



LINDT & SPRÜNGLI

CORPORATE SUSTAINABILITY
COMMUNICATION ON PROGRESS 2013

THE LINDT & SPRÜNGLI PROMISE

The “Lindt & Sprüngli Promise” is the company’s pledge that all products leaving our factories live up to our commitment to sustainable behaviour along the value chain. Thanks to Lindt & Sprüngli’s thorough process control from sourcing of ingredients to production and distribution of its premium chocolates, the company is able to monitor and continuously improve sustainability in all aspects of its operations.

The “Lindt & Sprüngli Promise” describes the company’s commitments and policies related to sustainable business conduct along the value chain as outlined below. Responsible behaviour, combined with the highest quality ingredients, state-of-the-art production equipment, proprietary production processes, quality control and the LINDT Maître Chocolatiers’ innovative recipes allow consumers to fully trust and wholeheartedly indulge in Lindt & Sprüngli’s premium quality chocolate products.

SUSTAINABLY SOURCED

To guarantee the sustainable and long-term supply of essential resources, Lindt & Sprüngli is committed to establishing traceability of raw materials and building partnerships with suppliers. The social and environmental aspects of its sourcing operations are taken into account and contributions are made to improve education and infrastructure in farming communities. This approach allows Lindt & Sprüngli to know the farmers delivering our raw materials and to verify their social and environmental practices. The company also tries to limit the involvement of intermediaries, thereby allowing producers to receive fair payment for their quality products.

SUSTAINABLY PRODUCED

Lindt & Sprüngli is committed to closely monitoring, controlling and improving the environmental aspects of production and distribution, such as energy use and its related carbon dioxide emissions, as well as the use of water and paper/cardboard. Continuous efforts are made to reduce the impact per ton produced. To ensure that the company’s employees are guaranteed a safe working environment and are satisfied in their jobs, programs for health and safety, as well as regular employee surveys, are in place and build the basis for continuous improvement.

SUSTAINABLY CONSUMED

Lindt & Sprüngli applies stringent quality controls from the raw materials to the finished product, and only once the company is convinced that a finished product lives up to the high quality standards, does it leave the factory in impeccable condition. Lindt & Sprüngli will continue its efforts in research & development, packaging and logistics – in cooperation with its trade partners – to safeguard this treasured quality all the way to the homes of the consumers. The company further applies the highest standards to food safety, correct labelling, and consumer information. All measures in place are continuously reviewed and improved and allow the consumer to trustfully consume the product.

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CHAIRMAN'S STATEMENT

Dear reader,

It is our conviction that Lindt & Sprüngli needs to consider sustainability challenges in the countries of origin of our raw materials as well as in our markets to be successful and maintain our growth in the long-term. Our approach towards sustainability therefore covers our entire value chain: It starts by engaging with cocoa farmers to improve agricultural practices and tackling issues such as poverty and child labour, continues through to continually finding solutions for resource-efficient chocolate production and ends with the transparent communication to our consumers. Highest quality standards guide us through our activities and measures; with regards to considering stakeholder concerns, taking effective steps to tackle challenging issues and developing our own approaches to contribute to a sustainable future.

In 2013, we have been able to substantiate significantly our approach to a sustainable value chain and delivering on our Lindt & Sprüngli Promise:

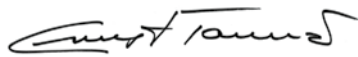
- To enhance our approach to sustainable sourcing, we formalized in 2013 the Lindt & Sprüngli Farming Program, which ensures that farmers receive the support they need to increase cocoa yields and cocoa quality. This contributes to a better working environment and livelihood for the farmers, and secures the raw materials for our chocolate in the long-term. The newly created Lindt Cocoa Foundation ideally supports and backs those aims, since it is dedicated to all aspects of sustainable procurement of cocoa and other raw materials used in chocolate production.
- To reduce our environmental impact in production, we are continuously working on creating a resource-efficient working environment. Since 2008, we have been able to reduce our energy and water consumption as well as CO₂ emissions by an average of 20% per ton of chocolate produced.
- To offer premium chocolate for our consumers, we are constantly researching innovative solutions to tackle sustainability challenges. In 2013, our research covered areas such as ensuring cocoa diversity and new solutions to reduce packaging materials.

These are only a few examples of our sustainability activities. Despite the complexity of the subjects, we have achieved a lot in recent years. But we also know there is more to do and we need to continue our efforts to understand and tackle the challenges and opportunities ahead. We follow a continuous progress approach, where we want to improve our performance step by step. With this in mind, we continuously strive to improve our contribution to a sustainable future, so that our stakeholders can fully trust in Lindt & Sprüngli's premium quality chocolate products.

We see the main challenges to a truly sustainable value chain in the area of sustainable procurement. It is not only where our stakeholders have the highest expectations for positive results; cocoa sourcing directly affects our core business. We have therefore set ambitious goals. We have committed to an independent verification of our traceable cocoa supply in Ghana by 2016. Furthermore, we will extend this purchasing concept to the Caribbean and Latin American growing areas in order to cover our entire cocoa supply chain by 2020.

With this report, we share our fourth annual Communication on Progress (COP) to the United Nations Global Compact with you. The COP contains an overview of our sustainability activities, our goals and our performance in the last year. It demonstrates our ongoing commitment to supporting the UN Global Compact and its ten principles. We welcome your feedback to our Communication on Progress and points of main effort.

Yours sincerely,



Ernst Tanner
Chairman of the Board and
Chief Executive Officer

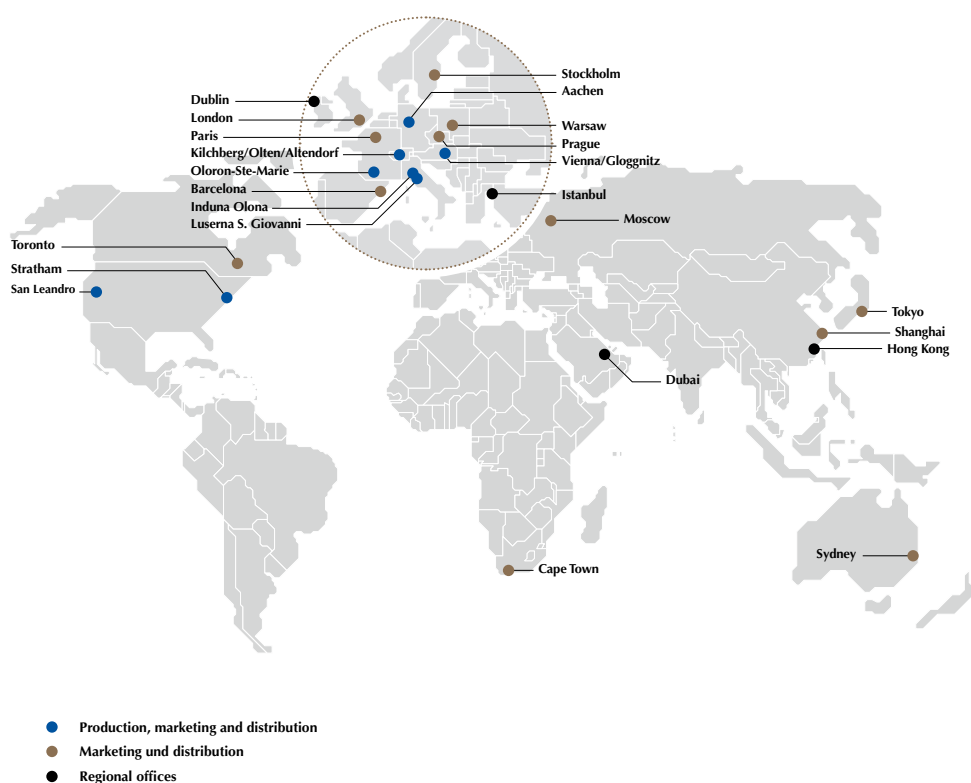


Dr. Dieter Weisskopf
Chief Financial Officer
Responsible for Corporate Sustainability

LINDT & SPRÜNGLI – A PORTRAIT

Lindt & Sprüngli is a Swiss chocolate manufacturer and recognized as leader in the market for premium chocolate, offering a large selection of products in more than 100 countries around the world. During more than 165 years of Lindt & Sprüngli's existence, it has become known as one of the most innovative and creative companies making premium chocolate under the *LINDT*, *Ghirardelli*, *Hofbauer*, *Caffarel* and *Küfferle* brands.

To safeguard future growth, geographical expansion plays a particularly important role and is driven by the incorporation of its own organizations. As a result the company currently has more than 20 independent group companies and its own regional representations all over the world.



The beginnings of Lindt & Sprüngli are in 1845, when father and son for the first time manufactured solid chocolate in their small confectionery Sprüngli & Son, at that time yet a partnership. Since then, the company has gone through many different eras. Yet, the entrepreneurial spirit and passion for making chocolate that drove both, the Sprüngli family as well as Rodolphe Lindt, when he invented the first truly melting chocolate in 1879, are still alive.

For nearly 170 years, Lindt & Sprüngli is committed to deliver top quality. This begins with the selection of the finest raw materials, on through their careful processing to the elegant packaging of the finished product.

The profound know-how and the sound experience in the areas of product development, manufacturing and marketing accumulated by our employees over generations, is the principal core competence of Lindt & Sprüngli and the secret of the company's success.

New and surprising creations find their place next to established chocolates in the extensive product range each year. The Lindt & Sprüngli Group has become the embodiment for premium chocolate with Swiss origin, uncompromising quality and long-standing tradition.

SUSTAINABILITY AT LINDT & SPRÜNGLI

Lindt & Sprüngli is committed to ethical and socially responsible company management. Sustainable business conduct is firmly rooted in Lindt & Sprüngli's corporate philosophy and an important prerequisite for the company's long-term economic success. This major issue and all the related aspects are therefore dealt with at the most senior management level and monitored by a Board of Directors' committee.

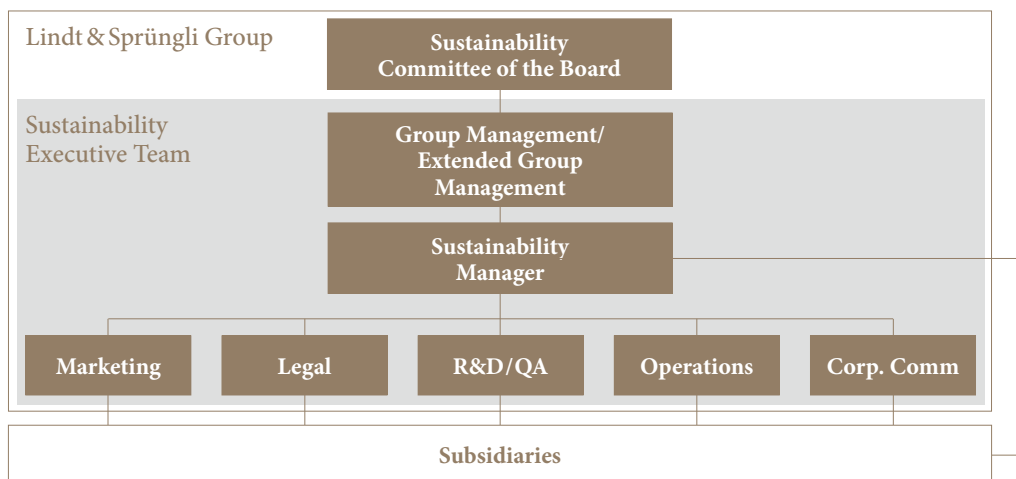
SUSTAINABILITY GOVERNANCE

The Sustainability Committee of the Board consists of three members of the Board of Directors. The Sustainability Committee supports the Board of Directors in setting the strategic direction for the activities of the company, whilst aiming for comprehensive sustainable management. Furthermore, it is responsible for the development and adaption of all globally valid corporate policies in this area, and monitors compliance in the legal aspects. The committee has advisory as well as preparatory competences and meets as often as business requires, at least once a year.

The Group Management and the Extended Group Management ensures the implementation of the strategic decisions taken in the Sustainability Committee. A dedicated Sustainability Manager coordinates all sustainability activities within Lindt & Sprüngli and supports the Sustainability Executive Team, comprising Marketing, Legal, Quality, Research & Development/Quality Assurance, Operations as well as Corporate Communications departments, in reaching their sustainability targets and implementing activities. The Sustainability Executive Team also reaches out to Lindt & Sprüngli subsidiaries, to ensure implementation in line with guidelines from Lindt & Sprüngli International.

In 2013, Lindt & Sprüngli reviewed its sustainability governance. This led to the extension of the Sustainability Executive Team and the identification of one contact person for sustainability in each group company leading to increased internal sustainability communication.

Sustainability Governance at Lindt & Sprüngli



SUSTAINABILITY POLICIES

As a leading international chocolate manufacturer, Lindt & Sprüngli is committed to conducting its business in an ethical and socially responsible manner. The significance Lindt & Sprüngli attaches to responsible corporate behaviour is reflected in different Group policies, which define the way Lindt & Sprüngli is doing business.

Lindt & Sprüngli is committed to the core values anchored in the company's Credo: quality, commitment and qualification, customer orientation, social responsibility and profitability. These principles are key drivers of success for Lindt & Sprüngli. All company policies are guided by the principles anchored in the Group Credo. They cover our commitment in the areas of workplace health & safety, ethical business conduct as well as environmental protection.

CREDO

Workplace	Ethical Business Conduct	Environment
Health & Safety Policy	Business Code of Conduct Supplier Code of Conduct	Environmental Policy

ADVANCING THE LINDT & SPRÜNGLI SUSTAINABILITY APPROACH

Lindt & Sprüngli is committed to manage sustainability impacts emerging from its operations along the entire value chain. To focus our efforts on the most challenging issues and to further develop our sustainability approach, Lindt & Sprüngli conducted a materiality analysis in 2013. In an externally facilitated workshop the Sustainability Executive Team discussed and prioritised a long list of different sustainability issues and their sub-issues. To define the most relevant issues, topics such as energy use, corruption and child labour were assessed from an internal and external perspective, taking into account both stakeholder's and Lindt & Sprüngli's interests. Where possible, sub-issue were summarized again under umbrella terms.

The analysis identified 28 relevant issues along the Lindt & Sprüngli value chain – sourcing, producing, and consumption. Lindt & Sprüngli considers these issues the material issues and continuously increases its efforts and activities with a focus on them.

Lindt & Sprüngli's Material Issues along the Value Chain

SUSTAINABLY SOURCED

Lindt & Sprüngli cares about the origin of its raw and packaging materials. Traceability is the key to the company's sourcing and an important step towards improving the conditions in the field.

Read more about our approach to sustainable sourcing on page 16.

- Secured Supply of Raw Materials
- Diversity of Cocoa Varieties
- Core Labour Standards
(e.g. abolition of child labour, elimination of forced labour)
- Farmer Education & Capacity Building
- Agricultural and Economic Development
- Soil Fertility
- Investments in Rural Infrastructure
- Biodiversity
- Climate Change and Greenhouse Gas Emissions

SUSTAINABLY PRODUCED

Premium products require superior materials, fully committed employees and respect for the environment.

Read more about our approach to sustainable production on page 25.

- Environmental Impact of Packaging Material
- Climate Change and Greenhouse Gas Emissions
- Waste and Recycling
- Water and Wastewater
- Work Culture
- Employee Satisfaction and Retention
- Work-life-balance
- Occupational Health and Safety
- Employee Development and Training
- Social Security and Compensation
- Diversity and Equal Opportunity
- Corruption and Anti-Competitive Behaviour
- Philanthropy

SUSTAINABLY CONSUMED

Lindt & Sprüngli has a responsibility towards its consumers and, therefore, maintains strict quality and food safety standards.

Read more about our approach to sustainable consumption on page 33.

- Consumer and Customer Satisfaction
- Quality of Products
- Product Safety
- Genetically-modified organisms (GMO)
- Product Information and Labelling
- Marketing and Advertising Practices

TAKING INTO ACCOUNT STAKEHOLDER'S CONCERNS AND INTERESTS

We want our sustainability approach to be relevant and credible. Lindt & Sprüngli is committed to providing the different stakeholders with a transparent and detailed overview of the company. Our stakeholders shall have full confidence that their interests are considered. The Group is therefore in constant dialogue with different stakeholders such as consumers, customers, investors, employees, non-governmental organizations (NGOs), and suppliers. Different ways of engagement assure that we know about our stakeholder's concerns and interests.

Stakeholder Group	Lindt & Sprüngli Stakeholder Engagement
Consumers	Consumer satisfaction is key for Lindt & Sprüngli. Consumer service specialists of the Lindt & Sprüngli Group register and handle each inquiry, compliment and complaint carefully. Consumers also have the opportunity to directly get in touch with our employees in the growing number of LINDT and Ghirardelli Retail Shops, and with the LINDT Maîtres Chocolatiers at numerous promotional and sponsoring events. Lindt & Sprüngli additionally engages on various social media platforms such as Facebook and Twitter. These new communication platforms allow direct interaction and listening in real time to our consumers' needs, questions and remarks.
Employees	Employees are our biggest asset. We foster a culture of feedback where open and honest dialogue is valued and career opportunities are visible for all employees. Our annual talent management dialogues help to identify, assess and develop the professional competencies and performance of our employees. An employee survey is conducted every three years.
Investors	Investors and analysts are informed about our half-year and annual results and other relevant business-related information. Interactions take place at the annual general meeting and during smaller events like financial analyst conferences and calls, as well as road-shows and individual meetings.
Civil Society Organizations and NGOs	The Sustainability Manager is the main contact point for civil society organizations and NGOs, and engages with them individually on a continuous basis to listen to their ideas and concerns, share sustainability activities of Lindt & Sprüngli, ask for feedback, and to evaluate the potential for partnerships.
Farmers and Suppliers	Constant high quality supply of raw materials and packaging material, reliable partners for transport and logistics, machinery development, delivery and maintenance, as well as service providers for a wide range of support are crucial for our business. Mainly Lindt & Sprüngli procurement staff, but also other employees are regularly in touch with our supply chain partners in order to mutually optimise further development.
Universities/ Research Institutions	Along the whole value chain, Lindt & Sprüngli works with different universities and research institutions. This can happen through the support of existing research facilities and projects, by developing new projects for applied science, or by giving more information about the companies' activities for students writing a thesis about a research question that is of our interest.
Retail/ Distributors/ Customers	Customers of semi-finished Lindt & Sprüngli chocolate products, as well as retailers, distributors and other B-to-B customers of finished products ensure that our products are accessible to consumers all year round. They all have their channel specific customer services representatives in the respective group companies, which professionally take care of their needs. Lindt & Sprüngli brands are also present at trade fairs and other events to make partners familiar with our latest creations.
Governments	Lindt & Sprüngli does not conduct active lobbying at the governmental level, but its group companies are members of several local industry associations. Governmental institutions become, however, more and more important as advisory and supporting partners of sustainability projects.
Media	We proactively inform the media on relevant issues to ensure a thoughtful and correct image and perception of Lindt & Sprüngli. Our communication with media is honest, fact-based and transparent within the bounds of commercial confidentiality. Engagements include report and media release on half-year and annual results, press releases on all other business-relevant matters, media events, annual general meetings, field trips and responses to media inquiries.

LINDT & SPRÜNGLI MEMBERSHIPS AND ACTIVITIES

Lindt & Sprüngli engages in international organizations such as the World Cocoa Foundation (WCF), the African Cocoa Initiative (ACI), the Roundtable on Sustainable Palm Oil (RSPO) and the United Nations Global Compact. Their common goal: fostering social justice and environmental improvements.



World Cocoa Foundation (WCF)

Supporting cocoa farmers and their families worldwide with programs that raise farmer incomes, encourage responsible, sustainable cocoa farming and strengthen local communities.

Since 2005 the Group has contributed through the World Cocoa Foundation to improving living conditions of cocoa farmers. Additionally, we co-finance specific projects.

In 2012 and 2013, Lindt & Sprüngli supported a [research project for Ecuadorian flavour beans](#).

African Cocoa Initiative (ACI)

The ACI is a public-private partnership to improve productivity through better planting materials, to enhance farmer training services and to foster market-driven farming input supply services.

Lindt & Sprüngli supported the [African Cocoa Initiative](#) of the World Cocoa Foundation since its beginning in 2011.



Roundtable on Sustainable Palm Oil (RSPO)

Promoting the growth and use of sustainable palm oil through co-operation within the supply chain.

Since 2008 the Group is a member of RSPO and continually sought to contribute to the increase of sustainable palm oil. The Group reports on regular basis to RSPO on progress made.

Find out more on page 21 of this report or in our [online reports](#).



UN Global Compact

Aligning business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Since 2009, Lindt & Sprüngli is a member of the UN Global Compact.

In 2013, Lindt & Sprüngli participated in the review process for developing [Food and Agriculture Business Principles](#).

Find more on our membership and the annual Communication on Progress reports on the [UN Global Compact Website](#).



Carbon Disclosure Project

Requesting information on greenhouse gas emissions, energy use and the risks and opportunities from climate change on behalf of institutional investors.

Since 2007 we participate in the Carbon Disclosure Project.

In 2013, the Group again disclosed information on greenhouse gas emissions to institutional investors and benchmarked the results with peer companies.

ADDRESSING THE CHALLENGES:

BREAKING NEW GROUND IN COCOA SOURCING

Sourcing of sustainable cocoa constitutes the main sustainability challenge for chocolate producers. First, global chocolate demand steadily increases and requires targeted actions to secure the long-term supply. Second, cocoa is often cultivated in countries where living and working conditions are poor. A sound sustainability approach therefore needs to address both challenges simultaneously.

Lindt & Sprüngli has chosen to address these challenges with a pioneering and comprehensive sourcing model. Direct engagement in the countries of origin, traceability, verification, and farmer professionalization are the pillars of Lindt & Sprüngli's engagement.

CHALLENGES AT BOTH ENDS OF THE VALUE CHAIN

Until recently, chocolate producers relied on international cocoa traders to deliver cocoa beans from a specific country of origin in the required quality, quantity and at the agreed price and time. This steady supply is now at threat. The cocoa demand is expected to increase by 2.5% annually due to growing chocolate demand from consumers in the emerging markets. The declining cocoa stocks and the presumed decline in cocoa production result in a cocoa supply gap; for 2020, the chocolate industry expects that demand will exceed supply by 1 million tons. The sustained provision of the cocoa supply chain is therefore a top priority of the chocolate industry.

At the other end of the value chain are the cocoa farmers. Estimated 5 million smallholder farmers are involved in the global cocoa production, with an average yield per hectare from 300 kg to 400 kg. Despite record high cocoa prices in recent years, the income of farmers is low due to inflation of local currencies, low productivity and high transportation costs between production areas and ports of shipment. Intermediaries and export tax in some countries also draw from a significant portion of the income. This situation, combined with the development status of many origin countries, forms the background for the occurring cases of abusive child labour, as well as the generally difficult working conditions of cocoa farmers. Besides challenging social preconditions, changing weather conditions – such as excessive rainfall and droughts resulting from climate change – increasingly affect cocoa farmers. Major impacts include the shrinking suitable land for cocoa cultivation, soil loss due to erosion and the development of pests and diseases.

Farmer Sophia Gyamfi
in Boako District





Farmer Training in Boako District

The labour-intensive cocoa cultivation is confined to the equatorial belt and requires long-term investment, as around three to five years pass between planting and first yield. Other crops such as rubber or palm oil compete with cocoa production. In addition, economic growth offers alternative and more attractive employment opportunities outside of the agricultural sector. These circumstances put the cocoa cultivation at risk.

APPROACH TO SUSTAINABLE COCOA SOURCING

To secure the future cocoa supply, chocolate producers need to increase the attractiveness of cultivation; for instance by offering farmer trainings, providing higher-yielding varieties and fertilizer. This helps the farmers to take properly care of the cocoa trees, reduces plant diseases and hence increases per-hectare yields and farmers' income significantly.

The long-term threat of cocoa shortages and the sustainability challenges around farmers working and living conditions required Lindt & Sprüngli to break new ground in cocoa sourcing. The Group is convinced that the professionalization of farmers is crucial to improve their economic and social conditions, to protect the environment, to ensure the eradication of human trafficking, forced labour and worst forms of child labour. There are basically two different ways how chocolate producers can tackle these challenges:

The first option is to outsource responsibility to existing labelling or certification organization, where accredited auditors certify cocoa farmers and cooperatives. The chocolate producer who buys these beans may use – at an extra charge – the appropriate sustainability label on its products. A uniform standard has not yet been developed and enforced globally. The conditions to be met by certified suppliers vary depending on the label.

THE LINDT & SPRÜNGLI WAY

The second option is the direct cooperation with local partners to develop tailor-made solutions. Lindt & Sprüngli has decided to go its own way, and take responsibility for its sourcing model. The *Lindt & Sprüngli Farming Program* aims at increasing the quality and yield of cocoa, while

increasing the livelihood of farmers and communities. The Group's *Farming Program* has its roots in a traceability project in Ghana which Lindt & Sprüngli has been implementing since 2008. It enables the company to fully trace back the cocoa bags to the corresponding farmer's village and, together with the local partner Source Trust, supporting farmers and communities in the very regions Lindt & Sprüngli sources its cocoa beans from. For every ton of cocoa purchased, Lindt & Sprüngli makes contributions to the non-profit organization Source Trust, which in return supports and – in collaboration with the farmers – implements projects to improve cocoa cultivation and infrastructure in the sourcing regions. Lindt & Sprüngli is convinced that full traceability and concrete improvement activities combined with monitoring and evaluation are key to improve the livelihoods of the farmers and ensure the availability of sustainably sourced cocoa.

In this realm, important milestones were reached in 2013. The *Lindt & Sprüngli Farming Program*, as well as the Lindt Cocoa Foundation were established to advance sustainable procurement of raw materials and secure long-term supply for chocolate production. Read more about the *Lindt & Sprüngli Farming Program* and our approach to sustainable cocoa sourcing on page 17.



Internal monitor explaining the farmer how to proceed with cocoa pods infected by black pod disease

SUSTAINABLY SOURCED

SUSTAINABILITY AT THE SOURCE OF OUR VALUE CHAIN

Sustainability starts for Lindt & Sprüngli at the outset; with the procurement of raw as well as packaging material. An understanding of the raw materials' origins and the insistence that the suppliers follow our sustainability and quality standards build the ground for Lindt & Sprüngli's sustainable sourcing practices. 2013 highlights' were the expansion of the *Lindt & Sprüngli Farming Program* and the establishment of the Lindt Cocoa Foundation. These developments are important milestones towards reaching our targets: By 2016, Lindt & Sprüngli aims at sourcing 100% traceable and verified cocoa beans from Ghana, and by 2020, all of the cocoa sourced will be traceable and verified.

Lindt & Sprüngli imposes within its supply chain a strict and thorough process control from sourcing of ingredients to production and distribution of its premium chocolates. It also reserves the right to conduct periodic, unannounced visits of suppliers. Doing so enables Lindt & Sprüngli to monitor and continuously improve sustainability in all aspects of its operations.

Suppliers are required to sign the Lindt & Sprüngli Supplier Code of Conduct, and follow all applicable environmental laws, regulations and industry standards, such as requirements regarding industrial wastewater treatment, air emission and environmental reporting. The code strictly prohibits corruption and bribery, discrimination and child labour. It guarantees freely chosen employment, fair compensation and working conditions, as well as freedom of association. The suppliers' subcontractors and suppliers must also implement this Supplier Code of Conduct. Non-compliance with the Supplier Code of Conduct may ultimately result in the termination of the supplier's contract.

SECURING RAW MATERIALS IN A SUSTAINABLE MANNER TO MAINTAIN GROWTH

Sustainability starts with raw materials. To obtain high quality cocoa beans, nuts, sugar and milk, Lindt & Sprüngli needs to know where the ingredients come from and who produces them. This allows identifying the best ways of enabling local farmers and communities to improve their livelihoods – and to ensure that the ingredients correspond to the highest ethical standards as well as to maintain a level of biodiversity that guarantees future environmental health and commercial success.

The most important raw material sourced is cocoa beans. Lindt & Sprüngli uses an exceptionally high percentage of 'flavour' cocoa beans because of their unique taste, and has therefore a major interest in high availability of such cocoa. More than a third of Lindt & Sprüngli's beans purchased for its chocolate production are 'flavour' beans; compared to 3–5% in world production a significant share. 'Flavour' beans are sourced from Latin America, the Caribbean and Madagascar.

‘Consumer’ beans, on the other hand, have their origin mainly in West Africa. Lindt & Sprüngli sources its entire West African cocoa requirement from Ghana because of the reliable availability of high-quality cocoa beans.

Besides cocoa beans, Lindt & Sprüngli also sources cocoa butter and cocoa powder. Cocoa beans mainly from West Africa and Indonesia for cocoa butter are sourced by third parties and then processed – i.e. pressed – into cocoa butter.

At Lindt & Sprüngli, milk products and sugar are sourced from local producers near to production sites; in the European Union, the USA and Switzerland. In each market, Lindt & Sprüngli relies on only a few suppliers. This allows the company to share the Lindt & Sprüngli proprietary process parameters for milk powder production.

With regards to almonds, Lindt & Sprüngli mainly sources its premium quality almonds from California, USA; while hazelnuts are sourced from Italy and Turkey.

THE LINDT & SPRÜNGLI FARMING PROGRAM

The cornerstone of Lindt & Sprüngli’s sustainable sourcing strategy is the *Lindt & Sprüngli Farming Program*. It was up-scaled and extended in 2013. The core of the *Farming Program* is traceability of the raw materials back to its origins and support for the farmers in improving their agricultural, social and environmental farming practices. For the moment, the program focuses on cocoa sourcing in Ghana. The *Farming Program* will be expanded to other countries and raw materials in the coming years.



The *Lindt & Sprüngli Farming Program* framework consists of five pillars, which can be adapted based on the local context, needs and requirements of a specific raw material from a specific country or region. We are following a continuous improvement approach, with the ultimate goal of growing together with the farmers selling their produce to us. The program is farmer-centered, aiming at being the preferred buyer for the farmers.

The 5 Pillars of the Lindt & Sprüngli Farming Program

1. Farmer Organization & Traceability	Farmers are organized in structures that suit to the local characteristics. Traceability is built up to community, and where feasible, up to farm level. This is the base for all further activities.
2. Capacity Creation & Training	Farmers are trained in good agricultural, environmental, social and business practices. Other people involved in our programs receive the required capacity creation and training.
3. Internal Monitoring & Performance Management	Within the farmer organizations, internal monitoring and performance management systems evaluate the improvements of farming practices (good agricultural, environmental, social and business practices).
4. External Assessments	a) Compliance with a set of standards is audited at the farm level and the functioning of the internal systems assessed; b) the impacts on agricultural development, including on livelihood improvements of the farmers and their families are measured to make sure our activities deliver the desired results.
5. Improvement Activities	Farmer professionalization and community development is – if necessary – supported with investments in farm extension services (e.g. plant protection products, personal protective equipment, new plants) and community development (e.g. boreholes, farm shops).

EXPANDING OUR PIONEERING PROJECT: THE LINDT & SPRÜNGLI FARMING PROGRAM IN GHANA

Since 2008, Lindt & Sprüngli has been involved in valuable pioneering work in Ghana and has over the last years continuously built up a traceable cocoa supply chain within an independent purchasing model.

Lindt & Sprüngli sources 100% of its West African cocoa beans from Ghana, where the purchasing pilot was started. The purchasing model not only guarantees a consistent volume of best quality cocoa beans for Lindt & Sprüngli, but through traceability also the opportunity to positively influence local development. As the largest buyer of traceable cocoa beans from Ghana, Lindt & Sprüngli provides a fundamental contribution to establishing socially responsible and economically fair conditions for cocoa farmers.

Cocoa Traceability	2011	2012	2013
% of cocoa beans sourced traceable*	70	75	82

* Ghana is the only origin with a traceability system in place which is structured around a stable base of farmers; other origins currently with certificates of origin, where the farmers that contribute their cocoa can vary.



By paying a voluntary premium per each ton of cocoa beans sourced, Lindt & Sprüngli has invested since 2008 more than USD 7 million in the traceability of the cocoa supply chain and social projects via our local partner, the non-profit organization Source Trust. Measures included the reconstruction of a school, the provision of mosquito nets, boreholes for access to clean drinking water, and the installation of so called Village Resource Centres, which are located near junior high schools and are equipped with computers and a printer to be used by pupils and teachers alike for education, and also by farmers for training purposes.

Since 2012, the premiums paid are increasingly used for the professionalization of cocoa farmers. The program includes the introduction of a detailed mapping system with the collection of information about farmers, their cocoa farms and their communities ([GeoTraceability](#)), the provision of training for professional agricultural, social and ecological farming methods and the supply of high-quality cocoa seedlings. Demonstration cocoa plots give the farmers an insight into the best professional growing practices. In addition, the program gives access to credits for essential cultivation aids, which can be purchased in the so-called “Farm Shops”. Last but not least, greater emphasis is being placed on the basic and further training of young and women farmers in order to extend their professional expertise and management skills.

Lindt & Sprüngli Farming Program in Ghana	2008 until 2013
Number of farmers in program	42,359
Number of farmers trained in good agricultural, social and environmental practices	8,609
Village Resource Centres built and equipped	24
Malaria bed nets distributed	38,600
Boreholes and hand-dug wells financed	102
Farm shops set up	2
Schools reconstructed	1

An internal monitoring and performance management system was established for measuring continuous progress, and giving the farmers individual feedback on their improvement potential. Audits, conducted by credible external organizations, enable the progress and practices of the farmers to be verified.

By 2016, more than 48,000 cocoa farmers in 39 Ghanaian districts will be trained within the program, aiming at more than doubling productivity yield and increasing farm family income considerably. The positive results of Lindt & Sprüngli's unique purchasing model have convinced us to extend the Farming Program to other growing areas in order to cover our entire cocoa supply chain by 2020.

MAINTAINING THE DIVERSITY OF ‘FLAVOUR’ COCOA VARIETIES

Three types of cocoa beans are differentiated: Forastero, Criollo and Trinitario, with a lot of sub-varieties existing. While Forastero beans are referred to as ‘consumer’ beans, Trinitario

and Criollo are known as 'flavour' beans. Compared to the world market, Lindt & Sprüngli uses an exceptionally high percentage of 'flavour' beans to produce the premium chocolate and is therefore dependent upon a rich variety of Trinitario and Criollo cocoa trees. For this reason, we support efforts in the field of preserving the diversity of cocoa varieties, and increasing the availability of flavour beans, since many years.

During 2012 and 2013, Lindt & Sprüngli supported a research project of the World Cocoa Foundation and the U.S. Department of Agriculture to develop a non-sensory method to determine when fine flavour cocoa beans have become adulterated with inferior beans, and to validate the quality of premium chocolate. The research may help ensure long-term supply of cocoa and chocolate products that contain prized flavour attributes. The research findings will be used to develop mechanisms promoting the conservation of traditional Ecuadorian varieties and will work to verify the quality of the traditional *Cacao Nacional* reaching the market place. Ecuadorian *Cacao Nacional* is one of the finest flavour cocoa beans in the world.

SOURCING SUSTAINABLE PALM OIL

To satisfy the growing demand for palm oil over the last few years, development of new plantations has sometimes resulted in the destruction of large areas of valuable rainforests, threatening the rich biodiversity of these ecosystems. Lindt & Sprüngli uses only minimal amounts of palm oil for certain fillings. However, we share the concerns related to the protection of rainforests and biodiversity and are actively engaged in the sustainable production of palm oil.

Lindt & Sprüngli is a Member of the "Roundtable on Sustainable Palm Oil" (RSPO), an organization promoting the growth and use of sustainable palm oil through co-operation within the supply chain and open dialogue with its stakeholders. We are currently purchasing 100% of the palm oil according to the RSPO book & claim trading system. Lindt & Sprüngli's goal is however to source RSPO certified and segregated palm oil for all products by end of 2015. Segregated palm oil can be traced back to certified plantations and a third-party certification ensures the integrity of the chain. The change from book & claim to segregation is already initiated and will be implemented gradually.

Furthermore Lindt & Sprüngli continually researches alternatives to the already very small volume of palm oil used in a few chocolate fillings: either in the development of new products, as well as based on the on-going investigation regarding replacements in existing formulations.

In 2013, Lindt & Sprüngli reached 11 out of 12 points in a scorecard developed by World Wide Fund for Nature (WWF). With a score of 11 on the Palm Oil Buyers' Scorecard Lindt & Sprüngli is one of the top 7 consumer goods companies in Switzerland with regards to the support of sustainable palm oil.

PILOTING SUSTAINABLE HAZELNUT PROCUREMENT IN TURKEY

Turkey makes up around 80% of the global hazelnut harvest. In the last years, critiques emerged about the social issues in the Turkish hazelnut harvest. The main issues relate to child labour, challenging living conditions of migrant labourers as well as lack of transparency in wage payments. Lindt & Sprüngli sources around half of its hazelnuts requirements from Italy, and the other half from Turkey.



Visit to hazelnut farms in Turkey

In 2013, Lindt & Sprüngli worked on developing a *Lindt & Sprüngli Farming Program* for Turkish hazelnuts to implement a traceable and verified hazelnut supply chain to help solve the main issues mentioned above. Lindt & Sprüngli analysed its present hazelnut supply chain, including visits to the field during the harvesting season. Turkish hazelnut suppliers were required to complete a self-assessment regarding traceability and verification in their supply chain. Selected suppliers were then visited to develop and discuss potential solutions face-to-face.

Lindt & Sprüngli plans to select key suppliers to start implementing sustainability programs during the hazelnut harvest 2014.

THE LINDT COCOA FOUNDATION

To further enhance sustainable procurement of raw materials, Lindt & Sprüngli established in 2013 a new charitable foundation, the Lindt Cocoa Foundation.

The foundation's purpose is to work towards achieving social and ecological sustainability in the cultivation, production and processing of cocoa and other raw materials used in chocolate production. Thanks to the foundation, Lindt & Sprüngli's previous sustainable raw material procurement initiatives are being given a more significant focus with more resources to further intensify work. The Lindt Cocoa Foundation supplements the already existing endeavours of Lindt & Sprüngli, starting in 2014.

ASSESSING AND QUALIFYING PACKAGING SUPPLIERS

Packaging is a very important and sensitive part of the production chain at Lindt & Sprüngli. Apart from being appealing to the consumer and detailing the contents, its essential function is to protect the valuable chocolate within.

In order to avoid costly and environmentally questionable transport and to guarantee fast and flexible delivery, Lindt & Sprüngli sources its packaging material if feasible from suppliers located near to the production sites.

Some decoration items – such as bells and tin boxes – for seasonal items and promotional gift items are sourced from manufacturers in China, where Lindt & Sprüngli's *Supplier Development Program* ensures that compliance with the company's sustainability and quality standards is monitored and improved.

LINDT & SPRÜNGLI'S SUPPLIER DEVELOPMENT PROGRAM IN CHINA

Lindt & Sprüngli aims at developing and qualifying its Chinese packaging suppliers and therefore implements a progress-oriented approach, instead of a pass / fail audit approach. The supplier development program for packaging suppliers from China consists of a set of measures to commit, assess and support suppliers in the development of their production practices:

1. Chinese packaging suppliers also need to commit to comply with the Lindt & Sprüngli Supplier Code of Conduct by signing it.
2. Manufacturers then disclose current information regarding their size, production conditions and existing audit results by means of a comprehensive self-assessment.
3. Based on the result of the self-assessment major manufacturers are evaluated regarding working conditions through on-site assessments. The assessments consider the following issues: Forced, bonded, indentured and prison labour, child labour, freedom of association and right to collective bargaining, discrimination, harassment and grievance procedures, health and safety, wages and benefits, working hours, and environment.
4. If non-conformities with the Lindt & Sprüngli Supplier Code of Conduct are found during the assessment, a corrective action plan is agreed between the representatives of the manufacturers and the assessor. During the implementation phase of the corrective actions relevant manufacturers are supported by e-mail, telephone or on-site consulting visits. With re-assessments the manufacturer's conformity with the requirements is evaluated.

The main potential for improvement lies within the areas of health and safety, wages, working hours, benefits, and management systems.

Supplier Development Program China	2012	2013
		2 (8 to follow early 2014 after restructuring of supplier base)
Number of on-site assessments (initial & follow-up)	12	
Number of suppliers supported in implementing corrective actions	0	6

OUTLOOK ON LINDT & SPRÜNGLI'S SUSTAINABLE SOURCING ACTIVITIES

With the Ghana Traceable Project and the subsequent *Farming Program*, Lindt & Sprüngli has achieved a lot in recent years, despite the complexity of the subject. However, Lindt & Sprüngli knows there is more to do, and will continue efforts to understand and tackle the challenges and opportunities ahead. Based on the experience gained in Ghana, Lindt & Sprüngli is continuously working on evaluating opportunities for implementing *Farming Programs* for additional cocoa origins and additional raw materials. We further look into possibilities of extending the program to cocoa butter and cocoa powder.

To improve the sustainability performance of our packaging manufacturers in China, Lindt & Sprüngli will increasingly focus on manufacturer support to help implement corrective actions. To verify the results of this engagement, we will also start doing semi-announced visits instead of announced assessments. For semi-announced visits, a four-week time period is agreed to with the manufacturer; the audit then takes place at any time during this period. This process allows having a more realistic picture of the situation.

To further integrate sustainability issues into our purchasing process, sustainability criteria and the results of the self-assessments will be considered in the supplier selection process. Lindt & Sprüngli will therefore analyse the current supplier structure in order to reduce the number of suppliers, which would lead to intensified collaboration.

SUSTAINABLY PRODUCED

TAKING INTO ACCOUNT ENVIRONMENTAL AND SOCIAL CONCERNS IN OUR PRODUCTION PROCESS

Once the raw materials arrive at our factories, our fully committed employees do everything to produce our premium chocolate products. Highest quality and environmental standards from the raw material to the finished product are of utmost importance to Lindt & Sprüngli. We make continuous efforts to reduce the environmental impact per ton of chocolate produced. We also have high standards regarding the working conditions we offer to our employees. Last, but not least, Lindt & Sprüngli is committed to act as a good corporate citizen.

REDUCING OUR ENVIRONMENTAL IMPACT

The Lindt & Sprüngli's environmental policy includes the consideration of environmental impacts in investment decisions, the environmental improvement of packaging material, as well as the reduction of greenhouse gas emissions, energy consumption, waste volume and wastewater. To anchor environmental protection, each Lindt & Sprüngli group company is assigned one representative to manage environmental impacts. Internal environmental key figures measuring and reporting was introduced for all producing companies in 1999 and has been refined since. Lindt & Sprüngli has been able to continuously reduce the consumption of energy and water, as well as the output of CO₂ per ton produced.

Reduction of environmental impacts in the period of 2008 until 2013

Energy use per ton produced	– 14%
CO ₂ emissions per ton produced	– 15%
Fresh water consumption per ton produced	– 32%

Note: Figures cover only Lindt & Sprüngli production companies.

Lindt & Sprüngli factories in Italy and France are certified with the ISO 14001 standard for environmental management. Our production facility in Germany is certified with the ISO 50001 standard for energy management.

The emphasis of our work in 2013 lay in the area of energy-efficiency to mitigate climate impacts and working on a resource-efficient production.

INCREASING ENERGY-EFFICIENCY AND CLIMATE CHANGE MITIGATION

Producing chocolate requires energy. To determine how energy can be saved and greenhouse gas emissions reduced, each existing and future facility and investment undergoes detailed analysis. Since 2007, Lindt & Sprüngli participates in the Carbon Disclosure Project (CDP). The aim of Lindt & Sprüngli is to introduce the appropriate processes to allow full measurement and verification of CO₂ emissions based on the CDP standard.

Lindt & Sprüngli has set the following targets regarding energy use and CO₂ emissions:

- Reduction of CO₂ emissions per ton produced by an average of 2% over the coming years.
- Reduction of energy consumption per ton produced by an average of 2% over the coming years.

In order to foster energy efficiency and climate change mitigation, the following projects were implemented in 2013:

- In many plants we replaced fluorescent lights with more efficient LED systems
- A big effort was spent in order to identify and reduce all the pressured air leaks
- Utilities and process equipment have been revised and updated with more efficient solutions

Yet, CO₂ emissions don't only derive from our own production facilities. To identify main climate impacts along the entire value chain, Lindt & Sprüngli Germany conducted together with experts from the fjol GmbH (in cooperation with the German Centre for Sustainable Management) a Product Carbon Footprint of four selected products. The analysis included CO₂ emissions from raw material production, packaging material production, transport of raw materials and packaging, production of the chocolate, distribution and warehousing as well as end of life treatment. The majority of CO₂ emissions result from the production, transport and processing of raw materials. Especially milk-based raw materials have a higher climate impact, which is related to the enteric fermentation, slurry and manure, the production of cow feed as well as the emissions from energy consumption in milk processing.

The analysis at the production site allowed identifying specific potential for reduction of greenhouse gas emissions. Based on the carbon footprint analysis, Lindt & Sprüngli Germany decided to install a thermal power station and to change its power purchase to green power. This analysis further set the stage for continued improvement measures. To track reductions in greenhouse gas emissions and to evaluate the installed measures Lindt & Sprüngli plans to repeat the calculation and to verify them by an external critical review.

REDUCING ENVIRONMENTAL IMPACTS FROM TRANSPORT AND LOGISTICS

Of the total eight Lindt & Sprüngli production plants, six are located in Europe and two in the USA. Lindt & Sprüngli attaches great importance to purchasing close to our production sites and main consumer bases. Key raw materials – except for cocoa – are purchased for the most part from local suppliers. The same applies in large measure to the purchasing of packaging materials. Paper and cardboard are generally sourced within the region of the production sites.

Several Lindt & Sprüngli companies have initiated green logistics projects for the implementation of efficient solutions for national and international transports. One example is Lindt & Sprüngli's European Intercompany Logistic Concept. Lindt & Sprüngli requires carriers to use mainly double floor trucks to transport the goods between the Lindt & Sprüngli compa-

nies. By this initiative, Lindt & Sprüngli was able to reduce the number of transportations by at least 15%. Further, two carriers have been implemented to execute Intermodal Transportation (truck/rail) for high frequent trade lanes.

By implementing a transport management system in 2013, Lindt & Sprüngli optimized the capacity utilization of the transport vehicles and to further reduce the number of transports and environmental impacts. Special equipment such as Mega Trailers (loading capacity of 86 pallets instead of 66 pallets) and Jumbo Trailers within our intercompany network in Europe will further strengthen the green logistics projects.

IMPROVING PACKAGING MATERIAL AND REDUCING WASTE

Packaging is an important component of the production chain of Lindt & Sprüngli; its essential function is to protect the valuable chocolate. High quality packaging protects the contents from damage during transport and handling, from light exposure, and from odour transfer. Hence, the materials that are used at Lindt & Sprüngli have to fulfil the highest standards of composition, stability hygiene and odour neutrality.

To minimize environmental impacts of packaging material, Lindt & Sprüngli is set on using recyclable materials if the stringent quality standards allow. The company concentrates on minimizing the use of packaging material by reducing the packaging's thickness and encouraging end-users to recycle. Lindt & Sprüngli continues its research in this area and is continuously working on reducing material usage.

For outer packaging – such as boxes protecting the Lindt & Sprüngli chocolates during shipping – Lindt & Sprüngli uses paper or corrugated cardboard that is sourced within the regions close to Lindt & Sprüngli's factories and distribution companies.

Packaging material exposed directly to the chocolate has to meet the highest quality standards to protect the products from shock, temperature, foreign odours and light and also guarantee freshness. In order to avoid flavour transfer from packaging to the chocolate, only first-quality new cardboard is used. Following several tests with alternative materials, Lindt & Sprüngli found that aluminium foil is hygienic and provides the best protection for the products from odour, temperature and light.

Many Lindt & Sprüngli seasonal products are bought as gifts, their packaging tends therefore to be significantly larger than for daily products.

FRESH WATER AND WASTEWATER

Lindt & Sprüngli continuously monitors and analyses the use of water and the output of wastewater in the production process. The company intends to further reduce the use of fresh water in production, which in turn will impact the output of wastewater.

At Lindt & Sprüngli operations, water is mainly used for washing of moulds, hygienic requirements such as hand washing, and for sanitary facilities. There is only limited use of water in cleaning of machines and installations. For cooling, we eliminated almost all open systems and went to closed loop systems.

From 2008 until 2013 Lindt & Sprüngli was able to reduce water consumption at the company's production sites by 32%. In order to further reduce water consumption, Lindt & Sprüngli implemented the following projects in 2013:

- A new and more efficient moulds washing machine has been installed in Germany
- Cold and hot water circuits have been revised and optimized in many plants

PROVIDING AN ATTRACTIVE AND SAFE WORKING ENVIRONMENT

We believe that our biggest and most treasured capital is our employees. High performing, diverse and passionate employees are a key success factor for Lindt & Sprüngli.

Lindt & Sprüngli encourages, recognizes and rewards individual innovation, personal initiative and leadership throughout the organization. Respect for individuality, trust and fair play characterise our working relationships. Teamwork across all disciplines, business segments and regions is essential when creating a company whose employees foster each other's mutual success. Lindt & Sprüngli is committed to ensuring that all members of management, supervisors and employees demonstrate a level of professionalism that reflects the company's commitment to our core values anchored in the company's credo: quality, commitment and qualification, customer orientation, social responsibility and profitability. The principles outlined in the business code of conduct provide firm, uncompromising standards that all employees are expected to model in their dealings with associates, colleagues, customers, suppliers, and the general community. In order to guarantee adherence to our policies and continued improvement, employee issues are dealt with on top management level.

In 2013, Lindt & Sprüngli employed 8,949 people worldwide. The professional expertise of these staff members is outstanding, and they have a high degree of identification with the products and the company itself. Employee satisfaction is crucial to Lindt & Sprüngli's long-term success.

Lindt & Sprüngli respects the rights of employees to form and join trade unions and to bargain collectively. In line with EU requirements, the company organizes an annual meeting – the European Works Council – where workers' representatives from all Lindt & Sprüngli European Union subsidiaries and Switzerland are given the opportunity to exchange their opinions and meet with Group management. Currently, Lindt & Sprüngli's employees are collectively organized in Austria, France, Germany, Italy, Switzerland and the USA (Ghirardelli).

To ensure that the company's employees are guaranteed a safe working environment and are satisfied in their jobs, programs for health and safety, as well as regular employee surveys, are in place and build the basis for continuous improvement. Lindt & Sprüngli is constantly working

on labour issues and fostering the company culture. In 2013, Lindt & Sprüngli put special attention to ensuring workplace health and safety, and enhancing talent management and employee development.

HIGHLY SATISFIED AND COMMITTED EMPLOYEES

Every three years, last time in 2012, an external institute conducts an anonymous employee survey across the entire Lindt & Sprüngli Group and gives feedback as to whether the company is on the right track.

The survey in 2012 showed that a majority of the employees are strongly committed to Lindt & Sprüngli as an employer. The employees' degree of identification both with the company and with the brand is very high. The overall job satisfaction of 82% of Lindt & Sprüngli employees is a very positive result, and has increased over the years. Furthermore, the percentage of employees dissatisfied could be continuously reduced.

Employee feedback was particularly favourable on the following aspects: attractive and varied job content, pleasant working climate, and management attitudes of the particular line managers. On the other hand, the survey revealed that Lindt & Sprüngli can further improve on aspects such as personal development and the communication of company information.

The local human resource organizations follow up the survey and present a catalogue of measures for improvement. The next survey will be conducted in 2015.

ENSURING WORKPLACE HEALTH & SAFETY

As a fair employer, Lindt & Sprüngli assumes responsibility for its employees by offering them a healthy and safe and socially sustainable workplace. The improvement of safety in the workplace is a top priority. Our long-term vision is zero lost time accidents. The local companies set yearly targets based on previous year's results and trends.

All manufacturing, marketing and distribution companies in the Lindt & Sprüngli Group strictly adhere to the Group's Health and Safety Policy. The cornerstones of this policy are the maintenance of safe and healthy working conditions, the proactive reduction of injury hazards, and the insistence that all employees are fully aware of their responsibility to follow safe working practices. In all Lindt & Sprüngli producing companies a Health & Safety responsible person / manager is assigned in order to manage all health & safety related issues and performance.

In 2009 a binding *Health and Safety Program* was introduced for all the production companies within the group. The program has now become an established feature of the corporate culture and is not only being implemented in an exemplary manner by our staff members but also actively supported by them. In regular intervals, we conduct employee safety trainings to raise awareness and to strengthen the corporate culture. As a result, the number of occupational accidents in the Lindt & Sprüngli production companies was significantly reduced.

In order to ensure continuous improvement, Caffarel's production facility in Luserna San Giovanni is certified with the OHSAS 18000 standard for health and safety management. Lindt & Sprüngli France plans to certify with OHSAS 18000 in 2014. Regular risk audits on all production sites ensure continued improvement of measures.

Lindt & Sprüngli's Accident Reporting & Measures scrutinizes all incidents and plans measures for future avoidance. Lindt & Sprüngli production companies were able to lower the number of lost time accidents per 100,000 working hours by 73% from 2008 to 2013.

MANAGING TALENT AND DEVELOPING EMPLOYEES

In order to attract and retain high performing, diverse and passionate employees, Lindt & Sprüngli puts emphasis on managing talent and developing employees. The company wants to ensure that all key positions are staffed with qualified and motivated employees and that talented employees are developed internally to fill these positions.

To ensure a consistent approach to talent management in all Lindt & Sprüngli subsidiaries, we developed a *Talent Management Program* and implement it since January 2013 on a global basis. It is a tool for managers to use in the selection and assessment of employees, establishment of development plans and appropriate calibration of talent across the company. It defines the skills needed to execute the company's strategic direction for the foreseeable future. The program aims at an early identification, continued assessment and targeted development of talented individuals at Lindt & Sprüngli. In short, the *Talent Management Program* ensures that the Best People are in the right roles at the right time across the globe.

Lindt & Sprüngli believes in lifelong learning and wants to foster an on-going exchange of knowledge. We attach great importance to creating an attractive and motivating working environment for our employees. Therefore, the company encourages and supports any continuing education and training compatible with the employees' actual or future responsibilities. In 2013, our employees received on average 44 hours of training.

ACTING AS A GOOD CORPORATE CITIZEN

Lindt & Sprüngli positively contributes to local economic development in the areas where our premises are located. The principles of job creation, fair competition and anti-corruption are firmly anchored in our company culture. We are committed to the continued investment of substantial funds over the coming years into the manufacturing sites to prepare for higher growth and to create additional jobs.

PREVENTING BRIBERY AND CORRUPTION

Lindt & Sprüngli acknowledges that some corruption risks lie within our supply chain and our group companies, particularly since Lindt & Sprüngli is increasingly operating in countries with higher corruption risk such as Russia and China.

Lindt & Sprüngli addresses corruption issues prominently in corporate policies applicable both to employees as well as suppliers. It is the goal of Lindt & Sprüngli to avoid creating or perpetuating circumstances in which the possibility of favouritism, conflicts of interest or impairment of efficient operations may occur.

Each employee is provided with a copy of Lindt & Sprüngli's Business Code of Conduct and each supplier with the Supplier Code of Conduct. Suppliers are asked to sign the Supplier Code of Conduct including a commitment concerning anti-corruption. The Supplier Code of Conduct sets out the requirements expected of its suppliers and vendors regarding corruption and bribery. It particularly emphasizes that suppliers shall conduct their business in accordance with the highest ethical standards and comply with all applicable laws and regulations concerning corruption, bribery, fraud and unfair and prohibited business practices.

A RESPONSIBLE TAX PAYER

Lindt & Sprüngli has documented and implemented a comprehensive and uniform group-wide transfer price system strictly applying OECD rules and based on the 'at arm's-length' price principles. Third-party comparable studies are made on an ongoing basis to benchmark company policy with market prices. It is the company's policy to be fully transparent in all of its tax matters and not to enter into any special tax-driven schemes.

DONATIONS AND CHARITABLE ACTIVITIES

All the subsidiary companies belonging to the group make numerous donations to local organizations, association and social schemes. Of particular importance is the project partnership launched in 2012 between Lindt & Sprüngli and the Roger Federer Foundation in favour of a promotional program of the Winter Aid for deprived children in Switzerland. Further financial and in-kind donations were made to the victims of the catastrophic flooding in the Philippines. Different Lindt & Sprüngli Group companies donated to local charitable organizations.

OUTLOOK ON LINDT & SPRÜNGLI'S SUSTAINABLE PRODUCTION ACTIVITIES

In the realm of our environmental performance, various projects are planned for 2014 with the aim to save energy and to improve efficiency at different Lindt & Sprüngli factories. In 2014 we will further investigate the extension of our implemented Intermodal Transportation solution for our liquid transportations within Europe.

Lindt & Sprüngli producing companies will in 2014 launch a worldwide program called the *Lindt Production Way*. An important part of the program is dedicated to health and safety. Through structured road maps and the application of organizational and practical tools the company aims to improve its performance in all the manufacturing areas.

With regards to talent management and yearly performance assessments, a succession planning process will be rolled out in 2014. Global employee data such as performance ratings will be gathered and discussed at management level.

In autumn 2014, Lindt & Sprüngli will start a pilot project in cooperation with the reputable International Institute for Management Development (IMD) in Switzerland. The objective is to improve leadership and introduce the *International Lindt Academy* concept for a *Lindt Senior Management Program*.

SUSTAINABLY CONSUMED

HIGHEST QUALITY AND PRODUCT TRANSPARENCY FOR CONSUMERS

Lindt & Sprüngli has a responsibility towards customers and consumers to deliver products of highest quality. The strict maintenance of quality and food safety is vitally important to our business, as well as to our customers and consumers. Therefore, we are resolutely determined to stay at the forefront of technological developments in the field of quality assurance. The company further applies highest standards in its marketing and advertising practices and sticks to correct labelling and consumer information.

CONSUMER SATISFACTION AS A TOP PRIORITY

Consumer satisfaction is central for Lindt & Sprüngli. In recent years, a constant increase in the number of consumer contacts has been recorded. In 2013, more than 80,000 enquiries reached the subsidiary companies all over the world. All enquiries are systematically recorded by a specific customer relationship management system (CRM) and provide information about matters of central concern to consumers. Our consumer service specialists are constantly trained, and we are further improving the cooperation between the different divisions regarding an even more effective handling of consumer complaints and concerns.

FROM BEAN TO BAR: QUALITY IS AT THE CORE

Lindt & Sprüngli places the highest emphasis on guaranteeing the best possible level of hygiene and food safety in all of its factories. To guarantee that the products live up to the “Lindt & Sprüngli Promise”, the company has very stringent internal and external quality control mechanisms in place. This quality control includes very strict testing processes, conducted on different levels from the raw material to the finished product. Only once the company is convinced that a finished product lives up to the high quality standards, it leaves the factory in impeccable condition.

There is an entire quality management network engaged in assuring the excellence of Lindt & Sprüngli products – from raw materials to release of the products to the consumer. The production process is divided into several levels, each of which has mandatory quality standards the product must fulfil in order to pass on to the next level. Chocolate products exceeding specified internal company limits are consequently rejected. Stringent tests regularly monitor Lindt & Sprüngli chocolates with regards to genetically modified organisms (GMO), pesticides or volcanic soil residues such as cadmium.



Quality assessment and sensory analysis of raw materials

To ensure that quality and food safety standards are upheld, our production facilities in Kilchberg (Switzerland), Aachen (Germany), Oloron (France), Gloggnitz (Austria), Induno Olona and Luserna San Giovanni (Italy) are certified with the ISO 9001 standard for quality management. The Lindt & Sprüngli production facilities in Gloggnitz (Austria), Luserna San Giovanni, Induno Olona (Italy), Oloron (France) and Aachen (Germany) as well as the Ghirardelli subsidiary (USA) are furthermore certified with the ISO 22000 respectively FSCC 22000 standard for food safety. At group as well as at subsidiary level, responsibilities are clearly assigned.

The careful evaluation and cooperation of customers and specifically of the distribution channels that sell Lindt & Sprüngli products and store them is of high relevance in the quality control system.

In 2013, the German consumer organization Stiftung Warentest examined 26 different chocolate brands with regards to taste, pollutants such as cadmium or pesticides, microbiology quality such as salmonellae, compliance with packaging regulations, and labelling. The Lindt & Sprüngli chocolate won the test with best marks.

Lindt & Sprüngli will continue its efforts in research & development, packaging and logistics – in cooperation with its trade partners – to safeguard quality all the way to the homes of the consumers.

THE LINDT CHOCOLATE COMPETENCE FOUNDATION

In 2013, Lindt & Sprüngli founded the Lindt Chocolate Competence Foundation. It promotes industry-specific basic and advanced training for young professionals; supports research projects into new production and process technologies, and provides a chocolate museum for the general public.

'We are aware of the national and international importance of the Swiss chocolate industry and therefore have a long-term commitment to safeguarding Switzerland as a chocolate industry centre. As one of the innovative pioneers of the Swiss chocolate culture, we are determined to enhance the reputation of Swiss chocolate and also to develop knowledge and expertise about chocolate manufacturing and make people all over the world aware of it,' Ernst Tanner, President of the Board of Trustees, stresses.

The Lindt Chocolate Competence Foundation will play a key role in the acquisition and preservation of knowledge and expertise on the theme of chocolate in Switzerland.

COMMUNICATING TRANSPARENTLY ABOUT OUR PRODUCTS

Consumers purchase chocolate depending on different characteristics such as percentage of cocoa, absence of critical ingredients (for example allergen, palm oil, or genetically modified organisms) and the presence of specific labels. Transparent consumer communication is therefore highly relevant for Lindt & Sprüngli. We apply the highest standards to consumer information and correct labelling of all our products.

Lindt & Sprüngli always applies fair marketing and advertising practices. We strictly follow the policy not to make any advertising claims around positive effects of our chocolate to the consumers' health – being conscious and aware that chocolate is an indulgence that should be eaten and enjoyed for indulgence, in a sensible way.

Lindt & Sprüngli is convinced that our customers need to be informed comprehensively about the chocolate ingredients. We therefore place the highest emphasis on the correct labelling on our products. Nutritional values of all Lindt & Sprüngli products are labelled on the packaging in accordance to national and international laws.

Taking into account that food allergies can be triggered due even to the smallest amounts of specific food proteins, a detailed list of all ingredients used in food products is vital. Lindt & Sprüngli is aware of its responsibility to ensure that all ingredients, including minor concentrations of potential allergens such as hazelnuts and almonds, are clearly communicated to the consumer via the ingredient list or allergen information. Therefore Lindt & Sprüngli notifies its consumers by printing a warning on the product that, depending on the type of chocolate, the product may contain traces of nuts or milk.

Lindt & Sprüngli is not involved in any research or development of genetically modified food or food ingredients and does not use any raw materials that have been genetically modified or derived from genetically modified organisms, as long as non-modified materials are available. Up to now it has been possible to follow this policy for all LINDT products, complying at the same time with the strictest food regulations concerning use and labelling of GMO. Lindt & Sprüngli will continue to adhere to all regulatory requirements regarding the use and the labelling of genetically modified organisms. Any raw materials, which may have in any way been connected to genetic modification, are tested prior to usage. Tests are done according to the officially recognized Polymerase Chain Reaction (PCR) methods at different levels of processing. By these measures, origin and status concerning GMOs in critical raw materials can be traced.

Through market research, we are constantly gathering consumer insights in order to be as close to their needs as possible. We monitor and track globally the emergence of new consumer trends and possible issues in relation to our products and business. Depending on the relevance and development of the issue, we take action and adapt our policies and process accordingly. To grant our future success, we also look at consumers' future needs to start already developing new products today for consumers' needs of tomorrow.

OUTLOOK ON LINDT & SPRÜNGLI'S SUSTAINABLE CONSUMPTION ACTIVITIES

In the context of increasing demands and regulations on food quality and safety, Lindt & Sprüngli is strongly engaged in certifying production sites according to the highest standards. In 2014, Lindt & Sprüngli USA will be certified with the ISO 9001 standard for quality management. By the end of 2014, Lindt & Sprüngli also plans to introduce the FSSC 22 000 certification for food safety to all Lindt & Sprüngli production sites.

ABOUT THIS REPORT

This is Lindt & Sprüngli's fourth UN Global Compact Communication on Progress. It has been published to provide stakeholders with comprehensive information about Lindt & Sprüngli goals, measures and progress. It relates to the period from 1 January – 31 December 2013; the effective date for all facts and figures is 31 December 2013. All facts and figures cover the Lindt & Sprüngli brands *LINDT*, *Ghirardelli*, *Hofbauer*, *Caffarel* and *Küfferle*. Where not otherwise stated, the facts and figures cover all production, distribution, marketing sites as well as regional Lindt & Sprüngli offices.

The Communication on Progress has been developed with due regard to materiality of the issues and stakeholder expectations. The reporting guidelines of the Global Reporting Initiative (GRI) were considered for the development of this report.

THE 10 GLOBAL COMPACT PRINCIPLES

Human Rights

Principle 1: Support And Respect The Protection Of Internationally Proclaimed Human Rights

Principle 2: Make Sure There Is No Complicity In Human Rights Abuses

Labour

Principle 3: Uphold The Freedom Of Association And Recognition Of The Right To Collective Bargaining

Principle 4: Elimination Of All Forms Of Forced And Compulsory Labour

Principle 5: Effective Abolition Of Child Labour

Principle 6: Elimination Of Discrimination In Respect To Employment And Occupation

Environment

Principle 7: Support Precautionary Approach To Environmental Challenges

Principle 8: Undertake Initiatives To Promote Greater Environmental Responsibility

Principle 9: Development And Diffusion Of Environmentally Friendly Technologies

Anti-corruption

Principle 10: Work Against Corruption In All Its Forms, Including Extortion And Bribery

Lindt & Sprüngli Profile	Report Chapters / Other Reports	Global Compact Principles
Strategy and Analysis	<ul style="list-style-type: none"> – Chairman's Statement – Sustainability at Lindt & Sprüngli – Addressing the Challenges: Breaking new Ground in Cocoa Sourcing – Annual Report 2013 	Principles 1–10
Organizational Profile	<ul style="list-style-type: none"> – Lindt & Sprüngli – A Portrait – Sustainability at Lindt & Sprüngli – Annual Report 2013 	
Identified Material Aspects	<ul style="list-style-type: none"> – Sustainability at Lindt & Sprüngli 	
Stakeholder Engagement	<ul style="list-style-type: none"> – Sustainability at Lindt & Sprüngli 	
Report Profile	<ul style="list-style-type: none"> – About this Report 	
Governance	<ul style="list-style-type: none"> – Sustainability at Lindt & Sprüngli – Annual Report 2013 	
Ethics and Integrity	<ul style="list-style-type: none"> – The Lindt & Sprüngli Promise – Sustainability at Lindt & Sprüngli 	Principles 1–10

Lindt & Sprüngli Material Issues	Report Chapters	Global Compact Principles
SUSTAINABLY SOURCED		
Secured Supply of Raw Materials Diversity of Cocoa Varieties Farmer Education & Capacity Building Agricultural and Economic Development Soil Fertility Investments in Rural Infrastructure Biodiversity	<ul style="list-style-type: none"> – Addressing the Challenges: Breaking new Ground in Cocoa Sourcing – Securing Raw Materials in a Sustainable Manner to Maintain Growth 	Principles 1–10
Core Labour Standards (e.g. abolition of child labour, elimination of forced labour) Climate Change and Greenhouse Gas Emissions	<ul style="list-style-type: none"> – Securing Raw Materials in a Sustainable Manner to Maintain Growth – Assessing and Qualifying Packaging Suppliers 	
SUSTAINABLY SOURCED		
Environmental Impact of Packaging Material Waste and Recycling Water and Wastewater	<ul style="list-style-type: none"> – Reducing Our Environmental Impact 	Principles 3, 6, 7, 8, 9, 10
Work Culture Employee Satisfaction and Retention Work-life-balance Occupational Health and Safety Employee Development & Training Social Security and Compensation Diversity and Equal Opportunity	<ul style="list-style-type: none"> – Providing an Attractive and Safe Working Environment 	
Corruption and Anti-Competitive Behaviour Philanthropy	<ul style="list-style-type: none"> – Acting as a Good Corporate Citizen 	
SUSTAINABLY SOURCED		
Consumer and Customer Satisfaction	<ul style="list-style-type: none"> – Consumer Satisfaction as a Top Priority 	Principle 7
Quality of Products Product Safety Genetically-modified organisms (GMO)	<ul style="list-style-type: none"> – From Bean to Bar: Quality is at the Core 	
Product Information and Labelling Marketing and Advertising Practices	<ul style="list-style-type: none"> – Communicating Transparently About Our Products 	

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