Overview of 2020 external verification assessments
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## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CETICO</td>
<td>Center of Integral Transformation of Cocoa</td>
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<tr>
<td>COCOBOD</td>
<td>Ghana Cocoa Board</td>
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<tr>
<td>CPB</td>
<td>Cocoa Pod Borer</td>
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<td>DAF</td>
<td>Dynamic Agroforestry</td>
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<td>ECA</td>
<td>Escuela de Campo de Agricultores</td>
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<td>EF</td>
<td>Earthworm Foundation</td>
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<tr>
<td>EO</td>
<td>Extension Officer</td>
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<td>FH</td>
<td>Franchise Holder</td>
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<tr>
<td>FPIC</td>
<td>Free Prior and Informed Consent</td>
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<td>FO</td>
<td>field officers</td>
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<td>FT</td>
<td>Field Trainers</td>
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<td>GAP</td>
<td>Good Agricultural Practices</td>
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<td>GBP</td>
<td>Good Business Practice</td>
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<td>GEP</td>
<td>Good Environmental Practices</td>
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<td>GFW</td>
<td>Global Forest Watch</td>
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<td>GSP</td>
<td>Good Social Practices</td>
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<td>HCV</td>
<td>High Conservation Value</td>
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<td>HCS</td>
<td>High Carbon Stock</td>
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<td>HCSA</td>
<td>High Carbon Stock Approach</td>
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<tr>
<td>INIAP</td>
<td>National Institute of Agricultural Research</td>
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<tr>
<td>ISFM</td>
<td>integrated soil fertility management</td>
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<td>KPIs</td>
<td>Key Performance Indicators</td>
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<td>LBC</td>
<td>Licensed Buying Company</td>
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<td>LF</td>
<td>Lead Farmer</td>
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<tr>
<td>L&amp;S</td>
<td>Lindt &amp; Sprüngli</td>
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<tr>
<td>NAQUIA</td>
<td>National Agriculture Quarantine Inspection Agency in Papua New Guinea</td>
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<tr>
<td>ND&amp;A AP</td>
<td>No Deforestation and Agroforestry Action Plan</td>
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<tr>
<td>PC</td>
<td>Purchasing Clerk</td>
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<tr>
<td>PNG</td>
<td>Papua New Guinea</td>
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<tr>
<td>PO</td>
<td>Program Officers</td>
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<tr>
<td>PPE</td>
<td>Personal Protective Equipment</td>
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<td>SAF</td>
<td>Agroforestry System</td>
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Background

The Lindt & Sprüngli Farming Program’s goals are decent and resilient livelihoods for current and future cocoa farmers and their families, as well as a sustainable intensification of agriculture. This shall be achieved through:

- Higher productivity of farms
- Diversified incomes and increased resilience of farmers
- Conservation of biodiversity and natural ecosystems
- Reduction of the risk of child labour
- Improved community infrastructure

Initiated in 2008, the Program forms the cornerstone of L&S’s sustainable sourcing strategy in the cocoa supply chain, and is in place in Ghana, Ecuador, Madagascar, Papua New Guinea and Dominican Republic for the 2020/21 cocoa season.

The Farming Program comprises 4 key components:

1. **Traceability & Farmer Organization**
   - Farmers are organized in structures that suit the local characteristics. Traceability is built up to community level, and where feasible, up to farm level. This step also includes the gathering of baseline data, on which the improvement activities are based on.

2. **Training & Capacity Building**
   - Farmers are – if necessary – trained in good agricultural, environmental, social and business practices. Other people involved in the Programs also receive the required capacity creation and training.

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, school refurbishments).

4. **Verification and Continuous Progress**
   - **Internal Monitoring & Performance Management**: Internal monitoring and performance management systems verify if farmers follow the trained “good farming practices (agricultural, environmental, social and business), evaluate improvements and define corrective actions.”
The L&S Verification Guidance Document is the mechanism for defining principles and minimum requirements, setting goals and prioritizing voluntary requirements to drive innovation and improve practices in the field. The goal of verification is to assure the effectiveness of its progress.

EF’s role is to independently evaluate how supply chain partners create, manage, and adapt systems for traceability, farmer training, farmer investments & community development, and internal monitoring & performance management in response to changing local conditions. This summary of verification activities points out the most important findings (challenges and strengths) and recommendations following the 4 components of the Farming Program.

The Lindt & Sprüngli No Deforestation and Agroforestry Action Plan spells out the actions which L&S suppliers put in place to reach the target of a deforestation free cocoa supply chain by 2025. Implementation of this Action Plan was assessed during the visit conducted by EF teams. As this Action Plan is also structured under the 4 pillars of the Farming Program, the findings and recommendations related to this Action Plan are included within this annual report.

The L&S Supplier Code of Conduct sets out the requirements expected of L&S suppliers (including their employees, agents, subcontractors, and suppliers) regarding compliance with laws and regulations, corruption and bribery, social and working conditions, child labor, and the outside environment. These are the third set of requirements whose implementation is assessed by EF teams.
The verification assessment process is carried out in four main phases: 1/planning, 2/preparation, 3/field visit, and 4/analysis and reporting. These phases are described in detail below:

The outcome of the assessment is a summary of the supplier’s implementation status or progress, and contains a set of recommendations aimed at improving their performance. By following a continuous improvement approach, we look to enable mutual learning and co-create locally embedded solutions. As such, no pass or fail certification is handed out, as the assessment is not intended to serve the purpose of an audit.

For more details about the methodology, please click on the link HERE.
2020 overview

EF assessed seven Farming Programs in five different countries in 2020, each one of them being in a different stage of implementation. The numbers mentioned in this report, reflect the numbers at the moment of the assessment (and not per end of season).

- In Ghana, the L&S Farming Program is implemented by 1 supplier and includes 64,406 farmers.
- In Ecuador, the Program now works with 2 suppliers and over 8,473 farmers.
- In Madagascar, the Program now works with 2 suppliers and 2,223 farmers.
- In Papua New Guinea, country of origin in scope since 2017, the Program works with 1 supplier and 4,138 farmers.
- In the Dominican Republic, country of origin in scope since 2018, the Program works with 1 supplier and 739 farmers.

This report provides a summary of the Assessment Reports. Origin countries are listed in alphabetical order.
Dominican Republic

Map: areas visited during EF’s 2020 assessments

areas visited during EF’s 2020 assessment

Santo Domingo
<table>
<thead>
<tr>
<th>Farming Program initiated in</th>
<th>2018</th>
<th>EF visit timeframe</th>
<th>16 – 23 November 2020</th>
<th>3rd visit</th>
</tr>
</thead>
</table>

**General description**

The visited company in Dominican Republic is a cocoa supplier to L&S and started implementing the L&S Farming Program in 2018. Today, the company’s Program involves 739 farmers. An independent foundation is supporting the company in implementing the Farming Program activities.

The visit covered the provinces of Duarte, Hermanas Mirabal and Sanchez Ramirez and consisted of interviews and visits with the following groups:

- The company’s management and staff in Francisco de Macoris and Human Resources in Santo Domingo (23 persons)
- Management, staff and technical officers of the independent foundation that implements L&S Farming Program activities (9 persons)
- Intermediaries supplying traceable cocoa to the company (1 person)
- 14 Individual farmers and farms (farmer groups meetings were not possible because of COVID-19 restrictions)
- Social projects under implementation in sourcing areas (2 persons)
- Consultants supporting monitoring process (1 consultant)
- Owners of cocoa nurseries supporting the company’s replanting scheme (3 persons)
- The Foundation Loma Quita Espuela (3 persons)
- The Duarte savings cooperative (7 directives)

The company and the independent foundation had to face strict regulations and restrictions of free movement that limited the planned activities for the Farming Program. Even in this situation, both the company and the independent foundation, found innovative alternatives to comply with Farming Program requirements and achieve their goals.
TRACEABILITY & FARMER ORGANIZATION

PROGRESS SINCE THE PREVIOUS VISIT

- The company has a traceability system from the farm, through the distribution of labeled bags or manual identification of intermediaries and farmers, and keeps the cocoa for L&S separated at all times. The traceability data is managed by the company’s quality control center.

- A protocol has been established and shared with intermediaries for the correct management of the cocoa supply from the Farming Program. The protocol clarifies the requirements for both farmers and intermediaries.

- The independent foundation in charge of implementing the Farming Program on behalf of the company has a list of farmers participating in the Program: a total of 739 farmers. The yearly goal to increase the number of farmers included in the Farming Program was completed even in the adverse scenario of the COVID-19.

- The traceability test done during this external assessment (upstream and downstream) was successful. It was carried out from the composition of the batch to the producer and following up on the producer’s purchase receipts until the lot was formed. The purchase documents of an intermediary were also included in the test. Additionally, a test was requested on the history of suppliers in which it was possible to verify that they have the whole record in the system of CETICO’s (Center of Integral Transformation of Cocoa) traceability.

- Each producer has a unique code that can be tracked from sale of cocoa beans all the way to the conformation of the export batch.

- Most of the farmers visited during this assessment keep the receipts delivered by intermediaries or directly by the company.

RECOMMENDATIONS

- The inter-generationality of the Program is one of the main challenges, taking into account that 42.9% of producers are over 63 years old and only 4.8% are under 35 years old, according to the monitoring conducted during this year. Therefore, it is recommended to design an effective communication strategy to influence and include young and female producers in the Program’s activities in each zone. It is also recommended to have an impact indicator on the participation of women and young people in the Program’s activities. This will allow to measure any efforts and performance in this regard. Likewise, it is important to open a space to discuss and
exchange successful experiences that have been developed in the territory by the personnel.

- As shared with the supplier already during last year’s visit, it is recommended that intermediaries weigh all cocoa received under the Farming Program, including cases where the price is defined by volume rather than weight. This will allow comparison of the initial weight delivered to the intermediary with the final weight received by the company.

### TRAINING & CAPACITY BUILDING

#### PROGRESS SINCE THE PREVIOUS VISIT

- Due to the association constraints of the COVID-19 pandemic, no training could be organized during the assessment team’s visit. The recommendations below are a result of the dialogue with producers and the independent foundation technical team and are based on the observations made during the visit, and the requested documentation.

- Producers continue to value the training processes and the opportunity to improve their knowledge about cocoa cultivation.

- A theoretical and practical training on financial management for producers was implemented. To apply this training, a user-friendly format was designed for recording income and expenses on their farms. To strengthen knowledge of finance and administration, the independent foundation signed a strategic alliance with the Duarte Savings Cooperative.

- Training sessions were coordinated for producers on the production of bio fertilizers, which are implemented on their farms.

- During the health emergency caused by COVID-19, the company’s technicians and supervisors implemented strategies to approach the producers individually and continue one-to-one training, maintaining the training methodology ECA (Escuela de Campo de Agricultores). Since meetings with social distancing have been authorized, ECAs were conducted again with small groups of six producers.

#### RECOMMENDATIONS

- Ensure a better balance between training topics. While training is provided in terms of renewing cocoa trees and increasing productivity, it is necessary to better integrate more topics related to good agricultural practices (GAP) and good environmental practices (GEP) into the training curriculum.
• It is recommended that the technical team use more resistant and adapted teaching material (materials resistant to constant movement and water, with large letters and large spaces considering that the current audience is of older age).

• Especially for practical trainings which are conducted by expert third party organizations, it is recommended that the independent foundation technical team attends all trainings delivered in their geographic area of responsibility in order to ensure a better follow-up and reinforcement.

• Strengthen the independent foundation technical team’s capacity to analyze and integrate topics on good social practices into the training and support approach to all cocoa farmers.

• No-deforestation and Agroforestry Action Plan information should be transferred to the producer in a didactic and playful way so that in the future farmers themselves can identify risks and respond to them.

FARMER INVESTMENTS & COMMUNITY DEVELOPMENT

PROGRESS SINCE THE PREVIOUS VISIT

• Relationships with service providers for the reproduction (nurseries) and distribution of plants, for the renewal of cocoa and for shade trees, have been strengthened. We have noticed a better performance in terms of delivery and quality of the plants, and a new nursery has been implemented. 890 shade trees and 71,629 cocoa plants have been distributed.

• The first micro-enterprise to produce bio fertilizers was started with a group of farmers, which is relevant to the needs of the producers.

• The premium destined to the community has been invested in two specific actions (improvement of two houses in a community and improvement of the roads), following the suggestion of partners.

• The company improved its system that allows to prove that the Program’s premium was received by the producers and to differentiate this amount from possible bonuses of other programs.

• During the COVID-19 pandemic, food kits and biosafety implements were provided to farmers identified as vulnerable. In addition, investments were made to form brigades that visit and support Program producers and their agricultural laborers in their farms.
RECOMMENDATIONS

- Premium receipts signed by farmers should indicate the monetary value of in-kind premiums to allow farmers to know the program origin or initiative (frequently certification) of his premium, for greater transparency. This information is already available in the independent foundation’s documentation system.

- As recommended last year, a distribution strategy of plants and shade trees based on the farm diagnostics and monitoring data will allow to optimize resources and ensure better alignment with farmer needs in line with the objectives of the L&S No-Deforestation and Agroforestry Action Plan.

- Establish a roadmap for the strengthening and full development of existing and planned micro-enterprises with special emphasis on issues such as financial management, logo and brand development and capacity building for micro-entrepreneurs as business leaders.

- Analyze and evaluate the community assessments conducted so far to verify that the information collected is consistent and coherent with the Farming Program, L&S Supplier Code of Conduct, No-Deforestation and Agroforestry, Action plan indicators.

VERIFICATION & CONTINUOUS PROGRESS

PROGRESS SINCE THE PREVIOUS VISIT

- The independent foundation continues with the process to digitalize the initial diagnosis and the regular monitoring of farms. The new operating system will make it possible to update GPS data with portable equipment immediately.

- Internal monitoring is done regularly and at minimum once per farmer per year. Randomized controlled monitoring visits are additionally conducted.

RECOMMENDATIONS

- As pointed out during last year’s visit, it is recommended to apply holistic farm perspectives, as done during initial diagnostic and during monitoring. For example (i) to identify the use of chemicals in neighboring plantations that can impact entire farm, (ii) to protect water streams and avoid washing of chemical recipients in water streams and (iii) to identify measures for the protection of slope areas with high risk of erosion.

- Pending is the revision of data collected during diagnostic and monitoring to respond to key indicators as set out by the Farming Program and to identify data gaps that may still
exists in diagnostic and monitoring and are considered relevant for the Dominican Republic.

- The independent foundation should design research protocols for their studies, to generate evidence for decision-making, and keep aligned information in order to be consistent with the Program indicators.
- Establish strategic alliances with educational institutions to support the design and implementation of information gathering and monitoring processes.

### SUPPLIER CODE OF CONDUCT AND FARMING PROGRAM MINIMUM REQUIREMENTS

#### PROGRESS SINCE THE PREVIOUS VISIT

- At industrial level, the company has a good level of compliance with the L&S Supplier Code of Conduct. Especially the requirements in terms of workers’ security and welfare are met.
- The processing plant of CETICO has a water treatment system for leaching from cocoa.

#### RECOMMENDATIONS

- As highlighted last year, in the direct contracting of third parties for production of cocoa seedling, we recommend to share the L&S Supplier Code of Conduct with contractors, so that requirements for working conditions and workers’ welfare are met by these contractors.
- The risk map of the company’s premises currently only exists in document format. As mentioned in the last visit, we recommend translating this to a visual risk map, which should show key areas to ensure swift actions by staff and potential visits in case of emergencies.
- The technical team should further implement actions to protect springs and bodies of water and areas with steep slopes that are at risk of erosion.
- It is also recommended for the supplier to carry out communication and awareness campaigns for good manual handling of loads by staff.
- Use luminescent signs, where the colors, shapes and meaning of the fire signs are specified, defining and describing the signaling of the evacuation routes in terms of pictograms to be used, measurements and observation distances.
- Carry out communication and awareness campaigns on the proper use of masks, social distancing and hand washing during the working day.
CONCLUSIONS AND OUTLOOK FOR SUPPLY CHAIN TRANSFORMATION

The company and the associated foundation are in their third year of implementation of the L&S Farming Program and in certain areas, the independent foundation has already reached a considerable level of maturity. The relationship with the farmers, the traceability to the farm and the company’s commitment to supply quality cocoa are among the most relevant achievements to mention. Besides this, the associated independent foundation has shown a high level of commitment to adapt to the challenges of the past year and continue Program implementation in the best possible way.

There are, of course, areas for improvement, such as completing the community diagnosis of the areas where the Program is working, to have a better understanding and overview of the actions and incentives in which the Program invests; structuring data in such a way that the information is relevant to measure Program impacts and provide data that facilitate decision-making; designing strategies to encourage the participation of women and young farmers in Program activities; improving registration and accuracy in the information and documentation of the incentives.

Although the No-deforestation and Agroforestry Action Plan has been part of the training plan for technicians, it is important that the information is transferred to the producer in a didactic and playful way so that in the future farmers themselves can identify risks and respond to them. For this, it is important that the technical team continues to strengthen its capacities.
Ecuador

Map areas visited during EF’s 2020 assessments in Ecuador
Project Overview – Ecuador Supplier 1

<table>
<thead>
<tr>
<th>Farming Program initiated in</th>
<th>EF visit timeframe</th>
<th>26 of October – 04th November 2020</th>
<th>6th Visit</th>
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**General description**

The visited company in Ecuador is a supplier of fine flavour cocoa to L&S and started implementing the L&S Farming Program in 2014. Today, the company’s Program involves 6,473 farmers with baseline data gathered.

The visit covered two provinces, Guayas and Cañar in order to reduce long travel and avoid overnight stays in hotels as a precautionary measure for COVID-19. The visit consisted of interviews and visits with the following groups:

- The company’s management and staff
- The company’s commercial collection centers
- 3 Licensed Buying Agents who sell traceable cocoa to the company
- 16 Individual farmers and their farms (12 farms)
- 1 Model farm prospect as well as diversification and renovation projects
- Meeting with Manglares Churute Ecological Reserve representatives

EF positively noted the continuous efforts undertaken by the company team in Ecuador to improve the implementation of the Farming Program. Recommendations from earlier assessment visits have been taken into consideration. One of the outstanding achievements that merits special mention is the outreach of the company to farmers in times of pandemic, through various printed or digital mediums, to share key information for the care of people and information regarding the Program.

**TRACEABILITY & FARMER ORGANIZATION**

**PROGRESS SINCE THE PREVIOUS VISIT**

- The company has a traceability system that includes all the farms, including GPS identification points of every farm, which is part of the Farming Program.
- The company started to determine polygons of farms: 227 of all Program farms have polygon maps in 2020.
• Fine flavour cocoa beans are kept physically separated and well labelled during all processes (fermentation, drying, storing, transport).
• The suppliers keep well organized files, registry and receipts.
• A traceability test was successfully performed.

RECOMMENDATIONS
• Complement and apply a protocol for producers legally located in protected areas (National System of Protected Areas and their respective categories). Actions in the protocol include, amongst others, to know and verify the compliance of the protected area regulations beyond holding the legal permit to operate, map out and categorize producers in protected areas. Take farm polygons of GPS points in alignment with the No-Deforestation and Agroforestry Action Plan.
• Develop and apply a relationship protocol for indigenous communities in the supply chain, which incorporates the Free Prior and Informed Consent (FPIC) principles in alignment with the No-Deforestation and Agroforestry Action Plan.

TRAINING & CAPACITY BUILDING

PROGRESS SINCE THE PREVIOUS VISIT
• Individual outreach to farmers for coaching has been prioritized instead of group activities as restrictions on mobilization due to the COVID-19 pandemic.
• Under the COVID-19 context, diverse strategies, mainly digital, have been undertaken to maintain contact with producers and strengthen capacities through the dissemination of educational material, while avoiding physical contact. Safe management of agrochemicals, management and protection of water sources, and deforestation – reforestation, are some of the educational material spread (No-Deforestation and Agroforestry Action Plan)
• COVID-19 prevention information has been shared with suppliers and farmers.
• For 2020, the company has information on female heads of households who are part of the Program, which will allow to strengthen Program implementation with a gender approach for participatory inclusion.
• Farmers incorporate GEP and GAP as well as activities to improve the productivity of their crops, such as farmers who carry out grafting on their own crops based on the training received within the framework of the Agricultural Program.
• EF led a workshop for technical staff and Program responsible of the company for implementing the L&S No-Deforestation and Agroforestry Action Plan and the Holistic Farm plan methodology based on High Carbon Stock (HCS)/High Conservation Value (HCV) approach.

RECOMMENDATIONS

• Use more colloquial language in the disseminated materials for the strengthening of farmers’ capacities in order to ensure their understanding of technical content. Avoid where possible technical terms difficult to understand by farmers.

• Reinforce and promote, through individual assistance from the technical team to farmers, the adoption of crop management activities in which farmers currently lack knowledge or need more assistance, especially those focused on improving production (E.g. grafting). Identify individual needs of assistance as inputs for coaching strategy.

• Measure the extent of diffusion of information through social networks with the producers of the Program to establish goals and reinforcement strategies with the population that does not have access to digital tools or that does not have skills for managing social networks. These information will be useful to develop different educative strategies based on information and communication technologies.

FARMER INVESTMENTS & COMMUNITY DEVELOPMENT

PROGRESS SINCE THE PREVIOUS VISIT

• Farmers and suppliers of the L&S Farming Program know how the premium system works.

• The company selects appropriate machines and supplies as in-kind premiums, oriented towards sustainable production improvements and to strengthen the group organization. This approach keeps farmers motivated.

• Established community projects (distribution of one dryer for a group of farmers, group organisation around use and handling of agricultural machinery) generate opportunities to create new partnerships (NGOs, local governments, among others) and implement project at landscape level (E.g. protection of riparian zones)

• New partnerships for the delivery of organic inputs with 2 large commercial houses in Ecuador open the opportunity to advance to cleaner production under the Farming Program.
The company has delivered food and protection kits against COVID-19 to families of producers whose income has been affected by the pandemic.

RECOMMENDATIONS

- Measure and analyse the real capacities of producers chosen for the establishment and maintenance of model farms. Support the implementation process to ensure results are sustained over time. (Health, age, capability to hire workers, workforce within the family, etc.)
- Discuss / analyse the possibility that the planned SAF (Agroforestry System) / DAF (Dynamic Agroforestry) plots can be focused on HCV areas, especially those with steep slopes, in such a way that the positive impacts of this investment from the Program can be enhanced.
- Prioritize farms located in protected areas or their buffer zones for the implementation of model farms or SAF / DAF plots, also the Holistic farm approach (No-Deforestation and Agroforestry Action Plan)
- Define a “special bonus” system for farmers who have HCV / HCS areas on their farms and are making management and conservation efforts.

VERIFICATION & CONTINUOUS PROGRESS

PROGRESS SINCE THE PREVIOUS VISIT

- For internal monitoring of the farmers, the company has a digital system for gathering and registering information, which serves as support for the monitoring of the Program. 100% of farmers where visited last season.
- The company additionally carries out audits to suppliers and farmers to verify compliance with the Program. An internal audit team is in charge to check quality control of information.
- Since 2020, the company at a global level has implemented a digital platform that allows the analysis of information about the Program and its implementation

RECOMMENDATIONS

- Identify farms whose additional crops may represent a risk due to the practice of burning, especially those in protected areas or in their areas of influence. This information has to be highlighted over the base line and monitoring process for decision-making.
• Identify farms whose economic activities of the producers, other than cocoa, may be affected or represent a risk in terms of timber trafficking or illegal logging (e.g. the production of charcoal), especially in nearby farms or within protected areas. This action is relevant for decision-making based on mitigation of possible risks criteria.

• Strengthen surveillance and communication with producers to avoid contamination of cocoa by the presence of animals, especially in areas where cocoa is fermented and dried.

SUPPLIER CODE OF CONDUCT AND FARMING PROGRAM MINIMUM REQUIREMENTS

PROGRESS SINCE THE PREVIOUS VISIT

• The company has achieved important improvements in the management of agricultural products on farms as well as adequate waste management. Farms with good general cleanliness (no or little garbage on plantations) were observed.

• The company’s workers have adequate personal protective equipment (PPE). Additionally, protective equipment against COVID-19 has been provided by the company.

RECOMMENDATIONS

• Strengthen the use of PPE targeting the suppliers’ intermediaries’ level. Reinforce capacity-building process through specific workshops and convey the message during the technical visits.

CONCLUSIONS AND OUTLOOK FOR THE SUPPLY CHAIN TRANSFORMATION

The implementation of the Farming Program by the company has reached a good level of maturity. With the COVID-19 scenario, the company has demonstrated a strong commitment to farmers, prioritizing among its actions those that allowed outreach to the farmers in a digital way. In a context of sanitary isolation, the company has devised ways to maintain continuous communication and has strengthened capabilities through strategies such as coaching. The monitoring and follow-up systems are well implemented and have been strengthened after the launch of a new digital platform, which allows a quicker access to systematized information on the implementation and key indicators of the Program.

The company has started the process of farmer characterization, in order to identify supply areas located inside or near of Protected Areas, as well as the identification of HCV areas, with special attention to water sources. For this action, it will be necessary to crosscheck the
georeferenced information of the farms with all the categories of the National System of Protected Areas.

A holistic approach to the farm that considers all aspects of the cocoa-producing family, instead of a just a “cocoa-farm” approach, will allow a greater accuracy in terms of action, investment strategies and consequently will ensure a better sustainability. With this comes also the ability to better identify possible risks in the supply chain.

Project Overview – Ecuador Supplier 2

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<thead>
<tr>
<th>Farming Program initiated in</th>
<th>2015</th>
<th>EF visit timeframe</th>
<th>21\textsuperscript{st} -25\textsuperscript{th} September, 2020</th>
<th>6\textsuperscript{th} EF assessment</th>
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General description

The visited company in Ecuador is a supplier of fine flavour cocoa to L&S and started implementing the L&S Farming Program in 2015. Today, the company’s Program involves 2,000 farmers.

In 2015, L&S initiated a collaboration with EF to undertake regular external assessments of the Farming Program. It covered the provinces of Los Ríos and Bolivar, and consisted of interviews and visits with the following groups:

- The company’s management and staff (18 people)
- 3 company’s commercial collection centers in Potosí and Ventanas
- 1 representative of an Association which sells traceable cocoa to the company
- 13 Individual farmers and their farms
- 2 demonstration plots of DAF
- Field training event with the technical company staff (12 persons)
- 1 initial training for new producers in the Farming Program

The COVID-19 pandemic context has limited the possibility of the company to comply with the full original action plan for 2020. They had to change actions and budget in order to support farmers with medicine, food and safety supplies, with prior consent of L&S.
The trust relationship fostered between farmers, buying associations and the company’s technical and managerial staff, are stronger. Interviewed farmers said they feel very supported by the company and the Program during this difficult time.

TRACEABILITY & FARMER ORGANIZATION

PROGRESS SINCE THE PREVIOUS VISIT

- The company has a traceability system that traces the cocoa back to farmers.
- A traceability test from warehouse to farmer was performed, which was successful.
- Fine flavour cocoa beans are kept physically separated by color of bags, to differentiate it from conventional cocoa. This process starts at farm or collection centres, and continues throughout the entire supply chain (fermentation, drying, storing, transport).
- The company determines and calculates delivery quotas of cocoa beans from each farmer, based on the production capacity of their farms.
- The company has a GPS identification point of every farm, which is part of the Farming Program.

RECOMMENDATIONS

- Capture the full GPS boundaries of the farms located in Abras de Mantequilla, which is classified as a Ramsar site (i.e. a wetland of international importance). This polygon data can also help to improve the calculation of cocoa delivery quotas. This is a past year visit recommendation that could not be implemented because of the COVID-19 context, and it is necessary to include it in the action plan this year.
- Record in a more accurate way the increase of grafted and replanted trees on the farms, for adjustment and verification of delivery quotas per producer.
- Analyse the annual information obtained from the evaluation and monitoring records to create relevant progress indicators. It includes the identification of potential cases where cocoa beans from non-Program farmers could be added to volumes from farmers in the Program.
- Identify and prioritize conservation actions with farmers located in or around the Ramsar “Abras de Mantequilla” site, in accordance with the strategic plan for the development of the community of municipalities for the management of the Abras de Mantequilla (past year recommendation).
TRAINING & CAPACITY BUILDING

PROGRESS SINCE THE PREVIOUS VISIT

- The company has incorporated the use of facilitation techniques from popular education methods and has included them as part of their capacity building process. The farmers are highly motivated to participate in the activities of the L&S Program.
- This year the company has established 5 demonstrative plots of DAF in selected farms, with active participation of farmers.
- The company guarantees equitable access for women to training processes and promotes their effective participation.
- The company facilitates the technical training of farmers in various aspects of cocoa management, with the support of specialized institutions.
- The company provides agricultural and entrepreneurship training focused on diversification (e.g. swine production, beekeeping, aquaculture, organic fertilizers, financial education, business plan, etc.).
- EF was able to attend an initial training for producers, under the COVID-19 context. The workshop held had a ventilated place and adequate distance, appropriate health security measures at entry and the right number of people for the space.
- It has been shown that producers are implementing what they have learned in the different training sessions on their farms.
- The company has a technical assistance Program, which is accessible for farmers through the use of a call centre. Farmers are happy with the speed with which their assistance requests are met.
- The internal trainings addressed to the Program technicians and carried out among themselves, made it possible to unify messages of technical assistance to producers, providing greater clarity in the guidance process.
- EF conducted a workshop on self-sustaining economy on the farm and on the Integral Farm Plan Methodology (HCSA focus) for the company’s team involved in the Farming Program.
- Training processes encourage productive diversification and provide tools and technical capabilities to farmers to obtain additional income through service offerings.
RECOMMENDATIONS

- Reinforce the use of more colloquial language to ensure farmers understand the training sessions and the recommendations of the assistance visits.
- Explain to farmers the importance of the different types of HCV/HCS with examples that demonstrate the benefits they represent for agriculture (e.g. conservation of water sources means water for irrigation) during the technical assistance visits, monitoring or base line visit.
- Reinforce the capacity building of the company technicians and farmers regarding the diversification of cocoa associated products and commercialization of the new products (fruits, honey) sink to incentives (premium/investments)

FARMER INVESTMENTS & COMMUNITY DEVELOPMENT

PROGRESS SINCE THE PREVIOUS VISIT

- The premium system established by the company allows farmers to decide what type of agricultural supplies or tools they want to acquire. The company receives suggestions for access to new supplies through the premium system and investments.
- The agricultural supplies delivered by the premium system have been used to promote the adoption of a more sustainable agriculture system, in alignment with the practices promoted by the Program (e.g. bio fertilizer delivery to farmers).
- The company distributes organic fertilizers through the premium/incentives system. The fertilizers are made by an association of producers who benefited from the entrepreneurship incentive of the L&S Farming Program. This is a good way to close the cycle and increase the sustainability of the venture.
- The company provides incentives to the farmers who deliver agrochemical containers that have been drilled through and triple washed.
- Investments made by groups or associations are previously agreed between the parties.
- Clear communication is maintained with farmers about the functioning of the premium, rewards, and incentives system.
- There is a high level of consistency between the training topics and the bonus system.
- The company is supporting the reforestation of riparian areas on the farms of its suppliers giving trees to the farmers.
- 5,000 shades trees and 23,500 cocoa plants have been distributed
- A COVID-19 response Action plan was put in place, to support 700 farmers considered vulnerable.

RECOMMENDATIONS
- Deepen the use of holistic farm planning concepts for a better design and implementation of income diversification projects and model farms.
- Quantify cocoa plantation renewal opportunities/needs in order to define renewal/reseeding goals. Renovation plans have to consider the HCV/HCS criteria.
- Strengthen conservation actions of water sources and riparian areas including swamps and other kinds of wetlands. Include more detailed information about different types of water sources into the baseline and during the monitoring visit.
- Extend the information and knowledge of alternative products in the elaboration of by-products for greater diversification of markets. Strengthen self-consumption actions in the family context and as a strategy to conserve food and avoid wasting resources.
- Expand the awareness about people graduated in grafting and pruning at the National Institute of Agricultural Research (INIAP) in order to ensure that farmers hire workers with the right skills.

VERIFICATION & CONTINUOUS PROGRESS

PROGRESS SINCE THE PREVIOUS VISIT
- A vast amount of information has been collected on the initial situation of the farms (baseline) and their year-to-year status (monitoring).
- Some staff have committed to the transcription and summarizing of data collected. They also verify the quality of the information collected in the field.
- The annual monitoring plan has been implemented by the company, taking into account a COVID-19 safety protocol.
- Technical staff in charge of monitoring improve on an on-going basis their outreach skills to farmers.
RECOMMENDATIONS

- Develop a set of key performance indicators (KPIs), within the framework of the Program, which allows an assessment of the implementation progress of the recommendations made by the company’s technicians to farmers.
- Incorporate systematized additional information from the visits that technical field staff made during the year.

SUPPLIER CODE OF CONDUCT AND FARMING PROGRAM MINIMUM REQUIREMENTS

PROGRESS SINCE THE PREVIOUS VISIT

- In the social, environmental and occupational health and safety policies, aspects relevant to gender and No deforestation (HCV) have been updated, which allows a more organic action of the company in relation to these issues.
- The company has developed a work safety protocol in the context of the pandemic, for the entire Agricultural Program team.
- In the context of the pandemic, workers implement the necessary protection/hygiene practices
- No forced labour, child labour or any kind of harassment has been identified
- The company starts workshops and group activities providing clear instructions to keep them free from harassment.

RECOMMENDATIONS

- Deliver basic information material on the Program and main elements of the L&S Supplier Code of Conduct to producers, especially those related to permitted agrochemicals and security measures for handling agrochemicals.
- Keep and reinforce actions to guarantee that training and education spaces are free from harassment, especially between participants. It is important to define rules or norms of behaviour at the beginning of training activities and field days.

CONCLUSIONS AND OUTLOOK FOR THE SUPPLY CHAIN TRANSFORMATION

The implementation of the Farming Program by the company was strongly conditioned by the COVID-19 pandemic context, especially in terms of group’s activities. During the confinement
period, the company started a process of internal capacity building and improvement of their skills related to the Farming Program elements. Moreover, the company took this time to design new strategies to comply with their action plan commitments in the middle of the COVID-19. The traceability and the monitoring systems are strong. However, as a consequence of the renewal, the quotas per farmer of reseeding and grafting need to be reviewed and adjusted. Solving the need to foster more environmental friendly and organic production of cocoa has been well linked with the incentives and economic alternatives for farmers associations, as well with the capacity building process. In this sense, the DAF pilot plots are important because they show that a different approach than conventional cocoa production is possible, amplifying the horizon in terms of the farm land use.

Gender issues are starting to have a place in the capacity building process and methodologies are improving to ensure women’s effective participation at different levels of the Farming Program implementation. This is a decisive and strong step towards gender equality.

The company should still improve their efforts to define, preserve, and protect HCS/HCV areas, which are found in or around the farms of farmers in the Farming Program. This is crucial for the Ramsar site “Abras de Mantequilla” through which the relationship between farm and ecosystems can be better understood. Additionally, full GPS boundaries of farms and of HCV/HCS sites is highly recommended, especially in the short term. This is part of a continuous learning process that will give the company access to better information and improve their monitoring system. The company is committed to implementing this recommended action.

To keep improving the Program’s training courses, topics such as water resources and slope preservation should be reinforced over the medium term.

Overall, the company has taken big steps year after on the back of improvement challenges. Even with the COVID-19 context, the company shows a proactive leadership, creative reaction to face the current difficulties and a continuous support to farmers.
Ghana

Map: areas visited during EF’s 2020 assessment

Map: areas visited during EF’s 2020 assessments
Project Overview – Ghana Supplier 1

### General description

The supplier has been part of the L&S Farming Program in Ghana since February 2008. The company buys dried cocoa from a network of farmers organized into societies around Purchasing Clerks (PCs). At the end of July 2020, the Program has 66,144 farmers distributed across four regions, 51 districts and 1,812 Societies in Ghana.

During this assessment, the EF team held the opening and closing meeting with the company management in Kumasi. The EF team visited:

- Six Depots
- Thirteen societies (communities)
- Three individual cocoa farms
- 13 PCs sheds
- Two alternative livelihood activities (pineapple and poultry farm)
- Two completed boreholes and one school under construction.

Through our group and individual farmer meetings, we engaged with a total of 187 farmers including individual farmer discussions. The visit took place throughout the Western North, Bono, Bone East, Ahafo and Central regions of the country.

### TRACEABILITY & FARMER ORGANIZATION

**PROGRESS SINCE THE PREVIOUS VISIT**

- Generally, there is good traceability documentation and process in place, keeping track of cocoa beans from the farmer level through the PC to the depot as observed last year.
- During the visit, it was observed that 12 out of the 14 PCs visited had tags for their cocoa bags before the opening of the new cocoa season.
- All cocoa bags at the PC shed and depot were tagged.
- Record-keeping at the depots and the PC sheds were consistent.
Farmer societies continue to meet regularly as observed last year and this has strengthened collaboration between farmers.

- 78,411 hectares of cocoa farms have been mapped compared to the 75,860 hectares mapped last year, showing an increase of 2,551 hectares.
- Of the 66,144 farmers in the Program, 55,236 have had all their farms mapped, compared to 50,683 last year.
- Farm polygons have been compared to official protected forest maps by the company and legality of farm locations with regards to protected forests has been checked.
- Regarding commitment towards zero-deforestation and zero sourcing from protected areas; based on the legality checks, 3,536 of the farmers who are registered under the Program, were identified to have their farms located in protected areas. The company has developed an action plan to manage and/or transition these farmers out of the protected areas but are awaiting guidance from Cocobod.
- 75 farmers who wanted to join the Program in season 2019-20 were identified to be farming in protected areas and therefore have been disqualified from joining the Program.

**RECOMMENDATIONS**

- According to the assessment, farm expansions are still ongoing and have not yet been mapped. Therefore, Field Trainers (FTs) need to continuously gather data on the new expansion and map the new areas under expansion.
- During meetings at societies such Eteso, some farmers were introduced as new farmers without having received the recommended orientation. It is therefore important to define a timeline for accepting farmers into the Program and to raise awareness of the PCs on this challenge including the legality check.
- At some PC sheds, cocoa bags were not arranged in accordance to the recommended standard. It is therefore recommended that PCs are provided with training on how to arrange cocoa bags at their sheds.
TRAINING & CAPACITY BUILDING

PROGRESS SINCE THE PREVIOUS VISIT

- As in previous visits, farmers indicated that they appreciated the training they received, which resulted in higher yields and fewer cases of black pod disease following the adoption of pruning.
- Out of the total 66,144 farmers who are registered in the Program, 64,963 farmers have benefited from at least one training in the Program compared to 63,976 farmers last year (an increase of 987 farmers).
- Of the 66144 farmers enrolled in the Program, 24,343 completed the entire training, compared to 22,809 last year.
- 18,841 farmers have been trained on additional livelihood activities as against 17,693 farmers last year and this has helped to diversify the income of farmers
- Training tools were appropriate to the context as observed last year.
- There is the availability of training records, schedules and farmer feedback as observed last year.
- All field staff have been trained on the No-Deforestation and Agroforestry Action Plan
- Over 60,000 farmers have been trained on GAP, GEP, GSP, Sustainable intensification, integrated soil fertility management (ISFM), farm diversification, farm renovation/rehabilitation.

RECOMMENDATIONS

- It was observed that training focused on GAP and GEP as a priority. However, there is a need to give equal priority to GAP, GEP and GSP, Good Business Practice (GBP) of the Farming Program
- Although considerable effort has been made by the company to increase the allowance of FTs there is the need to re-visit FTs transportation allowances and ensure it reflects transportation fares per society
- There are efforts in place for the development of feedback forms to collect farmers’ comments. However, as the actions taken by the field team do not address some of the feedback given, there is the need to ensure that farmer feedback match the action to be taken to address the concerns raised.
- There is a workplan in place but sometimes the work conducted by the field team do not match what was planned. Therefore, there is the need to include a status column in the
weekly plan to give information about the activity, whether it is carried out as planned, modified or restructured.

- Put in place measures to record farm coaching topics and trainings offered to farmers in the farmer passbook: Even though farmers reported to have received trainings from FTs, farmers don’t record the type of trainings they received and the number of times they have been visited by their FTs in their farmer passbook.

**FARMER INVESTMENTS & COMMUNITY DEVELOPMENT**

**PROGRESS SINCE THE PREVIOUS VISIT**

- 21 new VSLA groups have been established this season increasing the total number of VSLAs from 116 to 137 and the number of farmers saving in the VSLAs has increased from 2,320 farmers to 3,014 farmers.
- Out of the 191 boreholes identified for renovation, 21 boreholes have been renovated at the end of June 2020.
- The amount of premium paid to farmers per bag of cocoa has increased in the 2019/2020 season.
- 18,841 farmers have been trained on additional livelihood activities at the end of June 2020.
- 297,000 permanent shade trees have been distributed to farmers at the end of June 2020.

**RECOMMENDATIONS**

- It is recommended to increase training on additional livelihood activities in other societies and to prioritize societies/farmers who need additional livelihoods.
- There is a needs assessment in place, which was conducted to determine which communities benefit from community investments. However, there is a need to review the approach of the implementation of the identified need. We suggest identifying one type of need at a time and then implement the solution with all the communities that have expresses this need before moving to the next need.
- Although the VSLA aims to encourage farmers to save and take out loans, some communities already have similar initiatives in place. Therefore, where community-based savings and loans initiatives exist, assess them against the VSLA model and, if there are no red flags, work with the community-based savings and loans initiatives.
VERIFICATION & CONTINUOUS PROGRESS

PROGRESS SINCE THE PREVIOUS VISIT

- Field team undertook monitoring visit to ensure farmers were adopting training given to them under the Program
- FTs have tablet for tracking farm coaching and training offered to farmers
- It was observed that FTs monitor the shade trees which were planted in the farms during coaching
- The company now has shape files (GIS data) of forest reserves in Ghana on which farm polygons have been overlaid in order to identify farms which are in buffer zones and forest reserves.

RECOMMENDATIONS

- Some previous training needs and concerns raised by farmers in previous visits are not appropriately integrated into the subsequent training schedules of the FTs. Therefore, FOs should, as part of monitoring process, review data submitted by the FTs, identify priority areas and factor that into the planning of subsequent training.
- Document meetings between Coordinators, FOs and FTs: It was observed that there were no minutes for the meetings held between coordinators, FOs and FTs. Hence it was difficult to appreciate what was discussed and how it feeds into the planning process.

SUPPLIER CODE OF CONDUCT AND FARMING PROGRAM MINIMUM REQUIREMENTS

PROGRESS SINCE THE PREVIOUS VISIT

- As observed last year, first aid boxes and fire extinguishers are available at the depots and some PC sheds
- Staff interviewed during the assessment had formal contracts as observed last year
- A training manual, a cropping calendar and the organisational structure was available and displayed at the district level
- Even if there is a formal grievance mechanism process in place, some societies are addressing farmers’ complaints through traditional methods. When there is a complaint, the executive calls both parties to resolve members’ issues and if it cannot be resolved
at the society level, they inform the Franchise Holder (FH). For instance, at Atronie the last complaint addressed by the executive and the FH was about the delay in premium payment.

RECOMMENDATIONS

- Some PCs visited had no first aid box nor fire extinguishers at their shed. In addition, the few PCs who had a first aid box were not adequately trained on how to handle emergency cases. On the Depot keepers’ side, some of them have not received the training to use the fire extinguisher and the use of the first aid box. Therefore, ensure that PCs and Depot keepers are trained on the use of first aid box and fire extinguishers and support PCs to acquire fire extinguishers or alternatives for their sheds.

- All depot staff have a contract but the contract differs from one depot to another, in terms of the remuneration, benefits and the number of days worked by the staff in a week. Therefore, standardize the format of contract for the depot staff.

- Almost all the PCs who had the first aid box were not keeping records on the use of medical supplies in the box. Going forward, it is recommended to train PCs on how to record usage of medicine from the first aid box and provide logbooks for recording.

- Efforts have been made by some society leaders to address concerns affecting farmers. Yet, there were no documentation on the issues addressed. Therefore, train leaders of the societies to document issues which have been resolved.

CONCLUSIONS AND OUTLOOK FOR THE SUPPLY CHAIN TRANSFORMATION

The overall implementation of the Farming Program can be described as good and on course from the observation made on all the thematic areas of the Program, since a lot of progress was observed (increase in cash premium, training appreciated by the farmers, strong traceability system in place). However, the efficiency of the field teams, in relation to what has been achieved and resources available, needs to be improved. The productivity of the field teams were lower compared to the resources available at the end of the 3rd quarter. Though the team expected to observe a greater progress compared to last year, we are also mindful of the impact of COVID-19 which affected generally every sector including the implementation of the Farming Program.
Map: areas visited during EF’s 2020 assessment
# Project Overview – Madagascar Supplier 1

<table>
<thead>
<tr>
<th>Farming Program initiated in</th>
<th>October 2017</th>
<th>EF visit timeframe</th>
<th>12th - 16th October, 2020</th>
<th>3rd EF assessment</th>
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## General description

The supplier is part of L&S Farming Program in Madagascar since October 2017. The company buys dried cocoa from a network of farmers organized around collectors and sub-collectors. Today the Program has 3 collectors, 9 sub-collectors and 719 farmers distributed in 3 large villages of the haut-Sambirano (Maevatanana, Antsirasira and Marovato).

During this mission, EF team visited the 3 large villages of the haut-Sambirano concerned by the project, plus one more village awaiting approval to join the project (adding 331 farmers more).

EF met with:

- A total of 40 farmers (amongst them 6 individually)
- 3 collectors of the network and 1 sub-collectors.
- Additionally, the team visited 4 plantations (including a demonstration farm and a farm where forest loss was detected by remote sensing).

EF assessed loss of forest cover trends in the Sambirano basin and analysed the general causes in the area including 1 farm of the Program. EF met with local protected areas managers in order to assess the actual risk of cocoa delivery coming from protected areas.

## TRACEABILITY & FARMER ORGANIZATION

### PROGRESS SINCE THE PREVIOUS VISIT

- Regarding the sampling carried out during this visit, the cocoa delivered to the supplier is traceable back to the farmer. Documents tracing the different batches are consistent.

- Many recommendations were implemented or are in progress: prices and maximum acceptable moisture (including refraction rate calculation) are stated and displayed, moisture meter is available at the plant, balance verification seal is visible at the plant and at some collectors, farms geolocation are still under verification, deals between sub-collector/collector and collector/supplier are documented.
RECOMMENDATIONS

- Conduct a brainstorming to identify a mechanism to force collectors to rigorously fill in the traceability documents at their levels (producers, sub-collectors).
- Reflect on adopting a modern and compliant digital traceability tool.
- Strengthen awareness / training on traceability at all levels (for example by preparing and displaying poster of flow diagrams).
- Produce an accurate map of all geo-referenced parcels and assess the reliability; if necessary, review parcels geo-referencing, age of parcels and number of trees.
- Produce a preliminary evaluation of potential production at the different levels (parcel, farmer and collector) to ensure the consistency of the quantities delivered.

TRAINING & CAPACITY BUILDING

PROGRESS SINCE THE PREVIOUS VISIT

- A holistic training curriculum (GAP, GEP, GSP, GBP) and training material delivered during the Program benefit all farmer communities (apart from 1 collector which has suspended his participation to the Program while waiting for better prices).
- Purely technical farm management trainings are generally adopted.
- Most recommendations were implemented or are in progress: training & coaching activities have been planned and monitored; contracts have been signed with the owner of the demonstration plot and technical itineraries have been developed for demonstration plots; technical centres have been built and equipped; awareness stickers on zero deforestation have been distributed.
- Training agents are fully playing their role as a key link between the supplier, farmers, collectors and other stakeholders.

RECOMMENDATIONS

- To make sure that the perceived needs of farmers are addressed, 1) review the level of details needed in the capacity building training, 2) review the prioritization of which subjects to train farmers, 3) review the way trainings are delivered.
- Provide agents with a simple and practical tool for recording and processing information collected on the field (monitoring, coaching and training).
- Implement a simplified training kit on No-deforestation & agroforestry aspects adapted to farmers, excluding cumbersome concepts (involve protected areas managers).
FARMER INVESTMENTS & COMMUNITY DEVELOPMENT

PROGRESS SINCE THE PREVIOUS VISIT

- Most recommendations were implemented: water supply network is operational in Marovato; distributed seedlings have been monitored; in-kind premium have been defined with farmers and are in accordance with Standard Operating Procedure (SOP).
- Farmers said during meeting that they want to receive cash premiums instead of in-kind premiums, as for collectors.
- As part of the implementation of the No-Deforestation and Agroforestry Action Plan, the following initiatives were implemented:
  - Distribution of 1,000 cocoa plants;
  - Three relay nursery sites have been set up;

RECOMMENDATIONS

- Assess existing in-kind premium system to better tackle farmers’ needs and promote loyalty to the Program; consider cash-premium system based on farmers’ needs (periodic premium according to lean season) and local communities organization (premium at the level of farmers and/or community of farmers).
- Focus on community investments that are linked to the cocoa value chain (production, quality, plantation rejuvenation, shade, and nursery) and in accordance with defined modalities (SOP).

VERIFICATION & CONTINUOUS PROGRESS

PROGRESS SINCE THE PREVIOUS VISIT

- Monitoring visits questionnaire repeatedly expanded. Results have been analysed, but partly followed by corrective actions.
- 100% of farmers were internally monitored last season according to the company

RECOMMENDATIONS

- Formalize corrective actions and responses to requests from farmers and collectors.
- Review the internal monitoring system to identify key criteria (with the objective to optimize the number of questions and the survey time) targeting main indicators relevant to the Program (including No-Deforestation & Agroforestry Action Plan), before further development.
- Provide supplier field staff (agents) with a simple and practical tool (appropriate communication & IT tools and applications) for recording and processing information collected on the field (monitoring, coaching, training).

## Supplier Code of Conduct

### Progress Since the Previous Visit
- 64% of recommendations made during the previous visit were implemented by the supplier (10% in the previous EF report), 23% are still ongoing (38% in the previous EF report) and 14% are not yet implemented (52% in the previous EF report).
- Most recommendations were implemented or in progress: working conditions (environment, health & safety) have been improved, staff representatives have been elected, grievance mechanisms are in place, monitoring & record-keeping (accidents, meeting) is done, L&S Supplier Code of Conduct has been translated, countersigned and displayed.
- Most of the implemented recommendations depend solely on the supplier level; ongoing recommendations still require administration (balances verification) or third entities collaboration (constructive exchanges between managers and staff) or validation (Labour inspectorate).
- Coordination & resources supply have been improved (team organization, additional motorcycles, communication flows formalized, planning & supervision, reporting) but previous recommendations still ongoing (documents access, planning skills & IT tools).

### Recommendations
- Mandate an external firm to clarify the situation of contractual and temporary workers to ensure effective remunerations in accordance with the legislation in force (including appropriate overtime remuneration).
- Fix, plan and hold periodic meetings with staff representatives to establish a formal dialogue framework to tackle company’s stakes.
- Strengthen team capacities in management, planning and reporting and provide all teams with operational transport means and appropriate communication & IT tools.
CONCLUSIONS AND OUTLOOK FOR THE SUPPLY CHAIN TRANSFORMATION

The supply-chain transformation process is still ongoing and significant progress continues to be made on all pillars of the Program.

Overall, almost two thirds of the recommendations of last year have been completely implemented by the company. The number of farmers enrolled in the Program has increased. The company continues to strengthen their traceability system. Two additional motorbikes are available for the field team to reinforce their presence on the ground.

Some aspects of the Program depend on direct actors (producers, collectors) and indirect partners (administration, NGOs). The role, skills and means of action of the supplier on certain critical points should be prioritized, staying focused on cocoa quality, cocoa production and cocoa farmers’ involvement.

A reflection on the nature (cash or in-kind) and/or frequency of rewards is necessary to ensure the persistence of the Program and the sustainability of the farmer-collector-supplier partnership.

Better integration of the No-Deforestation & Agroforestry Action Plan to the Farming Program is needed, with pragmatic approaches adapted to the educational level of actors (basic information and simple solutions i.e. shade trees seedlings distribution). Revised implementation strategy of the No-Deforestation and Agroforestry Action Plan should be designed in close consultation with the supplier. Awareness-raising activities and farms production evaluation (in properly geo-referenced parcels) are key actions.

Additional recommendations are made and must be incorporated into the continuous improvement process of the Program. Considering the above performance, it is important for the company to pursue the effort by implementing recommendations made during this and earlier years visits in order to boost the process of transformation of the supply chain.

Project Overview – Madagascar Supplier 2

<table>
<thead>
<tr>
<th>Farming Program initiated in</th>
<th>November 2015</th>
<th>EF visit timeframe</th>
<th>19th - 24th October, 2020</th>
<th>6th EF assessment</th>
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<td>General description</td>
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<td>The company is part of L&amp;S Farming Program in Madagascar since November 2015. The company buys dried cocoa from a network of farmers organized around collectors and sub-</td>
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collectors. Today the Program has 17 collectors, 4 sub-collectors and 1,504 farmers distributed in the haut-Sambirano and the bas-Sambirano.

During this mission, the EF team visited 5 villages concerned by the project, 4 from the haut-Sambirano (Antsamalà, Ankidony, Migioko and Anaborano Salama, the last one being a new village integrated into the network since the 2019/2020 season) and 1 from the bas-Sambirano (Bemangôko).

EF team visited:
- A total of 45 farmers were met (amongst them 7 individually)
- 2 lead farmers
- 5 collectors and 1 sub-collector of the network.

Additionally, the EF team visited a demonstration plot, a nursery site and a reforestation site. EF assessed loss of forest cover trends in the Sambirano basin and analysed the causes in some parcels. EF met with local protected areas managers in order to assess the actual risk of cocoa delivery coming from protected areas.

**TRACEABILITY & FARMER ORGANIZATION**

**PROGRESS SINCE THE PREVIOUS VISIT**
- Traceability documents continue to be well maintained. According to the sampling carried out during this visit, the cocoa delivered to the supplier is traceable back to the farmer;
- At the site of the company, the process of receiving, sorting, processing, packaging and bagging cocoa is well implemented. The documents tracing the different batches are consistent (consistency in batch numbers: sorting processing bulletin and drying processing bulletin);
- The scales have the verification seal at the company plant and at the collectors centers; the same applies to the moisture meter;
- The maximum acceptable moisture content is stated in the contract with the collectors;
- The mapping of farms was still ongoing. The plots of 45% of the producers are geo-referenced (polygons).

**RECOMMENDATIONS**
- Cumulate the quantities sold by producers in their logbook, by season and by page, in order to reduce the time spent by the SAQF (Service Approvisionnement Qualité et
Formation) in filling these logbooks and to be able to analyze the quantities sold in comparison with production estimates;

- Conduct farmer sampling for participatory analysis of inconsistencies between estimated and sold production by season;
- Analyse and evaluate the production estimate data with the volumes delivered in order to estimate the risk of delivery of cocoa from the Manongarivo Reserve, for producers in villages near the boundaries of the Reserve (Migioko and Ambohimarina).

### TRAINING & CAPACITY BUILDING

#### PROGRESS SINCE THE PREVIOUS VISIT

- 70% of recommendations made during the previous visit were implemented by the supplier, 30% are still ongoing;
- As observed in previous visit, purely technical farm management supports are generally adopted and appear beneficial;
- The trainings and coaching activities are well planned and performed; no training on new modules have been developed;
- 99% of producers took the training on module traceability; 72% on module 2; 70% on module 3; 86% on module 4 for theory and 67% for practice; 70% on module 5 for theory and 59% for practice; 91% on module 6; 49% on module 7; 64% on module 8; 67% on module 9 for theory and 55% for practice;
- An application of training on traceability by collectors, via traceability agents, is effective;
- Complaints and requests from farmers and collectors are recorded and followed by concrete actions;
- Agreements with owners of demonstration plots are signed;
- An awareness sticker on zero deforestation is distributed.

#### RECOMMENDATIONS

- Design poster at collector level (cocoa market) to increase sensitization of farmers and adoption of good practices regarding cocoa farming, quality and farm management (including no-deforestation);
- Strengthen farmers coaching in the progressive and continuous application of training outcomes;
- Evaluate in the other parcels of the farmers (if exists) the implementation or not of the technical routes developed in the demonstration plot;
- To make sure that the perceived needs of farmers are addressed, 1) review the level of details needed in the capacity building training, 2) review the prioritization of themes on which to train farmers (production, harvesting technique, quality), 3) review the way training are delivered
- When there are new farmer extension plots, use them for the implementation of No-deforestation commitment: tree planting - shading, crop diversification, etc.;
- Implement a simplified training kit on No-deforestation and agroforestry aspects adapted to producers.

FARMER INVESTMENTS & COMMUNITY DEVELOPMENT

PROGRESS SINCE THE PREVIOUS VISIT
- Responding to mission recommendations in June 2019:
  - The Anjiabory water tower has been fenced;
  - The needs of producers and collectors were taken into account when drawing up the list of materials to be made available for the premium;
- As part of the implementation of the No-Deforestation and Agroforestry Action Plan, the following initiatives were implemented:
  - Distribution of 7.061 cocoa plants, and 1.000 shade plants for 65 farmers;
  - Two relay nursery sites have been set up;
  - Reforestation plots have been created

RECOMMENDATIONS
- Conduct a reflection on the development of a phased distribution mechanism of premiums to farmers (to meet the need of producers’ daily lives during lean periods, back to school, etc.), and possibly the development of in cash premium to improve the motivation in inclusion in the network (compensation in the shortfall on the purchase price);
- Focus on community investments that are linked to the cocoa value chain (production, quality, plantation rejuvenation, shade, nursery) and in accordance with defined modalities (SOP);
- Review reforestation strategy:
- Define clear sub-objectives in relation to the main objectives of the No-Deforestation and Agroforestry Action Plan (renewal of shading and cocoa plants);
- Strengthen the establishment of nurseries in villages to avoid problems of transport and planting at the inappropriate time (beginning of dry season);
- Provide more shade species (replacing several dead standing trees) to meet producers’ needs and encourage the reforestation reflex.

VERIFICATION & CONTINUOUS PROGRESS

PROGRESS SINCE THE PREVIOUS VISIT

- The project team continues to provide internal monitoring, processing and (partial) data analysis;
- The grievance mechanism is implemented. Complaints from farmer and Collector are recorded in the Log book and addressed

RECOMMENDATIONS

- Review the internal monitoring system to identify relevant criteria (with the objective to optimize the number of questions and the survey time) targeting main indicators relevant to the Program (including No-Deforestation & Agroforestry Action Plan), before further development;
- Finalize the internal monitoring process that was initiated.

SUPPLIER CODE OF CONDUCT

PROGRESS SINCE THE PREVIOUS VISIT

- In the light of the recommendations of previous visits, significant progress on compliance with the current legislation on personnel management and the L&S Supplier Code of Conduct:
  - Special attention is paid to safety principles; safety exercises are carried out;
  - Acquisition of appropriate PPE for personnel;
  - Annual recruitment of 6 permanent employees (June 2018 and June 2019);
  - A complaints/suggestions box is installed within the company;
  - L&S Supplier Code of Conduct has been translated, countersigned by collectors and displayed at supplier site.
RECOMMENDATIONS

- Contact the Labour Inspection to define an appropriate contract to make daily labourers’ work more secure.

CONCLUSIONS AND OUTLOOK FOR THE SUPPLY CHAIN TRANSFORMATION

The supply chain transformation process is well underway. Remarkable progress continues to be made on all pillars of the Program. The establishment of lead farmers allows the transmission of information and the mobilisation of farmers in each village of the program. 242 new farmers and 1 new village of farmer has joined the program in the 2019 - 2020 season, bringing the number of farmers in the network to 1,504.

Better integration of the No-Deforestation & Agroforestry Action Plan, with a pragmatic approach (shading rather than community reforestation which should be managed by the forest service and the municipality) and more adapted to the level of actors (basic information and simple solutions like shade trees seedlings distribution) is to be designed in close consultation with the company. Awareness raising and geo-referencing actions are a starting point. A reflection on the nature and frequency of rewards is necessary to ensure the persistence of the Program, the sustainability of the producer-collector-supplier partnership and, in fact, compliance with the criteria of the 4 pillars, the L&S Supplier Code of Conduct and the action plan Zero-deforestation & Agroforestry. Additional recommendations are made and must be incorporated into the continuous improvement process of the Program.
Map: areas visited during EF’s 2020 assessment
Farming Program initiated in October 2018
EF visit timeframe 28th September-3rd October 2020 3rd EF assessment

General description

The company that has been visited is a cocoa bean supplier of L&S, and has been implementing its Farming Program since 2018.

This visit covered Morobe Province, which included Mutzing, Kaiapit and Onga-Wafa in Markham District, Yalu and Munum in Huon District, and Boana in Nawae District. Also, suppliers in the Transgogol area of Madang Province were visited this year for the first time as part of this assessment.

EF team did:

- 50 individual interviews (20 fermentaries and 30 farmers)
- 10 group interviews (over 200 people).
- A meeting with key stakeholders was also held, consisting of Cocoa Board (4 persons), National Agriculture and Quarantine Inspection Authority (NAQIA) (1 person) and Forestry Department of University of Technology (1 person).

EOs under the Program and relevant company staff were also consulted and interviewed as part of this assessment.

There are currently 4,138 registered farmers under the L&S Farming Program.

TRACEABILITY & FARMER ORGANIZATION

PROGRESS SINCE THE PREVIOUS VISIT

- Farmer Guide Books have been issued to all the farmers in the farming communities. The Farmer Guide Book also includes practical information from the training modules. The recent rollout of the Farmer Guide book will most likely improve traceability and record keeping from the fermentary to farmer level. 100% GPS points recorded for all farmers locations. Baseline survey for 100% of the farmers is completed which includes the needs and barriers. Household surveys have also been conducted for all registered farmers.

- The number of farmers registered under the Program has progressively increased from 2018 to 2020 to 4138 farmers (13% i.e. 540 of whom are female). This includes 336 new farmers from Madang who recently joined the Program in 2019. Women participation under the Program is strongly encouraged. In March 2020, the first co-operative of 80
registered female farmers registered their fermentary and started supplying the company.

- There are 262 registered fermentaries (of whom 3% are owned by women) and 86 of them are new registered fermentaries (registered during 2019-2020).
- The threshold for classifying an area as high-risk for deforestation is set to deforestation on 5% of the farm sourcing area within a 50 KM radius of the collection point. At present, monitoring of deforestation at sourcing areas by using Global Forest Watch (GFW) data has recorded less than 1.2% annually (approximately less than 9,420 ha).

RECOMMENDATIONS

- EO’s to conduct more one-on-one training with farmers on how to use their Farmer Guide Book which will assist with farm management and record keeping. Incentives for implementation of this Farmer Guide Book should be explored. Once the Farmer Guide Book is implemented by at least 80% of registered farmers, a field journal between EO-individual farmers could be used to prioritise activities based on the farmer’s needs, comments and feedback during one-on-one coaching.

- GPS boundaries of Program farmers should be mapped. Using GPS points linked to individual farmers land is a good start – but false positive identifications linked to the GPS points will increase, as it may fall into the farmers’ neighbours’ lands, i.e. you are targeting the wrong person. Using boundaries removes this opacity and interventions can be better targeted. GPS polygons should also be used for an overlap with deforestation mapping patterns, identify the drivers (cocoa/non-cocoa supply chain actors) in order to do targeted remedial actions for mitigation.

- In parallel to that, the company should explore possibilities to map farmers land use with regards to HCS/HCV. A simplified method for identification should be developed for farmers, e.g. farm planning that can be included in the Farmer Guide Book. E.g. company prepare a village map with land cover information, where farmers and/or village representatives can identify any HCS/HCV areas on the map; ground check should be done after this process to verify the information given by the farmers.

TRAINING & CAPACITY BUILDING

PROGRESS SINCE THE PREVIOUS VISIT

- As a response to COVID-19 situation, measures were taken by the company for the farming communities. These include distribution of awareness posters, free hand
sanitizers/soaps to all farmers and information sharing/dialog regarding the appropriate precautionary measures to take.

- New training modules have been designed and implemented since October 2019, i.e. Module 7, a recap training on GAP, GEP, and Agroforestry, as well as LFs development; Module 8 - Agroforestry for registered farmers who have been in the 3rd year of participation in the farmers programme; and Module 9 for financial literacy.

- Training attendance % of registered farmers: 1) 80% attended training for Module 1-6, of whom 11% are female farmers; 2) 80% attended training for Module 7, of whom 9% are female; 3) 16% attended training for Module 8, of whom 9% are female; and 4) 30% attended Module 9 training of whom 11% are female.

- Training continues to progress as evident from farmer interviews, i.e: 1) more farmers improve block management (new clones, chup on budding, field on budding, nursery budding), 2) intercropping with other trees such as Galip tree and Ipil tree; 3) 44 model farms developed (from 14 last year); 4) lead farmers actively lead and inspire other farmers with new established satellite nurseries, bud wood gardens for clones and distribute it to other farmers; and 5) record keeping well documented at the fermentaries.

- To address challenges related to gender in the farming communities, the company have recruited 2 female EOs and 1 female worker/admin recruited. They have a variety of qualification levels ranging from High School Certificates to the Tertiary Diploma/Degree. In total now there are 18 Eos, 3 of them being leads.

- Positive feedback on training has been collected and verified on the field. New training modules are being used which emphasize more on one-on-one coaching between EO and farmer. Farmers are happy with the new approach of training that the company has undertaken.

- Feedback from farmers during field visit and reviewed documentation has shown that yields increased for both wet and dry beans compared to previous years.

- The Program has reached out to local NGOs to assist with trainings on social topics including violence against women and children, HIV/AIDS. However, with the COVID-19 pandemic, the progress of this is on hold.

- 5 additional POs have also been hired over the past year, with the inclusion of 3 female POs (2 EOs and 1 in administration). Altogether there are 18 POs (3 Leads 15 EO’s), 2 managers (1 manager in Morobe and 1 in Madang, who is also the lead EO) who support 4138 farmers (ratio of approximately 1:243).
RECOMMENDATIONS

- Continue to encourage and engage key stakeholders/potential experienced partners to collaborate on training/facilitation on specific topics, such as social and economy topics (e.g. domestic violence, financial management and literacy training).
- A tailor-made Training of Trainers for EOs should be done involving even more field experts (i.e. research institutes, agronomists; this will ensure training to farmers are delivered by appropriate qualifications of EOs).
- Continue encouraging women to participate/attend in the training, model farms and fermentaries. A family unit approach for training should be explored. For example, if 1 man attends training, he should also bring 1 women from his family to attend training (a husband can bring his wife, a father can bring his daughter, a brother can bring his sister, etc.)
- HCS-HCV management training should be done for both EOs and farmers to encourage communities to conserve and protect their forest areas with respect to local/cultural conservation knowledge and practices. Methods and materials should be developed as simple and practical as possible for the farmers. HCS-HCV management activities that are being implemented should be recorded (e.g. # of trees being planted, etc).
- Conduct basic Literacy, Book Keeping/Financial Literacy Training for farmers, also to support improvements in record keeping. Most farmers expressed their need to receive this training.

FARMER INVESTMENTS & COMMUNITY DEVELOPMENT

PROGRESS SINCE THE PREVIOUS VISIT

- Investment and community development projects have continued: 1) 3 school renovations completed based on last assessment needs, 2) RWH installed in 1 aid post, and RW tuffa tank is being developed for 7 farming communities and will be completed by December 2020, 3) RWH installed in 1 school. During assessment, one community presented water project proposal and it will be developed in December 2020.
- The support truck has continued to assist suppliers to transport their dry beanbag to the buying point; this has helped to reduce 50% of transport cost. A new buying point was recently constructed and opened in May 2020, which is more accessible for farmers.
- For new farmer groups joining the Program, each fermentry (farmer group) receives a set of tools, which allows farmers to implement best practices and motivate farmers to join the Program.
Cash incentives are given to all fermentaries and in-kind premium (tools) are given to farmers (always two farmers have to share), which allow farmers to implement best practices. 1250 tools have been given to farmers in 2019-2020, and due to COVID-19 2000 tools will come in the last week of December 2020 for 2020-2021 annual year.

RECOMMENDATIONS

- Once the PNG cocoa board has taken the decision to allow the installation of solar dryers again (currently still in discussion), a cost-benefit analysis of fermentary design (solar dryer) should be done and the outcome from this analysis should be used to design tools and appropriate training program.
- The tool set delivered to new joining fermentaries are sometimes not shared equally among farmers. The company should evaluate root cause of this challenge (e.g. how farmer group schedule the tool usage for each farmer, whether tools given enough to cover all farms, etc.) and discuss with fermentaries on how to address this.
- The company should conduct a survey to study what other in-kind premiums could be interesting for farmers.

VERIFICATION & CONTINUOUS PROGRESS

PROGRESS SINCE THE PREVIOUS VISIT

- Online farmer database continues to provide the framework for Program monitoring, including the Baseline Survey, Annual Survey, and GPS points of each farmer.
- There are no major issues with pest and disease on the cocoa farms visited. Most farmers are practicing good agriculture practice as well as block management. Inspection on the farms also showed no evidence of Cocoa Pod Borer (CPB), although there were some farms that had black pods.
- The online tool has been used to collect baseline data from farmers, annual monitoring surveys, and the Farmer Guide Book will be further used to verify the information from the annual monitoring survey. Annual monitoring survey for 2019-20 season has been done for 100% of farmers. It is being done by the EOs, and the results are being put in the online farmer database.

RECOMMENDATIONS

- Internal monitoring data can be further developed for report generation and to understand better the impact of the farming communities.
- Training plans should be revised annually and accordingly based on representable farmers feedback, so that they can align with Program targets and provide direction to associated outcomes which are tangible and meaningful to the farmer.

**SUPPLIER CODE OF CONDUCT**

**PROGRESS SINCE THE PREVIOUS VISIT**

- Working conditions continue to be strengthened: more workers have been seen wearing PPEs, proper toilet facilities and drinking water available for both for workers and suppliers/farmers, and basic internal safety training provided to warehouse staff, as well as Program farmers.
- 3 female Program Officers (PO) have been hired to join the Program

**RECOMMENDATIONS**

- Improved health and safety management by: 1) ensure First Aid boxes accessible by all staff/workers; 2) commission a safety practitioner to assess and mitigate the risks of lifting heavy bags (~60kg); 3) conduct comprehensive risk and hazard assessments, including for Eos, and mitigate accordingly; 4) develop muster point for fire escape at all buying centre/depot facilities, all fire extinguishers to be cleaned regularly; 5) Train first aid officer in a recognised training course; 6) social, health and safety training to be done by experienced trainers on sensitive topics, such as preventing assaults on women in the workplace, etc.
- Review staff payments and working hours periodically to ensure legal requirements are met (including superannuation contribution for EOs, casual staff minimum wage and overtime).
- Train all staff, EOs and suppliers on the L&S Supplier Code of Conduct and all associated laws in PNG
- Conduct due diligence on sub-contractors, suppliers, and sub-suppliers in order to verify compliance and potential breaches with the L&S Supplier Code of Conduct. The documentation of the due diligence process should be maintained.

**CONCLUSIONS AND OUTLOOK FOR THE SUPPLY CHAIN TRANSFORMATION**

The number of registered farmers under the Farming Program has progressively increased from 2019 to 2020 moving from 2,669 to 4,138 farmers (13% of women). The Program expanded to Madang Province, new sourcing area.
Trainings have been well received in the communities. Feedback from farmer interviews have indicated that training courses on block management have improved cocoa pod quality, resulting in less pest and disease infection on cocoa trees/pods and increasing yields for both wet and dry beans compared to the past. Record keeping at farmer and fermentary levels have also improved but will need to be prioritized under the Program development so that all farmers across the supply chain maintain accuracy in record keeping on their Farmer Guide Book.

The Program has reached out to local NGOs to assist with trainings on social topics including violence against women and children, HIV/AIDS. However, with the COVID-19 pandemic, the progress of this is on hold. In terms of community development investments, the Program will distribute water tanks and install them in 7 farming communities by December 2020 and has renovated 3 schools. Farmers are also encouraged to use sun drier beds to reduce the use of wood and thus issues related to smoke and deforestation can be mitigated. A water rehabilitation project, which was completed last year, was also visited and positive feedback were received from the households supported.

The trainings, investment and developments under the Program have the potential to improve livelihoods of farmers and their communities if tailored to meet farmers needs and if there is the willingness/buy-in within their entire supply chain in Morobe and Madang to maximise impact and sustainability.
Despite the COVID-19 pandemic and the associated restrictions and limitations, and in compliance with national and regional sanitary and safety guidelines, all 8 external assessments have been maintained in 2020. Nonetheless, in certain countries, the regions visited were limited to areas around supplier’s facilities due to imposed curfews. In addition, whilst every effort has been made to meet representative samples of farmers, in some countries like Ecuador and Dominican Republic, it was not possible due to restrictions on gatherings.

The COVID-19 restrictions also led to a slowdown in implementation of recommendations from previous visits. At the same time, we welcomed the innovative and proactive efforts made by suppliers in certain regions to stay connected to farmers.

We continue to observe that there are still strong farm-level traceability systems in place, good relationship between the farmers and suppliers, strong internal monitoring systems. In addition, we start to see more inclusivity in the Program with an increase in women participation in some origins (Dominican Republic, Ecuador, Papua New Guinea)

Considering the consequences of the COVID-19 situation, it will be key to further prioritize the implementation of recommendations and have more targeted interventions this year. In some countries, there is a need to reinforce the staff capacity (Madagascar, Ghana). In general, L&S and the suppliers will have to continue to ensure a better integration of the No-Deforestation and Agroforestry Action Plan into the Farming Program via tailored capacity building and ensure that the implementation of the L&S Supplier Code of Conduct is done at all levels of the supply chain.
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