



Collaboration with Lindt & Sprüngli

Methodology for external assessment of the Lindt & Sprüngli Farming Program

April 2019

Contents

Lindt & Sprüngli and EF relationship	3
Why this document?	4
Objectives of external assessment.....	4
Assessment process	5
1. Planning the visit.....	5
2. Preparation for the visit.....	5
Scope.....	5
Sampling criteria	6
3. Conducting the visit	7
Opening meeting	7
Observation and data collection.....	8
Document Review.....	8
Presentation of findings and discussion	9
4. Reporting and recommendations.....	9

Lindt & Sprüngli and EF relationship

Lindt & Sprüngli is an Earthworm Foundation (EF) member since 2016, sharing [our values](#) of transforming the supply chain to create value for business and society.

How EF works with Lindt & Sprüngli

Becoming a EF member means embarking on a journey: agreeing at the most senior level what your values as a company are, and making a strategic commitment to turn supply chain responsibility into a source of value for both business and society. Membership is always focused on an ambitious commitment and measurable progress that clearly moves the company towards responsible sourcing of raw materials.

Lindt & Sprüngli commits to sharing our values, and to long-lasting change in their supply chains. They engage with EF at the senior level where corporate policy and strategy are set, and at operational levels where supply chain transformation happens day-to-day.

Lindt & Sprüngli requires EF collaboration in their entire cocoa supply chain in Dominican Republic, Ecuador, Ghana, Madagascar and Papua New Guinea where they have established the [Farming Program](#) (at different stages).

The Lindt & Sprüngli Farming Program aims to ensure that agricultural, social, environmental, and business practices are followed and continually improved upon at the farm level in the company's cocoa supply chain, and that these improved practices have an impact on sustainable agricultural development, particularly the livelihoods of farmers and their families.

The EF external assessments are more geared toward providing the supplier companies with feedback and support on the program implementation. EF conducts field visits to each supplier in order to assess the implementation of the Farming Program and to provide some concrete and practical recommendations for continuous improvement.

About EF's "critical friend" role

At all steps of its missions, EF provides honest feedback about the facts we have observed. However, when a company's operations are evaluated by an "outsider", it is often an uncomfortable experience for those being evaluated. Our aim is to be direct and frank in our communication, brainstorm, provide a practical, constructive and solution-driven approach to help companies close gaps between current and required responsible practice.

This approach allows us to understand the issues and acquire the confidence of all stakeholders. If we are transparent from the start, we optimize the chance that others will be transparent as well.

About our vision regarding farmers

As a fundamental core aspect of [Rurality](#), the EF initiative which aims to create value at the smallholder level, EF believes the farmer is an entrepreneur. Farmers are not always victims in need of assistance (as they are often presented); they are often leaders with a vision that needs to be supported in order to run their business successfully.

EF believes that innovation at rural level struggles to emerge in a conventional production system. By empowering the rural entrepreneurs (the farmers) to think and share the innovations they have developed to adapt to change, Rurality will help freeing up rural innovation.

Innovation comes from the ground when farmers and their industrial partners sit and work together in a constructive manner in a given environment to overcome the local challenges, each of those being unique to an ecosystem, cultural environment, market and logistical constraints. EF wants to start this journey with Lindt & Sprüngli during these field visits: to agree how we can move forward towards a situation where the farmers in these supply chains are leaders of their own changes.

Why this document?

This document aims to establish a standard procedure for EF's external assessment in order to consistently compare achievements and progress in the implementation of the Lindt & Sprüngli Farming Program across countries, suppliers, and years. It also aims to allow for greater transparency regarding the methodology applied during EF's assessment.

This document is to be understood as providing a common framework, but leaving enough room for the adjustments and adaptations according to the local contexts and the maturity of the Lindt & Sprüngli Farming Program in the different origins being implemented by different Lindt & Sprüngli suppliers.

Objectives of external assessment

EF's external assessment complements the Internal Monitoring and Performance Management conducted by suppliers (together: Verification) and, as defined in Lindt & Sprüngli's Farming Program Verification Document, has the following objectives:

1. Assessment of the entire Lindt & Sprüngli Farming Program in each origin, including the functioning of the Internal Monitoring and Performance Management System;
2. Provision of recommendations for improvement.

In addition, the assessment includes an assessment of the supplier's implementation of the Lindt & Sprüngli [Supplier Code of Conduct](#).

The expected outcome is a summary of the supplier's implementation status or progress, and a set of recommendations aimed at improving their performance. No pass or fail certification will be handed out, as the assessment is not intended to serve the purpose of an audit.

Assessment process

The external assessment is carried out in four main phases: planning, preparation, field visit, and analysis and reporting. These phases are described in detail below:

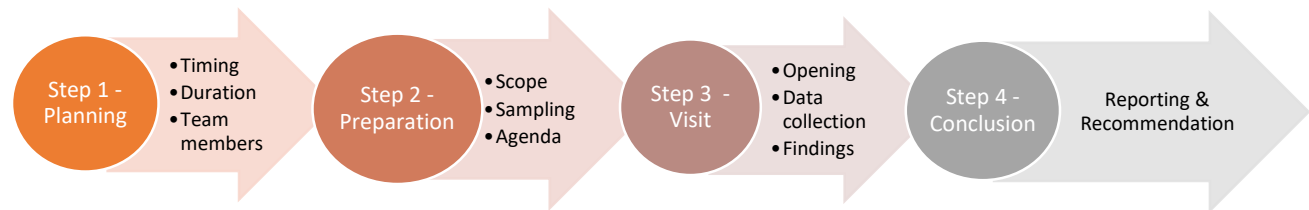


Figure 1: Process flow chart of a EF external assessment

1. Planning the visit

The following aspects are considered during the initial planning of the assessment visit:

Frequency	Minimum once a year
Timing	To be agreed among all partners, Lindt & Sprüngli, suppliers and EF, taking into consideration Lindt & Sprüngli's contracting periods with their supplier and the location's climate and harvesting period.
Duration	Minimum 4 days and maximum 8 days of presence in the field, depending on (without order of priority): <ol style="list-style-type: none"> 1) Years of implementation of the Program by supplier 2) Number of high priority recommendations provided in previous visit 3) Number of farmers and local small suppliers involved in programme 4) Location-specific travel logistics
Team composition	Minimum 2 EF staff, selected based on the following criteria: <ul style="list-style-type: none"> • Consistency: At least 1 member has participated in previous visit. • Complementarity: Members complement each other in area of expertise and experience. • Language: Preferred option is to have a team member who speaks the local language or dialect. If this is not possible, EF will discuss options with supplier to find a person who can act as a neutral translator.

2. Preparation for the visit

Prior to the visit, EF will establish the scope, define the sampling criteria, and review preliminary documents in order to inform the visit agenda. These three aspects are discussed with the supplier during preparatory calls and through email exchange.

Scope

The objectives of EF's external assessment with the determined supplier will define the scope of the visit. The following aspects are covered:

- 1) Review of the implementation of the four strategic elements of the Farming Program:
 - a. Traceability and Farmer Organization
 - b. Training and Knowledge Transfer
 - c. Farmer Investments and Community Development
 - d. Verification and Continuous Improvement
- 2) Review of Internal Monitoring and Performance Management procedures, as defined in the [Lindt & Sprüngli Verification Guidance Document](#), including compliance with minimum requirements and tracking of KPIs.
- 3) Review of the measures in place and/or procedures being implemented that are related to the Lindt & Sprüngli Supplier Code of Conduct.

The individual Lindt & Sprüngli country programmes factsheets contain relevant information that inform the definition of the scope of the external assessment.

Sampling criteria

Assessments include field visits to participating farmers, communities, local warehouses, commercial offices and other sites of interest to the programme. Because the aim of the assessment is to have a good understanding of how the programme is being implemented overall, EF endeavors to visit a representative range of sites and actors by basing their selection on the following sampling criteria.

Target groups	<p>All relevant stakeholder groups are visited and interviewed:</p> <ol style="list-style-type: none"> 1) Farmers and farm workers* 2) Farmer groups 3) Middlemen/Purchasing Clerks 4) Local small suppliers and their staff operating at collection centres 5) Technical field staff and supervisors implementing or contributing to the implementation of the Farming Program 6) Supplier’s management team in charge of the Farming Program 7) Suppliers’ senior management 8) Supplier’s internal monitoring staff and performance management team 9) Suppliers’ employees working in the commercial centers 10) External stakeholders such as district or local government, community leaders, NGOs, civil society, etc.
Composition of sampling	<p>When selecting what stakeholders to visit, EF endeavours to represent the variety of actors/sites involved in the programme. The following criteria are considered, based on relevance to the specific programme context:</p> <ul style="list-style-type: none"> • Length of involvement in the program • Number of farmers involved • Proximity and access to commercial/ collection centres • Involvement in different aspects of the programme (e.g. Farmer 1 only participates in trainings vs. Farmer 2 participates in trainings, model farms, nursery, organized women’s group, etc.)

	<ul style="list-style-type: none"> • Relative prosperity and well-being of community • Productivity or supply volume • Proximity to sensitive habitats (e.g. protected forests, water sources, important rivers, etc.) • Current or resolved grievances received • Feasibility based on time and travel logistics <p>Typically, EF works with the supplier to identify the relevant parameters for their programme context. The supplier identifies sites that represent a particular parameter and EF selects the individuals to be visited or interviewed.</p> <p>For example: The supplier indicates most farmers have been in the program for 2+ years, however they have added several new farmers in the past year. If 30% of the farmers in the programme are new (less than one year in programme) and 70% are older farmers (2+ years in the programme), EF seeks to ensure that visits reflect this balance by selecting 2 new farmers, and 4 older farmers.</p>
Site Selection	<p>The following sites are visited:</p> <ol style="list-style-type: none"> 1) Individual farms 2) Special project sites (e.g. model farms, nurseries, alternative livelihood activities, training centres) 3) Collection centres of local small suppliers (or Purchasing Clerk sheds) 4) Operational and office space of supplier’s commercial centres <p>For farm visits, EF endeavors to visit a range of farmers- including varying levels of:</p> <ul style="list-style-type: none"> • experience or skills, • farm size or productivity, and degree of involvement in the programme (time, activity) • conditioned by time and travel logistics
Alternation	<p>The EF assessment team will make sure to target different locations and stakeholders during every visit.</p>

The selected actors and sites are integrated into the 4 to 8-day agenda to guide the assessment’s activities.

3. Conducting the visit

Opening meeting

The opening meeting allows for EF to introduce the company and our values, the partnership between EF and Lindt & Sprüngli, and the objective and principles, scope, methodology, and agenda for the visit. Suppliers are invited to share information about their implementation of the programme, and especially the activities and progress since the last visit. The meeting is an important moment to establish or reconfirm the foundation for collaboration. Also, it is a good time to ask questions, confirm the agenda, revisit list of documentation and sort out any remaining logistics.

Observation and data collection

In Lindt & Sprüngli and EF's collaboration agreement, it is stated that "EF wants to share time with farmers, with traders, with Farmer Organizations, to understand how, with whom, in which environment, what they are doing. The objective is to collect and understand the main strengths and challenges faced by the entities and then, propose key areas for the transformation." Therefore, EF engages in a dialogue with all stakeholders through semi-structured interviews and visits to exchange experiences, thoughts and ideas freely. The EF team takes notes of both statements and observations and supports the documentation by taking pictures.

All stakeholders, sites and activities identified in the agenda are visited. Special attention is paid to the recommendations from earlier years to validate if and how they have been implemented.

The on-site visits include the following activities, as relevant to the specific programme context:

- 1) Individual interviews with representatives of above mentioned target group
- 2) Group discussion with farmer groups
- 3) Participatory observation of training activities
- 4) Traceability test from farmers and local small suppliers through suppliers' commercial centres
- 5) Observation of internal monitoring surveys and review of respective data management
- 6) Review of supplier managed data base with farmers' details

Document Review

The observation and review of key documents that support the programme implementation and adherence to the code of conduct is an equally important aspect of the assessment. In this regard, EF looks over the supplier's programme KPIs and the data bases used in monitoring.

The following documents are revised prior to or during the visit:

- Reports of earlier external assessments
- Policies and Standard Operating Procedures (SOPs)
- Traceability documentation
- Indicator tracking and monitoring documents (for example: KPIs, internal audits)
- Other Programme management documents (HR, HSE, etc.)
- Training manuals and material
- Documents from internal monitoring surveys

In addition, EF observes documents related to the Supplier Code of Conduct, including but not limited to:

- Supplier's policies and internal code of conduct
- Employee handbooks
- Employment contracts on-site (local small suppliers, casual laborers)
- Collective bargaining agreements
- Grievance reporting procedures and logs
- Environmental and workplace certificates
- Worker hours and pay stubs
- Child labour reporting sheets

Presentation of findings and discussion

During or after the visits, but prior to the final meeting, EF meets with the technical field staff and supervisors and the supplier's management team, in charge of the Farming Program, to discuss observations and brainstorm together about recommendations.

At the conclusion of the visit, EF presents its findings and recommendations at a final meeting with the suppliers' local and senior management team on the final day of the visit. This presentation is hosted in an open and franc manner to encourage exchange, clarification, explanation and a deeper understanding. The discussion allows for both parties to clarify remaining doubts and for the supplier to offer first feedback about the observations and recommendations proposed by EF.

4. Reporting and recommendations

After the visit, EF prepares a written report in line with a defined template. At the same time, the supplier prepares an action plan to implement the agreed recommendations. This action plan clarifies how, by whom and by when the recommendations will be implemented. It can either be an individual document or part of the overall farming programme management plan.

The completed written report, prepared by EF, is shared with the supplier 3 weeks after the visit. The action plan, prepared by the supplier, is shared with EF also three weeks after the visit. The supplier and EF have two weeks to provide feedback (within 2 weeks) to these respective documents before they are shared with Lindt & Sprüngli (written report and action plan as annex). In the report, when there is a discrepancy between EF's observations and the supplier's stated response, the supplier response is quoted as a footnote in the final report.

Six months after the visit, EF will get in contact with the supplier to receive an update about the advances in the implementation of the recommendations. This allows to address potential challenges or also new ideas.

The implementation of recommendations in general will be reviewed during the visit of the following year. For all implementation of recommendations, it is between Lindt & Sprüngli and the supplier to find a solution to finance recommendations. Report and annex are shared with the Lindt & Sprüngli sustainability and procurement teams.