

SUCDEN COCOA'S FRAMEWORK OF ACTION ON LIVING INCOME

CONTEXT

Smallholder farmers form the backbone of many global agricultural commodity supply chains, yet too many are unable to earn an income from their effort that provides a decent standard of living for their family. For cocoa producers in particular, the shortfall between earnings and established living income benchmarks has historically been persistent. Recently, unprecedented price increases for cocoa have changed this situation for some farmers, especially those with larger farms in which high yielding tree varieties are cultivated, or who are living in growing areas with more liberalized markets. However, for many farming households the ability to achieve a living income continues to present a significant challenge.

In recent years, these challenges have been intensified by global market price volatility, the rising cost of living, including farm inputs, as well as multiple impacts of climate change, which affect rainfall patterns and enhance the spread of pests and disease, leading to lower yields. The resulting income insecurity impacts household resilience and contributes to food insecurity, child labor risks, and environmental degradation and has led some farmers to opt out of cocoa farming and pursue other sources of livelihood. For producing countries and the farmers from whom Sucden purchases cocoa, contributing to farmers' efforts to achieve a living income, which is expressed as a basic human right in Articles 23 and 25 of the Universal Declaration of Human Rights, is essential not only for farmer and family wellbeing, but also for the sustainability and ongoing viability of the sector as a whole.

In this context, regulatory frameworks as well as civil society organizations are increasingly calling for stakeholders in the cocoa sector to adopt policies and practices that will address the living income gap for farming households. Many consider the European Union Corporate Sustainability Due Diligence Directive (EU CSDDD) to be the most significant regulatory tool mandating companies to demonstrate awareness of farmers' income level with respect to living income benchmarks and to undertake actions to address shortfalls when identified. International agreements, such as the Universal Declaration of Human Rights, multiple ILO conventions, the UN Guiding Principles on Business and Human Rights, and the Sustainable Development Goals (particularly SDG 1: No Poverty and SDG 8: Decent Work and Economic Growth), reinforce the perspective that achieving living incomes is a fundamental human right and is essential to sustainable development in the cocoa sector and world at large.

SUCDEN'S PERSPECTIVE

Over the past decade, governments, donors, and private companies have piloted a range of programs aimed at closing the living income gap within various commodity supply chains. In cocoa supply chains, progress has been promising, with numerous trials indicating that productivity support packages, direct cash transfers, income diversification, and where in place, longer term purchasing arrangements, can

produce measurable impact. However, achieving systemic impact at scale will require sustained, well-coordinated multistakeholder efforts. At the same time, structural impediments such as weak farmer organizations, small farm size or limited areas of planted cocoa, restricted access to affordable credit, and entrenched gender inequalities continue to reduce the impact of many programs and inhibit scaleup.

As a key actor in the global cocoa sector, Sucden recognizes that a central tenet to creating truly sustainable cocoa supply chains is the ability of cocoa farmers and families to achieve a living income. At Sucden, we believe that farming households should be able to provide for their families with dignity, security, and the prospect of future opportunity. In our view, the approach to helping farming households increase their income requires a portfolio of income impacting interventions. We also recognize that for many farmers, their ability to achieve a true living income in the short or medium term may be severely limited due to the size of their farm or other externalities. As such, we understand the importance of supporting farmers to pursue the development of additional income streams.

In this context, the Framework of Action describes Sucden Cocoa's approach and ambitions to narrow the living income gap by working with our clients and pursuing collaborative actions with suppliers, implementation partners, and subject-matter experts. Our prioritized and initial efforts are focused within our segregated supply chains¹.

Sucden's Policies

Sucden's ambition to advance farmers toward a living income begins with clear policies that apply across each of its cocoa supply chains:

- **Supplier Code of Conduct (CoC):** Sets expectations and contractual requirements for each first-tier purchaser and direct supplier of cocoa to Sucden on labor rights, fair compensation, gender, and responsible sourcing. It is aligned with international frameworks including ILO conventions and the UN Guiding Principles on Business and Human Rights.
- **Human Rights Policy:** Outlines Sucden's responsibility to respect and promote human rights, in alignment with the Universal Declaration of Human Rights and other core human rights international agreements, within its cocoa value chains and describes its ambition to address salient human rights issues, including its commitment to advance cocoa farming families toward a living income.
- **Gender Policy for Cocoa:** Clarifies Sucden's recognition of the many challenges facing women within the cocoa sector, describes its efforts to improve the complex situation facing women in cocoa and describes its efforts to assist women in achieving greater participation in income enhancing activities as well as developing a more effective voice in how family income is used.

¹ Sucden's segregated supply chains are designed to provide a high level of transparency and traceability, enabling cocoa to be traced from first-tier suppliers back to the farms of original supply.

These policies collectively serve as the foundation for Sucden’s efforts to assist cocoa farming families to reduce the living income gap.

SUCDEN’S PATHWAYS TO NARROWING THE LIVING INCOME GAP

Emerging best practices suggest that success in closing the living income gap requires coordinated, holistic, long-term and multi-stakeholder approaches that combine household-level support with systemic change. In line with this perspective, Sucden is committed to pursuing living income solutions through four distinct but coordinated pillars: (i) partnerships with subject matter experts and customers; (ii) learning from the implementation of origin programs with clients and implementing partners; (iii) responsible, constructive engagement with suppliers; and (iv) exploring innovative income-enhancing activities. Within each pillar, Sucden applies a gender lens, recognizing that women’s empowerment and inclusion is both a fundamental human right and a proven driver of improved household income and resilience. A brief description of the four pillars with examples of efforts within each include:

- **Expert Partnerships:** Leveraging specialized knowledge and collaboration with leading institutions to inform and strengthen our approach.
 - ***Living Income Community of Practice:*** Sucden recognizes the groundbreaking work of the LICOP, by providing contemporary information and best practices for measuring Living Income Benchmarks, for developing methodologies for measuring household income, as well as investigating practical approaches to addressing the living income gap.
- **Program Implementation:** Designing, implementing, and continuously learning from income-enhancing interventions to strengthen their effectiveness and scalability, together with our clients and partners.
 - ***Cash Transfer Programs:*** By implementing Cash Transfer Programs with our clients, Sucden is building evidence on how cash transfer mechanisms can increase household income and, when conditional, incentivize the adoption of practices that enhance well-being, farm sustainability and decrease the risk of child labor, with particular attention toward empowering women.
 - ***Village Savings & Loan Associations:*** VSLAs have been a historical part of Sucden’s farming household income enhancing activities. These associations enable communities to build collective financial resilience, support income diversification within cocoa farming households and expand women’s opportunities for economic participation. In programs implementing VSLAs, there is evidence that participants have over 100% higher savings and 125% increased borrowing and repayment activity to participating in VSLAs.² Beyond traditional VSLAs we are championing the digitization of these savings groups, further creating a financial footprint that can help farmers to access microloans, insurance, and other savings products.

² According to Nestle Income Accelerator Program 2025 progress report, research conducted by KIT Royal Tropical Institute.

- **Income-Generating Activities:** Sucden supports farmers and their spouses to diversify household incomes through both on and off-farm Income Generating Activities. These activities include training in financial literacy, entrepreneurship, and business planning, with a focus on enhancing women's economic participation and decision-making power within the household.
- **Improving Financial Capacity:** Financial literacy and know-how at both farm and cooperative levels is recognized as a key lever in closing the living income gap by the LICOP.³ With the support of IDH (the Sustainable Trade Initiative), Sucden is implementing a program in Côte d'Ivoire that assesses the financial capacity of cocoa farming households. Through capacity building at cooperatives, we provide various types of support to farmers and families, based on their financial capacity, that assist them in accessing banking services, including affordable credit.
- **Digital Payments:** To enhance farmer income through more transparent, secure, and efficient payments, we are implementing digital premium payments to farming households. As with digital VSLAs, providing farmer premiums digitally helps build farmers' financial footprints and enables their access to credit, loans, insurance, and savings.
- **Youth Brigades:** Across origins, Sucden is scaling its implementation of youth pruning and planting brigades. This workstream not only supports farmer productivity and yield improvements but also creates diversified income sources for youth and households in rural cocoa-producing communities. As farm size, productive crop land, and crop revenue are central to most methodologies for measuring farmer income, improvements to crop productivity are critical to helping farmers earn a living income.
- **Supplier Engagement:** Building strong, responsible relationships with cooperatives and suppliers to advance living income outcomes while strengthening compliance and sustainable business performance.
 - **Relationship Building:** Sucden recognizes the importance of developing and maintaining constructive relationships with the farmer organizations and local exporters from which we purchase. Besides working to strengthen their commercial capacity, their internal management and governance systems, and their ability to demonstrate compliance with a growing set of customer and regulatory requirements, we support these groups to provide farmer and household-level services aimed at improving their members' yield and income while respecting human rights and the environment as they cultivate their cocoa crop.
 - **Responsible Procurement Practices:** Sucden operates within the national legal frameworks of the countries from which it sources and takes into account global and local cocoa market conditions and externalities when developing supplier commitments. We ensure that farmers are fairly remunerated for the cocoa they deliver, including the payment of premiums for efforts undertaken for certification or other farm level activities. Premium payments are audited to confirm that they are received by the farmer. Sucden also, through its local

³ As noted in a 2017 white paper published by Sustainable Food Lab and Business Fights Poverty.

representatives in cocoa producing origins, pre-finances and commits to pay all Tier 1 suppliers promptly and reliably. Sucden manages its Tier 1 contracts based on performance and transparent review processes with a view to maintaining these relationships when business conditions, including supply and demand, allow. In parallel, Sucden's procurement model has evolved to include long-term agreements with willing and committed partners, through which we formalize mutual, multi-year partnerships.

- **Innovative Approaches:** Advancing data-driven, more efficient methods to assess impact and scale effective living income solutions.
 - **Improved Data Analysis:** Understanding the impact of income-oriented programs requires the collection of more detailed household income information as well as local or regional information on the cost of living. Sucden is constantly seeking ways to innovate its approach to obtaining this information so that it is carried out effectively and with minimal intrusion. As another element of our partnership approach, we seek to work with expert organizations to test and adopt data collection techniques that are more accurate and efficient than many that are currently available.

Sucden also recognizes that income insecurity can contribute to the risks of child labor and forced labor. We are implementing child labor monitoring and remediation systems (CLMRS) in cocoa supply chains where the risk of child labor is significant, and initiating pilot scale activities to assess and address cocoa production areas for the presence of indicators related to the risk of forced labor.

Across these initiatives, the common thread is our conviction that sustainable progress requires a holistic set of interventions, data-driven design and impact measurement, a variety of long-term partnerships with clients and suppliers, and always with the agency of farming households at the center of the effort.

MEASURING PROGRESS

Sucden's living income work is guided by our commitment to narrowing the living income gap for cocoa farming families with particular attention to gender inclusivity within all of our work. We monitor the impact of our work through a number of indicators, as shown below, and report on these efforts annually in our Responsibility Report.

- We track the number of cocoa **community members trained in and participating in VSLAs** across Sucden's West Africa origins.
- We report on the amount of **Euros loaned via VSLAs** for the establishment of IGAs, and the number of cocoa **community members who have started IGAs**. These workstreams target women in particular.
- Under income accelerator programs, we monitor the **number of cocoa farmers receiving cash payments** for activities like pruning, agroforestry, and commitment to schooling their children.
- We report on the number of cocoa **farmers receiving digital and cash premium payments**, and the total premium income paid to cocoa farmers and farmer organizations.

- We track the total number of cocoa farmer organizations that receive financial and agricultural capacity strengthening support, supporting the provision of high-quality services and benefits.
- We track the number of **youths trained and employed in pruning brigades**, a growing activity area aimed at both promoting household income and improving cocoa farm yield, and cocoa **farmers benefiting** from pruning and planting services.

LOOKING AHEAD

Sucden recognizes that closing the living income gap across the cocoa sector is a long-term, systemic challenge that no company can achieve alone and that farming households cannot achieve in isolation. As such, we commit to continuing our efforts to:

- Explore new and align with efficient and credible methodologies for measuring cocoa farming household income.
- Strengthen partnerships with clients, public actors, expert groups and implementing organizations, certification bodies, and peer companies to co-create scalable activities that contribute to closing the living income gap.
- Pilot and scale up innovative approaches that combine productivity support, income diversification, and financial resilience, while working to address gender gaps.
- Publish annual updates on our living income progress, challenges and lessons learned in our Responsibility Report.

Pursuing a living income for cocoa farming households is fundamental to Sucden's vision of sustainability, and we work with our clients to help advance this shared objective. By grounding our commitments in internationally recognized agreements, engaging actively in multi-stakeholder efforts, supporting gender equality, and enhancing the resilience of cocoa farming households through targeted programs, we aim to build systems in which farming families can make a significant move toward their achievement of a living income.