Lindt & Sprüngli Farming Program

Verification Guidance Document

For Local Adaptation

Last updated in August 2016

1) About this Guidance Document

This verification guidance document sets the foundation for verification in Lindt & Sprüngli Farming Programs. It applies to all agricultural raw materials sourced in all countries where Lindt & Sprüngli has Farming Programs in place. Due to its overarching nature, it needs to be adapted for the local context in every case by the local supply chain partner. The guidance document therefore in most cases does not specify exactly how verification needs to be conducted, but delivers the framework in which all locally developed and applied verification manuals and tools need to fit. The locally adapted manuals and tools need final approval by Lindt & Sprüngli (International) AG, before they can be implemented in the field.

The guidance document has been developed by Lindt & Sprüngli (International) AG during 2014, is considered a working document, which is regularly reviewed, and can continuously be improved if required[1]. Our aim is not to reinvent the wheel, and the document is therefore based on principles, guidance and knowledge from organizations dedicated to Sustainability Assessments, Assurance and Accountability[2]. Where appropriate, references are made directly in the guidance document.

Key principles for Verification in Lindt & Sprüngli Farming Programs are:

- We follow a continuous improvement and farmer development approach, and not the pass/fail logic
- We follow an integrated approach, including the involvement of the target group and locally embedded solutions
- The verification system should enable mutual learning processes, where everybody involved in the supply chain is able to make improvements
- A risk-based approach to verification is preferred, even if this means higher rates of non-compliances
- The verification system needs to be as efficient and effective as possible, in order to allow more funds to flow into concrete improvement activities

[1] Also the locally adapted verification manuals and tools can continuously be improved if required.

[2] COSA: The COSA Measuring Sustainability Report; Fair Labor Association: Social Compliance Initiative; Global Social Compliance Programme: Audit Process and Methodology Reference Tools; ISEAL Alliance: Assurance Code, Impacts Code and Credibility Principles; Sedex: SMETA Best Practice Guidance

2) Verification as Integral Part of Lindt & Sprüngli Farming Programs

Where necessary, Lindt & Sprüngli sets up Farming Programs for its important raw materials. These usually cover the following four elements:

1.	**Traceability & Farmer Organization**	Farmers are organized in structures that suit to the local characteristics. Traceability is built up to community, and where feasible, up to farm level. This step also includes the gathering of baseline data, on which the capacity creation & training, as well as improvement activities are based on.	**TRACEABILITY**
2.	**Training & Capacity Building**	Farmers are – if necessary – trained in good agricultural, environmental, social and business practices. Other people involved in our programs receive the required capacity creation and training.	**IMPROVEMENT ACTIVITIES**
3.	**Farmer Investments & Community Development**	Farmer and community development is – if necessary – supported with investments in farm extension services (e.g. plant protection products, personal protective equipment, nurseries & new plants) and community development activities (e.g. boreholes, health services).	
4.	**Verification and Continuous Progress**	Internal Monitoring & Performance Management: Internal monitoring and performance management systems verify if farmers follow good farming practices (agricultural, environmental, social and business), evaluate improvements and define corrective actions External Assessments: The Programs, including the functioning of the internal monitoring & performance management system is externally assessed, and corrective actions defined	**VERIFICATION**

Verification covers an internal and an external perspective, and both might lead to informed decisions about corrective actions. Improvement activities create the enabling environment for farmers to continuously develop and mitigate the root causes behind non-compliances with sustainable farming standards, and therefore additionally support farmers in implementing corrective actions.

3) The Purpose of Verification in our Farming Programs

The purpose of verification in Lindt & Sprüngli Farming Programs is to **1) assess if Lindt & Sprüngli Farming Programs deliver the desired results**, namely:

- If basic agricultural[3], social[4], environmental[5] and business[6] practices are followed and continuously improved at farm level

[3] E.g. crop protection, harvesting, post harvesting
[4] E.g. child labor, compensation, health & safety
[5] E.g. biodiversity, environmental protection

- If the improved practices have an impact on sustainable agricultural development, with a focus on livelihood improvements of the farmers and their families

Verification additionally has the aim of **2) delivering insights about the improvement potential** in terms of efficiency and effectiveness of a program. A good verification system leads to the ability of taking informed decisions for program improvements, including the verification system itself.

We follow a continuous improvement approach, while focusing on concrete improvement activities. Practical and locally embedded approaches to verification are therefore preferred over not-manageable and overloaded processes and systems.

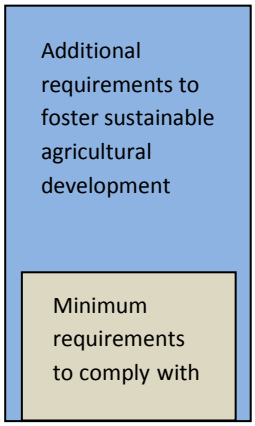
4) Preliminary steps towards setting up a verification system

To be able to set up a suitable verification system in a specific country for a specific raw material, the following preliminary steps need to be conducted:

- Basic principles and standards that need to be followed by the supply chain partners[7] (specifically by farmers) need to be defined
- Indicators that measure the input, outcome and impact on sustainable agricultural development need to be defined
- A risk assessment needs to be conducted, which unveils the specific risks in terms of non-compliance with defined standards, and allows the verification to be targeted at issues and areas at higher risk

Basic principles, standards and indicators

Principles and standards that are developed for locally applied verification manuals and tools ***must*** **include minimum requirements to comply with**, and ***can*** **contain a set of additional requirements to measure improvements in sustainable agricultural development**.



[6] E.g. professionalization of the business
[7] Everybody involved in the supply chain needs to be aware of, and understand the standards required (Step 2 of farming programs - training & capacity building).

Our supply chain partners need to comply with Lindt & Sprüngli's Supplier Code of Conduct. These elements therefore also need to be considered when developing the minimum requirements to comply with at the farm level.

Principle	Issues covered with relevance to farming
Compliance with Laws and Regulations	o All applicable national and international laws and regulations o International Labour Organization (ILO) conventions o United Nations' Universal Declaration of Human Rights o Industry standards and other relevant statutory requirements
Doing Business with Integrity	All applicable laws and regulations concerning corruption, bribery, fraud and unfair and prohibited business practices
Social and Working Conditions	o Freely chosen employment o Child labor avoidance o Compensation o Working hours o Non-Discrimination o Freedom of Association and Collective Bargaining o Health and Safety o Working conditions
Environment	o All applicable environmental laws, regulations and industry standards o Recycling o Chemical and waste management and disposal
Management	o Communication of the code to employees and suppliers o Documented system to ensure agents, subcontractors and suppliers also comply with code o Documentation to demonstrate adherence to the code o Regular internal assessments to assure compliance with code

Yet, Lindt & Sprüngli Farming Programs are often set up in countries and for raw materials, where compliance with our Supplier Code of Conduct is a challenge at the farm level, rooted mostly in a low (agricultural) development status of a country, region or group of people. The basic principles can therefore be extended by, but are not limited to, the following additional requirements[8]:

Principle	Main Goal(s)
Good agricultural farming practices	Higher productivity of the farms, and increased income per farmer
Good social farming practices	Foster human rights and decent working conditions beyond compliance with laws and regulations

[8] Inputs used, for example, from the UN Global Compact Food and Agriculture Business Principles (FAB Principles) and current discussions on sustainable agriculture.

Good environmental farming practices	Environmental protection, restoration and enhancement, as well as resource efficiency beyond compliance with laws and regulations
Good business farming practices	Managing the farm like a business, whereby the farmer maintains control over cost/benefit planning and can take informed decisions about further developing his/her business
Thriving rural communities	Foster community development, so that the communities are attractive to work, live and invest in
Economic viability	Economic viability for all partners involved in the supply chain, so that external support can diminish over time
Good Governance and Accountability	Foster an open and transparent working culture, where issues are not hidden, but properly discussed, and mutually agreed solutions are found
Knowledge, skills, inputs and technology	Improve access to and transfer of knowledge, skills, inputs and technology
Ownership and empowerment	Ownership of the program elements of the farming program lies within the supply chain, and wherever possible within the farming communities themselves. To reach this, relevant actors need to be empowered to reach the needed level of self-esteem and capabilities
Gender	Foster the empowerment of women and minority groups
Diversification	Foster a family income diversification (agricultural, non-agricultural)
Future of agriculture	Farming needs to be interesting and attractive enough for youth to become engaged. They should be capacitated properly to be able to become professional farmers
Structural changes to farming	Structural changes needed to develop the respective agricultural sector should not be hindered to occur

It is up to Lindt & Sprüngli and the supply chain partner to decide in every case, whether the additional requirements will be integrated as a whole, progressively, or only partly. The farming programs should demonstrate continuous progress towards reaching those goals.

Both, the minimum and the selected additional requirements need to be detailed in concrete standards by the supply chain partner[9]. While the minimum requirements can be assessed in a compliance mode (yes/no), the additional requirements should, whenever possible, be measured in a performance and impact mode with SMART[10] Key Performance Indicators. In developing the indicators, one always needs to keep in mind their feasibility in the local context (e.g. a lot of documentation requirements might not make sense when the majority of the target group is illiterate).

[9] Once ISO-CEN Standards for Sustainable Cocoa are available, we will evaluate if only those should be used as minimum requirements for cocoa.

[10] SMART indicators = Specific, measurable, attainable, relevant and time-bound indicators

Risk Assessment

While risk assessments also make sense to determine the necessary additional requirements to foster sustainable agricultural development in a specific context, they are **a mandatory prerequisite for the verification of the minimum requirements.**

The main purpose of a thorough risk assessment is to find out which regions, communities or groups are likely to be non-compliant with which standards. This then delivers insights into the development or improvement of (a) training for internal and external monitors/assessors/auditors, (b) monitoring and audit tools, (c) methods to find non-compliances, and it (d) helps identifying the target groups and standards that need to be monitored/audited more closely, and those that do not need to be monitored/audited at all.

It is up to the supply chain partner to decide how the risk assessment(s) is (are) conducted, but the following steps need to be considered:

- The region/community/target group where the risk assessment is conducted needs to represent the whole farmer universe
- Knowledge should be gained from different stakeholder groups (e.g. farmers, teachers, village chiefs, local government officials, health workers, NGOs)
- Different communication methods should be applied (e.g. focus groups, individual interviews) and different information gathering tools used (e.g. online research, field based participatory research tools)
- The risk assessment should be extensive enough to capture the risks, but reasonably efficient to not overburden target groups and assessors (e.g. rapid rural appraisals)
- The risks are assessed for each standard, and an explanation is given why there is, or why there is no risk

Risk assessments are crucial to make sure that verification is efficient and makes sense, and therefore need to be conducted seriously. Internal monitoring and external assessments are costly elements of a farming program, and should therefore be conducted as efficient as possible in order to have more funds available for improvement activities, which directly benefit the farmers and their communities. Verification is not done for the sake of verifying, but to give guidance on where the investments for improvement activities need to flow.

5) Internal Monitoring & Performance Management

While compliance with standards is important, and following the minimum requirements is a must, one should keep in mind the objective of a verification system, which is to properly understand what is going on in the field, where the challenges lie, and how they could be tackled. Internal monitoring is therefore not a “box ticking exercise”, but a comprehensive information gathering that feeds into the further development of the program. Farmers should not be afraid of monitors and hide issues they have, but see them as partners and advisors for a mutual learning and improvement process.

Internal monitoring and performance management needs to be an integral part of the supply chain, incorporated by the supply chain partner, and not an "add on".

Internal monitoring and performance management consists of the following elements:

a) Selection and training of staff to conduct internal monitoring visits
b) Definition of frequency, timing and duration of the visits
c) Definition of data to gather and methods and tools to use
d) Definition of the visit program
e) Definition on how to use the findings from a visit

The next pages provide guiding advice on all these elements.

a) Selection and training of staff to conduct internal monitoring visits

The best verification system cannot work properly if not implemented by well selected and trained staff. The role of the monitors is to build relationships with the farmers and workers involved, and focus on improving the situation on the ground. Where feasible, the target group (e.g. farmers) should be integrated into the monitoring process. The following points should be considered[11]:

- Whenever possible, monitors should be an integral part of the supply chain, and not external to it
- Monitors should represent the diversity of farmers (e.g. female farmers and workers should be interviewed by female monitors)
- Monitors need to be able to read, write, and analyze a situation from different perspectives
- The monitors should speak the language of the farmers and workers, using translators should be avoided[12]
- Monitors should know the local context of the farmers, and ideally be used to this context
- Monitors should be open minded, and preferably not have an "inspection" or "policing" mind set
- Monitors should receive intensive training, and also participate in some farmer trainings to get an impression about what the farmers are taught
- Monitors should not have any conflicts of interest (e.g. financial benefits if farmers comply with all requirements)

b) Definition of frequency, timing and duration of the visits

Farmers need to be visited regularly to feel the presence of someone being there for advice - not necessarily on the farm itself (depending on risk assessment), but in the community. The following points should be considered and taken care of:

[11] For a list of personal attributes for monitors see also ISEAL Assurance Code of Good Practice, page 32.
[12] If the use of translators is absolutely necessary (e.g. due to a rare local language), the translator shall be independent, and his/her name and affiliations noted in the monitoring report.

- Frequency: Every farmer should be visited as much as necessary (depending, for example, on necessary corrective actions), but at least once a year
- Timing: the visits should take place during weeks/months where risk for non-compliances is higher (e.g. for labor standards during peak labor season)
- Duration: The duration of a visit depends on the methodology and tools used, but should last enough time for the farmer to become acquainted with the monitor and talk about what he/her would like to get off his/her chest. It is advised that the monitor spends the entire day in a farming community, if feasible including overnight-stay(s)

c) Definition of data to gather and methods and tools to use

The data that needs to be gathered depends on the minimum and additional requirements, and the tools in turn depend on the data to be gathered. The following points should be considered and taken care of:

Data:

- Quality always comes over quantity: It's better to gather less data than too much, but this data is correct and based on corroborated evidence
- For standards where the risk assessment showed no indication of risks for non-compliances, no data needs to be gathered
- For the minimum requirements, a "yes/no" answering structure can be used. For the additional requirements, wherever possible, quantitative indicators should be defined

Methods:

- Different methods and interview techniques (e.g. focus groups, participatory development tools, individual interviews) should be tried out to define what form works best in a specific context
- The method used should always foster an open conversation, so that farmers and other people interviewed feel comfortable to come up with the issues and challenges they face (no hiding of non-compliances)
- The method should clearly show that the monitor is an advisor for the farmers, and not an inspector
- The method should allow the monitor to make compliments when the farmer is doing something well and has improved, and encourage the farmers to further improve
- The method should foster collaborative learning, so that a) the monitor understands the situation and challenges of the farmer, b) the farmer knows what he needs to improve, and c) the monitor and the farmer define solutions to resolve non-compliances together
- To corroborate evidence, different people need to be interviewed and information cross-checked (e.g. the farmer and workers)

Tools:

- Tools need to be simple and clear enough for everyone to gather the data in the same manner

- Tools need to deliver the following information: indicator (yes/no or quantitative) and information about how the information was gathered, especially for the issues defined as risks (e.g. it's not enough if child labor is indicated as "in compliance" only by seeing no children on the farm during the visit)
- It is advised that monitors don't run around with a checklist, but rather gather the information in conversations and write the main findings down afterwards (use of computer-based tools - e.g. on smart phones or tablets - is encouraged)
- Where necessary, no direct "yes/no" questions (e.g. "do you use child labor?") should be used, but the monitors should be trained in finding out the answers with several non-direct questions (e.g. "do you have children?", "who helps you on the farm during peak season?", "how can you afford workers?", "who does which tasks?")

The monitor should have the results of previous visits present, in order to be able to analyze improvements made.

d) Definition of the visit program

The visit program depends on the risk assessment, the data to be gathered, the methods and tools used. The following points should be considered and taken care of:

- Wherever possible, visits should be unannounced[13]
- In the opening meeting (if it makes sense, with the whole farmer group of a community), the monitors should introduce themselves, explain the purpose of the visit (which is to help farmers improve), the scope of the visit, the role of the monitor, and the visit program. Further, they should agree on a process for communicating issues as they arise during the visit (ideally, issues are discussed right when they are noticed), outline the importance of presence at the closing meeting, and provide an opportunity to address questions and concerns
- If the opening meeting took place with the whole group, the monitor can select some farmers to visit their farm (and not all farms need to be visited). If the group agrees, everybody can accompany the monitor during his/her visits to learn
- The closing meeting (ideally again with the whole farmer group) should bring up the key findings of the visit, discuss discovered challenges and issues, and together find solutions to resolve those issues. Necessary corrective actions should be emphasized, concrete actions defined, and deadlines for solving the issues set
- The monitor should leave a phone number, where he/she or someone from the supply chain partner can be reached when questions come up during the remediation activities[14]

[13] Unannounced visits can negatively impact the relationship between the supply chain manager and the farmers. If local cultural practices demand announcing visits to the village chief / village administration, it should be done not more than two days in advance. The more the monitor is known in the community, the easier it will be to do unannounced visits.

[14] In general, there should be a complaint mechanism established

e) Definition on how to use the findings from a visit

The information gathered during a visit needs to serve the purpose of continuous improvement, and deliver necessary inputs for corrective actions to take. Data therefore has to be analyzed, findings and recommendations reported. Corrective actions need to be defined, evaluated and verified.

There are three types of reactions to findings during and after a visit:

1) *Immediate corrective actions* for issues that can be resolved quickly (e.g. cutting off disease infected cocoa pods)
2) *Midterm corrective actions* that require more effort of the farmer/farming community (e.g. correct storage of agro-chemicals, planting of shade trees)
3) *Longer term corrective actions* that require the supply chain partner to take action and adapt/enhance the farming program (e.g. aging of cocoa trees, child labor due to lack of access to basic education)

Immediate corrective actions should, whenever possible, be conducted directly on the farm/in the community and noted down by the monitor. Midterm corrective actions might require an additional follow-up visit to verify if they were actually implemented. Findings for longer term corrective actions need to be analyzed in detail to be able to solve the issues in the most efficient and effective way.

The data analyst should try to discover patterns and clusters for repetitive and more wide-spread non-compliances, which then can help to adapt the program activities as such (e.g. more emphasis of an issue in farmer trainings). Root cause analysis of non-compliances or insufficient progress further helps to shape activities of the supply chain partner. Impact indicators deliver insights on potential strategic adaptations and changes of a farming program.

The supply chain partner needs to report findings, recommendations and corrective actions regularly to Lindt & Sprüngli, for the latter to be able to give advice and further guidance.

6. External Assessments

The purpose of external assessments is to 1) **enhance the credibility** of the farming programs towards customers, consumers, NGOs, investors and other stakeholders, and to 2) **gain additional insight** on improvement potential from someone outside the supply chain.

To enhance the credibility of the farming programs, an external party 1) assesses the entire Farming Program, including the functioning of the internal monitoring and performance management system, and 2) gives recommendations for improvement. The scope and selection of the sample of project elements and farms to be visited needs to be defined based on the risk assessment.

Lindt & Sprüngli decides, in consultation with the supply chain partner, which external assessor(s) is (are) used. Important features are their credibility towards our stakeholders, their knowledge on the issues to be assessed, as well as their communication, observation and analysis skills. External assessment reports need to be delivered to Lindt & Sprüngli.

In 2015, Lindt & Sprüngli started working with The Forest Trust (TFT) as external assessment partner, and officially became a member in June 2016. At least once a year, TFT visits and evaluates each of the Lindt & Sprüngli Farming Programs for cocoa beans. Progress is regularly communicated on TFT's Transparency Hub.

Contact

For questions, feedback, advice and the approval of local verification plans/tools, please contact:

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