Chain of Custody Cocoa Annex  
Version 1.3 May 2020

1. Introduction to the Chain of Custody Cocoa Annex

The Chain of Custody Cocoa Annex is used along with the Chain of Custody Standard by all cocoa supply chain actors who trade and/or process UTZ certified cocoa products. The Cocoa Annex does not include requirements in the form of control points, however does stipulate rules and limitations that must be respected in order to trade and/or process UTZ certified cocoa products.

2. Contacting UTZ

Companies with questions or feedback about Chain of Custody certification can direct their inquiries to: membersupport@utz.org

CBs with questions, feedback, or communication about members (e.g. suspension, cancelation of the certificate and/or license) can direct their inquiries to: cocoacertification@utz.org

Members and CBs with technical problems or questions related to the GIP can direct their inquiries to: techsupport@utz.org

3. Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chocolate in bulk</td>
<td>Chocolate, as wholesale product, input for business to business or consumer-end product manufacturing. Often in the form of buttons/drops. This product is not traded in the GIP.</td>
</tr>
<tr>
<td>Chocolate ingredients</td>
<td>Ingredients used for the production of chocolate in bulk. Includes cocoa liquor, butter, powder, and non-cocoa ingredients used to produce chocolate in bulk.</td>
</tr>
<tr>
<td>Cocoa credit</td>
<td>A cocoa credit corresponds to a volume of cocoa product traded at the mass balance traceability level. Credits are typically calculated in terms of pure cocoa content (cocoa liquor, butter, or powder equivalent) or in terms of cocoa bean equivalent.</td>
</tr>
<tr>
<td>Cocoa cake</td>
<td>Synonymous with cocoa powder. Cocoa cake is ground to obtain an equal weight of cocoa powder.</td>
</tr>
<tr>
<td>Cocoa mass</td>
<td>Synonymous with cocoa liquor.</td>
</tr>
<tr>
<td>Cocoa nibs</td>
<td>The cocoa bean (roasted or unroasted) separated from the husk and broken into smaller pieces.</td>
</tr>
<tr>
<td>Cocoa semi-finished product</td>
<td>Products which contain cocoa ingredients but are not consumer-end products.</td>
</tr>
<tr>
<td>Compound in bulk</td>
<td>A confectionery product made from a combination of cocoa, vegetable fat, and sweeteners. This product is not traded in the GIP.</td>
</tr>
<tr>
<td>Compound ingredients</td>
<td>Any of the ingredients (cocoa, vegetable fat, sweeteners) used to produce compound in bulk.</td>
</tr>
<tr>
<td>Non-pure cocoa product</td>
<td>Product containing cocoa as well as one or more non-cocoa ingredient or product. Non-pure cocoa products are not traded in the GIP, but the traceability of these products is ensured by maintaining a credit account.</td>
</tr>
<tr>
<td>Pure cocoa product</td>
<td>Cocoa product that does not contain any non-cocoa ingredient or product. Pure cocoa products are traded in the GIP. Pure cocoa products include cocoa beans, cocoa nibs, cocoa liquor, cocoa butter, and cocoa powder.</td>
</tr>
</tbody>
</table>
4. Physical handling activities

Physical handling activities for cocoa include:

- cleaning, sorting, drying, or mixing,
- bagging, re-bagging, or bulking,
- melting, refining, or deodorizing,
- processing (winnowing, grinding, or pressing),
- chocolate manufacturing,
- compound manufacturing,
- manufacturing of cocoa extract,
- consumer-end product manufacturing,

of UTZ certified cocoa or UTZ certified cocoa products. Only activities carried out on un-bagged, un-packaged, or un-sealed products are considered physical handling activities. For instance, warehouses who do not perform any re-bagging and only handle bagged, sealed, or packaged products are not considered as actors who perform physical handling activities.
5. Supply Chain

The following diagram represents a simplified version of the UTZ cocoa supply chain, including the main actors and products traded in the GIP and outside of the GIP within the cocoa supply chain.
6. Mass balance

The following chapter describes mass balance (MB) in further detail, including rules and limitations which apply to MB cocoa products.

Mixing

At any stage in the supply chain where the Chain of Custody Standard is applied, UTZ cocoa can be mixed with conventional cocoa, as long as the volume of UTZ cocoa in the outputs sold with an UTZ MB claim does not exceed the volume of UTZ cocoa purchased (considering conversion rates) (Figure 1).

100% Volume coverage

There is no minimum percentage content of UTZ cocoa produced by UTZ certified producers that must be in an UTZ MB cocoa product. However, for any product sold as UTZ MB, 100% of the cocoa content needed for this product must be covered with purchases of UTZ certified cocoa. 100% of the volume of cocoa in a product sold as UTZ MB must be deducted from the SCA’s credit account or sold/traced from the SCA’s GIP stock. A product cannot be sold as anything less than 100% UTZ MB (Figure 2).

Credit exchange

Credit exchange is only possible for the same product or in forward direction of physical processing, meaning that UTZ credits can be exchanged from a purchased UTZ cocoa product to the same or subsequent purchased conventional cocoa products (e.g. UTZ butter to conventional butter or UTZ beans to conventional liquor, UTZ beans to conventional butter) (Figure 3a and 3b).
Credit exchange in backwards direction (from cocoa liquor to cocoa nibs, cocoa butter to cocoa liquor, from chocolate to butter, etc.) is **not allowed**. This also implies that the credit exchange between cocoa butter and cocoa powder (and vice versa) is **not allowed**. Credit exchange from UTZ non-pure cocoa products (chocolate) to conventional pure cocoa products is **not allowed** either as this constitutes a MB backwards conversion (Figure 4). Figure 4 also illustrates that the credit exchange from UTZ (non-)pure product to conventional non-pure product is **allowed**, as long as the non-pure product is **purchased**.

![Fig. 4: Credit exchange](image)

In order to demonstrate compliance, the credit account must indicate the credit balance for each pure product and non-pure products separately. In addition, UTZ products should be traced from the UTZ traceability system in their latest stage before they are being mixed with non-cocoa ingredients or being packaged into a final consumer-end product, reflecting the product physically used.
**Operator scope**
Within a multi-site Chain of Custody certificate, mass balance credit volumes may be transferred between sites within the same geographic region defined by the Rainforest Alliance with or without an accompanying legal or physical change of ownership.

Within a multi-site Chain of Custody certificate, mass balance credit volumes transferred between sites in different geographic regions must be accompanied by a legal or physical change of ownership. When mass balance credit volume is transferred from one to another certificate, there must always be physical movement of cocoa accompanying such transaction.

**Mass balance credit validity**
Mass balance credits created under the current Rainforest Alliance and UTZ cocoa programs are valid for a maximum of three years from October 1, 2020.

Mass balance credits created under the current UTZ cocoa program do not have origins attached to them and so may be used to cover mass balance volumes from any origin. Mass balance credits created under the current Rainforest Alliance Certified program have origins attached to them and will need to follow country origin matching rules as of October 1, 2020.

Mass balance credits created under the 2020 Rainforest Alliance Sustainable Agriculture Standard will be valid for two years from the first sale of cocoa from farm/group certificate holder to first buyer. Credits associated with a non-pure product will have a validity of 3 years.

**Country of origin matching**
Origin matching is required for all bean contracts signed on or after July 1, 2020 or beans delivered on or after September 1, 2021, whichever comes first.

Origin matching up to at least 80% by volume is required for all cocoa derivative products, including chocolate, with a contract signed on or after July 1, 2020 or delivered on or after September 1, 2021, whichever comes first, and up to at least 90% by volume as of October 1, 2022.

If no certified volume is available from a country and this causes a product to be under the required 80-90% origin matching, this product cannot be sold as certified mass balance.

**Third party manufacturing**
In order for a mass balance sourcing claim to be made when a product contains third-party manufactured inclusions that also contain the crop in question, specific rules apply based on total content in the product. For example, if a product contains cocoa-based inclusions (e.g. chocolate chip cookie crumb in a chocolate tablet) produced by a third party which account for less than 10 percent of the total cocoa content of the SKU, then the primary manufacturer of the product may purchase additional UTZ certified cocoa to cover the cocoa content of the inclusion. In this scenario the third-party supplier of the inclusion would not be required to comply with the rules outlined in this document. However, if the inclusion accounts for 10 percent or more of the total content of an SKU, then the third-party inclusion manufacturer must ensure that its own supply chain sources a volume of cocoa equivalent to 100 percent of the cocoa content of the inclusion from UTZ certified farms and adheres to origin matching rules.

**Conversion ratio for cocoa liquor processing**
As of January 1st 2018, the conversion ratio from cocoa liquor to cocoa liquor derivatives (cocoa powder and cocoa butter) is 1:0.5:0.5 and fully replaces the conversion of 1:1, meaning that 100 kg of cocoa liquor will be converted into an equal amount of 50 kg cocoa butter and 50 kg cocoa powder.
Full Premium cocoa butter and powder
These products differ from the existing cocoa butter and cocoa powder products due to the conversion ratio applied. Instead of using the 1:0.5:0.5 conversion ratio, the Full Premium products are obtained using a 1:0.5 ratio, as in 100 MT cocoa liquor = 50 MT cocoa butter Full Premium or 50 MT cocoa powder Full Premium. The remaining 50 MT of output product (butter or powder, depending on the conversion chosen) is removed from the traceability system. In this way, no claim can be made on the removed product (the physical volume of the removed by-product is sold as conventional).

Credit exchange from cocoa nibs to cocoa liquor will still be 1:1.

7. Conversion rates
The following table presents the conversion rates set in the UTZ traceability system for the main processing activities within the UTZ cocoa supply chain:

<table>
<thead>
<tr>
<th>Process</th>
<th>Traceability Level</th>
<th>Input product</th>
<th>Output product</th>
<th>Type of conversion rate</th>
<th>Conversion rate*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grinding</td>
<td>IP, SG, MB</td>
<td>Cocoa beans</td>
<td>Cocoa nibs or liquor</td>
<td>Fixed</td>
<td>0.82</td>
</tr>
<tr>
<td>Grinding</td>
<td>IP, SG, MB</td>
<td>Cocoa nibs</td>
<td>Cocoa liquor</td>
<td>Fixed</td>
<td>1:1</td>
</tr>
<tr>
<td>Pressing</td>
<td>IP, SG</td>
<td>Cocoa liquor</td>
<td>Cocoa powder</td>
<td>Bandwidth</td>
<td>1:0.51-0.55</td>
</tr>
<tr>
<td>Pressing</td>
<td>IP, SG</td>
<td>Cocoa liquor</td>
<td>Cocoa butter</td>
<td>Bandwidth</td>
<td>1:0.44-0.49</td>
</tr>
<tr>
<td>Pressing</td>
<td>MB</td>
<td>Cocoa liquor</td>
<td>Cocoa powder and cocoa butter</td>
<td>Fixed</td>
<td>1:0.5:0.5</td>
</tr>
<tr>
<td>Pressing</td>
<td>MB</td>
<td>Cocoa liquor</td>
<td>Cocoa butter Full Premium</td>
<td>Fixed</td>
<td>1:0.5</td>
</tr>
</tbody>
</table>
8. Minimum % requirements

The following table presents the minimum % requirements of UTZ cocoa product that must be included in order to claim a cocoa product as UTZ.

<table>
<thead>
<tr>
<th>Product</th>
<th>Traceability level</th>
<th>Min. % content of UTZ cocoa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cocoa beans &amp; Nibs</td>
<td>IP, SG</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>MB</td>
<td>100% (volume coverage)</td>
</tr>
<tr>
<td>Cocoa liquor, Cocoa butter, Cocoa powder</td>
<td>IP, SG</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>MB</td>
<td>100% (volume coverage)</td>
</tr>
<tr>
<td>Cocoa content of non-pure cocoa product</td>
<td>IP, SG</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>MB</td>
<td>100% (volume coverage)</td>
</tr>
</tbody>
</table>

*Conversion rates are based on industry accepted standards and averages.*
9. GIP Transactions and Stock Activities

The following are the transactions and stock activities that a SCA must register for volumes of pure cocoa products (cocoa beans, cocoa nibs, cocoa liquor, cocoa butter, or cocoa powder), depending on the activities the SCA performs with UTZ certified cocoa. Further explanation and examples on using the GIP can be found in the Quick Start Guide and the Quick Start Guide Cocoa Annex, located in the Downloads area¹ of the GIP.

Transactions and stock activities can only be performed on pure cocoa products as non-pure cocoa products are not registered in the GIP.

Sales/Sell announcement
When a producer/producer group or SCA sells a pure cocoa product to another SCA, they perform a sales/sell announcement.

Purchase announcement
When a first buyer purchases pure cocoa products from a producer/producer group, and they have received authorization to register transactions in the GIP on behalf of the producer/producer group, the first buyer performs a purchase announcement. An on-behalf user authorization form signed by both parties is required to perform this transaction.

Downgrade
When a SCA lowers the traceability level (from IP to SG or MB, or from SG to MB) of a volume of pure cocoa product in their stock, they perform the transaction downgrade.

Convert
IP/SG
When cocoa beans are processed into cocoa liquor, or cocoa liquor is processed into cocoa butter and powder the SCA performs the stock activity convert.

MB
When credits are exchanged between mass balance beans, nibs, liquor, butter, or powder, the SCA performs the stock activity convert.

Remove
IP/SG
The SCA performs the stock activity remove when pure cocoa product is
- spoiled (due to mold, pest, fire, etc.) – hence cannot be used –,
- sold as conventional or
- purchased as multi-certified and sold under another certification scheme that is not UTZ.

Note: the pure cocoa product could also be downgraded to MB, in which case the following section applies.

MB
If pure cocoa product is purchased as multi-certified, and sold under a certification scheme that is not UTZ, the SCA must perform the stock activity remove.

¹ https://www.goodinsideportal.org/web/utz/document-upload
Trace
Tracing marks the end of the online traceability system for UTZ cocoa products. This action is performed when pure cocoa products are mixed with non-pure ingredients or used in consumer-end products. Tracing is critical for correct administration of volumes and ensures an accurate traceability system.

IP/SG/MB

- When pure cocoa product is sold as a consumer-end product with UTZ claim, the SCA performs the stock activity trace.
- When pure cocoa product is mixed with non-cocoa ingredients and claimed as UTZ the SCA performs the stock activity trace.

Please note: Companies that operate under a non-claiming exemption are not allowed to accumulate credits and perform the stock activity trace for any volume that was purchased as UTZ and is used for production.