decent prices and working conditions.

To counteract sustainability issues prevalent in the cocoa industry, various industry stakeholders are increasingly addressing the living income gap. More and more chocolate producing companies are utilising their sustainability strategies and programs to direct efforts towards solving the issue of farmer poverty. However, as the living income discourse is closely connected to price setting and companies fear to lose a competitive advantage, slow progress is being made in solving the issue of living income.

This research outlines that in order to close the living income gap, a holistic framework work needs to be applied. Five living income variables, namely Climate Change, Sustainable Agriculture, Gender Equality, Market Factors and Transparency and Accountability need to be simultaneously addressed

by companies sustainability efforts, in order to ensure a decent standard of living to smallholders and close the living income gap.

The results indicate, that small to medium-sized, bean-to-bar chocolate manufacturers thoroughly incorporate all living income variables and hence provide a living income to smallholder cocoa farmers. In comparison, large scale chocolate manufacturers lack the parallel implementation of all living income variables and hence fail to close the living income gap in their supply chains.

This research points out, that especially the lack of transparency in cocoa supply chains and the inherent issue of a too low price need to be addressed, in order to close the living income gap. Fully traceable cocoa and prices that allow for a living income would automatically influence more sustainable cocoa production. Child labour and deforestation would be reduced. But for multinational companies to take action, regulations of producing and consuming governments need to be in place, changing the discourse from voluntary commitments to binding treaties.

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1. Introduction

"Business as usual is no longer an option in the cocoa industry."

Jean-Marc Anga, Executive Director of the ICCO[1]

Much has to be done in an industry that has to ask itself whether the sustainability efforts of the past decade have impacted and reached the most vulnerable and most important players of the cocoa supply chain (Fountain & Hütz-Adams, 2018). Smallholder farmers[2] are the backbone of a multi-million dollar industry, producing a luxury good that is mostly enjoyed by the West. Chocolate is the existential basis for over five million smallholder farmers in West-and Central Africa alone (GIZ, 2019).

This thesis examines the implementation of strategies by small to large-sized chocolate producing companies that enable the provision of a living income to cocoa farmers worldwide. The term 'chocolate producing company' refers to a chocolate manufacturer, as further explained in Figure 4. The resulting portrait of current practices of living income implementation, initiated by chocolate producing companies' corporate social responsibility (CSR) strategies, aims to contribute to the understanding of how to close the living income gap.

The debates about living income have been increasing among stakeholders in the cocoa industry and beyond. Nonetheless, achieving change has been difficult, as low wages persist in many global value chains (Dalberg & Wageningen University, 2018). The continuous downward pressure, created by the ever-expanding chocolate market, results in an asymmetrical distribution of power with oppressed smallholders and dominant multinationals (Alliot, Cortin, Feige-Muller, & Ly, 2016).

It is difficult to construe living income conceptually, as most smallholders rely upon several sources of income. One of the most accepted definitions specifies living income as "*the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household*" (The Living Income Community of Practice, 2019b; van de Veen, 2017). Nevertheless,

[1] The International Cocoa Organization is a global organization, composed of both cocoa producing and cocoa consuming member countries, located in Côte d'Ivoire (International Cocoa Organisation, n.d.).

[2] The terms smallholder farmers, smallholders, small-scale farmers and farmers will be used interchangeably in the context of cocoa cultivation.

there is no agreed-upon living income benchmark, providing a calculation method. Hence, companies can abstain from introducing clear action plans (Krain et al., 2015).

The recent discourse on sustainability and CSR draws upon a balance between reducing the negative environmental and social impacts and considering business needs. With various media outcries and thus public visibility, the chocolate industry is not only accused of vast environmental destruction. The industry is also alleged of neglecting fundamental human rights (Blowfield, 2003; Gneiting & Sonenshine, 2018). At the same time, the relevance of living income is increasingly noticed. Especially new industry entrants and small-scale chocolate producing companies devote themselves to changing seemingly deadlocked commitments. This exemplifies a re-construction of the cocoa industry, placing smallholder farmers at the centre of attention.

This thesis investigates the efforts of small-, medium- and large-sized chocolate producing companies directed towards a more just treatment of cocoa farmers. It focuses on criteria enabling a living income that are defined within company internal CSR strategies. The research question that guides this thesis is:

'Which criteria should chocolate producing companies incorporate in their business sustainability strategies to provide a living income to smallholder cocoa farmers?'

This research question will be investigated via two sub-questions:

a. Which business strategies of large and small scale chocolate producing companies are currently in place to address living income through internal sustainability strategies?
b. What kind of business strategy advancements are necessary to successfully provide a living income for small holder cocoa farmers?

Exploring the implementation of a living income within cocoa is relevant for both academia and the industry. Practitioners increasingly show an interest in the topic, spurring the debate among civil society, governments and business representatives. While there is extensive grey literature,[3] little

[3] Websites, blog entrees, newspaper articles, civil society reports, conference documentation, industry commitments and videos.

academic literature on living income exists.[4] Researchers discuss challenges in cocoa supply chains but do not specifically address the debate around living income. Moreover, companies' internal CSR strategies on the topic have not yet been investigated through an academic lens. This research contributes to closing this gap.

The following sections explore the discourse around living income, succeeded by the analytical framework and the methodological approach. Thereafter, the efforts of 18 investigated chocolate producing companies are discussed, and suggestions for further research are given.

[4] In contrast to living wages, the notion of living income has not yet been extensively discussed in academic literature.

2. Context

2.1. Inequality and lack of living income in global food supply chains

The gap between prevailing wages and the necessary earnings to provide a decent standard of living for farmers and workers in food supply chains becomes all too apparent in Figure 1. For some products, such as cocoa from Ivory Coast, smallholder farmers earn only about 80% of what they would need for a decent (basic) standard of living in their countries. Women who are part of the of the food production workforce face even more precarious situations (Willoughby & Gore, 2018). In Ivory Coast, the income of the 800,000 cocoa farmers that were employed in 2015 was below the absolute poverty line. This demonstrates how the global cocoa market, an industry worth $100bn per year, depends on farmers who live in deep poverty (Anga, 2014; Willoughby & Gore, 2018).

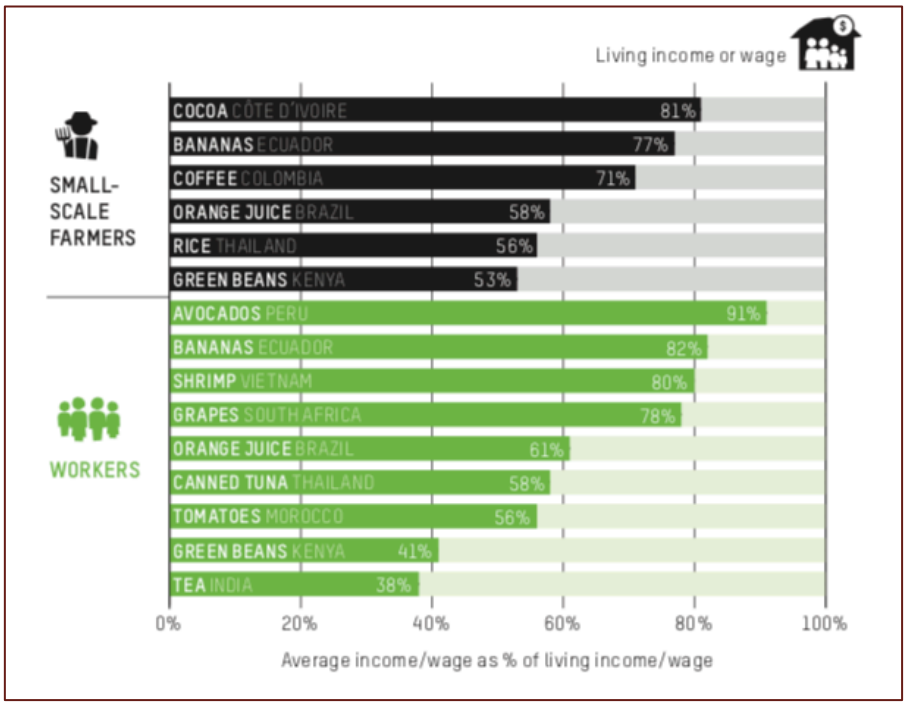

Figure 1. Inadequate average earnings of small-scale farers and workers in food supply chains to earn have a decent standard of living (Willoughby & Gore, 2018).

Smallholder farmers face several challenges that hamper their ability to earn a living income. First, farmers largely depend on the export of their crop products to earn a revenue (Robbins, 2011). Second, farmers are subject to fluctuating commodity prices which are characterised by a continuous downward trend of the price for food. For example, the severe and sudden 2007-2008 increase in

world commodity prices displays the insecure market position of smallholders (Piesse & Thirtle, 2009). Third, the promotion of trade liberalisation and deregulation of the agriculture and labour market continuously weakened the bargaining power of farmers (Willoughby & Gore, 2018).

Adding to this, the encouragements of the World Trade Organisation to reduce and cut export subsidies and domestic support programmes to food producers in the 1980s and early 1990s led to increased instability of price, a reduction in state-supported agricultural credit schemes and the rise of private companies governing the food value chains (Robbins, 2011; Willoughby & Gore, 2018). Additionally, border tariffs protecting domestic farmers have been lifted, and trade unions that collectively bargain for farmers rights are diminishing (Willoughby & Gore, 2018). Lastly, farmers are caught up in structural oversupply. The farming systems are linked to the natural production cycles, which means that smallholders tend to harvest and sell their crops at the same time of the year, resulting in steep price declines (Simons, 2015).

2.2. The failure of the cocoa market in providing a living income

At the top of globalised agri-food chains are multinational corporations (Willoughby & Gore, 2018). The increasing power of food corporations creates the demand for cheap labour in flexible supply chains. At the same time, the declining power of smallholders and workers has created an environment prone to exploitation (Willoughby & Gore, 2018), especially in the cocoa industry (see Figures 2 and 3) the major commodity traders, ADM, Cargill and Barry Callebaut, have dominated the world cocoa processing industry since its foundations. They are the only companies that have the logistical and financial capacity to cope with the volumes of cocoa that are required by the mass market. Only six chocolate manufacturers account for 50% of the global chocolate market, employing millions of small-scale farmers at the other end of the supply chain (Alliot et al., 2016).

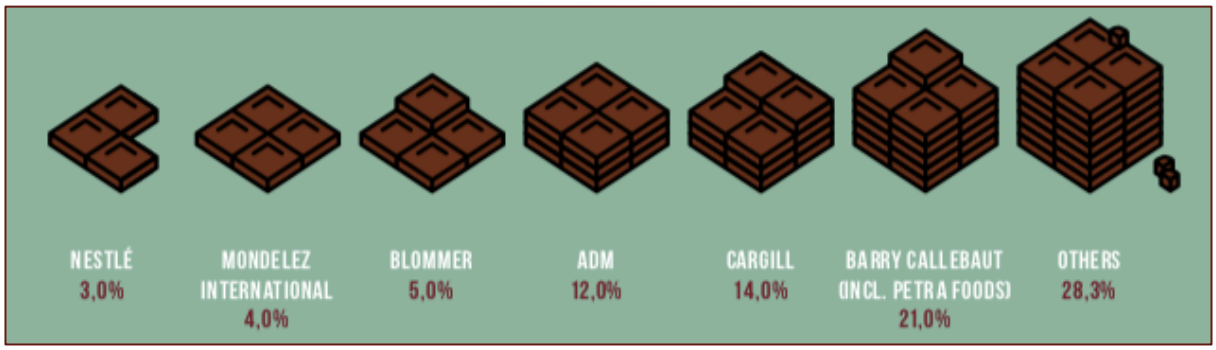

Figure 2. Market share of world cocoa processors in 2013-2014 (Alliot et al., 2016)

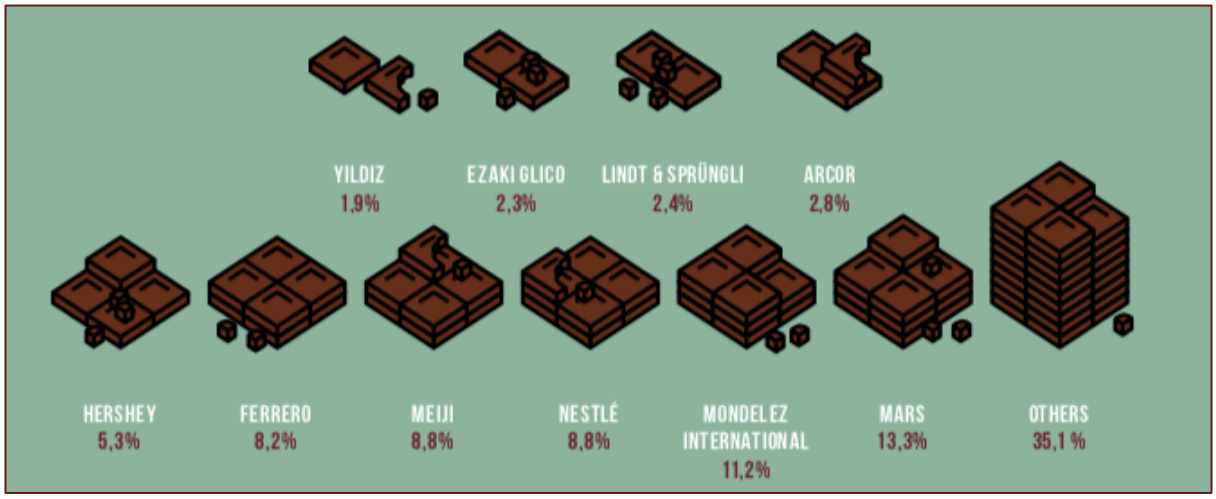

Figure 3. Market share of the major chocolate brands in 2013-2014 (Alliot et al., 2016)

The cocoa market is characterised by a long and often disorganised supply chain, with a complex trading network that involves many intermediaries. Figure 4 outlines a simplified version of this supply chain, hampered by many sustainability issues. Among others, these are: deforestation, biodiversity loss, human rights violations, poverty, volatile prices, unequal bargaining power of farmers, lack of traceability and low yields (Simons, 2015).

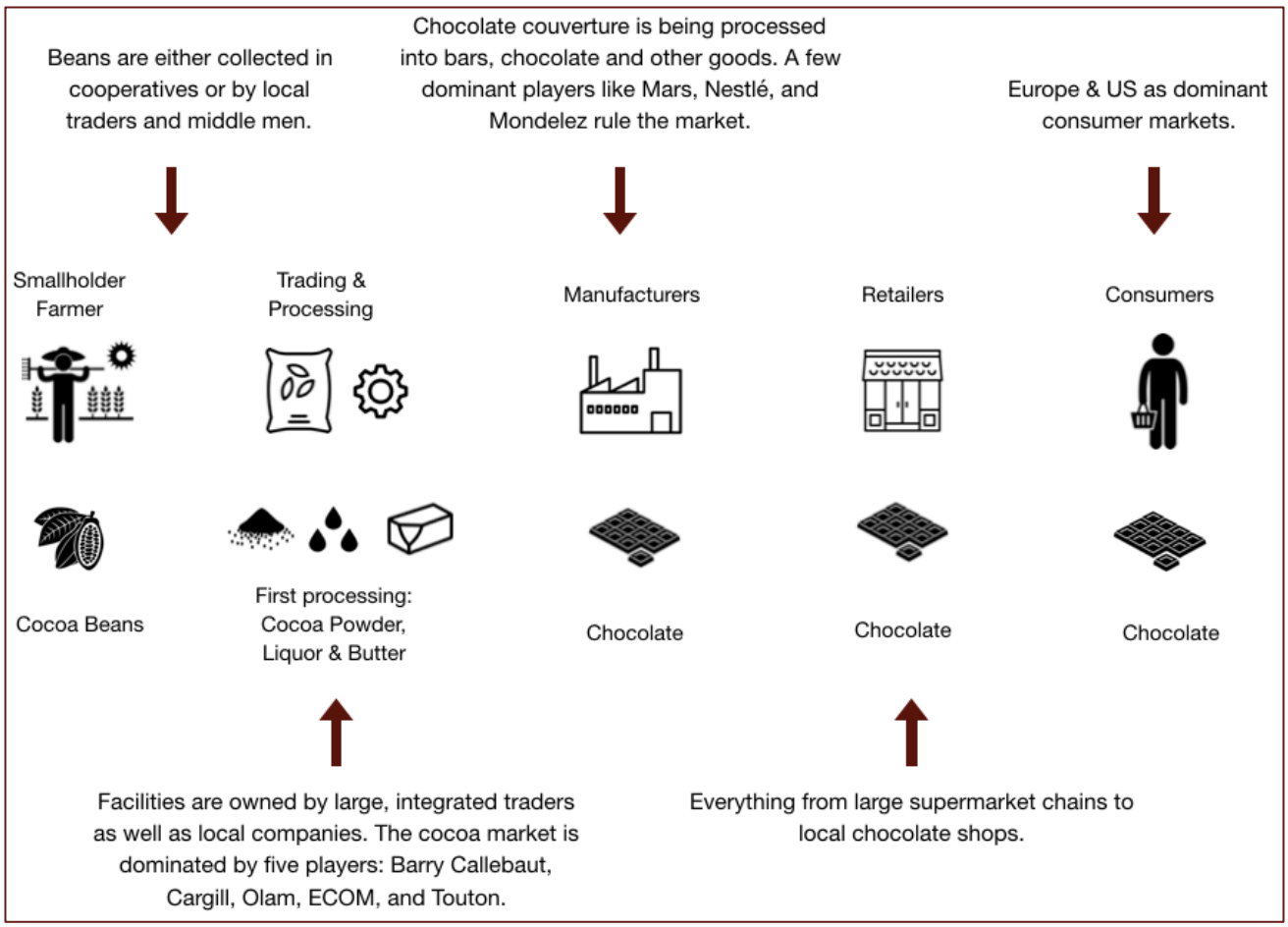

Figure 4. Simplified depiction of the Cocoa Supply Chain, adapted from (Fountain & Hütz-Adams, 2018).

Similar to coffee and cotton, cocoa is a raw material that is a 'simple commodity' with no differentiation. The differentiation of branded consumer products is only achieved through effective marketing campaigns by manufacturers and retailers, that convince the consumer of the special value of products and the uniqueness of its brand. This is the basis of why commodity markets are inclined to fail and why smallholders selling such commodities "*cannot differentiate in the market",* leading to "*low bargaining power"* (Simons, 2015, p. 34). This ultimately results in low margins and low investments, as outlined in Figure 5.

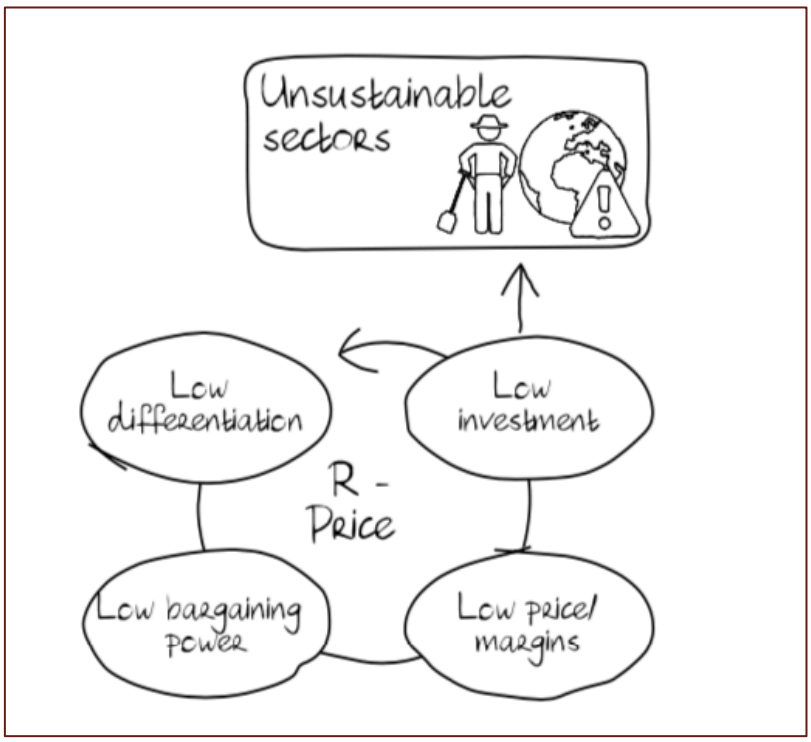

Figure 5. The reinforcing negative price loop of commodities (Simons, 2015)

The rapid concertation of the cocoa and food market has led to a group of players with enormous purchasing power, both among retailers and manufacturers. Mergers and acquisitions fuelled the growth of single multinationals, shaping agricultural supply chains and consumer demands. Consumer welfare and the sale of cheap products have been at the centre of these processes. The impacts on farmers and the environment have been neglected (Ferrando & Lombardi, 2019). A network of contractual relationships has turned smallholders and workers into contactors, providing labour, but never controlling the cocoa beans in the supply chain (Lang, 2003). Within these structures, farmers are unable to make management decisions and effectively bargain with their trading partners (Gneiting & Sonenshine, 2018). The concentration at the end of the supply chain also has implications for competition policies and shapes food policy governance (Lang, 2003). The hour-glass shaped figure is displayed below, outlining the market concentrations (Figure 6).

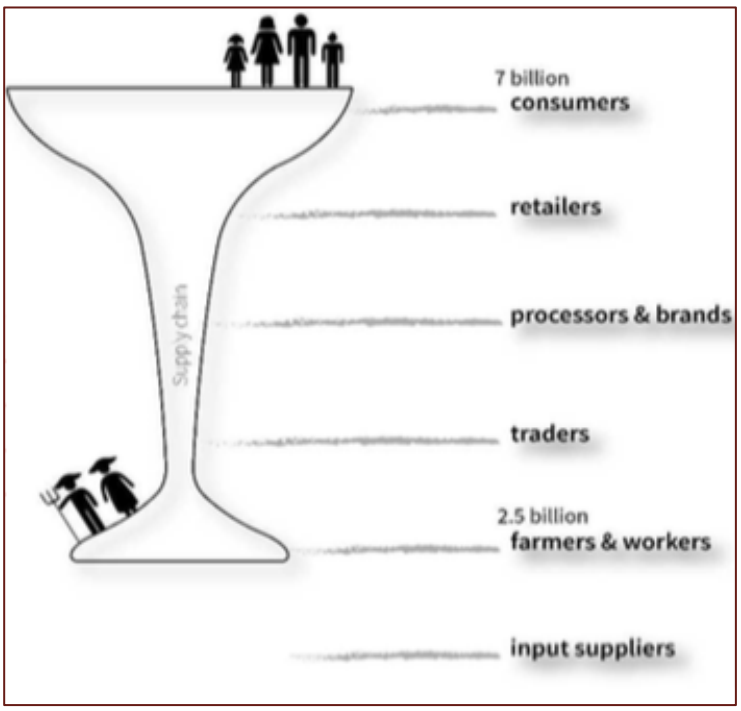

Figure 6. Market Concentration in Global Food Supply Chains (FTAO, 2014)

2.2.1. Competition law and its effects on living income

Competition law has played a leading role in shaping the food industry and today's imbalanced agricultural supply chains. The currently dominant interpretation of the act of competition law considers low prices, broader accessible innovation and the wider availability of products as the three main objectives. Sustainability, such as the impacts on food producers and environmental systems are neglected (Ferrando & Lombardi, 2019). Established initially as a tool to fight private conglomerates of power, anti-trust laws have recently become a more complex and unattainable legal mechanism. Often covered by technic, legal and economic expressions, the law articulates neoliberal ideologies (Ferrando & Lombardi, 2019). The strict interpretations of allowable horizontal cooperation have adverse effects on debates around sustainability. Sustainability initiatives are failed to be recognised as a means to establish efficiency, outweighing the anti-competitive aspects of collaboration. This presents a barrier to the much- needed industry engagement. Additionally, current calculation methods only take into account environmental and social costs if they can be monetised and protect consumer welfare in terms of safeguarding low prices. The fear of companies that a competitive disadvantage could result in an increase in their costs and consumer prices seems

to be a major reason why multinational food corporations are not acting unilaterally on sustainability issues (Long, Taylor, & Aldred, n.d.).

Economically, however, providing a living income to farmers appears to be attainable. As shown in Figure 7, only a 2% increase in investment would close the living income gap for cocoa farmers in Côte d'Ivoire. The necessary investment is much less than the amount by which lead firms in the supply chain have increased the share of the end consumer prices in the past decade (Willoughby & Gore, 2018).

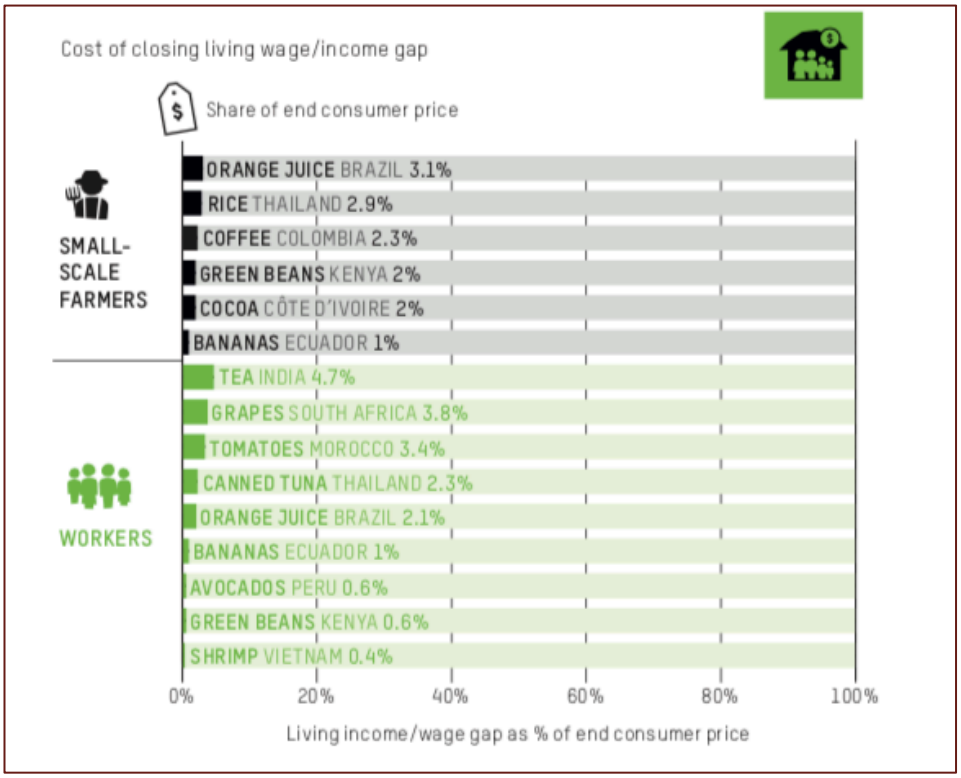

Figure 7. Only marginal investments are needed to close the gap between prevailing wages and a living income, compared to end consumer prices (Willoughby & Gore, 2018).

2.3. Value chain interventions and corporate social responsibility

Value chain interventions emerged in the early 2000s as a market-based approach to meet the Millennium Development Goals in response to the increasing demand for sustainably produced agricultural products (Stoin, Donovan, Fisk, & Muldoon, 2012). The efforts of value chain interventions seem to strengthen the ties between corporations and other value chain partakers (Webber & Labaste, 2010). However, solutions often focus on generating employment rather than

on improving assets and livelihoods (Humphrey & Navas-Alemán, 2010). Pro-poor interventions aim at improving productive operations and generate social benefits, such as gender equity, poverty reduction and increased income (UNIDO, 2011). Business sustainability initiatives are often implemented under different names, where corporate sustainability seems to be among the most prominent ones. Business sustainability initiatives are closely associated with corporate social responsibility (CSR), or even used interchangeably (Ahi & Searcy, 2013; van Marrewijk, 2003). Sustainability issues in a business context should be in line with the integrated perspective of the triple bottom line and focus on the needs of all stakeholders, taking into account the long-term perspective (Ahi & Searcy, 2013). Against this backdrop this thesis defines CSR as "*company activities – voluntary by definition - demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders."* (van Marrewijk, 2003, p. 102).

CSR strategies aim at mitigating issues related to social and environmental impact in pursuit of company and industry wide targets (Stoin et al., 2012). Therefore, closing income gaps with company induced strategies call for a comprehensive approach that considers the multifaceted trade-offs that smallholders face between overall livelihood resilience and income generation, food production, environmental protection and economic – and social inclusiveness.

2.4. Propositions

Transforming the cocoa industry towards more sustainability, allowing smallholders to earn a living income, will impose challenges on chocolate producing companies and other stakeholders. These challenges notwithstanding, this research shows that providing a living income to cocoa farmers is possible. Three assumptions rooted in the discussed literature guided the research process and propositions.

First, this thesis assumes that chocolate producing companies are willing to provide a living income to cocoa farmers. Secondly, this study considers (multinational) companies to be restrained by competition law, therefore unwilling to participate in industry-wide collaboration and price increase. Third, pointing fingers and seeing the responsibility to thoroughly engage in efforts to ensure a living income to smallholders elsewhere is a prevalent issue. Companies, as well as other industry players, need to stop blaming one another and instead actively work together to solve the issue of poverty in cocoa.

Multinational chocolate producing companies have great potential to shape the market and price paid to cocoa smallholders in order to foster sector-wide change and allow for a living income. Due to more (socially) inclusive business models, production of high-quality chocolate, close relationships with consumers and farmers and sustainable farming techniques, small to medium-sized companies are expected to be more likely to provide a living income to smallholders. Accordingly:

Proposition 1: *Small to medium-sized chocolate producing companies are more likely to enable a living income to smallholders, than large chocolate producing companies.*

To ensure the successful advancement of a living income within the cocoa industry, transparency, accountability and collaboration are essential. However, multinationals often lack transparency concerning corporate sustainability. Examples for this are the poor handling of child labour and deforestation, issues widely apparent within the cocoa industry and beyond (Fountain & Hütz-Adams, 2015; Kroeger, Bakhtary, Haupt, & Streck, 2017). Communicating equally about success and failure is critical to creating sector-wide lessons learned. Transparent communication is also vital for safeguarding human rights and implementing sustainability throughout supply chains (Fountain & Hütz-Adams, 2018). Again, due to competition barriers, multinational chocolate producing companies are expected to be less willing to disclose prices and sourced volumes. Hence, as benchmarks and commitments are closely connected to communicating numbers, large corporations are anticipated only to disclose limited information. In comparison, small to medium-sized chocolatiers are more likely to share information perceived as sensitive by other actors, as transparency is part of their business values. Accordingly:

Proposition 2: *Small to medium-sized chocolate producing companies are more willing to share lessons learned and report transparently about benchmarks, KPIs, goals and price than large scale chocolate producing companies.*

In this thesis, small to medium-sized companies are defined through the OECD guidelines on SMEs. As several of the investigated companies are located in the US, the upper limit of 500 employees is considered as definition boundary. Firms are considered small with up to 50 employees, while micro-firms only employ 0-10 staff members (OECD, 2005).

3. Analytical Framework

3.1. Poverty related standards of living

Millions of smallholder farmers contribute to the global food supply chains and are responsible for providing enough to eat for global populations. At the same time, smallholders and agricultural workers are part of the world's most impoverished population. They face unsustainable sourcing practices, discrediting the human right to life and putting children to risk when child labour is the only option, instead of attending school (Sustainalytics, 2019). It is in this context that the debate about an income ensuring a decent or adequate standard of living to workers and smallholders in developing countries is anchored.

Taken up by international organisations and the academic literature, various terms are used to describe the notion of poverty-related standards of living of food producers and their families in the global South. The International Labour Organisation (ILO) highlights the "*provision of an adequate living wage*" (ACCA, 2017, p. 32) and the importance of policies safeguarding this fundamental right (ILO, 2017). The United Nations' Universal Declaration on Human Rights emphasises the right to fair remuneration that would allow an "*existence worth of human dignity*"(United Nations, 1948). Similarly, the UN Guiding Principles on Business and Human Rights (UNGPs) declare that especially the private sector has the responsibility to conserve *human dignity* and that companies are accountable for human rights violations in their supply chains (United Nations, 2011). Moreover, the Sustainable Development Goals (SDGs) provide a framework that promotes environmental and social sustainability across communities, cities and public- and private institutions (United Nations, 2019a). SGD 1 (No Poverty) highlights that "*having a job does not guarantee a decent living"* (United Nations, 2019b).

Differences in describing a *decent* or *adequate* standard of living are also present in scholarly work. Some academics refer to the need to improve the *standard of living* of poor populations in developing countries (Akamatsu, 1962; Calkins & Ngo, 2005; Lawal, Torimiro, & Makanjuola, 2009) to ensure a *good quality* of life (Calkins & Ngo, 2005; Dasgupta, 1990). Other researchers follow the wording of the United Nations and highlight that every human has the right to an *adequate standard* of living and should be able to live in *human dignity* to fulfil one's basic needs (Copp, 1992; Eide, 2017; Kabir,

2002). All researchers refer to the challenge to ensure that especially vulnerable population groups, such as smallholder farmers, have access to a *decent* or *adequate* standard of living.

The basic necessities highlighted by the UN for a decent or adequate standard of living, covering access to food, healthcare, housing and clothing are not sufficient (Eide, 2017). However, it is difficult to determine which other elements are essential for a decent or adequate standard of living, as they depend on the local context.

Defined in economic terms, a decent or adequate standard of living suggests a living above the poverty line, set into a local context. The World Bank defines a poverty line as follows, "*the expenditure necessary to buy a minimum standard of nutrition and other basic necessities and a further amount that varies from country to country, reflecting the costs of participating in everyday life of society."* (The World Bank, 1990, p. 26). It still remains unclear what other basic necessities are and what it means to be participating in the everyday life of society. The World Bank refers to poverty as "*the inability to attain a minimal standard of living"* (The World Bank, 1990, p. 26) but employs the concept differently when discussing poverty-related standards of living.[5] Asbjørn Eide highlights that to enjoy an adequate standard of living, every individual adult has to take care of his or her own needs and the needs of his or her children through their own efforts and own resources. Resources, in this case, refer to the access to private or public land, own labour-power and other capital assets. Furthermore, a satisfaction of needs depends on an income from work (employed by others or self-employed) or may depend on the income of social assistance or social security (Eide, 2017). The first two aspects are particularly relevant for this thesis: the access to land and capital as well as the income generated through cocoa farming.

3.2. Defining living income

The concept of living income goes beyond traditional poverty alleviation practices, which often only focus on basic subsidence and survival. Instead, living income incorporates decency and earning enough income to live comfortably (The Living Income Community of Practice, 2019b).

To be able to afford a decent standard of living means that "*the net annual income of a household, which comes from a variety of sources, is sufficient to cover the costs of a decent standard of living for a typical household in a particular place".* Elements that are part of a decent standard of living in

[5] Such unclarity is also noticeable in definitions of a living income, which will be focussed on in the following chapter.

this context are *"access to food, water, housing, healthcare, education, transport, clothing and other essential needs, including the provision for unexpected events"* (The Living Income Community of Practice, 2019b). Figure 8 summarises the definition of living income, highlighting the most important elements.

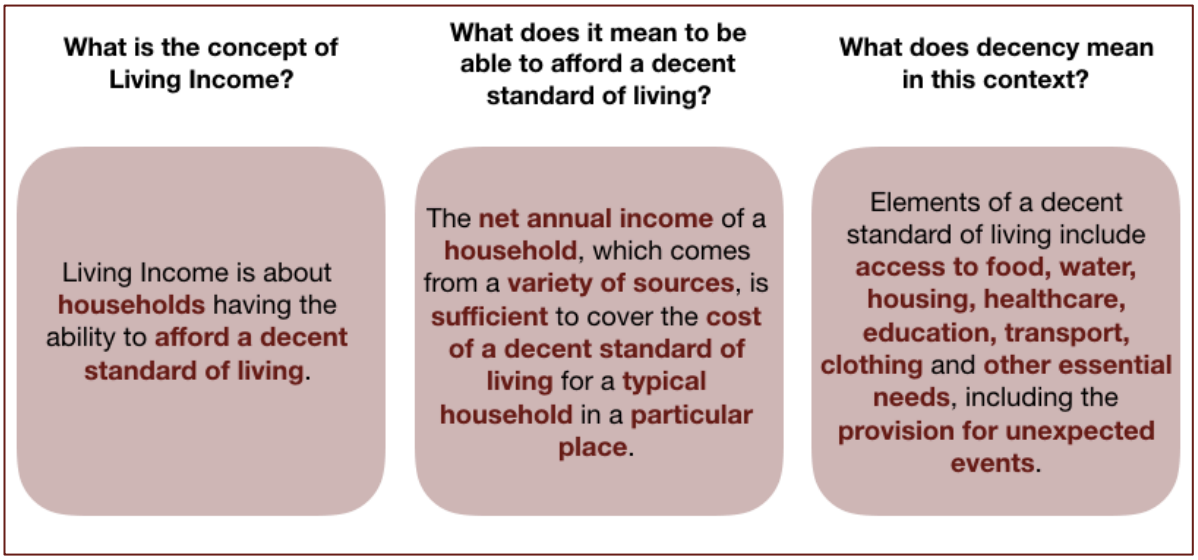

Figure 8. Definition of Living Income (The Living Income Community of Practice, 2019b)

Similar to a living income, a living wage aims at achieving a decent standard of living for households. However, a living wage is applied in the context of hired workers who are, for example, employed in factories or on farms. A living income, on the other hand, is discussed in the context of an income earner, such as self-employed farmers (Anker, 2011; The Living Income Community of Practice, 2019a). Legally binding international treaties, such as initiated by the ILO, are more prevalent for living wages. There is currently no international framework that incorporates a living income. Therefore, there is more space for macro-economic policy setting, which opens up the dire need for businesses to proactively take over responsibility in ensuring a living income to smallholders (Hanna, 2019). This thesis focusses on living income because cocoa is grown by self-sufficient smallholder farmers who are not contracted by an employer.

3.2.1. Calculating a living income benchmark

To understand if households are earning a living income, one first has to know how much it costs to afford a decent standard of living in a particular place for the considered households. This cost can be estimated and measured by using different approaches, such as by using the Anker methodology.

The well-established Anker methodology for estimating living wages (Anker & Anker, 2017) can be conceptualised for living income benchmark calculations. A living income is more difficult to assess, as most farmers rely on several sources of revenue (Komives et al., 2015; Krain et al., 2015; van de Veen, 2017).

If a household has an income to meet the costs of a decent standard of living, then it can be said that the household members earn a living income. The costs a household spends in a year to meet its basic needs are labelled as actual income. Where there is not yet a living income benchmark available or the ability to compare an actual income to benchmarks is limited, it can be referred to other proxies or normative benchmarks, such as poverty lines published by The World Bank. The difference between a living income benchmark and the actual household income is described as the income gap. An income gap can serve as a signal for actors to implement actions that increase the income of the household, applying specific interventions at farm level (The Living Income Community of Practice, 2019b). Furthermore, it can be used to employ measurable and achievable targets for companies to analyse farm economics and help to audit against living income policies included in sustainability standards[6] (Komives et al., 2015).

Figure 9 depicts the living income framework. The income generated from the farm only contributes to a small portion of the actual household income. A household is defined as a group of people, often a family, that is forming an economic unit and is usually living in the same compound or house (The Living Income Community of Practice, 2019b). Living income refers to a household and is not conceptualised for individuals. This means that living income is always referred to as the income that is accumulated and needed by all members of a household in order to ensure a decent standard of living. The reason for this is that the goods purchased with an earned income are being shared among all members, especially if the household includes children and elderly.

[6] The two most prevalent sustainability standards operating in cocoa are *UTZ/ Rainforest Alliance* and *Fairtrade*. In January 2018, the two sustainability standards *UTZ* and *Rainforest Alliance* merged, creating a new single agricultural standard. The aim is to simplify certification processes and continue to improve livelihoods of farmers. The new standard will run under the name of the *Rainforest Alliance* (Rainforest Alliance, 2017).

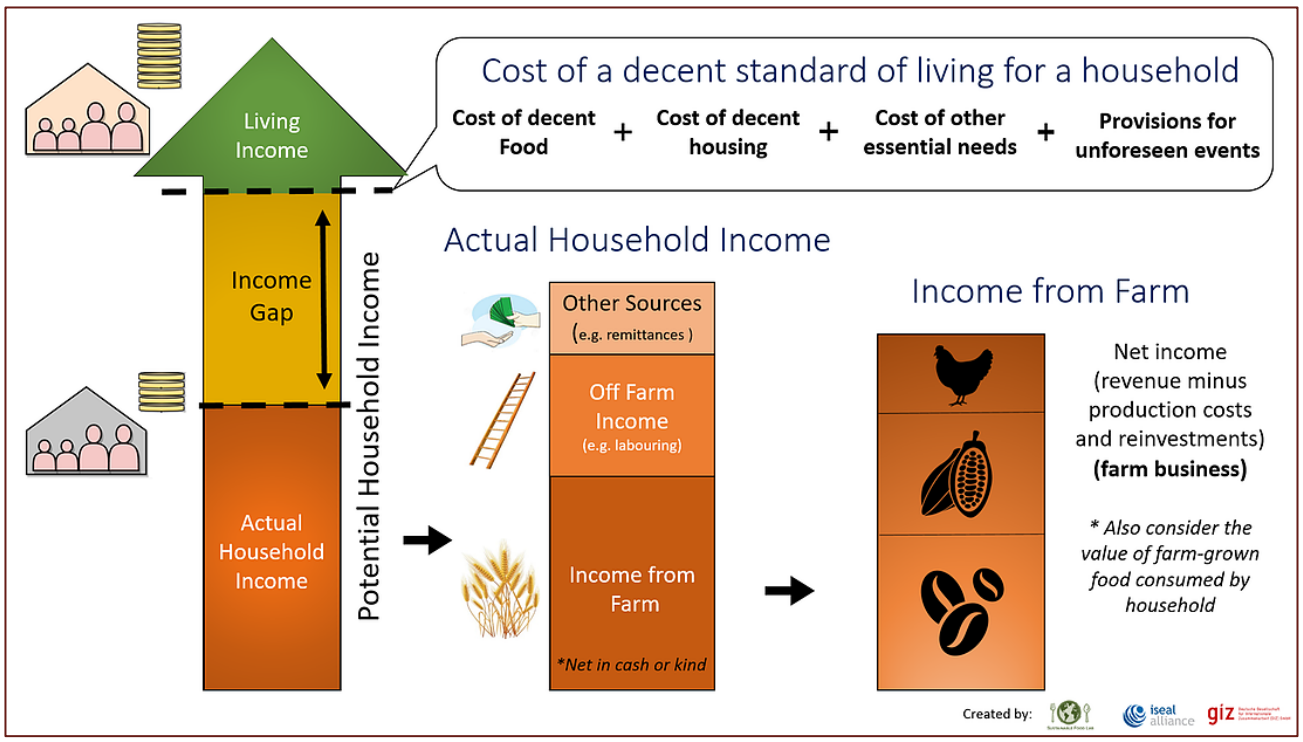

Figure 9. Composition and calculation of a Living Income (The Living Income Community of Practice, 2019b).

First attempts to calculate a living income reference price have been undergone by several institutions. This, however, leads to confusion, as methodologies vary and calculations are not transparent. The Royal Tropical Institute (KIT) estimates that the average cocoa farmer household in Ghana and Ivory Coast earns less than the national poverty line estimated by the World Bank (2016).[7] Cocoa smallholders in Ivory Coast make $0.92 per day. In Ghana, the daily income averages around $1.04 (Tyszler, Bymolt, & Laven, n.d., 2018).

Fairtrade calculated a living income reference price of $2,200 in Côte d'Ivoire and $2,100 in Ghana per metric ton, plus a premium of $240. Tony's Chocolonely aligned its price model with Fairtrade, however applies a different calculation method (Fountain & Hütz-Adams, 2019).[8] Oxfam Fair Trade[9] has started paying a flexible premium to reach a farm gate price[10] of $2,668 in Ivory Coast.

[7] Ivory Coast 57 percent of the rural population lives below the national poverty line and 28 percent only earns $1.90 per day. In Ghana, 38 percent of the rural population lives below the national poverty line and 12 percent survive with $1.90 per day (The World Bank, 2016).
[8] Tony's decided to take up the Fairtrade Premium as part of the living income reference price. However, as premiums are not paid directly to the farmer and are part of a communal fund, this should not be considered as part of the farm gate price (Fountain & Hütz-Adams, 2019).
[9] Oxfam Fair Trade makes and sells chocolate. It is a sister organization of the Belgium NGO Oxfam Wereldwinkels.
[10] A farm gate price is the price for a product available at the farm. This means, that any kind of transport or delivery is not being charged (OECD, 2001).

Furthermore, the governments of Ghana and Côte d'Ivoire put a living income differential in place, a premium of $400 per ton, to enable a farm gate price of $1,820 from October 2020 (Fountain & Hütz-Adams, 2019). However, farm gate prices should be higher than the current reference prices. The minimum farm gate price necessary to earn a living income from cocoa production in Ghana should be at least **$3,116** per metric ton, and **$3,166** per metric ton in Côte d'Ivoire (Fountain & Hütz-Adams, 2019).

This study does not engage in living income *calculations*. First, calculating a living income would exceed the means of research feasible within the scope of this master thesis. Secondly, the strong local engagement and means of research, such as the conduction of interviews, as presented in the study of Tyszler et al. (2018), would have been challenging to implement, therefore resulting in the inability to thoroughly represent the local contexts of interest for an adequate calculation. For this thesis, it is instead vital to understand the complex set-up of elements needed to close the income gap. This lays the basis for adequate interventions that ensure a living income to cocoa smallholders and their families. The main aspects influencing household earnings through cocoa cultivation will be highlighted, adding to the literature and supporting practical implementation.

3.3. The need for a living income

Smallholder cocoa farmers lack control over global market prices for cocoa and have, due to power imbalances, weak to non-existing bargaining power. Farmers are therefore subject to rapid price volatility and the goodwill of their market partners, which leads in times of oversupply and market speculation to drastically decreasing commodity prices. Prolonged periods of low prices, as currently prevalent in cocoa, have severe effects on cocoa farming communities, trapping households in poverty and negatively impacting on the long-term sustainability of supply (Fairtrade International, 2019).

Farmer poverty has several long lasting effects on the industry, society and environment in cocoa producing countries. First, poor income often results in child labour, one of the most prevailing issues in the cocoa industry, as children are a cheap workforce. Second, not solving the issue of living income translates into environmental problems, such as illegal logging activities and the resulting deforestation of primary rainforest, as well as the growth of illicit crops to increase income (Fairtrade International, 2019; UNODC, 2019). As put by Antonie Fountain, one of the key advocates for living income in the cocoa sector, *"the biggest environmental problem in cocoa is living income*" (Fountain,

2019). Third, farmers often abandon farms in order to look for employment elsewhere, contributing to South-South or South-North migration patterns (Fairtrade International, 2019).
Overall, ensuring living income as a fundamental human right should be a main priority of actors in the industry. Additionally, living income is a business imperative, not only guaranteeing sustainable markets, but also a long term supply of cocoa.

3.4. Criteria enabling living income implementation in company sustainability strategies

Solving the issue of living income is complex, and up to date interventions have been accompanied by more failure than success (Proksch, 2019). There is no silver bullet to mitigate lacking living income for cocoa farmers, merely focussing on the farm gate price will not solve the problems encountered by the industry. Resulting unintended consequences, such as overproduction, could lead to pitfalls and worsen the situation for smallholders (Myers, 2019b). The concept of living income covers the financial and economic elements of what it means to live sustainably, but other conditions such as social capital, a healthy and stable environment or infrastructure also have to be taken into account (The Living Income Community of Practice, 2019b). This bigger picture should not be ignored when portraying the efforts of creating successful intervention strategies to ensure a living income to farmers. In fact, addressing other enabling conditions for a sustainable livelihood can have a top-down impact on smallholder income (The Living Income Community of Practice, 2019b). Therefore, when increasing prices to living income levels, chocolate producing companies should follow an accompanying holistic framework that enables more sustainability and transparency throughout cocoa supply chains. This thesis will outline a set of enabling criteria that should be considered when implementing living income strategies and increasing the overall livelihood of cocoa smallholders, leading to a decent standard of living as defined by the Living Income Community of Practice.

3.5. Assessment criteria for living income implementation in company sustainability strategies

In order to assess chocolate producing companies' efforts to provide a living income to smallholder cocoa farmers, this section introduces a set of five interconnected variables. These are *Climate Change*, *Sustainable Agriculture*, *Gender Equality*, *Market Factors* and the overarching variable *Transparency and Accountability* that covers strategies across all dimensions. The variables selected were the most reoccurring themes presented in the literature related to poverty mitigation and livelihoods development, and providing a living income to farmers in the cocoa supply chain. This

thesis argues that in order for companies to be successful in creating strategies that pay cocoa smallholders a price to afford a decent standard of living, hence enabling a living income, *all five variables* have to be taken into account.

The variables were drawn out of the analysis of 362 documents covering the cocoa industry, which included work from academic scholars (124 papers) as well as grey literature publications (238 papers). Screened publications were written either in German or English. Additionally, own notes from webinar - and conference attendance were considered. Furthermore, industry-specific newspaper articles published by the leading online news outlet covering cocoa, ConfectionaryNews were included. Websites and blog-posts of NGOs were essential elements in the creation of knowledge about the five concerning variables. Relevant organizations were identified through snowballing citations and references, partner organizations and experts presented in covered papers and reports.

Scholarly articles were derived from the academic search engines Google Scholar, Web of Science, Scopus and Semantic Scholar. Search terms were 'living income' (0 hits for all four search engines), 'living income agriculture' (Google Scholar 2 hits, Web of Science 1 hit, Scopus 1 hit, Semantic scholar 0 hits), and 'living income cocoa' (Google Scholar 15 hits, Web of Science 7 hits, Scopus 6 hits, Semantic scholar 14 hits). If applicable, for each search engine the first 50 articles were considered, from which the most related titles were selected for a closer examination. 84 of 124 scholarly papers were published within 63 different journals.[11] As can be seen from the search queries, the academic output covering living income in the agriculture and cocoa sector is limited. To complement academic literature, grey literature was derived in the following manner:

1) Several websites of NGOs working on sustainability were considered, providing access to databases outlining literature covering the cocoa industry and agricultural supply chains. Examples of institutions taken into account are OXFAM (180 papers checked, 16 considered covering agricultural supply chains, the cocoa industry and poverty in the global South), Südwind-Institut für Ökologie und Ökumene[12] (All publications from 1995 to 2019 were screened, 13 were taken into account), the

[11] The journals, *Journal of Business* Ethics, *Supply Chain Management* and the *International Food and Agribusiness Management Review* were the most prevailing ones.

[12] The Südwind-Institute is a research institute located in Bonn, Germany. Research topics focus on ethical sourcing practices within supply chains. Main constituents of research are always social and environmental sustainability. Friedel-

VOICE network[13] (10 papers were conceived from the VOICE network's database) and the Living Income Community of Practice (34 papers are published in their database, 10 were considered). Other institutes examined were the Forum Nachhaltiger Kakao[14], Hamburger Stiftung für Wirtschaftsethik[15], Fairtrade International, the International Institute for Environment and Development (IIED)[16] and the Centre for Agriculture and Bioscience International (CABI)[17]. Additionally, institutions that contributed to further research output studied, were ISEAL Alliance[18], The World Bank and The Dutch Sustainable Trade Initiative (IDH)[19].

2) Blog-posts by the World Cocoa Foundation (WCF), a non-profit international membership organization whose vision is a sustainable and thriving cocoa sector, were considered. In total, 11 blog-entrees by the WCF were considered.

3) The website CocoaConnect, a digital platform to share, meet and learn for sustainable cocoa provided access to several hundreds of papers, of which 278 papers were screened. 59 papers were included.[20]

4) Output produced by consultancies, covering the cocoa industry, was part of the conducted literature review. Papers, reports and presentations that were published by KPMG, Aidenvironment, New Foresight and the research consultancy SEO Amsterdam Economics were taken up.

5) Webinars initiated by the Living Income Community of Practice and facilitated by the ISEAL alliance helped to understand the perspectives of experts on issues around living income. In total, five webinars were included in the research process.

Hütz Adams is a cocoa expert, researcher at the Südwind-Institute and a frequent author of grey literature cited in this thesis.

[13] The VOICE network is a global network of NGOs and Trade Unions working on sustainability in cocoa, tackling issues such as poverty, child labour and deforestation. The network calls itself a watchdog and catalyst or a reformed cocoa sector with a mission to address blind spots and underrepresented issues in the cocoa sector. The managing director, Antonie Fountain is a key spokesperson for civil society in cocoa and cited frequently in this thesis.

[14] The German Initiative on Sustainable Cocoa (GISCO) is a joint initiative of the Federal Government, represented by the German Ministry of Economic Cooperation and Development (BMZ) and the German Ministry of Food and Agriculture (BMEL), the German sweets and confectionary industry, the German retail grocery trade, and civil society. Jointly the aim is to improve the livelihoods of cocoa farmers and their families.

[15] The *Hamburger Stiftung für Wirtschaftsethik* is a NGO for ethics and economics, which focuses on global supply chains and the challenges they are facing.

[16] The IIED is an independent research organization that supports sustainable development and protects the environment. As strategic collaborators, knowledge brokers and innovators the IIEDs mission is to build a fairer and more sustainable world using evidence, action and influence and working in partnership with others.

[17] CABI is an international, inter-governmental, not-for-profit organization that improves people's lives worldwide by providing information and applying scientific expertise to solve problems in agriculture and the environment.

[18] ISEAL is a global membership organization for credible sustainability standards, addressing environmental and social challenges.

[19] IDH brings together companies, CSOs, governments and other actors in public private partnerships. The aim is to drive sustainability from niche to norm in mainstream markets, delivering impact on the Sustainable Development Goals.

[20] 22 additional publications were repetitive and received already from other databases.

6) The attendance of the *Chocoa* conference in February 2019 and the *Only Way is Up* conference in November 2019 provided me with the opportunity to get in touch with experts and practitioners, as well as experience the current debate in the industry about how to close the living income gap first-hand. The attendance allowed to gather data and knowledge that is not accessible in written formats.

The following section will portray the five variables. It will offer a problem description and explanation of the importance of a holistic approach when tackling the income gap of smallholder farmers. First, contextual difficulties that are closely connected to a lack of living income are highlighted. Afterwards, a set of strategies will be introduced that should be considered by company internal sustainability efforts to enable a living income to cocoa smallholders. A summarising table at the end of this section will outline the operationalisation of the highlighted variables.

3.6. Contextual conditions affecting a living income for smallholder cocoa farmers

The following sections outline the contextual conditions that affect farmer livelihood and underpin the necessity for a living income.

3.6.1. Climate Change

Cocoa trees are a highly sensitive species, especially vulnerable to changing environmental effects. Variations in length and intensity of sunlight, rainfall and water application, as well as soil conditions and temperature, can have a lasting impact on the growth of cocoa beans (Agbongiarhuoyi et al., 2013). Therefore, the effects of climate change with changing and intensified weather patterns, higher temperatures and longer periods of drought are increasingly affecting cocoa farming. Research displays that climate vulnerability will result in excessive dry seasons, reduced water availability and increasing temperatures (Schroth, Läderach, Martinez-Valle, Bunn, & Jassogne, 2016). Additionally, climate change is reported to have major implications on the spread of pests and pathogens that are infesting cocoa plantations (Forum Nachhaltiger Kakao, 2019). These factors translate into lower and more unpredictable crop yields, deepening poverty, food insecurity and unsustainable development, which makes farmers more vulnerable and emphasizes the need for a living income (Agbongiarhuoyi et al., 2013; Boon & Ahenkan, 2011).

3.6.2. Sustainable Agriculture

3.6.2.1 Productivity

During the last decade, many CSR strategies focussed on increasing productivity and yields to enable cocoa farmers overcoming poverty and providing a constant supply of cocoa beans to the market (Hütz-Adams, Huber, Knoke, Morazán, & Mürlebach, 2016). Low productivity levels play an essential role in the vicious cycle of a lacking living income, deficiency of farmer investment and persisting low yields (Hütz-Adams et al., 2016). Focussing on productivity as the main solution to enable a living income to smallholders, however, has to go hand in hand with other enabling criteria.

The productivity of a cocoa tree depends on several factors, including soil quality, its genetic code, weather conditions, the age of the tree, pruning and other cropping activities and the application of inputs. Depending on tree species and farming techniques, most cocoa trees reach their highest productivity between the 5^{th} and 10^{th} year of their lifetime. Afterwards, the number of pods decreases and trees growing older than 20 years usually have to be replaced to bear fruit (Hütz-Adams et al., 2016). To make up for the depleted soil, deforestation has been increasing drastically, leading to biodiversity loss, local and global changing climate patterns and in turn fuelling poverty levels of smallholder households. Aging and vulnerable trees, prone to diseases and climate change limit the yields and, therefore, farmer income. Poor attention to cocoa plantations has further contributed to the deteriorating productivity (Adeogun, Fapojuwo, Oyeyinka, Adamu, & Abiona, 2013).

3.6.2.2. Deforestation

Compared to commodities such as palm oil and soy, cocoa has a relatively small impact on deforestation. But cocoa still contributes to rapid biodiversity loss as it is mostly produced in biodiversity hotspots located in the equatorial belt (such as the Amazon Rainforest and the Southeast Asian Rainforest). While data lacks are a prevalent problem, estimates put forest loss due to cocoa farming between 2 to 3 million hectares from 1988 to 2008 (Kroeger, Bakhtary, Haupt, & Streck, 2017). Deforestation is most prevalent in West Africa and Southeast Asia, where historical issues like the absence of clear land and tree ownership regimes, ineffective legal systems and governmental policies promoting increased production lead to the rapid logging of trees. The worldwide increasing demand for chocolate adds to the issue, as cocoa cultivation and hence deforestation has more strongly been promoted in Latin America and the Congo Basin (Kroeger et al., 2017).

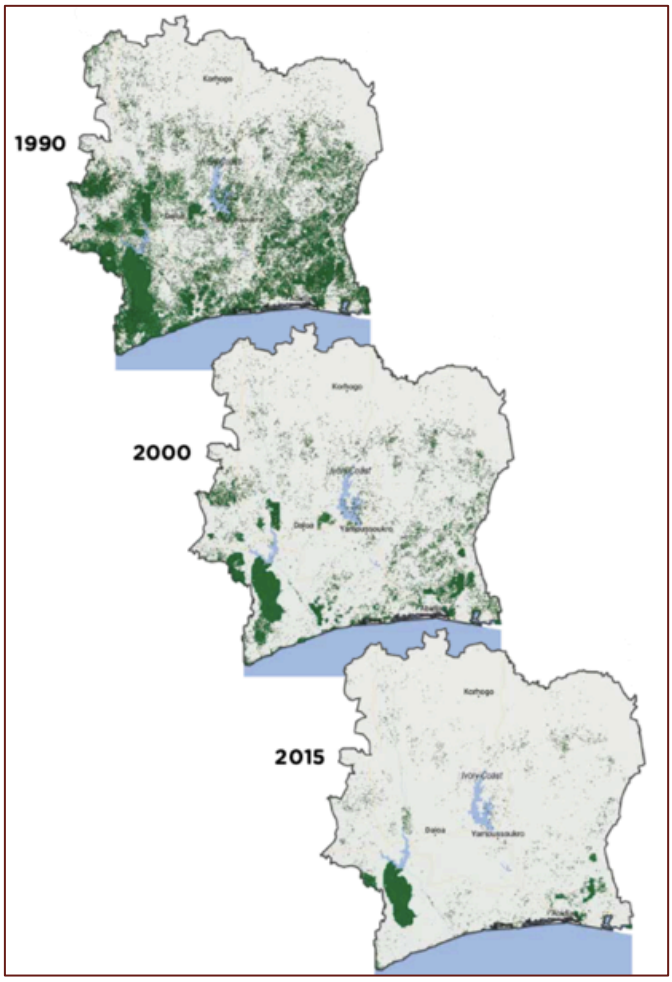

Figure 10. Loss of Forest Cover due to Deforestation related to Cocoa Cultivation in Côte d'Ivoire from 1990-2015 (Higonnet et al., 2017).

The absence of a living income and structural issues of poverty among cocoa smallholders is one of the main drivers of deforestation (Geist & Lambin, 2003). Poor households are more likely to degrade forests. First, poor smallholders experience lower off-farm economic opportunities to generate an income due to lacking skills and education (Kerr et al., 2004). Illegal logging activities, therefore, present a means of income generation, as well as the access to building material and firewood (Forum Nachhaltiger Kakao, 2018). Second, as the volatility of the cocoa market brings smallholder households to the brink of extinction, forest clearance provides insurance to buffer family emergencies or other shocks. Prices that guarantee a living income would mitigate this issue, providing families with enough income to prepare for unexpected events and hence not open up the need for engaging in illegal logging activities. Third, the limited access to finance for farmers and non-existence of monetary savings reduces the ability to invest in fertilizers and other equipment to raise yields (Kerr et al., 2004). As tropical rainforests have one of the highest carbon storage on the planet, deforestation for cocoa has a large impact on the climate (Higonnet, Bellantonio, & Hurowitz, 2017).

3.6.2.3. Agroforestry and crop diversification

Cocoa agroforestry systems incorporate a range of multifunctional roles that can improve smallholders livelihoods and sustain cocoa production. The current trend of removing shade trees and employing full-sun cocoa farming practices, which result in deforestation, biodiversity loss and

poor ecosystem properties, can diminish the ability of smallholders to adapt to external pressures, such as food insecurities, climate change and price volatility (Bisseleua, 2019; Vaast & Somarriba, 2014).

Next to money generated from cocoa, shade trees provide farmers with other goods, such as timber, fruits or medical plants that can generate additional cash income and high value for domestic consumption to cocoa farmers. This contributes to household savings, food security, improved farmer livelihood as well as in-kind benefits[21]. The contribution of other agroforestry goods can even have a similar or higher economic benefit than cocoa itself, depending on the density of shade trees which is especially valuable during off-seasons (Alliot et al., 2016; Cerda et al., 2014; Laroche, Jiménez, & Nelson, 2012; Molenaar & Short, 2018; Nhantumbo & Camargo, 2016).

Furthermore, agroforestry systems help to regulate pest and disease outbreaks. Consequently, fluctuating cocoa prices and other shocks can be better resisted, which is an important part of the definition of living income. Additional ecosystem services that contribute to the generation of a living income of farmers include crop productivity, climate adaptation, pollination, soil fertility, water yield and diversification of production (Clough et al., 2011; Vaast & Somarriba, 2014). Crop diversification outside of agroforestry farming systems can reduce poverty levels of farmers in the cocoa industry (Gneiting & Sonenshine, 2018; Senadza, 2014) and help them generate a living income.

3.6.3. Gender equality and women's empowerment

Women in rural areas account for nearly half of the agricultural workforce in developing countries. Despite their essential role in household food supply and family upbringing, women often face discrimination and limited bargaining power (Botreau & Cohen, 2019). Therefore, when portraying the efforts of living income creation in cocoa, gender equality is important. Patriarchal norms create disadvantages for women smallholders, specifically in land rights as difficulties in securing ownership, discrimination in inheritance and allocation of smaller or less fertile plots of land are prevalent. Additionally, limited access to productive resources (credit, extension services or agricultural inputs), as well as unpaid work and prohibition to participate at decision making and political representation are widespread (Botreau & Cohen, 2019; Laven & Adama, 2019; Vigneri & Holmes, 2009).

Gender inequality in cocoa poses several problems that affect living standards of cocoa-growing households. For example, in Côte d'Ivoire, women take on 45% of the work on cocoa farms but are

[21] In-kind benefits could for example be food and construction material for own use.

not perceived as farmers. Among smallholders in charge of the crop, they are often a minority and are seen as primarily supporting male family members on their farms. This hinders women from attending training sessions and having access to financial and agricultural inputs. Therefore, involving women more strongly in community life and recognizing their importance has the potential of increasing the productivity on farms and improve the general wellbeing of cocoa farming households (Fountain & Hütz-Adams, 2015; Greene & Robles, n.d.; Vigneri & Holmes, 2009).

Hence, increasing agricultural investments that aim at supporting smallholders do not automatically benefit women farmers. Whether women control resources and have the chance to participate in decision making about household income, has a close effect on the generation of a living income and is crucial for achieving gender justice in cocoa and beyond (Botreau & Cohen, 2019; Laven & Adama, 2019).

3.6.4. Market factors

3.6.4.1. Price

"Prices are disastrous. When a farmer gets up in the morning, they are always worried: how will they be able to feed and take care of their family? How can they send their children to school?"

Cocoa farmer Ebrottié Tanoh Florentin in (Taylor & Henty, 2019)

The most efficient way to ensure a decent standard of living to cocoa farmers is to increase the price received by smallholders to living income levels. Even if other relevant elements such as productivity, more durable plant variations and crop diversification are taken into account, the effect on farmers ability to escape poverty is only marginal if prices are left out of the equation (Fountain & Hütz-Adams, 2014). To address the vulnerable situation of cocoa farmers, price volatility and farm gate prices are key (Fountain & Hütz-Adams, 2018; Gneiting & Sonenshine, 2018). Asymmetrical price transmission, uncontrolled speculations on the stock market, a lack of supply management and the increasingly negative impacts of climate change and diseases on production volumes contribute to smallholders vulnerability (BASIC, 2014). Price fluctuations cannot only be observed on a yearly basis but even on a monthly or day to day rhythm. This contributes to insecure planning and investment decisions of farmers. Figure 11 shows how the world market price of cocoa dropped significantly from the harvest season 1979-1980 until the recent years (Hütz-Adams, 2012), especially due to the growing demand of consumers in Western nations, and growing markets in the Middle East and Asia.

The increased production of cocoa beans pressured and decreased the price per tonne of cocoa, with negative consequences for farmers (Hütz-Adams, 2012). Figure 12 displays another price drop between August 2016 and December 2017, where cocoa farmers in Ivory Coast saw their primary source of income reduced from one year to the next by up to 30-40%. The drop was – among other factors – driven by a sudden increase of supply. This demonstrates that only investing in productivity programs can have unintended, negative consequences (Taylor & Henty, 2019).

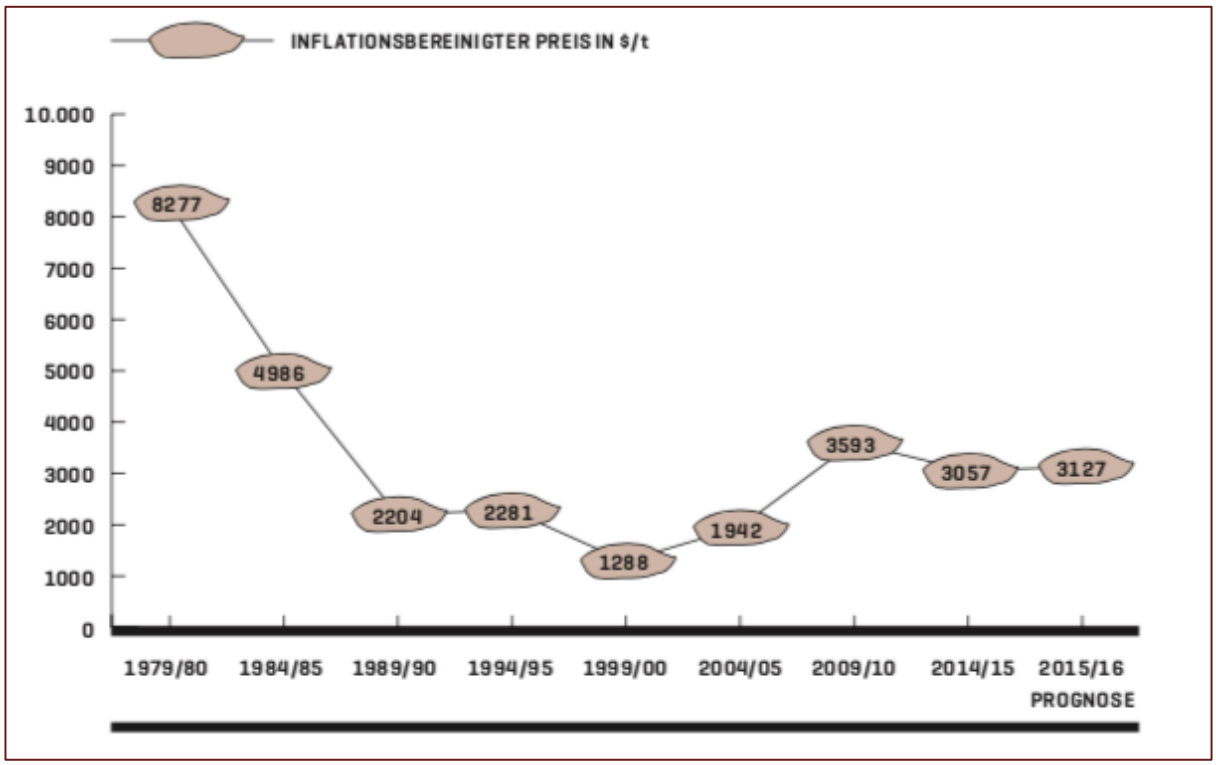

Figure 11. Development of the world cocoa price from 1979-2014 (Hütz-Adams, 2012)

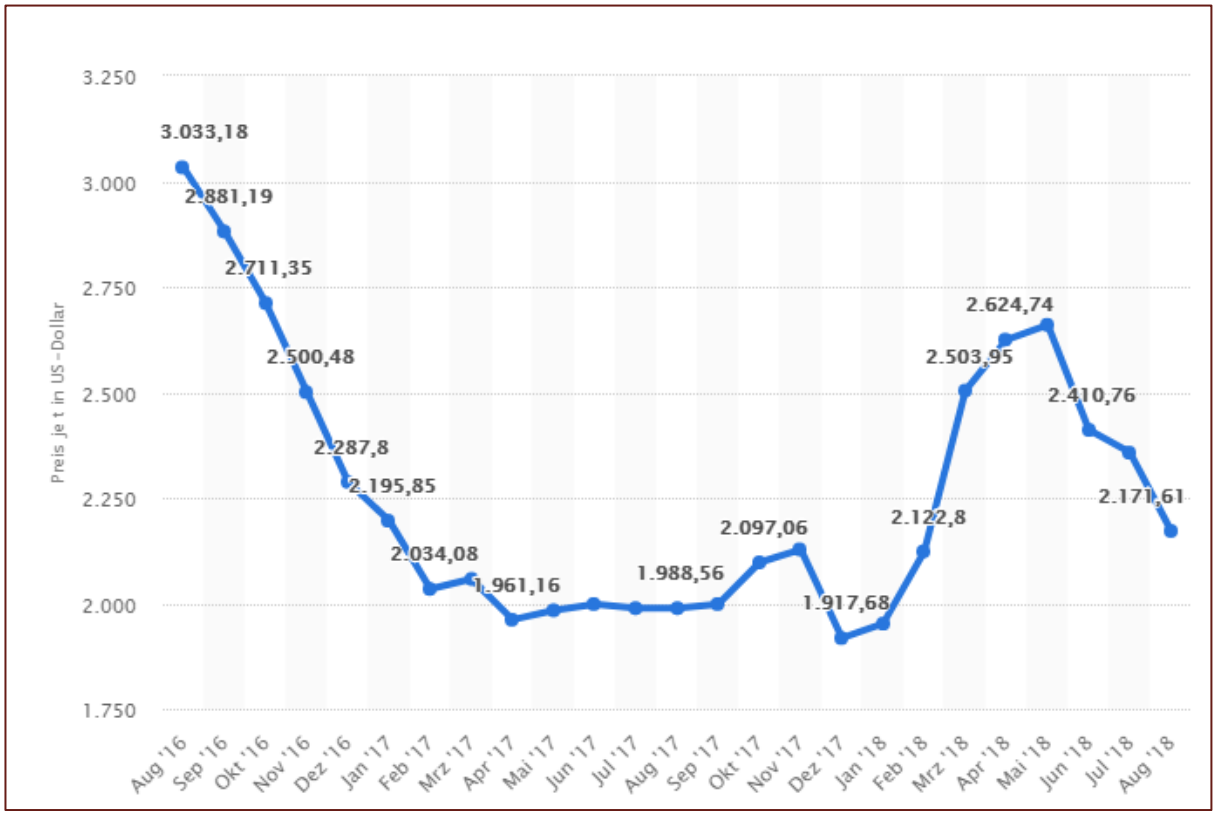

Figure 12. Display of fluctuating prices and significant price drop between August 2016 and December 2017 (Strauss, 2018b).

3.6.4.2. Long term and direct trading partnerships

One of the most significant structural challenges in the cocoa supply chain is the imbalance of power between a fragmented farmer base and a consolidated group of buyers, resulting in a deficit of living income provided to smallholder cocoa farmers. This fragmentation prevents more direct engagement and information exchange between different supply chain actors leading to unfavourable trading practices including abrupt termination of contracts, unilateral decision making, late payments or shifting costs and charges (Gneiting & Sonenshine, 2018). All of these aspects intensify in short term farmer and buyer relationships. Despite farmers making up a large part of the cocoa supply chain, they are often only viewed as suppliers of essential commodities and not as equal business partners. As a result, trading relationships have remained indirect and transactional, which limits the ability of companies to engage with farmers around their needs and incomes (Gneiting & Sonenshine, 2018). Therefore, long-term business relationships are essential for the successful development of equally beneficial and sustainable sourcing practices (Fountain & Hütz-Adams, 2018).

3.6.4.3. Industry collaboration

The fastest and most efficient way to engage in the development of a living income and, hence, in poverty reduction, is through stronger industry engagement and the commitment to raise the farm gate price (Fountain, 2017). To do so, collective action of various industry players is necessary. It is close to impossible that one interest group alone can influence a sector wide-change. Farmer cooperatives, companies, governments of producing and consuming countries and civil society organisations all play a role in mitigating the lacking living income for cocoa smallholder farmers (Living Income Community of Practice, 2018).

Social partnerships, multi-stakeholder or inter-organisational collaborations, are formed to solve wicked or *"messy problems"* (Savage et al., 2010, p. 21) that cannot be solved by one organisation independently. Oftentimes, stakeholders are not only motivated by rational interests (e.g. material interest) but also by identity preserving elements to engage in stakeholder collaboration (Rowley & Moldovenau, 2003). Nonetheless, a lack of trust or multiple and divergent aims of different collaborative actors with diverse organisational cultures or power differences can also hamper collaborative advantage.

These obstacles are particularly present in discussions about competition law. Antitrust regulations hinder companies from taking action and engaging in the much-needed conversation around living income. The fear of offering a competitive advantage to other players precludes any formal – and informal – discussion about living income, as price is a too sensitive issue to address (Ferrando & Lombardi, 2019; Long et al., n.d.; Möhringer, Taylor, & Seville, 2019).

To improve the pre-competitive collaboration of chocolate producing companies, the WCF has initiated *CocoaAction*. Among the CocoaAction stakeholders are the market-dominating cocoa traders and manufacturers,[22] which aim to train around 300.000 farmers by the end of this decade. CocoaAction focusses on increasing the productivity of smallholders and improving the situation for women and children in cocoa communities (Fountain & Hütz-Adams, 2015; World Cocoa Foundation, 2019). While facilitating an important step into the right direction of sector-wide collaboration, CocoaAction also has its limitations. First, the number of farmers being reached is only a fraction of all smallholders working in cocoa. Second, the focus on women, children and increasing productivity

[22] The companies committed to CocoaAction include Barry Callebaut, Blommer, Cargill, Ferrero, The Hershey Company, Mars Incorporated, Mondelez International, Nestlé and Olam.

is important, but not enough to solve the issue of living income. Third, other actors such as governments, civil society and smaller chocolate companies are not adequately represented in the initiative, therefore losing valuable multi-stakeholder input. Fourth, the initiative works on a voluntary basis (Fountain & Hütz-Adams, 2015, 2018). To mitigate these and other shortcomings of lacking collaboration within the industry, all stakeholders have to "*stop pointing fingers at each other"* (Fountain, 2019) and contribute to changing the sector in order to ensure prices that allow for a living income to cocoa farmers.

3.6.5. Transparency and accountability

In order for the cocoa supply chain to become a more powerful instrument of social and environmental change and to guarantee a living income to smallholder cocoa farmers, transparency and accountability are crucial. Increased supply chain transparency can demystify and disentangle the complexity in the cocoa supply chain and help different actors to minimize risks and improve conditions in producing countries, at the same time informing stakeholders about progress made (Gardner et al., 2018; Godar, Suavet, Gardner, Dawkins, & Meyfroidt, 2016). Increasing public transparency, therefore, can rebalance the deeply rooted asymmetries engrained in the cocoa industry and help to empower small-scale farmers as the most vulnerable represented actors (Mol, 2010).

The term transparency includes both normative principles, such as democracy, participation and accountability, as well as substantive principles. Normative principles frame transparency as an essential element in the creation of more emancipatory environmental politics and support bottom-up movements. From a substantive perspective, transparency is important for improving sustainability practices, including standards, monitoring, disclosure of information, reporting and verification (Gardner et al., 2018). In the context of corporate sustainability, transparency refers to companies reporting openly about their due diligence implementation, sharing information to develop trust and build a positive reputation (Gardner et al., 2018; Ruggie, 2011).

The provision of information on traceability of cocoa as well as providing data on the connections of different actors and production, transportation and processing systems are particularly central. Additionally, information on financial transactions, from investments to prices paid per tonne of cocoa are essential to improve sustainability in cocoa supply chains. By identifying which actors are

the main recipients of benefits, responsibility can be allocated, and ultimately smallholders' income can be raised to a living income and beyond. Reporting on social and environmental impacts and risks within the supply chain allows providing transparency of the production stages, thus setting baselines for performance assessments. Nevertheless, for sustainability initiatives to be successful, trust is essential and has to be achieved to balance cooperation, greater compliance by businesses and accountability (Engels-Zandén, Hulthén, & Wulff, 2014). Together, trust, transparency and accountability can generate progress and allow companies to analyse their supply chains more efficiently. This contributes to adhering to international human rights standards, providing a living income to smallholder cocoa farmers (Kroeger et al., 2017).

The main barriers to transparency and accountability are not technical but political. There needs to be a much stronger will among all stakeholder groups - not only companies but also governments. If all players work together, the sector will be in a much better position to collectively address issues of living income (Fountain & Hütz-Adams, 2018). Moreover, adopting best practices from other sectors, such as the palm oil industry, where companies started to publish suppliers and mills, would be a step in the right direction.

3.7. Company strategies enabling a living income to cocoa smallholders

The following paragraphs outline the strategic response of chocolate producing companies towards the contextual challenges faced by smallholder farmers, as identified in section 3.6.

3.7.1. Strategic responses of companies towards mitigating the effects of climate change

To reduce the vulnerability of cocoa and its smallholders to the effects of climate change, systemic use of various adaptation strategies is necessary. The access to alternative farming practices and technologies is vital, providing smallholders with training on crop diversification, the use of different seedling variations, changing planting and harvesting times, as well as mixing different genetically adapted crops to ensure adaption to various weather events (e.g. planting less productive but more drought-resistant varieties and high yield but water-sensitive crops together) (Agbongiarhuoyi et al., 2013; Boon & Ahenkan, 2011). One example is the more thorough implementation of agroforestry

farming systems. This introduces shade trees and ground cover plants (Schroth et al., 2016), which reduces the vulnerability of farmers and therefore supports living income advancements.
Furthermore, forest plantation programs help to improve ecosystem services and are relevant in climate change mitigation, engaging in carbon sequestration and promote biodiversity conservation as well as poverty alleviation (Boon & Ahenkan, 2011; Krauss, 2015). More sustainable farming practices are key in combatting climate change, as agriculture contributes with a high share of emissions to the overall global warming (Schaffnit-Chatterjee & Kahn, 2011).

Climate change mitigation and adaption measures should, therefore, be supported by CSR strategies to ensure a living income and wellbeing of smallholders, as well as the long term supply of cocoa (Boon & Ahenkan, 2011). As mainstream climate change strategies are often not enforced by local governments in cocoa-producing regions, the role of companies is particularly relevant. Adaptation measures and policies should be developed in close relation with affected farmers and include local communities. This approach deepens inclusive relationships between smallholders and chocolate producing companies and educates farmers effectively on the connection of human impact, climate change and the environment (Boon & Ahenkan, 2011; Oyekale, 2012). Measures that support farmers in earning a living income and ensuring climate change adaptation include reducing farmer vulnerabilities, securing long term cocoa supply in order to safeguard income generated from the crop and work towards a sustainable development of cocoa farming communities.

3.7.2. Strategic response of companies towards implementing sustainable agricultural practices

3.7.2.1. Productivity

Often, productivity levels that enable farmers to earn a living income are not reached, as appropriate training and investment are lacking. The increasing tendency to counteract hampered productivity levels with intensified farming strategies, such as cocoa grown in full sun to deliver higher yields in a shorter time period, incorporates many trade-offs and does not tackle the issue of lacking farmer training and investment at its core (Nhantumbo & Camargo, 2016). Rapid growth and expansion through uncontrolled land use and investments during stagnating demand periods have led farmers into volatile financial situations and increased vulnerability to food insecurity (New Foresight, 2019; Nhantumbo & Camargo, 2016). Consequently, to sustainably increase productivity and enable a living income for cocoa smallholders, companies should provide farmers with access to training.

Investments into farms and research, to make plants more resilient and adaptable to climate change and disease outbreaks, can limit the effect on the environment and restore biodiversity (Alliot et al., 2016; Fountain & Hütz-Adams, 2015, 2018). When crafting cocoa training plans that include cocoa plantation management practices (e.g. pruning and cleaning), good agricultural, environmental and social practices, as well as farm rehabilitation and input application project plans need to be aligned to national policies to avoid unsuccessful implementation (Klugkist, Bodnár, Woelders, & Stuijfzand, 2014).

3.7.2.2. Deforestation

Ending deforestation is essential to ensure sustainability in the cocoa sector. It is not enough for companies to refuse to buy cocoa grown on deforested patches of land. Instead, transparency and traceability of beans to the farm gate level is vital to ensure that companies do not source from farmers who engage in ongoing forest clearance activities. Opening up on supply chain activities and publishing data on harvested volumes, as well as direct trade and long term relationships with farmers would help to reduce deforestation. It would also promote the payment of fair prices to enable a living income. Additional measures that should be undertaken by companies to end deforestation include: 1) Regular and robust monitoring of forest areas; 2) Farmer education on the effects of forest loss and training on sustainable agricultural practices; 3) Global commitments of deforestation-free supply chains; 4) Switching from full sun-grown cocoa to agroforestry systems; 5) Investment in reforestation measures (Higonnet et al., 2017).

Companies need to look beyond forest conversation and afforestation and protect the rights of local communities. The long term effectiveness to restrain deforestation depends on the ability of companies to build socially inclusive business models which enhance people's livelihoods and rights. Companies must adopt strategies that enable smallholders to promote their resilience and productivity to earn a living income (Sen, 2017). Low yields and a lack of secure farmland are typically the main drivers for smallholder deforestation (Landesa, 2012). Therefore, access to investments and credits, inputs and technologies can minimize the effects on the environment and enhance ecosystem services (McCarthy, Grosser, & Kirk, 2012).

3.7.2.3. Agroforestry and crop diversification

Chocolate producing companies should recognise the importance of crop diversification and agroforestry systems to contribute to the generation of a living income. Other fruit, such as banana, papaya and citrus, timber, honey, herbs or spices that can be obtained from shade trees and improve economic value (Cerda et al., 2014). For cocoa smallholders to operate well-managed agroforestry systems that provide the means for income diversification, companies need to provide access to training and finance for farmers to become self-sufficient. Furthermore, investments into infrastructure that support farmers to sell harvested side products are of relevance (New Foresight, 2019). Putting these actions on the agenda of company sustainability strategies would foster a living income and secure the overall supply of cocoa. Positive social and environmental effects of cocoa agroforestry systems should contribute to making more sustainable farming practices a business imperative, ultimately generating a living income to cocoa smallholders (New Foresight, 2019).

3.7.3. Strategic response of companies towards ensuring gender equality

To ensure gender justice and enable a living income, chocolate producing companies should ensure equal access to resources, opportunities and skills for female farmers. This would allow cocoa communities to increase yields and maximise productivity and improve livelihoods. Creating opportunities for women to gain access to micro-savings to invest in their farms is an essential step. Furthermore, recruiting women trainers and technicians who can transfer knowledge and apply new technologies is an imperative to build positive gender roles. Offering funding to women's organisations within cocoa farming communities is important to reduce structural barriers. Promoting and sourcing directly from female-run cocoa cooperatives and supporting the creation of cocoa associations for women labourers further strengthens the role of women in cocoa (Fountain & Hütz-Adams, 2015; Greene & Robles, n.d.).

3.7.4. Strategic response of companies towards ensuring adequate market factors

3.7.4.1. Price

Without the industry engaging in discussions about cocoa prices, the sustainability efforts of the past decade are threatened (Nieburg, 2017d). In this context, Antonie Fountain highlights that "*everyone agrees a price increase is not the only thing we need to be looking at, but it seems we are looking at*

everything except for how to raise prices for cocoa farmers." (cited in Nieburg, 2017). Chocolate producing companies need to be part of a multi-stakeholder process to improve the farm gate price and hence enable a living income for smallholder cocoa farmers (Nieburg, 2015). To ensure long-term progress, transparent and accountable procurement practices and policies are key within this debate. Concerns about antitrust and competition law and worries about increasing prices for consumers have hampered the discussion among industry players. Besides considerably higher fixed farm gate prices, the role of flexible premiums should be reviewed. Flexible premiums can ensure a living income for farmers as they can be paid directly by the company and adapt to the prevalent farm gate price. As the negotiations take place between a single company and a farmer organisation, the barrier of competition law can be circumvented (Hütz-Adams, 2012). But until such a system is agreed upon, companies are required to individually set a significantly higher minimum price per ton of cocoa (Nieburg, 2017d).

3.7.4.2. Long term and direct trading partnerships

Long term contracts and alliances between farmers and companies are built on trust and transparency. Directly communicating with smallholders and building personal connections is essential for understanding farmers' needs and creating a fruitful base for business. Long term-contracts between producers, cooperatives and companies are essential for income stability. Such consistency, paired with increased income, enables farmers to cover the costs of production, diversifying crops and maintaining investments into farms, at the same time having enough savings to provide for a living (Laroche et al., 2012).

Despite an increasing conversation and dialogue among public and private actors, partnerships of companies with cocoa smallholders are still necessary to gain substantial impact (Fountain & Hütz-Adams, 2018). Companies should, therefore, commit to concrete tools, such as long term contracts with producers, starting at a minimum of five years (BASIC, 2014; Schoenmarkers, 2019). Long-term, written agreements can provide greater transparency on purchasing practices, reduce price volatility and outline mechanisms of negotiation and disagreement resolving. These principles should be at the heart of sourcing strategies, going beyond product labelling and certification (BASIC, 2014). To secure such long-term engagement with farmers, investments into farming communities are essential. These facilitate shared services and a wider network of productive farmers that can supply

cocoa (Gneiting & Sonenshine, 2018). Investing in cocoa smallholders would cost companies a fraction of their budgets.[23]

3.7.4.3. Industry Collaboration

Actors in the supply chain need to take shared responsibility and work jointly in a pre-competitive manner. Therefore, the willingness of industry actors to collaborate is a vital factor for the success of company sustainability strategies. Sharing not only success stories but also lessons learned and failure should be part of the conversation about living income to allow for more rapid advancement towards a living income (Beerens, 2019). Coordinated action and individual responsibility are essential to increase efficiency. Civil society and governmental actors need to be more proactive in engaging with the private sector to understand concerns and unanswered questions (Nhantumbo & Camargo, 2016). Additionally, efforts need to be aligned and unequal power distributions addressed. A real commitment to achieving a living income for farmers moving from voluntary to mandatory requirements and sector-wide commitments to living income are essential (Fountain & Hütz-Adams, 2018).

3.7.5. Strategic response of companies towards ensuring transparency and accountability

Net farmer income should be included in companies' key performance indicators (KPIs) to achieve a living income. Formulating KPIs solely on the basis of productivity increase or crop diversification falls short on tracking net incomes or trends in monetary terms. It disregards basic needs and the required net income of farmers to meet these needs. Based on KPIs and transparent reporting of supply chain interventions, companies could align projects and goals, shedding light on shared commitment.
For example, providing baseline business models for living income in all sustainability programs can set KPIs to monitor achievements over time (Fountain & Hütz-Adams, 2015, 2018). Providing data on commitments, companies and other supply chain actors enables the assessment of strategies and company targets against agreed-upon benchmarks and practices. Reporting on the effectiveness of interventions provides transparency around progress made (Gardner et al., 2018). Without such

[23] The Cocoa Barometer calculated that only 1% of the marketing budget of the largest chocolate manufacturers (86$ million per year) would cover the costs of training half the cocoa smallholders in Côte d'Ivoire (Fountain & Hütz-Adams, 2015; Nieburg, 2015).

transparency, human rights violations cannot be mitigated. Sharing knowledge, data and lessons learned would allow for a more effective support structure, channelling companies' efforts.

Table 1 summarizes the variables and outlines the operationalization of criteria when investigating chocolate producing companies in the proceeding chapters of this thesis.

Table 1. Operationalization of Variables for assessing Living Income implementation in companies sustainability strategies.

Variables	Criteria	Operationalisation indicators
Climate Change		Provision of farmer training on climate change impact
		Provision of farmer training on GAP[24]
		Implementation of agroforestry & forest replantation programs
		Offsetting of CO2 emissions
Sustainable Agriculture	Productivity	Provision of farmer training on plantation management (Pruning, cleaning, farm rehabilitation, input application)
		Provision of farmer training on GAP
		Provision of credit saving schemes
		Investments into more resistant planting material and seedlings
	Deforestation	Monitoring and traceability systems in place
		Long-term trading relationships with farmers
		Provision of farmer training on deforestation and GAP
		Implementation of agroforestry farming systems
	Agroforestry & Crop Diversification	Provision of farmer training on agroforestry farming & GAP
		Implementation of shade trees & ground cover plants
		Provision of credit saving schemes
		Investment into infrastructure
Gender Equality		Provision of credit saving schemes exclusively for women
		Provision of training for female farmers
		Direct support of female run farmer cooperatives
		Employment of female staff on the ground
Market Factors	Price	Long-term contracts with farmers
		Higher price per ton of cocoa
		Flexible premiums
		Public disclosure of information on price and volumes
		Sharing of lessons learned
		Industry collaboration
	Long Term & Direct Partnerships	Minimum of 5 year contracts with farmers
		Written contracts
		Bargaining rights and negotiation power of farmers
		Personal connection to farmers and regular visits
		Cocoa traceability programs
	Industry Collaboration	Sharing of lessons learned
		Pre-competitive collaboration
		Project collaboration with competitors
		Project collaboration with other industry stakeholders
		Public commitment
Transparency & Accountability		Defined KPIs and benchmarks on living income and all related vulnerability contexts
		Calculation of farmer net income as project baseline
		Transparent reporting
		Publishing data on commitments
		Sharing of success and failure (lessons learned)
		Alignment of projects with other industry players
		Publishing of suppliers and locations sourced from

[24] Good Agricultural Practices (GAP)

4. Research Design

The goal of this study is to outline the practices undertaken by chocolate producing companies to provide a living income to cocoa farmers and secure a decent standard of living for cocoa-growing communities. Understanding companies' behaviour in transitioning towards more just sourcing practices and realising fair payment schemes in the cocoa sector is a new context, which may result in new repercussions for theoretical constructs and practical implementation. A multiple case study research design was applied. This allowed examining living income in the cocoa industry in detail through a wide array of data. Multiple cases were assessed to explore differences between the selected case companies, in order to understand the variations of practices implementing living income as part of CSR strategies (Baxter & Jack, 2008; Eisenhardt, 1989; Yin, 2014; Yin & Campbell, 2008).

The research process was divided into three steps. First, a thorough literature review allowed to inform this research by the discourse on living income, as well as the complex connections and forces of the cocoa industry's stakeholders and interests. Second, numerous data sources were investigated. These are company- and industry reports, media outlets, such as websites, blog posts, news articles and semi-structured interviews with representatives from international chocolate producing companies of different sizes, locations, business models and sourcing practices. This data triangulation strengthens the validity of the study (J. Rowley, 2002; Yin, 2013).

4.1. Sampling method and case selection

To answer the research question, multinational and small to medium-sized chocolate producing companies, mostly located in Europe and the United States, were taken as the unit of observation. A theoretical sampling approach was applied (Bryman, 2012; J. Rowley, 2012). Companies were selected if they met the following sampling criteria:

1) The company discloses information regarding their sustainability strategies and efforts towards providing a decent standard of living to smallholder farmers.[25]

[25] This could be done either through CSR reports, websites, blog-posts or other media sources.

2a) The company belongs to the ten market leading chocolate producing companies.

2b) The company is a small to medium-sized (OECD, 2005) player in the cocoa market.

To access small to medium-sized chocolate producing companies, a snowball sampling approach was applied. This was beneficial given that medium-sized chocolate producing companies are an inaccessible population due to their low visibility (Biernacki & Waldorf, 1981; Sudman & Kalton, 1986).[26]

Based on the presented sampling criteria and guided by the introduced propositions (section 2), *Mars*, *Mondelez*, *Nestlé*, *Ferrero*, *Hershey* and *Lindt & Sprüngli, Meiji Co. Ltd.*, *Ezaki Glico Co. Ltd.*, *pladis* and *Kellogg Co.* were selected as the ten global leading multinational confectionery firms (Figure 13) (Alliot et al., 2016; Fountain & Hütz-Adams, 2018; International Cocoa Organisation, 2019; Taylor & Henty, 2019).

The ten small to medium-sized companies considered for were *Askinosie Chocolate*, *Beyond Good, Dandelion Chocolate*, *Devine Chocolate*, *Perú Puro*, *Ritter Sport*, *Taza Chocolate*, *Theo's Chocolate, Tony's Chocolonely* and *fairafric*.

From the initial study sample, Ezaki Glico Co. Ltd. was eliminated as the firm did not disclose relevant sustainability information. Additionally, Ritter Sport was disregarded as the company did not match the definition of a small to medium-sized businesses (OECD, 2005). Of the final study sample, eight companies are located in Europe, nine in the US and one in Japan.[27]

[26] Sampled companies included players mentioned in the literature, by interviewees and experts I met during my internship placement and at conference proceedings (*Chocoa* Conference 2019; *Only Way is Up* Conference 2019).
[27] Please see Appendix 1 for a full list of the study sample and details on the company specific sourcing regions.

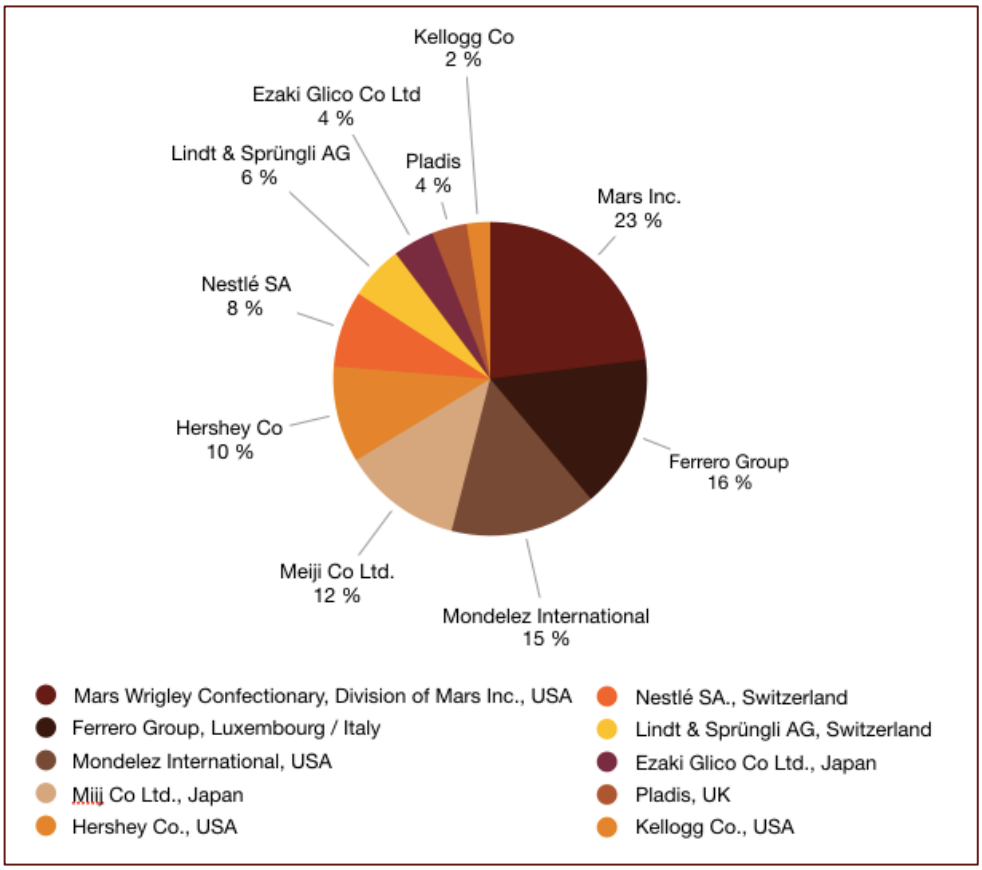

Figure 13. Market share of the top ten chocolate producing companies in 2018 (Alliot et al., 2016; Fountain & Hütz-Adams, 2018; International Cocoa Organisation, 2019; Taylor & Henty, 2019).

4.2. Data collection

Following the triangulation approach, the data collection involved three types of data sources, such as interviews with company representatives, company- and industry reports, news articles and external databases. Triangulation helped to capture different dimensions and perspectives of the living income discourse and verify findings. All interview participants were working on sustainability topics in the respective firms, hence selected by a purposeful sampling approach. This helped to capture knowledge rooted in the expertise of these participants. All companies of the sample were contacted either by email or phone to enquire an interview. Three out of 18 companies agreed to be interviewed. These companies were *Taza Chocolate*, *Perú Puro* and *fairafric*. The interview questions are outlined in Appendix 2, resulting in two hours and 40 minutes of interviews.[28] Time constraints

[28] To ensure participants' anonymity, summaries of each interview are not included here and can be accessed when contacting the researcher directly.

and limited capacity were the most common reasons companies gave when declining interview requests.[29] To back up findings, an expert check with Roland Waardenburg from *inclsve* allowed for a critical review of considered elements.

4.3. Data analysis

To answer the research question and test the posed propositions, I followed five interrelated steps, outlined in Figure 14 (J. Rowley, 2012).

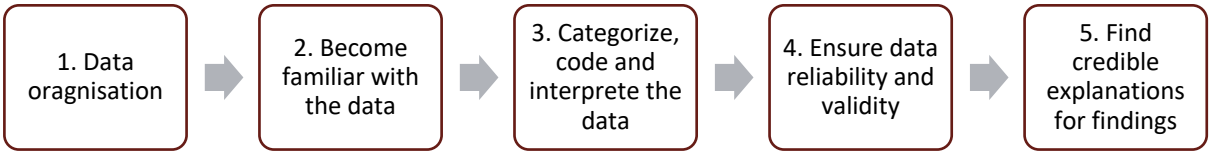

Figure 14. Process of Data Analyzation

Data Organisation: Secondary data was analysed and interviews were conducted, transcribed and summarised. Transcribing interviews did not only assist the analysis but also helped to obtain further authentication by providing the interviewees with a copy of the transcript, to verify correct citation (Hagens, Dobrow, & Chafe, 2009). The second step was the organisation of data points with the qualitative research software NVivo. NVivo supports data organisation by highlighting repeating and notable themes, so-called codes (Bryman, 2012; Charmaz, 2014). The codes followed the operationalisation of Table 1 but were extended by considering notable themes that emerged during the general organisation of data. In total, 369 documents were analysed, resulting in 2585 coded references processed by NVivo.

Familiarisation with Data: I first read through the selected company documents. This helped to familiarise myself with the data, draw connections between the primary and secondary data sets and process most important information before proceeding to the coding and categorisation of files.

[29] Companies that declined invitations to participate in semi-structured interviews were *Kellogg Co., Lindt & Sprüngli, Mars Ltd.*, *Hershey Co.*, *Nestlé* and *pladis*. Companies that did not respond to the inquiry were *Mondelez International*, *Meiji Co. Ltd., Ferrero, Theo's Chocolate, Dandelion Chocolate, Divine Chocolate*, *Askinosie Chocolate and Beyond Good*. *Tony's Chocolonely* indicates on their website that they provide information for interested researchers and students, but are not open for interviews due to time constraints.

***Data Categorisation and Coding*:** Based on the living income variables outlined in Table 1, codes were developed in close connection to the research question and propositions. With the help of NVivo, the data for each investigated case was coded and organised according to the living income variables. Coded data for each case was later organised and structured in a spreadsheet to support the categorisation of information. This allowed to summarize the processed codes and develop the most important conclusions to prepare for further analysis.

Reliability and Validity (Research Quality Indicators): To guarantee the quality of this research and allow for the replication of results, reliability and construct validity were assessed (Bryman, 2012).

1) **Construct validity** was ensured by referring to multiple data sources and getting interview transcripts verified by the respective interviewees. Each case presented in this study was assessed in the same manner with the methodology laid out in chapter 2, hence allowing for the uniformity in analysing results.

2) Triangulation of data further supported the **internal validity** of the information. By gathering data from various sources, a high level of resemblance between concepts proposed by the literature and observed patterns could be established, allowing for a more thorough conceptualisation of the living income discourse.

3) By focussing on the cocoa industry, **external validity** is limited to this sector. While this research can serve as an example for studies in similar contexts, such as the tea or coffee industry, it is vital that this study embeds data in the cocoa industry context. This is achieved by drawing on data originating from the sector.

4) To ensure the **reliability** of this study, the living income variables were designed to be fully replicable by other researchers interested in applying this study to other topics. Moreover, all case studied were analysed by following a strict case study protocol and NVivo codes were developed in close connections to the analytical framework, increasing the analysis' accountability.

Assessment of findings

To assess the implementation of a living income by the selected case companies, a living income score card was developed. Each company was scored on the presence and implementation of the indicators, that are at the heart of the living income assessment criteria. Depending on the variable, three to six indicators are outlined. Table 2 illustrates this set-up of the living income variables, as

presented in the methodology section in Table 1. The scoring elements, ranging from *excellent* to *unsatisfactory* are presented in Table 8.

Table 2. Excerpt of the set-up of the living income variables, outlining its relationship with living income criteria and indicators.

Living Income Variable	**Criteria**	Indicator
		Indicator
		Indicator

An *unsatisfactory* score is achieved by a company, if 10%, or less, of the living income indicators, are observable and implemented within company internal sustainability strategies. This means that 1) no data could be found while investigating the company case, or 2) data could be found but appeared not to be implemented and acted upon by the company. Table 3 outlines the number of indicators according to the percentages of an unsatisfactory score.

Table 3. Number of living income indicators associated to a 0-10% implementation, resulting in an unsatisfactory score.

Unsatisfactory				
Percentage	**Number of indicators**			
	6	**5**	**4**	**3**
0-10%	0,0 - 0,60	0,0 - 0,50	0,0 - 0,40	0,0 - 0,30

Within a *mediocre* score, the investigated company implements 10-40% of the living income indicators. Table 4 outlines the number of indicators that are implemented according to the percentages for a mediocre score.

Table 4. Number of living income indicators associated to a 10-40% implementation, resulting in an mediocre score.

Mediocre				
Percentage	**Number of indicators**			
	6	**5**	**4**	**3**
10-20%	0,06 - 1,20	0,50 - 1,00	0,40 - 0,80	0,03 - 0,60
20-30%	1,20 - 1,79	1,00 - 1,50	0,80 - 1,20	0,60 - 0,89
30-40%	1,79 - 2,40	1,50 - 2,00	1,20 - 1,60	0,89 - 1,20

A *satisfactory* score is achieved when 40-70% of the living income indicators are implemented by the examined company. Table 5 outlines the number of indicators that are implemented according to the percentages for a satisfactory score.

Table 5. Number of living income indicators associated to a 40-70% implementation, resulting in a satisfactory score.

Satisfactory				
Percentage	**Number of indicators**			
	6	**5**	**4**	**3**
40-50%	2,40 – 3,00	2,00 - 2,50	1,60 – 2,00	1,20 – 1,50
50-60%	3,00 - 3,59	2,50 – 3,00	2,00 - 2,40	1,50 - 1,79
60-70%	3,59 – 4,19	3,00 – 3,50	2,40 – 2,80	1,79 – 2,09

To achieve a *good* score, companies need to implement 70-90% of the given indicators. Table 6 outlines the number of indicators that are implanted according to the percentages for a good score.

Table 6. Number of living income indicators associated to a 70-90% implementation, resulting in a good score.

Good				
Percentage	**Number of indicators**			
	6	**5**	**4**	**3**
70-80%	4,19 – 4,80	3,50 – 4,00	2,80 – 3,20	2,09 – 2,40
80-90%	4,80 – 5,40	4,00 – 4,50	3,20 – 3,60	2,40 – 2,70

To achieve an *excellent* score, investigated firms need to implement 90-100% of all living income indicators assigned, as outlined in Table 7.

Table 7. Number of living income indicators associated to a 90-100% implementation, resulting in an excellent score.

Excellent				
Percentage	**Number of indicators**			
	6	**5**	**4**	**3**
90-100%	5,40 – 6,00	4,50 – 5,00	3,60 – 4,00	2,70 – 3,00

The presented grading scheme deliberately assigns a different gradation of steps to the good and excellent scores, compared to mediocre and satisfactory marks. This reflects the understanding, that good or excellent results should only reward the chocolate producing companies that lead by example and thoroughly implement the living income variables. This more rigorous approach furthermore aims to counter and detect potential greenwashing. Similarly, also unsatisfactory results are highlighted with a differently gradated percentage score, portraying insufficient actions by companies in terms of living income implementation.

Moreover, besides a purely quantitative assessment of indicators, a qualitative element in the scoring cannot be excluded as the assessment of living income criteria purely based on strategy documents is difficult in a corporate environment. The process of implementation is often time-critical in defining the success of sustainability strategies. Hence, the observation focused on 1) the degree of transparency in reporting about setting targets and the achievement of those targets; 2) the feasibility and impact of the actions related to the company's set targets; 3) the time frame of commitments and the company's 'on-track' status regarding the implementation of targets. These discretionary decisions were incorporated, especially when companies where on the borderline of two different grades. For example, a company could be doing well in terms of climate change, implementing two out of three possible indicators. According to the living income scorecard, this would translate into a satisfactory score (2,0 out of 3,0 indicators). However, considering that the company is on track with a potential commitment that concerns the specific indicator, the company scores slightly better than only 2,0 out of 3,0 indicators. In this example, the company, therefore, implements 2,09 out of 3,0 commitments. Now the question arises, whether the company's implementation of 2,09 indicators should be assigned to a satisfactory or a good score instead, as the company's grade is precisely at the border of the two scores. In such a situation, a qualitatively influenced decision has to be made, deciding that the company receives a good score, based on its thoroughly 'on track' implemented commitment.

Table 8. Living Income Score Card

Excellent	90-100% of all indicators of the living income assessment criteria are present and implemented in internal company sustainability strategies.
Good	70-90% of indicators of the living income assessment criteria are present and implemented in company internal sustainability strategies.
Satisfactory	40-70% of indicators of the living income assessment criteria are present and implemented in company internal sustainability strategies.
Mediocre	10-40% of indicators of the living income assessment criteria are present and implemented in company internal sustainability strategies.
Unsatisfactory	0-10% of indicators of the living income assessment criteria are present and implemented in company internal sustainability strategies.

The main purpose of the analysis was to assess whether companies of different sizes (small, medium and large) are differently engaged in the implementation of living income strategies. This was done by comparing the case companies' achievements in implementing presented living income indicators in order to suggest the successful implementation of the living income variables (Table 1).

5. Results

The following section presents the findings from all 18 investigated company cases. A first introduction of each case is followed by the presentation of findings. A graphical representation of findings guides allows for direct comparison between the case companies.

5.1. Case by case analysis small to medium sized chocolate producing companies

5.1.1. Askinosie Chocolate

Askinosie Chocolate was founded in 2005 and is a US-based bean-to-bar manufacturer of high-quality chocolate (Askinosie Chocolate, 2019c; Askinosie, 2019a) The company runs an award-winning chocolate factory and established strong direct trade relationships with cocoa smallholders in Tanzania, the Philippines, Ecuador and the Amazon (Askinosie Chocolate, 2019a). The company was recently named by Forbes as one of the best 25 small companies in America (Askinosie Chocolate, 2019d). The company's strong focus on social responsibility is highlighted when describing Askinosie's identity. "*Askinosie Chocolate was born committed to fairness, sustainability, minimal environmental impact, and community enhancement. Those commitments will be in place as long as the company is.*" (Askinosie Chocolate, 2019c). Hence, it is only natural for the company to share profits with farmer communities. Data for the analysis of Askinosie Chocolate's implementation of a living income for smallholder cocoa farmers were drawn from 19 files and 135 references, coded with NVivo.

Figure 15 outlines Askinosie Chocolate's implementation of the living income variables is displayed. The company receives an *excellent* score in the variables 'Transparency and Accountability' as well as in 'Gender Equality'. Inspired by Taza Chocolate's transparency report, the company publicises data ranging from detailed price calculations and updates about each origin country and project milestones. In 2018, Askinosie paid $3,395 to $4,572 per ton of cocoa. The prices depend on the origin country and the profits made by the company. For 2019, farm gate prices are published ranging from $2.040 to $3.000 per ton of cocoa. However, final prices are only issued once profits are distributed to farmer communities. The farm gate price translates into 31-111% above market prices (Askinosie Chocolate, 2019e). Askinosie's strong attention on value creation for smallholder partners also incorporates women's empowerment. By sourcing cocoa from female-led farmer groups, initiating female hygiene projects and establishing *Empowered Girls* clubs, Askinosie supports young

females in growing confident and encourages participation and leadership (Askinosie Chocolate, 2019b; Askinosie, 2019a).

The company receives *good* scores in the variables 'Sustainable Agriculture' and 'Market Factors'. Before entering a sourcing partnership, smallholders sign a contract committing to responsible farming techniques, based on intercropping (Askinosie Chocolate, 2019a). Intercropping shares principles with agroforestry practices and allows for crop diversification. All farmers employ organic farming, are although not organically certified. Some of the long term partnerships with smallholders that are at the core of Askinosie's business model are over a decade long (Askinosie Chocolate, 2019a). These direct trade relations are based on producing high-quality cocoa beans and appreciating the work of farmers. As Askinosie's work is based on training, trust, profit sharing and kinship, potential issues in the supply chain can be detected early on, allowing for a optimisation of results. Nevertheless, it was not apparent if the company engages in industry discussions or collaboration with other cocoa-producing companies, besides recommending products from competitors (Askinosie, 2019b).

Askinosie's *satisfactory* score in the variable 'Climate Change' results mostly from lacking information. It is not apparent if training conducted with farmers focus on climate change impacts and coping strategies. Additionally, it is unclear if the company employs reforestation of forests. Nevertheless, as all cocoa is produced with organic practices and trees are intercropped with other plants, a focus on climate-positive farming can be observed.

Figure 15. Askinosie Chocolate's Level of Living Income Implementation

Summarizing, Askinosie Chocolate received two out of five excellent results, two good grades and one satisfactory mark. The company's strong connection to its farmers and social engagement is especially to be emphasized. Furthermore, the high farm gate price and sharing of profits with farmers, rounds off the overall impression, that even though not all living income variables are excellently implemented, a living income can potentially be ensured. Nevertheless, for a further improvement in terms of sourcing and transparency, it would be important for the company to be more clear on their efforts to mitigate climate change impacts.

5.1.2. Beyond Good (previously known as Madécasse)

Beyond Good is a US and Madagascar based bean-to-bar chocolate and vanilla company, founded in 2008 by Tim McCollum and Brett Beach (Schatz, 2016). Since then, the company produced over 4 million chocolate bars and contributed to infrastructure development across Madagascar. In January 2019, Beyond Good opened up a new production facility in Madagascar to accommodate increasing demand and is the first US company producing chocolate in Africa (Beyond Good, n.d.). The company's aim is to solve the challenges in the global chocolate industry by directly engaging with farmers and creating value in the country of origin (Beyond Good, n.d.). Next to removing middlemen, the mission of the company is to make the highest quality and best tasting organic chocolate. Beyond Good employs around 100 farmers that earn five times the industry standard and cultivate 251 hectares of cocoa (Beyond Good, n.d.). The company states: "*We measure success by the quality of our product and our social impact in Africa."* ("Social Impact and Shortfalls in the Chocolate Industry," 2015). Data for the analysis of Beyond Good's implementation of a living income for smallholder cocoa farmers were drawn from 14 files and 208 references, coded with NVivo.

Displayed in Figure 16 is Beyond Good's implementation of the living income variables. The company received *excellent* scores in the variables' Transparency and Accountability' as well as 'Market Factors'. Beyond Good publishes a bi-annual social impact report, conducted by the external, third party organisation Wildlife Returns, investigating the company's social and environmental impacts. Findings are transparently reported, and recommendations on improvements are provided (England, Ratsimbazafy, & Andrianarinana, 2017). Additionally, Beyond Good outlines the farm gate price paid to smallholders ($3,120/ ton in 2016 and $2,330/ton in 2018), which is a fixed price, above market average. Surveys conducted by Wildlife Returns display that members of the cooperatives that are selling cocoa to Beyond Good make an average income of $156 per month from cocoa, which exceeds

the national minimum wage (England et al., 2017). The long term partnerships with farmers are built on trust, hard work and weekly direct communication (Beyond Good, 2020b).

A *good* result was achieved in the variable 'Sustainable Agriculture', as the company engages in organic farming practices and sensitises smallholders to preserve forests and protect wildlife. By partnering with various organisations, Beyond actively monitors endangered species present in cocoa plantations (Schatz, 2016). Moreover, agroforestry production practices are applied, and farmers are provided with fruit trees to diversify their income. Nevertheless, Wildlife Returns advises Beyond Good to plant more native trees and engage more actively in agroforestry plantations, implying room for improvement (England et al., 2017).

Satisfactory results were achieved both in 'Gender Equality' and 'Climate Change'. In Beyond Good's social impact review, several female farmers suggest that they were able to gain independence and provide for their children, as well as the efforts to install community wells helped to improve women's quality of life (England et al., 2017). Nevertheless, it is not apparent if women receive specialised training and support. The company's efforts in mitigating climate change impacts can also be further improved. Even though farmers "*seem to be aware of a changing climate*" (England et al., 2017), Wildlife Returns suggests adding the goal of "*mitigating risks of climate change to cocoa farming*" (England et al., 2017). They especially point out the benefit of agroforestry and further training of farmers. Moreover, it is not apparent if the company engages in emission offsetting.

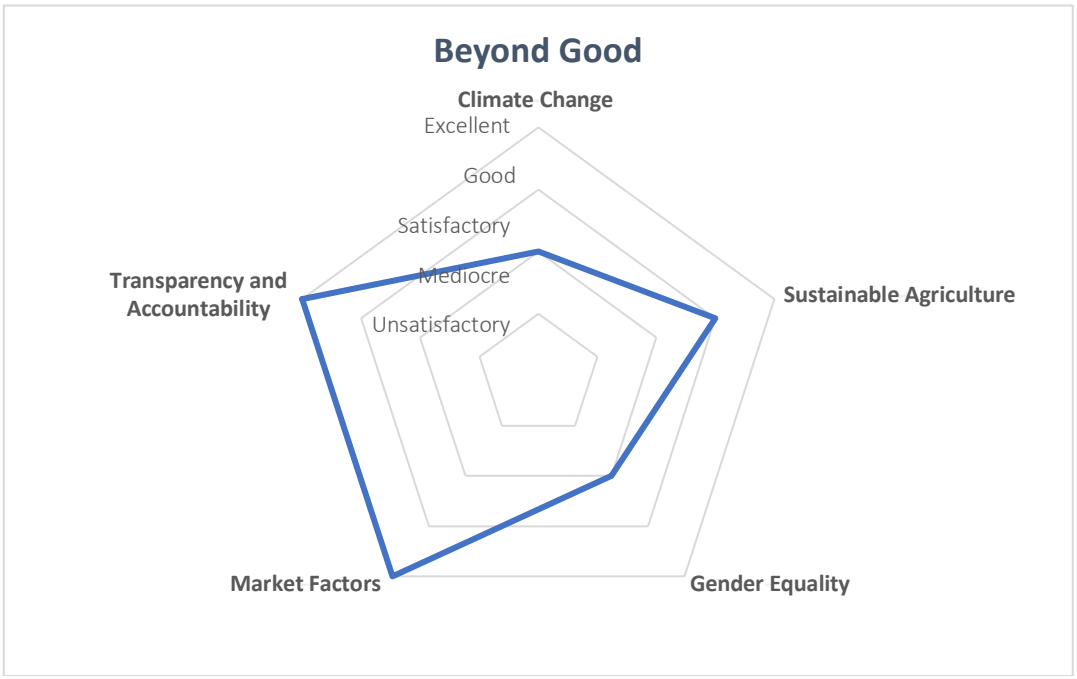

Figure 16. Beyond Good's Level of Living Income Implementation

Taking into account the results of the living income assessment, Beyond Good overall achieves two out of five excellent scores, one good and two satisfactory grades. Overall, the company can be considered as a front runner in the implementation of a living income, as value is created beyond cocoa production and long term and direct partnerships with smallholders are at the centre of the supply chain (Watkins, 2012). Africa produces around 70% of the world's cocoa beans, but less than 1% of the world's chocolate is made on the continent (Beyond Good, 2020a). To ensure the long term development of cocoa communities in Madagascar, it is crucial that Beyond Good maintains price stability and economic advantages to farmers, as well as engages in climate change mitigation practices.

5.1.3. Dandelion Chocolate

Dandelion Chocolate is a US American bean-to-bar manufacturer with factories in San Francisco and Tokyo. Since 2010 Dandelion sources high-quality beans from 14 origin regions (12 countries) and crafts small batches with individual flavours (Allen & D'Allesandre, 2019; Radcliff, 2020). As a craft chocolate maker, Dandelion is part of a growing movement that seeks to make sustainably produced chocolate with high-quality beans from distinct origins. Direct and long term partnerships are part of Dandelions sourcing strategy, as well as paying fixed premium prices above the market average. During origin visits, feedback is exchanged, and high quality and sustainability criteria are confirmed. In some cases, the company works together with intermediaries, "*as long as they add value and pay fairly for the work they do*" and the payment "*does not come out of the pocket of the producers*" (Allen & D'Allesandre, 2019). Dandelion believes that good and transparent business practices can help to foster positive impact and environmental, social and economic change (Dandelion Chocolate, 2020). In April 2019, the company opened a new factory to respond to the growing market demand (Allen & D'Allesandre, 2019). Data for the analysis of Dandelion Chocolate's implementation of a living income for smallholder cocoa farmers were drawn from 11 files and 143 references, coded with NVivo.

Figure 17 outlines Dandelion Chocolate's implementation of the living income variables. The company attains *excellent* results in the variables 'Transparency and Accountability' and 'Market Factors'. Since 2014, the company publishes an annual Sourcing Report[30], that transparently outlines

[30] The reporting years 2017 and 2018 were combined in one report.

Dandelion's partnerships and sourcing strategies and is inspired by Taza Chocolate. "*We wrote this report to offer clarity around who we work with, why we work with them, and what we appreciate most in these relationships. This is part of a larger effort to help our customers feel as connected to our partners as possible."* (Gore, 2015). Although it is not apparent, if the company also has KPIs about living income, it is clear that long term partnerships and high prices are deeply engrained in the company's DNA. In 2018, prices per ton ranged from $5,600 to $8.180, depending on the origin country (Allen & D'Allesandre, 2019). Nevertheless, it is difficult to compare the prices, as Dandelion sources from cooperatives, individual farmers, single estates or through import companies. Additionally, numbers provided do not represent farm gate prices, rather do they highlight landed costs (Allen & D'Allesandre, 2019).[31] Dandelion strongly believes that if farmers get paid more, a ripple effect can increase the overall remuneration in the region. Additionally, the company collaborates with competitors to support smallholders and support each other in creating quality chocolate (Allen & D'Allesandre, 2019; Gore, 2015).[32]

Good results were achieved in the remaining variables 'Gender Equality', 'Sustainable Agriculture' and 'Climate Change'. This was mostly due to the fact that Dandelion does not seem to have their own strategies in place, rather explicitly relationships with partners that produce sustainable cocoa. Several of their partner projects source from women-led cooperatives or increase women's equity in communities by providing training on gender empowerment and women participation in the value chain (Gore, 2015). Some of Dandelion's beans are certified organic; nevertheless, all cocoa seems to be harvested under sustainable conditions fostering innovation, experimenting with growing techniques and sourcing from cocoa agroforests (Gore, 2015). Cocoa from Sierra Leone, for example, is harvested in buffer zones of a rainforest national park, and others use natural farming systems by enriching soils through local microorganisms, or protecting rainforests by purchasing carbon credits for farmers (Allen & D'Allesandre, 2019). Nevertheless, the company should consider offsetting its own emissions to become carbon neutral and climate-friendly.

[31] Dandelion defines landed costs as follows: "*The landed cost includes the price paid to the producer, estate, fermentary, or company from whom we purchased the beans, as well as fees paid to anyone who has been hired to import, export, or transport the beans to our local storage location.*".

[32] For example with Taza Chocolate, Marou Faiseurs du Chocolat or Meridian Cacao

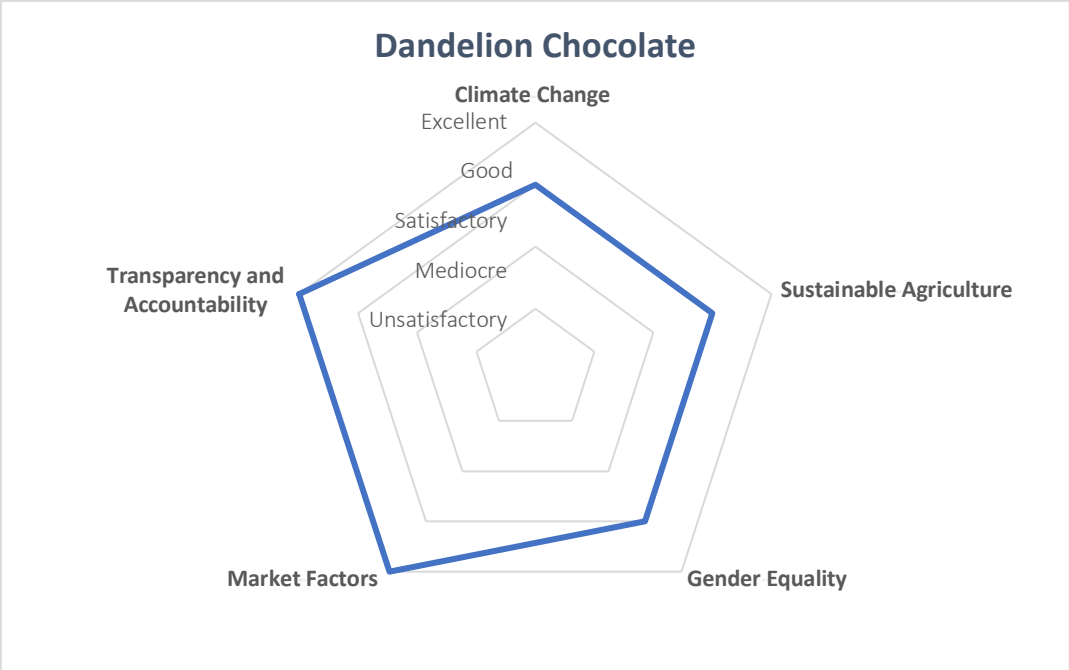

Figure 17. Dandelion Chocolate's Level of Living Income Implementation

Summarising Dandelion Chocolate's results of the living income assessment, the company receives two out of five excellent results and three good grades. Overall, Dandelion focusses on creating transparent and long term trading relationships, that anchor in trust and high prices. By creating high-quality products, the company involves smallholders as core business partners in their value chain, hence creating sustainable economic development. In supporting producers through training and linking them to other potential customers, value is created that enables farmers to become independent, which is an essential element in the creation of a living income.

5.1.4. Divine Chocolate

In 1993, a group of Ghanaian cocoa smallholders found the cooperative Kuapa Kokoo to empower farmers in their mission to gain a dignified livelihood. Based on Fairtrade principles, the cooperative aims to increase women's participation and other activities to ensure environmentally friendly cocoa production. Supported by the NGO Twin Trading, the cooperative set up their own company in the UK, mainstreaming Fairtrade chocolate bars to compete with other brands (Divine Chocolate, 2020c). In 1998, the Day Chocolate Company was successfully established with the support from the Body Shop,[33] Christian Aid, Comic Relief and the Department for International Development in the UK. In 2007, the company changed its name to Divine Chocolate Ltd to be more connected to its main brand,

[33] The Body Shop later donated its share in the company to the farmers of Kuapa Kokoo after being bought by L'Oreal.

the Divine chocolate bar (Divine Chocolate, 2020c). At the heart of Divine's business model is the annual profit sharing with producers. Hence, the majority of the shareholders (44%) are the more than 85.000 farmers of the Kuapa Kokoo farmers union, empowering smallholders to participate in the decision making of the company (Divine Chocolate, 2020a). Kuapa Kokoo is the biggest cocoa farmers' cooperative in the world and accounts for 7% of Ghana's cocoa production. Since 2016, the company is a certified B-Corp, and in 2019, Divine celebrated 20 years of existence (Divine Chocolate, 2020d). Sophi Tranchell, Divines CEO highlights Divine's growth as "*a testament to the fact that more equitable business models can have staying power and achieve scale, even in the most competitive and economically challenging environments. As we continue to grow, we remain focused on empowering people, both farmers and citizens, to use their individual and collective power to shape the world in which they want to live in."* (Divine Chocolate, 2020c). Data for the analysis of Divine Chocolate's implementation of a living income for smallholder cocoa farmers were drawn from 24 files and 158 references, coded with NVivo.

Figure 18 highlights Divine's implementation of the living income variables. The company received *excellent* scores for the variables 'Transparency and Accountability', 'Market Factors' and 'Gender Equality'. Divine's transparent communication through their website, blog and annual report by means of in-depth testimonials of smallholders and other business partners as well as project descriptions and presentation of financial highlights matche with the company's outspoken critique of the current industry system. As a company sourcing purely Fairtrade certified cocoa, Divine pays the Fairtrade living income reference price ($2400/ton) and Fairtrade premium ($240/ton) to its farmers,[34] which is invested into the cooperatives own projects to improve the farmers health, living and education, as well as productivity (Divine Chocolate, 2020a). Additionally, Kuapa Kokoo receives the dividends from their co-ownership, and 2% of Divine's annual turnover is invested in a Producers Support and Development Fund, which funds projects aligned with the SDGs and include training, gender equality, governance or land rights (Divine Chocolate, 2020b). Divine integrates direct and transparent trading relationships with all their cocoa suppliers, opening up a new partnership with a cooperative from São Tomé for organic cocoa, also here focussing on mutually beneficial partnerships (Divine Chocolate, 2019). Divine's strong focus on gender equality and women's empowerment is engrained in its business structure. In 2008, more women than men were voted onto the

[34] These are the numbers provided on Divine's website. It is although unclear, if the company already adapted the newly updated numbers of the Fairtrade Living Income Reference Price.

cooperatives board and women are supported with special training in income diversification, literacy and numeracy lessons (Divine Chocolate, 2020e). Divine achieves good scores in 'Climate Change' and 'Sustainable Agriculture'. With the help of Twin Trading and other local experts, Kuapa Kokoo farmers are beginning to rediscover old production techniques that help to adapt to climate change and incorporate agroforestry farming practices (Divine Chocolate, 2020c). Farmers are actively conserving rainforest by replacing old cocoa trees with new seedlings and replanting hardwood trees (Divine Chocolate, 2020a). In Sierra Leone, Divine and Twin Trading work together with farmers who grow their cocoa in the fringes of the Gola rainforest,[35] creating economic incentives without deforestation (Divine Chocolate, 2019). Nevertheless, Divine's current focus is not placed on organic farming (although they say that their farmers do not use pesticides) and it is not apparent if the company offsets their carbon emissions.

Figure 18. Divine Chocolate's Level of Living Income Implementation

Summarising Divine Chocolate's results of the living income assessment, the company receives for three out of five variables *excellent* results and two *good* grades. Divine's company history stems as a leading example of the positive impact of empowerment and integration of smallholders and how transparency, an inclusive business model and fair prices can be successful and profitable. Divine

[35] This project is also supported by Dandelion Chocolate, as introduced above.

creates an inspiration for other small bean-to-bar chocolate companies and multinationals alike and displays how a holistic approach towards enabling a living income to smallholders is essential.

5.1.5. fairafric

fairafric is a social business from Germany that shifts the value creation process within the chocolate industry to the Global South. The idea to create meaningful jobs that would increase the income of Africans was born in 2013 when fairafric's founder Hendrik Reimers travelled to East Africa (fairafric, 2017). Through a 2016 Kickstarter[36] campaign, fairafric looked for customers who were willing to pre-order chocolate bars to initiate the first production round of chocolate made in Africa (Strauss, 2017). Since 2017, the start-up is organic certified and became an official supplier of the Weltladen Dachverband, Germany's most important fair trade organisation (fairafric, 2017). As a bean-to-bar chocolatier, fairafric does not only source its beans from 1,400 smallholders in Ghana but also produces its chocolate in Africa to maximise social impact (fairafric, 2019). The company aims at 'decolonising' supply chains and wants to redefine the idea of a fair trade. "*The idea is to create truly sustainable development by creating jobs in the chocolate industry and beyond*" (Morrison, 2019). By ensuring fair prices, wages and working conditions fairafric's vision is to become a world-renown brand for fully Made in Africa products. fairafric generates five times higher income for producers than sourcing cocoa alone, delivering an income worth of $10,000 per tonne (Morrison, 2019). The company made its customers, suppliers and employees as shareholders and its partner farmers as co-owners of the company. Data for the analysis of fairafric's implementation of a living income for smallholder cocoa farmers were drawn from 32 files and 135 references, coded with NVivo.

Figure 19 outlines fairafric's implementation of the living income variables. The company receives *excellent* results in the variables 'Climate Change', 'Sustainable Agriculture'. Since 2017, fairafric is offsetting all its carbon emissions and by partnering with NatureOffice. Two projects in West Africa are supported, a reforestation scheme in Togo and more energy-efficient households in Ghana (Schmidt, 2019). Furthermore, as part of the crowdfunding campaign, fairafric committed to planting more than 3000 trees. By sourcing cocoa purely from an organic cooperative, sustainable farming practices are the norm. The move away from monocultures benefits the nature and the health of smallholders as well as enables crop diversification, which fairafric additionally supports by providing

[36] Kickstarter is an American crowdfunding platform, that aims at supporting the creation of creative projects.

coconut-palm tree seedlings. Coconut plants are high yielding trees that have a stable price in Ghana (Strauss, 2018a).

Good scores were distributed for the variables 'Gender Equality', 'Market Factors' and 'Transparency and Accountability'. fairafric is aware of women in Ghana being "*disadvantaged and discriminated against*" (Strauss, 2019) and highlights different programs that work towards enabling females to develop their full potential. The company's chocolate manufacturing partner Niche trains female apprentices (Strauss, 2019). Nevertheless, it remains unclear if fairafric also established specific trainings for their female farmers. Through the organic and high-quality beans, fairafric is able to pay additional higher bonuses ($600/ton), which is invested in farmer training. The company is paying above average prices (€1890-3787 depending on the farm size), engages in transparent and long-term trading relationships with farmers and publicly commits and discloses information (Strauss, 2018c). Nevertheless, fairafric does not yet engage in industry collaboration, which is due to the company's size and age. Although, if partnerships with other companies emerged that aim to "*spread the idea of chocolate produced in the country where cocoa grows"* (Julia Gause, personal communication, May 16, 2019), fairafric would not be adverse. Besides transparently reporting about their supply chain, prices and advancements fairafric does not yet have specific KPIs and benchmark calculations on living income. This might be due to the fact that the company's goal is to go beyond the creation of a living income to farmers and increase the overall value generation in the country. The company, however, seemed slightly hesitant to share lessons learned, due to competitive reasons.

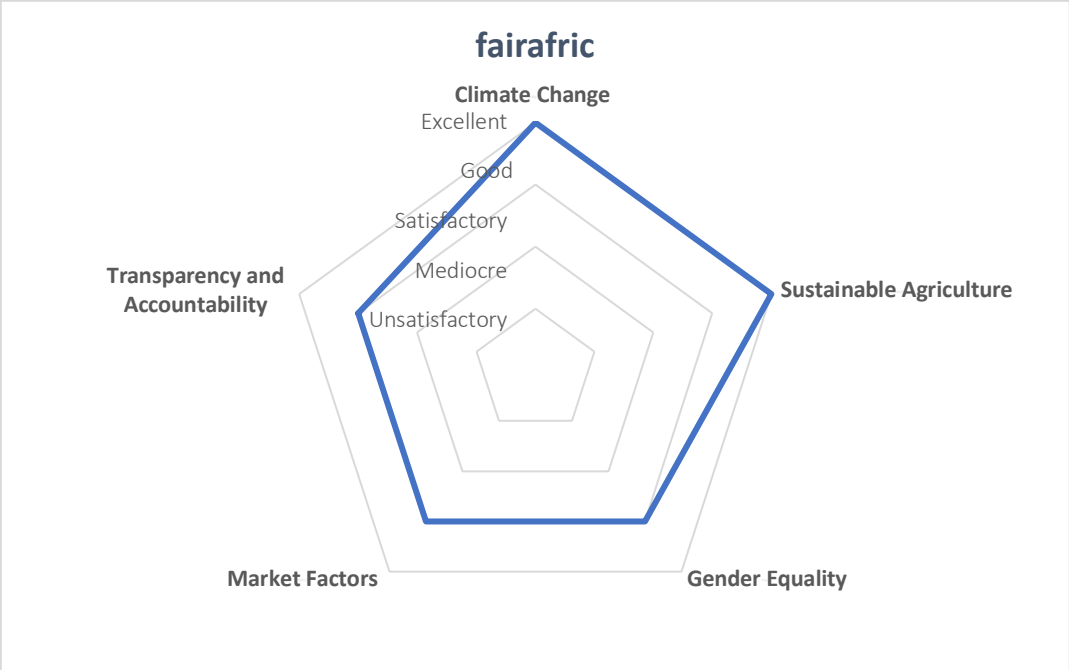

Figure 19. fairafric's Level of Living Income Implementation

Overall, fairafric receives two out of five *excellent* results and three *good* grades. The company's mission to create meaningful, well-paid jobs in the African cocoa industry is unique. This prospect of growth and value creation does not only incorporate fair remuneration but keeps the biggest part of the cocoa value chain, the chocolate production, in Ghana itself. fairafric is currently planning a solar-powered chocolate factory in rural Ghana to keep up with the demand and create even more jobs (Reimers, 2020).

5.1.6. Perú Puro

In order to provide smallholder communities in the Urubamba valley in Peru with the opportunity to sell their cocoa at fair prices, Dr Arno Wielgoss and Dr Frauke Fischer found Perú Puro in 2015 (Doering, 2019). The German bean-to-bar manufacturer was created in cooperation with the registered charitable organisation *Frederic – Hilfe für Peru e.V*. that has been established in 2001 and aims at providing multi-faceted help to the people living in the Urubamba valley (Wielgoss, 2019a). Today, Perú Puro directly sources cocoa from 'their' farmers and trades beans without intermediaries to Europe, focusing on the maximisation of value for smallholders. In 2019, the company paid farmers 4487$ per ton of cocoa (FOB price)[37], a price much above Fairtrade levels (Wielgoss, 2019b). Perú

[37] The Fright on Board (FOB) price includes the costs of delivering the product to the nearest port. That means, that the buyer of the product covers all shipping expenses and is responsible in transporting the product to its final destination (paisabazaar, 2019). It is also the export price of of cocoa in Ghana and Ivory Coast. Every country decides the FOB price itself.

Puro's core business concept is based on actively integrating smallholders into rainforest protection. The cocoa is grown purely in agroforestry systems, combining environmental protection and economic incentives by contractually committing farmers to protect around 900 hectares of rainforest (Wielgoss, 2019b). With their three principles *More than Fair*, *Better than Organic* and *Maximum Quality*, Perú Puro was one of the winners at the 2019 International Chocolate Awards, counting to one of the top ten chocolates of the world (International Chocolate Awards, 2019). Data for the analysis of Perú Puro's implementation of a living income for smallholder cocoa farmers were drawn from 10 files and 122 references, coded with NVivo.

Figure 20 outlines Perú Puro's implementation of the living income variables. The company receives *excellent* results in the areas of 'Climate Change', 'Gender Equality' and 'Sustainable Agriculture', which stems from the company's primary focus on purely sourcing cocoa from agroforestry farming systems. As Arno Wielgoss accompanied the creation of the smallholder cooperative active in the Urubamba valley, high levels of farmer training on sustainable farming practices and impacts of climate change are permanent factors (Frederic-Hilfe für Peru, n.d.-a, n.d.-c, n.d.-d; Wielgoss, 2017, 2019b). With the charitable organisation Frederic – Hilfe für Peru e.V, women are fundamentally supported with the creation of groups that include training and education to provide mothers and girls with the opportunity to earn an additional income, as well as to support each other in a machismo-influenced society (Frederic-Hilfe für Peru, n.d.-b). Perú Puro directly receives the roasted and further processed cocoa from the women's groups affiliated to the charitable organisation.
The long term project management furthermore is an indicator of the *good* scores in, 'Market Factors' and 'Transparency and Accountability'. In terms of price and direct trading partnerships, Perú Puro is a front runner. Long term contracts and pre-finance of the harvest are essential elements in creating conditions for a living income (Wielgoss, 2019b). However, the low level of industry collaboration reduced the scoring for the variable from excellent to only good. Whereas it has to be taken into account that Perú Puro is yet only a small company. This could influence its readiness to collaborate with other industry players. Similar to fairafric, Perú Puro would also only consider partnerships with equally minded businesses. "*Then I could imagine to sit down together and for example discuss something like a 'Charter on Sustainability', where we inspire others with the standard we set for ourselves.*" (Wielgoss, 2019b). With only two full-time employees, the company furthermore is too restricted in publishing a sustainability report. Nonetheless, such information is shared in videos, blog-posts and TV and radio interviews. Even though Perú Puro does not

communicate prices paid in a written format on their website, upon questioning and in other interview sources, a broad calculation and explanation were provided. Prices are shared each year with the Fairband, the federal association for fair import and distribution in Germany (Wielgoss, 2019b).

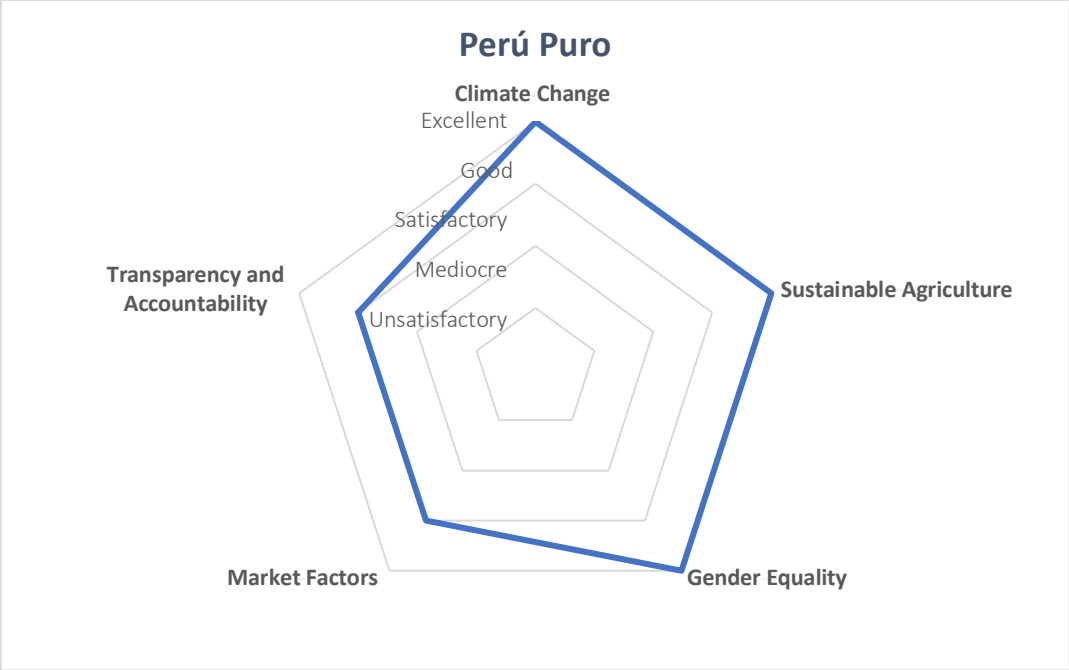

Figure 20. Perú Puro's Level of Living Income Implementation

Summarising, Perú Puro receives three out of five excellent results and two good grades. Interesting to observe is the similar pattern of personal connection among all small to medium-sized companies portrayed in this thesis. By setting up the company while having with the farmers and the natural environment as the central entities in mind, Perú Puro incorporates all living income variables admirably.

5.1.7. Taza Chocolate

Taza Chocolate is a family-owned, US American bean-to-bar chocolate manufacturer[38], located in Somerville, Massachusetts and is since its foundation one of the largest craft chocolate makers in the country. Founded in 2005, by Alex Whitmore and Kathleen Fulton, Taza laid the groundwork for

[38] The term Bean to Bar is used for manufacturers that are fully responsible for every step in the production process - from the selection of beans to the production, the marketing and distribution of the chocolate. The alternative is to purchase ready-made couverture chocolate, as mostly done by the multinational chocolate producing companies.

ethical cacao sourcing and was the first US chocolate maker to establish a third-party certified direct trade cacao sourcing program. Taza's holistic approach to business, combining "*capitalism with a conscience*" (Hofherr, 2016), includes at its core the creation of direct and transparent sourcing relationships, fair prices that entail a premium well above the Fairtrade level and the creation of a supply chain that is "*seriously good and fair for all*" (Last, 2015). In 2012, the company was also the first in the industry to publish a transparency report, building legitimacy around its direct trade sourcing and reporting annually on price structures. Taza does not pay less than $2,800 per ton of cocoa and always at least $500 above market price, including a premium of 15-20% (Last, 2019a). Taza's speciality is to make stone-ground chocolate, grinding chocolate with traditional Mexican stone mills to preserve rich flavours which results in non-conventional chocolate bars that animate consumers to think about their food's origins ("Taza: Transparency is the New Black," 2019).
Data for the analysis of Taza Chocolate's implementation of a living income for smallholder cocoa farmers were drawn from 15 files and 167 references, coded with NVivo.

Figure 21 highlights Taza's implementation of the living income variables. The company receives *excellent* results for the variables 'Transparency and Accountability' and 'Market Factors'. This is especially due to the company's pioneering role in developing the direct trade cocoa sourcing program and openly sharing lessons learned, engaging not only in industry discussions with competitors but also sharing detailed information, helping various companies in the cocoa industry and beyond to set up similar direct trade relationships (Last, 2019a). Next to visiting farmers at least once per year, the company proactively communicates about FOB prices, also publishing the farm gate price in 2011 but restrained from further publications until this year. The company feared to create misleading information without giving additional context and ultimately "*doing more damage than good"* (Last, 2019b).
Taza received a *good* score on the variable 'Sustainable Agriculture', as cocoa is purely soured from certified organic farmers that fully grow cocoa in agroforestry systems that not only enhance soil qualities but also provide means of diversification (Last, 2019a). As Taza's business model aims at rewarding farmers for good and hard work, a price premium to "*help"* farmers only out of goodwill is not intended (Last, 2019b). Instead, Taza's philosophy is to enable producers with fair prices to help themselves. This also explains Taza's *satisfactory* scores for the variables 'Climate Change' and 'Gender Equality'. However, Taza carefully selects their origin partners and ensures that they have mechanisms in place that support smallholders with training, finance or other support structures to

also mitigate the effects of climate change (Last, 2019b). But as the company is not directly involved in guiding specific activities of their production partners, no better scores could be assigned. Furthermore, the evaluated sources hinted the strong involvement of women in the farming process. Nevertheless, it remained unclear if women receive targeted support by production partners and if gender issues in communities are considered. Even as the company rightly prides itself for challenging the persistent issues in the cocoa industry, some data was lacking for a more accurate evaluation of the living income variables.

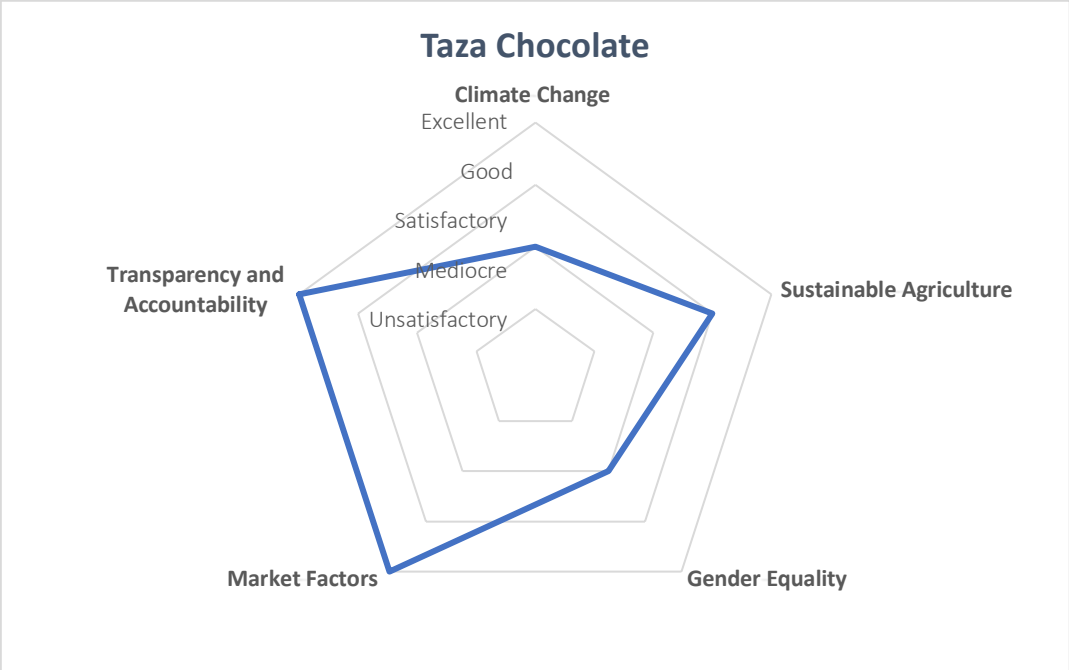

Figure 21. Taza Chocolate's Level of Living Income Implementation

Taza Chocolate receives two out of five *excellent* scores, one good and two *satisfactory* grades. Even though Taza does not have programs in place that directly aim at the implementation of all living income variables, it is important for the company to only select production partners that share the same values on sustainable farming and human rights as Taza (Last, 2019b). Hence, the company aims to have an impact even though they are not being involved at projects on the ground. The company's emphasis on fair pay and high prices, as well as direct trade and long term relationships with farmers, is something many multinational companies can learn from.

5.1.8. Theo Chocolate

Theo Chocolate is another successful, family-owned US bean-to-bar manufacturer, located in Seattle. Since 2005, Joe Whinney and Debra Music operate the first Organic and Fair Trade certified chocolate factory in North America with the founding principle that "*the finest chocolate in the world can and should be produced in an entirely ethical and sustainable fashion.*" (Theo Chocolate, 2019). After working in conversation, Whinney saw the "*horrible impact*" (Denn, 2015) that the conventional chocolate market can have on smallholders and the environment. Hence, he wanted to start a company that pays farmers a fair price and produces a product in which "*people could believe in"* (Denn, 2015). The company employs around 100 people and sources its cocoa from Congo (around 70%), supporting 4,686 farmers and 32,802 family members and Peru (around 30%), supporting 700 farmers and around 4000 family members (Nieburg, 2017a; Theo Chocolate, 2017c, 2017a). The premium price Theo pays for the high-quality cocoa intends to help farmers to improve their household income and secure access to education, health care and other essential services (Theo Chocolate, 2019). Since transparency is one of the core elements of Theo's direct and long term trade program, the company will publish its first 'impact report' in January 2020. Data for the analysis of Theo Chocolate's implementation of a living income for smallholder cocoa farmers were drawn from 18 files and 114 references, coded with NVivo.

Figure 22 emphasizes Theo's implementation of the living income variables. The company receives a *good* score in all graded areas. By providing farmer training on GAP and investing in reforestation programs, as well as sourcing from agroforestry farming systems, farmers resilience to climate change impact is enhanced (Theo Chocolate, 2020c). Next to protecting 1000 hectares of forest, Theo encouraged farmers through its partner cooperative in Peru to transition from growing rice, a water-intensive crop, to cocoa, a less water intensive and higher value crop (Theo Chocolate, 2017c). By promoting diverse farming systems, smallholders can earn an additional income through diversification and enhance a stable environment by agroforestry farming (Theo Chocolate, 2017b). The company subscribes to the stringent definition of organic agriculture, forbidding the use of synthetic pesticides or chemical fertilizers (Theo Chocolate, 2020c). To have received an excellent grade on both variables 'Climate Change' and 'Sustainable Agriculture' more information on their farming techniques would have been beneficial. Both in the Democratic Republic of the Congo (DRC) and in Peru, women are supported by the company. In 2015, Theo supported a maternal health initiative that enables female farmers in the DRC with access to education, family planning, pregnancy

and health services. Furthermore, the company strongly involves female farmers in the conversation and feedback talks during annual origin visits, thus covering the variable 'Gender Equality' (Theo Chocolate, 2017a). Nevertheless, it remains unclear if Theo provides separate training to female farmers or directly sources from female-run cooperatives. In terms of 'Market Factors', Theo does appear to pay a higher price, complying with the Fair Trade standard. If correctly calculated, the company pays $2940 as a FOB price, including the organic premium ($300) as well as the Fair Trade Premium ($240)[39] (Fairtrade International, 2020; Theo Chocolate, 2020a). The company further highlights, that in the DRC, they are paying $260 more than a "*nearby cocoa region"* (Theo Chocolate, 2017a). Nevertheless, more transparent reporting about price should be implemented. However, Theo actively integrates farmers in the supply chains, connecting smallholders with the process of chocolate production. Theo believes, that *"full transparency is required to earn consumer's confidence in our business practices and supplier's confidence in our partnerships"* (Theo Chocolate, 2020b). The to be published impact report will be a good step in the right direction and could potentially increase the score for the variable 'Transparency and Accountability'.

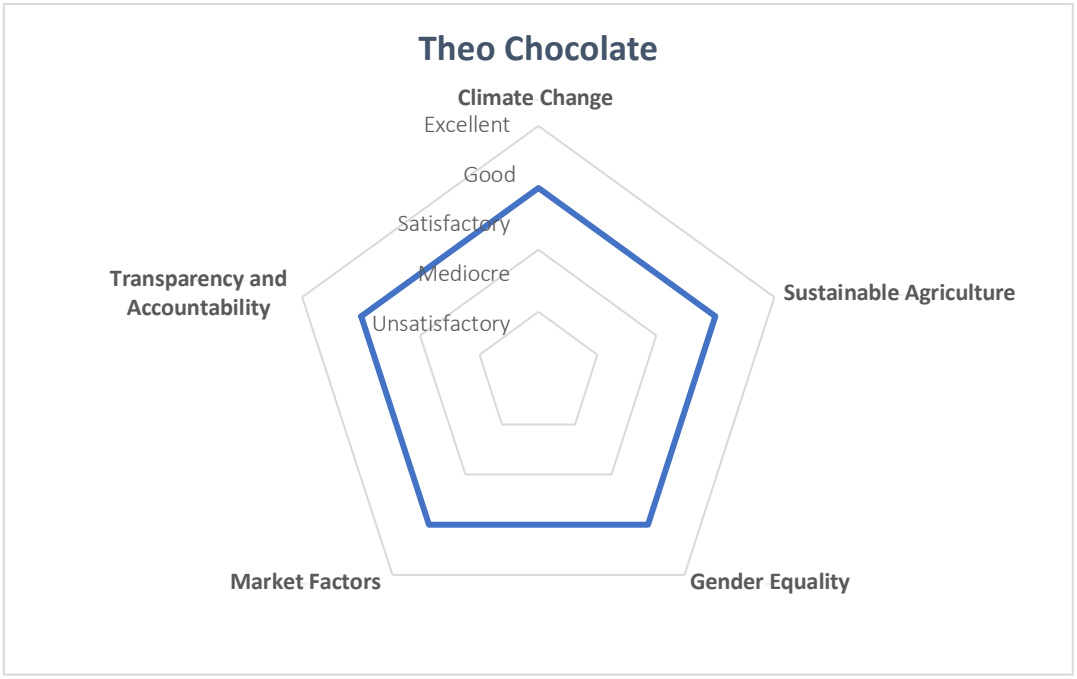

Figure 22. Theo Chocolate's Level of Living Income Implementation

[39] This is the information taken from the Fairtrade Website, Theo does not publish these numbers on their website. The company only refers to Fairtrade. Furthermore, it is not clear if Theo pays the Living Income Reference Price indicated by Fairtrade.

Overall, the company receives five out of five good results. The thorough and equal implementation of the three pillars of sustainability - people, plant and profit, informs all the business decisions made by the company. To support communities, partnerships with producers are fair and direct. Nevertheless, to fully verify the claims of paying a living income, the company should consider more transparent price reporting.

5.1.9. Tony's Chocolonely

Tony's Chocolonely is a B-Corp certified chocolate company, focused on producing and selling Fair Trade chocolate (Tony's Chocolonely, 2019a). The Dutch confectionary brand was found in 2005 by Teun van de Keuken, a journalist who investigated the industry's process of abolishing slavery. After turning himself with 2000 other chocolate consumers in for persecution, Teun made 5000 Fair Trade chocolate bars to lead by example and raise awareness (Tony's Chocolonely, 2014). Since day one, the companies goal is to eradicate slavery from the global chocolate industry. Tony's Chocolonely call themselves an "*impact organization that makes chocolate and not a chocolate company that makes an impact*." (Tony's Chocolonely, 2018a). Henk Jan Beltman, Tony's Chief Chocolate Officer, highlights that "*100% slave-free chocolate is our goal, not just our chocolate, but all chocolate worldwide. Selling chocolate successfully commercially is a means to achieve that goal. No goal in itself. Profit or loss is the result of the decisions made.*" (Tony's Chocolonely, 2018b). Tony's is convinced that the root cause, of social abuse in the industry, extreme poverty, can only be solved if companies go beyond certification (Tony's Chocolonely, 2019a). Hence, Tony's introduced five principles that help to achieve a living income for smallholder cocoa farmers. 1. Traceable beans, 2. Higher prices, more than certification premiums, 3. Long term relationships, 4. Strengthen cooperatives and 5. Ensure quality and productivity (Tony's Chocolonely, 2019a). By producing fully traceable chocolate, Tony's works with around 6000 cocoa farmers in Ghana and Ivory Coast. In the financial year 2018/2019, Tony's did not make a profit even though the company's revenue increased. This is due to the company's policy to have 100% impact and the decision to compensate all of their CO2 emissions (Tony's Chocolonely, 2019a). Data for the analysis of Tony's Chocolonely's implementation of a living income for smallholder cocoa farmers were drawn from 41 files and 280 references, coded with NVivo.

Figure 23 outlines Tony's implementation of the living income variables. The company received *excellent* results for the variables 'Climate Change', 'Transparency and Accountability' and 'Market

Factors'. As highlighted above, Tony's determines its carbon footprint from bean to bar, which was 33,903 tons of carbon for the past fiscal year (Tony's Chocolonely, 2019a). By cooperating with Justdiggit, Tony's offsets 100% of its emission with land-reclamation projects (Tony's Chocolonely, 2019a). To achieve a transparent cocoa industry, Tony's is active in fostering industry communication. Their annual fair report highlights the ups and downs experienced by the company, sharing lessons learned, failure and success. The report aims at urging and inspiring industry leaders, governments, retailers and consumers to take action and act more sustainably. By outlining exact prices and premiums paid ($2030/tonne + $460 Premium in Ghana, $1848/tonne + $520 Premium in Ivory Coast) and explaining non-financial KPIs, Tony's lives up to its promise to be fully transparent (Tony's Chocolonely, 2019a). This notion is also engrained in the company's long term partnerships with farmers to provide "*a long term perspective and chance (for farmers) to invest*" (Rushe, 2018). The partnerships that last for a minimum of five years are based on direct trade. They urge farmers to set up their own development plans and in which they are free to decide how their price premiums are spent (Tony's Chocolonely, 2019a). To foster stronger industry partnerships, Tony's found the *Open Chain* collaboration platform. The platform intends to share knowledge and provide tools for chocolate companies to use in order to end illegal child labour and modern slavery. Tony's first Open Chain partner is Albert Heijn and together with Barry Callebaut, and the retailer set up its new brand *Delicata* (Tony's Chocolonely, 2019a, 2019b).

A *good* result was achieved in the variable 'Gender Equality'. With the Chocolonely Foundation, Tony's supports its partner 100weeks.nl in offering cash to entrepreneurial women in communities (Tony's Chocolonely, 2020). Additionally, Tony's partner cooperatives promote entrepreneurship and courses specifically for women (Tony's Chocolonely, 2019a). However, Tony's does not seem to source from women-led cooperatives.

A *satisfactory* result was achieved in the variable 'Sustainable Agriculture'. By providing shade trees, Tony's supports more sustainable cocoa farming as well as the diversification of farmers income (Tony's Chocolonely, 2019a). However, it is not clear how much cocoa is sourced in agroforestry systems. The company furthermore does not source organic cocoa, as they believe it does not guarantee a positive social impact.

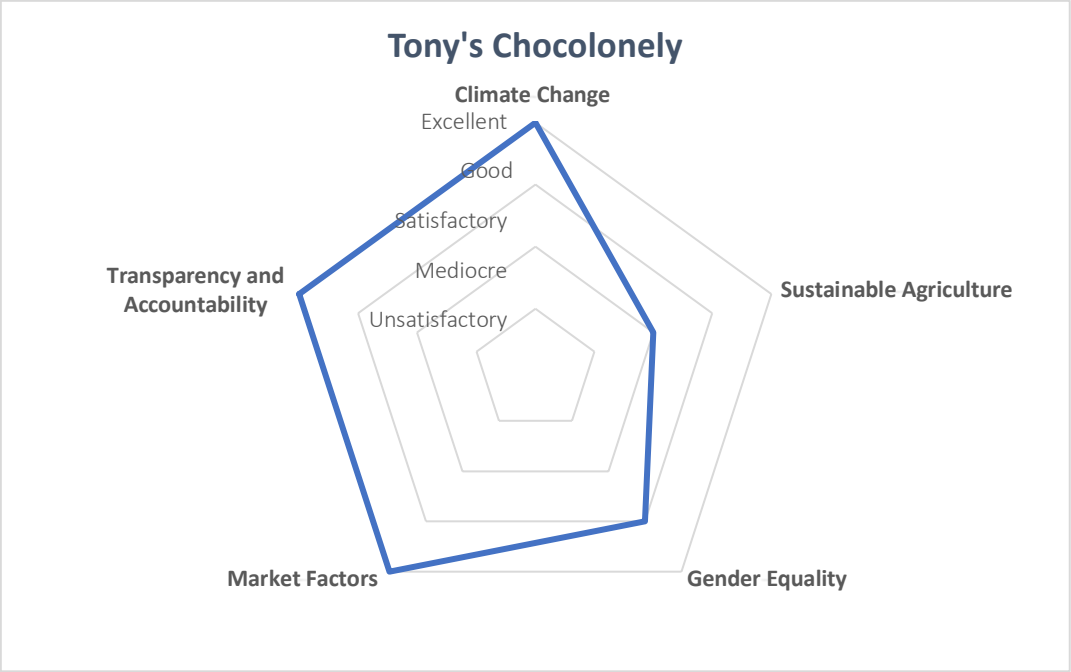

*Figure 23.*Tony's Chocolonely's Level of Living Income Implementation

Overall, Tony's receives three out of five excellent results, one good grade and one satisfactory score. The development of the five sourcing principles displays the company's mission to lead by example and prove for the better that a living income in the industry and the eradication of modern slavery is possible. The company's outspoken and pro-active engagement is an essential driver of change. Nevertheless, the company should consider focussing more on organic and sustainable farming techniques (agroforestry). There are several examples of where organic farming, also in West Africa, lead to the creation of more social value.[40]

5.2. Case by case analysis of large scale chocolate producing companies

5.2.1. Ferrero Group

In 1946, Pietro Ferrero established the chocolate manufacturer Ferrero in Italy, which is up to this date family-owned. The company is famous for its hazelnut cocoa spread, Nutella, and produces in factories around the world, employing around 40.000 people. In the fiscal year 2016, the company made €10.3 billion as revenue (Ferrero Group, 2019a). Ferrero highlights that its value creation is connected to responsible business practices. "*We are not just proud as managers, but above all as human beings, because we can operate as a "force of good" (…), but also good citizens and good inhabitants of our planet*" (Ferrero Group, 2019a, p. 1). To implement more sustainable farming

[40] For example fairafric.

practices, and safeguard the future of cocoa supply, the manufacturer initiated the *Ferrero Farming Values Cocoa Programme*. The program is based on three key pillars: 1) Certification; 2) Institutional engagement and 3) Project Partnerships (Ferrero Group, 2017). In line with these strategies, the company committed to sourcing 100% certified chocolate by 2020. Hence, Ferrero has partnerships with Fairtrade, Fairtrade USA, the Rainforest Alliance and UTZ. In August 2018, the company sourced 77% of its 130,000 tons of cocoa beans from certified sources, therefore proving to be on track with its pledge (Ferrero Group, 2019a, 2019b). Ferrero states to work together with various organizations to support solutions for social, environmental and business issues in cocoa farming and supports smallholder communities in their origin regions in Nigeria, Ivory Coast, Ghana and Colombia (Ferrero Group, 2019b, 2019a). Data for the analysis of Ferrero's implementation of a living income for smallholder cocoa farmers were drawn from 6 files and 115 references, coded with NVivo.

Figure 24 outlines Ferrero's implementation of the living income variables. In general, only limited information could be evaluated for the assessment of Ferrero, as the company does not publish additional blog-posts or extensive descriptions on their website. Therefore, poorer grades were also attributed due to a lack of available data. The company received *satisfactory* scores for the four variables 'Climate Change', 'Sustainable Agriculture', 'Gender Equality' and 'Market Factors'.

By launching the *Ferrero Environmental Responsibility Way*, a project that aims at the good management of environmental sustainability, the company aspires to manage its emissions more effectively. By 2020 the company plans to reduce its emissions by 40% (2007 baseline), also including scope 3 emissions. It does not become apparent if Ferrero offers direct training not only on GAP but also on climate change impact and mitigation to smallholders (Ferrero Group, 2017). Besides being a member of the WCF and one of the signatories of the Cocoa Forest Initiative (CFI) where reforestation and a focus on agroforestry is part of the commitment, the company does not seem to integrate additional measures in regard to climate change. While Ferrero is "*committed to supporting farmers in adopting sustainable agricultural practices, which in turn will contribute to improving their livelihoods and that of their communities*" (Ferrero Group, 2019a, p. 128), such as disease -, harvest -, and weed management, no information is provided on agroforestry farming practices (Ferrero Group, 2012). Furthermore, the company does not seem to source organic cocoa. Nevertheless, the company acknowledges food security issues of farmers and hence studied and implemented training of crop diversification and established Village Saving Loans, especially encouraging the participation of women (Ferrero Group, 2019a). Women are additionally supported by literacy and

entrepreneurship classes, and in some cooperatives, women are encouraged to take over managerial positions. It is, however, not apparent, if this is the case in all origin countries (Ferrero Group, 2019a). In terms of price transparency, Ferrero highlights that the cooperative ECOOKIM cooperative in Côte d'Ivoire received $1,453,383 as a Fairtrade premium from sales to Ferrero (Ferrero Group, 2019a). Premiums are stated to be invested in water pumps and school constructions. The company, however, does not publish farm gate prices. Yet, Ferrero highlights "*direct and committed relationship with producers and their communities*" (Ferrero Group, 2017, p. 177) are valued and that "*long-term contracts, where possible, help to ensure a more stable income for farmers*" (Ferrero Group, 2012, p. 5). However, it remains unclear what is defined as direct trading relationships and if these are implemented across all origin countries.

A *mediocre* score was achieved in the variable 'Transparency and Accountability'. Even though it has to be positively remarked, that the company publishes detailed sustainability reports, giving away potentially sensitive information like sourcing regions, cooperative names and smallholder numbers, no data is published on detailed action plans for industry-wide pledges (Ferrero Group, 2019a). Even though KPIs are defined, there are none representing living income or price.

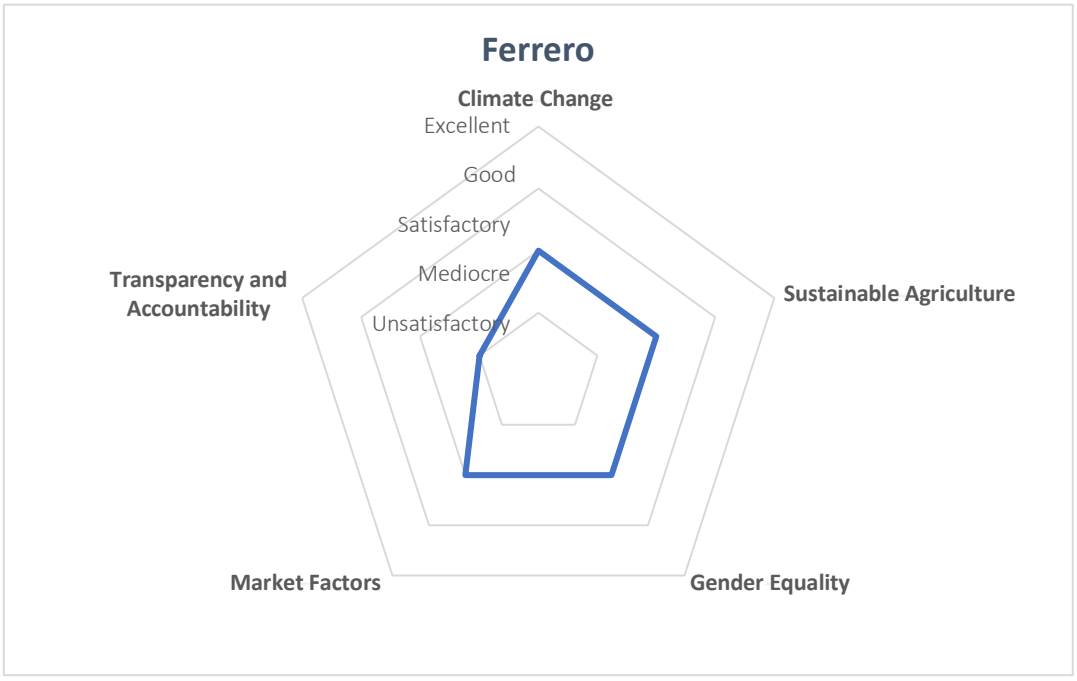

Figure 24. Ferrero's Level of Living Income Implementation

Overall, Ferrero receives four satisfactory and one mediocre result. Despite the company's human rights commitment, it is not apparent, if cocoa smallholders are reimbursed sufficiently to allow for

a living income. To enhance transparency and allow for critical evaluation, Ferrero should furthermore disclose direct action plans on commitment implementation. This aligns with Ferrero's positive and valuable comment that "*more is needed than certification and traceability to address the issues and challenges in the cocoa supply chain*" (Ferrero Group, 2019a, p. 128), it nevertheless still remains shallow in some perspective how the company actually wants to tackle this.

5.2.2. The Hershey Company

Established in 1894 in the US, the Hershey Company is one of the leading global confectionery (and snack) companies of the world. The firm's portfolio contains more than 80 brands, sold in 70 countries worldwide. Hershey describes itself as purpose-driven, including responsible and sustainable operations in its 2018 launched sustainability program Cocoa for Good. The program aims at tackling the inequalities rooted in Hershey's supply chains (The Hershey Company, 2017, 2018a). The company identified ten priority topics, including 1) Access to grievance mechanisms; 2) Child Labor; 3) Climate Change; 4) Deforestation; 5) Forced Labor and human trafficking; 6) Land rights and acquisition; 7) Living Wage and Living Income; 8) Safety and Health and 9) Women's rights and empowerment (The Hershey Company, 2019c). Hershey furthermore committed to sourcing 100% certified and sustainable cocoa by 2020 and continuing their work on child labour mitigation. In the past reporting year, over 80% of certified cocoa was reported, suggesting that the company is on track to meet its 2020 commitments (The Hershey Company, n.d.-a, 2012). Hershey sources from Ghana, Ivory Coast, Ecuador and Brazil admitting, that there are "*many issues to talk about when it comes to securing a long-term, sustainable cocoa supply: systemic poverty for farmers, lack of infrastructure in communities, limited opportunities for youth, questionable environmental practices, and the list goes on.*" (King, n.d.). Hence, Hershey is working to empower communities, offer farmer training and engage in GAP. Together with its competitors, Hershey also signed the Cocoa Forest Initiative and pledged to ban deforestation from its supply chain (The Hershey Company, 2019a). Overall, Hershey appears to be one of the few multinational chocolate makers stating the issue of a lacking living income as one of their priority elements to address human right violations, making a public commitment. Nevertheless, the issue of a too low price is also not discussed at Hershey. Data for the analysis of Hershey's implementation of a living income for smallholder cocoa farmers were drawn from 22 files and 149 references, coded with NVivo.

Figure 25 outlines Hershey's implementation of the living income variables. The company received *good* results in the variables 'Climate Change', 'Sustainable Agriculture' and 'Gender Equality'. In 2016, Hershey joined the WCF's Climate Smart Cocoa Program to address the threat climate change imposes on cocoa communities collectively. In line with this program, Hershey is implementing a climate-smart agriculture curriculum into its Learn to Grow farmer training plans. Additionally, the company developed CocoaLink, a program using low-cost mobile technology to deliver practical agricultural and social information to smallholders in West Africa (The Hershey Company, 2017). Hershey is distributing shade trees and seedlings to farmers to accomplish goals on agroforestry that are part of the CFI's pledge of ending deforestation in cocoa supply chains. It is, however, not apparent how much cocoa is currently sourced from agroforestry plantations as well as how much the company is engaged in the afforestation of areas (The Hershey Company, 2018a, 2019a).[41] Additionally, Hershey does not source organic cocoa. However, farmer training on crop diversification and sustainable farming aim at empowering women. By offering gender sensitivity workshops and improving women's economic potential, female community members improve financial literacy, enabling income diversification.

Nevertheless, only a satisfactory score was achieved for the variable 'Transparency and Accountability' and a mediocre score for the variable 'Market Factors'. With the tools *SmartLabel™* and *Sourcemap*, Hershey pioneered smart labelled packaging, allowing consumers to track products to its source(The Hershey Company, 2017, 2019b). A Hershey representative outlines: "*In each node on the map consumers can learn more through text, photos and videos, including how the ingredient is farmed or harvested and details about sustainable sourcing initiatives*" (Yu, 2017). However, the company could connect this positive approach to outlining specifically the volumes sourced from each cooperative, as well as first and second-tier suppliers and farm gate prices. This would be a big step and would underline the company's assurance that "*transparency about our responsible sourcing practices is extremely important to us*" (The Hershey Company, 2017, p. 9). In terms of partnerships, it cannot be evaluated if the company, or its suppliers, engage in long-term contracts with smallholders. However, Hershey's does collaborate in a pre-competitive manner on issues related to child labour and deforestation (The Hershey Company, n.d.-b).

[41] Until 2022, the company aims to have 30.000 hectares cocoa agroforestry developed as well as 700.000 multi-purpose trees distributed for on-farm planting in Ivory Coast (The Hershey Company, 2018c). In Ghana, 12.000 hectares cocoa agroforestry are going to be developed and 12.000 trees distributed for on farm-planting (The Hershey Company, 2018b).

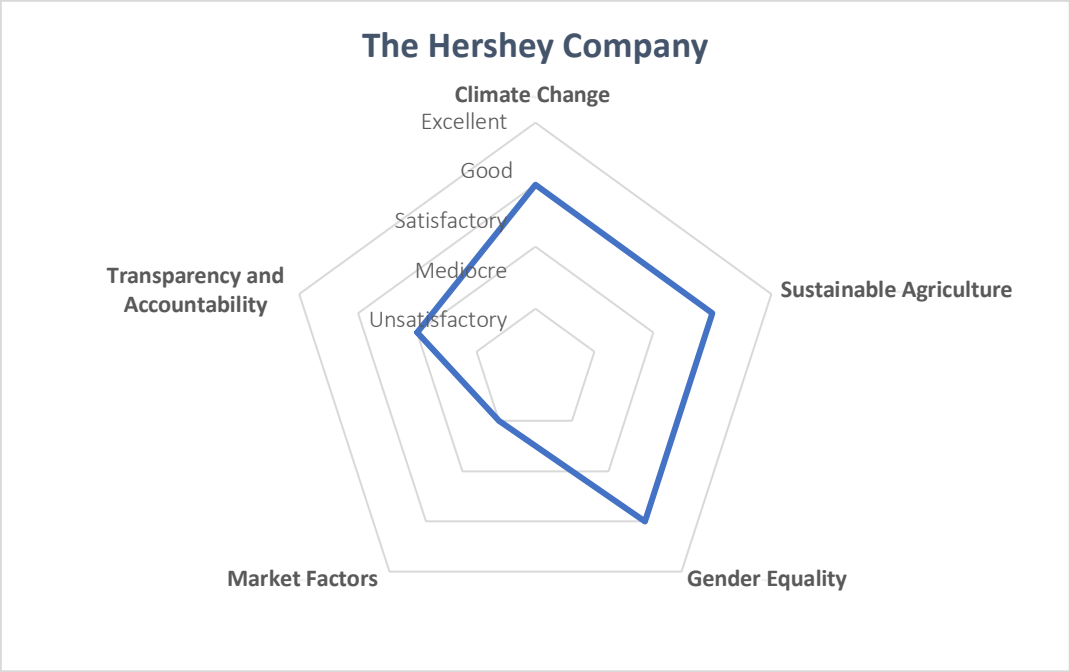

Figure 25. The Hershey Company's Level of Living Income Implementation

All in all, Hershey receives three out of five *good* results, one *satisfactory* and one *mediocre* score. Even though the company recognizes the lack of a living income in its human rights policy and aims to address the issue through the above presented supporting structures, the firm does not tackle the issue of price. Interesting to observe is furthermore, that Hershey equals certification schemes[42] with sustainable cocoa. Nevertheless, cocoa that is not sourced with a price considered enough for farmers to cover a living income, as being done through, for example by the Rainforest Alliance and UTZ, cannot be considered sustainable.

5.2.3. Kellogg's

Kellogg's is a leading US-based consumer goods company that manufactures ready to eat cereal and other convenience foods. The company employs around 37,369 people and has manufacturing facilities in 21 countries. The company was found in 1906 by W. K. Kellogg with the aim to provide a healthier breakfast option. In 2018, Kellogg's made $13.5 billion in sales, participating in various benchmarks, such as the Dow Jones Sustainability Index (Kellogg's, 2019, 2020b). Kellogg's internal sustainability program, Kellogg's *Origins™ Program*, includes more than 40 projects that aim to "*increase the productivity of farmers, improve environmental outcomes and positively impact farmer*

[42] Hershey sources cocoa from certification schemes of the Rainforest Alliance, UTZ and Fair Trade USA.

livelihoods" (Kellogg's, 2019, p. 39). Specifically, Kellogg's is working with all cocoa suppliers on human rights adherence and production risks that are associated with the cocoa supply chain. In Ecuador, a partnership between Kellogg's and Olam[43] provides training to 3,000 farmers and in Ghana, the company works towards implementing a forecast and agriculture specific device that supports climate-smart agriculture (CSA) decisions. In partnership with the WBCSD[44] and others, the goal is to reach one million farmers by 2024 in Ghana and Côte D'Ivoire (Kellogg's, 2019, 2020a). The company acknowledges its role in addressing food security and highlights that "*the work starts in the field where farmers take care to cultivate high-quality foods, using responsible and sustainable practices*" (Kellogg's, 2019, p. 32). From 2016 to 2018, the company supported 322,000 farmers, of which "*many are smallholders and women*" (Kellogg's, 2019, p. 32) by mostly advancing climate-smart agricultural practices that improve the yields, climate resilience and livelihoods of producers (Kellogg's, 2019, 2020b). Even though the company seems to be committed to action and refers to their philanthropic founder when highlighting company missions and values, details about the cocoa sourcing origins and producers remained unclear. Data for the analysis of Kellogg's implementation of a living income for smallholder cocoa farmers were drawn from 26 files and 142 references, coded with NVivo.

Figure 26 outlines Kellogg's implementation of the living income variables. The company receives an *excellent* grade in the variable 'Gender Equality', recognising "*that women play a significant role in agriculture, but in some countries still face the challenge of injustice and inequality*" (Kellogg's, 2020c). Hence, the company is identifying the parts of their supply chain that have the highest prevalence of women, while recognising the risks and opportunities they face. Kellogg's directly supports women farmers by providing training, encouraging leadership roles, raising awareness and pushing for gender equity on farms and in cooperatives. "*We're working to close the gender gap between the number of women working in the cocoa farms and those receiving training*." (Kellogg's, 2020c).

While the company also provides much training on sustainable farming practices and improved productivity, only a *satisfactory* score is achieved in the variable 'Sustainable Agriculture'. This is mostly due to the fact that it is not apparent under which conditions smallholders affiliated to

[43] Olam is one of the leading food and agri-businesses supplying raw commodities (Olam, 2020).
[44] The WBCSD is a global, organization of over 200 leading businesses working together to accelerate the transition to more sustainable business practices (WBCSD, 2020).

Kellogg's produce their cocoa. Hence, it must be assumed that the company sources from full-sun plantations, instead of shaded and agroforestry farming systems. However, the company commits to achieving zero-net deforestation in 2020 as a member of the Consumer Goods Forum, as well as being part of the Tropical Forest Alliance 2020 (Kellogg's, 2018)[45]. Additionally, the company does not seem to engage in organic farming practices, reducing the use of pesticides.

A *good* score is achieved in the variable 'Climate Change'. Kellogg's is committed to supporting 15,000 smallholder farmers and their families with CSA, a goal which they surpassed in 2017, already reaching 26,000 farmers in 2018 (Kellogg's, 2018). With their *CocoaCloud* solution in West Africa, offering weather forecasts to farmers and smart agriculture training in Ecuador, the missing element in a holistic strategy to address the resilience of cocoa farmers to climate change impacts would be agroforestry practices and re-forestation campaigns (Kellogg's, 2018). Information on these two elements was not available.

Rather poor results were achieved in both of the remaining variables. The lack of transparency in the cocoa supply chain, as well as in transparent reporting mainly contributed to the *mediocre* scoring in the variable 'Transparency and Accountability'. Kellogg's only seems to be informing the public about success stories; flaws are not communicated. Even though commitments and non-financial KPIs are published, there does not seem to be much focus on a living income. The lack of information about their supply chain practices, intermediaries, prices and volumes result in the *unsatisfactory* score for the variable 'Market Factors'. The company does not disclose any information about their cocoa sourcing practices, and the term living income was not perceived once in the investigated material. A positive element to highlight is the company's involvement in the pre-competitive collaboration platform CocoaCloud, bringing various industry players together. Yet, this does not benefit the farmers in allowing for long term and direct partnerships and high prices.

[45] The Tropical Forest Alliance however does not consider the cocoa sector. It is a global partnership program that brings together governments, private sector and civil society to solve the deforestation issue in palm oil, beef, soy and pulp and paper supply chains (TFA, 2020).

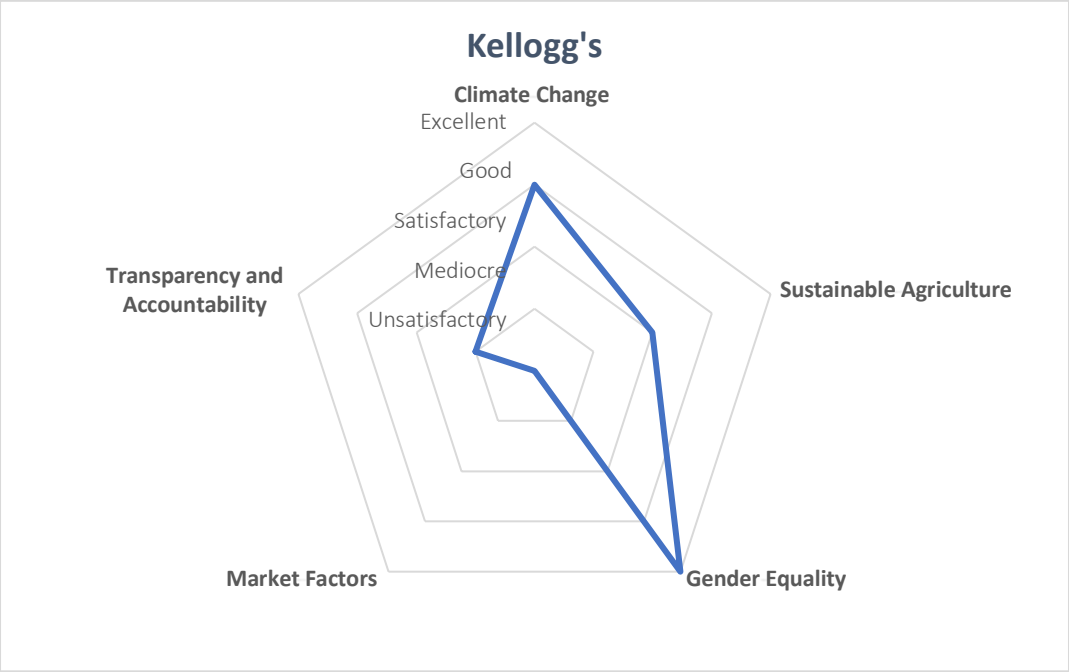

Figure 26. Kellogg's Level of Living Income Implementation

Kellogg's involvement in creating gender equality and creating opportunities for climate change adaption can be positively emphasized. Hence, the company receives one *excellent* and one *good* result, one *satisfactory*, one *mediocre* and one *unsatisfactory* result. While studying the company's data, the impression was conveyed that cocoa is not the main focus of intervention. While considerable commitments on deforestation and sustainable farming are made, information on cocoa was hard to access and remained shallow. To report transparently about their actions, information beyond bright project descriptions should be reported. No data on details are provided, such as essential evidence on cocoa sourcing volumes, potential certification schemes, prices, intermediaries, names of cooperatives and more. Thorough implementation of a living income needs a holistic approach, but for this, it is not enough to report only on the successful implementation of a few pioneering projects.

5.2.4. Lindt & Sprüngli

The Swiss chocolatier Lindt & Sprüngli was found in 1845 and reported a sales worth CHF 4.1 billion in 2017. Its 14,000 employees are committed to sustainable business with profitable growth. As part of this pledge, the company views sustainability as a key pillar of its business model focussing on three main areas. Sustainable sourcing of key resources, sustainable production with an increased focus on renewable energy and sustainable consumption (Lindt & Sprüngli, 2018b). Lindt highlights:

"*we want to be recognised as a company that cares for the environment and the communities we live and work in. Environmental concerns play an ever increasing role in our decision making process*." (Lindt & Sprüngli, 2013, p. 2). In line with this, the *Lindt & Sprüngli Sustainable Farming Program* started 2008 in Ghana and has transcended among all cocoa bean origin countries Lindt sources from. Besides Ghana, these are Ecuador, Madagascar, Papua New Guinea and the Dominican Republic. The four elements of the program are 1) Traceability and Farmer Organization; 2) Training and Knowledge Transfer; 3) Farmer Investments and Community Development; 4) Verification and Continuous Progress (Earthworm Foundation, 2019). In total, 72,528 farmers from all sourcing regions participate and benefit from increased productivity, diversified incomes, biodiversity preservation, reduced risk of child labour and improved infrastructure (Lindt & Sprüngli, 2019b). In 2016, the company reached its milestone to have fully traceable and verified cocoa sourced from Ghana (Lindt & Sprüngli, n.d.-a). Ultimately, the company aims at 100% traceable cocoa across the whole supply chain by 2020 (Lindt & Sprüngli, 2019a). Lindt furthermore commits to operating deforestation-free by 2025 outlining the following goals: 1) No cocoa bean sourcing from protected areas; 2) No expansion of land for cocoa cultivation into areas defined by the High Carbon Stock Approach[46] or equivalent; 3) Agroforestry systems for cocoa production; 4) Supporting (community) forest protection and restoration (Lindt & Sprüngli, 2019a). Christian Bock, a campaigner at SumOfUs who started a petition for Lindt to commit to a global no-deforestation policy concluded: "*While there is much work to be done between now and 2025, Lindt's public commitment is a major step in the right direction. We look forward to seeing a more humane and sustainable Lindt & Sprüngli*." (Myers, 2018b). In 2005, the company became a member of the WCF, and as one of the biggest chocolate companies in the world, much responsibility should be taken to improve smallholders livelihoods and go beyond the deeply necessary commitments on deforestation and also commit to ensuring a living income. Within the analysis of Lindt & Sprüngli, not once the term living income could be observed. The research was done by coding 19 files and 174 references with NVivo.

Figure 27 outlines Lindt & Sprüngli's implementation of the living income variables. The company received *good* results in the variables 'Climate Change' and 'Sustainable Agriculture'. This is especially due to the company's commitment on deforestation-free supply chains until 2025, which includes the implementation of agroforestry practices with a minimum of 30% shade tree cover (Lindt &

[46] A High Carbon Stock Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed.

Sprüngli, 2019a). Additionally, smallholder training covers GAP, biodiversity and the protection of the environment (e.g. use of organic fertilisers), as well as income diversification and increased productivity is being conveyed (Lindt & Sprüngli, n.d.-b). Nevertheless, only good results are achieved as the company does not farm organically and commitments are not yet fully implemented. Hence sustainable farming practices, reforestation and a stop of deforestation are only progressed.

A *mediocre* result was achieved in the variable 'Market Factors', and a satisfactory grade was given in 'Transparency and Accountability'. Even though the company recognises the need for collaboration, highlighting that "*sustainability only works (…) when everyone pulls together*" (Lindt & Sprüngli, 2018b, p. 7), further declaring, "*we can contribute to collaboration efforts by sharing our activities, learnings and experiences made, as well as advocate for sector solutions and approaches*" (Lindt & Sprüngli, 2019a, p. 10), not much collaboration efforts are perceived on the subject of a living income. With its commitment to achieving a fully traceable bean supply by 2020, the most important groundwork for a transparent supply chain is introduced (Lindt & Sprüngli, 2019a). Nevertheless, the company does not disclose prices and premiums paid to farmers. The latter seems to be invested directly in community projects and are received by the farmers as in-kind benefits (Lindt & Sprüngli, n.d.-a; Nieburg, 2017c). A Lindt spokesperson outlined: "*We get the high quality cocoa beans from our long-term suppliers (…) We do, however, of course hedge the cocoa beans price on the cocoa futures exchange in London or New York*." (Nieburg, 2017c), suggesting that remuneration is not above market price. The company also leaves some room for interpretation of its definition of bean-to-bar. In its annual report, the chocolate maker suggests that it selects its own beans, later outlining that contracted suppliers deliver future raw material. When asked, a Lindt representative clarified that bean-to-bar means that Lindt is still one of the few companies producing their own cocoa liquor with own selected beans (Nieburg, 2017c). Even though the company steps up its ambition for more transparency and long-term relationships with smallholders, traceability of beans is not the decisive solution to ensure a living income and decent living conditions for smallholders (Nieburg, 2017c). Nevertheless, it should be positively noted that Lindt publishes clear KPIs and action plans on how to reach its pledges, outlining potential sensitive information such as sourcing regions (Lindt & Sprüngli, 2018a, p. 5). In terms of 'Gender Equality', the company only receives an *unsatisfactory* score due to a lack of information. Farmer training does also seem to benefit female smallholders, as Lindt does not outline advancements towards women empowerment and gender equality specifically.

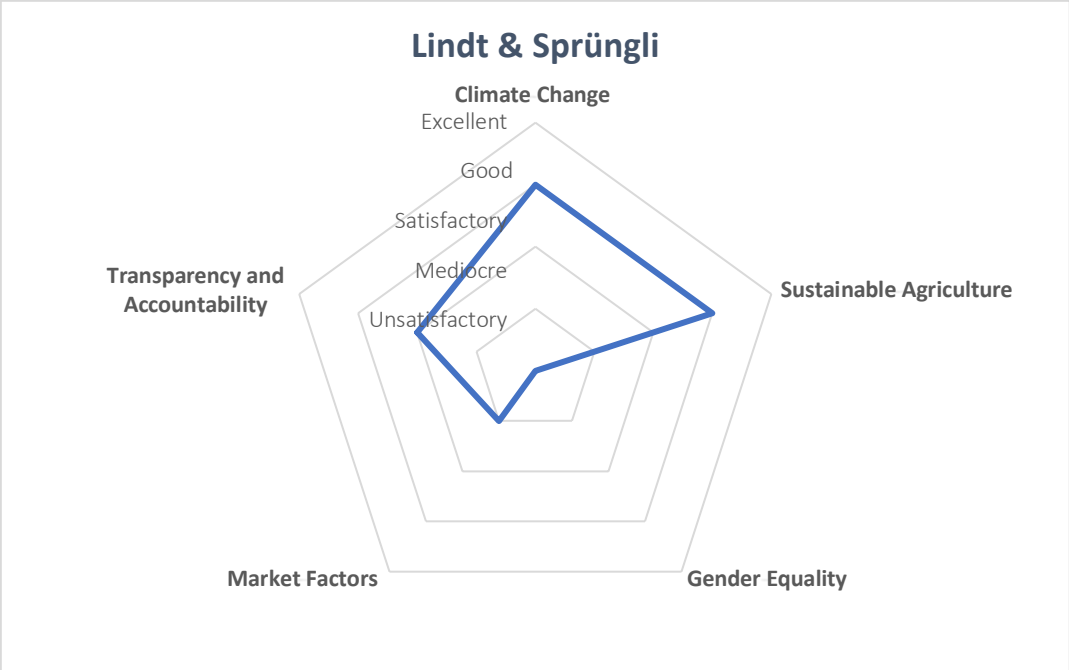

Figure 27. Lindt & Sprüngli's Level of Living Income Implementation

Compiling Lindt's advancements within the living income assessment, two out of five *good* results were achieved. Additionally, one *satisfactory*, one *mediocre* and one *unsatisfactory* grade were attained. When investigating the company's involvement, it became apparent that one of the most fundamental criteria of their sustainable sourcing is the traceability of cocoa. The company emphasises this by stating that "*it's not a task we want to delegate to others*", explaining its decision to rely on an in-house sourcing and sustainability system instead of collaborating with certification schemes (Lindt & Sprüngli, n.d.-a). This is a similar approach as chosen by the small to medium-sized chocolate producing companies portrayed in this thesis. As seen in their cases, an internal company strategy can have many benefits, including the provision of above-market prices, which is currently still lacking within Lindt's Sustainable Farming Program. Consequently, Lindt needs to advance their actions and commit to transparency within all cocoa sourcing units, outlining prices paid, volumes sourced, and clear measures implemented.

5.2.5. Nestlé

Nestlé is the world's largest food and beverage company, based in Switzerland with a group sale of CHF 91.4 billion. In 2018, the confectionary division alone added CHF 8.1 billion to the annual sales. The renown KIT KAT bar for example, is produced 17.6 billion times per year, with more than a billion consumed products in the UK alone (Nestlé, n.d.-d). To reach its goal to improve 30 million livelihoods

directly connected to Nestlé's business activities, the company introduced the *Nestlé Cocoa Plan* in 2009 (Nestlé, n.d.-e, 2018). The plan aims to advance the lives of farmers and the quality of their production. Through three pillars, 1) better farming; 2) better lives; and 3) better cocoa; Nestlé addresses the challenges of about 114,000 farmers with activities that include training, productivity increase through higher-yielding plants, the promotion of gender equality and tackling child labour (Nestlé, 2019b). In 2018, Nestlé's total purchase of cocoa beans from the Nestlé Cocoa Plan reached almost 200,000 tons. The company highlights that "*we want to be sure that we can stand behind our claim that this cocoa is 100% sustainably sourced"* (Nestlé, n.d.-b), although admitting that traceability "*is a major challenge"* (Nestlé, n.d.-b) as cocoa is obtained from 87,000 individual farms. Besides the company's commitment to responsible sourcing, the chocolate producer pledged to eradicate deforestation from its supply chain by 2020. In March 2019, 77% of their 12 key commodities (of which cocoa is part of) are verified deforestation-free (Askew, 2019). In line with its commitment, Nestlé signed the WCF's Cocoa and Forest Initiative, which aims to end deforestation in the cocoa supply chain. Nestlé states: "*By the end of 2019, we will have completed the mapping of all the 87,000 Nestlé Cocoa Plan farms in Côte d'Ivoire and Ghana*." (Nestlé, n.d.-f). The company continues in outlining that "*addressing the issue of deforestation in the cocoa supply chain is complex and must take into account cocoa farmers' livelihoods*." (Nestlé, n.d.-f). Additionally, commitments are made on rolling out the Child Labour Remediation and Monitoring System (CLRMS) that is part of the Nestlé Cocoa Plan across all West African cocoa supply chains by 2025 (Nestlé, n.d.-f, 2017). In the contrary to its competitor Lindt, Nestlé sources its cocoa in partnership with UTZ (as part of the Rainforest Alliance) and operates with a mass-balance systems, where non-certified cocoa is mixed with certified cocoa (Nestlé, n.d.-b). This, it makes transparency and traceability much more difficult and counteracts the company's claim to produce a product that benefits everyone from bean-to-bar (Nestlé, n.d.-f). Data for the analysis of Nestlé's implementation of a living income for smallholder cocoa farmers were drawn from 42 files and 159 references, coded with NVivo.

Figure 28 outlines Nestlé's implementation of the living income variables. The company's strong focus on gender equality and awareness that "*(women) have limited influence on cash revenues, and are rarely involve in decision making, training or programs*" (Nestlé, n.d.-c) influences the company's *good* results in the variable 'Gender Equality'. Nestlé's research furthermore highlights a strong link between maternal literacy and child labour. Therefore, empowerment and schooling of women is

part of the Nestlé Cocoa Plan. Besides education, women are encouraged to take up their own business and diversify their income (Nestlé, n.d.-a).

Another *good* result is achieved in the variable 'Sustainable Agriculture'. The company's effort to train farmers on GAP, as well as the provision of shade trees and more resistant planting material ("*to grow more cocoa on less land*") (Nestlé, 2019a) contributes to this decision. The above mentioned pledge to operate deforestation-free by 2020 underlines Nestlé's sustainable farming activities. Nevertheless, only focussing on two agroforestry pilots which will be conducted by 2022 is not enough to ensure the shift away from full sun cocoa plantations, as well as it counteracts ambitions to provide security to cocoa farmers in terms of climate change impact (Nestlé, 2019a). Hence, the result of the variable 'Climate Change' is only *satisfactory.* However, the company aims to develop early warning systems and monitors changes at the farm level to synthesis information and share knowledge with farmers and other stakeholders in order to improve overall climate adaption (Nestlé, 2013).

A *satisfactory* result has also been attributed to the variable 'Transparency and Accountability', whereas only a *mediocre* score is achieved for the variable 'Market Factors'. Positively emphasised should be Nestlé's announcement to publish its first and second-tier cocoa suppliers for Ghana and Ivory Coast. This is an important step towards more transparent supply chains and a notion that should inspire other actors to follow suit. The volume of cocoa purchased through the Nestlé Cocoa Plan in 2018 was 146,535 tons in Côte d'Ivoire and 14,750 tons in Ghana. The company's main direct (Tier 1) suppliers for both countries are among others Ecom, COCOANECT, Barry Callebaut, Touton and Cargill (Nestlé, 2019d, 2019c). Nevertheless, Nestlé refrains from publishing details on prices and premium paid. As the company sources certified cocoa from UTZ, it can only be assumed that prices are determined on the stock market, and premiums have to be negotiated by the farmers, which does not contribute to a more stabilised income, being a necessary element in achieving a living income (C. Nillert, Personal Communication, 14.01.2020; UTZ - Rainforest Alliance, 2020). Additionally, it is not apparent if long term partnerships with smallholders are agreed upon. Another positive element to highlight is Nestlé's willingness to share data on its advancements on human rights due diligence. The company informs: "*Human rights should be a priority for all businesses – we do not believe that it should give Nestlé any degree of competitive advantage. For that reason, we have made the course publicly available, enabling other companies keen to address this issue to use and adapt it to their own needs*." (Nestlé, 2020). A similar approach to living income would be desirable.

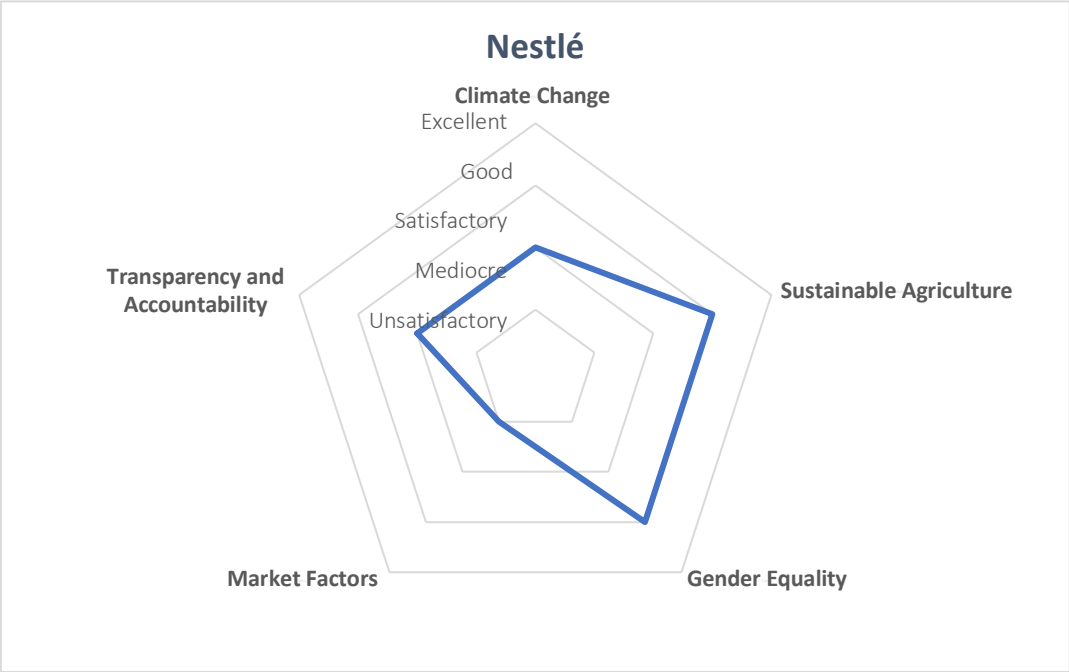

Figure 28. Nestlé's Level of Living Income Implementation

Overall, Nestlé receives two out of five good scores, two satisfactory and one mediocre score. Besides the company's good efforts within its Nestlé Cocoa Plan to empower farmers and engage in more responsible farming, a concern about lacking living income is not directly mentioned. The company does although acknowledge calculations made by Fairtrade and True Price that outline the large gap between prevailing wages and a desirable living income. "*Although we cannot resolve this issue in the short-term, we are making concerted efforts to understand the factors at a granular level and work with our partners to address them*.", further outlining that it is an "*extremely complex, industry-wide problem to solve"* and that "*one of the ways we are approaching the living wage gap is through the empowerment of women*". It is good that Nestlé openly communicates its awareness of the most pressing issue the industry faces; nevertheless, it is not enough to hide behind the complexity of problems. Paying farmers decently should be as much on the agenda as tackling deforestation and child labour, as poverty is the root cause of these. As Nestlé's Head of Operations, Magdi Batato, stated about deforestation in the palm oil sector: "*It is about impacting and influencing others. It is not about simply refusing everything because if you do, nothing changes*." (Askew, 2019). If Nestlé would apply this same forward-looking approach to solving the income gap, much could change in the industry.

5.2.6. Mars Incorporated

Mars Incorporated is an American, family-owned manufacturer of confectionery, pet food and other food products. With more than $35 billion in sales and 115,000 employees working worldwide, the company is one of the largest end-users of cocoa. 400,000 tons of beans are sourced annually from 13 different countries, with the majority coming from Cote d'Ivoire, Ghana and Indonesia (Mars Incorporated, 2019d). As part of the *Sustainable in a Generation (SIG) Plan*, which was launched in 2017, the company announced in 2018 the *Cocoa for Generations* strategy. Through this strategy, the multinational aims to source "*responsible cocoa across our entire supply chain by 2025, with measures to improve farmer incomes, protect children and preserve forests*.". With an investment of $1 billion, Mars pursues a long-term model for sustainable cocoa in close relationship with about 75,000 cocoa smallholders and their families. The program aims to increase productivity, income, resilience and overall sustainability (Mars Incorporated, 2019e, 2020a). The company's immediate goal is to globally source 100% traceable beans and deforestation-free cocoa by 2025. Mars recognizes that sustainable sourcing of cocoa is essential to ensure long term supply and to create a "*cocoa sector where everyone, especially cocoa farmers, has the opportunity to thrive*" (Mars Incorporated, 2020b). The manufacturer is the only large scale company portrayed in this thesis, that engages in straight forward reporting of goals and action plans, clearly outlining areas of concern and room for improvement and actively working towards closing the living income gap. Besides stating significant progress, Mars highlights: "*We recognize however that today's cocoa supply chain does not reflect the transformation needed and does not deliver on our ambitions for everyone along the chain to have the opportunity to thrive. The cocoa supply chain is broken and current interventions are not enough to fix it."* (Mars Incorporated, 2020b). Realizing the prevailing living income gap, Mars established the *Farmer Income Lab*. The lab stems as an incubator to bring forward actions and solutions to the multileveled issue of living income. Recognizing that industry collaboration is key, the lab aims to create knowledge that can be accessed by every player in the industry (Mars Incorporated, 2019c). Data for the analysis of Mars Inc. implementation of a living income for smallholder cocoa farmers were drawn from 20 files and 125 references, coded with NVivo.

Figure 29 outlines Mars's implementation of the living income variables. The company received *good* results in all five variables. In terms of climate change, the company aims to reduce its supply chain emissions by 67% in 2050 from 2015 levels and pledged deforestation-free supply chains by 2025, for which Mars also joined the CFI and committed to only source cocoa from legal sources (Mars

Incorporated, 2019e). Actions on promoting afforestation and improving soil management are currently under consideration (Mars Incorporated, 2020a). Furthermore, tracking of emissions is a key part of the SIG plan and providing training to smallholders. In partnership with the Rainforest Alliance, Mars engages in sustainable agriculture practices providing training to farmers on GAP. Mars supported 6,000 farmers in Côte d'Ivoire through the replanting of 10,000 hectares of aging cocoa farms and implemented an android based decision-making tool that combines agronomy and economics to help farmers transform their farms in the long-term (Mars Incorporated, 2020b). With crop diversification, Mars "*continues to advocate the benefits of diversified farming and good agroforestry models"* (Mars Incorporated, 2020b). However, it is not clear how much cocoa supplied to Mars stems from agroforestry farming systems. Nevertheless, the company indicates to have distributed 428,239 shade trees to 30,006 farmers (Mars Incorporated, 2019b). It is not apparent if the company sources organic cocoa.

In regard to gender equality, Mars supports economic empowerment programs "*designed to boost their savings rates and entrepreneurial skills*" (Mars Incorporated, 2019a). The company's *Women Empowerment Plan* aims at increasing women's leadership and participation in community decision making as well as offering tailored training (Mars Incorporated, n.d.). There is no data available to verify, if Mars also sources cocoa specifically from women-run cooperatives.

Concerning the variable 'Market Factors', Mars acknowledges the pressing need for industry collaboration and actively shares lessons learned, engaging with industry, governments and other civil-society institutions (Mars Incorporated, 2020b). The company furthermore intends to shift from short-time transactions to "*longer-term relationships with cocoa suppliers and farmers*" (Mars Incorporated, 2020b), hoping that smallholders can benefit from improved predictability and investment efficiency. Nonetheless, Mars does not disclose costs per ton of cocoa, only outlining that more than 180,000 farmers received price premiums for certified cocoa in 2018. The company, however, admits, that premiums vary across regions and that only through increased transparency, it can be ensured that the full amount is received by farmers (Mars Incorporated, 2019b).

Mars strongly focusses on traceability and stakeholder communication. In 2018, 95% of beans could be traced back to its origin country, 40% to the specific farmer group and 23% to a farm boundary (Mars Incorporated, 2019b). It is to be hoped, that other peers lead with an example too and publish not only data on commitments but are also willing to share lessons learned and align efforts.

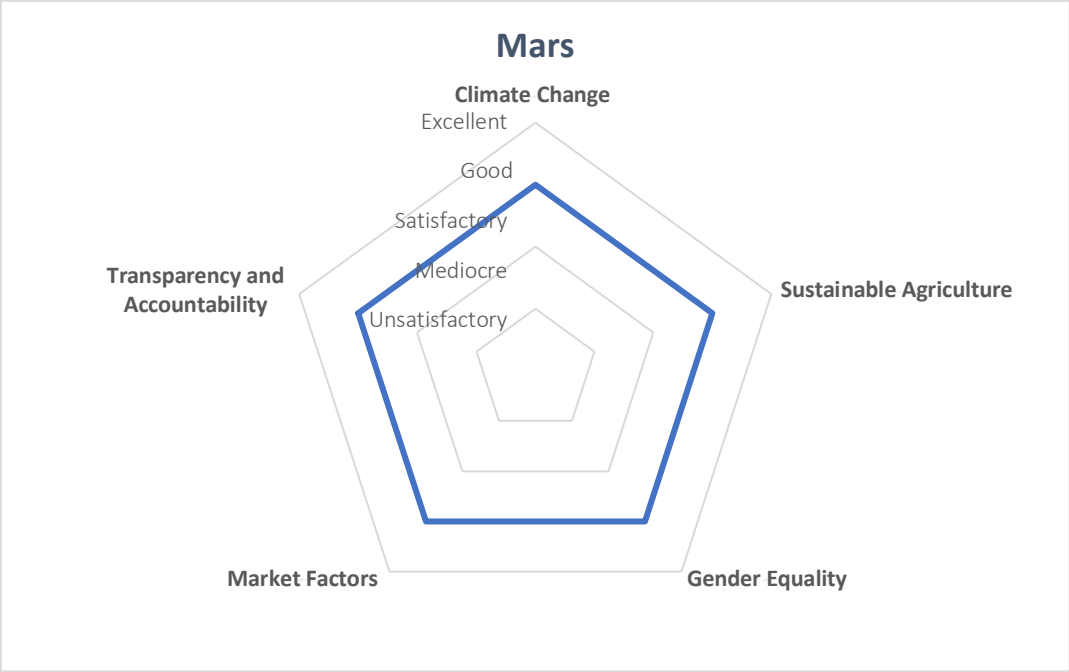

Figure 29. Mars Incorporated's Level of Living Income Implementation

In total, Mars receives five out of five *good* scores. But besides the good results, Mars can still enhance its actions. The company would strengthen its ambitions if beans were a 100% traceable to the farm gate. Additionally, it remained unclear how much cocoa is farmed in agroforestry systems. Switching to agroforestry techniques would be a major undertaking, yet necessary to produce fully sustainably. Nevertheless, the company's efforts to solve the living income issue in a holistic manner are unique, using living income as a proxy to steer its supply chain partners (Beerens, 2019), which should stem as an example for the other actors in the industry.

5.2.7. Meiji Co., Ltd.

Meiji Co., Ltd. is Japans largest chocolate manufacturer that introduced its first chocolate bar in 1918. In 1926, the company released its Meiji Milk Chocolate which is its main chocolate product up to this date (Meiji Holdings Co Ltd., 2020c). Meiji operates worldwide and employs more than 17.000 people working for two corporate segments (Meiji Holdings Co Ltd., 2020a).[47] The company recognises the challenges that are faced by cocoa smallholders and started its company internal program *Meiji Cocoa Support* in 2006. The program "*is designed to help the farmers resolve these challenges to produce cocoa sustainably*" (Meiji Holdings Co Ltd., 2020a, p. 31). As of 2019, Cocoa Support covers

[47] Besides the food segment, a pharmaceutical segment is run by Meiji Seika Pharma Co., Ltd and KM Biologics Co., Ltd.

eight producing countries and aims to "*help cocoa farmers earn more income and help build a society for steady cocoa farming*" (Meiji Holdings Co Ltd., 2020a, p. 31). In 2006, Meiji joined the WCF and supports the organisations Cocoa Livelihoods Program. With these actions, the company aims to reach its target to have a fully sustainable cocoa production in 2026, which includes "*human rights and environmentally sound cocoa beans such as certified beans and traceable beans*" (Meiji Holdings Co Ltd., 2019c, p. 10). Even though the company seems to commit to action, it is unclear if this commitment will be equally implemented in all cocoa sourcing countries, as the main focus seems to be on Ghana. Additionally, the company recognises, that "*cocoa beans are indispensable to our business*" and "*given the great importance of securing safe, reliable raw material, we support farmers and promote sustainable cocoa farming*"(Meiji Holdings Co Ltd., 2017, p. 29). This hints that improvements of farmers livelihoods and the potential creation of a living income are only motivated out of economic reasons. Data for the analysis of Meiji Co., Ltd.'s implementation of a living income for smallholder cocoa farmers were drawn from 17 files and 92 references, coded with NVivo.

Figure 30 outlines Meiji's implementation of the living income variables. The company receives *satisfactory* results in the variables' Transparency and Accountability', 'Market Factors' and 'Sustainable Agriculture'. By joining the WCF and supporting the organisations' mission to end farmer poverty, as well as supporting the CFI, Meiji aligns its actions with other industry players and participates in pre-competitive collaboration (Meiji Holdings Co Ltd., 2018, 2020e). Even though the company's reporting could be improved in many ways, annual sustainability reports and a first integrated report are being published. Unfortunately, KPIs about living income are not apparent; nevertheless, Meiji highlights the traceability of cocoa until 2026 as a critical goal (Meiji Holdings Co Ltd., 2019c, 2019a, 2019b, 2020a). Currently, around 30% of their cocoa sourced from Ghana and Latin America is traceable (Meiji Holdings Co Ltd., 2019c). Sharing of lessons learned and deviating from success-stories is not apparent. In terms of price, the company states that "*cocoa beans are purchased at prices above current market value*" (Meiji Holdings Co Ltd., 2016, p. 7). It nevertheless remains unclear what the prices are. It can only be speculated that the company pays market prices with an additional premium, as Meiji purchases Rainforest Alliance certified beans (Meiji Holdings Co Ltd., 2016, 2017). Furthermore, the total volume of sourced - and certified beans remains unclear. An additional shortcoming is that Rainforest Alliance prices are not fixed, and premiums are being negotiated on top of market prices, which contributes to the price volatility experienced by farmers (Nieburg, 2017b). However, Meiji seems to value long-term partnerships with smallholders, pointing

out that learning about producers lifestyle is essential. "*This is the first step towards developing mutually acceptable production methods*." (Meiji Holdings Co Ltd., 2020b). Meiji furthermore highlights its bean-to-bar production, hinting an active involvement in the full process of chocolate manufacturing, assisting farmers also in agricultural practices. While the company offers various support structures and training for smallholders about farming technologies, pest management, safe work practices and environmental protection, little information on the means of cultivation is available (Meiji Holdings Co Ltd., 2019c, 2020a). Beans from Brazil are highlighted to be sourced from agroforestry farming systems. It is although not apparent if agroforestry is also favoured in other origin countries (Meiji Holdings Co Ltd., 2016). Furthermore, the company does not source organic cocoa.

Hence, the company received only *mediocre* results in the variable 'Climate Change'. This is mostly due to a lack of information. It is not apparent if training on climate change impact is provided, as well as if sustainable farming practices are adopted beyond sourcing from Brazil. The company, however, outlines its efforts to reduce its CO_2 emissions as well as increase investments into forest replantation projects and natural resource restoration (Meiji Holdings Co Ltd., 2020d).

An *unsatisfactory* score is given for the variable 'Gender Equality'. Meiji does not outline any activities that support gender equality and women's empowerment in producing communities.

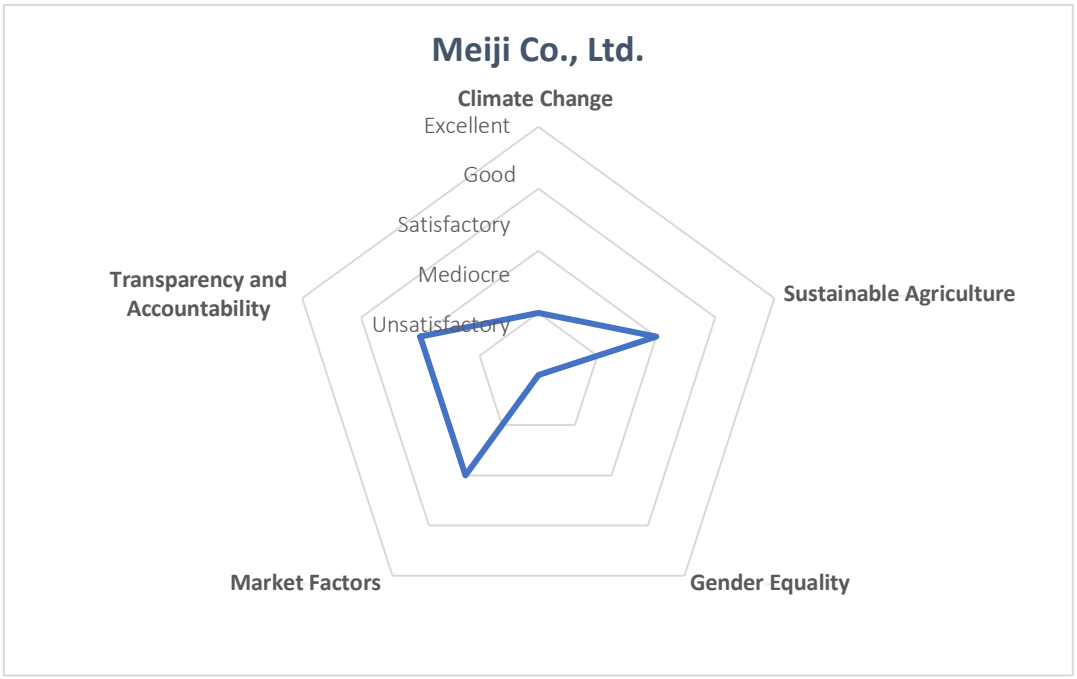

Figure 30. Meiji Co Ltd.'s Level of Living Income Implementation

Overall, Meiji receives three out of five *satisfactory* results, one *mediocre* result and one *unsatisfactory* result. While investigating the company's data, not once the term living income was perceived. It seems that the company strongly values the high quality of their cocoa, therefore engaging in direct partnerships to enable a close communication of needs and support farmers to increase their livelihood. As described throughout this thesis, high prices alone are not the silver bullet, and other support structures are necessary. However, only having support structures, and a low price will also not help to close the living income gap. To verify Meiji's claim to pay above market levels, data about volumes and prices should be made public. Only then Meiji's potential positive impact can be assured.

5.2.8. Mondelez International

Mondelez International is a US-based multinational chocolate company that was found in 1903 as Kraft Foods and got renamed to Mondelez in 2012. In the same year, the company committed $400 million to its internal sustainability program, Cocoa Life, aiming to help build a "*thriving cocoa supply chain by increasing cocoa productivity and empowering local cocoa farming communities to improve their resilience*." (McKerr, 2019). Through *Cocoa Life*, Mondelez works with 142,000 farmers in 1,400 communities to enhance smallholders livelihoods by focussing on skills, training, and access to planting materials and crop protection. Currently, the company sources 43% of its chocolate from Cocoa Life registered farmers (McKerr, 2019). Mondelez aims to source 100% of its cocoa volume through its sustainability program by 2025 and currently sources from origins including Brazil, Côte d'Ivoire, Ghana, Indonesia, India and Dominican Republic (McKerr, 2019). Through Cocoa Life, Mondelez is moving away from certification. Cathy Pieters, the programs director, highlights: "*Being a corporation it is important to understand the impact of what we are doing, it is a very complicated process, and we are not finished*." (Myers, 2018a), underpinning the companies commitment. She further outlines that the challenges in the cocoa industry are interrelated, "*Cocoa Life was designed to holistically challenge those root causes*" (Myers, 2018a). Similar to Mars's advancements, Mondelez is one of the few multinational companies portrayed in this thesis that outline positive efforts in transparent reporting, clear communication of KPIs and the provision of facts. Mondelez acknowledges the issue of a too low farmer income and publishes a related KPI. Data for the analysis of Mondelez's implementation of a living income for smallholder cocoa farmers were drawn from 30 files and 158 references, coded with NVivo.

Figure 31 outlines Mondelez's implementation of the living income variables. The company received *good* results in all five variables and achieved next to Mars, the best scoring among the multinational chocolate producing companies. In terms of climate change, Mondelez connects all of its Cocoa Life strategies to climate impact, focussing on "*People, Produce, Protect*" (van Cutsem, 2019a). The company believes that community action and ownership is the best way for farmers to become more resilient (Mondelez International, 2017; Myers, 2019a). Hence, Mondelez's policies incorporate training on GAP, the provision of seedlings and shade trees, contributing to agroforestry systems that allow for income diversification (Mondelez International, 2019, 2020a). The company committed to deforestation-free supply chains, mapping and monitoring farmers. By working with incentive-based systems, Mondelez actively engages in forest protection and sustainable farming (Mondelez International, 2020b). However, it is not apparent if the company sources organic cocoa, and if the company intends to source from agroforestry systems exclusively. However, Mondelez states: "*Cocoa Life engages with communities to see if they can join collective agreements to commit to protect remaining forest or even to reforest some rural areas.*" (van Cutsem, 2019b). By promoting gender equality through leadership and business training for women, smallholder wellbeing is improved gender awareness is increased (Situmorang, 2020). Courses integrate not only female farmers, but also engage male farmers in the debate about gender awareness. Even though women are encouraged to take over leadership positions, it remains unclear if Mondelez also supports female farmers by sourcing from women-run cooperatives (Mondelez International, 2020c).

Regarding the variable 'Market Factor' and 'Transparency and Accountability', Mondelez strongly presses for collective industry action, building upon collaboration (McKerr, 2019). The company's CEO stated that he hopes that the "*encouraging results inspire more industry members to implement integrated approaches and broaden their impact at scale."* (McKerr, 2019). Cocoa Life furthermore aims to connect more with farming communities. "*We know the people that grow our cocoa, so from there you can start understanding challenges much better and address them much better*" (Myers, 2018a), however, it does not become apparent if the company engages in long term contracts. As Mondelez works together with intermediary supply chain partners, a direct trade cannot be identified. Mondelez does furthermore also not report (recent) prices paid. The company's last update was given in 2016, where farmers in Indonesia earned $1.698/ton (Nieburg, 2018). However, sourcing regions are being outlined through an interactive map, as well as supplier names (Mondelez International, 2019). This is a unique measure in the industry, as well as using a KPI on farmer net

income (Mondelez International, 2019). The company furthermore outlines that they are working on tracing cocoa from the farm gate level (Myers, 2019a).

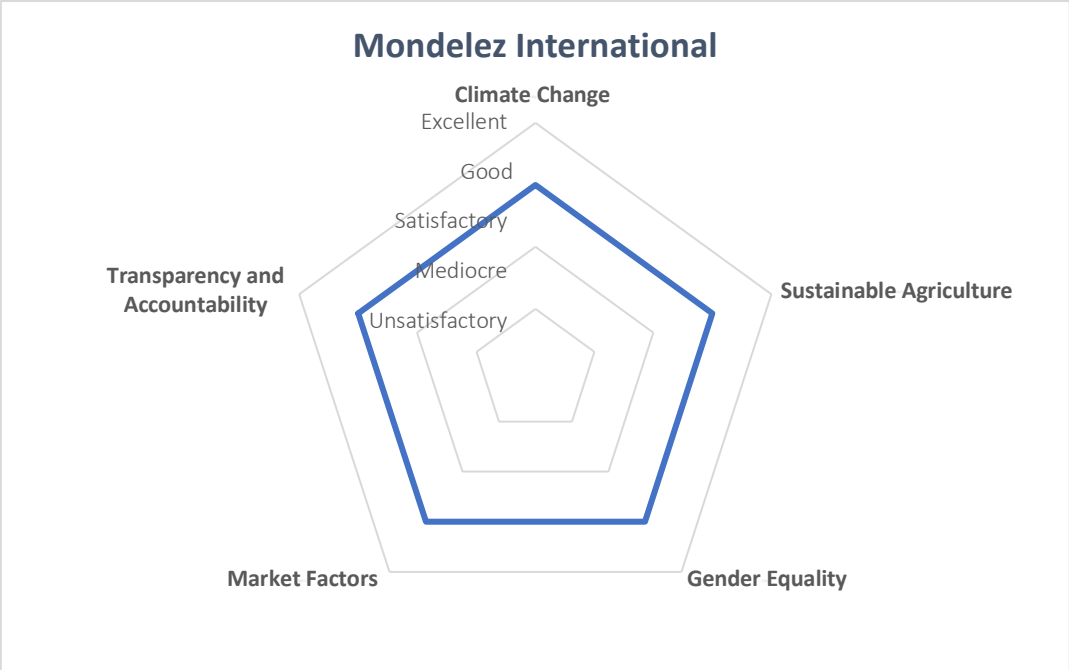

Figure 31. Mondelez's Level of Living Income Implementation

Altogether, Mondelez receives five *good* scores. Besides Mondelez's good efforts, the company can still consider improvements. First, Mondelez should make the switch to cocoa fully grown in agroforestry systems. This does not become apparent throughout the data. Second, the company should start publishing prices paid to smallholders. Direct and transparent, every year. Third, long-term and direct sourcing from farmers is vital. Nevertheless, it is essential to point out Mondelez's good first step in publishing 1st tier suppliers. The company's holistic manner of addressing the issue of living income is unique, and its transparent reporting an example for other multinational actors in the industry.

5.2.9. pladis

pladis is a UK based snacking company that was established in January 2016 when Yildiz Holding combined United Biscuits, Ülker, Godiva Chocolatier and DeMet's Candy Company. The company is one of the fastest-growing companies in the snacking business and operates with 34 factories in 13 countries. With annual revenues of £3.5 billion in 2017, pladis reaches 4 billion people around the world (pladis, 2018a). Data for the analysis of pladis's implementation of a living income for smallholder cocoa farmers were drawn from 3 files and 9 references, coded with NVivo.

Unfortunately, pladis' limited output of information and the lack of transparency did not enable me to analyse the company's advancements towards providing a living income to the smallholders operating in their cocoa supply chain. Hence, the company received *unsatisfactory* results in all five variables. Nevertheless, pladis outlines on their website that some of their leading brands are members of the World Cocoa Foundation (WCF), promoting sustainability in the cocoa supply chain. Additionally, pladis includes sustainability principles within their supply chain to "*support the economic and social development of cocoa farmers"* (pladis, 2018b). However, it does not become clear which principles pladis refers to. Moreover, "*a number*" of pladis cocoa suppliers are certified by UTZ, supporting programs for fair labour. The company points out that this proportion is to grow, nonetheless not stating how much UTZ certified cocoa is sourced. The company does also not outline to which price per ton cocoa is being bought(pladis, 2018b). Yet, pladis does recognise the actions of the governments of Cote d'Ivoire and Ghana to implement a minimum floor price for cocoa. The company states: "*We welcome global efforts to safeguard a sustainable future for cocoa farming in all geographies, relieve poverty and improve the livelihoods of the farming communities."* (pladis, 2018b). When investigating pladis cocoa brand Godiva, also not much information was available. Godiva highlights their WCF membership, recognising the importance of sustainable cocoa production. The brand highlights: "*GODIVA is committed to ensuring the sustainability of our world and continues to build responsible practices into our sourcing and supply chain."* (Godiva, 2019).

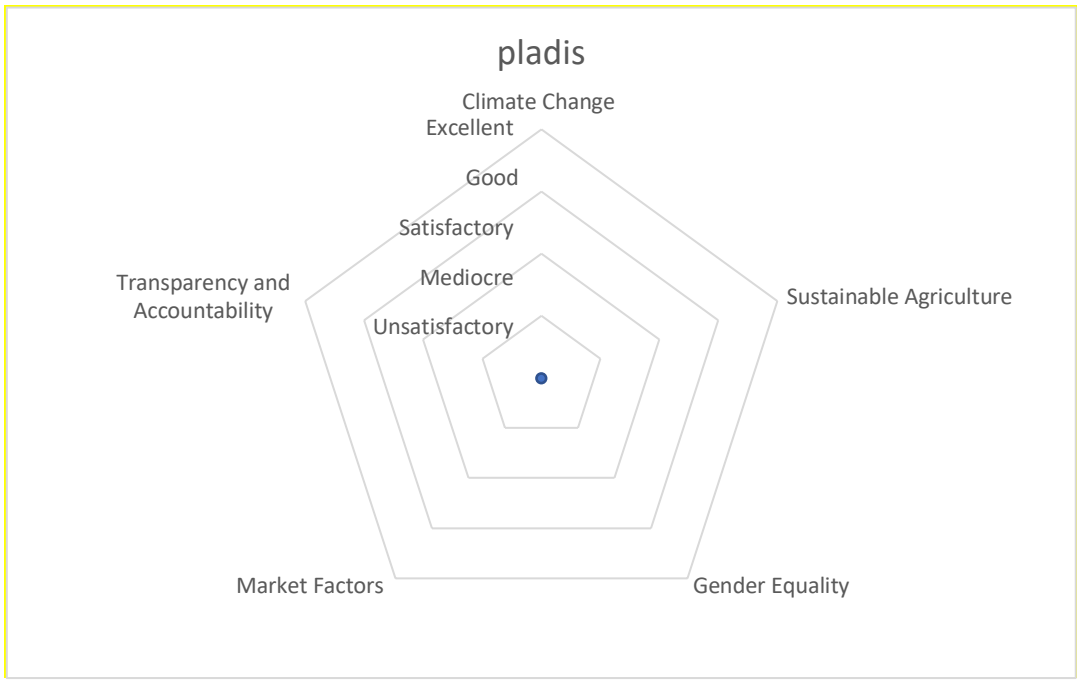

Figure 32. pladis's Level of Living Income Implementation

The lack of information presented by pladis in all areas of its supply chain and cocoa sourcing characterises the widespread transparency issues perceived in the reporting of some multinational cocoa corporations. It is impossible to review the company's actions and sustainability strategies to acknowledge their potential positive effects on cocoa farmers livelihoods. Hence, to make sure all smallholders are receiving a living income, transparency and accountability are essential. These prerequisites are not given at pladis, an issue that should be mitigated by the company as soon as possible. Without verified and transparent data, companies like pladis cannot be held accountable for their actions, and a living income for smallholders cannot be ensured.

6. Discussion

This section discusses the results presented in the previous chapter, consolidating the most important findings. An overall evaluation is given in regard to the propositions that guided this thesis, succeeded by the outline of methodological considerations and recommendations for future research.

6.1. Interpreting the results

When analysing the data of the different chocolate producing companies, several elements become apparent. First, the term living income is seldom used within company internal sustainability programs of both large and small scale companies. This can perhaps be explained by the fact, that the concept of a living income is still new and different research studies highlight different numbers and incorporate different elements within a living income calculation, which potentially leads to confusion among industry players. On the other side, it can also be hinted, that this confusion is a welcomed excuse not to provide the necessary higher remuneration. From the dominating players, only Hershey, Mondelez and Mars appeared to mention the term living income when communicating about poverty-related standards of living. However, it is rarely being reported about the issue of a too low price. As a living income is inevitably linked to higher prices, and eight out of nine large scale producers do not report on paying above the market level, it can be assumed that the living income gap is not communicated as companies would have to explain why they do not reimburse higher monetary amounts. Only Meiji Co. Ltd. claims to pay above market average; these numbers, however, cannot be verified as they are not disclosed. Moreover, companies outline that (price) premiums are forwarded to farmers as part of certification schemes, mitigating the dire situation of smallholders. By pursuing this approach, companies seem to equal sustainable cocoa with certification schemes, such as Fairtrade, UTZ and the Rainforest Alliance. However, only Fairtrade employs a living income reference price that aims to ensure that farmers are remunerated accordingly. Yet, NGOs, question if this price is high enough (Fountain & Hütz-Adams, 2019). It nevertheless makes clear that only sourcing certified cocoa does not equal a fair and high price to smallholders.

On the contrary, all of the portrayed small to medium-sized companies pay prices that average much above the market level. Even though the term living income does not seem to be high on the agenda

of these companies either, the reasons appear to be different compared to the investigated multinationals. Jesse Last from Taza Chocolate, for example, mentions: "*I obviously support higher prices to farmers to earn a living income*" further explaining that high prices paid by Taza are not motivated by philanthropic reasons, instead "*farmers are buzzing their butts, they are working really hard, and they are delivering a high-quality product*" (Jesse Last, Personal Communication, August 12, 2019). The comment hints that smallholders are reimbursed for their good work, as any other member of the supply chain, which applies a different level of appreciation to smallholders work. This also becomes apparent in the direct sourcing and supply chain approaches of the other investigated small to medium-sized chocolate producing companies.

In terms of transparency and the willingness to share lessons learned, potential benchmark calculations, KPIs and general goals related to a living income and farm gate price, small to medium sized-companies are more proactive. However, it should be remarked, that the investigated small companies did not seem to have KPIs in the first place. As pointed out by fairafric, this is mostly due to the size and age of the business (Julia Gause, Personal Communication, May 16, 2019). However, as high prices are a natural part of the portrayed companies business models, KPIs ensuring improved remuneration might also be unnecessary. Again, this displays a different mindset of farmer integration. This can be explained by the bean-to-bar approach applied by all investigated small to medium-sized firms. The motivation to be as transparent as possible is rooted in the companies conviction to be part of all supply chain stages and link all actors, from consumer to smallholders, as closely together as possible. It is interesting to observe however, how multinationals like Lindt or Nestlé also place themselves in the category of a bean-to-bar producer. The term is generally used for manufacturers that are fully responsible for every step in the production process. Long-term and personal relationships with farmers, that are key to a living income implementation, are at the heart of the bean-to-bar movement. It is although questionable, if multinational companies with often several intermediaries like cocoa traders Barry Callebaut or Cargill, have a close and long term relationship with farmers. Throughout the company case investigations, it became clear that all of the large scale companies engage in industry wide partnerships and commitments on deforestation and child labour remediation. This should be positively remarked, as it displays that pre-competitive collaboration is possible. Companies also publicly disclosed action plans and commitments on these topics. Nonetheless, action plans, KPIs and collaboration on the topic of living income and price setting could not be observed. This is most likely due to the fact, that information on prices and

volumes is considered as confidential, which highlights the underlying problem of competition law experienced by the industry.

The results therefore hint, that small to medium-sized chocolate producing companies are more proactive in enabling a living income to cocoa smallholders. They pay higher prices for cocoa, engage in transparent reporting practices and outline all steps and supply chain members. Their long-term connection with smallholders, and direct trading relationships enable small to medium-sized companies to address male and female farmers needs more proactively. Moreover, all investigated companies sourced cocoa exclusively produced by sustainable farming techniques, focussing on agroforestry and organic production. Additionally, some companies were offsetting their emissions to operate CO_2 neutral, reflecting high awareness of climate change and its impact on smallholder communities.

Hence, both proposition posed at the beginning of this thesis could be answered by applying the living income variables to companies' CSR strategies.
Proposition 1 asked, if '*small to medium-sized chocolate producing companies are more likely to enable a living income to smallholders, than large chocolate producing companies*.'.
Proposition 2 examined, if '*small to medium-sized chocolate producing companies are more willing to share lessons learned and report transparently about benchmarks, KPIs, goals and price than large scale chocolate producing companies*.'.

These results make clear that in order to close the living income gap of smallholders across all cocoa supply chains, much advancement is necessary. This translates into several implications.

1) Without laws and regulations, multinational cocoa producing companies will not move significant steps forward to solve the living income issue. Roland Waardenburg, a living income and cocoa expert, outlines "*all the big companies will not do it (pay a higher price), unless they are forced to.*" (Roland Waardenburg, Personal Communication, October 10, 2019). Suggesting, that only if consumers pay for it, companies will consider taking action. Therefore, not only policies in consuming countries (EU wide) need to be established, but also producing countries need to be supported in creating a more rigorous framework in order to

protect smallholder farmers from price volatility and ensure high remuneration.[48] Lastly, adjustments need to be made to the current EU-wide competition law, as outlined in section 2.

2) Consumers need to be enabled to connect back with their food sources. This means, that companies and governments need to make sure that ingredients are fully traceable. Only then consumer awareness can increase, which is the essential element in making informed buying decisions. This would allow chocolate to become a luxury product again, cherishing the craft of chocolate making and its distinct flavours, which are eliminated during industry production processes (Wielgoss, 2019b).

6.2. Methodological considerations and contribution of research

As became apparent throughout this thesis, the topic of living income is a highly practical concept. Besides the efforts of the Living Income Community of Practice, no other platform is available that organizes and initiates research on the topic. This thesis picks up the current growing interest in the subject, as illustrated during the Only Way is Up conference last November in Rotterdam. The conference was the first of its kind, bringing industry, governments and civil society together to discuss the urgency for action. Action is indeed a word in everyone's mouth as underpinned by NGOs pushing for companies to take responsibility and both, the Dutch and the German government, highlighting the need for political involvement.

Nevertheless, only limited theoretical contributions to the topic are available. A few studies, also presented throughout this thesis, were conducted to identify living income benchmarks and provide numerical evidence on what is needed to close the living income gap. Leaning on the Anker Methodology, developed for calculating a living wage, it becomes apparent that the concept of living income is still in the making and a distinct methodology still has to be refined. This highlights the study's contribution to the living income discourse. This work adds to a highly relevant issue by outlining the current state of the industry and developing a first framework on how to assess the implementation of a living income by chocolate producing companies. However, this assessment would have benefitted from the possibility to conduct more in-depth interviews. Unfortunately, this

[48] There are already a few proactive policy suggestions by producing governments, such as the "Lieferkettengesetz" by the German government.

was not possible, as only four companies accepted the invitation to discuss their view on living income. Personal communication would have helped to paint a better picture and understand the reasoning behind companies actions.

6.3. Recommendations for future research

Building on the theoretical considerations, additional research in the countries of origin could help to ground the results in real-life impressions of cocoa communities livelihoods. Additionally, field research could contribute to test and potentially re-define the developed living income variables. Moreover, the direct investigation of farms and conversation with smallholders could potentially verify claims made by companies, allowing for a better assessment of the variables. It would furthermore be recommendable to conduct follow-up research on the individual company cases to evaluate if companies achieved their set targets and commitments. Only then a comprehensive assessment of the success in ensuring a living income to smallholder farmers can be made, taking into account the impacts of CSR strategies on the ground. Lastly, the framework for grading the implementation of the living income variables should be adapted to account for companies, that are only indirectly responsible for the impact on the ground. Taza Chocolate, for example, does not directly administer interventions ensuring sustainable farming methods, the company instead works closely together with carefully selected partners, that do the implementation of sustainable farming practices for them. They hence might have received lower scores, as otherwise accounted for.

7. Conclusion

Despite the numerous supply chain interventions and sustainability strategies of the leading chocolate producing companies, not much progress has been made in closing the living income gap of smallholder farmers. Considering that most cocoa farmers live with less than $1 per day, there is a pressing need for action. This thesis addressed which criteria chocolate producing companies should incorporate in their sustainability strategies to provide a living income to smallholder cocoa farmers. The research makes evident that there is not a single strategy for companies to adopt in order to ensure a living income for cocoa farmers. Instead, a multitude of actions are needed: Women need to be empowered, sustainable farming practices implemented, climate change mitigation and adaption strategies employed, transparent supply chains ensured, and collaboration and high prices made a prerequisite.

As long as farmers are paying the price for the chocolate we eat, the cocoa industry will not be sustainable. To achieve sustainability, the market model dictated by 'big cocoa' needs to change. The current top-down approach needs to transform; value chains need to become more direct and transparent; farmers need to receive more appreciation for their work and power structures have to equalise. Chocolate producing companies need to take responsibility and increase the price paid per ton of cocoa. All of this can be done, as demonstrated by the small to medium-sized bean-to-bar companies examined in this study. They allow consumers and producers to connect over high-quality chocolate. Knowing the cocoa origins and smallholders producing the beans creates a sense of responsibility that is otherwise lacking.

Moreover, voluntary commitments need to change into laws and regulations. Hence, not only companies need to act, governments and regulators equally play a vital role. Industry actors need to align their efforts and share their experiences and knowledge. Only then synergies can be created that lead to success. Ultimately, it should not be forgotten that living income is not only a human right but also a business imperative. To safeguard this, companies should publish clear policies that outline intervention strategies for farm gate price and volumes sourced. Future research should thus focus on following up on companies CSR strategies to allow for a comparison of results and observe the progress made.

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10. Appendices

Appendix 1. Study Sample

The companies highlighted in orange were dismissed from the original group of sampled companies. They did not align with the applied sampling criteria. Please see section 4 for further detail.

	Branded Chocolate Manufacturer	**Country**	**Sourcing Region**
1	Mars Wrigley Confectionary	US	Ghana, Ivory Coast, Indonesia
2	Ferrero Group	Luxembourg / Italy	Nigeria, Ivory Coast, Ghana, Colombia
3	Mondelez International	US	Ghana, Ivory Coast, Brazil, Indonesia, India, Dominican Republic
4	Miji Co Ltd. Japan	Japan	
5	Hershey Co	US	Ghana, Ivory Coast, Brazil, Ecuador
6	Nestlé SA.	Switzerland	Ghana, Ivory Coast
7	Lindt & Sprüngli AG.	Switzerland	Ghana, Ecuador, Madagascar, Papua New Guinea, Dominican Republic
8	Ezaki Glico Co Ltd.	Japan	
9	Pladis	UK	No information
10	Kellogg Co	US	Ecuador, Ghana, Ivory Coast
11	Askinosie Chocolate	US	Philippines, Tanzania, Ecuador, Amazonia
12	Dandelion Chocolate	US	Belize, Madagascar, Ecuador, Guatemala, Venezuela, Tanzania, Dominican Republic
13	Devine Chocolate	UK	Ghana, São Tomé
14	Beyond Good	US	Madagascar
15	Perú Puro	Germany	Peru
16	Ritter Sport	Germany	
17	Taza Chocolate	US	Ghana, Haiti, Dom. Rep.
18	Tony's Chocolonely	Netherlands	Ghana, Ivory Coast
19	Theo's Chocolate	US	Congo, Peru
20	fairafric	Germany	Ghana

Appendix 2. Research Information Sheet

The research information sheet was distributed to interviewees before engaging in an interview. It informed the participants about the goals and research process of this thesis.

Information Sheet

Research Topic: Integration of Living Income in corporate sustainability strategies of chocolate producing companies

Researcher: Charlotte Opatz

Contact Details of Researcher:

Charlotte Opatz
Tel: +49 17672955753
E-mail: c.p.opatz@students.uu.nl

Affiliation: Utrecht University, Netherlands

What is the research project about?

This data collection is being carried out as part of a master thesis project (=research project), which is a requirement for the Sustainable Business and Innovation Master program, affiliated with the Copernicus Institute of Sustainable Development at Utrecht University, in which Charlotte Opatz is enrolled in.

The aim of the project is to advance the understanding of chocolate producing companies integration of Living Income in internal corporate sustainability strategies. The researcher is interested in how companies mitigate poverty in their supply chains, specifically addressing a Living Income for smallholder cocoa farmers. This research is important for understanding companies actions, experiences and challenges as they relate to the discussion of lifting farmers out of poverty.

The researcher plans to conduct semi-structured interviews with experts from the private sector, which will be used to propose a larger ethnographic study.

How will data be collected and who is responsible for the data collection?

- Charlotte Opatz will conduct the data collection, transcription and the following analysis of the data.
- Qualitative data will be collected through semi-structured interviews.
- The interviews are expected to take about 30 to 45 minutes and will be recorded, provided consent is obtained from participants. Before the interview, there will be space for questions to the researcher about confidentiality, consent and anonymization, or any other concerns.

- Throughout the interview and for any communication related to the research project, participants are fully supported to respond openly and to ask questions to the researcher at any time.
- There are no right or wrong answers. Neither does the researcher have the 'right' answers. Rather, the researcher is interested in the experiences of participants.
- The data will be secured by storing it on the password-protected laptop of the researcher. The data will not be stored on an online server. It will be saved to the local drive on the researcher's laptop and deleted once the project has been completed.
- The data will not be shared with other organisations.

How do the interviews relate to the research project?

Charlotte Opatz will conduct interviews with participants from chocolate producing companies. This is to gain first insights into how companies experience the current debate about Living Income and reflect on their actions to mitigate poverty reduction within their supply chain.

After the interview, Charlotte Opatz will transcribe the interview for the purpose of analysis. At this point, if the concerned participant wishes, the researcher is happy to send the transcription of the interview to the participant. The participant may review the transcription in order to ensure that their expressions have been represented adequately and make modifications that pertain to anonymisation.

The analysis of the transcript done by Charlotte Opatz will include connecting what was expressed in the interview to theoretical ideas and previous research on the topic of Living Income. The results will be used as part of an ethnographic research project that is the researcher's dissertation. If participants are interested in the results of this research, the researcher will be happy to share these with them.

Appendix 3. Interview Consent Form

The interview consent form outlines the rights of the participants and asks for the interviewees consent to use quotes and personal data for the presented results.

Interview Consent Form

Research Topic: Integration of Living Income in corporate sustainability strategies of chocolate producing companies

Researcher: Charlotte Opatz

Name of Research Participant: XXX

The interview will take approximately 30 to 45 minutes. You have the right to stop the interview or withdraw from the research at any time.
Thank you for agreeing to be interviewed as part of the above research project. Ethical procedures for academic research require that interviewees (=participants) explicitly agree to being interviewed and how the information contained in their interview will be used. This consent form is necessary for us to ensure that you understand the purpose of your involvement and that you agree to the conditions of your participation. Would you therefore read the accompanying **information sheet** and then sign this form to certify that

- The interview will be recorded and a transcript will be produced by Charlotte Opatz
- If you wish, you will be sent the transcript and given the opportunity to correct any misrepresentations and make edits regarding concerns about anonymity; Charlotte Opatz will approach you about this after the interview
- The transcript of the interview will be analysed by Charlotte Opatz
- Access to the interview transcript will be limited to Charlotte Opatz; parts of the transcript (in an anonymized format) might be shared with supervisors with whom she might collaborate as part of the research process
- Every effort will be made to anonymize any summary of interview content, or direct quotations from the interview, that are made available through the submission of the dissertation, academic publication or other academic outlets
- The recording will be destroyed once the research project has been completed
- Any variation of the conditions above will only occur with your further explicit approval
- If you wish, a summary of findings from the research will be shared with you; Charlotte Opatz will approach you about this after the interview

Quotation Agreement

I also understand that my words may be quoted directly. With regards to being quoted, please initial next to any of the statements that you agree with:

	I wish to review the notes, transcripts, or other data collected during the research pertaining to my participation.
	I agree to be quoted directly.
	I agree to be quoted directly if my name is not published and a made-up name (pseudonym) is used.
	I agree that the researcher may publish documents that contain quotations by me.

All or part of the content of your interview may be used;

- In the master thesis of Charlotte Opatz

- In any academic material that might be published as a result of the research carried out by Charlotte Opatz

By signing this form I agree that;

- I am voluntarily taking part in this project. I understand that I don't have to take part, and I can stop the interview at any time;
- The transcribed interview or extracts from it may be used as described above;
- I have read the Information sheet;
- I can get access to a copy of the transcript of my interview and may make edits I feel necessary to ensure that my expressions have been represented adequately as well as the effectiveness of any agreement made about anonymity;
- I have been able to ask any questions I might have, and I understand that I am free to contact the researcher with any questions I may have in the future.

Printed Name

Participant's Signature **Date**

Researcher's Signature **Date**

Appendix 4. Interview Questions

1. Could you please tell me a bit more about your role at X?
2. Could you tell me a bit more about your sustainability strategies / sustainability program?
3. Within this program, do you address Living Income specifically?
4. What is the farm gate price you pay per ton of cocoa?
5. How do you determine this price?
6. Do you offer training for farmers on sustainable agriculture?
7. Do you know of any other chocolate producing companies that works in a similar way as you do?
8. Are you collaborating with any other chocolate producing companies on sustainability topics?
9. Do you think industry wide commitment is beneficial for closing the living income gap?

10. Are you participating in any industry wide actions?
11. Are you sharing your practices and lessons learned with other industry actors?
12. What are the biggest challenges you face in the implementation of your sustainability strategies?
13. If you would have one advice for other chocolate producing companies to successfully implement fair labour practices and close the living income gap, what would that be?

Probing Questions:

- Can you give me an example of X?
- Can you please tell me a bit more about X?
- Could you explain what you mean by X?
- Do I understand correctly, that you are meaning X by saying X?
- Do you think that X is important?
- How does the issue you just mentioned relate back to what we discussed earlier?

Examples of company specific questions:

- You state on your website, that you are only working with partners that ensure fair labour practices, could you explain what you mean?