



LINDT & SPRÜNGLI

CORPORATE SUSTAINABILITY
COMMUNICATION ON PROGRESS 2014

THE LINDT & SPRÜNGLI PROMISE

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

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

SUSTAINABLY SOURCED

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

SUSTAINABLY PRODUCED

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

SUSTAINABLY CONSUMED

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

KEY ACHIEVEMENTS 2014

LINDT & SPRÜNGLI PROMISE:

“All products leaving our factories live up to our commitment to sustainable behavior along the value chain.”

On a yearly basis, more than 45,000 cocoa farmers in Ghana receive substantial support in agricultural, social and environmental areas aiming at improving their livelihoods

30 %

of the farmers registered in the Lindt & Sprüngli Farming Program in Ghana were women

91 %

of our cocoa beans bought in 2014 were traceable

13 %

of our cocoa beans bought in 2014 were traceable & verified

Since 2008, Lindt & Sprüngli invested more than USD 8 million in the traceability and verification of the cocoa supply chain

NEW

Lindt & Sprüngli Farming Program was launched with cocoa farmers in Ecuador and with hazelnut farmers in Turkey

100 %

Preparing the switch to 100 % segregated and certified palm oil by end 2015

22'000

More than 22'000 cocoa farmers were trained in good agricultural, social and environmental practices

–14 %

energy consumption per ton produced since 2008

–39 %

water consumption per ton produced since 2008

–16 %

CO₂ emissions per ton produced since 2008

–83 %

lost time accidents rate (no) per 100,000 working hours since 2008

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Lindt & Sprüngli Farming Program in Ghana

CHAIRMAN'S STATEMENT

Dear Reader,

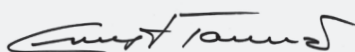
Sustainable and socially responsible behavior is an important prerequisite for the long-term success of our company. We are committed to manufacturing our products according to highest quality and sustainability standards - from purchasing the best raw materials through sustainable production to enjoying our finest premium chocolate. By monitoring the entire production process from bean to finished product, we guarantee the highest quality and a comprehensive commitment to sustainability. We are convinced that perfect enjoyment only arises when outstanding quality and a responsible use of human and natural resources go hand in hand.

The sustainability environment in which we operate is complex, characterized by many different and sometimes conflicting issues. Despite this complexity, we have achieved a lot in recent years. In 2014, we focused on expanding the Lindt & Sprüngli Farming Program. We have deepened the program in Ghana and expanded it to Ecuador, the second largest cocoa origin for Lindt & Sprüngli. We increased the share of traceable cocoa beans to 91 %, and further worked on the implementation of our verification system in Ghana. As a result, our cocoa supply included a share of 13 % externally verified cocoa in 2014. Based on the Farming Program framework, we further started to build up sustainable sourcing projects for hazelnuts from Turkey.

Nevertheless we are aware that there is still much to do to further improve our sustainability performance. We will continue focusing on our supply chains, as responsible sourcing of cocoa and other raw materials is still the biggest challenge of our industry.

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

Yours sincerely,



Ernst Tanner
Chairman of the Board and
Chief Executive Officer



Dr. Dieter Weisskopf
Chief Financial Officer
Responsible for Corporate Sustainability

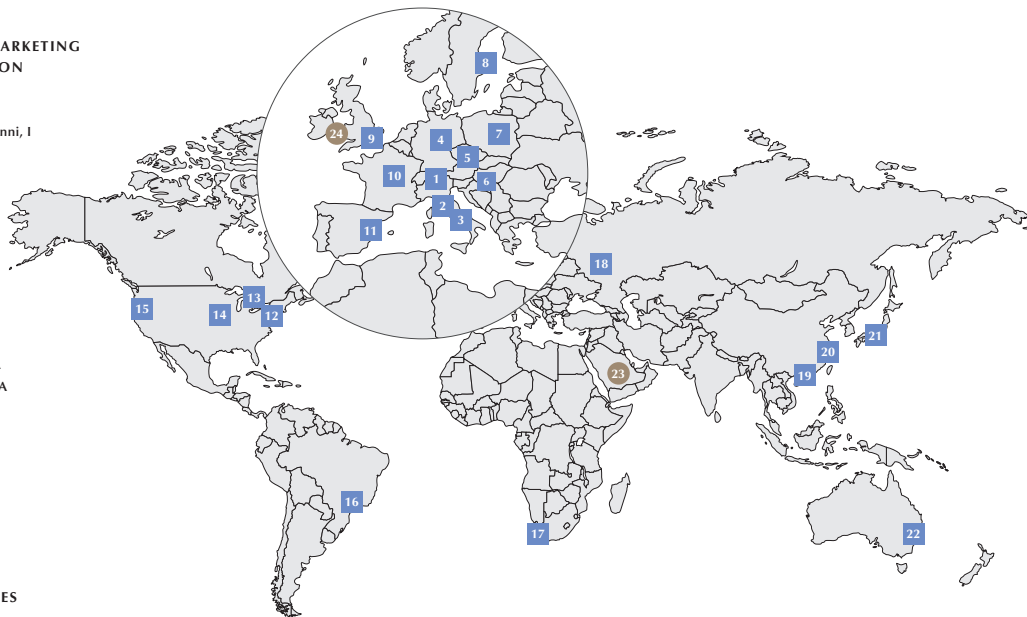
LINDT & SPRÜNGLI PORTRAIT

PRODUCTION, MARKETING AND DISTRIBUTION

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

REGIONAL OFFICES

- 23 Dubai, UAE
- 24 Dublin, IRL



As the global leader in the premium chocolate sector, Lindt & Sprüngli looks back on a long-standing tradition of 170 years, which takes its origins in Zurich, Switzerland. Today, quality chocolate products by Lindt & Sprüngli are made at twelve own production sites in Europe (key brands: *LINDT*, *Caffarel*, *Hofbauer*) and the USA (key brands: *LINDT*, *Ghirardelli*, *Russell Stover*, *Whitman's*). They are distributed by numerous subsidiary companies and branch offices, as well as via a comprehensive network of independent distributors in more than 120 countries around the world. With some 12,000 employees, the Lindt & Sprüngli Group reported sales of CHF 3.39 billion in 2014.

The sustainability practices of *Russell Stover* (acquired in 2014) will be stepwise adapted to the norms of the Lindt & Sprüngli group, and are therefore not yet integrated in this Sustainability Reporting.



LINDT & SPRÜNGLI SUSTAINABILITY APPROACH

All products leaving our factories live up to our commitment to sustainable behavior along the value chain.

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

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

In our materiality analysis in 2013 we identified 28 most relevant issues along the Lindt & Sprüngli value chain – sourcing, production, and consumption. Lindt & Sprüngli considers these issues the material issues and continuously increases its efforts and activities with a focus on them. ➔ [Learn more](#)

LINDT & SPRÜNGLI SUSTAINABILITY STRATEGY

A major milestone in 2014 was the further development of the Lindt & Sprüngli Sustainability Strategy. The strategy is based on the material issues and includes commitments & strategic goals, main activities, indicators for progress measurement, and clear responsibilities for each issue. This COP provides an overview of our commitments, our measures in 2014 and our achievements with regards to our goals.

SUSTAINABLY SOURCED

Our material issues	Our commitments & strategic goals
Secured supply of raw materials	We develop and maintain long term contractual relationships with suppliers for all critical raw materials to secure long-term supply of high quality.
Farmer education & capacity building	Farmers delivering to us are capable of applying good agricultural, social, environmental and business practices in the management of their farm.
Agricultural development	Our supply of raw materials fosters agricultural development in origin countries.
Biodiversity & soil fertility	The cultivation of the raw materials we source does not harm long-term suitability of land for agricultural use.
Investments in rural infrastructure	We know about specific rural infrastructure needs in origins of our raw materials, and link/enable the target groups to get/develop access to rural infrastructure.
Diversity of cocoa varieties	We contribute to the diversity of cocoa varieties.
Core labor standards	Core labor standards are respected within our supply chain.
Climate change & greenhouse gas emissions in the supply chain	We reduce the carbon footprint in our supply chain.

SUSTAINABLY PRODUCED

Our material issues	Our commitments & strategic goals
Climate change & greenhouse gas emissions in production	We reduce our CO ₂ emissions by reducing energy use, increasing our share of renewable energy use and optimizing transportation and logistics.
Water & wastewater	We reduce fresh water use and wastewater within our operations.
Environmental impact of packaging material	We reduce packaging size and use where possible recyclable materials, while maintaining a balance between gift giving premium character of packaging & quality aspects of product protection.
Waste & recycling	We reduce waste and increase the recycling rate of waste within our operations.
Work culture	<p>We maintain an open work culture where respect, trust and fair play characterize our working relationships.</p> <p>We foster teamwork and facilitate communication and understanding across all disciplines, business segments and geographies to create a company of people who support each other for mutual success.</p> <p>We encourage, recognize and reward individual innovation, personal initiative and leadership of people throughout the organization.</p>
Employee satisfaction & retention	We offer an attractive working environment and maintain or increase employee engagement, satisfaction and employee retention.
Employee development & training	We ensure that all key positions are staffed with qualified and motivated employees and that talented employees are developed internally to fill these positions.
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 working on efficiency/productivity and offering the employees support to cope with the increasing work requirements. At the same time we give employees increasing empowerment to coordinate their private life and work in their preferred way whenever possible.
Occupational health & safety	We offer a healthy and safe working place. Our vision is zero lost time accidents.
Social security & compensation	Our compensation, remuneration, benefits or social security schemes meet or exceed law requirements.
Diversity & equal opportunity	<p>We offer equal opportunities and foster diversity in employment, development and advancement for those qualified.</p> <p>Discrimination in hiring and employment on the grounds of race, religion, age, nationality, color, gender, sexual orientation, physical ability, health condition, political opinion, creed or other basis prohibited by law is not practiced.</p>
Local economic development	We foster local economic development around our production, marketing and distribution sites.
Corruption & anti-competitive behavior	We are not participating in any corrupt or anti-competitive behavior.
Philanthropy	We want others to benefit from our successful business and make in-kind, financial and time contributions to good causes.

SUSTAINABLY CONSUMED

Our material issues	Our commitments & strategic goals
Product quality	We adhere to superior measures to ensure product quality.
Product Safety	We adhere to superior measures to ensure product safety.
Consumer & customer satisfaction	Customer and consumer satisfaction is the main goal of all our activities. Consumer complaints, inquiries and compliments are handled on time and individually.
Genetically-modified organisms (GMO)	There are no GMO in LINDT products.
Product information & labeling	We apply the highest standards to consumer information. We apply correct labeling on all our products.
Marketing & advertising practices	Children are not our main target group in marketing and advertising practices.

SUSTAINABLY SOURCED

Sustainability starts for Lindt & Sprüngli with the procurement of raw and packaging material. To guarantee the sustainable and long-term supply of essential resources, Lindt & Sprüngli is committed to establishing traceability of raw materials and building long-term partnerships with suppliers.

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

For our key raw materials, we have committed to develop and maintain long-term contractual relationships with our suppliers, to capacitate our farmers to apply good agricultural, social, environmental and business practices in the management of their farms, to foster agricultural development in origin countries, to refrain from harming the long-term suitability of land for agricultural use and to develop access to rural infrastructure.



COCOA

Goal 2020: By 2020, the Lindt & Sprüngli global cocoa supply chain will be traceable and externally verified.

To obtain high quality cocoa beans, Lindt & Sprüngli needs to know where the ingredients come from, who produces them and under which social and environmental conditions they are produced. Cocoa is often grown in countries with difficult living and working conditions. Small cultivation areas, low productivity, a lack of rural infrastructure, as well as high input and transportation costs challenge the cocoa farmers' incomes. To tackle these challenges, Lindt & Sprüngli, together with the company's supply chain partners, closely works with cocoa farmers to improve their farming practices and livelihoods. The cornerstone of the Lindt & Sprüngli sustainable sourcing strategy is the ➔ [Lindt & Sprüngli Farming Program](#). The program's aim is to trace ingredients back to their origin, to support farmers according to their specific needs and as a final result to advance farm productivity yield and increased farm family income. Furthermore, the program enables Lindt & Sprüngli to get a consistent volume of best quality cocoa beans for the chocolate production. The sustained provision of high quality cocoa supply is a top priority for Lindt & Sprüngli.



Farmer training on harvesting practices

In 2014 the expansion of the Lindt & Sprüngli Cocoa Farming Program strongly dominated the activities; deepening the program in Ghana and expanding it to Ecuador, the second largest cocoa origin for Lindt & Sprüngli. As a result, Lindt & Sprüngli was able to increase the share of traceable cocoa beans to 91 %. For the first time we achieved a share of 13 % externally verified cocoa beans from the farmers in the Lindt & Sprüngli Farming Program.

Cocoa traceability and verification all cocoa origins	2011	2012	2013	2014
% of cocoa beans sourced traceable*	70 %	75 %	82 %	91 %
% of cocoa beans sourced traceable* & verified	-	-	-	13 %

* For 2014 deliveries, Ghana was the only origin with a traceability system in place, which is structured around a stable base of farmers. Other origins relate to certificates of origin, where the farmers that contribute their cocoa beans can vary.

LINDT & SPRÜNGLI FARMING PROGRAM IN GHANA

Lindt & Sprüngli sources all of its consumer cocoa beans – the “normal” beans – from Ghana, which is why the Farming Program is most developed in Ghana. More than 45,000 farmers in the West African country receive substantial support aiming at improving their livelihoods. For every ton of cocoa beans procured from Ghana, we pay a price premium. Lindt & Sprüngli has so far invested more than USD 8 million in the traceability and verification of the cocoa supply chain, the support of farmers in improving their agricultural, environmental and social farming practices and the livelihood of farmers and their communities.

2014, major projects and achievements within the Lindt & Sprüngli Farming Program in Ghana were:

Traceability and farmer organization

We undertook several activities to make our traceability system more detailed, efficient and useful for other steps of the Farming Program. On top of the paper-based traceability reports, we started using a web platform that will allow us to trace individual shipments back to the communities in Ghana. The platform will further allow us to trace back the origin of every single cocoa bag bought. This system will help us to further improve the traceability aspect of our program.



Small cocoa warehouse in a community

Within the farming communities, we started mapping cocoa farms on GPS. The individual farmer registration and survey data as well as important infrastructure locations in the communities are made visible on our web platform. The data includes for example the number and age of trees, number of children in farmer family and the distance to the next school.

This data allows us to enrich the farming communities' needs assessments, to better target our improvement activities and to make the verification process more risk-based. We can also track the progress farmers are making every year towards sustainable agriculture. This delivers additional important insights for our verification system.

In 2014, we organized more than 20,000 farmers in groups of 25-50 farmers per community. This facilitates working with them and fosters their ownership in the further development of the program. Around 30 % of the farmers registered in the Farming Program in Ghana are women.

Training and capacity building

We worked on improving the training material used for the farmer field schools, by focusing it on our program. Selected farmers from each farmer group were trained additionally in the proper application of plant protection products, and received the required equipment. It is our aim that so-called "spraying gangs" take care of all farms in their respective group, which ensures that plant protection products – if necessary – are applied properly and safely. We have so far trained more than 20,000 farmers in good agricultural, social, environmental and business practices. To optimize production and minimize wastage we, for example, train cocoa farmers to:

- improve cocoa quality, so that less cocoa is rejected or wasted
- improve their yield, so that land size doesn't need to be increased with increasing cocoa demand.
- to apply Integrated Crop and Pest Management, where chemicals are only used as little as possible but as much as necessary

By 2016, more than 45,000 cocoa farmers in the 39 Ghanaian districts we source from will be trained within the Lindt & Sprüngli Farming Program.

Farmer investments and community development

In 2014, we improved the process of setting up cocoa seedling nurseries and demonstration plots for new and more productive cocoa trees with the aim to make them more accessible to all farmers of the Farming Program. The plots demonstrate the impact on productivity on an existing farming plot and help to convince farmers to adopt best farming practices. Further, a study was conducted with the aim of improving the product and service delivery model of the farm shops. We are now evaluating the different options to start a pilot project in Ghana.

Through the GPS infrastructure mapping in the communities, we detected further gaps in access to clean drinking water. We will therefore construct additional boreholes in all communities over the coming years.

Lindt & Sprüngli Farming Program in Ghana	2008 until 2014
Number of farmers trained in good agricultural, social and environmental practices	22'659
Number of cocoa seedling nurseries set up	4
Number of demonstration plots set up	27
Number of Village Resource Centers built and equipped	30
Number of boreholes and hand-dug wells constructed	117
Number of farm shops set up	2

Verification and continuous progress

In 2014, Lindt & Sprüngli developed a [↗ Verification Guidance Document](#) for the progress measurement of the farmers, and increased credibility and accountability of the Lindt & Sprüngli Farming Programs. The purpose of verifying the Lindt & Sprüngli Farming Program is to assure that the Program delivers the desired results, that improved practices have an impact on sustainable agricultural development, with a focus on livelihood improvements of the farmers and their families, and to deliver insights about improvement potential, efficiency and effectiveness of the Program. The new verification system was piloted in Ghana in 2014, and will now further be refined and geared towards impact assessments with the support of [↗ COSA Committee on Sustainability Assessments](#).

In 2015, Lindt & Sprüngli will further work on all elements of the Farming Program, with the aim of constantly improving the services and support offered to farmers, while involving them to a level that they can step by step take ownership so that our support can diminish over time.

LINDT & SPRÜNGLI FARMING PROGRAM IN ECUADOR

In 2014, we started expanding the Lindt & Sprüngli Farming Program to Ecuador, from where we source the largest proportion of our flavor cocoa beans. The aim is to develop a traceable cocoa supply chain with a stable farmer base in low cadmium regions. The pilot project started in October 2014 with the registration and grouping of 1,100 farmers, which are provided with a comprehensive support package:

- Farmer field schools to provide all year round interactive trainings for the farmers
- Training in pre and post harvesting techniques, farmer business practices and environmental management
- Cocoa nurseries for high yielding fine flavor seedling distribution
- Pre-financing for plant protection products
- Solar/gas dryers and fermentation boxes to ensure high quality
- A quality based farmer and farmer group premium
- A social project to develop local community infrastructure

In 2015, Lindt & Sprüngli will evaluate the opportunity to expand the program in Ecuador, and the opportunity to start similar pilot programs in other origins of our fine flavor cocoa beans.

COCOA BUTTER AND COCOA POWDER

Besides cocoa beans, Lindt & Sprüngli also sources cocoa butter and cocoa powder processed by third parties. Cocoa butter and cocoa powder producers do, however, not keep beans used for conversion into cocoa butter and cocoa powder separate, but rather mix the beans from different sources to reach specific quality requirements. Establishing traceability and tracing the beans back to their origin is therefore more difficult than for cocoa bean bags. During 2014, we evaluated – together with suppliers – several options to establish a traceable and verifiable supply chain for cocoa butter, and the opportunities to start a pilot project.



Solar dryers ensure high quality of Ecuadorian fine flavor cocoa beans

DIVERSITY OF FLAVOR COCOA VARIETIES

Our commitment: We contribute to the diversity of cocoa varieties.

Because of their unique taste, Lindt & Sprüngli uses an exceptionally high percentage of fine flavor cocoa bean varieties compared to their proportion in the global harvest.

The company has a major interest in a rich variety of cocoa beans and high availability of such cocoa. Lindt & Sprüngli therefore supports efforts to preserve the diversity of cocoa varieties, and increase the availability of flavor beans. Such projects also ensure higher yields for cocoa farmers planting flavor bean cocoa trees.

During 2014, we continued the work with the U.S. Department of Agriculture – Agricultural Research Service's Sustainable Perennial Crops Laboratory (SPCL) – in a research project. The results of the genetics research on fine-flavor cocoa varieties found in Ecuador started to be applied on different cocoa bean samples of Lindt & Sprüngli. This research may help ensure long-term supply of cocoa beans and chocolate products that contain prized flavor attributes, by verifying the quality of the traditional Cacao Nacional reaching the market place.



Farmer grafting a high yielding flavor cocoa plant



Hazelnut farmer training

HAZELNUTS

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

Turkey produces up to 80% of the global hazelnut harvest. To prevent issues such as child labor on hazelnut farms and poor working conditions of migrant workers, Lindt & Sprüngli sources at least half of its hazelnuts from Italy, and helps Turkish hazelnut farmers improve their farming practices.

In 2014, Lindt & Sprüngli selected key hazelnut suppliers to implement a pilot project during the hazelnut harvest in August and September. The pilot project is based on the Farming Program framework and contains the following steps:

- Organize the farmers into groups to implement a system to trace hazelnuts back to their origin.
- Train farmers to learn more about good agricultural, environmental, and social practices.
- Support farmers with specific measures for improvement – for example, the distribution of new harvesting machines to increase productivity.

These measures set the baseline for continuous progress. During the harvesting season, farm visits verified that the knowledge gained in trainings was implemented and minimum standards were met, with a focus on social standards such as preventing child labor. In 2014, 14% of Turkish hazelnut kernels were sourced from the pilot projects.

In addition, the ➔ [Lindt Cocoa Foundation](#) supported a major project to engage and entertain children of migrant family workers and to prevent child labor. In summer schools, children were taught mathematics, Turkish, English, arts and sports. Besides that, awareness about labor issues was raised among labor contractors, local government authorities and the local population.

In 2015, Lindt & Sprüngli will further work with Turkish hazelnut suppliers to extend and refine the projects.

PALM OIL

Goal 2015: By end 2015, Lindt & Sprüngli purchases 100 % certified sustainable palm oil according to the RSPO segregation model.

To satisfy the growing demand for palm oil over the last few years, development of new plantations has sometimes resulted in the destruction of large areas of valuable rainforests, threatening the rich biodiversity of these ecosystems. By using only minimal amounts of palm oil in certain fillings of our chocolate products, and actively engaging in the sustainable production of palm oil, Lindt & Sprüngli reduces negative impacts and contributes to fostering sustainable palm oil plantations.

As a member of the Roundtable on Sustainable Palm Oil (RSPO), we purchase since 2011 exclusively crude palm oil as well as palm kernel oil according to the RSPO book & claim trading system. By changing to the RSPO segregation model, we ensure the traceability of palm oil and that 100 % of the physical product we use originates from RSPO certified plantations.

The change from book & claim to segregation is being implemented gradually. Our production companies in Switzerland, Italy, Austria and Germany are already certified according to the RSPO segregated model. In 2015, Lindt & Sprüngli will further work on changing to the RSPO segregation model in order to reach our goal by end 2015.

SUSTAINABLE COCONUT OIL AT LINDT & SPRÜNGLI SWITZERLAND

Coconut oil is another vegetable fat used in certain fillings of our chocolate products. Starting in 2015, Lindt & Sprüngli Switzerland will source coconut oil exclusively from one supplier who established a sustainability program for coconut oil from the Solomon Islands, a country consisting of a large number of islands in Oceania.

Regular on-site sustainability assessments track progress and identify potential for improvement, as for example the efficiency of the collection systems or price transparency. The program is expected to improve the living conditions of the smallholder farmers by increasing their productivity and income.

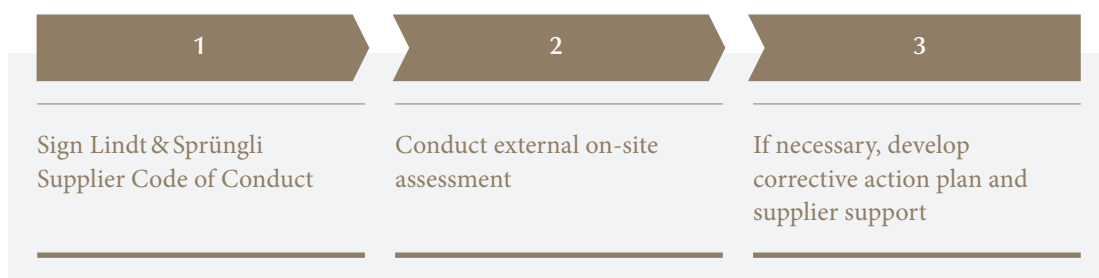
PACKAGING MATERIAL

Our commitment: 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, its essential function is to protect the valuable chocolate within. In order to avoid costly and environmentally questionable transport and to guarantee fast and flexible delivery, Lindt & Sprüngli sources its packaging material – if feasible – from suppliers located near to the production sites.

Some decoration items – such as bells and tin boxes – for seasonal and promotional gift items are sourced from manufacturers in China. To avoid non-conformities with the [Lindt & Sprüngli Supplier Code of Conduct](#), such as forced or child labor, and to capacitate Chinese manufacturers for better working conditions, the Lindt & Sprüngli Supplier Development Program fosters a progress-oriented approach and supports Chinese suppliers in developing their production practices.

THREE STEPS IN THE LINDT & SPRÜNGLI SUPPLIER DEVELOPMENT PROGRAM



In 2014, Lindt & Sprüngli worked on three tiers to make packaging sourcing of decoration items more efficient and to improve the sustainability performance of Chinese packaging suppliers:

- Analysis of supplier structure and potential consolidation of supply chain
- Integration of sustainability criteria into supplier selection process
- Realization of 20 external on-site assessments to support the supplier selection and set a baseline for development of strategic suppliers.

With these measures, Lindt & Sprüngli strengthened the integration of sustainability criteria in the packaging procurement process for decoration items, while aiming at efficiency gains from supplier consolidation. These measures allow Lindt & Sprüngli to focus supplier development activities on fewer key suppliers, to provide incentives for suppliers that show progress in the improvement of working conditions and thus to more effectively develop the sustainability performance of strategic suppliers.

Supplier Development Program China	2012	2013	2014
Number of external on-site assessments (initial & follow-up)	12	2	20
Number of suppliers supported in implementing corrective actions (off/on-site)	0	6	0

In the process of changing the packaging sourcing process as outlined above, Lindt & Sprüngli focused the company's development measures on on-site assessments in order to gather sustainability performance information for the supplier selection process and to set a baseline for the development of strategic suppliers.

The assessment results showed that none of the assessed factories employ child labor and forced labor and that most factories have implemented basic management systems with corresponding responsibilities, policies and procedures to ensure decent working conditions. Many of the assessed factories demonstrate, however, difficulties to fully remedy all health and safety issues. Also the reduction of working hours and legal remuneration of over-time remain challenging for Chinese factories.

In 2015, Lindt & Sprüngli will build on the changes implemented in 2014 and concentrate on integrating more key suppliers in the Development Program, providing support to improve the identified shortcomings and verifying progress with semi-announced follow-up assessments.

SUSTAINABLY PRODUCED

Once the raw materials arrive at our factories, our employees produce the best premium chocolate products. Responsible behavior towards our employees, the environment and the communities we live and work in is part of our corporate culture.

The Lindt & Sprüngli premium products require high-quality materials, dedicated employees and respect for the environment. Lindt & Sprüngli is working continuously on reducing the use of valuable energy, water and paper. Special attention is paid to the constant reduction of greenhouse gas emissions through programs at production sites and by optimizing transport routes of ingredients and end products. To ensure that the company's employees are guaranteed a safe working environment and are satisfied in their jobs, programs for health and safety, as well as regular employee surveys, build the basis for continuous improvement. Lindt & Sprüngli is committed to responsible business conduct such as anti-corruption measures and local philanthropic engagement. Our [Group Policies](#) define our global requirements, while the different subsidiaries are responsible for the implementation of environmental measures or employee activities.

ENERGY CONSUMPTION AND EMISSIONS

Our commitment: We reduce our CO₂ emissions by reducing energy use, increasing our share of renewable energy use and optimizing transportation and logistics.

Chocolate production requires energy – for electricity, heating and cooling, and transport – and emits greenhouse gases. Through programs at production sites and by optimizing transport routes, Lindt & Sprüngli continues to be committed to reduce energy consumption and greenhouse gas emissions per ton produced by an average of 2 % over the coming years. Both production sites in Italy, as well as the production site in France are certified according to ISO 14001 (environmental management), while Lindt & Sprüngli Germany is certified according to ISO 51001 (energy efficiency). Major projects and achievements in 2014 were:

- *Facility investments:* We further optimized the production of heat, cold and compressed air in our production companies. These measures were responsible for the major share of energy savings in 2014. In addition to that, we continued to extend the LED lighting together with light sensors where possible.
- *Transport & logistics:* In the area of transport and logistics, our strategy is to always evaluate the potential use of intermodal transportation. In 2014,



Solar panels on the roof of the Lindt & Sprüngli Italy production plant

we executed intermodal transportation routes on particular trade lanes using truck/rail combinations. In addition, we also sought for special equipment such as mega trailers and jumbo trailers. To measure our progress, we track our CO₂ emissions resulting from transports and logistics on a yearly basis.

- *CDP*: Since 2007, Lindt & Sprüngli participates in the [CDP](#) (former Carbon Disclosure Project). As such, the Group discloses information on greenhouse gas emissions, energy use and the risks and opportunities resulting from climate change to institutional investors.

Since 2008, the Lindt & Sprüngli production companies cut down energy consumption per ton produced by 14 %. In 2015, Lindt & Sprüngli will continue to analyze and explore potential activities to reduce energy consumption, with a focus on insulation, utilities efficiency and lighting. As part of our logistics strategy, we will start in 2015 to extend the intermodal transportation solution for our liquid transportation (such as cocoa mass and cocoa liquor).

Reduction of environmental impact	2008 until 2014
Energy use per ton of chocolate produced	– 14 %
CO ₂ per ton of chocolate produced	– 16 %
Water consumption per ton of chocolate produced	– 39 %

Note: Figures cover only Lindt & Sprüngli production companies.

WATER CONSUMPTION

Our commitment: We reduce fresh water use and wastewater within our operations.

Water is an important resource for Lindt & Sprüngli. We use it for the washing of molds, hygienic requirements such as hand washing, and for sanitary facilities. Lindt & Sprüngli has committed to reduce the water consumption per ton produced by an average of 2 % over the coming years. In recent years, Lindt & Sprüngli production companies reduced their water consumption significantly. Major projects and achievements in 2014 were:

- the elimination of open systems and installation of closed loop systems
- new and more efficient equipment washing machines
- optimization of cold and hot water circuits

Since 2008, the Lindt & Sprüngli production companies cut down water consumption by 39 % per ton produced. In 2015, Lindt & Sprüngli will continue to analyze and explore potential activities to reduce water consumption.

REDUCING DISPLAY MATERIAL AT LINDT & SPRÜNGLI ITALY

To reduce the environmental impact linked to packaging, Lindt & Sprüngli aims at minimizing packaging material where possible. In 2014, CONAI – the Italian National Packaging Consortium – awarded Lindt & Sprüngli Italy with a prize for sustainable packaging. Lindt & Sprüngli Italy had started a project in 2012 to optimize display material to



reduce packaging material weight, improve eco friendliness and facilitate recycling. This was achieved by reconceptualizing display materials for Easter chocolate, pralines and tablets. As a result, Lindt & Sprüngli Italy reduced display material weight in 2014 by 17 % for Easter and Tablets and by 22 % in components number compared to 2012.

EMPLOYEE SATISFACTION

Our commitment: We offer an attractive working environment and maintain or increase our already high employee engagement, satisfaction and retention.

Employee satisfaction is crucial to the Lindt & Sprüngli long-term success. Lindt & Sprüngli secures its future viability by attracting and retaining the best employees. Retaining our employees helps us to reduce costs from employee turnover. Regular employee surveys build the basis for continuous improvement. Key issues to ensure the attractive Lindt & Sprüngli working environment are equal opportunities, fair remuneration as well as good labor-management relations. Various subsidiaries worked on those issues during 2014. In 2016, Lindt & Sprüngli will conduct the next employee survey and further work on respective measures and action plans.

SALARY ANALYSIS FEMALE/MALE WORKFORCE AT LINDT & SPRÜNGLI SWITZERLAND

Beginning of 2014, Lindt & Sprüngli Switzerland worked together with a specialized compensation & benefits consulting company to analyze the salary difference between male and female employees. The focus was on functions where we have male and female employees and therefore a good basis to compare.

Based on a regression analysis, Lindt & Sprüngli Switzerland had a difference between male and female salaries of roughly 3 %. Based on these results, supervisors and Human Resources staff were asked to pay special attention to adjustments during salary rounds. Targeted individual adjustments outside the salary round have been made to help further decrease the gap.

EMPLOYEE DEVELOPMENT

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

In a rapidly changing world, Lindt & Sprüngli needs the employees with the best qualifications to ensure our competitiveness. In order to attract and retain high performing employees, Lindt & Sprüngli puts emphasis on managing talent and developing employees. Major projects and achievements in 2014 were:

- *Managing talents:* We further developed and enhanced our Talent Management tool (e.g. annual talent management dialogues, yearly performance assessments & goal setting, succession planning process).
- *Developing employees:* We further focused on individual development plans (e.g. international traineeships, employee training, support of continued education and training, life-long learning for continued employability, increase in employee productivity, promoting individual skills, dual vocational system, leadership trainings and international exchanges, coaching and mentoring programs).



Employees during an internal workshop on customer relationship management

- *Launching the International Lindt Academy:* We continued on developing the senior management program (e.g. pilot project in cooperation with the International Institute for Management Development (IMD), International Lindt Academy).

In 2015, Lindt & Sprüngli will further invest in the International Lindt Academy as well as local educational programs.

WORK-LIFE-BALANCE

Our commitment: We maintain a healthy work-life-balance and offer our employees support to cope with the increasing work requirements.

The boundary between work and leisure blurs increasingly. To support our employees in finding the right work-life-balance we offer a wide range of alternative work forms. Major projects and achievements in some subsidiaries in 2014 were e.g. flexible working time, part-time-work (also in governance structures and management) or part time retirement.

In 2015, Lindt & Sprüngli will further evaluate more topics and projects.



Several employees are trained on first aid and recognizable, for example, through their red hoods

HEALTH & SAFETY

Our commitment: We offer a healthy and safe working place. Our vision is zero lost time accidents.

The improvement of safety at the workplace is a top priority for Lindt & Sprüngli. A healthy and safe work environment is a major driver of employee satisfaction and motivation. By reducing workplace hazards we reduce absenteeism associated with lost time and resulting costs. In regular intervals, we conduct employee safety trainings to raise awareness and to strengthen the corporate culture. Caffarel is certified according to OHSAS 18001. Major projects and achievements in 2014 were:

- Lindt & Sprüngli producing companies launched a worldwide program called the Lindt Production Way. An important part of the program is dedicated to health and safety. Through structured road maps and the application of organizational and practical tools the company aims to improve its performance in all the manufacturing areas.
- A corporate “near miss program” was introduced in our eight production companies. This program will help us to spread the safety culture, involving all the employees in taking decision and actions to reduce any potential risk.

Since 2008, Lindt & Sprüngli production companies reduced the number of lost time accidents rate (no) per 100,000 working hours by 83 %. In 2015, Lindt & Sprüngli will focus its efforts on risk assessment and risk mitigation and will continue to work on working conditions and working behavior to further strengthen the corporate safety culture.

EMPLOYEE HEALTH PRICE FOR LINDT & SPRÜNGLI GERMANY

In 2014, Lindt & Sprüngli Germany was honored with the AOK / BGF Health Prize. During several years, the workforce was involved in activities such as measuring body values, food and stress consulting, back fitness

measures tailor-made to the workplace or join-in activities. As a result of these measures, a sickness absence rate was reached which is well below the average of the confectionery industry.



HR director Dietmar Klose was responsible for the implementation of the health project at Lindt & Sprüngli Germany: "This award is highly valued. The award is recognition and affirmation at the same time. Our employees are the most

valuable potential and our success depends on motivated and capable employees. Obtaining such an award fulfills the management with pride".

CORRUPTION AND ANTI-COMPETITIVE BEHAVIOR

Our commitment: We are not participating in any corrupt or anti-competitive behavior.

To ensure fair growth and lawful competition, our anti-corruption measures and correct transfer pricing avoid favoritism and conflicts of interest. Lindt & Sprüngli takes the necessary steps to ensure compliance with all applicable laws, regulations and internal policies. Continually monitoring corruption risks helps to protect our brand and reputation and as a result, to provide enhanced value to customers, shareholders and other stakeholders. Major projects and achievements in 2014 were:

- Anti-competitive behavior: The new Lindt & Sprüngli competition law policy was enacted in December 2014 and will be implemented in 2015. As a result, we will further enhance the awareness of our employees to this topic and ensure continuous compliance with our zero tolerance policy towards anti-competitive behavior. In 2015, our corporate legal officers and local CFOs will educate and train all relevant employees on a global level according to the new Lindt & Sprüngli competition law policy. Their actual participation in the trainings will be monitored.

- Anti-corruption: Due to our recent expansion to countries with higher corruption risks, we evaluated the option of extending and improving our internal anti-corruption and bribery guidelines and the implementation of these new guidelines by employee training programs. In 2015, we will review and renew our anti-corruption and bribery risk assessment and based thereon amend our Business Code of Conduct. The section regarding corruption and bribery shall be further strengthened to reinforce our commitment against any form of corruption or bribery. We will further prepare the training material for the implementation of the amended Business Code of Conduct.

PHILANTHROPY

Our commitment: We want others to benefit from our successful business and make in-kind, financial and time contributions to good causes.

Lindt & Sprüngli understands the company as a corporate citizen and aims at overcoming today's challenges in society. Our financial and in-kind donations for local communities contribute to local development around our Group companies. Major projects and achievements in 2014 were:

- Donations to local and international organizations and associations
- The Lindt Chocolate Competence Foundation partnered with the Swiss Museum of Transport to open the Swiss Chocolate Adventure exposition
- The Lindt Cocoa Foundation supported projects in Ghana, Ecuador and Turkey, as well as a research project, to improve the sustainability in the cultivation of raw materials used in chocolate

In 2015, Lindt & Sprüngli Group companies will continue to evaluate donation and funding opportunities.

SUSTAINABLY CONSUMED

Lindt & Sprüngli is a recognized leader in the market for premium quality chocolate. Strict quality controls ensure that our products meet the highest standards – from raw materials to finished products.

Lindt & Sprüngli has a responsibility towards our customers. Strict quality controls ensure that our products meet the highest standards – from the raw materials to the finished product. Only once the company is convinced that a finished product lives up to the high quality standards, it leaves the factory in impeccable condition. Lindt & Sprüngli will continue its efforts in research & development, packaging and logistics – in cooperation with its trade partners – to safeguard this treasured quality all the way to the homes of the customers. The company further applies highest standards to food safety, correct labeling, and customer information. All measures in place are continuously reviewed and improved and allow the customer to trustfully consume the products.



A cocoa bean delivery is tested in the in-house laboratory

PRODUCT QUALITY AND SAFETY

Our commitment: We adhere to superior measures to ensure product quality and safety.

As producer of some of the world's finest chocolates, we will never compromise on quality or product safety. To guarantee that the products live up to the "Lindt & Sprüngli Promise", the company has very stringent internal and external quality control mechanisms in place. There is an entire quality management network engaged in assuring the excellence of Lindt & Sprüngli products – from raw materials to release of the products to the customer. The commitment of our employees to produce products of highest quality strongly contributes to the low level of quality issues.

The annually performed unannounced AIB Food Safety Audits have been completed in 2014 with high rates, indicating that all the food safety issues at the individual production sites are on a high level and regularly surveyed and controlled. Food safety management systems according to ISO 22000 or FSSC 22000 have been successfully implemented at Lindt & Sprüngli Switzerland, Germany, Italy, France, Austria, Ghirardelli and Caffarel. Quality management systems according to ISO 9000 have been successfully implemented at Lindt & Sprüngli Switzerland, Germany, USA, Italy, France, Austria and Caffarel.

In 2015, Lindt & Sprüngli will continue to extend and strengthen the quality related efforts in all their activities.

CUSTOMER SATISFACTION

Our commitment: Customer and consumer satisfaction is the main goal of all our activities. Consumer complaints, inquiries and compliments are handled on time and individually.

Customer satisfaction is key to our business success, today and tomorrow. To ensure this, we continuously analyze the consumers' needs and expectations and implement corresponding findings in our premium products. Through market research, we gather customer insights. We monitor and track globally the emergence of new consumer trends and possible issues in relation to our products. To grant our future success, we look at consumers' future needs and start developing new products for their needs of tomorrow.

Major projects and achievements in 2014 were:

- Advanced training of the local consumer service specialists
- Compiling of a group wide consumer service reporting

In 2014, our consumer service specialists recorded and handled more than 84,000 consumer contacts within the group wide CRM system. In 2015, Lindt & Sprüngli will take another step towards a highly professional and efficient consumer service by further developing the group wide procedure, the consumer service system as well as continuously training the relevant employees.



Consumer in a LINDT shop looking at the ingredients

CONSUMER INFORMATION

Our commitment: We apply the highest standards to consumer information.

We strictly follow the policy not to make any advertising claims around positive health effects of our chocolate – being conscious that chocolate should be eaten and enjoyed for indulgence and in a sensible way. However, smallest amounts of specific food proteins can trigger food allergies. Transparent consumer communication and product declaration are therefore vital. Lindt & Sprüngli notifies its consumers by printing a warning on the product that, depending on the type of chocolate, the product may contain traces of nuts or milk.

In 2014 we took specific measures in relation to high-risk allergens as for instance peanut butter. In 2015 and 2016, Lindt & Sprüngli will improve consumer information for all LINDOR balls containing hazelnuts and almonds, sold in bulk or secondary packaging.

ABOUT THIS REPORT

This is the Lindt & Sprüngli fifth UN Global Compact Communication on Progress. It takes into account the UN Global Compact's ten principles as well as the six UN Global Compact Food and Agriculture Business Principles.

The Communication on Progress is being published to provide stakeholders with information about Lindt & Sprüngli goals, measures and progress. It relates to the period from 1 January – 31 December 2014; the effective date for all facts and figures is 31 December 2014. All facts and figures cover the Lindt & Sprüngli brands LINDT, Ghirardelli, Hofbauer, Caffarel and Küfferle and do not yet include the recent acquisition of Russell Stover. Where not otherwise stated, the facts and figures cover all production, distribution, marketing sites as well as regional Lindt & Sprüngli offices.

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

Publication: March 2015

UN Global Compact Principles	Report References
<i>Principle 1:</i> Support And Respect The Protection Of Internationally Proclaimed Human Rights <i>Principle 2:</i> Make Sure There Is No Complicity In Human Rights Abuses	<i>Report References:</i> p 11–20, 25–26 <i>Relevant Company Guidelines</i> <ul style="list-style-type: none">– Credo– LINDT Promise– Business Code of Conduct– Health & Safety Policy– Supplier Code of Conduct
<i>Principle 3:</i> Uphold The Freedom Of Association And Recognition Of The Right To Collective Bargaining <i>Principle 4:</i> Elimination Of All Forms Of Forced And Compulsory Labor <i>Principle 5:</i> Effective Abolition Of Child Labor <i>Principle 6:</i> Elimination Of Discrimination In Respect To Employment And Occupation	<i>Report References:</i> p 11–20 <i>Relevant Company Guidelines</i> <ul style="list-style-type: none">– Credo– LINDT Promise– Business Code of Conduct– Health & Safety Policy– Supplier Code of Conduct
<i>Principle 7:</i> Support Precautionary Approach To Environmental Challenges <i>Principle 8:</i> Undertake Initiatives To Promote Greater Environmental Responsibility <i>Principle 9:</i> Development And Diffusion Of Environmentally Friendly Technologies	<i>Report References:</i> p 21–23 <i>Relevant Company Guidelines</i> <ul style="list-style-type: none">– Credo– LINDT Promise– Environmental Policy– Supplier Code of Conduct
<i>Principle 10:</i> Work Against Corruption In All Its Forms, Including Extortion And Bribery	<i>Report References:</i> p 26–27 <i>Relevant Company Guidelines</i> <ul style="list-style-type: none">– Business Code of Conduct– Supplier Code of Conduct
Global Compact Food and Agriculture Business Principles Aim for food security, health and nutrition Be environmentally responsible Ensure economic viability and share value Respect human rights, create decent work and help communities to thrive Encourage good governance and accountability Promote access and transfer of knowledge, skills and technology	<i>Report References:</i> p 13 p 13, 18, 21–23 p 11–16, 18 p 11–20, 25–26 p 13 p 13–14



LINDT & SPRÜNGLI

CHOCOLADEFABRIKEN
LINDT & SPRÜNGLI AG
SEESTRASSE 204, CH-8802 KILCHBERG
SWITZERLAND

www.lindt-spruengli.com