



LINDT & SPRÜNGLI

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Sustainability Report

2017

# Lindt & Sprüngli portrait

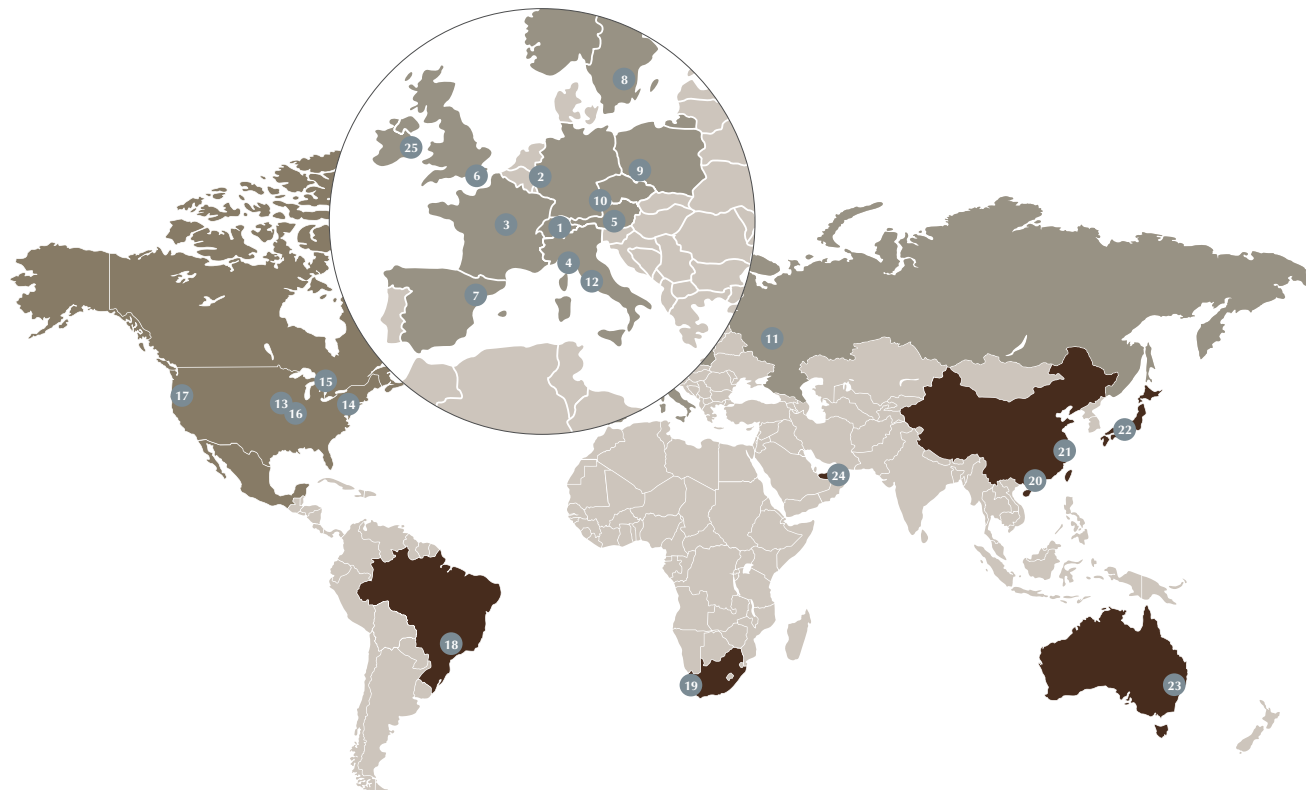
As a global leader in the premium chocolate segment, Lindt & Sprüngli looks back on a long-standing tradition of over 170 years which takes its origins in Zurich.

## Production, Marketing, and Sales

- 1 Kilchberg, CH
- 2 Aachen, DE
- 3 Paris, FR
- 4 Induna Olona, IT
- 5 Vienna, AT
- 6 London, GB
- 7 Barcelona, ES
- 8 Stockholm, SE
- 9 Warsaw, PL
- 10 Prague, CZ
- 11 Moscow, RU
- 12 Luserna S. Giovanni, IT
- 13 Kansas City, USA
- 14 Stratham, USA
- 15 Toronto, CA
- 16 Kansas City, USA
- 17 San Leandro, USA
- 18 São Paulo, BR
- 19 Cape Town, ZA
- 20 Hong Kong, CN
- 21 Shanghai, CN
- 22 Tokyo, JP
- 23 Sydney, AU

## Regional offices

- 24 Dubai, UAE
- 25 Dublin, IRL



Today, quality chocolate products by Lindt & Sprüngli are made at 12 own production sites in Europe and the USA. They are distributed by 25 subsidiary companies and branch offices, in more than 410 own stores, and also via a comprehensive network of more than 100 independent distributors around the globe. With over 14,000 employees, the Lindt & Sprüngli Group reported sales worth CHF 4.1 billion in 2017.

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# Foreword of our CEO

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Dr Dieter Weisskopf, CEO Lindt & Sprüngli Group

Dear Sir, dear Madam,

Our company is more than 170 years old, and this long history speaks volumes for our ability to focus on and commit ourselves to a long-term development. We intend to carry on this sustainable and profit-oriented way of doing business for the next 170 years too.

As part of this commitment, we have broken down our sustainability strategy into three core areas: sourcing, to ensure we have a sustainable supply of key resources; production, where we face certain demands as an employer and in terms of our approach to both renewable and non-renewable resources; and consumption, as regards our responsibility towards clients and consumers.

Across all three areas, we have defined priorities with goals and measures and set out a medium-term framework for sustainable commercial operations. We are concentrating on sustainability aspects of particular importance to our stakeholders and to us as a company. Our sustainability strategy also reflects the ten principles of the UN Global Compact. We have been committed to this initiative since 2009 and provide an update on the progress we have made in our annual Sustainability Report.

Our sustainable corporate management takes the entire value chain into account, which means we think of everything from the cocoa bean to the finished product and set priorities accordingly as part of our “bean to bar” strategy. For Lindt & Sprüngli as a company and for me personally, sustainable cocoa sourcing has been a core issue for over ten years. 2020 will soon be upon us, and this marks an important milestone as the year our goal of making our

cocoa bean supply chain fully traceable and verified. So it makes perfect sense for us to continue with our engagement in this area.

Our company aims to deliver continuous improvement across all aspects of sustainability. The next pages (p. 6ff.) contain an interview with our CFO Martin Hug and provide a summary of what we managed to achieve in 2017. Within the Group management team, Martin is responsible for the issue of sustainability and coordinates and monitors the measures we pursue in his role as Head of the Sustainability Executive Team. The extensive Sustainability Report 2017, which follows, provides detailed insights into all the material issues.

Without the many small steps taken by all our employees in the course of their day-to-day work, the company as a whole would barely make any progress at all. I extend my thanks to all employees and ask them to continue their step-by-step journey towards continuous improvement in the coming years too.

A handwritten signature in blue ink, appearing to read 'D. Weisskopf', written in a fluid, cursive style.

Dr Dieter Weisskopf  
CEO Lindt & Sprüngli Group

## Milestones 2017

Lindt & Sprüngli Promise: “All products leaving our factories live up to our commitment to sustainable behavior along the value chain.”

### Sustainably sourced

60 448

cocoa farmers participating in our Lindt & Sprüngli Framing Program in Ghana, Ecuador, Madagascar, and Papua New Guinea.

79%

of our cocoa beans sourced in 2017 were traceable and externally verified.



86%

of our whole unprocessed hazelnuts are sourced from Italy, Oregon (USA) or a program for sustainably hazelnuts in Turkey.

### Sustainably produced



–36%

CO<sub>2</sub> emissions per ton produced since 2008 excl. Russell Stover.

–54%

water consumption per ton produced since 2008 excl. Russell Stover.

–18%

energy consumption per ton produced since 2008 excl. Russell Stover.

–87%

lost-time accidents rate per 100,000 working hours since 2008 excl. Russell Stover.

### Sustainably consumed

>106 800

consumer contacts recorded and handled.

1%

of consumer inquiries were critical questions or remarks on various sustainability issues.



# Interview with our CFO

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Martin Hug has been CFO of the Lindt & Sprüngli Group since the start of 2017 – as well as Head of the Sustainability Executive Team, by virtue of this position. This team ensures that sustainability initiatives are implemented across the entire Group. In this interview, Martin Hug explains what he understands by sustainability, outlines the current priorities in terms of sustainability management, and provides an overview of the progress made during 2017.



Martin Hug, CFO Lindt & Sprüngli Group and Head of the Sustainability Executive Team

**Mr. Hug, why is sustainability important to you?**

For me personally, it's important because I'd like to leave my children and grandchildren with a world whose fabric remains intact – from an environmental, social, and economic perspective. These three aspects are closely interlinked in business terms, inasmuch as a company's financial success is at risk if no attention is paid to social or environmental sustainability. This is why sustainability is so important to me as CFO of the Lindt & Sprüngli Group. Our sustainability strategy covers the material issues associated with these three aspects and gives them some structure along the value chain – covering the three areas of sourcing, production, and consumption.

**Within these three areas of sourcing, production, and consumption: are there individual aspects you feel are of central importance to Lindt & Sprüngli?**

Basically, all the issues we have considered in our sustainability strategy are very important, and we are keen to improve continuously across all these areas. Two issues of particular importance I would like to pick out are climate change, including its impact on producers of our agricultural commodities, and the sustainability

of our raw ingredients, particularly cocoa beans. This is why we have developed our own procurement system with the Lindt & Sprüngli Farming Program, which we have now implemented in four countries.

**Why is the Farming Program the right approach for Lindt & Sprüngli and what makes the program successful?**

As a premium chocolate manufacturer, we direct our sustainability efforts towards both the entire supply chain for cocoa and the demand for cocoa for all the products made by the Lindt & Sprüngli Group. By 2020, our entire cocoa bean supply chain should be fully traceable and verified by external parties, so this applies to all regions of origin. The way we can achieve this is through our Lindt & Sprüngli Farming Program. This gives us control over every step of the production chain and allows us to integrate our own systems and processes in terms of sustainability.

It also means we are responsible for everything we do, rather than delegating responsibility to others. We mainly focus our efforts on farmers and their families, on employees, and on the communities concerned. This helps us ensure that investments really do reach farmers and their communities, and we have direct control

of where the money goes and what it is used for. Long-term and stable partnerships with suppliers are a central factor in the success of our premium products.

**Partnership is definitely a key word: sustainability only works through collaboration and when everyone pulls together. How does this actually work with Lindt & Sprüngli's internal and external partners, and where do the challenges lie?**

The Lindt & Sprüngli Group is highly decentralized, and subsidiaries enjoy considerable independence and autonomy. This offers some important advantages. For example, it favors dynamism, proximity to the market, innovation, and competition within the business. At the same time, a decentralized structure presents us with certain challenges, particularly when global directives and programs need to be implemented at a local level. It is a case here of working together to come up with a suitable compromise. We should not undermine the autonomy and independence of Group companies, but we also need to ensure certain standards in terms of sustainability are complied with across the board. So far, we have managed to pull off this balancing act within the Sustainability Executive Team.

Collaboration with external partners covers a wide variety of aspects. I would like to pick up on just two examples associated with the Lindt & Sprüngli Farming Pro-

gram. Our program undergoes an annual review by a third party (a so-called external verification). For this reason, we have enjoyed having The Forest Trust (TFT) as a partner since 2015. The summaries of the TFT assessment reports are made publicly available. Among other things, they contain specific suggestions for how to improve each program. The work done by TFT is of great value to us and represents a great alternative to certifications. TFT's recommendations tend to be holistic and emphasize the importance of continuous progress. And this is completely consistent with our own philosophy. A second example would be the collaborations within our industry, e.g. with the World Cocoa Foundation or the Swiss Platform for Sustainable Cocoa. We are convinced that various sustainability challenges can be managed more efficiently and in a more targeted manner by the sector as whole, without undermining the healthy competition between players in the market.

**In spite of your best efforts, the progress being made is considered as too slow by certain NGOs and consumer protection organizations. How does Lindt & Sprüngli react to this kind of criticism?**

We value constructive criticism, whether from NGOs, analysts, investors, or consumers. We take all feedback seriously, analyze it, and implement any measures required.

We feel this is part of a first-class quality assurance policy that befits a manufacturer of premium chocolate.

**What were the priorities of Lindt & Sprüngli in 2017? And what specifically has been achieved?**

By 2017, as much as 79% of cocoa beans were traceable and externally verified. We have managed this by increasing the number of farmers taking part in the program in the respective countries. We will continue to follow this approach in the coming years as well. At the same time, we are continuously enhancing the quality of the Lindt & Sprüngli Farming Program and adapting it to farmers' needs. This in turn enables us to keep delivering new improvements. I'd like to mention in particular three examples associated with our program in Ghana. We are implementing our action plan against child labor across all districts, and part of a project is aimed at diversifying and increasing farmers' incomes to make them less dependent on farming and selling cacao. We have also introduced the first farmers' savings groups in Ghana, which will give them more opportunities to save money and fund things.

**What are the goals in terms of production and consumption and what have you achieved in these areas?**

In terms of sustainable production, Lindt & Sprüngli has set itself a goal of reducing energy and water consumption and also CO<sub>2</sub> emissions by an average of 2% a year. These are not absolute objectives, but apply to each ton produced. It's all about becoming more efficient. By 2017 we have achieved our goals across the whole Lindt & Sprüngli Group. Compared to 2015, we have reduced energy consumption by a total of 6%. The same goes for water consumption with a reduction of 10%. The decrease in CO<sub>2</sub> emission was 7%.

Another area which has top priority at Lindt & Sprüngli is workplace safety. We have a vision of eliminating all accidents resulting in time off work. And while 2017 we took further actions in this area, we have yet to achieve our vision.

In terms of consumption, we are working on various issues. We are always looking to improve the way we communicate with our consumers. This is why we launched the new microsite on the Lindt & Sprüngli Farming Program during 2017. We will further develop this interactive and consumer-friendly site during 2018 with a view to informing relevant stakeholders about the progress we have made with the Lindt & Sprüngli Farming Program.

**So what happens now? What is the next milestone for you?**

We focus firmly on sourcing and are well on the way to achieving our goal, by 2020, of ensuring 100% of cocoa beans are traceable and verified. Having said that, we need to make sure we stick firmly to the path we have chosen. Based on our successful pilot projects, we aim to increase the cocoa butter volume with beans from sustainability programs to 20% in 2018. There are also plans to source 100% of whole unprocessed hazelnuts, which we purchase in Turkey, from sustainability programs by 2020. This will see us achieve further important milestones in the sustainable procurement of raw materials. We also, however, want to make progress with resource efficiency. So it looks like our priorities for the coming years are pretty clear. At the same time, the dialogue we maintain with our stakeholders will help to identify additional issues which could become important in the future.



# Sustainability approach

All products leaving our production facilities live up to our commitment to sustainability along the entire value chain.

With the Lindt & Sprüngli promise, we declare that all products leaving our production facilities live up to our commitment to sustainability along the entire value chain.

Lindt & Sprüngli is committed to managing the impact on sustainability of its operations along the entire value chain. We adopt an approach of continuous progress based on improving our performance step by step. With this in mind, we are always striving to advance our contribution to a sustainable future, with a focus on the material issues along our value chain. We monitor progress constantly with a series of key performance indicators. 28 issues of particular relevance were identified along the Lindt & Sprüngli value chain – based on a materiality test – within the areas of sourcing, production, and consumption. These material issues provide a priority for Lindt & Sprüngli's efforts and activities.

## Sourced

To ensure a sustainable supply of key resources, Lindt & Sprüngli is committed to long-term partnerships with suppliers and to traceability of raw materials. Traceability of raw materials is the key to sustainable sourcing and an important step toward improving the working and environmental conditions of suppliers.

## Produced

Lindt & Sprüngli premium products require high-quality raw and packaging materials, dedicated employees, and respect for the environment. Therefore, we strive, not only as an employer but also as a member of society, to ensure our operations as a business are environmentally sustainable and both ethically and socially responsible.

## Consumed

Lindt & Sprüngli has a responsibility to customers and consumers. Strict quality controls ensure that our products meet our high standards – from the raw materials right through to customers and consumers.

## The pillars of our business model



Sustainability is one of the main pillars of our business model. Our vision goes beyond making the finest premium chocolate, because our high production standards ought to be matched by equally high standards of ethics and sustainability. This is why we promise that all products leaving our production facilities will live up to our commitment to sustainability along the entire value chain.

The significance Lindt & Sprüngli attaches to responsible behavior is reflected in various policies and in our sustainability strategy, which defines the way Lindt & Sprüngli goes about its business.

## Taking into account the stakeholders' concerns and interests

We want our sustainability approach to be relevant and credible. Lindt & Sprüngli is committed to providing the various stakeholders with a transparent and detailed overview of the company.

Our stakeholders should be confident that due account is being taken of their interests.

Stakeholder	Lindt & Sprüngli engagement
Consumers	Consumer satisfaction is given top priority at Lindt & Sprüngli. Consumer service specialists at the Lindt & Sprüngli Group record each inquiry, compliment, and complaint and deal with these thoroughly. Consumers also have the opportunity to get in touch with our employees directly in the growing number of Lindt and Ghirardelli Retail Shops. They can also meet Lindt Master Chocolatiers at numerous marketing and sponsorship events. Lindt & Sprüngli has a presence on various social media platforms such as Facebook and Twitter too. These new communication platforms allow direct interaction and give us a chance to pick up on our consumers' needs, questions, and comments in real time.
Employees	Employees are our biggest asset. We promote a feedback culture where open and honest dialogue is welcome and all employees are made aware of the career opportunities available to them. Our annual Talent Management dialogue helps to identify, assess, and develop the professional competencies and performance of our employees. We conduct an employee survey every three years across the Group.
Investors	We inform investors, analysts, and proxy advisors about our half-year and annual results and other relevant company news. The annual general meeting provides a forum to exchange information and opinions, as do smaller conferences and telephone conversations and both roadshows and individual meetings.
Civil society organizations and NGOs	The Sustainability Manager is the main contact point for civil society organizations and NGOs. This person maintains ongoing one-to-one dialogues with a view to showcasing Lindt & Sprüngli's sustainability work, asking for feedback, taking on board suggestions and reservations, and assessing the potential for partnerships.
Farmers and suppliers	Constant high quality in terms of raw materials and packaging, reliable partners for both transport and logistics and the development, supply, and maintenance of machinery, not to mention providers of a whole host of support services – these are all things our business simply cannot do without. Lindt & Sprüngli procurement staff primarily, as well as other employees, are in regular touch with our supply chain partners so both parties can optimize further developments.

Stakeholder	Lindt & Sprüngli engagement
Universities/Research institutions	Lindt & Sprüngli works with various universities and research institutions along the entire value chain. We support existing research facilities and projects, help develop new applied science projects, and support students with academic assignments involving research topics of relevance to us.
Retail/Distributors/Customers	Customers for semi-finished Lindt & Sprüngli chocolate products, as well as retailers, distributors, and other corporate customers for finished products, ensure our products are available to consumers all year round. They have their channel-specific customer service representatives at their respective subsidiaries, who take care of their needs in a professional manner. Lindt & Sprüngli brands are also represented at trade fairs and other events so partners can discover our latest creations for themselves.
Governments	Lindt & Sprüngli does not conduct active lobbying at government level. However, Group companies are members of several local industry associations. Government institutions are becoming increasingly important in terms of providing advice and support for sustainability projects.
Media	We proactively inform the media about relevant issues to ensure the public image of Lindt & Sprüngli is both exemplary and accurate. Our communication with the media is honest, fact-based, and transparent – while respecting any business secrets. We publish reports and press releases regarding the half-year and annual results, as well as press releases on any other business-related matters such as media events, annual general meetings, and field trips, and answer questions from the media.

## Sustainability strategy

Our sustainability strategy is based on the material issues and includes commitments and strategic goals, main activities, indicators for measuring progress, and clear responsibilities for each issue.

This Sustainability Report provides an overview of our measures and achievements in 2017 with regard to our goals and commitments.

### Sustainably sourced

Material issues	Our commitments and strategic goals	Read more
Secured supply of raw materials	We develop and maintain long-term contractual relationships with suppliers for all critical raw materials in order to secure a long-term supply of high-quality products.	pp. 14–25
Farmer education and capacity building	Farmers who supply us are capable of applying good agricultural, social, environmental, and business practices in the management of their farm.	pp. 14–25
Agricultural development	Our supply of raw materials promotes agricultural development in countries of origin.	pp. 14–25
Biodiversity and soil fertility	The cultivation of the raw materials we source does not jeopardize the long-term suitability of land for agricultural use.	pp. 14–25
Investments in rural infrastructure	We know about specific infrastructure needs in the countries of origins of our raw materials and create networks of target groups so they can enjoy or improve access to rural infrastructure.	pp. 14–25
Diversity of cocoa varieties	We contribute to the diversity of cocoa varieties.	p. 23
Core labor standards	Core labor standards are respected along our entire supply chain.	pp. 14–25
Climate change and greenhouse gas emissions	We reduce CO <sub>2</sub> emissions along our supply chain.	pp. 29–30, 36

### Sustainably produced

Material issues	Our commitments and strategic goals	Read more
Climate change and greenhouse gas emissions	We reduce our CO <sub>2</sub> emissions by reducing our energy use, increasing our share of renewable energies, and optimizing transport and logistics.	pp. 29–30, 36
Water and waste water	We reduce fresh water use within our operations and the amount of waste water generated.	p. 30
Environmental impact of packaging material	We reduce packaging sizes and use recyclable materials where possible. At the same time, we try and strike a balance between visually appealing packaging and quality aspects associated with product protection.	p. 25
Waste and recycling	We reduce waste and increase the recycling rate within our operations.	pp. 30–31
Work culture	We maintain an open work culture characterized by respect, trust, and fairness.	pp. 31–33
	We promote teamwork and facilitate communication and understanding across all areas, business segments, and regions to create a company of people who support each other for mutual success.	pp. 31–33
	We encourage, recognize, and reward individual innovation, personal initiative, and people's leadership skills throughout the organization.	pp. 31–33

## Sustainably produced

Material issues	Our commitments and strategic goals	Read more
Employee satisfaction and retention	We offer an attractive working environment and maintain or increase employee engagement, satisfaction, and retention.	p. 32
Employee development and training	We ensure that all key positions are staffed with qualified and motivated employees and that talented candidates are developed internally to fill these positions.	pp. 32–33
Work-life balance	We support our employees in finding and maintaining a healthy work-life balance. We therefore strive to find the right balance between efficiency and productivity on the one hand and offering employees support to cope with increasing workloads. At the same time, we help employees whenever possible to find the right work-life balance for them.	p. 31
Occupational health and safety	We offer a healthy and safe workplace. Our vision is to eliminate all accidents resulting in time off work.	p. 34
Social security and compensation	Our compensation/remuneration, social security benefits, and other schemes meet or exceed statutory requirements.	p. 34
Diversity and equal opportunity	We offer equal opportunities and promote diversity in terms of employment, development, and promotion for all who meet the relevant requirements. When hiring, we do not discriminate against anyone on the grounds of gender, age, religion, political opinion, union affiliation, disability, national or social origin, sexual orientation, ethnicity, or color, nor any other relevant characteristic protected under the law.	p. 33
Local development	We promote local development in the areas where our production, marketing, and distribution sites are based.	p. 36
Corruption and anti-competitive behavior	We do not engage in any corrupt or anti-competitive behavior.	p. 34
Philanthropy	We want others to benefit from our successful business and contribute to good causes with material assets, money, and time.	p. 35

## Sustainably consumed

Material issues	Our commitments and strategic goals	Read more
Product quality	We abide by high standards to ensure product quality.	pp. 38–39
Product safety	We abide by the highest standards to ensure product safety.	pp. 38–39
Consumer and customer satisfaction	Customer and consumer satisfaction is the main goal of everything we do.  We answer to consumer complaints, inquiries, and compliments promptly and individually.	p. 40  p. 40
Genetically modified organisms (GMO)	Lindt, Caffarel, Küfferle, and Hofbauer branded products are non-GMO.	p. 41
Product information and labeling	Consumers can rely on us to provide information of a high standard.  We apply correct labeling to all our products.	pp. 40–41  pp. 40–41
Marketing and advertising practices	Children are not the main target group for our marketing and advertising campaigns.	p. 40

## What our partners say

In the area of sustainability, Lindt & Sprüngli relies on various partners and long-term, professional cooperation with them. Here as well as on pages 37 and 44, nine of our partners appreciate our sustainable activities.



**Christian Steiner**

Country Director Madagascar  
Helvetas Swiss Intercooperation

“We are proud to be working with Lindt & Sprüngli and the Lindt Cocoa Foundation on this innovative cocoa project in Madagascar. This successful collaboration between the private sector and a development agency creates many synergies. The project encompasses all aspects of sustainability: organic farming, afforestation, climate protection, and fair trade. Through its involvement, Lindt & Sprüngli is making a mark in terms of social and environmental sustainability – besides the quality of its chocolate.”



**Christine Müller**

Coordinator Swiss Platform  
for Sustainable Cocoa

“Lindt & Sprüngli played an active role in the formation of Swiss Platform for Sustainable Cocoa. It is very important to have the strong commitment of the big chocolate companies. Lindt & Sprüngli’s engagement in the platform’s working groups is highly appreciated.”



**Tombozara Tombo**

Cocoa Farmer  
of the Lindt & Sprüngli Farming Program in Madagascar

“I cultivate one hectare of cocoa cultivation area. I have already attended many training modules of the Program and learned a lot about the treatment of pests. All pests can be treated in a biological way, for example with tobacco, neem, papaya leaves, chili peppers or cow dung. I also learned that we have to construct toilets and avoid open defecation next to the river or in the fields.”





## Sustainably sourced

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Sustainability starts for Lindt & Sprüngli with the procurement of raw and packaging material. In order to guarantee the future supply of important raw material, we are committed to building long-term partnerships with suppliers, working towards full traceability of raw materials, and improving farming conditions.

In 2017, we have made the following progress with our activities, among other things:

- We continued to develop and expand our existing program for sustainable sourcing of cocoa. We expanded the [\*►Lindt & Sprüngli Farming Program\*](#) for fine-flavor cocoa beans in Ecuador and Madagascar, and launched the Program also in Papua New Guinea.
- During the 2016/2017 cocoa season, we conducted three successful pilot projects on the subject of sustainable cocoa butter. The experience acquired will make us even better equipped to tailor future projects to farmers' needs. Build-

ing on the successful pilot phase, we will be starting an additional project in 2018 and increasing the proportion of cocoa butter made with beans from sustainability programs to 20% (no so-called mass balance\*).

- 86% of the whole raw hazelnuts we sourced during 2017 were from Italy, the USA, or a sustainability program from Turkey. We have thus exceeded the 75% target. By 2020, we will be sourcing 100% of the whole unprocessed hazelnuts from Turkey from sustainability programs. This will mark another milestone in sustainable sourcing of raw materials.
- As part of the integration of Russell Stover, its purchase of palmoil-containing products was converted to RSPO in 2017.

\* In this context, mass balance means that beans from sustainability programs are mixed with conventional beans and processed into cocoa butter. In our projects, however, all beans from sustainability programs are processed separately from the conventional beans (segregation).

## Lindt & Sprüngli Farming Program

For the procurement of cocoa beans, our most important raw material, we have made a commitment to developing and maintaining long-term relationships with our suppliers. The cornerstone of our sustainable raw material sourcing strategy is the ►*Lindt & Sprüngli Farming Program*. The Program enables us to trace raw materials back to their place of origin and support farmers according to their specific needs. At the same time, we support the communities. It empowers farmers to manage their farms in accordance with sound agricultural, social, ecological, and economic practice. These measures promote the development of agriculture in the countries of origin. They help safeguard the long-term use of land for agriculture and foster access to rural infrastructure.



**The Lindt & Sprüngli Farming Program comprises four steps:**

### Step 1: Traceability and farmer organization

- Register farmers and group them for trainings
- Gather baseline data about farms, farmers, and communities to assess their needs
- Establish traceability systems of cocoa beans from the farmers up to our factory doors

### Step 2: Training and knowledge transfer

- Train farmers in professional business, agriculture, social and ecological farming practices
- Improve farmers' harvests and consequently their income
- Train local field staff who implement the Program on the ground

### Step 3: Farmer investments and community development

- Support farmers, e.g. provide access to cocoa seedlings, shade trees, and farming equipment
- Support communities, e.g. provide access to clean drinking water or school refurbishment

### Step 4: Verification and continuous progress

- Monitor performance with internal monitoring and continuously monitor progress
- Evaluation of the Program with independent external organizations
- Implement corrective actions and recommendations
- Ensure effectiveness of the Program

By developing long-term partnerships with our cocoa suppliers, we are pursuing the overall goal of growing our supply chain as a business in collaboration with our farmers. The Lindt & Sprüngli Farming Program places farmers

at the heart of things and aims to make us their preferred buyer. The Program is currently focusing on cocoa beans from Ghana, Ecuador, Madagascar, and Papua New Guinea. Other activities to promote sustainable sourcing of raw material are based either on the structure of the Lindt & Sprüngli Farming Program (such as hazelnuts from Turkey > see p. 24) or on global certification systems (such as RSPO for palm oil > see p. 24). We are continuously evaluating opportunities for implementing the Program for other countries of origin and raw materials.

### Traceability

For Lindt & Sprüngli, traceability means knowing the origin of a raw material and being able to establish where, how and by whom the raw material was grown. Traceability provides the basis for all other activities aimed at improving the basic existence of farmers and villagers.

### Verification

Lindt & Sprüngli tracks the ongoing progress achieved in terms of social, ecological, agricultural, and economic practices as part of its internal monitoring policy. The external review evaluates the entire Lindt & Sprüngli Farming Program, including the internal performance monitoring system, and makes it possible to come up with recommendations for measures to improve the Program and develop it further. Internal monitoring of farmers' practices combined with the external review of the Program provide a kind of joint verification. This in turn makes it possible to assess the extent to which the improved agricultural, social, ecological, and economic practices adopted by farmers have an impact on sustainable agricultural development, particularly in terms of the livelihood of farmers and their families.



A third party reviews the Lindt & Sprüngli Farming Program at least once a year in each country where it is implemented (external verification). For this purpose, we have been working together with ► [The Forest Trust \(TFT\)](#) since 2015. We have been a member of TFT since 2016, and any progress made with the Lindt & Sprüngli Farming Program is published on the ► [TFT Transparency Hub platform](#). The publicly available summary of the assessment reports contains specific suggestions on how the Program might be improved. Lindt & Sprüngli believes the work of TFT offers a great alternative to the certification/compliance audits. TFT recommendations are meaningful and holistic and aimed at continuous progress. We are convinced this partnership is doing a lot to ensure any changes in our cocoa bean supply chain will help promote sustainable development.

## Cocoa

Our goal is to ensure our supply chain for cocoa beans is fully traceable and verified by 2020.

Lindt & Sprüngli sources consumer cocoa beans from Ghana. The largest share of fine-flavor cocoa beans comes from Latin America (mainly Ecuador) as well as from Madagascar, Papua New Guinea, and the Caribbean. All beans are processed in-house into cocoa liquor. Lindt & Sprüngli also sources cocoa butter and cocoa powder – as well as chocolate in the case of Russell Stover – from third-party suppliers.

Our chocolate is all about high-quality cocoa beans. We like to know where these beans come from and what conditions are like on the ground. Cocoa is often farmed in countries where living conditions are hard. Small cultivation areas, low productivity, a lack of rural infrastructure, institutional and governmental challenges as well as high input and trans-

portation costs can limit the incomes of cocoa farmers. And there are ecological challenges such as climate change and declining soil fertility and biodiversity due to overuse of the land, excessive use of chemicals, and deforestation. To tackle these challenges, Lindt & Sprüngli, together with various partners, is running the ► [Lindt & Sprüngli Farming Program](#).

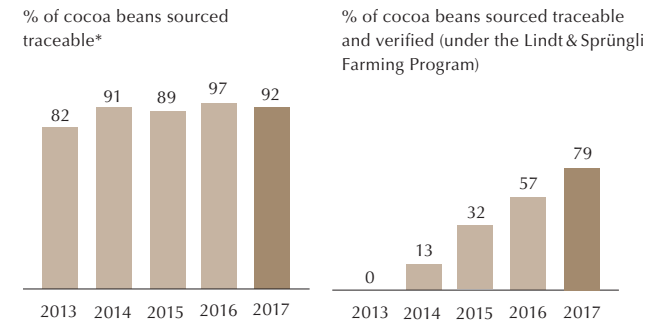
### Non-fine-flavor and fine-flavor cocoa

A distinction is made between non-fine-flavor and fine-flavor cocoa. Non-fine-flavor cocoa is a lower-quality cocoa associated with robust and often one-dimensional flavors (generally of the Forastero variety). Non-fine-flavor cocoa accounts for the largest share (90-95%) of total cocoa production worldwide and is mainly farmed in West Africa. 5-10% of worldwide cocoa harvests relate to fine-flavor cocoa (mostly of the Criollo and Trinitario varieties). Fine-flavor cocoa is a high-quality cocoa associated with nuanced, fine flavors. It is mainly farmed in Latin America and the Caribbean. Around 40% of all cocoa beans processed at Lindt & Sprüngli is fine-flavor cocoa.



Since the start of the 2016/2017 cocoa season, all our cocoa beans from Ghana have come via the Lindt & Sprüngli Farming Program, which means our entire supply chain for cocoa beans in Ghana is traceable and fully verified

### Traceability and verification of all cocoa beans



\* In 2017, the Lindt & Sprüngli traceability system was used in Ghana and also to some extent in Ecuador and Madagascar. Cocoa beans from other countries of origin are associated with certificates of origin which confirm the origin of the cocoa beans. Nevertheless, these cocoa beans are not subject to any Lindt & Sprüngli traceability system.

by a third party. Combined with the extension of the Lindt & Sprüngli Farming Program in Ecuador and the establishment of the Program in Madagascar, we have succeeded in increasing the proportion of traceable and externally verified cocoa beans by 22 percentage points to an overall proportion of 79% of all cocoa beans sourced. Since 2008, we have invested more than USD 22 million in the traceability and verification of the supply chain for cocoa beans and in support for farmers, their livelihood, and their communities through the Program.



### Action plan against child labor in Ghana

Based on new knowledge gained from the latest ►*Tulane report on child labor* in West African cocoa growing areas as well as the ►*Labour Market Research Study* prepared by the International Cocoa Initiative, we have stepped up our activities in the fight against child labor. Our main measures included:

- Training the entire 392 staff in how to avoid child labor and especially with reference to the ►*Ghana Hazardous Child Labour Activity Framework* for the cocoa sector.
- Raising awareness among communities and making people more conscious of situations which might favor child labor (e.g. via training courses for farmers and by raising the profile of the topic in communities).
- Creating local child labor committees. Their members discuss cases of child labor and solution measures.
- Requiring all coaches to visit at least five farms a week unannounced, with the focus on communities and farms/farmers with a higher prevalence of child labor risks (e.g. larger distances to primary schools, larger farm sizes).
- Remedying cases of child labor identified and conducting follow-up visits. These measures are also adopted with farmers from communities which are not part of our Program or when child labor is discovered beyond the cocoa farm. Remedial measures may include the following: discussions with and raising awareness among parents, access to labor services, support for the refurbishment of primary schools, activities for generating additional income, training in how to manage inputs and labor more efficiently.
- As a last resort, farmers not willing to follow the Ghana Hazardous Child Labour Activity Framework are excluded from our Program.

In addition to the work conducted in the field, the ►*Lindt Cocoa Foundation* also co-funds a second research project of the ►*International Cocoa Initiative (ICI)*. The objective of this project is to develop further the ►*ICI's Protective Cocoa Community Framework* with a view to discovering which risk factors are strongly associated with child labor and developing a scoring system for these factors. This will enable stakeholders to adopt a targeted approach to reducing the risk factors which can lead to child labor.



The farmers are regularly visited on their fields by local staff members. The exchange and continuous transfer of knowledge helps farmers to better manage their fields. The Lindt & Sprüngli Farming Program places particular value on individual coaching for farmers.

### Lindt & Sprüngli Farming Program in Ghana

In 2008, we launched the ►*Lindt & Sprüngli Farming Program* in Ghana with a focus on traceability and support for communities. Over the years, the Program has evolved substantially. Since the start of the 2016/2017 cocoa season, all Ghanaian farmers who supply us with cocoa beans have benefited from the four steps of the Lindt & Sprüngli Farming Program.

Again in 2017, the ►*IDH Sustainable Trade Initiative* co-funded our Lindt & Sprüngli Farming Program in Ghana and supported it with expertise. This has meant jointly expanding core measures (farmer organization, training services, seedling nurseries, and demonstration plots) and trialing new innovations (shops for agricultural needs, farmers' business schools and coaching, nutrition and crop

diversification, and farm development plans). 2017 also saw the launch of a new sub-project in collaboration with the ►*Global Alliance for Improved Nutrition GAIN*. The intention is to improve the nutritional situation of cocoa farmers and their families. All measures are targeted at sustainable and inclusive growth.

Below is an outline of the main projects and successes associated with the four steps of the Lindt & Sprüngli Farming Program during 2016/2017 season:

#### Step 1: Traceability and farmer organization

More farmers joined the Program to keep up with our increasing demand for cocoa beans. 52,833 farmers from 43 districts (cocoa regions) have now joined the Program and are organized into a total of 1,421 farmers' groups (at least

one group per village/community). We are able to trace supply volumes right back to the farmers who produced them.

#### *Step 2: Training and knowledge transfer*

All farmers in the Program received training in good agricultural, social, and ecological practice in accordance with the ►*Certification Capacity Enhancement Curriculum*. This is a uniform training curriculum developed by the private sector, standard initiatives, and development organizations. The training contents, topics, and methods are constantly improved to keep farmers interested in the courses and ensure the quality of training remains high. Here is a selection of developments and successes during 2016/2017 season:

- Our Child Labor Monitoring & Remediation System (CLMRS), introduced in 2016, covers all farmers. This system is defined in the action plan against child labor (> see the text box on the action plan against child labor in Ghana, p. 17). Farmers are regularly made aware of the issue, and visits are made to their farms accordingly. Unannounced inspections are conducted at farms where child labor is seen as a risk. If a case is discovered, measures are introduced to rectify the problems. This also applies to cases discovered beyond the actual farm or among farmers who are not participating in the Program.
- In the 2016/2017 cocoa season as many as 6,405 farmers (whereof 40% women) attended a one-week Farmer Business School launched in collaboration with the ►*Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation – GIZ)*. Here they learned how to calculate costs, sales, or return on investments, the benefits of a professional organization, and how to access financial services. Farmers were also trained in how to improve their fam-

ily's nutrition as well as how to take decisions on diversifying their production. This also included activities for generating additional income, which is very important when cocoa harvests are poor or prices are low. Since the start of the Farmer Business School 11,109 farmers benefited from the training.

In keeping with our strategy of continuous improvement, we will be expanding and improving the transfer of knowledge and skills to farmers and 392 local staff. The focus in future will increasingly be on individual coaching of farmers on their farm. We will also look at environmental issues in greater depth.

#### *Step 3: Farmer investments and community development*

To give farmers better access to products and services they need for their farms, we continued with the following activities in 2017:

- In addition to the free distribution by the Ghanaian government of improved cocoa seedlings, the 2016/2017 cocoa season also saw 113 seedling nurseries set up as part of the Lindt & Sprüngli Farming Program. The participating farmers manage these nurseries. In the 2016/2017 cocoa season 466,923 seedlings germinated (survival rate of 83%), enabling 420 hectares of new, hybrid seedling types to be planted or replanted. We distributed some 354,000 shade trees to help farmers ensure the recommended shade level on their farms. In addition, there were 297 plantain sucker propagation sites, which produced 29,783 shoots in the 2016/2017 cocoa season and can also be used as shade trees to protect young cocoa plants.
- As additional incentives in the form of benefits in kind, farmers received (depending on the volume delivered) the kind of farming equipment they need, such as Wellington boots, machetes, fertilizers, and overalls.

#### **Income diversification makes farmers more resilient**

Cocoa farming is a seasonal business. This means income streams are not evenly distributed throughout the year. The volume of the harvest also depends on the climate, the age and health of trees, and other aspects too. This is why income diversification – besides other measures such as saving – is important to farmers' resilience and helps spread cash flows more evenly throughout the year. In Ecuador, for example, farmers were trained how to make their own organic liquid fertilizer. They use the fertilizer on their farms, thereby reducing costs and selling it on the local market. Also, the Program in Ghana is increasingly favoring an approach based on income diversification. At the Farmer Business School, farmers are shown how they can generate additional income. They are supported with seed capital where necessary. Secondary activities in Ghana include snail farming, fish farming, pig rearing, or diversifying what is harvested on the farms with corn, cassava, cocoyam, chili, or cabbage. Farmers often start with small volumes and invest the first profits into expanding secondary activities, such as purchasing the materials for a bigger pond. And farmers are already reporting back with initial success stories and how they managed to diversify and increase their income.





- In 2017, the pilot phase for the inclusive business model with the ten community-based stores continued, and they expanded once more their offer. The stores sell not only products and services for cocoa farms, but also for other agricultural activities within communities. They also meet other household needs with things like solar lamps. If these products are available locally, farmers can save both travelling time and money.
- As farmers diversify their income sources, they become more independent and create the conditions for a better quality of life. The [►Farmer Business School](#) is the foundations for this. In addition, farming communities or individual farms were supported with seed capital with a view to, say, developing a small fish farm in the village, a snail farm (a delicacy in Ghana), or a pig farm or diversifying the cultures on their farm (> see the text box on diversification of income to make farmers more resilient, p. 18).
- Another important aspect of cocoa farmers' resilience is their ability to save and get access to money when cash flow is tight. As it is often impossible to open a savings account with a bank, the Lindt & Sprüngli Farming Program helps farmers set up Village Saving and Loan Groups or Village Saving Clubs. This enables them to put some savings aside and access smaller loans when cash flow is tight. These savings groups also co-fund investments in communities (e.g. the purchase of new mattresses for a hospital). Various models are currently being tested and assessed, with the emphasis always on transparent and clearly defined rules for the decisions made by and the management of savings groups.

In terms of community development, the Program continued to focus heavily on access to clean drinking water as the essential basis for a healthy life. 151 boreholes have been built so far. In the 2016/2017 cocoa season, a needs

assessment showed where additional boreholes are required, and Lindt & Sprüngli released the funds for 60 further boreholes. The boreholes will be finished during the 2017/2018 cocoa season and handed over to train Water Management Committees, who will be responsible for their upkeep.

Improved infrastructure within primary schools is another key to improving the general welfare in rural areas. The idea is to increase both the number of school places and attendance rates, which will also minimize the risk of child labor at the same time. During implementation of the Action plan against child Labor (see the text box on the Action plan, p. 17), our local implementation partner in Ghana conducted an analysis of primary schools in villages with farmers from the Lindt & Sprüngli Farming Program ("Community Assessment"). The assessment found that 29 out of 38 assessed schools require improvement. Lindt & Sprüngli will fund the renovation of these schools. The work is due to take place during the 2017/2018 cocoa season. Considerable emphasis is being placed on community involvement with a view to improving the situation over the long term. We also hope the village communities will be able to generate additional income through the various elements of the Program or even save money so that they can play a greater part in funding future investments.

#### *Step 4: Verification and continuous progress*

The questionnaires on internal monitoring were developed in 2015 together with the [►Committee on Sustainability Assessments \(COSA\)](#). And in 2017 as well, all farmers covered by the Program were questioned by an employee of the Program during an internal monitoring visit. The results are now being thoroughly analyzed and any amendments made, with the results being used for the continuous improvement of our Program.

The external verification was conducted by [►The Forest Trust](#). The recommendations for improvement from last year's assessment were taken into account. These help us to keep developing the Lindt & Sprüngli Farming Program in Ghana and innovate further.

#### **Lindt & Sprüngli Farming Program in Ecuador**

In 2014, we launched our [►Lindt & Sprüngli Farming Program](#) in Ecuador – our most important country of origin for fine-flavor cocoa beans. Since 2015, we have been continuously scaling the Program up. The overall goal is to develop a traceable cocoa bean supply chain with a stable pool of producers of fine-flavor cocoa beans. Below is an outline of the main projects and successes associated with the four steps of the Lindt & Sprüngli Farming Program during the 2016/2017 cocoa season 2017:

#### *Step 1: Traceability and farmer organization*

There is still a growing interest among farmers in joining the Program. The Program now covers 5,427 farmers. Thanks to the traceability system now implemented, we know how much each individual farmer has contributed to a delivery of cocoa beans. We have scaled up the associated data on farmers, their farms, and communities. It provides us with a coherent picture of the present status of farms as well as the standard of living and needs of farmers.

#### *Step 2: Training and knowledge transfer*

Additional efforts to strengthen the farmers' groups are bearing fruit. As a result, we are able to offer more group-based training courses in classrooms and also do so as part of training courses held on farms. The courses communicate the latest knowledge regarding good practice – in agricultural, social, ecological, and business terms. We offer shorter refresher courses to farmers who are not able to attend training courses. Individual coaching continues to take place too.

Farmers particularly enjoy the practical training courses on demonstration plots. These give them access to expert knowledge regarding things like composting or farm rehabilitation, including grafting. Now, more practical workshops are also being offered on organic fertilizer production, which enable farmers to make, use, and even sell on their own cheap and environmentally friendly fertilizers. In the training courses, we place special emphasis on the importance and future of fine-flavor cocoa as well as on the clear distinction between fine-flavor and non-fine-flavor cocoa beans. Farmers also appreciate business training courses, where they learn how to track costs, revenues, and profits.

#### *Step 3: Farmer investments and community development*

Many fine-flavor cocoa trees in Ecuador are very old (40–50 years) and produce low yields. New investments usually go into non-fine-flavor cocoa trees of the CCN-51 variety, which tend to be more professionally managed and therefore yield more than the old fine-flavor varieties. To ensure the future availability of fine-flavor cocoa, we need to motivate farmers to professionalize the farming of fine-flavor cocoa on their farms. We do this by supporting research into improving yields and into disease-resistant fine-flavor cocoa trees (> see the chapter on cocoa diversity, p. 23) and by offering a comprehensive support package to the farmers in our Program. In addition to training courses, this also means that we:

- distribute high-yielding and disease-resistant fine-flavor cocoa seedlings from the [►Ecuadorian National Institute for Agricultural Research \(INIAP\)](#) or INIAP-certified nurseries to farmers,
- teach groups of farmers how to establish their own nurseries and provide them with the necessary construction materials, and



Farmers appreciate the practical training on demonstration areas offered in the Lindt & Sprüngli Farming Program. Here they have access to expertise such as composting or seeding. In workshops they also learn how to produce organic fertilizers to protect the environment.

- monitor the development of newly planted trees and provide farmers with support and advice. This is crucial to ensuring a high survival rate for the trees.

In order to receive new seedlings, farmers need to prepare at least one hectare of land to be planted with the new seedlings. In 2017, over 155,250 new seedlings were planted, which equates to 141 hectares. Increasingly, farmers in the Program are also being trained in how to replace old cocoa trees via grafting with high-yielding varieties and supported with the relevant materials. This represents a cheaper and efficient alternative. Farmers and communities were also given incentives in kind (depending on the volume delivered) for management purposes, such as chain saws for pruning trees, organic fertilizers, weeding machines, etc.

#### *Step 4: Verification and continuous progress*

Our internal monitoring system gathers performance-related progress data on the objectives of the Program as envisaged in the [►Verification Guidance Document](#). All farmers are visited at least once a year during a monitoring exercise. Together with the recommendations from the external assessments by [►The Forest Trust](#), our data enables us to ensure the Program is continuously improved.

#### **Lindt & Sprüngli Farming Program in Madagascar**

Madagascar is home to some of the finest cocoa beans and another important country of origin of fine-flavor cocoa for Lindt & Sprüngli. In the Sambirano Valley in the north-west of the country, we launched the [►Lindt & Sprüngli Farming Program](#) during the 2015/2016 cocoa season. Giv-



en the relative scarcity (up to that point) of projects for sustainable cocoa in Madagascar, we redeveloped numerous areas of the Program with the local context in Madagascar specifically in mind in collaboration with the non-profit organization ► *Helvetas Swiss Intercooperation* and other local organizations.

Below is an outline of the main project elements and successes associated with the four steps of the Lindt & Sprüngli Farming Program during the 2016/2017 cocoa season:

#### *Step 1: Traceability and farmer organization*

During the 2016/2017 season, the number of farmers registered for the Program increased by 56% to 1,088. The farmers are organized into groups around so-called “collecteurs” (small, community-based suppliers). Basic data was gathered about the farmers and their farms. With the traceability system implemented, we now also know in Madagascar how much each individual farmer has contributed to a delivery of cocoa beans.

A “farmer pass book” (or “carnet du producteur”) has now been introduced so farmers can make a note of both training courses attended and other information such as cocoa supplied. This support facilitates farmers’ ongoing participation in the Program.

#### *Step 2: Training and knowledge transfer*

Training material was adapted and improved to reflect the specific situation and context of the cocoa farmers in Madagascar. The modules cover the following topics, among others:

- Introduction to the Program
- Sourcing process and supply chain
- Harvesting and bean quality
- Fermentation and warehousing
- Farm management
- Good environmental practices



The Lindt & Sprüngli Farming Program provides free cocoa seedlings and agricultural equipment. Many cocoa trees in Papua New Guinea, for example, are old and unproductive. For this reason, it is very important for farmers to maintain high-yielding and disease-resistant cocoa seedlings. This creates a future perspective for the farmers.

- Food security
- Good social practices
- Special workshops (e.g. gender and youth aspects)
- Nursery management

Now, all the farmers participating in the Lindt & Sprüngli Farming Program receive tuition in the villages from some 10 employees. Attendance rates improved greatly last year, partly because alternative dates were offered for training courses in each case. As with other countries, the practical training courses are particularly popular among farmers.

#### *Step 3: Farmer investments and community development*

The focus of the farmer investments and community development in Madagascar was defined based on a compre-

hensive assessment of needs, which was done in 2015. As a first priority, a drinking water system is being built and should be up and running by the middle of 2018 and provide clean drinking water to 5,000-6,000 people in the community. Two more drinking water systems are planned which will reach another 10,000 people. By the end of the 2016/2017 cocoa season, 12 seedling nurseries were in place and 2,239 high-yielding and disease-resistant fine-flavor cocoa seedlings were distributed to the farmers. In order to improve the quality of the post-harvesting techniques, three dryers and 146 fermentation boxes were distributed to the farming communities. As an additional incentive and benefit farmers received – based on the volume delivered – in-kind premiums in the form of important farming tools such as machetes, boots, or baskets.

*Step 4: Verification and continuous progress*

In Madagascar too, all 1,088 farmers are surveyed once a year on their farms – as part of the Program by a Program employee – using a questionnaire drafted by Lindt & Sprüngli on the basis of the ►*Verification Guidance Document*. This internal monitoring allows us to track the progress made by farmers in terms of applying the content they learned during training courses. ►*The Forest Trust* provided an external assessment of the Program and came up with recommendations for improvement. These included adjusting the content of training courses, for example, so it is even better suited to the abilities and expertise of farmers in Madagascar.

**Lindt & Sprüngli Farming Program in Papua New Guinea**

Another important country of origin for fine-flavor cocoa for Lindt & Sprüngli is Papua New Guinea. This is why the Lindt & Sprüngli Farming Program was extended to two regions of Papua New Guinea for the 2017/2018 cocoa season. With a view to achieving the overall goal of a traceable cocoa bean supply chain with a stable pool of producers, we launched the ►*Lindt & Sprüngli Farming Program* with the following activities in the first year:

*Step 1: Traceability and farmer organization*

During the first year, we gathered basic data from all farmers and their farms while registering them from the Program. The 1,100 or so farmers are organized around so-called “fermentry owners” (farmers who own fermentation boxes). We also set up a traceability system which tells us how much each farmer has contributed to cocoa bean deliveries.

*Step 2: Training and knowledge transfer*

The farmers are trained in groups of 25 or so at a time in issues relating to good agricultural, social, and ecological



Attending training modules is compulsory for the farmers who participate in the Lindt & Sprüngli Farming Program. Attendance is monitored accordingly by local staff members.

practice. The training includes both theory-based lessons in classrooms and practical courses on farms and demonstration plots.

*Step 3: Farmer investments and community development*

The farmers in the Program are offered disease-resistant fine-flavor cocoa seedlings as many of their cocoa plants are very old and therefore unproductive. Each group of farmers has access to utensils such as shears for pruning trees or coping saws. Since the collaboration with the farmers is new, an analysis of needs will be conducted in the first year with a view to coming up with further supportive measures.

*Step 4: Verification and continuous progress*

A Program employee visits the farmers at least once a year

as part of the monitoring process. The Program is continuously improved and adapted to the specific national context based on this data and recommendations from external assessments conducted by ►*The Forest Trust*.

**Other countries of origin for cocoa beans and cocoa products**

In line with our goal of having a fully traceable and externally verified cocoa bean supply chain by 2020, we will extend the Lindt & Sprüngli Farming Program in future to the remaining countries from which we source smaller volumes of cocoa beans.

We also work on developing further strategies, based on the principles of the Lindt & Sprüngli Farming Program,



for traceable/segregated and externally verified cocoa butter, cocoa powder, and chocolate.

It is our goal to source cocoa butter made with beans from sustainability programs (no mass balance). We enjoyed success with the three pilot projects we ran in 2017. We will further scale up the number of projects in 2018 and double the volume involved from 10% to 20% of our cocoa butter demand. The idea is also to review and devise industry-wide solutions to the issue of cocoa butter traceability as part of an expert group associated with the Swiss Platform for Sustainable Cocoa (> see the text box on the Swiss Platform for Sustainable Cocoa on this page).

Together with our suppliers, we are continuously working towards solutions which allow us to increase volumes consistently and pursue our goal of sourcing all cocoa products sustainably.

## Diversity of cocoa varieties

We contribute to the diversity of cocoa varieties.

It means a lot to Lindt & Sprüngli to have a broad diversity of cocoa beans and for fine-flavor beans to be widely available. Lindt & Sprüngli therefore supports efforts to preserve the diversity of cocoa varieties. This involves promoting research and development in relation to new high-yielding and disease-resistant fine-flavor cocoa varieties.

In 2016, we continued our partnership with the [►Tropical Agricultural Research and Higher Education Center \(CATIE\)](#). Lindt & Sprüngli's financial support helps [►CATIE's Cacao Genetic Improvement Program](#) run an in-house quality laboratory, making sure newly developed high-yielding and disease-resistant fine-flavor cocoa varieties meet the quality requirements of the chocolate industry.

Lindt & Sprüngli is a partner of the [►Cocoa Research Centre of the University of the West Indies in Trinidad](#), which owns the largest cocoa collection in the world. The funds provided by Lindt & Sprüngli cover the costs for the establishment and maintenance of a model cocoa farm, which uses the best manufacturing methods in the world and passes on additional knowledge. The goal is to support efforts to propagate high-yielding and disease-resistant fine-flavor cocoa trees.

### Swiss Platform for Sustainable Cocoa

With the launch of the [►Swiss Platform for Sustainable Cocoa](#) in June 2017, the Swiss chocolate industry aims to pool the efforts of various parties and promote sustainability in terms of cocoa. Ten strategic goals have been formulated accordingly. CHOCOSUISSE, SECO, and numerous businesses as well as NGOs and research institutes have signed a declaration of intent and thereby announced their desire to make a joint and active contribution towards achieving these goals. Both Lindt & Sprüngli Switzerland and the Lindt Cocoa Foundation have also signed and will play an active role in the project groups – particularly the one concerned with the traceability of cocoa butter. The cocoa platform aims to improve substantially the living conditions of cocoa producers and create an attractive cocoa sector for both the current and future generations. Its activity is focused on developing and implementing joint initiatives, encouraging dialogue at an international level, and both monitoring and reporting.

#### World Cocoa Foundation Initiative – Cocoa & Forests Initiative

By signing the Joint Frameworks of Action as part of the ► *Cocoa & Forests Initiative*, the Lindt & Sprüngli Group has committed itself – together with major cocoa-producing countries Ghana and Côte d'Ivoire and other leading chocolate and cocoa companies – to end deforestation caused by cocoa farming and promote forest protection and restoration in the cocoa supply chains. We see our traceable supply chains and the Lindt & Sprüngli Farming Program as a very good base to further develop activities supporting the goals of the Initiative. As a next step, we will work on the development of concrete action plans, in close collaboration with World Cocoa Foundation, our suppliers, and The Forest Trust.

## Hazelnuts

Our commitment: core labor standards are respected within our supply chain.

Turkey's Black Sea region produces up to 80% of the global hazelnut harvest. Problems such as child labor on hazelnut farms and poor working conditions for migrant workers need to be remedied.

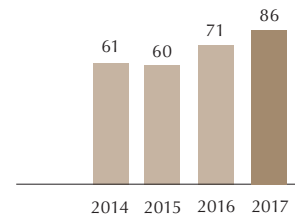
Lindt & Sprüngli has been working with its Turkish hazelnut suppliers towards implementation of sustainable hazelnut programs since 2014. As with the structure associated with the Lindt & Sprüngli Farming Program, our suppliers first guaranteed traceability, trained farmers, and supported them with specific measures for improvement as well as measuring progress. In addition, farm visits by independent experts like the ► *Fair Labor Association*

checked whether the knowledge acquired during training courses is being applied and the relevant standards complied with.

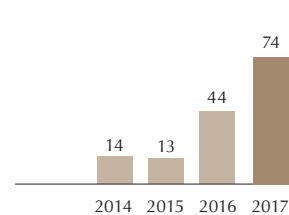
The target for the 2017 was for at least 75% of whole unprocessed hazelnuts to be sourced from Italy, the state of Oregon (USA), or a program for sustainable hazelnuts in Turkey. The figure achieved (86%) actually exceeded the target. The goal is to ensure that all whole unprocessed hazelnuts from Turkey are sourced from a sustainability program by 2020. Again in 2018, we will therefore continue to work closely with our Turkish hazelnut suppliers and help them expand and improve their programs.

#### Sustainable hazelnuts

% of whole unprocessed hazelnuts sourced from Italy, Oregon (USA), or a sustainable hazelnut program in Turkey



% of Turkish whole unprocessed hazelnuts sourced from sustainability programs



## Palm oil

We aim to purchase 100% certified sustainable palm oil according to the RSPO certification models.

For our chocolate mass, we use only cocoa butter as vegetable fat. Palm oil, palm kernel oil, and their fractions as well as other vegetable fats are only used in certain fillings.

We are committed to purchasing sustainable palm oil according to the RSPO certification models.

As a member of the *Roundtable on Sustainable Palm Oil (RSPO)*, we have been purchasing exclusively crude palm oil and palm kernel oil – according to the RSPO Book and Claim Trading System (new: RSPO PalmTrace) – since as long ago as 2011. In 2015, we achieved certification of all production plants according to the RSPO segregation model, except for Russell Stover. Ghirardelli has already switched some products to the segregation model and achieved RSPO mass balance certification for the remaining products. Russell Stover started using RSPO mass balance palm kernel oil during 2017.

Lindt, Caffarel, Hofbauer and Küfferle use palm oil according to the RSPO segregation model for fillings containing palm oil. As this standard was not sufficiently available to suppliers in the USA in 2017, a small part of Lindt USA's demand (0.5% of the total requirements for all Lindt products) had to be covered according to other RSPO certification models (Book & Claim and mass balance). Our efforts in this area paid off when we achieved the highest possible score according to the ► *WWF's Palm Oil Buyers Scorecard 2016*.



## Packaging material

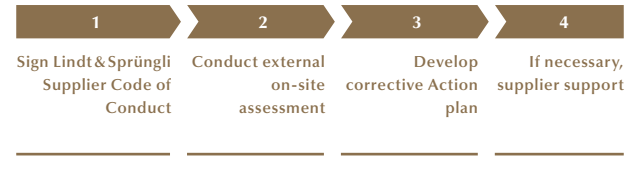
Our commitment is that core labor standards are respected within our supply chain.

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, packaging needs to fulfill its essential function of protecting the delicate chocolate.

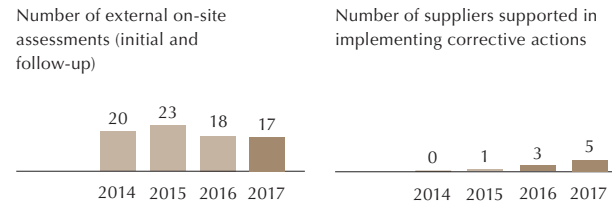
Lindt & Sprüngli works with leading packaging manufacturers in the respective sectors who are very keen to ensure sustainability right along the supply chain. When making procurement decisions, we consider our suppliers' performance in terms of sustainability. This allows us to integrate supplier compliance into our supply chain management for packaging materials and improve the performance of our supplier portfolio over time. One important selection criterion, for example, is the condition of production facilities as well as any programs in place for their continuous improvement. This is why manufacturers receive regular visits from our trained internal auditors.

Most of our packaging manufacturers use modern production technologies which reduce the use of paints in particular and the amount of raw materials needed. When buying our packaging materials, we often source these from suppliers located close to our production sites in Switzerland, the EU, and the USA. This means we can avoid long transportation routes and high emission levels.

### Four steps in the Lindt & Sprüngli Supplier Sustainable Practice Program



### Supplier Sustainable Practice Program



However, many of our more decorative seasonal and promotional packaging items, such as tin boxes or plush toys, are sourced from manufacturers in Asia, where we can access a highly specialized market for such products. To make sure our Asian suppliers comply with the ► *Lindt & Sprüngli Supplier Code of Conduct* regarding issues such as the prohibition of forced labor and child labor or guarantee freedom of association, Lindt & Sprüngli monitors and improves responsible production practices through the Supplier Sustainable Practice Program (SSPP) (> see success story, p. 27). This program is based on a progress-oriented approach, with assessment visits combined with offers of support. In some cases, subcontractors have also been integrated into the program. The program currently covers more than 80% of our purchasing expenditure on decorative packaging from Asia and is being rolled out to new suppliers on an ongoing basis.

# New website on sustainability [www.farming-program.com](http://www.farming-program.com)

In 2017, Lindt & Sprüngli expanded its existing sustainability reporting with the addition of the new microsite about the Lindt & Sprüngli Farming Program ([www.farming-program.com](http://www.farming-program.com)). The website informs in English and German interactively and in an easily understandable language about the complex issue of sustainable cocoa sourcing and the associated goal to ensure traceability of the cocoa bean supply chain. It is aimed at all relevant stakeholder groups who can also monitor the progress we have made.

Informative texts, quotes of farmers and partners, illustrations, and descriptive film material show how the independent sourcing model works that Lindt & Sprüngli has built up with the Lindt & Sprüngli Farming Program in 2008. Under “Grow your own cocoa tree” you will also find out what it takes to make a cocoa tree grow and when and how cocoa beans are harvested by the farmers. Lindt & Sprüngli will continue to expand the microsite in 2018 and will provide the users with more information and image and further film material about the Lindt & Sprüngli Farming Program.

Visit our website:

[www.farming-program.com](http://www.farming-program.com)



## Our success stories 2017

### Lindt & Sprüngli Group



#### Supplier Sustainable Practice Program (SSPP)

The Supplier Sustainable Practice Program (SSPP) monitors and looks to improve Lindt & Sprüngli's responsible production practices among providers of decorative articles from the Asia region. The market is highly specialized, but production standards and sustainability awareness levels vary considerably. This is why specialist sustainability experts regularly visit our suppliers' premises, identify any infringements of social and environmental standards, and come up with improvement plans for suppliers. Factories which engage with the program value its cooperative approach, which offers practical assistance and helps with implementation. For example, one long-standing supplier saw the visits as an opportunity to introduce various improvements such as electronic time recording for better monitoring of working hours and the construction of a new storage facility for hazardous goods.

### Lindt & Sprüngli Group



#### School project in Turkey

As part of the sustainable hazelnut programs in Turkey, our supplier Yavuz Hazelnut Production set up a free summer school for children in 2017 in Aşağıdağ Village (near Alaplı on the Black Sea). The project is supported by Lindt & Sprüngli and other chocolate manufacturers. During harvest time, the summer school gave around 100 children aged 7 to 15 a place to play and learn. 15 teaching staff looked after the children and taught them social skills, reading, writing, music, drawing, IT, and creative design. Besides meals, the children were also given clothes and offered medical examinations by the health authority as further incentives to stay away from the fields. Over a thousand traveling agricultural workers come to Aşağıdağ Village each year, and the summer school plays an important part in eliminating child labor. Following the success of the school set up in Aşağıdağ Village, the long-term plan is to open more of these schools in other farming regions.

### Lindt & Sprüngli Switzerland



#### Help with rebuilding after cyclone in Madagascar

Cyclone Enawo hit Madagascar in March 2017, bringing high winds and extreme rainfall. The consequences were severe, with floods damaging infrastructure and rice farms. Also affected was the Ambanja region, which is known for cocoa farming. To help the reconstruction of this region, the Lindt Cocoa Foundation and Chocoladefabriken Lindt & Sprüngli (Schweiz) AG donated together more than CHF 50,000 directly to Helvetas. They focused their aid on three areas. The first measure was to commission a local business to repair the roads, which were barely passable in places. The second was to clean up the drinking fountains in the villages. The third was to support the restoration of numerous rice fields, with some 300 households given seeds for replanting.





## Sustainably produced

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The most important assets we have to help us produce our premium chocolate products are our employees.

So showing responsibility toward our employees, as well as toward the environment and local community is part of our corporate culture.

We value committed employees and promote respect for the environment. In order to protect the environment, we are constantly looking to reduce our use of water and energy. It is particularly important to us to keep reducing greenhouse gas emissions. We do this by running local programs at production facilities and optimizing transport routes for ingredients and end products. We want to guarantee our employees a safe working environment and ensure they are satisfied with their jobs. Global programs for health and safety, for personal development, and regular global employee surveys provide a basis for continuous improvement. Our [►Group Policies](#) define our global re-

quirements. The various subsidiaries are responsible for the implementation of environmental measures or employee activities.

In 2017, the main highlights in terms of sustainable production were as follows:

- We had a 21% reduction of lost time accidents (incl. Russell Stover), compared with the previous year. This means the severity of accidents, due to the robust risk reduction processes put in place, has significantly been reduced. We continue to pursue a vision of eliminating all accidents resulting in time off work.
- Due to its success in the previous years, the leadership program known as the International Lindt & Sprüngli Academy was held for the third time. The program focuses on strengthening management, strategy, and leadership skills.
- We added to our international trainee programs with a program in the financial sector for controllers and in the marketing area for product managers.
- Lindt & Sprüngli in Kilchberg managed to reduce its waste by 70 tons and the amount of material requiring post-processing by 150 tons.

## Energy use and greenhouse gas emissions

We are committed to reduce our CO<sub>2</sub> emissions by reducing our energy use, increasing our share of renewable energies, and optimizing transport and logistics.

Chocolate manufacture requires energy at the various production stages for things like heating, cooling, and transport. All these processes produce greenhouse gas emissions. We are committed to reducing energy consumption and greenhouse gas emissions per ton produced by an

average of 2% a year over the coming years. In addition, we are committed to increasing the share of renewable energies in our overall energy use.

We have an ongoing policy of subjecting all existing plant and future investments to detailed analysis with a view to identifying potential for energy savings. For example, we were able to reduce energy consumption per ton produced by 18% between 2008 and 2017 thanks to better thermal insulation and energy recovery. Our subsidiary Russell Stover acquired at the end of 2014 is not included in the calculation. The inclusion of Russell Stover increased the Group's overall energy consumption and the energy intensity, particularly due to the nature of certain processes. We started a detailed review of Russell Stover's environmental performance in 2016, and have identified some potential for improvement. For example, we are gradually replacing the old lighting with LEDs at the various facilities, and we are replacing the condensers in the cooling towers too. Although energy intensity did decline by a total of 6% from 2015 to 2017.

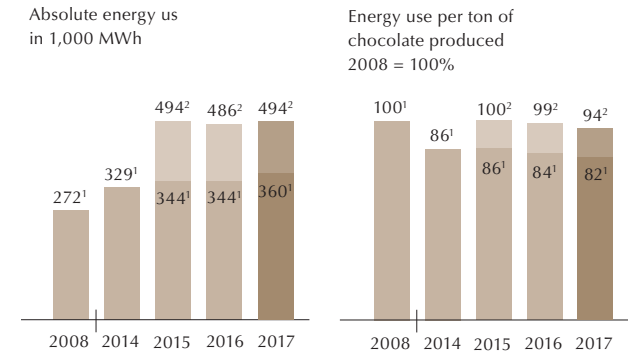
Greenhouse gases have fallen by 36% since 2008, excluding Russell Stover. Consolidated emissions including Russell Stover are in absolute terms higher, but are reduced by 7% compared to 2015. This means that we have achieved our average energy and emission reduction goal of 2% in the Lindt & Sprüngli production.

Including Russell Stover, the consolidated share of renewable electricity was 33% in 2017. Lindt & Sprüngli Germany and Caffarel are buying 100% from renewable sources (certified supplier mix).

The following examples illustrate our efforts to save energy and reduce emissions: Since 1999, our subsidiary Chocoladefabriken Lindt & Sprüngli (Schweiz) AG has been a member of ► [Zurich Energy Model](#). This organization brings together companies interested in using energy efficiently. Since it formed, it has enabled member companies

## Energy use

Our goal: -2% average annual rate of reduction per ton produced



<sup>1</sup> excluding Russell Stover

<sup>2</sup> including Russell Stover, Index adjusted to 2015 = 100%

Note: figures cover only Lindt & Sprüngli production companies.

to reduce their energy use by almost a quarter. Against this backdrop, Chocoladefabriken Lindt & Sprüngli (Schweiz) AG has signed an agreement with local authorities with a view to satisfying the Kyoto Protocol. The Swiss government and independent engineers have audited and certified the sites of the Swiss subsidiary accordingly. We also implement significant energy saving projects at sites beyond Switzerland too.

Some of our companies use certifications to improve their environmental management and energy efficiency. For example, the production facilities in Italy and France are certified to ISO 14001 (environmental management). Lindt & Sprüngli Germany is certified to ISO 51001 (energy management).

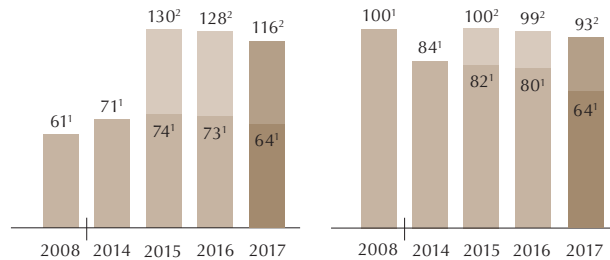
In 2017, Caffarel continued its efforts in terms of renewable energies, with 100% of power now being sourced from renewable energy sources. The plant is also connected to a biomass plant, which enables it to save 4,200 MWh of

## CO<sub>2</sub> emissions

Our goal: -2% average annual rate of reduction per ton produced

Absolute CO<sub>2</sub> emissions  
in 1,000 tons

CO<sub>2</sub> emissions per ton of  
chocolate produced  
2008 = 100%



<sup>1</sup> excluding Russell Stover

<sup>2</sup> including Russell Stover, index adjusted to 2015 = 100%.

Emission factors for Russell Stover are based on estimates of the US Energy Information Administration.

Note: figures cover only Lindt & Sprüngli production companies.

natural gas a year. Currently, renewable energies account for 80% of Caffarel's total energy use. The idea is to increase this to 100% during 2018 (> see success stories, p. 36).

All production facilities are aiming to reduce energy use further still. All the experience gained from local projects is collated and shared with a view to circulating ideas and processes which have been proven to work. Examples of successful projects include the following:

- Replacing old lighting with LEDs at the production facility of Lindt & Sprüngli France in Oloron has made it possible to save 250 MWh a year, while the same measure has enabled Lindt & Sprüngli US to save 340 MWh in Stratham.
- By replacing four old grinding machines with two larger, state-of-the-art units offering greater efficiency, Lindt & Sprüngli Switzerland in Kilchberg will be able to save 310 MWh a year in future.

- Two new projects were implemented at the production facility of Lindt & Sprüngli France in Oloron during 2016 and 2017, which managed to deliver total savings of 750 MWh a year. The first project makes it possible to reduce energy consumption by changing the settings on the cooling system. The second project involves a heat recovery unit (from waste water in washrooms) that preheats water for sanitary facilities.

## Water and waste water

We are committed to reducing fresh water consumption within our operations and the amount of waste water generated.

We use water as a heat exchange fluid throughout the production process, for cleaning molds, for hand washing, and for sanitary facilities. We are committed to reducing water consumption per ton produced by an average of 2% a year over the coming years.

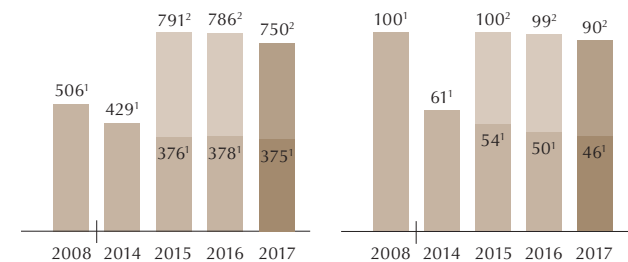
In recent years, Lindt & Sprüngli production companies have reduced their water consumption significantly. Since 2008, water consumption per ton produced has declined by 54% (excluding Russell Stover). We have achieved this by eliminating open systems, installing closed-loop systems, and optimizing cold and hot water circuits. We continuously improve our environmental impact when parts of the production process are renewed. Throughout the Lindt & Sprüngli Group, water consumption per ton produced has fallen by 10% since 2015. Thus the set goal was also achieved in this area.

## Water consumption

Our goal: -2% average annual rate of reduction per ton produced

Absolute water consumption in  
1,000m<sup>3</sup>

Water consumption per ton of  
chocolate produced  
2008 = 100%



<sup>1</sup> excluding Russell Stover

<sup>2</sup> including Russell Stover, Index adjusted to 2015 = 100%

Note: figures cover only Lindt & Sprüngli production companies.

## Waste and recycling

We are committed to reducing waste and increasing the recycling rate within our operations.

We are constantly striving to reduce the amount of material lost and continue optimizing our production processes. Raw and packaging materials are crucially important to the quality of our products. Material waste and post-processing are significant factors in our impact on the environment and also important elements in our cost structure.

Our operational optimization policy for our production process is known as the "Lindt & Sprüngli Production Way" (LPW), and this follows the principle of analyzing, eliminating, and avoiding losses. The first step in any robust loss analysis – and for the purpose of defining priorities – is to classify waste by type and according to the process phase

involved. Based on this analysis, specialist teams look at the causes of certain waste types and take measures to reduce or eliminate waste in future. This calls for total engagement from employees at production facilities. It also requires an undertaking from senior management to deploy the time and resources and instill a mindset geared toward avoiding material losses right across the organization.

Special attention is paid to avoiding material losses. And this largely depends on improved process controls, visual standardization of processes, and staff training at production plants.

Lindt & Sprüngli's Swiss production facility in Kilchberg has so far been concentrating on reducing use of raw materials. In 2017, waste was reduced by 70 tons and the amount of material requiring post-processing (like shrink wrap, broken molds or aluminum etc.) by 150 tons. These successful measures will now be implemented at other production facilities too.

Our focus will extend to packaging material waste in future. The first step here will involve a widespread data gathering and analysis exercise. Based on the findings, we will then be able to implement any waste reduction measures during 2018/19.

In 2017, Ghirardelli's production facility in San Leandro (CA), USA, introduced recycling and waste avoidance measures with a view to reducing the amount of its own waste sent to landfill. This made it possible to reduce plastic and metal waste by 15%, despite a 10% increase in production in the year under review (compared with the previous year). All companies in the USA belonging to Ghirardelli, Lindt & Sprüngli USA, and Russell Stover work closely together and exchange opinions on the best processes for avoiding waste and recycling – in order to adopt the most successful.

## Work culture

We are committed to maintaining an open work culture characterized by respect, trust, and fairness. We promote teamwork and facilitate communication and understanding across all areas, business segments, and regions to create a company of people who support each other for mutual success. We encourage, recognize, and reward individual innovation, personal initiative, and people's leadership skills throughout the organization.

Our ►*CREDO* and ►*Business Code of Conduct* provide the basis for our work culture of respect, trust, and fairness. We want to ensure that all members of the Board of Directors and management, as well as all line managers and employees, demonstrate an appropriate level of professionalism that reflects the company's commitment to our core values as set out in the company's Credo: premium quality, an engaged and qualified workforce, a focus on consumers and customers, environmental and social responsibility, and long-term profitability. The principles outlined in our Business Code of Conduct provide firm, uncompromising standards that all employees are expected to implement in their dealings with colleagues, customers, suppliers, and the general public.

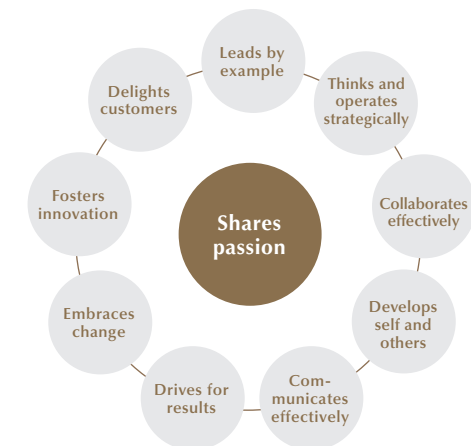
To ensure coherent application, the Credo and the Business Code of Conduct are explained to new employees during onboarding days. Should they have any questions, all employees are also free to refer to them in local employee handbooks or via the intranet. In a spirit of transparency and to reflect our obligations to the public, the Credo and the Business Code of Conduct are available on the

Lindt & Sprüngli Group website for anyone who may be interested.

As early as the recruitment process, the core values of the Credo and Business Code of Conduct feed into candidate assessment. The HR manager uses the Lindt & Sprüngli Competence Model during the process, which is based on the ten criteria set out. These ten criteria are used to measure candidates' skills and abilities based on their professional competencies, relevant experience, qualifications, and the specific professional requirements of the job. A standardized questionnaire is used to implement these criteria at all subsidiaries, with HR managers and line managers applying them accordingly during interviews.

In addition to the two groupwide policies in the form of the Credo and the Business Code of Conduct, our subsidiaries have additional local policies promoting things like equal opportunities or measures against sexual harassment. Moreover, online and in-house training courses are offered on a regular basis.

Lindt & Sprüngli Competence Model





## Employee satisfaction and retention

We are committed to offering an attractive working environment and maintaining or increasing our already high levels of employee engagement, satisfaction, and retention.

In 2017, we comprehensively evaluated the results of the employee survey conducted in 2016, derived measures for improvement, and then started implementing these. Examples of follow-up initiatives included:

- Broadening and deepening of the Talent Management Program
- Conversion of local office premises to reflect changing work requirements
- Implementation of local training initiatives
- Improvement of the onboarding programs
- Running global leadership training courses for senior managers
- Introduction of a reward and recognition program
- Hosting employee information events.

### Lindt & Sprüngli is the third most popular employer in Switzerland



In 2017, Lindt & Sprüngli Switzerland achieved third place in the ►Randstad Employer Branding Award. The winners emerged from the Randstad Employer Brand Research study, which is the world's most comprehensive independent survey of its kind. Companies cannot apply to participate, but are nominated by those surveyed.

## Work-life balance

We are committed to maintaining a healthy work-life balance and offering our employees support to cope with increasing work-related demands.

The boundary between work and people's free time is becoming increasingly blurred, and finding the right work-life balance is more and more important. Our local subsidiaries have addressed this issue with various initiatives.

Lindt & Sprüngli UK, for example, has signed the "Time to Change" employer pledge like other leading organizations. This pledge is concerned with mental health, which plays an important part in employees' well-being. Con-

versely, psychological problems are one of the main causes of illness and disability worldwide. With this pledge, Lindt & Sprüngli UK has committed itself to a culture of openness, friendship, and support and to offering its employees certain training opportunities. For example, first aid courses are offered for mental health or courses for cognitive behavioral therapy, as well as practical assistance. Lindt & Sprüngli UK is also involved in World Mental Health Week with a view to raising awareness of mental health.

Lindt Australia devotes special attention to the issue of flexible working hours arrangements. A culture of "give and take" ensures both employees' and the employer's needs are taken into account (► see success stories, p. 36).

## Employee development and training

We want to ensure that all key positions are staffed with qualified and motivated employees and that talented candidates are developed internally to fill these positions.

In a rapidly changing world, we need the best-qualified employees to ensure we are competitive. To attract and retain high-performing employees, we place a lot of emphasis on further development and training. During 2017, important projects in this area included:

- *Talent management:* We have introduced a global talent management process and are developing this on an ongoing basis. We have annual talent management dialogues, performance appraisals, and a succession planning process. This is our way of enabling managers to coordinate a pool of talent and build appropriate development plans that match employees' needs with the demands of our business.



- *Employee development:* We have focused on individual development plans and applied our 70-20-10 model: 70% practical experience, 20% feedback and team building, 10% formal individual training programs. As regards individual training programs, we offer, for example:
  - International trainee programs
  - Support for continuous training and development
  - Life-long learning for continued employability
  - Increasing employee productivity
  - Promoting individual skills
  - Dual professional training
  - Training for managers
  - International exchanges
  - Coaching and mentoring programs.

In 2017, Lindt & Sprüngli Switzerland developed an internal training catalog with special emphasis on developing personal competencies, working methods, health, and leadership qualities. Over 150 employees took advantage of what was on offer. 90% of participants recommend the training courses to others. We also added to the international trainee programs in 2017 with a financial program for controllers and enhanced these in the international marketing area.

The International Lindt & Sprüngli Academy, the program for our managers and talents, was further developed in collaboration with the ►*International Institute for Management Development (IMD)* and run for the third time already in June 2017.

In 2018, Lindt & Sprüngli will continue to invest in the International Lindt & Sprüngli Academy and in local training programs.

During 2017, Lindt Australia introduced some short educational videos on the subject of our newly implemented Talent Management Program system (TMP system). The videos have proved to be an efficient learning tool and

will also be used in 2018 when a learning management system is introduced.

## Diversity and equal opportunity

We are committed to offering equal opportunities, promoting diversity in terms of employment, and supporting the development and promotion of all who meet the relevant requirements. We do not tolerate any discrimination against employees or candidates on the grounds of gender, age, religion, political opinion, union affiliation, disability, national or social origin, sexual orientation, ethnicity, or color, nor any other relevant characteristic protected under the law.

We are convinced that all people should be treated fairly and do not tolerate discrimination. It is our policy and practice therefore to ensure people enjoy equal employment opportunities (employees and candidates). We also support and promote gender diversity. Around 60% of our employees are women. We also aim for a diverse age split, whereby younger and older generations work well together and enrich each other.

### Age split

in %	2016	2017
<30	29.1	28.7
30–39	21.6	21.7
40–49	21.5	20.9
50–59	21.1	21.7
60+	6.7	7.0

### Free back training for employees during working hours

As part of the corporate health management strategy, Lindt & Sprüngli Germany launched pilot project of free back training in 2017. Over four months, 100 employees had the opportunity to complete the free MedX training program during working hours with the help of a special device. The computer-aided training program trains the back muscles without any strain on joints or disks. Training is both efficient and easy. It can be done once a week for 10 minutes, and people can even wear their normal work clothes. The training also helps prevent problems before they occur. Given the very positive verdict after the pilot phase, this free training will continue to be offered.

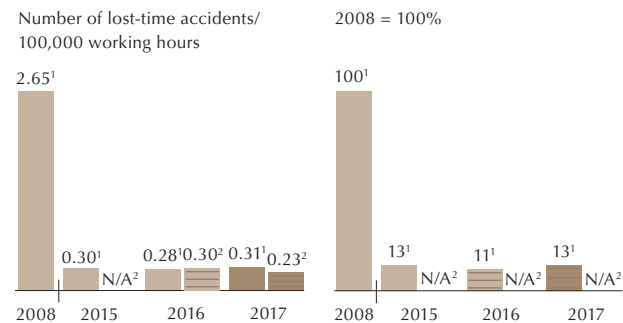


## Occupational health and safety

We are committed to offering a healthy and safe workplace. Our vision is to eliminate all accidents resulting in time off work.

### Lost-time accidents rate per 100,000 working hours

Our vision: zero lost-time accidents



<sup>1</sup> excluding Russell Stover

<sup>2</sup> including Russell Stover

Note: figures cover only Lindt & Sprüngli production companies.

Improving safety in the workplace is a top priority for Lindt & Sprüngli. Our indicators reveal a positive trend in this area. Nevertheless, we continue to work tirelessly toward avoiding all accidents in the workplace. We follow a prevention-based safety model and build upon a safety culture that encompasses the following core concepts: zero tolerance of unsafe behavior and critical risks, open communication, and elimination of unsafe situations and “near accident”.

Since 2008, Lindt & Sprüngli production companies reduced the number of lost-time accidents rate per 100,000 working hours by 87%.

The Lindt & Sprüngli risk assessment protocol has been adopted in all production companies. We have set the qual-

ity standards for risk assessment higher than required by local laws and regulations. Homogeneous risk measurement enables us to identify common priorities at Group level and multiply the impact on results by exchanging good practices.

### Freedom of association and collective bargaining at Lindt & Sprüngli

Regular consultation and engagement with our employees and their representatives ensure due account is taken of both staff and management expectations. This facilitates negotiations and implementation of operational changes. It goes without saying that Lindt & Sprüngli respects employees' rights and the freedom to form and join trade unions and conduct collective bargaining.

Lindt & Sprüngli organizes an annual two-day meeting – the European Works Council – where employees' representatives from all Lindt & Sprüngli subsidiaries in the European Union and Switzerland are given the opportunity to exchange opinions with each other and with management. The agenda and the documents for consideration are agreed in advance between the chair of the European Works Council and the management. In 2017, the main focus, for information and consultation purposes, was on health and safety, training, economic and financial developments, investments, and sustainability.

Currently, Lindt & Sprüngli employees are collectively organized in Austria, France, Germany, Italy, Switzerland, and the USA (Ghirardelli).

## Corruption and anti-competitive behavior

We are committed to not engaging in corruption or anti-competitive behavior.

We are committed to the principle of free competition and scrupulously comply with all applicable domestic and international antitrust and competition law. We condemn any form of bribery and corruption as well.

We want to ensure that our employees demonstrate an appropriate level of professionalism that reflects the company's commitment to our core values as set out in the company's ►*CREDO* and the ►*Business Code of Conduct*, which themselves set out what we expect from our employees. In 2016, an updated version of the Business Code of Conduct was adopted by the Board of Directors and implemented locally across all subsidiaries in 2017. This further emphasizes our commitment to complying with the core values of Lindt & Sprüngli and with international standards. The new Business Code of Conduct incorporates various principles. These encapsulate what we understand by generally acceptable conduct – as applicable to all jurisdictions. The main changes in the updated version included a tightening of provisions relating to insider trading and competition law, a new provision on bribery and corruption, and practical guidance for employees in each section. The Business Code of Conduct is available in eleven languages.

In 2018, training courses in competition law will again be run by the Group Legal & IP Department and by external legal experts to consolidate our employees' awareness and understanding of our zero tolerance policy toward anti-competitive behavior.

## Philanthropy

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We want others to benefit from our successful business and contribute to good causes with material assets, money, and time.

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We see our company as a “corporate citizen” and want to play our part in overcoming the problems society is currently facing. What we donate to the community in terms of money, material assets, and time is intended to promote development in the localities around the Group’s sites.

Lindt & Sprüngli subsidiaries make numerous donations to organizations, associations, and social programs. Ghirardelli, for example, has been supporting the San Leandro Education Foundation since 2003 and has collected more than USD 945,000 over this period. An example of donations in the form of material assets is the long-standing collaboration with local organizations that provide poorer people with life’s essentials (e.g. Tischlein deck dich, Banco Alimentare, Feed the Children, Open Hand). Lindt & Sprüngli has also established the two charitable foundations known as the ►*Lindt Cocoa Foundation* and the ►*Lindt Chocolate Competence Foundation*.

## Our success stories 2017

### Lindt & Sprüngli USA



#### Formation of a “Green Team” to reduce environmental impact

Lindt & Sprüngli USA founded a “Green Team” in 2017 with a view to promoting environmental awareness and recycling activities at the company’s own site. The team, which includes people from various roles, has launched various recycling initiatives. The waste reduction achieved in the fourth quarter of 2017 was 34% per ton of molded chocolate compared to 2016. The volume saved is an impressive 300 tons. During a collection campaign, the team also collected 160 kg of recycling waste. This equates to 13,300 Lindor truffles or 1,600 Lindt Excellence bars. Lindt USA also participates in the recycling program of “Save that Staff”. The material collected and recycled in 2017 (paper, cardboard and plastic waste) is equivalent to 14,300,000 kWh of energy or 15,000 trees that can be saved respectively protected.

### Caffarel



#### Caffarel on the road to emission-free production

Since the start of 2017, Caffarel in Italy has been sourcing all its hot water requirements (4,000 MWh) from a biomass plant of Pralafera Energia only 500 m from the production site in Luserna San Giovanni. This was made possible by connecting up to the local district heating network via a water/water substation. Since biomass is climate-neutral, Caffarel now avoids over 800 tons of CO<sub>2</sub> a year thanks to this investment. In addition to the purchase of electricity from renewable sources district heating also enables Caffarel to cover 80% of its overall energy needs with renewable energies. The goal of 100% should be achieved during 2018 by sourcing biogas as well.

### Lindt & Sprüngli Australia



#### Lindt & Sprüngli (Australia) Pty Ltd

#### Human Resources – Sustainability

November 2017

#### “The Gift of Time” – inspirational HR policies at Lindt & Sprüngli Australia

Inspiration through innovation and passion is an integral part of the HR vision at Lindt & Sprüngli Australia. There is a program for continuous learning, and a lot of emphasis is placed on flexible working hours. Besides part-time models, teleworking, job sharing, and many other employment models, Lindt & Sprüngli Australia has developed a culture of “give and take” that addresses the different needs of employees and employer. Time is a valuable commodity, and employees at Lindt & Sprüngli Australia are only too aware of this. Inspired by the motto “The Gift of Time”, various initiatives were launched with a view to giving employees more time. These include for example laundry discounts and an extra day off for full-time employees’ birthdays.

## What our partners say

In the area of sustainability, Lindt & Sprüngli relies on various partners and long-term, professional cooperation with them. Here as well as on pages 13 and 44, nine of our partners appreciate our sustainable activities.



**Marianne Martinet**

Head of Rurality Initiative  
The Forest Trust (TFT)

“After 3 years of collaboration with Lindt & Sprüngli, we are seeing positive changes with small-scale farmers in the field where local partners take stronger ownership of the Lindt & Sprüngli Farming Program and, more importantly, are driven by the shared vision to make an impact on their cocoa supply chain.”



**Andrea and Alberto Merlo**

Owners and Executive Directors  
Pralafera Energia Srl

“The trust that the management of Caffarel has given us with the participation in our project was a great support for us in realizing the biomass power plant. We and all of our employees at Pralafera Energia are proud to be actively involved with our power plant in the achievement of Caffarel’s environmental sustainability goals.”



**Thomas M. Auer**

Food Safety Professional  
AIB International

“With our experience in the food and confectionary industry we are able to give Lindt & Sprüngli the ability to benchmark all their factories worldwide. We have insight into trends in the food industry and can provide continuous improvement potential by showing them Best Practices in the industry. The commitment to have the same auditor for all facilities gives a good comparability and an excellent knowledge transfer.”





## Sustainably consumed

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Lindt & Sprüngli is recognized worldwide as a leader in the market for premium-quality chocolate. Strict quality controls ensure that Lindt & Sprüngli products meet high standards.

Lindt & Sprüngli has a great responsibility to customers and consumers. We live up to this responsibility by setting ourselves high standards in terms of food safety, correct product labeling, and focusing on consumers. We apply our quality standards along the entire value chain – from raw materials to the finished product. So our chocolate specialities only leave our factories when we are convinced they meet our quality standards and are in perfect condition.

In collaboration with our partners, we are continuously working on innovations in the areas of research and development and both packaging and logistics. This helps us ensure our products retain their high quality until they reach the end consumer. All measures are continuously reviewed and improved so our consumers can be confident of enjoying the products.

#### Enjoying chocolate with plant-based sweeteners

There is a growing trend for sugar-free products. Our US subsidiary Russell Stover is already the biggest producer of sugar-free chocolate in the USA. At the “Sweets & Snacks Expo 2017” in Chicago during the fall of 2017, Russell Stover unveiled a chocolate invention sweetened with a plant-based sugar substitute (Stevia) as opposed to artificial sweetener. The products hardly taste any different to traditional chocolate and meet the needs of consumers looking to avoid or reduce sugar in their diet (as an ingredient or on its own). The new product innovations from Russell Stover are available in US retail outlets from 2017.

In order to retain this trust in future, we concentrated on the following issues during 2017:

- We further optimized our quality control processes in order to achieve our high goals through independent audits of food safety and quality management.
- During 2017, we answered over 106,800 consumer inquiries individually and ensured consumer feedback continues to feed into our internal processes. This kind of direct contact helps us keep product quality and customer satisfaction levels high.

#### Product quality and safety

We are committed to adopting first-class measures to ensure product quality and safety.

For Lindt & Sprüngli, high product quality and safety are a question of consistency and brand awareness. As the manufacturer of some of the most exquisite chocolates in the world, we accept no compromise when it comes to quality and safety.

And with a comprehensive approach to quality management, which comprises thorough internal and external checks, we ensure our products are of a high quality. The production process is divided into several stages for this reason, each with quality standards which a product must satisfy in order to move on to the next stage. The high quality requirements for our raw materials are set out in writing in our product specifications, and we review these. Our most important raw materials, i.e. our high-quality cocoa beans, come from the world's most renowned farming regions such as Ghana, Latin America (mainly Ecuador), the Caribbean, Madagascar, and Papua New Guinea (> see the chapter Sustainably sourced, p. 14). By contrast, Lindt & Sprüngli sources raw materials such as milk or sugar locally wherever possible, i.e. from the areas around its production facilities.

During processing, we ensure each production step is executed with precision. Before a product is dispatched, we check whether it satisfies our high standards and is in perfect condition. Only then will the chocolate product leave our production facility and enter the sales channels.

The Lindt & Sprüngli production facilities are crucial to our ability to manufacture first-class chocolate specialities. This is why Lindt & Sprüngli implements strict standards and conducts regular audits at these facilities in particular. All factories are subject to unannounced annual audits by ► *AIB International*. This independent organization has a long-standing reputation for improving food safety in the industry through its standards and audits.

In addition to AIB audits, both food safety and quality management systems are deployed at our production facilities. Russell Stover is currently working on the intro-

duction of a standardized food safety management system with the aim of achieving FSSC-22000 certification by the end of 2019.

We also focus on the transport and storage of our products until they are delivered to our customers (representatives and dealers) to ensure our chocolate is in perfect condition. We pay particular attention to the ambient temperature and moisture levels that need to be observed during transport and storage. These are specified in the “Lindt Quality Guidelines”. Temperature is controlled by a strict monitoring process within our intercompany network – from our production facilities to the final distribution warehouse. Moisture levels are monitored at all warehouses and selected sea freight companies who cross the equator. These guidelines apply to all our own or rented warehouses, as well as those of our representatives and dealers for finished products.

#### Cadmium levels in Lindt & Sprüngli chocolate

All soil naturally contains cadmium. Cocoa trees take up cadmium from the soil accordingly – as do other plants such as cereals or vegetables. This is why our products may contain traces of cadmium. But eaten in such small quantities, they present no harm at all to health. An analysis of the cadmium content of cocoa beans forms an integral part of the quality control for our sourcing process. And the cocoa mass produced from cocoa beans and used for our products is also regularly checked for traces of cadmium. The limit values for cadmium content are set out in our product specifications, and the strict observance of the limits is checked on a regular basis. Lindt & Sprüngli complies with all applicable regulations and recommendations, such as those in the ► *Codex Alimentarius*.



## Customer and consumer satisfaction

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Customer and consumer satisfaction is the main goal of everything we do. Consumer complaints, inquiries, and compliments are answered promptly and individually.

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The key to our success is customer and consumer satisfaction, and this will always be the case. To meet our consumers' expectations whenever possible, we continuously analyze their needs and expectations. The resulting findings feed into our high-quality products and help us bring innovative new products to the market on a regular basis. And we make sure these deliver the high quality people associate with Lindt & Sprüngli. Consumer tests in various countries are a useful tool in this regard. General satisfaction levels with our brands and products are measured each year – including 2017 – among over 17,400 consumers in 17 countries. The results in terms of chocolate quality and the taste experience are consistently outstanding.

In addition to consumer tests, we also continuously observe and track global trends in terms of diet, chocolate consumption, and sustainability issues with a view to identifying opportunities for our products, as well as possible problems. We regularly exchange this information with our subsidiaries. All Lindt & Sprüngli subsidiaries monitor local developments and needs, in addition to these global trends, when creating new products.

Another source of valuable information is our own retail network, which brings us into daily contact with our customers. Our sales people in more than 410 own shops continuously pick up on their needs and expectations.

Additionally, we have set up an online forum to gather feedback from the retail network. We use the collected findings from this central source to increase customer satisfaction even further.

Consumers can also address any concerns they may have to our consumer service directly. During 2017, over 106,800 contacts/concerns were recorded in our system across the Group. These were processed or answered by our consumer service specialists. Specific issues relating to sustainability, such as farming conditions for cocoa or health-related questions, are picked up on separately and discussed internally on a regular basis. By 2017, the consumer service had about 940 inquiries in the area of sustainability. This is less than 1% of all requests. All other inquiries concern individual products, the mix of ingredients, or the product quality.

In order to find out how satisfied consumers are with the consumer service and what should be improved, Lindt & Sprüngli France conducted its first satisfaction survey in 2017 (► see success stories, p. 42). Lindt & Sprüngli International also ran a smaller test survey among consumers who had got in touch with the consumer service department about sustainability issues. Guidelines for future local surveys, which take due account of applicable data protection provisions, were defined on the basis of this. Various subsidiaries are interested in surveying how satisfied consumers are with the service they receive over the course of the next year.

Consumers can also get in touch via the feedback form in our packaging. And we are in direct contact with our consumers on a daily basis via over 60 social media channels, providing individual answers to the inquiries and feedback we receive. In order to ensure a professional and

efficient consumer and customer service, we have introduced a management process designed to further optimize average processing and response times.

## Consumer information

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We are committed to high standards in terms of consumer information.

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Consumers purchase chocolate according to their individual desires and needs. And product choice is informed by a number of things, including the cocoa percentage or the list of ingredients (which also contains information on allergens). Transparent communication and product labeling are therefore very important to Lindt & Sprüngli.

We are aware of our responsibility to inform consumers about even small concentrations of potential allergens such as hazelnuts or almonds via the list of ingredients or the allergen details we provide. Lindt & Sprüngli includes a clear warning on all products to inform its consumers about traces of certain allergens they may contain. We also follow strict process requirements in order to avoid unwelcome contamination of our products.

A balanced diet is crucial for consumer health. We recommend eating small respectively reasonable amounts of chocolate as a treat. Nutritional values are displayed on the packaging of all Lindt & Sprüngli products in accordance with national and international legislation. We promote transparency with online information regarding contents and nutritional values.

Lindt & Sprüngli realizes that consumers are paying more attention to sustainability information when choos-



ing products. In order to inform them of our sustainability initiatives, our products show the logo for the ►*Lindt & Sprüngli Farming Program* on the back of the packaging. We also integrated the Lindt & Sprüngli Farming Program into our communication about Lindt Difference – which is our way of highlighting what makes Lindt chocolate so unique. In 2017, we incorporated communication about Lindt Difference into a number of stores and on certain packaging. Starting in Canada, the plan for 2018 is to display consumer-oriented information about this on the lindt.com website too. This would then be extended internationally over the course of the year.

#### **Lindt & Sprüngli position on GMO**

Lindt & Sprüngli is not involved in any research or development associated with genetically modified food. We do not use ingredients that have been genetically modified or are derived from genetically modified organisms (GMO) if non-GMO raw materials are available. All Lindt, Caffarel, Küfferle, and Hofbauer branded products are non-GMO. Regular tests are performed to monitor these products and ensure compliance with relevant EU and Swiss regulations. Ghirardelli and Russell Stover have also introduced measures to ensure all their products are free from genetically modified ingredients in future. Both brands already offer GMO-free products. Ghirardelli and Russell Stover aim to make their entire product range GMO-free and bring this to market by 2019.

## Our success stories 2017

### Lindt & Sprüngli France



#### Satisfaction survey at the consumer service department in France

To find out how satisfied our consumers are with our consumer service and identify potential areas for improvement, our Lindt & Sprüngli subsidiary in France conducted a satisfaction survey. 400 consumers were sent a questionnaire some three to four weeks after having some form of contact with consumer service. With a response rate of 40%, the survey generated a lot of feedback. The consumers contacted answered the questions asked and were particularly positive about quality and the image of the brand. We also found out where action needs to be taken and where consumer service can be improved. It was made clear that the survey was not for marketing purposes but could only be used to improve consumer service. The same applies to all surveys of this type – including any future ones.

### Lindt & Sprüngli Group



#### The Lindt & Sprüngli Farming Program from a consumer perspective

During 2016/2017, Martin Pömsl supported school projects in Ghana for twelve months as a volunteer with a non-governmental organization. Given the challenges associated with the cocoa supply chain, he wondered whether Lindt chocolate could be eaten with a clear conscience. With him staying in Ghana, he had the opportunity to be the first consumer to visit the Lindt & Sprüngli Farming Program. Together with other volunteers, he experienced the program on the ground during a two-day visit. They accompanied people from our local sourcing company in their activities to support cocoa farmers. These included the Farmer Business School, the Village Resource Center, the Farm Shop, and the monthly Farmers Meeting. Following the extensive tour and having had a chance to speak with people in the locality, Martin Pömsl feels the short answer to whether people can enjoy Lindt chocolate with a clear conscience is a definite “yes” ► [Lindt & Sprüngli Farming Program blog entry](#).

### Lindt & Sprüngli South Africa



#### Raising the profile of animal protection in South Africa with the Lindt RHINO

The leading tour company Rhino Africa and our South African subsidiary of Lindt & Sprüngli have formed a partnership to raise the profile of protection work involving endangered species of animals. The southern part of Africa is home to over 90% of Africa's rhinoceroses. These are threatened with extinction. With a view to raising awareness, Lindt Master Chocolatiers in Cape Town are making milk chocolate rhinoceroses by hand and selling them as a limited edition product at ten Lindt boutiques across South Africa. And those enjoying this chocolate will be pleased to know that ten South African rand are being donated to the Wildlife Act organization to promote protection of endangered rhinoceroses in South Africa.

# Outlook

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## Sustainably sourced

Again in 2018, we want to further expand our Lindt & Sprüngli Farming Program for the sourcing of raw materials. 2018 will see us further promote autonomy among farmers' groups in Ghana. Together, we will work on solutions to diversify farmers' income and facilitate a more intensive form of agriculture. In Ecuador and Madagascar, we are looking to increase the number of farmers participating and further expand the elements of the program with a focus on environmental issues. Based on the successful pilot projects for cocoa butter in 2017, we will be launching an additional project in 2018 and increasing the volume of cocoa butter made with beans from sustainability programs to 20%. By 2019, we want to source 100% of whole and unprocessed hazelnuts, which we purchase in Turkey, from sustainability programs and thereby achieve a further milestone in the sustainable procurement of raw materials.

Another aim is to keep increasing the use of palm oil certified according to the RSPO segregation model.

As regards our packaging materials, Lindt & Sprüngli will continue to work on various sustainability issues with suppliers. This will mean spending more time looking at the value chain – predominantly from a holistic perspective – from the raw ingredients through to the finished packaging. The Supplier Sustainable Practice Program will continue in greater depth in 2018 and look at the procurement of decorative packaging from production facilities in Asia.

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## Sustainably produced

We will continue with the integration of Russell Stover during 2018. Our focus will remain on initiating new energy-saving and water-saving projects. We will also introduce a structured approach to sharing details of energy-saving and water-saving projects already delivery or planned via our engineering manager's network. Our intention here is to step up the exchange of experiences within the Lindt & Sprüngli Group, to promote tried-and-tested practices, and assess the environmental impact of projects already delivered.

We are building upon an enhanced network of Industrial Performance Managers, who are successfully driving reductions in production losses with the Lindt & Sprüngli Production Way Program (LPW). Our LPW tool kit – a kind of software for exchanging knowledge – serves as a platform for exchanging tried-and-tested practices and helps accelerate implementation. The spread of knowledge is the catalyst for building an organization that keeps on learning.

We will further broaden the development opportunities available to our employees and be even more focused in promoting the development of up-and-coming talent. We will also look to implement further suggestions from the employee survey.

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## Sustainably consumed

In 2018, we will continue to work toward ensuring the remaining products of Ghirardelli and Russell Stover are also GMO-free by 2019.

Our current quality assurance approach will continue to be applied consistently. This allows us to keep the number of consumer complaints low. Where necessary, however, we will extend specific quality and food safety programs across the whole supply chain.

We are providing interactive and consumer-friendly access to information on the Lindt & Sprüngli Farming Program through the ►[www.farming-program.com](http://www.farming-program.com) microsite launched in 2017. This site will be further developed in 2018 and updated with new and relevant information. The Lindt & Sprüngli Farming Program is also covered in communication relating to Lindt Difference. In 2018, consumer-oriented information relating to this will now be included on the lindt.com website too – first in Canada and then in other national markets.

## What our partners say

In the area of sustainability, Lindt & Sprüngli relies on various partners and long-term, professional cooperation with them. Here as well as on pages 13 and 37, nine of our partners appreciate our sustainable activities.



**Christian Florin**

CEO  
Florig AG

“With the Lindt Cocoa Foundation and Lindt & Sprüngli, we have established a project for sustainable coconut oil from the Solomon Islands which is both unique and exemplary in its own way. With this project, Lindt & Sprüngli is clearly showing its desire to commit itself to sustainability at the very place where raw materials originate. And in doing so, it is sharing with us the responsibility for procuring traceable and fairly produced coconut oil. Ideally, we believe sustainability projects should practice what they preach and also reflect what is economically viable – from the farm through to the consumer.”



**Monique Becker**

Trainer  
MedX

“It is great that Lindt & Sprüngli Germany is offering its employees the chance to take this free back training. Back problems are some of the most common complaints people suffer from. Those taking part in the training say they are able to perform better both at work and in their free time due to a significant improvement in their problems. The take-up rate is very high, given the noticeable changes and the fact the 10-minute therapy unit can be completed during working hours. The fluctuation rate after six months is below 5%, which is very pleasing.”



**Adriana Arciniegas Leal**

Research Specialist at Agriculture, Livestock and Agroforestry Program (PRAGA)  
Tropical Agricultural Research and Higher Education Center (Catie)

“The work developed with Lindt & Sprüngli will permit to acquire the knowledge of the cacao genetic diversity, which is the source of novel aromas and tastes. This can lead to benefits for the entire production chain, such as greater earnings for producing families and a more diverse and sustainable supply of cocoas for specialty quality markets.”

# Sustainability governance

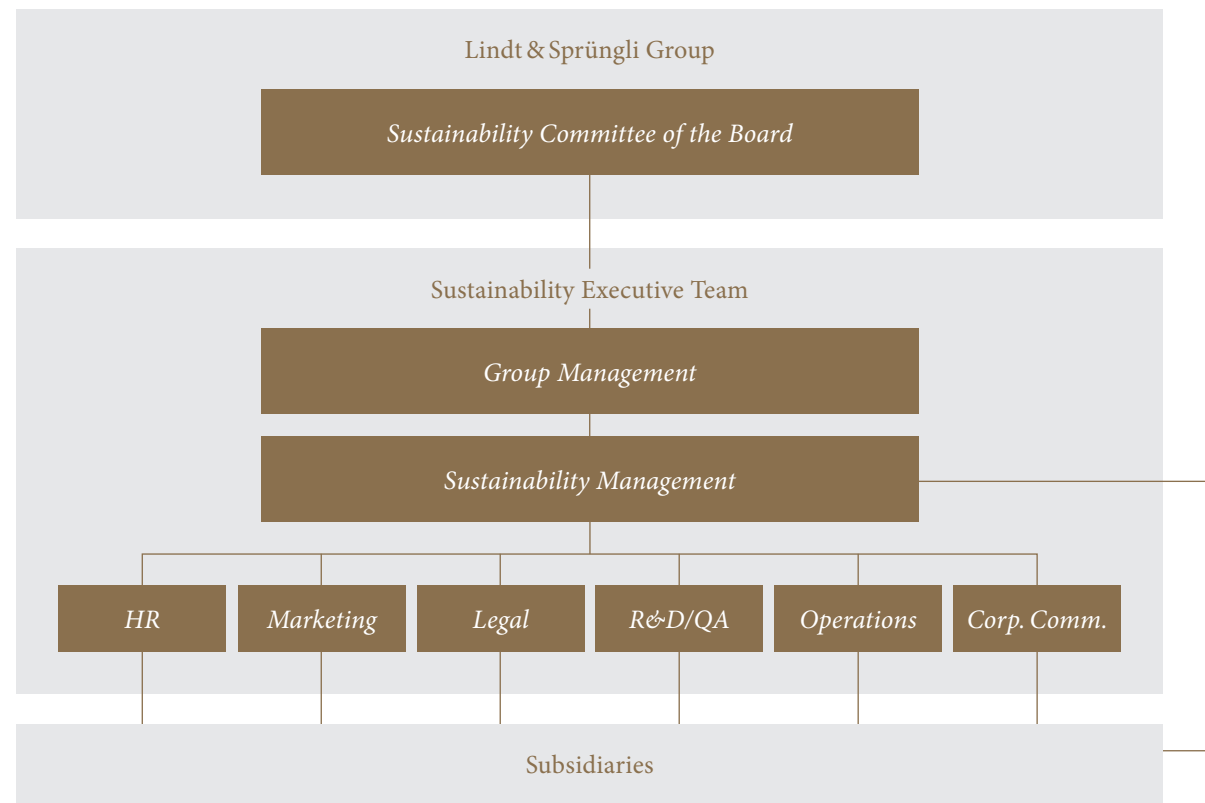
At Lindt & Sprüngli, all issues relating to sustainability are dealt with by the highest level of management, and a committee appointed by the Board of Directors is responsible for monitoring this area. This shows how seriously we take the importance of acting responsibly.

The Sustainability Committee consists of three members of the Board of Directors. It supports the Board of Directors in setting the strategic direction for company activities, while aiming for comprehensive sustainable management. The Committee is responsible for developing and adapting all internationally applicable corporate policies in this area and for monitoring compliance with legal aspects. The Committee meets as often as required, but at least once a year.

The Group Management makes sure the strategic decisions are implemented. Sustainability Management coordinates all sustainability activities at Lindt & Sprüngli and supports the Sustainability Executive Team (which has representatives from HR, Marketing, Legal, Research & Development/Quality Assurance, and Corporate Communications) with delivery of sustainability goals.

The Sustainability Executive Team meets every two to three months and is also responsible for Lindt & Sprüngli subsidiaries. It ensures things are implemented at a local level based on the policies of Lindt & Sprüngli International. Each Lindt & Sprüngli Group company has one sustainability representative to ensure end-to-end communication between the Group and the respective subsidiary. In addition, each subsidiary appoints a person responsible for health and safety management and another for environmental management.

## Lindt & Sprüngli sustainability governance



# About this report

This Sustainability Report is Lindt & Sprüngli's eighth progress report in relation to the ten principles of the UN Global Compact and the six UN Global Compact Food and Agriculture Business Principles (FAB).

This Sustainability Report provides the various stakeholders with information about the goals Lindt & Sprüngli has set itself, any measures introduced, and the progress achieved. It covers the period from January 1, 2017 to December 31, 2017. Unless otherwise stated, all facts and figures are correct as of December 31, 2017 and relate to the Lindt, Ghirardelli, Stover, Whitman's, Pangburn's, Caf-farel, Hofbauer, and Küfferle brands of the Lindt & Sprüngli Group. The facts and figures also relate to all production, distribution, and marketing sites, as well as regional Lindt & Sprüngli offices.

This Report was drafted with due regard to the principle of materiality in terms of the issues addressed and the expectations of the various stakeholders.

## Date of publication

German and English version: March 2018

The expectations expressed in this Sustainability Report are based on assumptions. Actual results may vary from these. The German version of the Report is the authoritative version.

For reasons of the legibility the male form was mainly chosen in the text, the information refers nevertheless to members of both genders.

The ten principles of the UN Global Compact	Relevant company guidelines	Report reference
1. Support and respect the protection of internationally proclaimed human rights. 2. Make sure that they are not complicit in human rights abuses.	Credo Lindt & Sprüngli Promise Business Code of Conduct Health & Safety Policy Supplier Code of Conduct	pp. 9–12, 14–25, 31, 34
3. Uphold the freedom of association and recognition of the right to collective bargaining. 4. Elimination of all forms of forced and compulsory labor. 5. Effective abolition of child labor. 6. Elimination of discrimination in respect to employment and occupation.	Credo Lindt & Sprüngli Promise Business Code of Conduct Health & Safety Policy Supplier Code of Conduct	pp. 9–12, 14–25, 31, 33–34
7. Support a precautionary approach to environmental challenges. 8. Undertake initiatives to promote greater environmental responsibility. 9. Encourage the development and diffusion of environmentally friendly technologies.	Credo Lindt & Sprüngli Promise Environmental Policy Supplier Code of Conduct	pp. 14–25, 29–31
10. Work against corruption in all its forms, including extortion and bribery.	Business Code of Conduct Supplier Code of Conduct	p. 34

## Global Compact Food and Agriculture Business Principles (FAB)

	Report reference
Aim for food security, health, and nutrition.	pp. 14–25
Be environmentally responsible.	pp. 14–25
Ensure economic viability and share value.	pp. 14–25
Respect human rights, create decent work, and help communities to thrive.	pp. 14–25
Encourage good governance and accountability.	pp. 9–12, 34, 45
Promote access and transfer of knowledge, skills, and technology	pp. 14–25



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This is our **Communication on Progress**  
in implementing the principles of the  
**United Nations Global Compact** and  
supporting broader UN goals.

We welcome feedback on its contents.