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Lindt & Sprüngli Farming Program Verification Guidance Document

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1) About this Guidance Document

This verification guidance document sets the foundation for verification in the Lindt & Sprüngli Farming Program for cocoa beans. Due to its overarching nature, it needs to be adapted for the local context of the different origin countries 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 first been developed by Lindt & Sprüngli (International) AG during 2014, is considered a working document, which is regularly reviewed, and can continuously be improved if required¹. 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 Accountability². 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



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

Our vision is that the Lindt & Sprüngli Farming Program leads to decent and resilient livelihoods of today's and future cocoa farmers and their families, and a sustainable intensification of agriculture while securing the supply of high quality cocoa beans from a stable base of farmers. The aspired pathway of change is outlined in the Lindt & Sprüngli Farming Program Theory of Change. The Program covers the following four elements, which are targeted to reach this impact in the long-term, verification being one of them:

1. Traceability & Farmer Organization	<p>Farmers are organized in structures that suit to the local characteristics. Traceability is built up to community, and where feasible, up to farm level. Traceability provides the basis for all other activities aimed at improving livelihoods of farmers and their families. This step also includes the gathering of baseline data, on which the capacity creation & training, as well as improvement activities are based on.</p>	TRACEABILITY
2. Training & Capacity Building	<p>Farmers are trained in good agricultural, environmental, social and business practices. Other people involved in our programs receive the required capacity creation and training.</p>	IMPROVEMENT ACTIVITIES
3. Farmer Investments & Community Development	<p>Basis the results of a needs assessment, farmer and community development is supported with investments in farm extension services (e.g. farming tools such as machetes or baskets, fertilizer, shade trees and cocoa seedlings) and – if necessary – community development activities (e.g. boreholes, school refurbishments or saving groups).</p>	IMPROVEMENT ACTIVITIES
4. Verification and Continuous Progress	<p>Internal Monitoring & Performance Management: Internal monitoring and performance management systems monitor the farmers' progress regarding the application of good farming practices (agricultural, environmental, social and business), evaluate improvements and define corrective actions. Further, it allows to verify the progress towards the aspired outcomes of the Theory of Change.</p> <p>External Assessments: The external review evaluates the entire Lindt & Sprüngli Farming Program, including the internal performance monitoring system, and makes it possible to come up with recommendations for measures to improve the Program and develop it further.</p> <p>Verification hence 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.</p>	VERIFICATION



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3) The Purpose of Verification in the Lindt & Sprüngli Farming Program

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

- If basic agricultural³, social⁴, environmental⁵ and business⁶ practices are followed and continuously improved at farm level
- If the envisaged outcomes⁷ according to the Theory of Change with its focus on livelihoods of cocoa farmers and communities, and sustainable intensification of agriculture.

Verification additionally has the aim of **2) delivering insights about the improvement potential** in terms of efficiency and effectiveness of the 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.

While compliance with standards is important, and following the minimum requirements is expected, 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”.

4) Internal Monitoring and Performance Management

To be able to set up a suitable internal monitoring & performance management system, the following steps need to be conducted by the suppliers:

- a) Definition of minimum requirements
- b) Definition of Key Performance Indicators (KPIs) that measure the progress regarding the outcome of the Program, at a minimum the ones required for the Theory of Change
- c) Selection and training of staff to conduct internal monitoring visits
- d) Definition of frequency, timing and duration of the visits
- e) Definition of data to gather and methods and tools to use
- f) Definition on how to use the findings from a visit

The next pages provide guiding advice on all these elements.

³ E.g. crop protection, harvesting, post harvesting

⁴ E.g. child labor, compensation, health & safety

⁵ E.g. biodiversity, environmental protection

⁶ E.g. professionalization of the business

⁷ E.g. higher productivity of farms, diversified long-term incomes and increased resilience of farming households, conservation of biodiversity and natural ecosystems, reduction of the risk of child labor, improved community infrastructure



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a) Definition of minimum requirements

The first step is to define minimum requirements that need to be followed by the supply chain partners⁸, specifically by farmers. After having attended all training modules of the Lindt & Sprüngli Farming Program, the farmers should be able to fulfil the minimum requirements. These minimum requirements cover the social and environmental issues with the highest relevance, but are of course not sufficient to achieve the aspired impact of the Lindt & Sprüngli Farming Program according to the Theory of Change. Internal monitoring and performance management systems verify if farmers follow these minimum requirements, evaluate improvements and define corrective actions based on the results.

Our supply chain partners need to comply with Lindt & Sprüngli’s Supplier Code of Conduct. The below table summarizes the elements covered in the supplier code of conduct with relevance for the Lindt & Sprüngli Farming Program.

Principle	Elements covered in the Supplier Code of Conduct with relevance for the Lindt & Sprüngli Farming Program
Compliance with Laws and Regulations	<ul style="list-style-type: none"> — All applicable national and international laws and regulations — International Labour Organization (ILO) conventions — United Nations’ Universal Declaration of Human Rights — Industry standards and other relevant statutory requirements
Doing Business with Integrity	<ul style="list-style-type: none"> — Anti- corruption, anti-briberyAnti-trust/free competition — Fraud and other prohibited business practices
Social and Working Conditions	<ul style="list-style-type: none"> — Freely chosen employment — Child labor avoidance <ul style="list-style-type: none"> — Compensation — Working hours — Non-Discrimination — Freedom of Association and Collective Bargaining <ul style="list-style-type: none"> — Health and Safety — Working conditions
Environment	<ul style="list-style-type: none"> — Minimization of negative impacts on natural resources — Chemical and waste management and disposal
Management	<ul style="list-style-type: none"> — Communication of the code to employees and suppliers — Documented system to ensure agents, subcontractors and suppliers also comply with code — Documentation to demonstrate adherence to the code — Regular internal assessments to assure compliance with code

Since our Supplier Code of Conduct requires suppliers to take responsibility to implement these elements within their upstream supply chain, the elements shall also serve as a basis to develop minimum requirements to comply with at the farm level. For social and working conditions as well as environmental issues, there are certain farming specific minimum requirements formulated by Lindt & Sprüngli (International) AG which must be integrated in the minimum requirements developed by the suppliers:

⁸ Everybody involved in the supply chain needs to be aware of, and understand the standards required (Step 2 of farming programs – training & capacity building).



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Environment

- All natural ecosystems should be identified, protected and preserved.
- No cocoa production in protected areas (National Forests, Parks and National Conservation Areas)
- The producer knows endangered species in the area, protects these species and their habitats. He/she does not practice hunting and capture of animals.
- Fallowing is used for the creation of new plantations. Burning is not used to prepare the land.
- The use of landfill and waste burning in the open air is not allowed. The waste buried on the farm is covered with a layer of soil and away from any water way or water source.
- Sewage or waste is not discharged into aquatic ecosystems.
- The producer undertakes adequate measures to prevent soil erosion.
- The producer adopts other cultural methods like pruning to control pest and diseases and uses crop protection products as last resorts.
- The producer knows and uses only crop protection products recommended by the respective government.
- The producer knows the names of the products they use, the correct method of application, amount and period.
- No use of pesticides within 5 meters of streams and 10 meters of the rivers.
- Only trained personnel handles and applies agrochemicals. Not children under 18. Not pregnant and lactating women.
- The persons applying the product wear protective equipment that are in good condition. Protective equipment is correctly used, cleaned and dried.
- The producer can explain the time of re-entry to anyone living and working in or adjacent to the plantation and puts warning signs to inform people.
- All agrochemicals are stored in places which are well ventilated, out of reach of children and away from food.
- Crop protection products that are no longer used are stored safely and properly removed.

Social and Working Conditions

- The producer is informed of the rights of workers. Workers' rights are respected. Wages and conditions of treatment of workers is equivalent or more than what is allowed by the respective local law.
- Tenants and workers have contracts (written or verbal with controls) that comply with all applicable laws and regulations concerning wages, benefits, working hours and conditions. The workers' rights, duties and payment frequencies are defined.
- All forms of forced, compulsory, or slave labor are prohibited, including use of trafficked and bonded labor, labor by prisoners or soldiers, or the use of extortion, debt, threats, monetary fines or penalties. (According to ILO Conventions 105)
- No mistreatment or sexual abuse or harassment of workers.
- No discrimination of workers based on gender, ethnicity, religion and etc. (According to ILO Conventions 100 and 111)
- The worst forms of child labor are prohibited (according to ILO Worst Forms of Child Labor Convention No. 182)
- If young workers (15–17) are contracted, records for each young worker are kept (according to ILO Minimum Age Convention No. 138)



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b) Definition of Key Performance Indicators

Yet, the Lindt & Sprüngli Farming Program is often set up in countries, where compliance with minimum requirements is a challenge at the farm level, rooted mostly in a low (agricultural) development status of a country, region or group of people. Therefore, trainings and other activities hence target a wider spectrum of outcomes, which are outlined in the Theory of Change. While the minimum requirements can be assessed in a compliance mode (yes/no), these KPIs need to be SMART⁹. They should help to understand the progress on farmer level, and if Program activities like training are effective enough to reach the expected outcomes. The KPIs must as a minimum contain the ones pre-defined by Lindt & Sprüngli (International) AG in the frame of the Theory of Change, but supply chain partners are encouraged to add further KPIs depending on the Program activities.

The farming programs should demonstrate continuous progress towards reaching these outcomes. In developing the indicators, one always needs to keep in mind their feasibility in the local context.

c) 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 internal monitors is to build relationships with the farmers and workers involved, and focus on improving the situation on the ground. The following points should be considered¹⁰:

- 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) wherever possible
- 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 avoided¹¹
- 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)

d) 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. The following points should be considered and taken care of:

- 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)

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

The data that needs to be gathered depends on the minimum requirements, KPIs and additional information which is required to manage the Program (e.g. demographic information), 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 the minimum requirements, a “yes/no” answering structure can be used where suitable. For KPIs more variety in answers is required to capture the full picture, however, pre-defined answer options help to quantitatively analyze the survey results, especially for large amount of data.
- There should also be room for further feedback from farmers or additional topics the monitor wants to capture.

⁹ SMART indicators = Specific, measurable, attainable, relevant and time-bound indicators

¹⁰ For a list of personal attributes for monitors see also ISEAL Assurance Code of Good Practice, page 32.

¹¹ 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.



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Methods:

- 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
- The monitor should have the results of previous visits present, in order to be able to analyze improvements made.
- 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 activities¹²
- In the introduction, 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), and provide an opportunity to address questions and concerns
- The closing of the visit should bring up the key findings of the visit, discuss discovered challenges and issues, and find solutions to resolve those issues. Necessary corrective actions should be emphasized, concrete actions defined, and deadlines for solving the issues set.

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?")

f) 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 on an annual basis, 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.

¹² In general, there should be a complaint mechanism established



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5) External Assessments

The purpose of external assessments is to **1) enhance the credibility** of the Lindt & Sprüngli Farming Program 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 Lindt & Sprüngli Farming Program in each origin, including the functioning of the internal monitoring and performance management system, and 2) gives recommendations for improvement.

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 Earthworm Foundation (formerly known as The Forest Trust – TFT) as external assessment partner, and officially became a member in June 2016. At least once a year, the Earthworm Foundation visits and evaluates the Lindt & Sprüngli Farming Program for cocoa beans in all origins. Progress is regularly communicated on its Transparency Hub.

Contact

For questions, feedback, advice and the approval of local verification plans / tools, please contact: sustainability@lindt.com