



LINDT & SPRÜNGLI

Sustainability Report

2018

Lindt & Sprüngli portrait

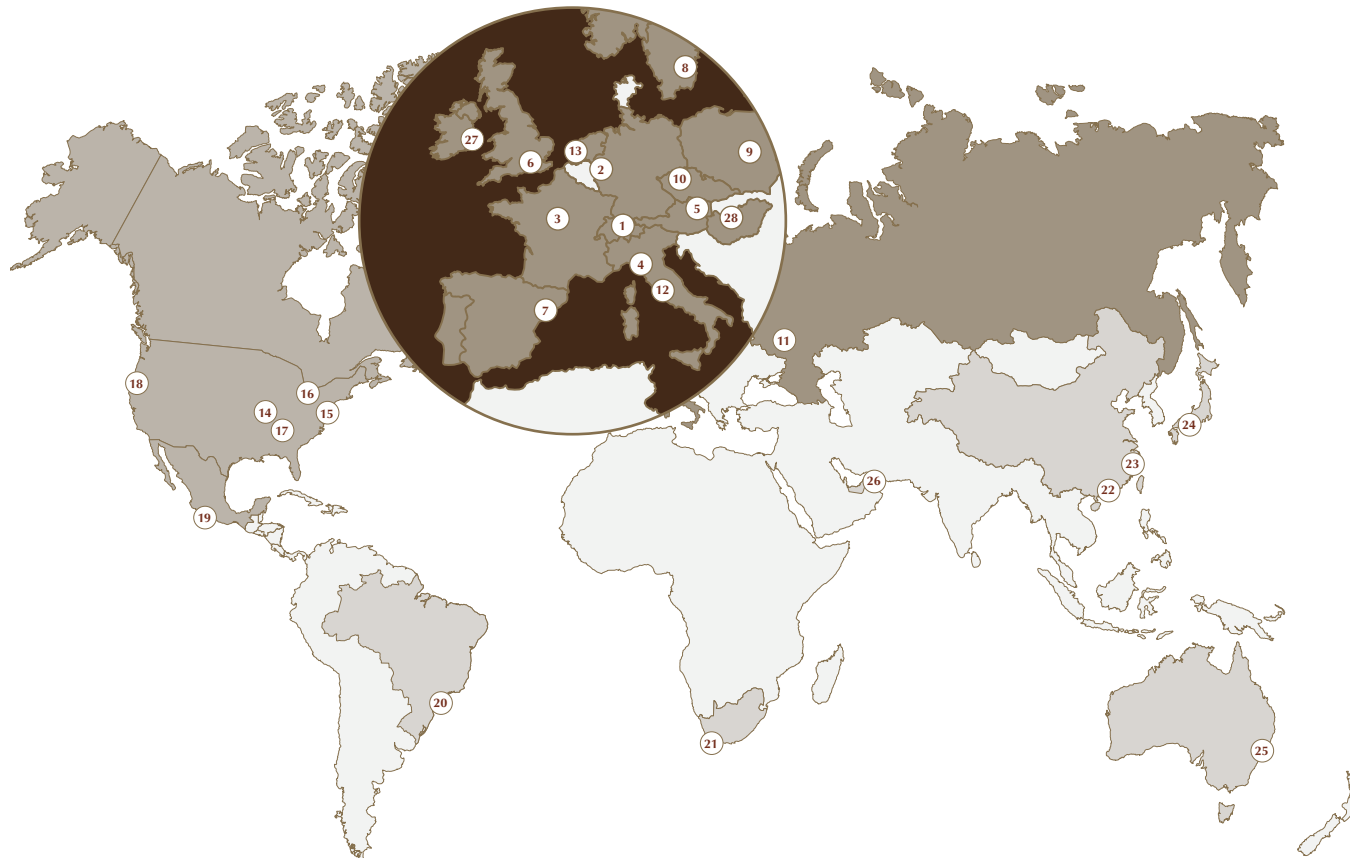
As a global leader in the premium chocolate segment, Lindt & Sprüngli can look back on a rich tradition spanning almost 175 years and originating in Zurich.

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 Rotterdam, NL
- 14 Kansas City, USA
- 15 Stratham, USA
- 16 Toronto, CA
- 17 Kansas City, USA
- 18 San Leandro, USA
- 19 Mexico City, MX
- 20 São Paulo, BR
- 21 Cape Town, ZA
- 22 Hong Kong, CN
- 23 Shanghai, CN
- 24 Tokyo, JP
- 25 Sydney, AU

Regional offices

- 26 Dubai, UAE
- 27 Dublin, IRL
- 28 Budapest, HU



Lindt & Sprüngli produces quality chocolates at its 12 factories in Europe and the USA. Its products are sold by 28 subsidiaries and branch offices in more than 460 of its own stores as well as via a network of more than 100 independent distributors around the globe. With more than 14,500 employees, the Lindt & Sprüngli Group reported sales worth CHF 4.313 billion in 2018.

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Foreword by our CEO and CFO



Dr Dieter Weisskopf, CEO Lindt & Sprüngli Group



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

Dear readers,

Sustainability is a top priority for Lindt & Sprüngli, and we work actively to foster sustainable development. Our long-term success depends on an intact and well-functioning environment. With almost 175 years of history behind us, we know what it means to think in terms of generations.

This is why we devote ourselves continuously to sustainable development and always keep the entire value chain in mind during all of our activities – from sourcing high-quality raw materials and our cutting-edge production lines to delivering premium chocolate products for our consumers to enjoy. Our sustainability activities reflect 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 thus far in our annual Sustainability Report.

This year, we would like to draw special attention to our flagship project, the Lindt & Sprüngli Farming Program. Another milestone has been reached with the launch of the Program in the Dominican Republic and Papua New Guinea: we have now established the Lindt & Sprüngli Farming Program in all countries of origin from which we source our cocoa beans. We are very confident that our next major goal – making our cocoa bean supply chain fully traceable and verifiable – will be met as planned by 2020. The following Sustainability Report will provide you with further details about our Sustainability Management and describe everything that we implemented and achieved in 2018.

We are also aware that despite these successes we still have a long way to go, and we cannot afford to rest on our laurels. We have been working intensively on the further development of our sustainability strategy to set our sights on the next goals. We are very pleased that we can already give you a preview of it at the end of this report.

The successes we have achieved so far have only been possible together, so we would like to thank all of our employees and partners for their daily contributions and the continuous progress we are making. We will continue to build on this successful collaboration as we implement our new sustainability strategy.

A handwritten signature in blue ink, appearing to read 'D. Weisskopf', written over a light blue horizontal line.

Dr Dieter Weisskopf
CEO Lindt & Sprüngli Group

A handwritten signature in blue ink, appearing to read 'M. Hug', written over a light blue horizontal line.

Martin Hug
CFO Lindt & Sprüngli Group

2018 Milestones

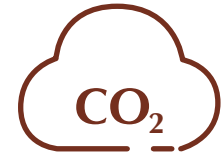


92%



of our whole unprocessed hazelnuts were sourced from Italy, Oregon (US), or a program for sustainable hazelnuts in Turkey.

-36%



CO₂ emissions per metric ton produced since 2008 (excluding Russell Stover).

72,528

cocoa farmers from all the countries where we source cocoa beans are participating in the Lindt & Sprüngli Farming Program.



112,300

contacts with consumers were recorded and analyzed.



-19%

energy consumption per metric ton produced since 2008 (excluding Russell Stover).



-90.6%

work-related accidents with time off per 100,000 working hours since 2008.

86%



of the cocoa beans we source come from the Lindt & Sprüngli Farming Program and are traceable and externally verified.



442

local field staff financed by the Lindt & Sprüngli Farming Program are involved in ensuring a traceable and verified cocoa bean supply chain.

Sustainability approach

All products leaving our factories will ultimately live up to our commitment to sustainability along the entire value chain.

With the Lindt & Sprüngli Promise, we ensure that all products leaving our factories will ultimately live up to our commitment to sustainability along the entire value chain.

Lindt & Sprüngli is committed to managing the impact of its operations on sustainability throughout the entire value chain. We aspire to achieve steady progress by working to gradually improve our performance. With this in mind, we are constantly striving to improve our contribution to a sustainable future, and we concentrate on the most significant aspects along our value chain. We monitor our progress on an ongoing basis using a series of key performance indicators. A total of 28 particularly relevant issues within the Lindt & Sprüngli value chain in the areas of sourcing, production and consumption have been identified by means of a materiality analysis. These key issues are a priority for Lindt & Sprüngli in its day-to-day efforts and activities.

Sourced

Lindt & Sprüngli is committed to long-term partnerships with the most important material and service suppliers. We are convinced that this is the only way to guarantee a sustainable supply.

The traceability of the raw materials we use along the value chain is of particular importance. It's the key to sustainable purchasing and an important step towards improving working and environmental conditions at suppliers.

Produced

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

Consumed

Lindt & Sprüngli has a responsibility toward its 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 deserve to be matched by equally high standards of ethics and sustainability. This is why we promise that all products leaving our factories will live up to our commitment to sustainability along the entire value chain.

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

Taking into account our stakeholders' concerns and interests

We want our sustainability approach to be relevant and credible. Lindt & Sprüngli is committed to providing its 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 commitment
Consumers	Consumer satisfaction is given top priority at Lindt & Sprüngli. Consumer service specialists at the Lindt & Sprüngli Group handle each inquiry, compliment, and complaint that is received with the necessary care. Consumers also have the opportunity to get in touch with our employees directly at 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 respond to 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 skills 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 with financial analysts, 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 dialogue with a view to showcasing the sustainability work done by Lindt & Sprüngli, 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 transport, logistics and the development, supply, and maintenance of machinery, not to mention providers of a whole host of support services – these are all crucial for our business. Lindt & Sprüngli procurement staff in particular, as well as other employees, are in regular touch with our supply chain partners so that both parties can optimize further improvements.

Stakeholder	Lindt & Sprüngli commitment
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	Buyers of 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 to handle inquiries and concerns in a professional manner. Lindt & Sprüngli brands are also represented at trade fairs and other events so that 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 on-site visits, and answer questions from the media.

Sustainability strategy

Our sustainability strategy is based on material issues and includes commitments and strategic goals, main activities, indicators for measuring progress, and clear responsibilities for each focus area. This Sustainability Report provides an overview of our measures and achievements in 2018 with regard to our goals and commitments.

Sustainably sourced

Key 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 the long-term supply of high-quality products.	pp. 11–26
Farmer education and capacity training	Farmers who supply us are capable of applying good agricultural, social, environmental, and business practices in the management of their farms.	pp. 12–25
Agricultural development	Our supply of raw materials promotes agricultural development in the respective countries of origin.	pp. 11–26
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. 11–26
Investments in rural infrastructure	We are aware of the specific infrastructure needs in the countries of origin of our raw materials and create networks of target groups so they can receive or build access to rural infrastructure.	pp. 11–26
Diversity of cocoa varieties	We contribute to the diversity of cocoa varieties.	p. 22
Core labor standards	Core labor standards are respected along our entire supply chain.	pp. 11–26
Climate change and greenhouse gas emissions	We reduce CO ₂ emissions along our supply chain.	pp. 11–26

Sustainably produced

Key issues	Our commitments and strategic goals	Read more
Climate change and greenhouse gas emissions	We reduce our CO ₂ emissions by lowering our energy use, increasing our share of renewable energies, and optimizing transport and logistics.	pp. 34–35
Water and waste water	We reduce fresh-water use and the amount of waste water generated within our operations.	p. 35
Environmental impact of packaging material	We reduce packaging sizes and use recyclable materials where possible. At the same time, we try to strike a balance between visually appealing packaging and quality aspects associated with product protection.	p. 40
Waste and recycling	We reduce waste and increase the recycling rates within our operations.	p. 35
Work culture	We maintain an open work culture characterized by respect, trust, and fairness.	p. 29
	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.	p. 29
	We encourage, recognize, and reward individual innovation, personal initiative, and people's leadership skills throughout the organization.	p. 29

Sustainably produced

Key issues	Our commitments and strategic goals	Read more
Employee satisfaction and retention	We offer an attractive working environment while maintaining and increasing employee engagement, satisfaction, and retention.	pp. 29–30
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. 30–31
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 while 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. 30
Occupational health and safety	We offer a healthy and safe workplace. Our vision is to eliminate all accidents resulting in time off work.	p. 32
Social security and compensation	Our compensation plans, social security benefits, and other plans meet or exceed statutory requirements.	p. 32
Diversity and equal opportunity	We offer equal opportunities and promote diversity in employment, development, and promotion for all who bring the relevant skills. 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. 31
Local development	We promote local development in the areas where our production, marketing, and distribution sites are based.	
Corruption and anti-competitive behavior	We do not engage in any corrupt or anti-competitive behavior.	p. 43
Philanthropy	We want others to benefit from our successful business, and we contribute to charitable causes with goods, time, and money.	p. 30

Sustainably consumed

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



Sustainably sourced

Sustainability starts for Lindt & Sprüngli with the responsible sourcing of high-quality raw and packaging materials.

Raw and packaging materials

Significant social and environmental impacts relating to the production of chocolate affect the supply chain and thereby the cultivation, processing, and transport of raw and packaging materials. The global challenges include such things as adherence to international labor standards and human rights, living wages, and the responsible use of natural resources. With our engagement for sustainable supply chains, we not only improve living conditions on the ground and conserve natural resources, we also fulfill our customers' and consumers' expectations and build trust in our brands.

Our Supplier Code of Conduct is our main instrument to communicating our expecta-

tions to our suppliers with regard to environmental and social standards and demanding adherence to them.

When working with our suppliers, sustainability is a selection criterion that is evaluated and has an influence on our business decisions. When it comes to key raw materials such as cocoa and hazelnuts, we build our own programs or collaborate with partners. Where appropriate, we work with international standards, such as those regarding palm oil and soy lecithin.

On the following pages we show our activities for the different raw and packaging materials.





Cocoa beans

Our goal is to ensure that our sourced cocoa beans are fully traceable and verified by 2020.

Our commitment to sustainability begins with a bean, a tree, and a farmer – because high-quality cocoa beans are the heart and soul of our chocolate. Many farmers are faced with low yields due to small farm lands, weak agricultural practices, overaged farms, and depleted soils. This consequently leads to low incomes for farmers and the resulting social problems such as child labor. Further, there are ecological challenges in cocoa production like climate change and deforestation. To overcome these challenges, it is essential that

we know where our beans come from and under what conditions they are grown and harvested. Our primary advantage is that we are one of the few large chocolate makers that purchase high-quality cocoa beans and turn them into cocoa mass and fine chocolate in our own production facilities – except for our Russell Stover brand, which purchases chocolate and chocolate products.

We put this advantage to work in achieving our sustainability goals. With the Lindt & Sprüngli Farming Program, we can have a positive effect on the farmers who cultivate and harvest the cocoa beans that we use in our production.

The Lindt & Sprüngli Farming Program

With the Lindt & Sprüngli Farming Program, we strive to ensure decent and resilient livelihoods for the cocoa farmers and their families, and a sustainable intensification of agricultural practices. In this context, we address the locally relevant challenges such as poverty, child labor, and deforestation and at the same time secure the supply of high-quality cocoa beans. We achieve this through higher productivity on the farms, diversified incomes, preservation of biodiversity and natural ecosystems, reduced risk of child labor, and improved infrastructure in communities.

2008

Launch of the Lindt & Sprüngli Farming Program in Ghana with a focus on traceability and community development

2013

Establishment of the Lindt Cocoa Foundation

2015

Launch of the Lindt & Sprüngli Farming Program in Madagascar

2017

Launch of the Lindt & Sprüngli Farming Program in Papua New Guinea

2020

Our goal: 100% of our cocoa beans come from the Lindt & Sprüngli Farming Program (traceable and externally verified)

2012

Expansion of the Program to include four Program elements, including external verification

2014

Launch of the Lindt & Sprüngli Farming Program in Ecuador

2016

Cocoa bean supply chain in Ghana becomes fully traceable and verified

2018

Launch of the Lindt & Sprüngli Farming Program in the Dominican Republic





Lindt & Sprüngli sources high-quality cocoa beans from the most renowned cocoa-producing regions in the world such as Ghana, Ecuador, Madagascar, the Dominican Republic, and Papua New Guinea. The Lindt & Sprüngli Farming Program is now established in all our countries of origin.

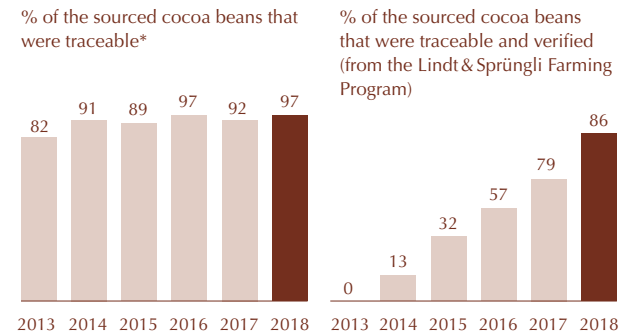
The 442 field staff in the countries of origin, all financed by the Lindt & Sprüngli Farming Program, are involved on a daily basis with the 72,528 farmers, working with great passion to fulfill this vision.

The farmers, their families, employees, and the corresponding communities are given top priority in our activities. With our own sustainability program for cocoa beans, the Lindt & Sprüngli Farming Program, we ensure that these stakeholders are also the actual beneficiaries of our investments. Long-term and stable partnerships with our suppliers are a key factor for success in this area. We finance the Lindt & Sprüngli Farming Program and its four elements (> see page 14) with a price premium per metric ton of cocoa beans produced by the Program and co-funding from other organizations. Since 2008, we have invested USD 33 million, with USD 11 million of that invested in 2018 alone.

Additionally, the ► *Lindt Cocoa Foundation* has contributed around USD 2 million yearly in investments for farmers and communities since 2013.

Since the beginning of the 2016/2017 cocoa season, all of our cocoa beans from Ghana come from the Lindt & Sprüngli Farming Program, which means that our entire cocoa bean supply chain in Ghana is traceable and externally verified. In combination with the scaling up of the Lindt & Sprüngli Farming Program in Madagascar and Ecuador, along with the expansion of the Program to Papua New Guinea and the Dominican Republic, we have succeeded in increasing the amount of traceable and externally verified cocoa beans by seven percentage points, resulting in a total of 86% of all sourced cocoa beans. We have now implemented the Lindt & Sprüngli Farming Program in all the countries of origin from where we source our cocoa beans.

Traceability and verification of all cocoa beans



* The Lindt & Sprüngli traceability system was employed for 86% of the cocoa beans. The remaining 11% had certificates of origin to confirm the origin of the cocoa beans. All of the cocoa beans come from Ghana, Ecuador, Madagascar, the Dominican Republic, and Papua New Guinea.

The four elements of the Lindt & Sprüngli Farming Program

1.

Traceability and farmer organization

Traceability of the cocoa beans is the key for ensuring sustainable cocoa sourcing. This transparency enables us to guarantee the quality of the cocoa while at the same time knowing the social and ecological farming conditions on the ground. This in turn allows us to provide targeted support for the farmers (> see elements 2 and 3). At the end of the 2017/2018 cocoa season, 72,528 farmers were participating in the Program, of whom 28% were women.



Thanks to our traceability system, we know which farmers' groups the cocoa beans are from, and which amount each farmer contributed to the deliveries.



As a basis for our engagement, we gather baseline data about farms (including GPS coordinates), farmers, and communities to assess their specific needs.



For the implementation of the Program, the farmers are organized in structures that are adjusted to match the local context.

2.

Training and knowledge transfer

Adapted to the local circumstances and needs, the 442 local field staff support the farmers to professionalize in the following areas:



Farming practices: they learn everything about planting, cultivating, harvesting, fermenting, and drying the cocoa beans. The 52 model farms also form an important component of the training, enabling the farmers to observe firsthand the effects of the professional practices being taught.



Environmental measures: they are educated about biodiversity and environmental protection and learn, for example, how organic fertilizers are produced and applied or why the preservation and restoration of forests is important.



Social practices: they are sensitized in health, labor safety, and labor standards (e.g. child labor).



Business practices: they learn how to run their farms as professional businesses, with a focus on increasing yields and reducing costs to raise net profits. They also receive advice on how to diversify their income (> see Income diversification p. 15).

Initiative against deforestation

The growing global population and the related increasing need for food as well as dietary changes such as higher meat consumption and a growing demand for biofuels require the use of ever larger areas of land. This can in many cases lead to the transformation of forests into other forms of land use. Cocoa is also usually cultivated on land that once used to be tropical rainforest.

In cooperation with the cocoa and chocolate industry and the governments of Ghana and the Ivory Coast, we have signed the [►Cocoa & Forests Initiative](#), which was initiated by the World Cocoa Foundation, IDH Sustainable Trade Initiative and the Prince of Wales Sustainability Unit. We have thus committed ourselves to contributing our part to ensure that the initiative's goals are achieved. The goals consist of stopping the transformation of forests into farmland for cocoa production, eliminating illegal cocoa production in protected forests, protecting and reestablishing forests, and ensuring that cocoa production and farmers' lives are sustainable. In addition, we will pursue these goals in all of the other cocoa origins.

Within the context of our Lindt & Sprüngli Farming Program and in cooperation with our partners, we have now created and published a [►No-Deforestation & Agroforestry Action Plan](#) for all of our countries of origin, adapting it to meet local conditions and focused on the following primary goals:

- 1) No cocoa bean sourcing from protected areas
 - 2) No expansion of land for cocoa cultivation into areas defined by the High Carbon Stock Approach or equivalent
 - 3) Agroforestry systems for cocoa production
 - 4) Supporting (community) forest protection and restoration
- With this, we want to source all of our cocoa from areas free from deforestation by 2025. (> see Outlook pp. 41–42).



3.

Farmer investments and community development

The Program helps farmers to professionalize their farms and supports community development by means of the following services:



Distribution of higher-yielding and disease-resistant cocoa seedlings and shade trees to rejuvenate older and unproductive cocoa trees or entire plantations. During the 2017/2018 cocoa season alone, farmers received around 2.3 million cocoa seedlings. Since the Program was launched, a total of 3.4 million cocoa seedlings and 900,000 shade tree seedlings have been distributed.



Provision of farming supplies (e.g. rubber boots, pruning tools, fertilizer) that allow the farmers to work more efficiently and apply the professional practices acquired during the training courses in order to increase their harvests.



Construction of water systems and boreholes for clean drinking water and distribution of gray-water filter systems.



Renovation of primary schools to combat the risk of child labor as well as supporting awareness-raising and monitoring measures in at-risk countries (> see Action plan against child labor in Ghana p. 20).

The Program also provides investments in fermentation and drying installations to improve the cocoa's quality, increase efficiency and reduce environmental impacts. Furthermore, it supports the establishment of savings groups to strengthen the farmers' economic resilience. Starting capital, credit and advice are also made available to encourage additional income sources such as snail and fish farming, beekeeping, and the production of organic fertilizers.



4.

Verification and continuous progress

In order to ensure the Program's effectiveness, a structured internal and external program evaluation is carried out annually in accordance with our Lindt & Sprüngli Farming Program ► [Verification Guidance Document](#).



As part of the internal monitoring, the project partners examine the continuous progress of the farmers' social, ecological, agricultural, and economic practices. The internal monitoring visits are conducted by the 442 local field staff, who personally visit each of the farmers on their farms every year.



The external review by the non-profit organisation ► [Earthworm Foundation](#) (formerly The Forest Trust) evaluates the entire Lindt & Sprüngli Farming Program, including its internal monitoring system. Earthworm then draws up recommendations for improvement and further development measures for the Program to combat the underlying reasons behind non-compliance with sustainable farming methods.



The internal monitoring of the farmers' practices combined with the external review of the Program result in the verification. It allows us to evaluate to what degree the farmers' improved agricultural, social, ecological and economic practices are influencing sustainable agricultural development – and in particular the livelihoods of the farmers and their families.

Income diversification increases farmers' resilience

Cocoa cultivation is a seasonal business, resulting in irregular income flows throughout the year. Another factor to consider is that harvest volumes are dependent on the weather, the age and health of the trees, and fluctuating cocoa prices. For this reason, income diversification – in addition to other measures such as savings – is very important for farmers' resilience and leads to more balanced revenues over the entire year. In Ecuador, for example, farmers were trained to make their own organic liquid fertilizer. They now use it on their own farms to reduce costs and also sell it on the local market. In addition to this, farmers were lent the starting capital for beekeeping projects and can now earn extra income by selling honey. The Program in Ghana is also focusing more on the concept of income diversification. In the Farmer Business School, farmers are shown how to generate additional income and are assisted with starting capital when necessary. The side businesses in Ghana include snail and fish farming, raising pigs, and diversifying the crops raised on their farms with corn, cassava, cocoyam, chili, carrots, or cabbage. The farmers often start with small amounts and invest the initial profits in expanding their side businesses, for example by purchasing material for a larger pond for fish farming. They are already reporting their first successes and have both diversified and increased their incomes.

Theory of Change

The Lindt & Sprüngli Farming Program aims to create a decent and resilient livelihood for today's and future cocoa-growing families and a sustainable intensification of agriculture. At the same time, it should secure the supply of high-quality cocoa beans from a stable base of farmers for Lindt & Sprüngli. Our Theory of Change provides a simple description of the relationships that make up the transforma-

tion that the Lindt & Sprüngli Farming Program wants to achieve. It demonstrates which direct results as well as which outcomes and longer-term effects the Program should obtain with its inputs and activities (the four Program elements). Parallel to this, we list the most important contributions to the Sustainable Development Goals (SDG). The SDGs are 17 goals of the United Nations (UN) for a sustainable development.

Theory of Change framework

Input and activities

The four Program elements

1. Traceability and farmer organization
2. Training and knowledge transfer
3. Farmer investments and community development
4. Verification and continuous progress

Output

Direct results

- The farmers are registered and organized in groups
- The farmers are trained in good agricultural, environmental, social, and business practices
- The Farmers have access to agricultural services, inputs, and equipment
- Rejuvenated and diversified cocoa farms and additional income sources
- The farmers have access to financial products
- Child labor monitoring and remediation systems (CLMRS) are in place
- Investments in community infrastructure (based on needs assessment)
- Farmers are monitored

Outcome

Benefits thanks to the Program

- Higher productivity of farms
- Diversified long-term incomes and increased resilience of farming households
- Conservation of biodiversity and natural ecosystems
- Reduction of the risk of child labor
- Improved community infrastructure (e.g. clean drinking water)

Impact

The long-term benefits of the Program

Decent and resilient livelihoods of today's and future cocoa farmers and their families, and a sustainable intensification of agriculture while securing the supply of high-quality cocoa beans from a stable base of farmers.





Alignment of the Lindt & Sprüngli Farming Program with the Sustainable Development Goals (SDG)



SDG 1 No poverty: end poverty in all its forms everywhere

By promoting sustainable economic growth, the Program will be able to address some of the root causes of poverty in the long term. The goal is to achieve higher net incomes, more employment opportunities, and higher profitability for cocoa cultivation among targeted small-scale farmers. (> Elements 2 and 3 on pp. 14–15; Income diversification p. 15)



SDG 2 No hunger: end hunger, achieve food security and improved nutrition and promote sustainable agriculture

During specific nutrition training sessions in Ghana, farming households learn how they can enrich their diet with foods that they can plant and raise themselves to ensure a more balanced and healthy diet for their families. During agricultural training and coaching sessions, the farmers learn how to make more optimal use of their own farmland to achieve greater self-sufficiency and income diversification, and are provided with starting capital when necessary. (> Elements 2 and 3 on pp. 14–15; Income diversification p. 15; Ghana p. 18)



SDG 6 Clean water and sanitation: ensure availability and the sustainable management of water and sanitation for all

Building water supply systems, distributing drinking water filters and promoting agroforestry cultivation systems and the management of water catchment areas will improve access to drinking water and promote sustainable water management. (> Element 3 on p. 15; Ghana p. 19; Madagascar p. 23)



SDG 8 Decent work and economic growth: promote stable, inclusive and sustainable economic growth, productive full employment and decent work for all

With training sessions in labor standards, regular inspections on the ground, and specific measures to prevent, monitor and abolish child labor in at-risk countries, the Program supports decent work for all. Thanks to its wide-reaching support measures, the Program also promotes sustainable economic growth and a secure livelihood for farmers' families. (> Elements 2 and 3 on pp. 14–15; Against child labor in Ghana p. 20)



SDG 15 Life on the land: protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

With training and coaching sessions for farmers on professional environmental and agricultural practices and climate-smart cultivation methods, by promoting agroforestry and piloting satellite monitoring for forests at risk and forest rehabilitation, the Program supports the efficient use of agricultural land while at the same time preserving the natural ecosystems and preventing further clearing of high conservation value forest areas for cocoa cultivation. (> Elements 2 and 3 on pp. 14–15; Initiative against deforestation p. 14)





Ghana

In the country of origin Ghana, where the Program has been present for the longest time and covers Lindt & Sprüngli's entire purchase of cocoa beans from West Africa, it counted the largest number of participants with 63,036 farmers organized in groups at the end of the cocoa season 2017/2018. The main challenges in Ghana are first and foremost the farmers' income insecurity, food self-sufficiency for a more balanced diet, the environmental impacts of cocoa cultivation and child labor risks. For this reason, we again expanded and improved the Program during the reporting year in cooperation with our local implementation partner, Ecom.

We would like to highlight our new partnership with the Swiss State Secretariat for Economic Affairs (SECO), which will provide financial support for the Program for four years beginning with the 2018/2019 cocoa season within the framework of the private sector co-financing facility on the Swiss Platform for Sustainable Cocoa. This support allows us to continue developing innovative elements of the Lindt & Sprüngli Farming Program. A holistic approach focused on raising the net income of cocoa farmers forms the cornerstone of the partnership and will be achieved on three distinct levels:

- 1) Sustainable intensification of cocoa cultivation
- 2) Creation of additional income sources
- 3) Long-term income security

A sustainable intensification of cocoa cultivation will result in larger cocoa harvests in the long term using the same or

smaller growing areas. In the future, support services from the Lindt & Sprüngli Farming Program (> see elements 2 and 3 on pp. 14–15) will no longer be offered following a one-size-fits-all approach, but rather be tailored to the individual needs of the farmers.

Even with higher net incomes from cocoa, the farmers are often still reliant on additional sources of income. Since many farmers in our Program cultivate cocoa on less than two hectares, which takes up only a fraction of their available working hours, we will further intensify efforts to foster additional sources of income in the future (> see Income diversification, p. 15). Among other new initiatives, a revolving fund will be created to offer financial support in the form of loans to help with new projects and training to individual farmers or groups.

To ensure long-term income security throughout the entire year, we will focus more on creating Village Savings & Loan Groups in the future. The farmers will also be supported in receiving their rights to their land and trees. Last but not least, climate-smart farming practices, agroforestry, and reforestation are also essential for long-term stabilization (> see Initiative against deforestation, p. 14).

Our participation in the [►Cocoa Nutrition Initiative](#), co-financed by the [►IDH Sustainable Trade Initiative](#) and launched in cooperation with the [►Global Alliance for Improved Nutrition GAIN](#), is also bearing its first fruit – or should we say vegetables? The initiative is aimed at improving



Income diversification – A major challenge in Ghana is the income insecurity of farmers. The Lindt & Sprüngli Farming Program therefore fosters opportunities for additional sources of income. For example, the cultivation of vegetables such as cassava is intended to stabilize farmers' income over the year.

nutrition amongst households in cocoa-growing communities. This is being achieved by promoting the consumption of key food groups rich in micronutrients. These behavior change trainings are also linked with production activities at the community level and participants will soon be planting and harvesting foods that have previously been consumed in insufficient quantities. A total of 307 predominantly female farmers organized into groups are taking part in training courses and activities related to this initiative. Since around a third of the produce is sold, the farmers also benefit from the additional income.

Naturally, the activities with a focus on sustainable cocoa cultivation were also further improved. Thanks to the improved seeds provided by the state authorities, a record number of over two million cocoa seedlings from 157 nurseries were distributed to revitalize the farms. Plantain cultivation was also promoted further. These plants provide temporary shade for young cocoa seedlings and an additional source of food and income. In the future, more emphasis will be placed on planting permanent shade trees for agroforestry systems (> see Initiative against deforestation, p. 14). In addition, the materials for the farmer trainings were adapted according to climate impact zones, based on our participation in the World Cocoa Foundation's *Climate Smart Cocoa Project*. This enables the specific challenges of a particular region to be addressed in terms of climatic changes like drought or severe weather. Another new element is the professional pruning service, which 7,619 farmers in the Program benefited from on parts of their farms during the reporting year. The positive effect in the form of larger harvests was clearly visible not only during our annual Program visit on the ground. Despite initial skepticism, the farmers also welcomed the increased harvests, and many had the rest of their cocoa trees pruned at their own expense.

Our Child Labor Monitoring & Remediation System (CLMRS), which covers the entire Program, was also refined (> see Action plan against child labor in Ghana, p. 20). As part of the required remediation work, we expanded the community development activities, which focused on access to clean drinking water, to include the renovation of primary schools. Despite a delayed start, the renovation of the 29 selected schools in cooperation with the School Management Committees and District Assemblies should be completed during the first half of 2019. Local ownership was also important to us in this initiative. We further expanded our existing clean drinking water activities in the reporting year with the construction of 60 new boreholes, bringing the total number of new water access points to 211 since the Program began.



Infrastructure improvement – As part of the Lindt & Sprüngli Farming Program, 60 new wells were built in the year under review to provide communities access to clean drinking water. Since the start of the project, 211 water wells have been constructed.



Action plan against child labor in Ghana

In addition to our numerous measures against root causes of child labor in the context of the Lindt & Sprüngli Farming Program, our Child Labor Monitoring & Remediation System (CLMRS) also reaches all the farmers in Ghana with the following Program consisting of three elements:

1) Training and awareness raising:

Experts train the field staff involved in the Program (numbering almost 400) using the [► Ghana Hazardous Child Labor Activity Framework](#) as a basis. This staff then passes on their knowledge to the farmers using various methods, either embedded in other training courses or in the form of role-playing. Awareness-raising activities are intensified during high-risk periods, such as harvesting time. The primary aim is that all farmers know what is permitted and what is not and understand the reasons why.



2) Identifying prohibited child labor:

CLMRS Committees are formed for each Program district, consisting of an average of eight field staff with varying levels of authority. The committees conduct announced and unannounced visits to farms on at least two days per month. The goal is to identify prohibited child labor. As a guidance, the committees use risk factors for child labor taken from GPS and community mapping activities, and internal monitoring systems. The committees document both the cases discovered at the visited cocoa farms as well as those identified beyond the farms.

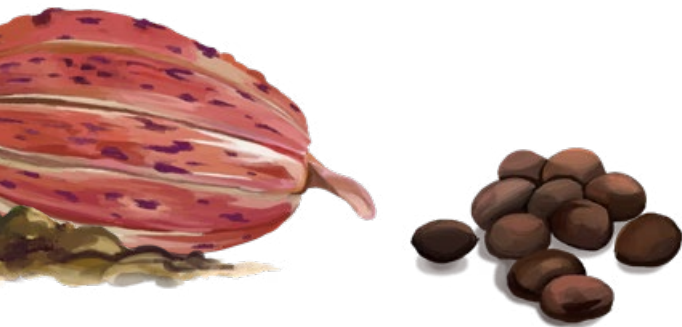
3) Elimination of child labor:

When cases of prohibited child labor are discovered, it is essential to find local solutions that are agreed with the parents. The first step is a visit to the child's parents by the CLMRS committee. During the meeting, the root causes of child labor are discussed and attempts to find a solution are made. Often, increasing the parents' awareness of the issue is all that is required, but we have also set up a fund to remediate more complex cases of child labor. For example, the fund can be used to pay school fees or renovate a school. Further visits are conducted in order to ensure that a case has been remediated and can be designated as "completely resolved." If the farmers do not adhere to the agreed-upon solutions even after several follow-up visits, they are removed from the Program. Where cases are identified among farmers not participating in the Program, the CLMR committees

first raise the issue with the parents then pass the case on to the responsible public authorities, such as child protection committees.

The results so far demonstrate that the system is starting to have an effect. Between January and December 2018 we identified 59 cases of child labor (2017: 42). Out of these 59 cases, eight (2017: 24) were found among Program farmers and the rest were connected to other families. Out of the eight cases among the Program farmers, three (2017: 21) were related to labor for cocoa planting and harvesting. Although these identified cases were mostly related to non-hazardous activities, the work was being carried out during school hours. However, there were also cases that were classified as hazardous, like opening cocoa pods with sharp machetes and carrying heavy loads of cocoa pods or beans after the harvest. The non-cocoa-related cases involved such things as carrying heavy loads of firewood and water or working on farms with other crops, e.g. corn, rice, or cassava, during school hours.

Of the cases identified among the Program farmers on the cocoa farms, all three (2017: 18 of 21) have been completely resolved. Of the cases identified among the Program farmers outside of the cocoa farms, four out of five (2017: 2 out of 3) have been completely resolved. The one case still unresolved is being monitored consistently, and if no solution can be reached, the farmer will be removed from the Program in accordance with our guidelines.





Harvesting season in Ghana – A sustainable intensification of cocoa cultivation, as fostered in the Lindt & Sprüngli Farming Program, means a long-term, larger cocoa harvest on a constant or smaller area of land.



Ecuador

In Ecuador, which is our most important country of origin for fine-flavor cocoa beans, the 2017/2018 cocoa season again saw a great deal of dedication to improvements and innovation benefitting the 6,614 farmers now participating in the Program. Smaller cooperatives are now also included and received the necessary resources such as fermentation boxes and dryers to improve the quality of the cocoa.

Almost 85% of the farmers attended all of the training modules offered by the Program, showing us that the training is well-adjusted to the farmers' needs and interests. In addition, more focus was placed on individual coaching sessions to meet specific needs.

A total of 230,000 fine-flavor cocoa seedlings were distributed to farmers in Ecuador during the 2017/2018 cocoa season – the highest volume yet – to aid in revitalizing the cocoa farms. Seedlings to establish permanent shade trees were also distributed for the first time with the aim of promoting agroforestry systems (> see Initiative against deforestation, p. 14). The production and use of organic input materials (e.g. compost or wood vinegar) continues to be actively supported. This allows growing numbers of farmers to avoid using chemical fertilizer products. Project partners in Ecuador are also focusing more on developing future income sources for farmers (> see Income diversification, p. 15), such as by helping to plant vegetable gardens or distributing beehives. Four families participated in the first phase of the “Bee Sustainable” project, looking after a total

of ten beehives. One beehive produces around 20 liters of honey and generates about USD 400 of additional income every year. Since a supermarket chain has already been found to purchase the honey, the project will now be extended to include more farmers. A positive side effect is that the bees help to pollinate the cocoa flowers, resulting in improved production.

At the recommendation of the Earthworm Foundation, riverbank sections in the cocoa-growing areas have been reforested with the help of school classes. The newly planted trees form a natural barrier to protect the ecosystem. Within the framework of our [►No-Deforestation & Agroforestry Action Plan](#), even more of these types of initiatives will be promoted in the future.



Promotion of agroforestry systems – The Lindt & Sprüngli Farming Program promotes agroforestry systems and distributes seedlings of cocoa trees and shade trees to farmers.

Diversity of cocoa varieties

A distinction is made between consumer and fine-flavor cocoa. Consumer cocoa (generally of the Forastero variety) accounts for the largest share (90–95%) of total cocoa production and is farmed mainly in West Africa. Around 5–10% of worldwide cocoa harvests are of fine-flavor cocoa (mostly of the Criollo and Trinitario varieties). Fine-flavor cocoa is associated with nuanced, fine flavors. It is mainly farmed in Latin America and the Caribbean. Around one-third of all the cocoa beans processed by Lindt & Sprüngli are fine-flavor cocoa beans. It is vital for Lindt & Sprüngli to have a broad diversity of cocoa beans and for the aromatic fine-flavor beans to be readily available. Lindt & Sprüngli therefore supports efforts to preserve the diversity of cocoa varieties, for example through partnerships with the [►Tropical Agricultural Research and Higher Education Center \(CATIE\)](#), which oversees the [►Cacao Genetic Improvement Program](#), and with the [►Cacao Research Center of the University of the West Indies in Trinidad](#), which possesses the largest cocoa collection in the world.



Madagascar

The Lindt & Sprüngli Farming Program in Madagascar included 1,558 farmers during the 2017/2018 cocoa season, which was 470 more than in the previous year. Due to several cyclones, which not only destroyed streets, buildings, and rice harvests in the country but the cocoa flowers as well, it was a particularly challenging cocoa season for the farmers. We were therefore even more pleased to see that the participation in training sessions increased significantly and that the farmers want to be better prepared for future challenges. Collaboration with the project partners and the 13 field staff was also strengthened, giving new impetus to the project and reinforcing local ownership.

We reached another milestone in June 2018. In Maevatanana and Anjiabory, in the country's northwestern region, we were able to inaugurate water systems operated with solar pumps. They were developed by the non-profit Helvetas Swiss Intercooperation in cooperation with an experienced local company that is also responsible for system maintenance. The systems, financed by the Lindt Cocoa Foundation, are capable of providing 32,000 residents with clean drinking water. The water system delivers water within close proximity to the homes, and the water quality is monitored constantly. The system is serviced by an experienced company that oversees drinking water systems all over Madagascar.



Papua New Guinea

By the end of the 2017/2018 cocoa season, 1,117 farmers had registered for the Program, and their basic data was recorded and analyzed. The 87 farmers' groups are organized around what are known as fermentary owners. These are farmers who own fermentation boxes and ferment and dry the beans for the corresponding farmers' group. The groups received one set of farming tools each, which contain pruning equipment, among other things. With an average age of 36, the farmers in Papua New Guinea are comparatively young and thus have a longer-term outlook than farmers in West Africa. Questions about the type of pests that attack the cocoa plants were also asked so that future training courses can specifically address this issue.

The training courses are divided into six modules comprising the typical content of the Lindt & Sprüngli Farming Program (> see element 2 on p. 14) and topics adapted to the local context such as domestic violence and the role of women in society. The first 20,000 cocoa seedlings were distributed, with action being taken to ensure that they would not be used for expanding cocoa cultivation in forests.

The needs analysis indicates many basic necessities in Papua New Guinea, and the decision was made to invest in water supplies and healthcare during the next cocoa season. A target of expanding project activities to include 2,500 farmers has also been set for the next cocoa season.



Dominican Republic

Our latest implementation of the Program for fine-flavor cocoa from the Dominican Republic got off to a successful start with 203 participating farmers. We are able to rely on the long-standing experience of our local project partner in this venture. The farmers deliver their cocoa beans wet, and they are then fermented and dried centrally to ensure excellent quality.

The focus of the Program activities was on the registration and training of the farmers (> see elements 1 and 2 on p. 14). In addition to the usual training components of the Lindt & Sprüngli Farming Program, special workshops were also held, such as one specifically for women to encourage additional income generation (> see Income diversification, p. 15) and an entrepreneurship workshop specifically for young people.

Since the tree population in the Dominican Republic is aging, a rehabilitation process using new seedlings and grafting techniques was launched immediately in the first year. Over the next four years, the aim is to provide all the farmers – who are forecast to total over 800 by that time – with the resources to revitalize half a hectare each. Using a savings and loan scheme financed among other things by farmer premiums, the farmers should then be capable of rejuvenating the rest of their farms themselves. The savings and loan schemes may also be used for other activities aimed at generating additional income.



Cocoa butter and other cocoa products

Our goal is that by 2025 all of the cocoa butter we require will come from beans covered with sustainability programs.

Comparatively more cocoa butter than sugar is used to produce premium chocolate. In accordance with our commitment to traceability for cocoa beans, we have also set a goal to purchase cocoa butter made from beans from sustainability programs. We rely on a segregation approach, which means that in our projects all of the beans from sustainability programs are processed separately from conventional beans.

The strict quality demands we place on cocoa butter present significant challenges in realizing this goal. Furthermore, a lack of interest in sustainability results in a low degree of willingness by other market players to purchase the cocoa powder, which is a byproduct of the cocoa-butter production, at a premium from our suppliers.

Despite these challenges, in 2016 we began to develop dedicated traceable and segregated systems to source cocoa butter in cooperation with our cocoa butter suppliers. After testing different pilot projects, we are now confident that by 2025 our entire cocoa butter requirements can be fulfilled using such systems. In 2018, the achieved 15% was less than planned. Thus, we will again increase the amounts in 2019, and keep working on improving the programs. Accordingly, the goals laid out in our [►No Deforestation & Agroforestry Action Plan](#) will also be implemented in the butter programs, (> see Initiative against deforestation, p. 14).

Furthermore, we are involved as co-leader of the working group [►Traceability of Cocoa Butter](#) from the [►Swiss Platform for Sustainable Cocoa for Developing an Industry Solution](#). The longer-term goal is that cocoa butter suppliers will

convert all or at least part of their factories to process cocoa beans from sustainability programs, similar to how palm oil suppliers in Europe have implemented this change in the past years.

In addition to this, we are developing strategies for the remaining cocoa products we source in lower quantities, such as cocoa powder and chocolate (for Russell Stover only), so that by 2025 all of our cocoa products will come from sustainable sources. Taking into account all of the cocoa products (beans, butter, powder and finished chocolate), 48% of the cocoa we purchased in 2018 was traceable/segregated and verified according to the ICCO conversion rates.

Hazelnuts

Our goal is that by 2020, 100% of whole unprocessed hazelnuts from Turkey are sourced from a sustainability program.

Hazelnuts are a key raw material for our chocolate products. We source them from Italy, the US, and Turkey. Turkey's Black Sea region produces around 70% of the global hazelnut harvest, yet it also presents serious challenges such as child labor and poor living and working conditions for migrant workers.

Lindt & Sprüngli has been working with its Turkish hazelnut suppliers towards implementation of sustainable hazelnut programs since 2014. As with the structure of the Lindt & Sprüngli Farming Program, our suppliers first work to ensure supply chain traceability. The second step is to support the farmers and workers with training courses. The training for farmers includes professional agricultural, ecological and social practices, and the farmers' wives also receive training. Held both in their home villages in south-

eastern Turkey and in the Black Sea region, the training for workers focuses on topics such as workers' rights, occupational health and safety, and health protection in general. Investments in sanitation systems and the renovation of workers' accommodation, mobile health check-ups, and summer schools for workers' children also contribute to improved living conditions. The internal monitoring of the farmers and the external evaluation of the projects are designed to help measure progress and in particular serve to identify additional improvement measures.



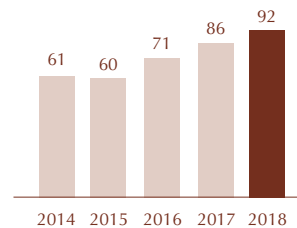


A total of 92% of all the unprocessed hazelnuts that we purchased in 2018 came from Italy, the US, or a sustainability program in Turkey. We are therefore well on our way to achieve our goal of sourcing 100% of whole unprocessed Turkish hazelnuts from sustainability programs by 2020, thereby achieving a further milestone in the sustainable procurement of raw materials.

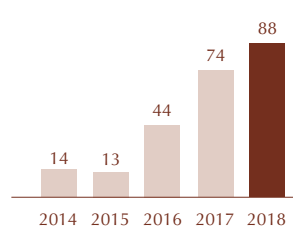
In 2019, we will continue to work closely with our Turkish hazelnut suppliers and support them as they expand and improve their sustainability programs. In addition, the situation with regard to processed hazelnuts in purchased raw materials will also be analyzed in order to introduce improvement measures.

Sustainable hazelnuts

% of our whole unprocessed hazelnuts are sourced from Italy, Oregon (US), or a sustainability program in Turkey



% of whole unprocessed hazelnuts from Turkey that were sourced from a sustainability program



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. Palm oil and palm kernel oil have outstanding melting properties, have a neutral flavor, and remain solid at room temperature. Thanks to these specific qualities, we are able to avoid using hydrogenated vegetable fats. We only use limited amounts of palm oil and declare it on our product packaging. To overcome the challenges associated with palm oil, we have committed ourselves 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 only raw palm oil and palm kernel oil according to the RSPO Book and Claim Trading System (now called: RSPO PalmTrace) since 2011. In 2015, all of our production facilities (except for Russell Stover) were certified according to the RSPO segregation model. For products that contain palm oil, the Lindt, Caf-farel, Hofbauer, and Küfferle brands all use palm oil according to the RSPO segregation model. Ghirardelli also switched over all of its products in its own factory to the segregation model in 2018. Russell Stover received the RSPO mass balance certification for its own production factories in 2018.

Our efforts in this area are paying off: We achieved the highest possible score on the [►Palm Oil Buyers Scorecard 2016](#) from the WWF. Along with our decision to use only palm oil and palm kernel oil that comply with RSPO standards, we also review the use of palm oil in each of our newly developed products and actively search for alternatives.

Additional raw materials

We regularly observe and review the environmental and social risks associated with our sourced raw materials and packaging material and prioritize the need for action in our exchanges with our stakeholders. In 2018, soy lecithin and eggs were the focus of our activities:

Soy lecithin

We use soy lecithin to create the desired consistency in our melt-in-the-mouth chocolate. Soy cultivation is associated with different environmental and social impacts, in particular soy grown in rainforest regions. We rely on trustworthy external standards to address these impacts. Since 2018, all of the soy lecithin used in producing our chocolate mass (except for Russell Stover) has been certified with the [►Pro Terra standard](#). Pro Terra is a widely supported and recognized standard based on the Basel Criteria for Responsible Soy Production.

Eggs

We are aware of the concerns for the well-being of laying hens and have undertaken a series of steps to change over to sourcing cage-free eggs. We have set ourselves the goal of not using any eggs from caged hens as an ingredient in any of the products that leave our factories. We will complete the changeover in Europe by 2020 and are striving to establish deadlines by spring 2020 for the other regions where cage-free eggs are not as readily available.

Packaging material

We are committed to ensuring compliance with the core labor standards in our supply chain.

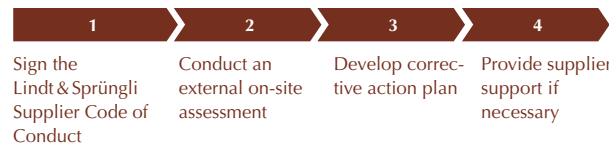
Packaging material plays an extremely important role in the production chain at Lindt & Sprüngli because chocolate is an extremely delicate and fragile product. Although packaging should be attractive to the consumer and provide information about the contents, its main task is to protect the delicate chocolate inside.

Lindt & Sprüngli works with leading packaging manufacturers in the corresponding industries that are becoming more focused on increasing sustainability along the entire supply chain. We take into account the sustainability performance of our suppliers when making sourcing decisions. This enables us to integrate our specifications from the Supplier Code of Conduct into our supply chain management for packaging material and improve the performance of our supplier portfolio over time. A key selection criterion, for example, is the condition of the production facilities as well as their ongoing improvement programs. To this aim, manufacturers are also visited regularly by our own trained internal auditors.

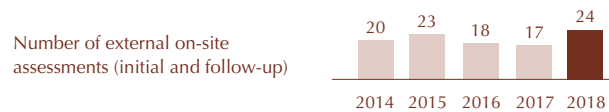
The majority of our packaging manufacturers rely on modern production technology, which reduces the use of paints in particular and the amount of materials needed. The packaging material we buy often comes from suppliers located near our factories in Switzerland, the EU, and the US. This helps to avoid long transportation distances and high emission levels.

Nevertheless, around 10% of our packaging is sourced from suppliers in Asia. This is particularly true for many of our more decorative items for seasonal products such as tin

Four steps of the Lindt & Sprüngli Supplier Sustainable Practice Program



Supplier Sustainable Practice Program



boxes or plush toys. In Asia, we have access to a highly specialized market for this type of product. To ensure that our Asian suppliers adhere to the [Lindt & Sprüngli Supplier Code of Conduct](#) regarding issues such as the prohibition of forced labor and child labor and also guarantee freedom of association, Lindt & Sprüngli monitors and improves responsible production practices through the Supplier Sustainable Practice Program (SSP).

As part of this Program, specialized sustainability experts make regular visits to our suppliers on the ground, uncover non-compliances with social and environmental standards, and draft corrective action plans together with the suppliers. To achieve this, Lindt & Sprüngli applies a progress-oriented approach that encourages long-term improvement and offers targeted support services. Committed factories appreciate the Program's cooperative approach as it offers practical assistance and support during implementation. The Program currently covers more than 90% of our purchasing expenditure on packaging from Asia and is being rolled out to new

suppliers on an ongoing basis. In some cases, subcontractors have also been integrated into the Program and assessed.

The Program is carried out in close cooperation with the local purchasing organizations of the subsidiaries. These also conduct additional assessments harmonized with the SSP Program and enact support measures. In 2018, we also held three learning and exchange events, where a total of 23 participants from sourcing and quality assurance were trained in the process and could share their own implementation experiences.





Sustainably produced

Our production line is the key component in manufacturing our premium chocolate products. We rely on dedicated employees and cutting-edge production processes.

Employees

Productive, diverse, and passionate employees are a key success factor for Lindt & Sprüngli. We have 14,570 highly motivated employees working continuously around the world to improve our premium chocolate products.

As an employer, we are responsible for our employees and can actively shape their working environment. We want to guarantee a safe workplace for our employees and offer an inspiring and innovative working environment. An open work culture, healthy work-life balance, employee development and training, diversity, and equal opportunities as well as health and safety in the workplace are our top priorities when it comes to our employees.

Our commitment to providing an attractive working environment applies equally to all employees in all of our subsidiaries. We address the issue of ensuring decent working conditions among our suppliers in the chapter Sustainably sourced (> see pp. 10–26).

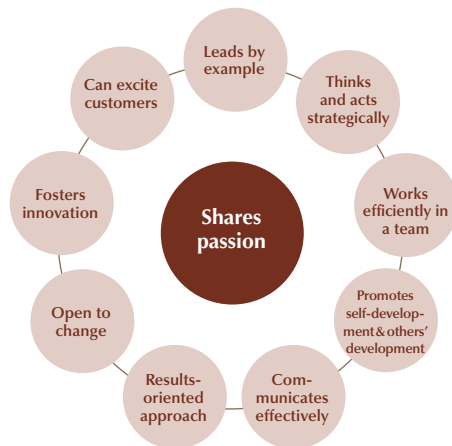


Work culture

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 entire 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 Group 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

Lindt & Sprüngli Competence Model



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 their onboarding period. Should they have any questions, all employees are also free to refer to the Credo and Code in local employee handbooks or via the intranet. Group HR emphasizes the relevance of consistently implementing our Credo at the annual international HR conference. In the 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 during 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 presented here. These ten criteria are applied to measure candidates' skills and abilities based on their professional competencies, relevant experience and qualifications as well as 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 Group-wide policies in the form of the Credo and the Business Code of Conduct, our subsidiaries have additional local policies promoting things like equal opportunity or measures against sexual harassment. Moreover, online and in-house training courses are offered on a regular basis.

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.

Satisfied and motivated employees are the key to our success. We want to offer an attractive working environment and continue to strengthen the already high level of employee commitment, satisfaction, and retention. Our main tool for measuring satisfaction is our Group-wide employee survey conducted every three years. The next survey is scheduled for 2019.

Various countries and subsidiaries (Germany, the US, Italy, and Ghirardelli) have already started working on their employer value proposition to demonstrate to our employees and potential candidates the advantages of working at Lindt & Sprüngli. These initiatives are now being strengthened through the "Global Employer Value Proposition" project.

Lindt & Sprüngli USA wins the "Best of the Seacoast Award"

For the second time in a row, Lindt & Sprüngli USA won the "Best of the Seacoast Award" for the most attractive employer. The "Best of the Seacoast Award" recognizes outstanding companies in the coastal region of New Hampshire based on a two-stage voting process with ballots cast by the local population. The award underscores Lindt & Sprüngli USA's position as one of the most attractive employers in the tri-state area that includes Maine, New Hampshire and Massachusetts.



We also encourage active engagement and maintaining social contacts beyond the workplace. For example, 45 Lindt & Sprüngli employees participated in a WWF charity run to help save African elephants (> see Run to save African Elephants, p. 30). We also host Christmas parties and summer events for our employees and their families as a means of honoring the work and dedication of our employees.



Run to save African elephants

Our involvement goes beyond our value chain because we want others to benefit from our corporate success as well, so we donate goods as well as time and money to charitable causes. Lindt & Sprüngli subsidiaries are strong supporters of organizations, associations, and social programs. For example, 49 Lindt & Sprüngli employees participated in a WWF charity run to help save African elephants and jointly ran 554 kilometers in total.

Work-life balance

We are committed to ensuring a healthy work-life balance and offer employees support to cope with increasing work-related demands.

The boundary between work and leisure time is becoming increasingly blurred, and finding the right work-life balance is more and more important. The requirements and legal environment differ from country to country, which is why actual implementation takes place primarily at the level of the individual subsidiaries. Our local subsidiaries organize various initiatives and activities throughout the year. Examples include:

- Lindt & Sprüngli Australia offers office employees more flexibility during the usual holiday periods. They are able to extend their weekends by working a condensed week so they can then leave work on Fridays at noon during the summer months.
- Lindt & Sprüngli USA organizes a “Wellbeing Fair” each year so that all the Lindt Clubs can present their activities. Lindt Clubs are interest-based associations formed by Lindt & Sprüngli employees which offer everything from meditation and mountain biking to photography. Lindt & Sprüngli USA actively supports the clubs, at times financially as well.
- A balanced lifestyle also includes a healthy diet. To encourage this, Lindt & Sprüngli Germany offered its employees various courses related to nutrition and provided additional nutritional information and tips.
- Lindt & Sprüngli Australia also organized an “R U OK” day with an inspirational speaker to draw attention to the topic of offering mutual support during challenging life situations.

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.

Productive, diverse and passionate employees are a key success factor for Lindt & Sprüngli. Our Talent Management Workbook reemphasizes this and is our central tool for managing employee development. We attach great importance to training and further development in order to acquire and retain high-performing employees.

- *Talent Management:* We have further expanded our global Talent Management process. We conduct annual Talent Management dialogues with performance appraisals and have established a structured 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 continue to focus on individual development plans and apply our 70-20-10 model: 70% practical experience, 20% coaching/mentoring and team building, 10% formal individualized training programs. We have also implemented the following global and local measures:
 - The “Lindt & Sprüngli Senior Leader Program” conducted in cooperation with the IMD in Lausanne was held for the fourth time in 2018.
 - The focus of the diverse training program from Lindt & Sprüngli Switzerland lies on the areas of leadership development, self-competence, methodical expertise, productivity, and health. In 2018, more than 250 managers and employees participated in our in-house training, which was led by external specialists.
 - In November 2018, Lindt & Sprüngli Australia launched its new “Learning Management System,” which covers

all its employees. The curriculum includes courses that improve knowledge and skills and support employees in drawing up strong development plans.

— Since 2017, the Global Retail Team under the umbrella of the “Lindt Retail Academy” has been developing a series of training courses for the employees and management at our retail stores, covering everything from service standards to advanced coaching topics for sales managers. Worldwide over 2,000 participants have visited the “Lindt Retail Academy” so far to broaden their skills.

— Lindt & Sprüngli Germany welcomed 70 apprentices in 2018 in various departments in accordance with the country’s dual education system.

— *Onboarding*: The integration of new employees is very important to us. A good experience on the first day of work makes all the difference. Our subsidiaries offer progressive onboarding programs, as the following examples demonstrate:

— Thanks to the new e-learning platform in Australia, new employees have an improved experience when joining the world of Lindt & Sprüngli, with standardized modules for all positions.

— As part of the cultural integration, all new employees at Lindt & Sprüngli USA are invited to participate in the full-day “Life of a Truffle” experience. They view transactions with Sales and Marketing, visit the Quality and R&D departments, and enjoy a full production tour.

— Lindt & Sprüngli Germany also offers an exciting welcome to all its new employees with a two-day workshop.

Diversity and equal opportunity

We are committed to offering equal opportunity, promoting diversity in terms of employment, and supporting the development and promotion of all those 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, or any other relevant characteristic protected under the law.

We believe 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 (both employees and candidates). We also support and promote gender diversity. Around 60% of our employees are women. We also strive for age diversity in which younger and older generations actively collaborate.

Age split

in %	2016	2017	2018
<30	29.1	28.7	30.1
30–39	21.6	21.7	21.6
40–49	21.5	20.9	20.4
50–59	21.1	21.7	20.7
60+	6.7	7.0	7.2

Lindt & Sprüngli UK published a Gender Pay Gap Report in 2018 and committed itself to continuing to develop its remuneration policy. It created a transparent and simple structure that rewards performance by evaluating each job and comparing it with an external benchmark.

Lindt & Sprüngli USA organized a five-hour career development workshop for members of the student organization “Men of Strength: Diversity, Education & Family – MOS:DEF” at the University of New Hampshire. MOS:DEF engages in encouraging black students, who as a minority are affected by higher than average drop-out rates.

Fewer accidents with proper lifting techniques

Lindt & Sprüngli USA has set the goal of reducing the most frequent type of accidents in the workplace: injuries while handling, lifting, or carrying loads. As part of a company-wide training course with external experts, 16 factory employees were certified as safety trainers for carrying and lifting techniques. These trainers then instructed all the employees from the Production and Retail Sales divisions in the basics of safe lifting and are now available as in-house advisors. During 2018, this training program contributed to a 20% reduction in major accidents at Lindt & Sprüngli USA.

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.

Lindt & Sprüngli manufactures its products in a responsible manner and ensures that the working conditions allow its employees to carry out their tasks without endangering their health or safety. Our long-term goal is to achieve zero lost-time accidents and zero occupational illnesses at each facility worldwide.

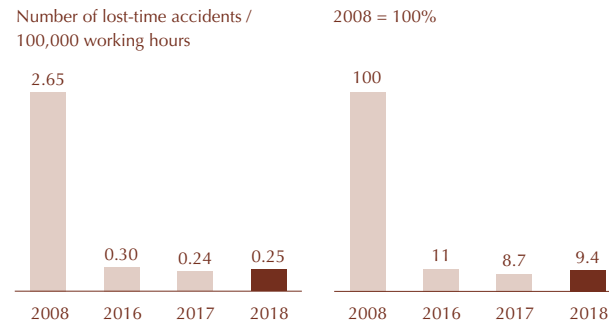
We are working intensively on the implementation of proactive instruments and systems to achieve the status of zero lost-time accidents and zero occupational illnesses. The Lindt & Sprüngli risk assessment protocol has been adopted at all production facilities. We have set the quality standards for risk assessment higher than required by local laws and regulations. After considerable efforts made in assessing safety risks related to activities in the workplace using our new methodology, we have now significantly reduced the risk by consistently applying our updated procedures. We have defined clear priorities for action by taking into account the severity level (consequences of an accident) and the probability (frequency and exposure) of health and safety risks.

We began implementing our new methodology two years ago in 2016 and intensified our efforts to reach our long-term goal. The risk assessment and reduction is implemented in waves starting with an assessment and followed by the implementation of countermeasures the year after. In 2018 we

started the second wave of risk assessment as the foundation to implement measures in 2019. As a result, over the last two years the number of lost days per 100,000 working hours was reduced by 21%, while the number of lost-time accidents per 100,000 working hours dropped by 17%. In the transition year of 2018 we encountered a slight increase of our lost days and lost-time accident indicators, which we expect to drop again in 2019 when we implement the new measures. In addition to risk assessment and reduction, our prevention-based safety model promotes zero tolerance of unsafe behavior and critical risks, open communication, and the elimination of unsafe situations and “near accidents.”

Occupational accidents with lost time per 100,000 working hours

Our vision: zero lost-time accidents



Note: figures are for Lindt & Sprüngli production companies only.

Freedom of association and collective bargaining at Lindt & Sprüngli

Regular consultation and engagement with our employees and their representatives ensure that due account is taken of both staff and Group Management expectations. This facilitates negotiations and the implementation of operational changes. It goes without saying that Lindt & Sprüngli respects employees’ rights and the freedom to form and join trade unions and bargain collectively. 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 can exchange opinions with each other and with Group Management. The agenda and the documents for consideration are agreed in advance between the Chair of the European Works Council and Group Management. In 2018, the main focus for information and consultations 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 US (Ghirardelli), as well as at the Montrose factory of Russell Stover Chocolates.

Environment

Resource scarcity, environmental pollution, and climate change are some of the most pressing challenges of our time.

As an international production company, we contribute to these challenges and are also simultaneously affected by them. Therefore, we are constantly focused on protecting the environment and reducing the environmental footprint of our chocolate. We have identified three main areas to address: energy and greenhouse gas emissions, water, and waste and recycling.

Among the environmental impacts directly linked to our operations, the ones resulting from our production facilities are the most relevant. They are addressed through various improvement and optimization measures in our processes and systems. Environmental impacts that affect the supply chain are addressed in the chapter *Sustainably sourced* (> see pp. 10–26).

The [*►Lindt & Sprüngli Environmental Policy*](#) is our shared basis for all of the activities relating to the environment. With the Lindt Production Way (LPW) we have a Group-wide Operational Excellence Program to drive forward continuous improvements at our production facilities.



Energy consumption and greenhouse gas emissions

We are committed to reducing our CO₂ emissions by reducing our energy consumption, increasing our share of renewable energies, and optimizing transport and logistics.

Energy is required for the different production steps for making chocolate, such as heating, cooling, and transport. Greenhouse gas emissions are created during all of these processes. Our goal is to lower our energy consumption and greenhouse gas emissions per metric ton of chocolate produced by an average of 2% per year. Furthermore, we intend to increase the percentage of renewable energy within our overall energy consumption.

We regularly undertake a detailed analysis of the existing systems and future investments to identify potential energy savings. Some of our companies also use certifications to improve their environmental management and energy efficiency. For example, the factories in Italy and France are ISO 14001 (environmental management) certified, and Lindt & Sprüngli Germany is ISO 51001 (energy efficiency) certified.

All of the factories are pursuing the goal of further decreasing their energy consumption. The findings and results from local projects are collected and exchanged on a global level to pass on proven concepts and procedures. In 2018, the subsidiaries implemented a variety of energy-saving projects. Examples of such projects include the replacement of the ventilation system at Lindt & Sprüngli Switzerland, the installation of LED lighting at all four Russell Stover production locations, the modernization of certain chocolate machinery, such as refineries, and lowering motor output from 90 kW to 75 kW with a more efficient cooling system.

By improving insulation and energy recovery systems, we were able to reduce our energy consumption by 19% per metric ton produced compared to 2008. Our Russell Stover

subsidiary, acquired at the end of 2014, is not included in this calculation. The acquisition of Russell Stover increased the overall energy consumption and energy intensity of the Group. The entire Group's energy intensity fell a total of 8% from 2015 to 2018.

Greenhouse gas emissions have sunk 36% since 2008, not including Russell Stover. The consolidated emissions including Russell Stover are higher in absolute terms, but have also been reduced 9% since 2015. Thus, we have achieved our average energy and emissions reduction goal by an average of 2% per year for Lindt & Sprüngli production.

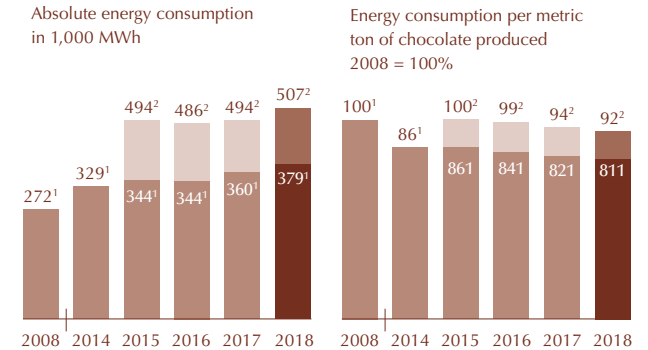
Including Russell Stover, the consolidated percentage of renewable electricity was 36% in 2018. Lindt & Sprüngli Germany and Caffarel are buying 100% from renewable sources (certified supplier mix).

Caffarel uses 100% renewable energy

The “Zero Emissions” project is at the core of Caffarel's commitment to meeting all of its energy needs with renewable sources. Caffarel achieved this ambitious goal in January 2018. The energy mix used by Caffarel combines electricity from hydroelectric plants (45%) with district heating fueled by biomass (40%). The remaining energy needed for the hazelnut roaster and the steam used in production (15%) is supplied by biogas. Achieving this ambitious goal was possible thanks to close cooperation between Caffarel and local energy suppliers. Caffarel is now saving 3,000 metric tons of CO₂ per year.

Energy consumption

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



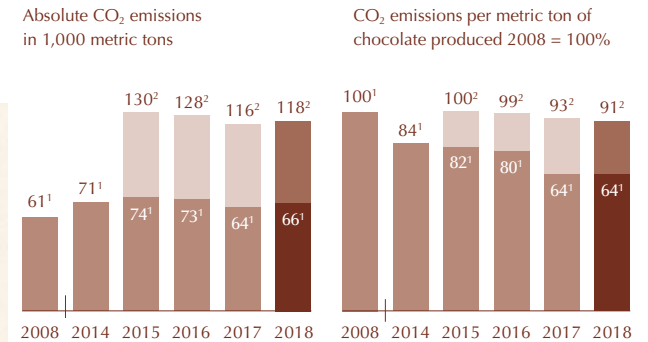
¹ excluding Russell Stover

² including Russell Stover, index adjusted for 2015 = 100%

Note: figures are for Lindt & Sprüngli production companies only.

CO₂ emissions

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



¹ excluding Russell Stover

² including Russell Stover, index adjusted for 2015 = 100%

The emission factors for Russell Stover are based on estimates from the US Energy Information Administration.

Note: figures are for Lindt & Sprüngli production companies only.

Water and waste water

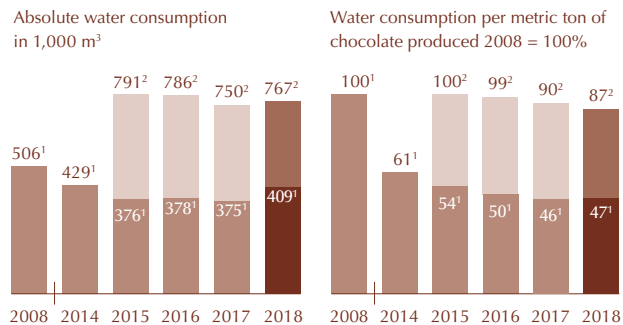
We are committed to reducing fresh water consumption and waste water generation resulting from our business activities.

We mainly use municipal water for cleaning operations (for example to clean molds, wash hands and sanitary facilities) but also in some water based filling products. Our goal is to reduce municipal water consumption by 2% per year for each metric ton produced.

In recent years, the Lindt & Sprüngli production companies have significantly lowered their municipal water consumption. Since 2008, municipal water consumption per metric ton produced has declined by 53% (excluding Russell Stover). We assess our consumption rates twice a year and continuously optimize our processes and systems. Throughout the Group, municipal water consumption per metric ton produced has fallen by 13% since 2015, meaning that the set goal was also achieved in this area.

Municipal water consumption

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



¹ excluding Russell Stover

² including Russell Stover, index adjusted for 2015 = 100%

Note: figures are for production companies of Lindt & Sprüngli only.

Waste and recycling

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

Material waste is a significant factor in our impact on the environment and also an important element in our cost structure. We are constantly striving to reduce the amount of wasted materials and continue optimizing our production processes with our Lindt & Sprüngli Production Way (LPW) Program. The LPW follows the principle of analyzing, eliminating and avoiding waste and is implemented in every factory. It strengthens our culture of operational excellence and at the same time has a positive effect on sustainability and corporate results.

In 2018, we achieved meaningful progress in reducing material waste in our operations. In total, chocolate waste during production decreased by 358 metric tons.

We obtained this result by launching different initiatives, such as:

- New designs for technology and equipment
- Improvement of operations
- Process standardization

This last point is particularly important to us. As a premium chocolate maker, we have our production processes completely under our own control. This means that we can attain first-class production capacity in all our factories.

Last year, we carried out an extensive analysis of potential production optimizations for packaging material. At the same time, we rolled out a uniform monitoring process. This will enable us to reduce our material usage even further in the coming years.

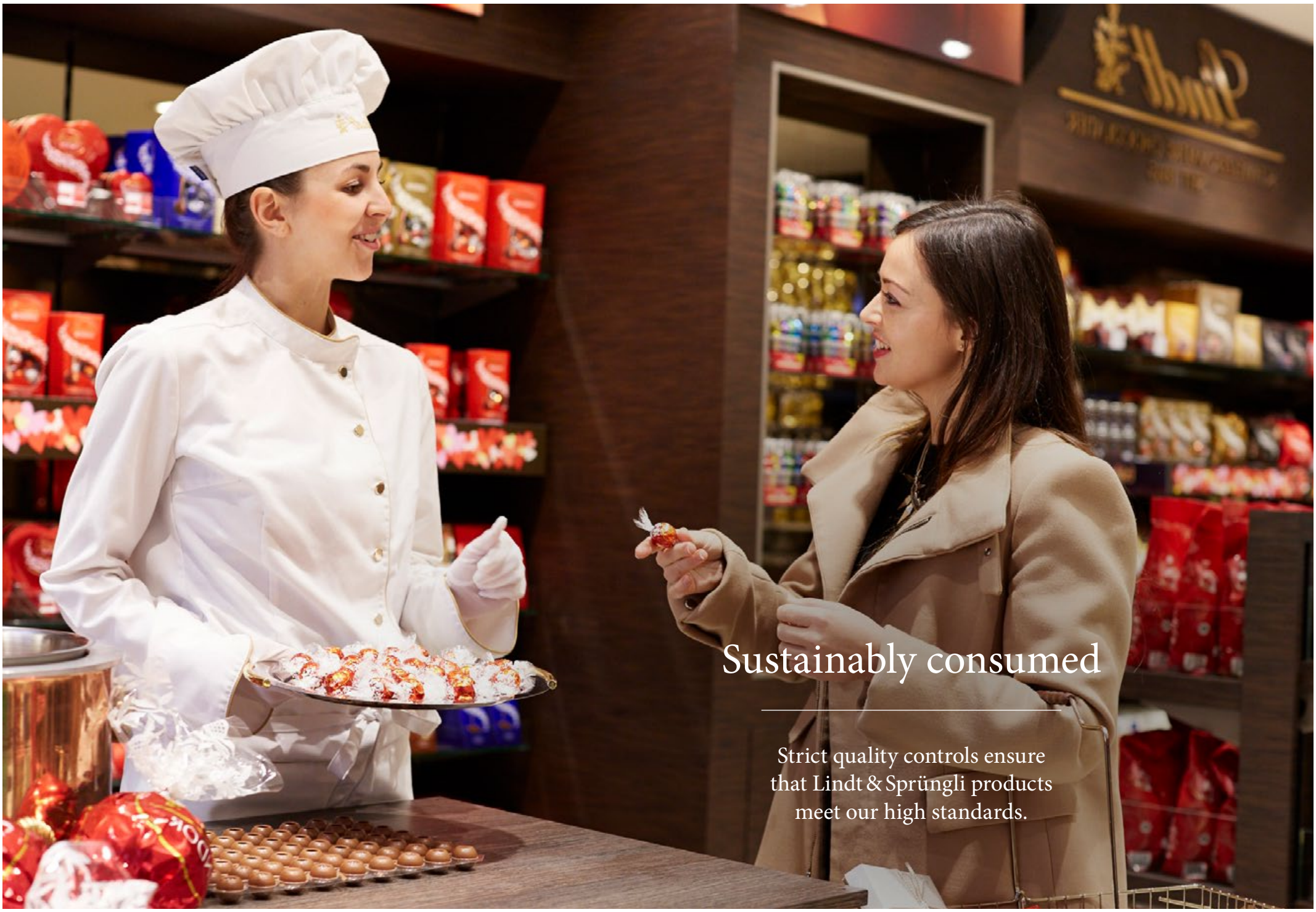
Ambitious energy-saving plans at Lindt & Sprüngli USA

Lindt & Sprüngli USA managed to lower its kilowatt-hour consumption by 5% between 2017 and 2018, while at the same time producing 17% more chocolate. The reduction of 2.1 million kWh is equal to the electricity used by 1,720 households in one month. In addition to this, Lindt & Sprüngli USA launched a three-year strategic energy partnership with energy supplier Eversource. The partnership is aimed at lowering electricity consumption at its location in Stratham by almost 3.5 million kWh per year.



Recycling system for burlap sacks at Ghirardelli

Cocoa beans are delivered to Ghirardelli in large burlap sacks. Up to 1,000 of them are used every day. Working together with a logistics partner, Ghirardelli developed a recycling system to compress the sacks and send them back for recycling. With the launch of the recycling process in June 2018, around 13.5 metric tons of material have been recycled monthly.



Sustainably consumed

Strict quality controls ensure that Lindt & Sprüngli products meet our high standards.

Customers and consumers



Maintaining high quality standards for food safety is a basic prerequisite for producing premium chocolate. Today's consumers have a more conscious relationship with food, resulting in an increased need for information – especially relating to nutritional values and allergens.

As a chocolate maker, Lindt & Sprüngli has a great responsibility toward its customers and consumers. We place a central focus on customer and consumer satisfaction as part of sustainable consumption. To achieve this, we set high standards for product quality and safety as well as for consumer information, and we contract external, trusted companies to assess our progress regularly.

We apply our quality standards throughout the entire value chain, from raw materials to the finished product. In cooperation with our partners, we work continuously on innovations in the areas of research and development, packaging and logistics. This is how we guarantee that our products still maintain their premium quality by the time they reach the end consumer.

Product quality and safety

We are committed to undertaking optimal measures to safeguard product quality and safety.

At Lindt & Sprüngli, top-level product quality and safety is vital to continuity and brand awareness. As a producer of premium chocolates, we are uncompromising when it comes to ensuring quality and safety.

Our comprehensive quality management comprises extensive internal and external controls, and thus ensures the high quality of our products. The Lindt & Sprüngli Quality Guidelines, developed specifically for this purpose, are binding for all our subsidiaries and define standards relating to raw materials, processing, storage, and distribution. Key criteria are systematically tested during each process stage before the product is released. Only when all the clearances have been passed can the chocolate product leave our factory and enter the distribution channels. This approach ensures that our chocolate meets uniformly high quality standards all around the world.

The high requirements for the quality of our key raw materials and packaging material are set down in writing in our product specifications and are inspected. For the inspection, we either carry out the auditing ourselves or have external partners on the ground to check if our suppliers are adhering to our standards. Using further analyses by internal or external accredited testing organizations, we ensure the quality of the materials we use before they are utilized.

During processing, we make certain that each production step is carried out precisely. The Lindt & Sprüngli factories

are at the heart of our expertise in producing premium-quality chocolate specialties, so that is precisely where we enact strict standards and regular test procedures. All of our factories undergo annual unannounced audits by ► *AIB International*. This independent organization has a long-standing reputation of improving food safety in the industry thanks to its standards and assessments. In addition to AIB audits, management systems for food safety (ISO-22000 or FSSC-22000) and quality assurance are in place at our production facilities. Russell Stover is currently working on the launch of a standardized management system for food safety with the aim of also receiving FSSC-22000 certification.

Furthermore, we make sure that our chocolate is not damaged in any way during transport and storage and right up to delivery to our customers (representatives and retailers). Special attention is paid to controlling the ambient temperature and humidity levels, during transport and storage. The temperature is controlled from our factories to the final distribution warehouse within our intercompany logistics network by means of a strict monitoring process. Humidity levels are monitored in all warehouses and in selected sea freight companies that cross the equator. The guidelines apply to all of our own or rented warehouses for finished and semi-finished products.

In addition to our raw materials, we also set requirements for our packaging material, since its main role is to protect our delicate chocolate. However, whenever possible, we are also working on the reduction and recyclability of our packaging to conserve more natural resources (> see Packaging optimization for Easter products, p. 40).

Cadmium levels in Lindt & Sprüngli chocolate

All soil naturally contains cadmium. Cocoa trees – just like other plants, such as cereals or vegetables – absorb cadmium from the soil, which is why our products may contain traces of cadmium. However, when consumed in such small quantities, it presents no harm at all to health. The threshold values for cadmium content are set out in our product specifications. Analyzing the cadmium content of cocoa beans forms an integral part of the quality control for our sourcing process. In Central and South America, cocoa trees are often grown in volcanic soil, which is why we conduct particularly exhaustive tests for these regions of origin. Lindt & Sprüngli complies with all applicable regulations and recommendations, such as those in the ► *Codex Alimentarius*.

Consumer information

We are committed to upholding high standards for consumer information.

Consumers purchase chocolate according to their individual desires and needs. 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 and are defined in our Lindt & Sprüngli Quality Guidelines. In several areas, our declaration guidelines extend beyond what is legally required.

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 any traces of specific allergens they may contain. We also follow strict process requirements in order to avoid the inadvertent contamination of our products. We even separate entire manufacturing lines as we undertake all of the technological measures possible to prevent cross-contamination.

A balanced diet is crucial for consumer health. We recommend eating small, appropriate 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 ingredients and nutritional values in our online shops.

Lindt & Sprüngli realizes that consumers are paying more attention to sustainability information when choosing products. This was confirmed by our consumer survey on sustainability information on product packaging conducted in 2018. In order to inform consumers of our sustainability initiatives, our products display the logo of the ► *Lindt & Sprüngli Farming Program* on the back of the packaging. 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). 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. We also integrated the Lindt & Sprüngli Farming Program into our communication about the Lindt Difference and the Ghirardelli Difference. The goal of putting the Lindt Difference on our packaging is to explain clearly and concisely to our customers what is important to Lindt & Sprüngli when making chocolates from the bean to the finished product. We therefore highlight the importance of sustainably sourcing high-quality cocoa beans. In 2017, we introduced communication about the Lindt Difference to a number of stores and on certain packaging. First started in Canada in 2018, we now also display consumer-oriented information about this on the lindt.com website. This will now be extended internationally over the course of 2019 and 2020.

Lindt & Sprüngli position on GMO

Lindt & Sprüngli is not involved in any research or development associated with genetically modified food. None of the LINDT, Caffarel, Küfferle, or Hofbauer brand products source genetically modified organisms (GMP) ingredients. We will continue this practice as long as non-GMO raw materials are available. Regular tests are performed to monitor these products and ensure compliance with relevant EU and Swiss regulations. Ghirardelli has also introduced measures to guarantee that all its products are free from genetically modified ingredients in the future. Ghirardelli already offers non-GMO products, and it aims to make its entire product range GMO-free and bring this to market gradually in 2019. Russell Stover is currently not planning to switch to non-GMO products.

Customer and consumer satisfaction

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

The key to our success is customer and consumer satisfaction, and this will never change. To meet our consumers' demands whenever possible, we continuously analyze their needs and expectations.

The resulting findings feed into our product development and help us to regularly launch innovative new products that adhere to the high Lindt & Sprüngli quality standards. 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 2018 – among over 18,300 consumers in 18 countries. The results relating to 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 challenges. We regularly exchange this information with our subsidiaries. In addition to these global trends, all Lindt & Sprüngli subsidiaries also monitor local developments and needs 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 460 of our own shops are constantly pinpointing customers' needs and expectations. With the Lindt Retail Academy we provide regular training for our sales staff (> see Employee development and training,

p. 30). 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 share any concerns they may have directly with our consumer service. During 2018, over 112,300 contacts/concerns were recorded in our system across the Group and were processed or answered by our consumer service specialists. The increase from 2017 (106,800 contacts/concerns) is mainly due to an increase in non-consumer-related inquiries, such as career-oriented questions. Specific issues relating to sustainability, such as farming conditions for cocoa or health-related questions, are recorded separately and discussed internally on a regular basis. The most common questions are answered publicly on our website in the [Ask Lindt & Sprüngli](#) section. In 2018, around 1,100 critical customer inquiries were about sustainability issues, which showed a slight increase in interest in this area compared to 2017 (940 inquiries). These inquiries represent approximately 1% of all consumer inquiries worldwide. All other inquiries concerned general topics, specific products, ingredients, or the quality of the raw materials.

Consumers can also get in touch with us via the feedback form on our packaging. Additionally, we are in direct contact with our consumers on a daily basis via over 100 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.

Pesticides

Lindt & Sprüngli monitors its chocolate constantly to detect more than 570 different types of pesticides. Cocoa trees are prone to certain diseases and pests that are combated with pesticides in some areas. With the farmer training carried out by the Lindt & Sprüngli Farming Program, we promote improved agricultural practices that reduce the need for pesticides in cocoa production and fight pests using natural methods.



Packaging optimization for Easter products

We are making a concerted effort to optimize our packaging to conserve natural resources. Lindt & Sprüngli South Africa & Lindt & Sprüngli UK have undertaken different optimizations for the packaging of the Lindor Easter Egg. Thanks to these improvements, 95% of single-use plastic could be reduced in South Africa, while maintaining the fundamental protective and presentation functions of the packaging.

Outlook

Lindt & Sprüngli Sustainability Plan – Our Commitment for a Better Tomorrow

Sustainability plays a key role in ensuring our business success. With almost 175 years of history behind us, we have proven ourselves as a long-term-oriented company that continues to perfect and deliver the same traditional, exquisitely crafted products. However, for us, preserving our traditions does not mean stagnation, but rather the continual enhancement of the tried-and-true.

As we do this, we must also consider the dynamics of sustainable development. Challenges, priorities, and stakeholder expectations change constantly due to new findings and developments.

Our “Lindt & Sprüngli Promise” remains the same: All products leaving our factories will ultimately live up to our commitment to sustainability along the entire value chain.

However, our aspirations have also grown and matured. As a result, over the past 18 months our Sustainability Executive Team has collaborated with all of our subsidiaries and local partners to transform our existing sustainability strategy into the Lindt & Sprüngli Sustainability Plan.

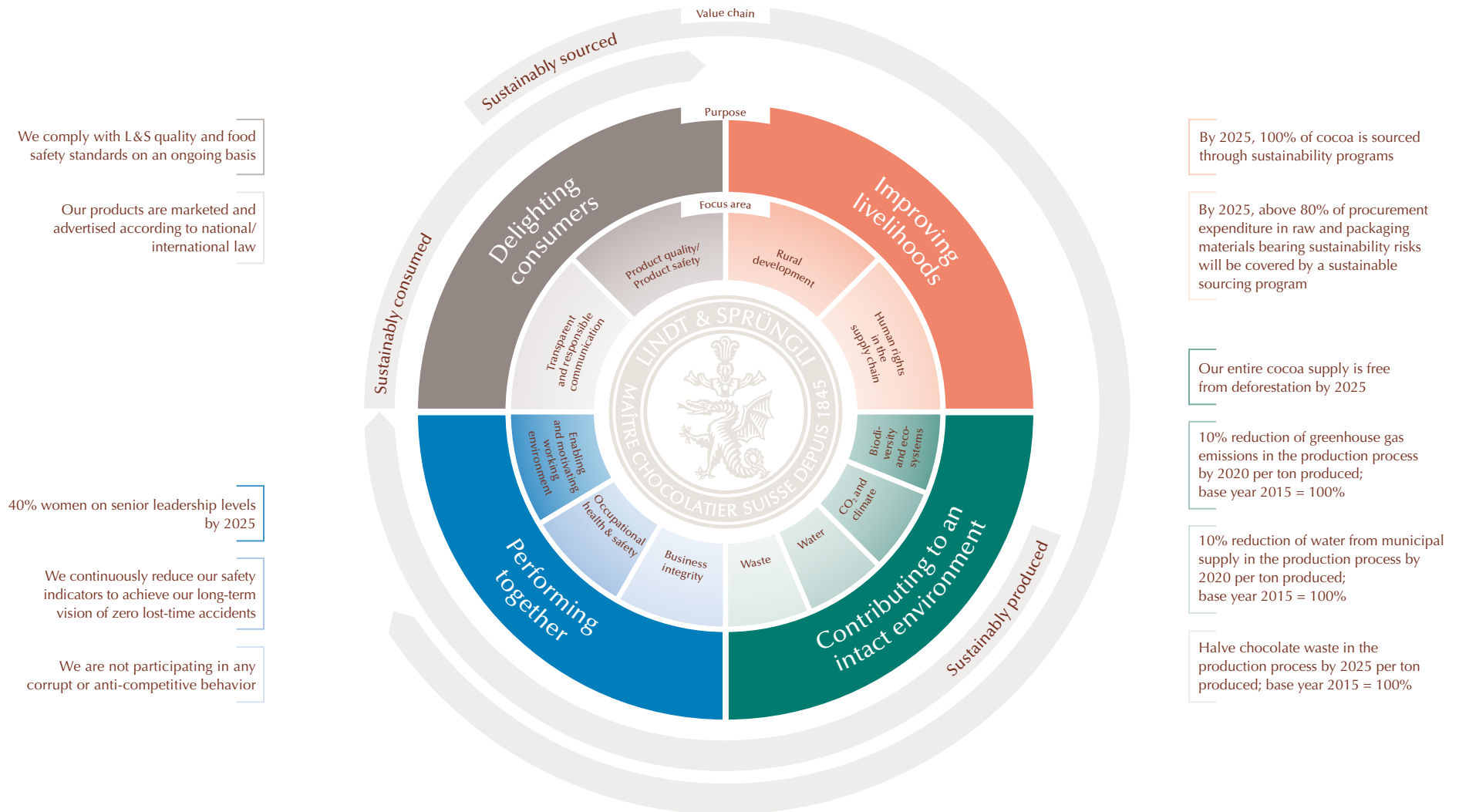
With the Lindt & Sprüngli Sustainability Plan, we are intensifying our commitment to a more sustainable future and would like to generate long-term values together with our partners. It’s our purpose to perform together as a company to improve livelihoods in our value chain, to contribute to an intact environment, and delight our consumers.

We have organized the four purposes into eleven focus areas and defined a clear target for each. New aspects of our strategy include chocolate waste, diversity at a management

level, combating deforestation, sustainability for packaging material and new raw materials. At the same time, our sustainability commitment remains focused on the entire value chain – from the origin of the high-quality raw materials to the enjoyment of the finished product. From a business perspective, this approach will not only reduce operational risks, save on costs, and increase employee engagement, but it will ultimately also guarantee long-term sources of high-quality key raw materials and consolidate financial sustainability.

With our new sustainability strategy, we are setting a solid course for the coming years. The strategy was approved at the end of 2018, and we will be using 2019 to launch its implementation with the goal that the 2019 Sustainability Report will provide details of our goals, indicators, and initial successes.

Overview of our Lindt & Sprüngli Sustainability Plan along the value chain with our purposes, focus areas, and main commitments



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 promoting 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.

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, Procurement, and Corporate Communications) with implementing sustainability goals. The Sustainability Executive Team meets every two to three months and is also responsible for Lindt & Sprüngli subsidiaries. It ensures implementation 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 manufacturing subsidiary appoints a person responsible for health and safety management and for environmental management.

Corruption and anti-competitive behavior

We are committed to the principle of free competition and scrupulously comply with all applicable domestic and international antitrust and competition laws. We condemn any form of bribery and corruption. Our ►*Credo*, our ►*Business Code of Conduct* and our ►*Supplier Code of Conduct* clearly

set out our core values and expectations for our employees and suppliers and commits them to compliance. In 2018, we also carried out training on competition law for all employees of our subsidiaries. In 2018, we carried out training sessions for the employees of our subsidiaries on the topic of competition law.

Lindt & Sprüngli sustainability governance



About this report

This Sustainability Report is Lindt & Sprüngli's ninth 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, 2018, to December 31, 2018. Unless otherwise stated, all facts and figures are correct as of December 31, 2018, and relate to the Lindt, Ghirardelli, Russell Stover, Whitman's, Pangburn's, Caffarel, 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 Sustainability 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

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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 legibility the masculine form was used in the text, but the information refers nevertheless to members of all genders.

The ten principles of the UN Global Compact	Relevant company guidelines	Report reference
1. Companies should support and respect the protection of internationally proclaimed human rights.	Credo The Lindt & Sprüngli Promise Business Code of Conduct	pp. 6–9, 11–26, 29, 31, 43
2. Companies should make sure that they are not complicit in human rights abuses.	Health & Safety Policy Supplier Code of Conduct	
3. Companies should uphold the freedom of association and recognition of the right to collective bargaining.	Credo The Lindt & Sprüngli Promise Business Code of Conduct	pp. 6–9, 11–26, 29, 31–32
4. Companies should work toward the elimination of all forms of forced and compulsory labor.	Health & Safety Policy Supplier Code of Conduct	
5. Companies should work toward the effective abolition of child labor.		
6. Companies should work toward the elimination of discrimination in respect to employment and occupation.		
7. Companies should support a precautionary approach to environmental challenges.	Credo The Lindt & Sprüngli Promise Environmental Policy	pp. 11–26, 33–35, 40
8. Companies should undertake initiatives to promote greater environmental responsibility.	Supplier Code of Conduct	
9. Companies should encourage the development and diffusion of environmentally friendly technologies.		
10. Companies should work against corruption in all its forms, including extortion and bribery.	Business Code of Conduct Supplier Code of Conduct	p. 43
Global Compact Food and Agriculture Business Principles (FAB)		Report reference
The company pursues food safety, health, and nutrition.		pp. 11–26
The company is environmentally responsible.		pp. 11–26
The company ensures economic viability and shares value.		pp. 11–26
The company respects human rights, creates decent work, and helps communities to thrive.		pp. 11–26
The company encourages good governance and accountability.		pp. 6–9, 43
The company promotes access to and the transfer of knowledge, skills, and technologies.		pp. 11–26

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UN GLOBAL COMPACT

COMMUNICATION ON
PROGRESS

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.