European Bank
for Reconstruction and Development

Sector supply-chain briefing note – cocoa

Environmental and social risk management toolkit for financial intermediaries

June 2026

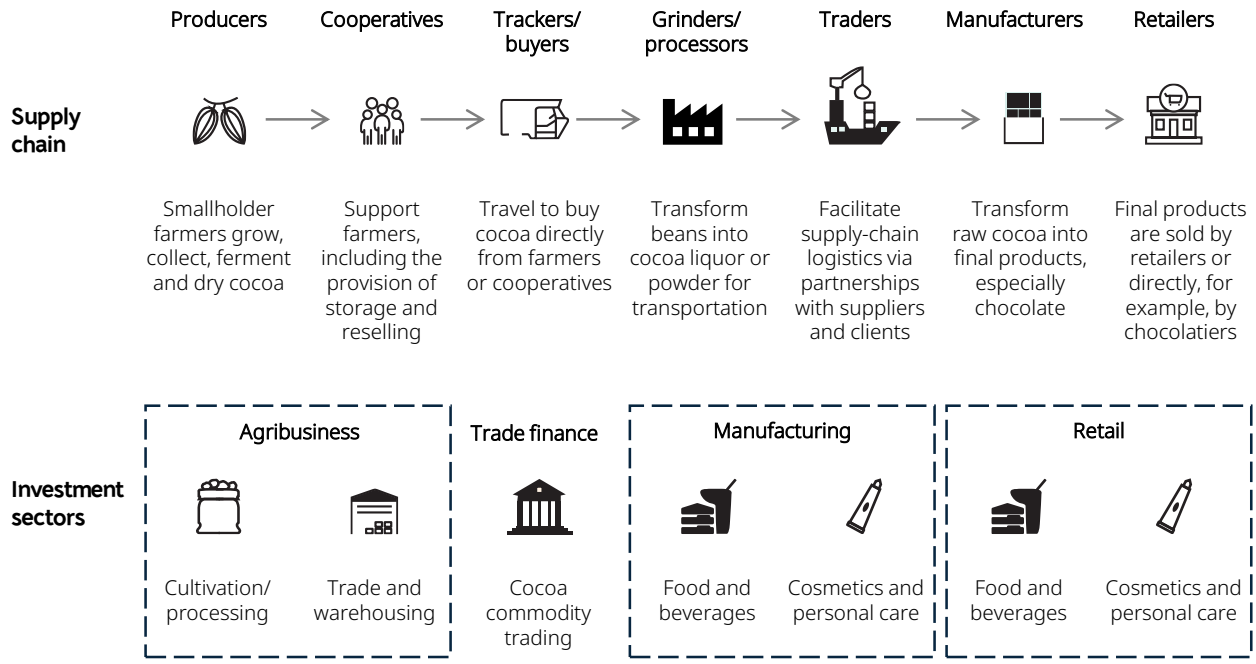
Introduction

This note focuses on actions a company in the cocoa supply chain can take to address environmental and social risks. The company may be an EBRD client to which the Bank is providing direct finance or a sub-borrower of an EBRD financial intermediary (FI). It may also be an investee company of a fund in which the EBRD is investing.

Under the EBRD Environmental and Social Policy (ESP) 2024, significant environmental and social risks associated with a project's core supply chains should be identified and managed during environmental and social assessments and throughout project implementation. Core suppliers may include suppliers and sub-suppliers, regardless of tier, that provide goods, equipment or materials essential to the project. Where significant risks are identified, the level of assessment and management should take account of the severity and likelihood of the risks and impacts and the leverage available over relevant suppliers.

A generic cocoa supply-chain map, setting out the key elements of the supply chain, along with associated investment sectors, can be found in Figure 1.

Figure 1. Key elements of the supply chain and associated investment sectors



Supply-chain mapping and traceability

1. Production and supply-chain context

The cocoa supply chain is complex. At production level, millions of small-scale cocoa growers produce most of the world's cocoa.

Further downstream, the market becomes substantially more concentrated, with a relatively small number of international traders, grinders and chocolate manufacturers handling a large proportion of global cocoa volumes. The precise structure differs between producer countries and depends on company sourcing and purchasing practices.

Recent estimates indicate that around 4.5 million tonnes of cocoa-bean equivalent pass through the six largest cocoa trading and grinding companies, illustrating the high level of concentration at this stage of the supply chain.[1]

[1] See Cocoa Barometer (2025)

Table 1. Key actors in the cocoa supply chain and their role in traceability

Cooperatives 	As part of supply-chain mapping, an important consideration is whether producers are organised into cooperatives. Cooperatives can play a major role in supporting traceability, by providing companies with a means to gain visibility over the production tier of the supply chain. In addition, cooperatives can play a key role in implementing monitoring and remediation activities.
Grinders/ processors 	A relatively small number of international companies account for a substantial share of cocoa trading, grinding and processing. Because of their position and purchasing volumes, these companies can play an important role in cascading traceability, and environmental and social requirements through cocoa supply chains.[2]

2. Sourcing and purchasing practices

Côte d'Ivoire and Ghana, which together produce more than 60 per cent of global cocoa beans, have strongly regulated cocoa sectors. Governing bodies oversee quality control, marketing and producer pricing and use forward sales of a substantial share of the upcoming crop to determine producer prices. . As a result, farmers receive a guaranteed stable price – a "farm gate price" – throughout the season, and there are fixed margins for each actor in the local supply chain, including cooperatives, transporters and buyers. While the farm gate prices are fixed, buyers can also offer an additional premium, for example, as part of certification or sustainability programmes.

In contrast, several other major cocoa-producing countries, including Nigeria and Cameroon, have more liberalised cocoa sectors. Unlike in Ghana and Côte d'Ivoire, there is no nationwide guaranteed farm-gate price set by the government. Prices are largely determined through market transactions between farmers or farmer organisations and buyers, with international cocoa prices serving as the primary benchmark.[3]

3. Traceability

Cocoa traceability remains challenging because cocoa is sourced from large numbers of smallholders and may pass through several intermediaries before being processed. Different traceability models are used in the sector, ranging from farm-level (identity-preserved) systems to segregation and mass-balance approaches. Under mass balance, certified and non-certified cocoa may be physically mixed, while certified volumes continue to be administratively tracked through the supply chain.

Farm-level traceability is increasing as companies, certification schemes and producer-country authorities expand geolocation and supply-chain data systems. This trend is also being accelerated by regulatory requirements. The EU Deforestation Regulation (EUDR), which applies to cocoa and cocoa products, requires operators within its scope to demonstrate that relevant products are deforestation-free and legally produced, and to collect geolocation information for the plots where commodities were produced. The main obligations apply from 30 December 2026 for large and medium operators and from 30 June 2027 for most micro and small operators.

Key resources on traceability

- Verité Supply Chain Traceability Matrix, Cocoa.[4]
- Rainforest Alliance (2026), Traceability Annex v1.4.[5]
- Regulation (EU) 2023/1115, as amended, on deforestation-free products.[6]

2 Ibid.
3 See MansaMarkets (2026).
4 See Verité Supply Chain Traceability Matrix (n.d.).
5 See Rainforest Alliance (2026b).
6 See European Commission (2023).

Table 2. Overview of potential actions to improve mapping and traceability

	Examples of foundational actions	Examples of intermediate actions	Examples of leading practice
Mapping and traceability	Maintaining a complete and accurate list of business partners supplying cocoa, including location and contact information. Recording and tracing the flow of cocoa and identifying cocoa beans according to their country of origin. Participating in a credible certification scheme, for example, Fairtrade or Rainforest Alliance/UTZ. Recording, where available, farm or production-plot geolocation information and linking cocoa volumes to relevant sourcing locations.	Having clear management practices to verify and ensure that samples of incoming volumes match corresponding traceability documentation for certified cocoa. Developing plans to increase traceability – by purchasing segregated or semi-identified preserved volumes (for example, through sustainability certification). Using external data sources relevant to the cocoa supply chain, for example, Farm-Trace, Mighty Earth Cocoa Accountability Map, Global Forest Watch and Trase. Note that external data sources are also equipped to use satellite images to identify and track deforestation.	Having an action plan that maps out key principles, steps and milestones in achieving 100 per cent of cocoa sourcing traceable from farm to first purchase point, encompassing all national and international traders. Working with a collaborative supply-chain initiative, such as Farmer Connect or Chainpoint.
Transparency and disclosures		Public disclosure of key suppliers. Progressive time-bound commitment to increase cocoa supply-chain traceability and reports on progress.	Having detailed public disclosure of cocoa supply chains, for example, showing the names, locations and total number of farmers in each farmer group from which cocoa is sourced.

Risk identification

1. Producers

The most significant risks in the cocoa supply chain are at the production level.

Child labour

Child labour in cocoa production has been the subject of international attention for several decades, yet it remains a significant challenge, particularly in West Africa. The most recent nationally representative estimates referenced by the US Department of Labor indicate that approximately 41 per cent of children in cocoa-growing households in Côte d'Ivoire and 55 per cent in Ghana are engaged in child labour in cocoa production. Much of this work is hazardous and may involve the use of sharp tools, carrying heavy loads, exposure to agrochemicals and land-clearing activities.

Risks of child labour can also extend further downstream. In 2024, the US Department of Labor added cocoa paste, cocoa butter and cocoa powder produced from cocoa originating in Côte d'Ivoire and Ghana to its List of Goods Produced by Child Labor or Forced Labor, reflecting evidence that child-labour risks may persist beyond raw cocoa production into processed cocoa supply chains.[7]

Forced labour

Forced-labour risks have also been identified in cocoa production. The US Department of Labor identifies risks of forced labour and/or forced child labour in the cocoa sector in several countries, including Côte d'Ivoire and Nigeria. Migrant children and other vulnerable workers may face heightened risks of trafficking, debt bondage, withheld wages, restrictions on freedom of movement, and other forms of coercion. Reported cases in Côte d'Ivoire and Nigeria include children being recruited or trafficked into cocoa production and subjected to exploitative working conditions, including situations where they were unable to leave freely or did not receive appropriate compensation for their work.[8]

Deforestation

Cocoa production is associated with significant deforestation and biodiversity risks, particularly in West

7 See US Department of Labor (2022).

8 Ibid.

Africa, which accounts for most global cocoa supply. Historically, the expansion of cocoa cultivation has been a major driver of forest conversion in countries such as Côte d'Ivoire and Ghana, contributing to the loss and degradation of tropical forests and critical habitats. Despite increased sector commitments and regulatory initiatives, deforestation linked to cocoa production remains an important sustainability concern.[9]

Traditionally, cocoa has been cultivated under a canopy of shade trees as part of agroforestry systems. However, in pursuit of higher short-term yields, many producers have shifted towards more intensive cultivation models with reduced tree cover. The removal of shade trees can contribute to biodiversity loss, reduced soil fertility and moisture retention, increased erosion, and lower resilience to climate change. Over time, declining productivity may create incentives for further agricultural expansion into previously forested areas.

Recent assessments indicate that forest loss remains a material issue within cocoa-producing regions. The 2025 Cocoa Barometer notes that environmental pressures, including deforestation, biodiversity loss and climate impacts, continue to present major challenges for the sector despite ongoing sustainability initiatives and increasing regulatory scrutiny.[10]

According to the Cocoa & Forests Initiative, based on Global Forest Watch data, Côte d'Ivoire lost approximately 28 per cent of its humid primary forest and Ghana approximately 13 per cent between 2002 and 2023, with a significant share of this loss linked to agricultural expansion, including cocoa cultivation. The initiative was established to address cocoa-related deforestation and forest degradation in the two countries.

2. Overview of potential risk identification actions

Table 3. Actions to identify potential risk

Examples of foundational actions	Examples of intermediate actions	Examples of leading practice
Identifying and verifying supply-chain risks using self-assessment questionnaires for suppliers. Overlaying supply-chain mapping information with social and environmental risk data that has a geographical component, for example, whether cocoa is sourced from a country where there is a known risk of forced labour (Côte d'Ivoire and Nigeria) or child labour (Côte d'Ivoire, Nigeria, Ghana, Cameroon, Sierra Leone, Brazil and Guinea) or deforestation.	Conducting or commissioning risk assessments to prioritise key sourcing countries and sourcing regions within the cocoa supply chain and to identify in greater detail salient labour rights, human rights and deforestation issues. Adapting risk-identification methodologies to reflect differences in supply-chain structure, sourcing arrangements and production contexts.	Developing a comprehensive approach to risk assessment consistent with United Nations Guiding Principles and Organisation for Economic Cooperation and Development guidelines, including proactively identifying risks and impacts and prioritising these according to materiality and saliency. Conducting farm mapping (including identifying and collecting cocoa farm boundaries polygon data) within supply chains to verify that cocoa is not being sourced from forest land (for example, using Global Forest Watch). Having deforestation risk assessments in all sourcing areas.

Risk mitigation

Effective risk mitigation for the cocoa sector is likely to include participation in industry certification schemes and multi-stakeholder initiatives. Another key area is engaging with the root-cause drivers of complex socioeconomic and environmental challenges that underpin the key risk issues.

1. Certification schemes

Two widely used certification systems in the cocoa sector are Fairtrade International and the Rainforest Alliance Certification Programme. Certification may support traceability, risk management and improved producer practices; however, certification should be considered one element of supply-chain due diligence rather than a

[9] See The Cocoa & Forests Initiative: Collective Action to End Cocoa-Related Deforestation, 2025 Progress Report.

[10] See Cocoa Barometer (2025).

substitute for project-, supplier- or origin-specific risk assessment.

Key resources

- Rainforest Alliance Certification Programme – Cocoa[11]
- Rainforest Alliance Certification Standards[12]
- Fairtrade International – Cocoa[13]

2. Multi-stakeholder initiatives

Overall, 40 per cent of cocoa is exported to Europe to be processed. Major European processing and consuming countries have developed national cocoa platforms focusing on sustainability, which bring together partners including chocolate and confectionery companies, retailers, the public sector and civil society. The most active of these are as follows:

- The German Initiative on Sustainable Cocoa (GISCO)'s flagship project is Pro-Planteurs,[14] which seeks to professionalise 30,000 family farms and cocoa farmer organisations in Côte d'Ivoire. In particular, the project aims to provide opportunities for women to achieve a better income and better food security for their families.
- The Swiss Platform for Sustainable Cocoa (SWISSCO) has updated its *Roadmap 2030*[15] covering living income, human rights and working conditions, elimination of child and forced labour, deforestation-free cocoa production, climate action, and fully traceable and transparent supply chains.
- The Dutch Initiative on Sustainable Cocoa (DISCO) brings together companies, government and civil society around living income, child labour and deforestation objectives. Its work includes child-labour monitoring and remediation systems, responsible procurement practices, roadmaps and annual reporting.
- Beyond Chocolate is funded by the Belgian Ministry of Foreign Affairs. It focuses on increasing certification, promoting a living income for farmers, ending deforestation and improving access to education.

In addition to national platforms, the EU Sustainable Cocoa Initiative is an informal dialogue to support a sustainable cocoa sector at the social, economic and environmental levels. In June 2022, all sides agreed to a set of time-bound actions focusing on deforestation, child labour and living income.[16]

3. Overview of potential risk mitigation actions

Specific risk-mitigation actions should be based on the results of mapping and risk identification. Given the overall risk profile of cocoa, focus areas are likely to include deforestation and child labour linked to cocoa production.

Table 4. Actions to mitigate potential risk

	Examples of foundational actions	Examples of intermediate actions	Examples of leading practice
Overarching	Having a responsible purchasing/procurement policy reflecting cocoa supply-chain risks, traceability and supplier expectations.	Coordinating with others, for example, through multi-stakeholder initiatives or bilateral engagement with other companies sourcing cocoa. Reviewing purchasing practices, including pricing, payment terms and contracting arrangements, where these may contribute to identified risks.	Being a member of relevant and credible national, regional or global sustainable and responsible cocoa initiatives, such as DISCO (Netherlands), Beyond Chocolate (Belgium), GISCO (Germany) and SwissCo (Switzerland). Using leverage with suppliers to implement time-bound corrective actions and monitoring progress. Integrating environmental and social performance into supplier selection and continuation decisions.

11 See Rainforest Alliance (2026a).
12 Ibid.
13 See Fairtrade International (n.d.).
14 See GISCO (n.d.).
15 See Swiss Platform for Sustainable Cocoa (2025).
16 See Swiss Platform for Sustainable Cocoa (2025) and EU Sustainable Cocoa Initiative (2022).

Deforestation	Publicly committing to avoiding cocoa associated with illegal deforestation, protected-area encroachment or significant forest conversion.	Mapping farms and sourcing areas; using geolocation, satellite monitoring and deforestation-risk information; requiring suppliers to demonstrate controls on land conversion.	Achieving 100 per cent deforestation/ conversion-free procurement for purchased cocoa or having a clear, time-bound action plan in place to reach this target. Engaging with credible and proven activities to address the root causes of deforestation in cocoa-growing areas. This includes support for the Cocoa & Forests Initiative in Ghana and Côte d'Ivoire, the Ghana Cocoa REDD+ Programme (GCFRP), Proforest, Royal Tropical Institute (KIT) and Tropical Forest Alliance.
Child labour and forced labour	Having a public commitment to prohibiting child labour and forced labour in cocoa supply chains and communicating requirements to suppliers.	Using Child Labour Monitoring and Remediation Systems (CLMRS) and similar mechanisms where appropriate; requiring suppliers to investigate cases and implement corrective actions. Participating in credible initiatives addressing root causes such as poverty, education gaps and vulnerable migrant labour. Pursuing relevant partnerships to engage with the root causes of child and forced labour, for example, through multi-stakeholder initiatives.	Investing in projects in cocoa-growing areas that address the root causes of child labour and forced labour. This may include the integration of child labour monitoring and remediation systems in cocoa supply-chain sustainability programmes and projects. Providing or supporting remediation where actual cases are identified; monitoring outcomes for affected children/workers; investing in programmes addressing root causes in high-risk sourcing areas. Responsible disengagement where serious risks or impacts cannot be adequately addressed after reasonable efforts.

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