

GUIDANCE

CREDIT ACCOUNT AND MASS BALANCE – COCOA

In compliance with the UTZ Chain of Custody Standard

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1. What is a credit account?

A credit account is an overview of the total annual volume purchased and sold of UTZ certified products traded in the UTZ traceability system the Good Inside Portal (GIP) and of UTZ certified products traded outside the GIP. It only concerns cocoa volumes at the UTZ Mass Balance (MB) traceability level. This overview ensures the traceability of UTZ certified products for members who do not trade exclusively in the GIP, and ensures that cocoa content of the UTZ products claimed is not higher than the cocoa content of the UTZ products purchased.

2. Who needs to maintain a credit account?

Supply chain actors (SCA) who buy and sell non-pure UTZ cocoa products¹ either business to business (B2B) or business to consumer (B2C) must maintain a credit account (see control points (CPs) 18 and 19 of our Chain of Custody Standard v1.2²).

3. Who does not need to maintain a credit account?

Supply chain actors purchasing only UTZ certified product for their entire production (100%) and who are able to provide evidence of this do not need to maintain a credit account (CP 19).

4. What should be included in a credit account?

NB: UTZ recommends to keep volumes in kg/metric tons, as in the UTZ traceability system

Overview of inputs of cocoa products purchased as UTZ:

- ✓ The balance of UTZ volumes (per product) remaining from the previous year or calculation period;
- ✓ The volume of UTZ product purchased (per product);
- ✓ For non-pure cocoa products, the cocoa content (kg or Metric Tons) in UTZ non-pure product purchased;

GOOD TO KNOW
The objective of a credit account is to **keep traceability** of UTZ volumes and to verify that UTZ **outputs do not exceed UTZ inputs**, therefore only UTZ certified products need to be included in the credit account

Overview of outputs of cocoa products sold and claimed as UTZ:

- ✓ Per output product, what are the cocoa ingredients
- ✓ Per output product, what is the quantity sold;
- ✓ Per output product, the total volume of each cocoa ingredient
- ✓ The aggregated volume of each cocoa ingredient used for all output products

The balance of inputs versus outputs

- ✓ Per cocoa ingredient, the aggregated volume of input minus the aggregated volume used in output products. Please note the balance of some ingredients can end up being negative. This can be compensated via credit transfer (see rules below) or planned deliveries, see next point.

To facilitate the process for your organization and/or for your certification audit, the credit account can also include:

- ✓ Purchase/delivery dates, sales dates;
- ✓ Shipment references (order number, invoice number, etc.);
- ✓ GIP transaction IDs corresponding to each purchase of pure UTZ certified product;
- ✓ If applicable, GIP trace ID numbers³

For more information please have a look at our [Mass Balance member pack](#) which includes a credit account template and guidance video.

¹ Product containing cocoa as well as one or more non-cocoa ingredient or product, e.g. chocolate. Non-pure cocoa products are not traded in the GIP.

² The Chain of Custody Standard can be downloaded [here](#)

³ Tracing in GIP marks the end of the online traceability system for UTZ cocoa products and generates a unique traceability number. For further information on tracing please see page 20 of the [Chain of Custody Standard](#).

5. What if a credit account is negative?

If the balance of a credit account is negative at any given time, the supply chain actor should be able to show proof of expected delivery of enough UTZ product within 2 months to compensate for this negative balance (see control point 20 of our Chain of Custody Standard v1.2⁴).

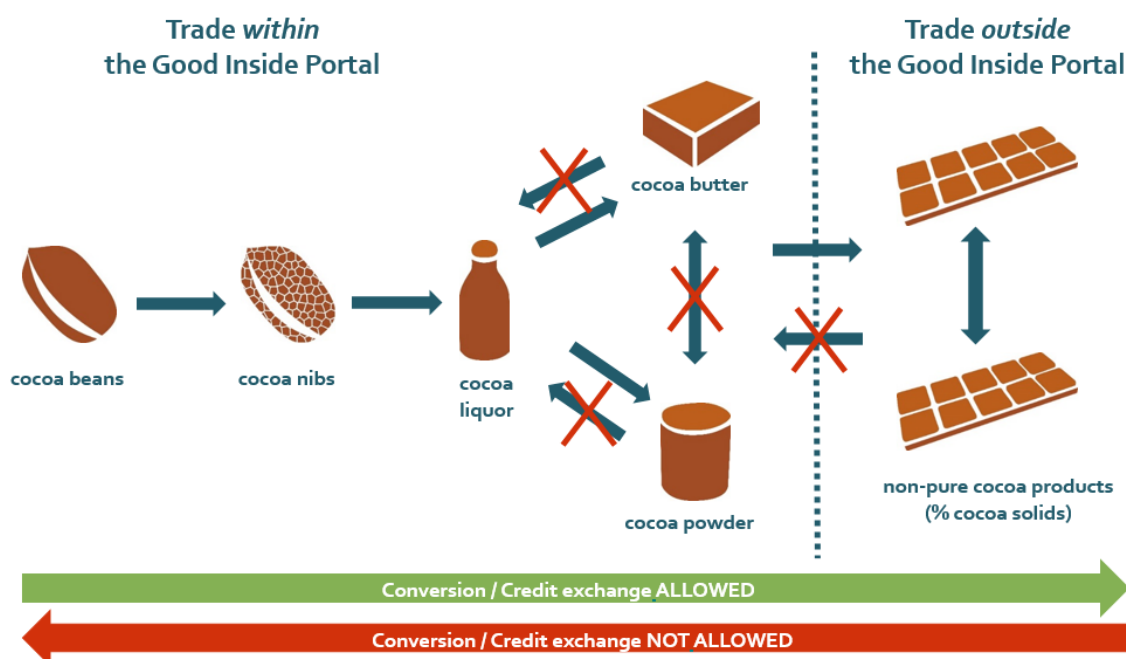
REMEMBER THAT

All control points related to credit account (CP 18, 19 and 20) are going to be verified during your certification audit. Therefore, it is important to have a clear and understandable credit account to facilitate the verification by the auditor.

6. UTZ rules on credit exchange

It is only possible to transfer credits in a “forward” direction (direction of physical cocoa processing). This implies that the credit transfer between cocoa butter and powder is not allowed. Cocoa liquor credits can be transferred to cocoa butter and to cocoa powder at a 1:0.5:0.5 ratio (meaning that 100 MT of cocoa liquor will be converted into an equal amount of 50 MT cocoa butter and 50 MT cocoa powder). Credits from pure cocoa product can be transferred to purchased non-pure cocoa products at a 1:1 ratio (**based on cocoa content of the non-pure product**).

When purchasing a semi-finished (non-pure) product you only need to know what the total cocoa content of this product is by summing up all different pure cocoa ingredients. What kind of pure cocoa products (e.g. butter or powder) this semi-finished product does contain is in this case not relevant.



⁴ The Chain of Custody Standard can be downloaded [here](http://www.utz.org).

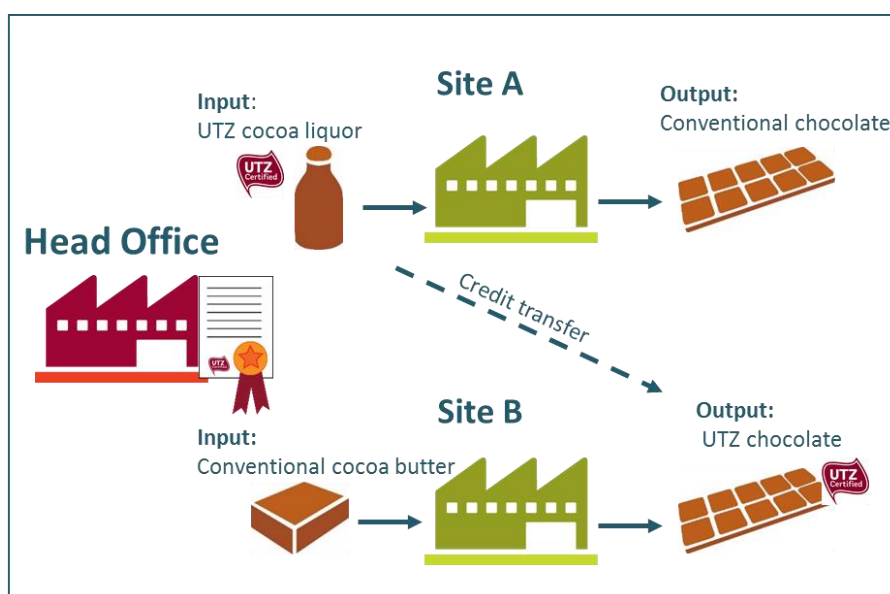
Example I: Company A buys 100 kg of UTZ cocoa powder and a conventional semi-finished product containing cocoa butter. In this case it is allowed to transfer the UTZ powder credits to the purchased semi-finished product and sell it onwards as UTZ. When purchasing a semi-finished product we do not look at what specific cocoa ingredients it contains but at its total cocoa content.

Example II: Company B buys 100 kg of UTZ semi-finished product with a total cocoa content of 30 kg. The company also buys conventional cocoa powder for their chocolate bar production. In this case it is not allowed to transfer the UTZ cocoa credits from the purchased semi-finished product to the cocoa powder and sell the chocolate bar as UTZ certified, as this would mean a backward credit transfer.

Example III: Company C buys 100 kg of UTZ cocoa butter. The company also buys conventional cocoa powder for their chocolate bar production. In this case it is not allowed to transfer the UTZ cocoa butter credits to the cocoa powder and sell the chocolate bar as UTZ certified. A credit transfer between cocoa butter and powder is not possible.

7. Credit accounts and multi-site operations

In case the SCA is a Multi-Site (several sites that have one central administration and are certified under one account)⁵ it is allowed to transfer credits between sites. In such a case the credit account including the input and output of all the sites should be kept at the central administration.



⁵ For more information see [Certification Protocol](#) page 30.

8. Overview of the UTZ conversion scenarios and ratios

Conversion scenario for credit accounts	Before January 2018	From January 2018
Beans to Liquor	0.82	0.82
Liquor to Beans	Not allowed	Not allowed
Liquor to Butter <u>or</u> Powder	1:1	Not allowed
Liquor to Butter <u>and</u> Powder	n.a.	1:0.5 0.5
Powder <u>or</u> Butter to Beans	Not allowed	Not allowed
Powder <u>or</u> Butter to Liquor	Not allowed	Not allowed
Butter to Powder	Not allowed	Not allowed
Powder to Butter	Not allowed	Not allowed
Liquor to Butter Full Premium	0.5	0.5
Liquor to Powder Full Premium	0.5	0.5
<i>Purchased non-pure cocoa products(e.g. bulk chocolate) Based on the % of cocoa content</i>		
Liquor to non-pure cocoa product (cocoa content)	1:1	0.5
Powder to non-pure cocoa product (cocoa content)	1:1	1:1
Butter to non-pure cocoa product (cocoa content)	1:1	1:1
Non-pure cocoa product (cocoa content) to Butter	Not allowed	Not allowed
Non-pure cocoa product (cocoa content) to Powder	Not allowed	Not allowed
Non-pure cocoa product (cocoa content) to Liquor	Not allowed	Not allowed
Non-pure cocoa product (cocoa content) to Non-pure cocoa product (cocoa content)	1:1	1:1

For more information about the Full Premium products see Annex I.

Purchased vs. processed non-pure cocoa products

The credit exchange procedure from pure to non-pure cocoa products depends on whether you purchase or manufacture the chocolate (non-pure cocoa product). For purchased non-pure cocoa products you do not need to know which kind of pure cocoa ingredients are in the product but what the total cocoa content of the product is - summing up all different pure cocoa ingredients.

For manufactured chocolate, the specific pure cocoa product (beans, liquor, powder and/or butter) is taken into account. Therefore the regular credit exchange rules apply.

See Annex II for more information and examples regarding the credit transfer of pure UTZ certified cocoa products to purchased non-pure cocoa products and to processed non-pure cocoa products.

9. Help and Support

If you have remaining questions about your credit account or about the UTZ cocoa program, please contact membersupport@utz.org.

Annex I

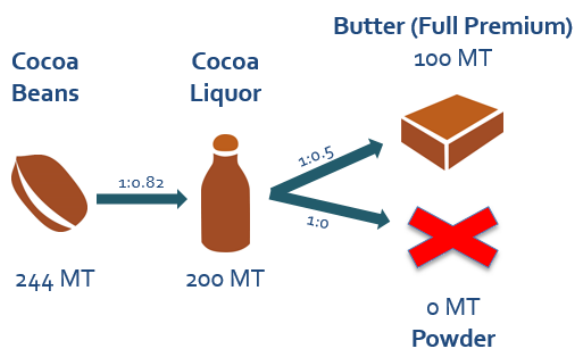
Cocoa butter Full Premium and cocoa powder Full Premium

The following full premium cocoa products are available in the GIP:

- Cocoa Butter Full Premium
- Cocoa Powder Full Premium

The products have a different name for two reasons:

1. To distinguish them throughout the supply chain from the “regular” cocoa butter and cocoa powder obtained using the 1:0.5:0.5 ratio.
2. These full premium products differ from the existing cocoa butter and cocoa powder products due to the conversion ratio used from cocoa liquor to obtain them. Instead of using the 1:0.5:0.5 conversion ratio (100 MT cocoa liquor = 50 MT cocoa butter and 50 MT cocoa powder), 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 the output product (butter or powder depending on the conversion chosen) is removed from the system. In this way no claim can be made on the removed product (the physical volume of the removed by-product is sold further as conventional). In the example below, the UTZ premium on the butter Full Premium is calculated from the full amount of beans used to obtain the butter, 244 MT, see illustration (the reverse scenario for powder only: output = 100 MT Powder and 0 MT butter, is also available):



If your organization is processing or buying these products please keep in mind that, due to the different conversion ratio used, different calculations to cocoa liquor or cocoa bean equivalent also apply. This means that Full Premium products need to be entered separately in the credit account.

Conversion scenario for credit accounts	
Liquor to Butter Full Premium*	0.5
Liquor to Powder Full Premium*	0.5

If you have questions or want to trade these products, please contact membersupport@utz.org.

Annex II

Transfer of pure UTZ cocoa products to purchased vs. processed semi-finished product

Is it possible to transfer pure UTZ cocoa credits (beans, liquor, powder and/or butter) to a conventional chocolate product (non-pure cocoa product)?

Yes, this is indeed possible. The credit exchange procedure depends on whether you purchased or processed the chocolate (non-pure cocoa product). See also the [credit account template](#).

Credit transfer pure UTZ certified cocoa products to purchased conventional chocolate (non-pure cocoa product)

For purchased chocolate, we look at the total cocoa content of the purchased chocolate as the specific pure cocoa products (beans, liquor, powder and/or butter) it contains is unknown. This makes it possible to transfer any pure UTZ cocoa products (beans, liquor, powder and/or butter) to a purchased conventional chocolate with the appropriate conversion rates (see tab at page 6).

Example chocolate chip cookies

You manufacture chocolate chip cookies of 0.5 kg (500 grams) each. The chocolate chip cookies contain 0.05 kg (50 grams) of liquor and 0.1 kg (100 grams) of chocolate of which the cocoa content is 0.05 kg (50 grams). The total cocoa content is 20%.

To manufacture 10.000 chocolate chip cookies, you need 500 kg of liquor ($10.000 * 0.05$) and 1000 kg of chocolate of which the cocoa content is 500 kg ($10.000 * 0.05$).

To claim these 10.000 chocolate chip cookies for which you purchased conventional chocolate as UTZ you need to purchase:

- a) 1000 kg of liquor (500 kg to cover the used liquor and 500 kg to cover the cocoa content of the used chocolate); or
- b) 500 kg of liquor and 500 kg of butter (to cover the 500 kg of cocoa content of the used chocolate); or
- c) 500 kg of liquor and 500 kg of powder (to cover the 500 kg of cocoa content of the used chocolate)

Credit transfer pure UTZ certified cocoa products to manufactured chocolate (non-pure cocoa product)

For manufactured chocolate, the specific pure cocoa product (beans, liquor, powder and/or butter) is taken into account. Therefore the regular credit exchange rules apply.

Example pure chocolate bar

You manufacture pure chocolate bars of 0.2 kg (200 grams) each. The pure chocolate bars contain 0.06 kg (60 grams) of liquor, 0.05 kg (50 grams) of butter and 0.05 kg (50 grams) of powder. The total cocoa content is 80%.

To manufacture 10.000 pure chocolate bars, you need 600 kg of liquor ($10.000 * 0.06$), 500 kg of butter ($10.000 * 0.05$) and 500 kg of powder ($10.000 * 0.05$).

To claim these 10.000 pure chocolate bars as UTZ, you need to purchase:

- a) 1100 kg of liquor (600 kg to cover the used liquor and 500 kg to cover the butter (500 kg) and powder (500 kg); or
- b) 600 kg of liquor, 500 kg of butter, and 500 kg of powder.