

# Closing Income Gaps: How do investors address living income?

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25  
years  
of G·E·S

5 October 2017

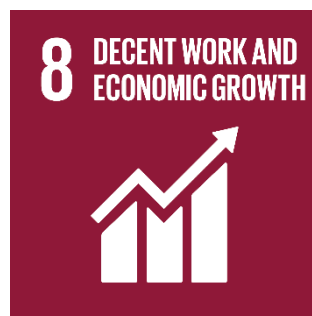


# GES COCOA ENGAGEMENT

- 2 million child labourers
- Ivory Coast and Ghana: 70 per cent of the world's cocoa
- From small scale farms through complex supply chain
- Structural problem, known for two decades
- **GES engaging 7 largest cocoa and chocolate companies**
- Part of GES' Business Conduct Engagement

## Change objective

- *Roll out a system to identify and remediate cases of child labour in their cocoa supply chain;*
- ***Demonstrate progress towards a living income for farmers in Ivory Coast and Ghana.***



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

# PROGRESS TO DATE

- **Cocoa Action's goal: 300 000 farmers reached by 2020 with *"productivity and community packages"***
- Other farmer livelihood and productivity programmes
- Child labour monitoring and remediation systems (CLMRS) part of CocoaAction, several companies joined pioneer company Nestlé in the roll-out in 2016
- Access to school, as part of remedial measures
- **Pilots to measure living income**
- **'Farmer economic model' developed by CocoaAction to calculate what interventions are effective**





# GAPS

- Further roll-out of CLMRS
- **Expansion of farmer programmes**
- **Ensuring efficiency of programmes in achieving living income for cocoa farmers**
- **Measuring and reporting on impact from farmer programmes**
- **Gap between current and living income unknown!**



# INVESTOR REPONSE

- Engagement with companies for several years:
  - Trip to Ivory Coast
  - Roundtable
  - Investor letters
  - Frequent e-mail conversations
  - Calls and meetings
  - Participation in cocoa conferences
  - Stakeholder dialogues



# NEW REPORT: COMBATTING CHILD LABOUR IN COCOA – INVESTOR EXPECTATIONS AND CORPORATE GOOD PRACTICE

*The purpose of the report is to convey investor expectations, to the cocoa industry, on the issue of child labour and farmer income in the cocoa supply chain in West Africa.*

Two focus areas with investor expectations:

- Combatting cases of child labour through monitoring and remediation
- **Addressing poverty as the root cause – towards a living income for cocoa growing farmers**

Also in the report:

- Benchmark of 7 largest cocoa companies
- Good practice examples
- Questions for investors to ask cocoa companies

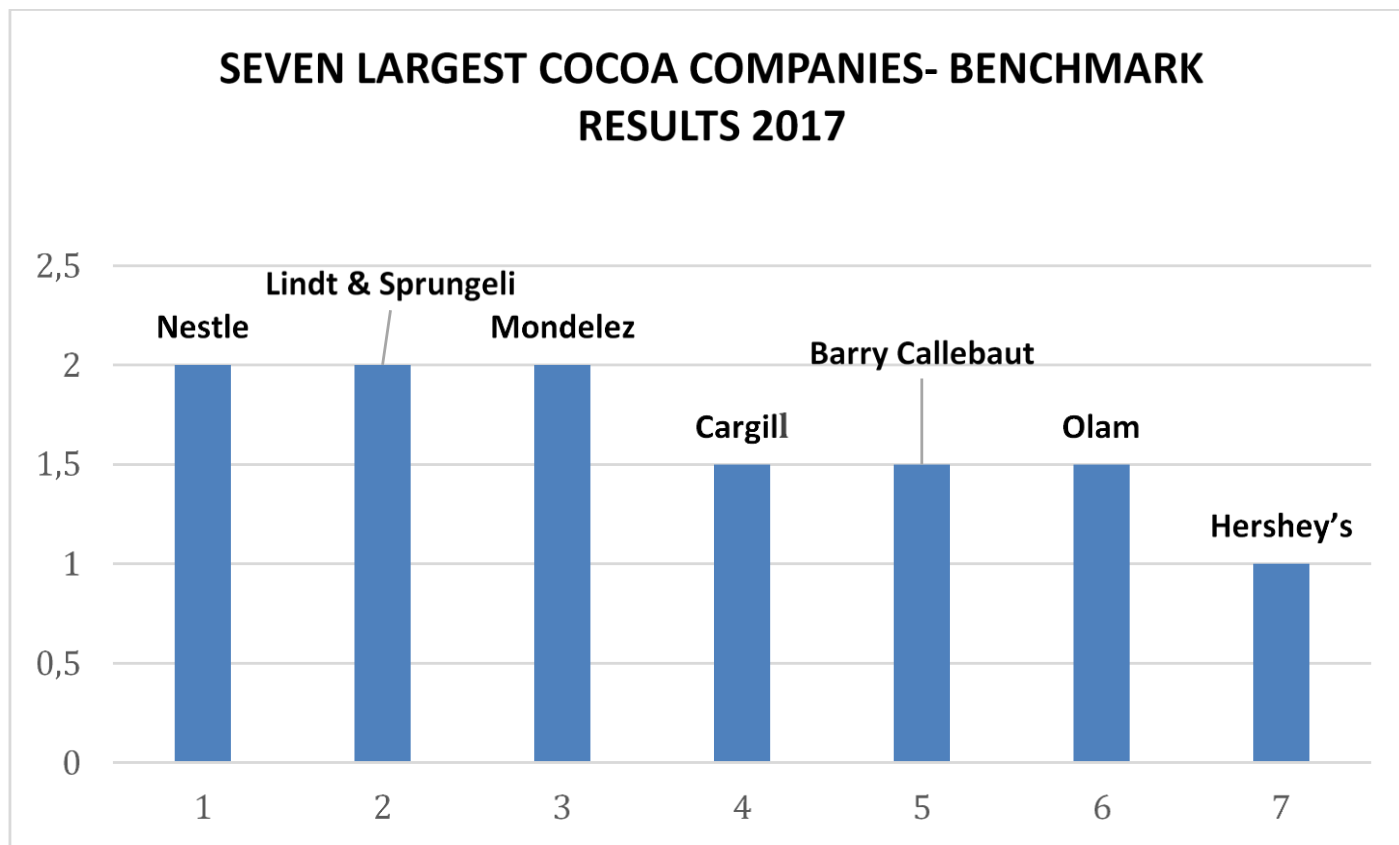
## FOCUS AREA 2: ADDRESSING POVERTY AS THE ROOT CAUSE - TOWARDS A LIVING INCOME FOR COCOA GROWING FARMERS

- A poverty reduction strategy is the long-term solution to child labour.
- Material point of view: farmers with the means to sustain themselves and their families more likely to provide a reliable supplier base, ensuring long-term supply.
- Align corporate practices with SDG1 (no poverty), SDG 2 (zero hunger), SDG 8 (elimination of child labour)

### Investor expectations:

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

# BENCHMARK RESULTS





# BENCHMARK RESULTS

Company	Ranking	Average	Child labour monitoring and remediation	Towards a living income
NESTLÉ	1	2	3	1
LINDT & SPRUNGELI	1	2	3	1
MONDELEZ	1	2	2	2
CARGILL	4	1,5	1	2
BARRY CALLEBAUT	4	1,5	2	1
OLAM	4	1,5	2	1
HERSHEY'S	7	1	1	1

# LIVING INCOME SCORES

0 = No efforts to increase farmer income.

1 = Programmes in place to increase farmer income, but difficult to estimate number of farmers reached and/or impacts by programmes on farmer income.

2 = Programmes in place and initial results disclosed on impacts on farmers income.

3 = Programmes in place, disclosure of impacts on farmer income over a number of years, showing an increase in farmer income.

4 = Programmes in place, disclosure of impacts on farmer income over a number of years, showing an increase in farmer income. Disclosure of comparison between actual farmer income and living income, as well as an action plan to close any gaps.

## INVESTOR STATEMENT BACKED BY 60 INSTITUTIONAL INVESTORS



# GOING FORWARD

- Report publicly available at GES' website, together with investor statement
- We welcome dialogue! Follow-up meetings with cocoa companies – focus on alignment with investor expectations
- Welcome feedback from stakeholders – please share good practice examples
- Feel free to refer to the report when suitable
- New report next year



# Thank you!

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