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

As a global leader in the premium chocolate sector, Lindt & Sprüngli looks back on a long-standing tradition of 170 years which takes its origins in Zurich, Switzerland. Today, quality chocolate products by Lindt & Sprüngli are made at 12 own production sites in Europe and the USA. They are distributed by 24 subsidiary companies and branch offices, in more than 350 own stores, and also via a comprehensive network of more than 100 independent distributors around the globe. With over 13,000 employees, the Lindt & Sprüngli Group reported sales worth CHF 3.9 billion in 2016.
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Key Achievements 2016

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

Sustainably Sourced

56,941
Cocoa farmers participating in our Lindt & Sprüngli Farming Programs in Ghana, Ecuador, and Madagascar.

97%
Cocoa beans sourced in 2016 were traceable.

57%
Cocoa beans sourced in 2016 were traceable and verified.

Sustainably Produced

−20%
CO₂ emissions per ton produced since 2008 excl. Russell Stover.

−50%
Water consumption per ton produced since 2008 excl. Russell Stover.

−16%
Energy consumption per ton produced since 2008 excl. Russell Stover.

Sustainably Consumed

115,000
Consumer contacts recorded and handled.

3.9 billion CHF
Group sales in 2016 (+ 6.8 % growth).

−89%
Lost-time accidents rate per 100,000 working hours since 2008 excl. Russell Stover.
INTERVIEW WITH THE CEO

Driving sustainability along the value chain is an investment in our future viability.

What does sustainability mean to Lindt & Sprüngli?
Sustainability is an integral part of our business model and is integrated into our global business framework. Our goal is to actively foster sustainable development and increase our positive impacts in all relevant areas. We structure our sustainability topics into the three major areas sourced, produced, and consumed. Within this structure, we implement the ten principles of the United Nations Global Compact, an initiative that Lindt & Sprüngli continues to be committed to.

Why is sustainable business important for you?
I see sustainability as key asset for our future growth. Sustainable behavior of our company, our management and our employees sets the base for our long-term success. Such an approach has to involve all our stakeholders and is indispensable in order to satisfy our consumers’ demand for high-quality chocolate sourced and produced with high ethical and environmental standards.

Sustainability and profitability – does that really work?
It all depends on the time perspective. With our history of 170 years, we think long-term. We clearly want to continue growing sales and increasing profits over the next 170 years and longer. In the long run, the impact of sustainability initiatives on business results yields in most cases a good return. Examples are our efforts to reduce energy consumption, carbon dioxide emissions, water consumption, and waste. In some areas, calculating an expected return is not that simple. Sustainable cocoa, for instance, comes at high costs which cannot be passed on to the consumers. Nevertheless, our investments in this field strengthen our brand, and consumers recognize our efforts to offer chocolate produced with ethically sourced raw materials.

What does Lindt & Sprüngli focus on and what are your goals as the new CEO in this area?
We focus on sustainability issues that are important for our business and our stakeholders – the so-called “material issues” as defined in our sustainability strategy. Within those “material issues”, raw-material sustainability – specifically cocoa – is the most important. I have personally been the driver behind sustainable cocoa sourcing for more than ten years at Lindt & Sprüngli. It is therefore consequental that also as CEO, my focus and dedication continues to be on this area. Further, we will increase the level and quality of communication to consumers about our achievements in sustainability in general, and in cocoa sourcing specifically.

What were the key achievements in 2016 with regards to the Lindt & Sprüngli sustainability strategy in sourcing?
I am very proud that we achieved our goal of having our entire cocoa bean supply chain from Ghana not only traceable, but also externally verified. The Lindt & Sprüngli Farming Program Ghana started in 2008. It is satisfying to see the positive results of our long-term vision to consistently working on best solutions together with our implementation partner on the ground. With more than 50,000 farmers participating, the Lindt & Sprüngli...
Farming Program is probably the largest sustainable cocoa program in Ghana – even though we are sometimes criticized for not joining any of the known certification schemes or labels in the past. When I see the motivation and increased ownership of the farmers in our program and the progress in yield, I am more convinced than ever, that we are on the right track with our Lindt & Sprüngli Farming Program to improve the livelihood of farmers and families.

Overall, we were able to almost double the volume of cocoa beans sourced from our Lindt & Sprüngli Farming Program from Ghana, Ecuador, and Madagascar.

Another achievement in the area of sourcing was that we managed to source palm oil as RSPO certified segregated for all Lindt, Caffarel, Hofbauer and Küfferle products.

Where could Lindt & Sprüngli have made more progress in 2016 in the area of sourcing?

There are always areas we could do more, and as a rather impatient person, I often think, things should go faster. But at the same time I am aware that we need a long breath in the area of raw-material sourcing. A specific area needing more investment in time and funds in the future is traceable & verified cocoa butter. Due to our high quality specifications for cocoa butter and the lack of buyers of sustainable cocoa powder, establishing a traceable supply chain becomes a highly complex and expensive endeavor not only Lindt & Sprüngli but also our competitors are challenged with. It took us several years to develop innovative solutions together with our suppliers. I am happy we could initiate three major pilot projects for 2017 with different partners, allowing us to track results to decide whether and how to scale up in the next years.

What are the long-term sustainability challenges of Lindt & Sprüngli?

A major long-term challenge is climate change, impacting our globe in all aspects of life and specifically the producers of our agricultural raw materials, irrespective of the country of origin of the products. In this respect, our trainings in the Lindt & Sprüngli Farming Program include this topic and foster farmers’ abilities to cope with effects of climate change on their farms. Examples include soil fertility management training, the distribution of shade trees or alternative income generation activities.

Tackling climate change at a broader scope – for example in form of an internalization of CO₂ emissions along the value chain – is a highly challenging task. The issue is that contrary to other investments, such extensive emission reduction is very costly but has no mid-/long-term tangible benefit. Lindt & Sprüngli therefore needs to make sure to have the consumers on board, willing to be part of the transformation towards sustainable development, contributing to costs.

How is sustainability communicated?

As premium chocolate maker, sustainability is something self-evident and expected by our consumers. Our approach was so far to only communicate our achievements and not generally about sustainability. In order to make sure our consumers understand our approach and are willing to support that, we have started to continuously increase the communication, especially on cocoa sustainability. Since we have chosen to develop our own Lindt & Sprüngli Farming Program, and not using a certification label scheme, more detailed explanation is required. We will continue to make additional efforts in this area, without losing our farmer-centered approach.

How do you push sustainability forward? What do you want to reach in the coming years?

Farming Program activities, water, energy and carbon dioxide emission reduction programs, quality control initiatives along the whole supply chain, etc. will continue to be in our focus and will be further developed. Being able to look at the whole supply chain – from selecting the bean to the finished product – will be a big advantage to set the right priorities.

I will continue specifically to reach our 2020 ambition where we aim for a fully traceable and verified cocoa supply chain.

In line with our continuous improvement approach, I generally want to motivate all employees to incorporate sustainability into their daily business. Many little steps into the same direction have the power to ultimately change things to the better.

Dr Dieter Weisskopf
Group CEO
SUSTAINABILITY APPROACH

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

The Lindt & Sprüngli Promise is the company’s pledge that all products leaving the factories live up to the commitment to sustainable behavior along the value chain.

Lindt & Sprüngli is committed to manage sustainability impacts emerging from its operations along the entire value chain. We follow a continuous progress approach, where we want to improve our performance step by step. With this in mind, we continuously strive to advance our contribution to a sustainable future, with a focus on the most material issues along the value chain. Progress along a set of key performance indicators is continuously monitored.

In our materiality analysis we identified 28 most relevant issues along the Lindt & Sprüngli value chain – sourcing, production, and consumption. Lindt & Sprüngli continuously increases its efforts and activities with a focus on these material issues.

SOURCES

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

PRODUCED

Lindt & Sprüngli premium products require high-quality raw and packaging materials, dedicated employees and respect for the environment. Therefore, we strive not only as an employer but also as a member of society for ecologically, ethically, and socially responsible corporate behavior.

CONSUMED

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

PILLARS OF OUR BUSINESS MODEL

One of our main pillars of the business model is sustainability. Our vision is not just to make the finest products; it is to match our high quality standards with equally high ethical and sustainability standards in every aspect of our business. Therefore, it is our promise that all products leaving our factories live up to our commitment to sustainable behavior along the value chain.

The significance Lindt & Sprüngli attaches to responsible behavior is reflected in different policies and our sustainability strategy, which define the way Lindt & Sprüngli is doing business.
**TAKING INTO ACCOUNT STAKEHOLDERS’ CONCERNS AND INTERESTS**

We want our sustainability approach to be relevant and credible. Lindt & Sprüngli is committed to providing the different stakeholders with a transparent and detailed overview of the company. Our stakeholders shall have full confidence that their interests are considered.

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

Our sustainability strategy is based on the material issues and includes commitments and strategic goals, main activities, indicators for progress measurement, and clear responsibilities for each issue. This Sustainability Report provides an overview of our measures and achievements in 2016 with regards to most of our goals and commitments.

## SUSTAINABLY SOURCED

<table>
<thead>
<tr>
<th>Material issues</th>
<th>Our commitments and strategic goals</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured supply of raw materials</td>
<td>We develop and maintain long-term contractual relationships with suppliers for all critical raw materials to secure long-term supply of high quality.</td>
<td>pp. 12–18</td>
</tr>
<tr>
<td>Farmer education and capacity building</td>
<td>Farmers delivering to us are capable of applying good agricultural, social, environmental, and business practices in the management of their farm.</td>
<td>pp. 12–18</td>
</tr>
<tr>
<td>Agricultural development</td>
<td>Our supply of raw materials fosters agricultural development in origin countries.</td>
<td>pp. 12–18</td>
</tr>
<tr>
<td>Biodiversity and soil fertility</td>
<td>The cultivation of the raw materials we source does not harm long-term suitability of land for agricultural use.</td>
<td>pp. 12–18</td>
</tr>
<tr>
<td>Investments in rural infrastructure</td>
<td>We know about specific rural infrastructure needs in origins of our raw materials, and link/enable the target groups to get/develop access to rural infrastructure.</td>
<td>pp. 12–18</td>
</tr>
<tr>
<td>Diversity of cocoa varieties</td>
<td>We contribute to the diversity of cocoa varieties.</td>
<td>p. 17</td>
</tr>
<tr>
<td>Core labor standards</td>
<td>Core labor standards are respected within our supply chain.</td>
<td>pp. 11–21</td>
</tr>
<tr>
<td>Climate change and greenhouse gas emissions</td>
<td>We reduce the carbon footprint in our supply chain.</td>
<td>pp. 11–21</td>
</tr>
</tbody>
</table>

## SUSTAINABLY PRODUCED

<table>
<thead>
<tr>
<th>Material issues</th>
<th>Our commitments and strategic goals</th>
<th>Read more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change and greenhouse gas emissions</td>
<td>We reduce our CO₂ emissions by reducing energy use, increasing our share of renewable energy use, and optimizing transportation and logistics.</td>
<td>pp. 23–24, 31</td>
</tr>
<tr>
<td>Water and wastewater</td>
<td>We reduce fresh-water use and wastewater within our operations.</td>
<td>pp. 24, 31</td>
</tr>
<tr>
<td>Environmental impact of packaging material</td>
<td>We reduce packaging size and use where possible recyclable materials, while maintaining a balance between gift-giving premium character of packaging and quality aspects of product protection.</td>
<td></td>
</tr>
<tr>
<td>Waste and recycling</td>
<td>We reduce waste and increase the recycling rate of waste within our operations.</td>
<td>pp. 24–25</td>
</tr>
<tr>
<td>Work culture</td>
<td>We maintain an open work culture where respect, trust, and fair play characterize our working relationships.</td>
<td>p. 25</td>
</tr>
<tr>
<td></td>
<td>We foster teamwork and facilitate communication and understanding across all disciplines, business segments, and geographies to create a company of people who support each other for mutual success.</td>
<td>p. 25</td>
</tr>
<tr>
<td></td>
<td>We encourage, recognize, and reward individual innovation, personal initiative, and leadership of people throughout the organization.</td>
<td>p. 25</td>
</tr>
</tbody>
</table>
## SUSTAINABILITY APPROACH

### Employee satisfaction and retention
We offer an attractive working environment and maintain or increase employee engagement, satisfaction, and employee retention.

### Employee development and training
We ensure that all key positions are staffed with qualified and motivated employees and that talented employees are developed internally to fill these positions.

### Work-life balance
We support our employees in finding and maintaining a healthy work-life balance. We therefore strive to find the right balance between working on efficiency/productivity and offering the employees support to cope with the increasing work requirements. At the same time we give employees increasing empowerment to coordinate their private life and work in their preferred way wherever possible.

### Occupational health and safety
We offer a healthy and safe working place. Our vision is zero lost-time accidents.

### Social security and compensation
Our compensation, remuneration, benefits, or social security schemes meet or exceed law requirements.

### Diversity and equal opportunity
We offer equal opportunities and foster diversity in employment, development, and advancement for those qualified. We are not discriminating in hiring and employment 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 applicable law.

### Local development
We foster local development around our production, marketing, and distribution sites.

### Corruption and anti-competitive behavior
We are not participating in any corrupt or anti-competitive behavior.

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

### Product quality
We adhere to superior measures to ensure product quality.

### Product safety
We adhere to superior measures to ensure product safety.

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

### Genetically modified organisms (GMO)
Lindt, Caffarel, Kufferle, Hofbauer branded products are non GM.

### Product information and labeling
We apply high standards to consumer information. We apply correct labeling on our products.

### Marketing and advertising practices
Children are not our main target group in marketing and advertising practices.
SUSTAINABLY SOURCED

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

In 2016, we mainly worked on progress in the following areas:

— We revised the *Lindt & Sprüngli Supplier Code of Conduct* and started with the implementation of the revised version. The revision strengthened environmental topics and introduced the request for a due diligence process. The latter requires our suppliers to take responsibility for their own suppliers, subcontractors, and agents and/or farms by identifying potential breaches to the Code, thus cascading responsible production practices down the supply chain.

— We worked on the improvement of existing and the...
development of new programs for sustainable cocoa sourcing. Our cocoa bean supply chain in Ghana is now not only traceable, but also fully verified. The Lindt & Sprüngli Farming Program for fine-flavor cocoa beans in Ecuador has been scaled up and a new Program was established for fine-flavor cocoa beans in Madagascar. Further, we launched Programs for the sourcing of sustainable cocoa butter.

In 2016, Lindt & Sprüngli integrated more key suppliers in the Supplier Sustainable Practice Program. The Program currently covers more than 90% of our purchasing expenditure in decorative packaging which is mainly sourced from Asian-based suppliers.

LINDT & SPRÜNGLI FARMING PROGRAM
For our key raw materials, we have committed to develop and maintain long-term relationships with our suppliers. The cornerstone of Lindt & Sprüngli’s sustainable raw-material sourcing strategy is the Lindt & Sprüngli Farming Program. The Program’s aim is to trace ingredients back to their origin and support farmers according to their specific needs. We capacitate and support the farmers to apply good agricultural, social, environmental, and business practices in the management of their farms. These measures have a positive impact on the agricultural development in origin countries. They help to safeguard the long-term suitability of land for agricultural use and foster access to rural infrastructure.

We are following the ultimate goal of growing as a company along with the farmers in our chocolate-manufacturing supply chain by building long-term partnerships. The Program is farmer-centered, aiming at Lindt & Sprüngli being the preferred buyer for the farmers. Currently, the Program focuses on cocoa beans from Ghana, Ecuador, and Madagascar, as well as cocoa butter. Any other engagement for sustainable raw material sourcing is either based on the framework of the Lindt & Sprüngli Farming Program (e.g. Hazelnuts from Turkey > see p. 17), or global certification schemes (e.g. RSPO for Palm Oil > see p. 18). We continuously evaluate opportunities for implementing Farming Programs for other origins and ingredients.

The Lindt & Sprüngli Farming Program consists of four steps:
Step 1: Traceability and farmer organization
- Register and organize farmers
- Gather baseline data about farms, farmers, and communities to assess their needs
- Establish traceability systems up to our factory doors

Step 2: Training and knowledge transfer
- Train farmers in professional business, agricultural, social, and ecological farming practices
- Improve farmer’s harvest and consequently their income
- Train local field staff that implements the Program on the ground

Step 3: Farmer investments and community development
- Support farmers, e.g.
  - Provide access to cocoa seedlings and farming equipment
- Support communities, e.g.
  - Provide access to clean drinking water, school refurbishment

Step 4: Verification and continuous progress
- Monitor performance and measure continuous progress
- Perform assessments by independent external organizations
- Implement corrective actions and recommendations
- Assure effectiveness of the Program

In line with our Verification Guidance Document, the last step does not only include internal performance monitoring visits to all farmers participating in the Program, but also a yearly third-party verification assessment of the entire Program. For this purpose, Lindt & Sprüngli collaborates with The Forest Trust (TFT) as external assessment partner since 2015. In 2016, we became an official member of TFT. At least once a year, TFT visits and evaluates the Lindt & Sprüngli Farming Programs for cocoa beans in Ghana, Ecuador, and Madagascar and communicates our progress on TFT’s Transparency Hub platform.

Lindt & Sprüngli highly values the work of TFT as an alternative to certification/compliance audits. TFT’s recommendations are meaningful, useful, smart, and holistic and aim at a continuous progress approach. We are convinced that this partnership truly enables us to transform our cocoa bean supply chain to foster sustainable development.

COCOA
We work towards a fully traceable and verified cocoa supply chain by 2020.

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

To obtain high-quality cocoa beans, Lindt & Sprüngli needs to know where they come from and who produces them. Cocoa is often grown in countries with difficult living and working conditions. Small cultivation areas, low productivity, a lack of rural infrastructure, institutional and governmental challenges, as well as high input and trans-
portation costs challenge the incomes of cocoa farming households. To tackle these challenges, Lindt & Sprüngli, together with the company’s supply chain partners, implements the \[Lindt & Sprüngli Farming Program\].

Our continuous work on an organized and traceable cocoa bean supply chain in Ghana has proven to be a good basis for verifying the cocoa bean supply within a reasonable timeframe. We are proud to have achieved our goal to have our entire cocoa bean supply chain in Ghana not only traceable, but also fully verified by the start of the 2016/2017 cocoa season. Together with the scaling up of the Farming Program in Ecuador, we were able to increase the share of traceable and externally verified cocoa beans by 25 pp to a total share of 57% of cocoa beans sourced. We invested more than USD 14 million in the traceability and verification of the cocoa supply chain, the support of farmers, their livelihood, and communities since 2008.

**Lindt & Sprüngli Farming Program in Ghana**

In 2008, we started the Lindt & Sprüngli Farming Program in Ghana, with a focus on traceability and community development. Over the years, the Program evolved substantially. Now all farmers from Ghana delivering their cocoa are fully covered by all four steps of the Farming Program. Our continuous work on an organized and traceable cocoa supply chain has proven to be a good basis for verifying the cocoa bean supply within a reasonable timeframe. We are proud to have achieved our goal to have our entire cocoa bean supply chain in Ghana not only traceable, but also fully verified by the start of the 2016/2017 cocoa season. Together with the scaling up of the Farming Program in Ecuador, we were able to increase the share of traceable and externally verified cocoa beans by 25 pp to a total share of 57% of cocoa beans sourced. We invested more than USD 14 million in the traceability and verification of the cocoa supply chain, the support of farmers, their livelihood, and communities since 2008.

**Traceability and verification of all cocoa beans**

<table>
<thead>
<tr>
<th>Year</th>
<th>% of cocoa beans sourced traceable*</th>
<th>% of cocoa beans sourced traceable and verified</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>75</td>
<td>0</td>
</tr>
<tr>
<td>2013</td>
<td>82</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>91</td>
<td>13</td>
</tr>
<tr>
<td>2015</td>
<td>89</td>
<td>32</td>
</tr>
<tr>
<td>2016</td>
<td>97</td>
<td>57</td>
</tr>
</tbody>
</table>

* For 2016 deliveries, Ghana and partly Ecuador and Madagascar were the origins with the Lindt & Sprüngli traceability system in place. Cocoa beans from other origins relate to certificates of origin that confirm where the cocoa beans originate from. However, these cocoa beans do not have a Lindt & Sprüngli traceability system in place.

In 2016, the major projects and achievements along the four steps of the Program were:

**Step 1: Traceability and farmer organization**

In 2016, additional farmers joined the Program to keep up with our increasing demand for cocoa beans. 52,757 farmers from 43 districts (cocoa regions) are now registered in the Program, and organized in a total of 1,421 farmer groups (one per village/society). In order to foster an increased collaboration among farmer groups and enable them to jointly get access to products and services, farmer groups have been assorted in loose associations.

The traceability system has been enriched with a more detailed tool, enabling us to track delivery volumes back to the farmer and not only to the farmer group. Also, farmers have received so-called “Farmer Pass Books”, which allow them to keep track of their volume sold.

**Step 2: Training and knowledge transfer**

All farmers in the Program were trained on good agricultural, social, and environmental practices along the \[Certification Capacity Enhancement Curriculum\] – a uniform training curriculum developed by the private sector, standard initiatives, and development organizations. The training contents, topics, and methods are constantly improved to keep the interest of the farmers in the trainings and quality of the trainings high. Novelties and achievements in 2016 included:

— 207 local farmer trainers have been newly employed, replacing the lead farmers that were giving the trainings beforehand. The farmer trainers – which we also call “Champion Farmers” – are well trained, and receive a bike in order to easily travel between the villages they are responsible for. The farmer trainers also assess the farmers’ adoption of good agricultural practices and provide individual coaching for the cocoa farmers.

— The participatory training approach on integrated soil fertility management was scaled up. 73 demonstration sites are established, and used as best practice examples where farmers learn about soil sampling, as well as the different ways of soil management. 5,122 soil analyses have been completed, and soil community action plans now already cover 739 farmer groups.

— Regarding child labor we continued community sensitization and awareness-raising activities (\[see text box on Action Plan against Child Labor in Ghana\]).

— In collaboration with GIZ, the federally owned German International Cooperation, the Farmer Business School curriculum was introduced (\[see text box on Farmer Business Schools in collaboration with GIZ\]).

In line with our strategy of continuous improvement, we will continue to review and improve the promotion of knowledge and skills for farmers and field staff involved in the Program.
Farmer Business Schools in collaboration with GIZ

Our Lindt & Sprüngli Farming Program implementation partner in Ghana partnered with GIZ—Sustainable Smallholder Agri-Business Program / Cocoa-Food Link Program* to improve the income of cocoa smallholders and to lower their dependency from income from cocoa production in a sustainable way. As a first step within this collaboration, Program field staff was trained at Bunso Cocoa College – on Farmer Business School and alternative livelihoods for cocoa farmers to diversify their income (train-the-trainer). This enabled the field staff to transfer knowledge to farmers in trainings. So far, 4,704 farmers (32% women) participating in our Program completed the one-week training course, where they learned how to calculate costs, sales, or return on investments, the benefits of professional organization and how to access financial services. Farmers were also trained on how to improve their family’s nutrition as well as how to take decisions on the diversification of their production, including additional income generation activities (most important during lean cocoa season). Many participants already started establishing additional activities, such as snail rearing, corn, cassava, cocoyam, or chili farming. Another positive outcome of the Farmer Business School training is that some farmer groups took the initiative to form saving and loan groups. We will closely follow this development and offer support to make sure these groups develop successfully.

Step 3: Farmer investments and community development
To give the farmers better access to necessary products and services for their farms, we continued and improved the following activities in 2016:

— We started the piloting phase of the inclusive business model for community-based farm shops. These farm shops do not only offer products and services for cocoa farms, but also other types of agricultural activities within the communities and household needs. Offering the products in the villages enables the farmers to save travel time and money. In 2016, 250 selected entrepreneurs were trained on basic business skills, marketing and entrepreneurship. Twenty of these were supported with an initial investment to operate ten pilot farm shops (two entrepreneurs per shop).

— In addition to the Ghanaian Governments’ free distribution of improved cocoa seedlings, 64 seedling nurseries were established and managed by the farmers in our Program during the cocoa season 2015/2016. 271,776 seedlings germinated (80% survival rate), and 244 hectares were replanted with new hybrid varieties of seedlings. In addition, 299,450 shade trees were distributed to encourage farmers to maintain the recommended shade levels on their farms. As the plantain sucker sites established in the previous year continue to enjoy great popularity amongst the farmers, this Program element was continued. Currently, 297 plantain sucker propagation sites are established and managed by the farmers in our Program during the cocoa season 2015/2016.

— As part of the in-kind farmer incentive, farmers received (depending on the volume delivered) necessary farming equipment such as Wellington boots, cutlasses and overalls.

— The input-on-credit program continued to be offered to the farmers. The number of farmers using this service doubled compared to last year to over 6,000 farmers.

* The Sustainable Smallholder Agri-Business Program (SSAB) is commissioned by the Federal Ministry of Economic Cooperation and Development of Germany (BMZ). The European Union co-finances the Cocoa-Food Link Program (CFLP), an action plan of the intra-ACP New Commodities Program since end 2014 in Nigeria, Cameroon, Ghana, Côte d’Ivoire, and Togo. CFLP is implemented through SSAB. Federal Ministry of Agriculture and Rural Development (FMARD) Nigeria equally co-finances SSAB program. SSAB and CFLP are implemented by the federally owned German International Cooperation (GIZ). The objective is to help 364,000 West and Central African smallholders mainly in cocoa production zones of Nigeria, Cameroon, Côte d’Ivoire, Ghana, and Togo to increase sustainably their income and food supply from diversified production.

With a 97 % recovery rate, we consider this model as successful, and will continue to place the needs and requirements of farmers at the center.

— To further improve the livelihoods of the farmers, the Program started working on income diversification (▶ see text box on Farmer Business Schools in collaboration with GIZ).

In terms of community development, the Program continued to heavily focus on access to clean drinking water as the essential base for a healthy life. An additional 14 boreholes were constructed during the cocoa season 2015/2016, which brings us to a total of 151 boreholes and wells constructed over the years. Yet, still not all communities have access to clean drinking water, which is why we will continue to work on this goal.

While we have to acknowledge that the Program will never be able to fund all community needs, we are looking into additional investments in the refurbishment of primary schools, since the lack of adequate teaching facilities is one of the main risks for child labor. Further, we hope that the saving and loan groups, as well as the additional income generating activities of the farmer groups offer opportunities to motivate the farming communities to foster investments themselves.

Step 4: Verification and continuous progress
The new questionnaires, developed in 2015 together with COSA, Committee on Sustainability Assessments for internal performance monitoring, were implemented and rolled out to all farmers in our Program. We will analyze the results properly, make adjustments where necessary, and use the results for the continuous improvement of our Program.

The Forest Trust conducted the External Verification Assessment. The recommendations for improvement from last year’s assessment were taken into account, and help us to constantly evolve and innovate further.
Lindt & Sprüngli Farming Program in Ecuador
In 2014 we expanded our Lindt & Sprüngli Farming Program to Ecuador – our most important fine-flavor cocoa origin – and scaled it up since 2015. The overall aim is to develop a traceable cocoa supply chain with a stable basis of fine-flavor cocoa farmers. In 2016, our major projects and achievements along the four steps of the Program were:

Step 1: Traceability and farmer organization
The interest to join the relatively new Program is increasing. The Program now includes a total of 3,486 farmers. The traceability system enables us to know how much each farmer contributed to the cocoa bean deliveries. The data gathered about the farmers, their farms, and their communities was expanded, and now gives us a good sense of the current state of the farms, the farmers’ situation and needs.

Step 2: Training and knowledge transfer
Additional efforts made on strengthening the farmers groups bore fruit, which enabled us to offer more group-based trainings instead of individual coaching. Trainings are offered in classroom sessions, field days and – still necessary – individual coaching on good agricultural, social, environmental, and business practices is provided. For farmers that are not able to join the trainings, we offer shorter “refresher trainings”.

The farmers particularly enjoy the practical trainings on demonstration farms, whereby they access expert knowledge, for example on farm rehabilitation, including grafting, or composting. In the trainings we put special emphasis on the importance and future of fine-flavor cocoa, as well as the consistent separation of fine-flavor and non-fine-flavor cocoa. Farmers also appreciate business trainings, where they learn how to track costs, revenues, and profits.

Step 3: Farmer investments and community development
Many fine-flavor cocoa trees in Ecuador are very old (40–50 years), and new investments usually go into non-fine-flavor cocoa trees (CCN-51), which are then more professionally managed, and as a consequence, yield more. To ensure the future availability of fine-flavor cocoa, we need to motivate farmers to professionalize their farms with fine-flavor cocoa. We do this by supporting research in improving the yield and disease resistance of fine-flavor cocoa trees (> see chapter Cocoa Diversity), and by offering a comprehensive support package for the farmers in our Program. This does not only include the trainings on farm rehabilitation and good agricultural practices, but also:

- Distributing high-yielding and disease resistant fine-flavor cocoa seedlings from the Ecuadorian National Institute for Agricultural Research (INIA) or INIAP-certified nurseries to farmers;
- Teaching farmer groups on how to establish their own nurseries and provide them with the necessary construction material; and
- Following up on the development of newly planted trees and giving advice to farmers. This is crucial to maintain a high survival rate of the trees.

In order to receive new seedlings, farmers need to prepare at least one hectare of land to be planted with the new seedlings. So far, 78 hectares have been prepared, with an estimate of more than 150,000 seedlings ready to be planted from December 2016–February 2017. As part of the in-kind farmer incentives, farmers and farmer groups received (depending on the volume delivered) necessary inputs and farming equipment such as chain saws for pruning.

Step 4: Verification and continuous progress
The internal monitoring system has been streamlined to gather more performance-oriented progress data. All farmers have been visited at least once during a monitoring process. This data, together with the recommendations from
the external assessments conducted by The Forest Trust, enables us to continually work on the improvement of the Program.

**Lindt & Sprüngli Farming Program in Madagascar**

Madagascar is the home to some of the finest cocoa beans and another important fine-flavor cocoa origin for Lindt & Sprüngli. In the Sambirano valley in the northwest of the country, we started with the establishment of a Lindt & Sprüngli Farming Program during the 2015/2016 cocoa season. Sustainable cocoa projects in Madagascar are very rare, and a lot of tools and the knowledge for the regional context were missing. We therefore developed many things for the Program from scratch. The Program contains the following activities:

**Step 1: Traceability and farmer organization**

A total of 698 farmers have been registered in the Program delivering their cocoa beans through our supply chain. The farmers are organized in groups around so-called “collecteurs” (small, community-based suppliers), and baseline data about the farmers and their farms have been gathered. We also established a traceability system that enables us to know how much each farmer contributed to each of the cocoa bean deliveries.

**Step 2: Training and knowledge transfer**

Training material was developed, taking into account the specific situation and context of the cocoa farmers in Madagascar. The modules include:

- Program introduction;
- Purchasing process and supply chain;
- Harvesting and bean quality;
- Fermentation and warehousing;
- Farm management;
- Good environmental practices;
- Nutrition security;
- Good social practices;
- Special workshops (e.g., gender and youth aspects) and
- Nursery management.

A training structure was established, and field staff employed to deliver the training on the ground. Moreover, a calendar with key messages from the training curriculum for each month was distributed to all farmers in the Program.

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

As this was the first year of the Program and needs of the farmers and their communities were not yet well known, an extensive needs assessment was conducted. Based thereon, farmer investments and community development activities started in the harvesting season 2016/2017. The focus is on access to clean drinking water and sanitation, cocoa seedling nurseries, as well as cocoa bean dryers. Important farming tools, such as cutlasses, boots, or baskets will be distributed as in-kind farming premiums (based on the volume delivered).
Diversity of cocoa varieties

We contribute to the diversity of cocoa varieties.

The company has a major interest in a rich variety of cocoa beans and high availability of fine-flavor beans. Lindt & Sprüngli therefore supports efforts to preserve the diversity of cocoa varieties in Latin America – the fine-flavor bean’s origin – and fosters the research and development of new productive and disease-resistant fine-flavor cocoa varieties.

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

We further renewed our partnership with the Cocoa Research Center of the University of the West Indies in Trinidad, which holds the largest cocoa collection in the world.

HAZELNUTS

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

Turkey’s Black Sea region produces up to 80% of the global hazelnut harvest. In Turkey, there have been issues such as child labor on hazelnut farms and poor working conditions of migrant workers.

Since 2014, Lindt & Sprüngli works with key hazelnut suppliers that have implemented sustainable hazelnut programs in Turkey. Comparable to the Farming Program framework, our suppliers established traceability first, trained farmers, supported them with specific measures for improvement, and monitored progress internally. In addition, farm visits by independent assessors verified that the knowledge gained in trainings was implemented and the required standards are met.

For the 2016 harvest, taking place in August/September, we further strengthened our hazelnut policy. The minimum share of whole hazelnuts that need to be sourced from Italy, Oregon (USA), or from a sustainable hazelnut program in Turkey was increased from 50% to 75%.

Also in 2017, Lindt & Sprüngli will continue to work with Turkish hazelnut suppliers to support them in extending and refining their programs.
Palm Oil

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

For our plain chocolate, we use only pure cocoa butter as vegetable fat. Only for some fillings, palm and palm kernel oil is used among other vegetable fats.

Our demand only accounts for around 0.005% of global palm oil/palm kernel harvest. We are committed to the procurement of sustainable palm oil according to the RSPO certification models.

As a member of the Roundtable on Sustainable Palm Oil (RSPO), already in 2011 we purchased exclusively crude palm oil as well as palm kernel oil according to the RSPO book and claim trading system. In 2015, we reached certification of all production plants according to the RSPO segregation model, except for Ghirardelli and Russell Stover. Ghirardelli has already switched some products to the segregation model and received an RSPO mass balance certification for the remaining. Russell Stover will start using RSPO mass balance palm kernel oil during 2017.

To summarize, from 2016, all Lindt, Caffarel, Hofbauer and Küfferle products, and part of Ghirardelli products contained the RSPO-certified sustainable palm oil physically in their fillings. Our efforts in this area have paid off and we score highest in the WWF’s Palm Oil Buyers Scorecard 2016.

Packaging Material

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

Packaging is a very important and sensitive part of the production chain at Lindt & Sprüngli. Apart from being appealing to the consumer and detailing the contents, packaging needs to fulfill its essential function of protecting the delicate chocolate. When sourcing our packaging materials, we often source from suppliers located close to our production sites in Switzerland, the EU, and the USA. This helps to avoid long transportation routes and high emission levels.

However, many of our more decorative seasonal and promotional packaging items, such as tin boxes or plush toys, are sourced from manufacturers in Asia, where we can access a highly specialized market for such products. To make sure that also our Asian suppliers comply with the Lindt & Sprüngli Supplier Code of Conduct regarding issues such as the prohibition of forced labor and child labor or the freedom of association, Lindt & Sprüngli monitors and improves responsible production practices through the Supplier Sustainable Practice Program (SSPP). This Program is based on a progress-oriented approach: Assessment and reassessment visits are combined with support engagements. During these, sustainability experts help the suppliers to improve identified non-compliances through on- and off-site support. Progress on the production practices is driven through close collaboration of our buyers with the suppliers and production sites.

Four Steps in the Lindt & Sprüngli Supplier Sustainable Practice Program

1. Sign Lindt & Sprüngli Supplier Code of Conduct
2. Conduct external on-site assessment
3. Develop corrective action plan
4. If necessary, supplier support

We focus on the development of our key suppliers. Sustainability performance information gathered during the on-site assessments is used as a baseline for improvement. The suppliers are rated through a methodology assessing compliance as well as transparency and engagement. Identified shortcomings as well as the supplier rating of each assessment are discussed among the Lindt & Sprüngli purchasers and the suppliers. When making purchasing decisions, we consider the suppliers’ sustainability performance. This process allows us to integrate the suppliers’ compliance into our packaging supply chain management, improving the performance of our supplier portfolio over time.

In 2016, Lindt & Sprüngli integrated more key suppliers in the Supplier Sustainable Practice Program. The Program currently covers more than 90% of our purchasing expen-
diture in decorative packaging. 18 initial supplier assessments were performed, and three suppliers were supported in the implementation of improvements, focusing primarily on health and safety management. All supported suppliers were able to implement significant progress on the identified non-compliances in areas such as documented procedures, first aid training, or emergency signalization.

In spite of our efforts and achievements in this area, there are still some challenges in Asia, such as health and safety requirements, the reduction of working hours, as well as the implementation of transparent management systems. One supplier relationship was terminated this year because the producers were not willing or able to fully remediate non-compliances identified.
MEET OUR EMPLOYEES

The following employees are part of more than 13,000 individuals at Lindt & Sprüngli, who make sure that all products leaving our factories live up to our commitment to sustainable behavior along our value chain.

MARTIN HUG
GROUP CFO, GROUP MANAGEMENT, LINDT & SPRÜNGLI INTERNATIONAL

Taking on responsibility for corporate sustainability after Dr Weisskopf became CEO has been a great honor for me. I look forward to working with our sustainability executive team to move this important business obligation forward. We will continue keeping our promise that the products leaving our factories live up to our commitment to sustainable behavior along the value chain. We will continue focusing on sustainable sourcing, production, and consumption as measures of our performance.

ELLEN SCHAUDRA
HEAD OF PURCHASING, LINDT & SPRÜNGLI SWITZERLAND

The purchasing team is responsible to source not only packaging and indirects, but first and foremost the various raw materials we need to produce our premium chocolate. Of course, this includes cocoa – but for example also cocoa butter, coconut oil and milk, of which we buy always in a high quality. Sustainability is consistently included into our purchasing decisions. That way we ensure the long-term supply of raw materials because suppliers recognize us as a responsible and reliable customer that looks beyond the rim of the teacup.

CHRISTOPHE TATHIEU
PURCHASING MANAGER, LINDT & SPRÜNGLI FRANCE

A company like Lindt & Sprüngli has a multitude of suppliers. It is not always easy to establish long-term relationships with all of them. But this is crucial to develop the supplier’s goods according to our standards. Over the past years, we have reduced the number of different suppliers and intensified the relationship with them. In the beginning, this was not easy. We had to decide which suppliers had the most potential. We choose our suppliers very carefully. After a field visit to Madagascar, I understood their needs and challenges better. Today, we have intensified our relationship with the farmers and look forward to improve the high quality of our raw materials even further.

LARS RUNDE
CORPORATE PROCUREMENT MANAGER, LINDT & SPRÜNGLI INTERNATIONAL

In 2016, the Board of Lindt & Sprüngli approved a revised version of the Supplier Code of Conduct. The revised version outlines even stronger our commitment to adhere to international standards throughout our entire supply chain. We have further strengthened our Supplier Sustainable Practive Program in order to support our suppliers in fulfilling the commitment.
On April 16, 2016, a strong earthquake hit Ecuador, killing and injuring many people and damaging infrastructure heavily. The disaster also affected almost 500 fine-flavor cocoa farmers participating in our Farming Program. The Lindt & Sprüngli subsidiaries Switzerland, Italy, USA, Ghirardelli and International, their employees, and the Lindt Cocoa Foundation quickly gathered a total amount of USD 110,000. Thanks to the traceable cocoa bean supply chain and our local implementation partner, we were able to deliver very targeted and direct support to cocoa farmers and their communities. One of the farmers in Flavio Alfaro noted: “This gift helps us to rebuild our lives. I am happy that the Program is not just helping us to grow our cocoa farms, but also cares about our personal lives.”

We are committed to addressing the threat that climate change poses to cocoa sustainability and to the many livelihoods that the sector involves. Therefore, Lindt & Sprüngli supports the World Cocoa Foundation’s four-year new collaboration program on climate change. The program is designed to support farmers in adapting to changing weather patterns. The program will work for instance on research and development of heat- and drought-tolerant planting material, improved farming practices, and new agroforestry models. Lindt & Sprüngli understands an investment in climate-smart cocoa as being critical to ensuring greater sustainability in the cocoa sector and to maintain cocoa supply.

Coconut oil is another vegetable fat used in certain fillings of our chocolate products. Since 2015, Lindt & Sprüngli Switzerland sources coconut oil exclusively from one supplier who established a sustainability program for coconut oil from the Solomon Islands, a country consisting of a large number of islands in Oceania. Regular on-site sustainability assessments track progress and identify potential for improvement, as for example the efficiency of the collection systems or price transparency. The program is expected to improve the living conditions of the smallholder farmers by increasing their productivity and income.
The most important assets in order to produce our premium chocolate products are our employees. Therefore, responsible behavior towards our employees, but also towards the environment, and the communities we live and work in is part of our corporate culture.

Apart from high-quality materials and state-of-the-art machines, Lindt & Sprüngli requires dedicated employees and respect for the environment. In terms of the environment, Lindt & Sprüngli is working continuously on reducing the use of valuable energy and water. Special attention is paid to the constant reduction of greenhouse gas emissions through local programs at production sites and by optimizing transport routes of ingredients and end products. For our employees, we want to ensure a safe work environment and that they are satisfied with their jobs. Global programs for health and safety, local programs for personal development as well as regular global employee surveys...
build the basis for continuous improvement. Our Group Policies define our global requirements, while the different subsidiaries are responsible for the implementation of environmental measures or employee activities.

In the areas of sustainable production, the following elements can be highlighted in 2016:
— We had a 14% reduction of the lost-time accidents figure. That means the severity of the accidents, due to the robust risks reduction process put in place, has significantly reduced. Our vision continues to have a zero lost-time accidents working space.
— Due to its success in the previous year, the leadership program International Lindt & Sprüngli Academy was held for the second time in 2016 with 25 talents participating. Focus of the program was the strengthening of their management, technical, and leadership skills.

**ENERGY USE AND GREENHOUSE GAS EMISSIONS**

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

Chocolate production requires energy at various production steps such as heating, cooling, and transport. These processes cause greenhouse gas emissions. Lindt & Sprüngli is committed to reduce energy consumption and greenhouse gas emissions per ton produced by an average of 2% over the coming years. In addition, we are committed to increase our share of renewable energy.

Since 2008, Lindt & Sprüngli’s production companies cut down energy consumption per ton produced by 16%, excluding Russell Stover. Due to the acquisition of Russell Stover, the consolidated energy intensity of Lindt & Sprüngli is now higher than it was in 2008, but decreased by 1.1% between 2015 and 2016. Greenhouse gases excluding Russell Stover decreased by 20% per ton produced since 2008. Again, the consolidated intensity is also higher with Russell Stover included and the reduction is also 1.1% compared to the previous year.

Regarding our energy and emissions targets, we achieved our 2% reduction target on average for the Lindt & Sprüngli production companies excluding Russell Stover. Looking at the development of the consolidated figures, we can only compare 2015 and 2016. The reductions were less than 2%, thus not yet declining at the rate we aim for. The production sites of Russell Stover still have a lot of potential for energy savings. We will intensify our efforts and we expect energy intensity to improve in the coming years so that we reach our target of a 2% average annual rate of reduction.

We have started to assess the environmental figures of Russell Stover in depth in 2016. Some areas for potential improvement have been identified already. For example very low temperatures within the warehouses and a specific cooking process of filling masses led to high energy demand. Also, we set up a new structure to measure the energy used. This enables us to target high energy consumption in a more focused way.

Besides the analysis, Russell Stover has already invested in different energy saving projects in 2016:
— New LED lighting in the Kansas City offices led to a saving of around 200 MWh/year.
— New evaporative condensers (cooling towers) for the refrigeration systems at four different locations. All of them are equipped with variable speed drives on the fans to reduce power usage and improve the efficiency of the cooling system.
— We installed three high-speed warehouse doors between conditioned and non-conditioned rooms in the 2008 = 100%

Our goal: – 2% average annual rate of reduction

<table>
<thead>
<tr>
<th>Year</th>
<th>Energy use per ton of chocolate produced (MWh)</th>
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<tbody>
<tr>
<td>2008</td>
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<td>2014</td>
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<td>2016</td>
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1 excluding Russell Stover
2 including Russell Stover, index adjusted to 2015 = 100%

Note: figures cover only Lindt & Sprüngli production companies.

Corsican pasta. This reduced cooling loss from the conditioned spaces. We also installed motion sensors on various lighting throughout the facility to automatically turn the lights off when the space is unoccupied.
— New air compressors with variable speed drive in the Abilene plant were also built-in.

Some of our plants use certifications to improve their approach to environmental management and energy efficiency. Both production sites in Italy, as well as the production site in France are certified according to ISO 14001 (environmental management), while Lindt & Sprüngli Germany is certified according to ISO 51001 (energy efficiency).

In 2016 we have also seen progress on our commitment to increase our share of renewable energy use. Concerning electricity, the share of renewable electricity used at our production companies rose from 38% in 2015 to 41% in 2016 excluding Russell Stover. Taking Russell Stover into account, the consolidated share of renewable electricity was 33% in 2016. Lindt & Sprüngli Germany and Caffarel
CO₂ emissions

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

Absolute CO₂ emissions in 1,000 tons

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<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2014</th>
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<td>61'</td>
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CO₂ emissions per ton of chocolate produced 2008 = 100%

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</table>

1 excluding Russell Stover
2 including Russell Stover, index adjusted to 2015 = 100%

Note: figures cover only Lindt & Sprüngli production companies.

WATER AND WASTEWATER

Our commitment is to reduce fresh-water use and wastewater within our operations.

We use water as a fluid for heat exchange throughout the process, for the washing of molds, hygienic requirements such as hand washing, and for sanitary facilities. Lindt & Sprüngli is committed to reduce the water consumption per ton produced by an average of 2% over the coming years.

In recent years, Lindt & Sprüngli production companies reduced their water consumption significantly. Since 2008, Lindt & Sprüngli’s production companies cut down water consumption by 50% per ton produced. We achieved this by eliminating open systems, installing closed-loop systems, and optimizing cold and hot water circuits. Lindt & Sprüngli continuously improves its environmental impact whenever we modernize parts of the operations. As a next step, we are currently analyzing water-saving potentials also at Russell Stover.

WASTE AND RECYCLING

Our commitment is to reduce waste and increase the recycling rate of waste within our operations.

The amount of waste is a measure for the efficiency of our processes. Lindt & Sprüngli is committed to reducing waste for environmental reasons, but also for economic reasons. Reusing, reducing, and recycling of materials saves purchasing and logistics costs. In addition, it is our responsibility to handle hazardous waste carefully.

There are various sources of waste at Lindt & Sprüngli. In addition to packaging materials, our production processes lead to chocolate waste. During the production of chocolate, temperature, and timing have to match perfectly at all times.

Since 2013, our companies work with the “Lindt & Sprüngli Production Way” (LPW). It is a process that promotes continuous improvement and operational excellence during the production. The LPW embraces all processes and functions in factories and involves employees from blue collars to management. It comprises different areas with the goal to identify and eliminate losses and to achieve sustainable results. The area that addressing waste is called “focused improvement”. Various measures have been carried out as part of addressing this topic in 2016.

Water consumption

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

Absolute water consumption in 1,000m³

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Water consumption per ton of chocolate produced 2008 = 100%

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1 excluding Russell Stover
2 including Russell Stover, index adjusted to 2015 = 100%

Note: figures cover only Lindt & Sprüngli production companies.
An example for such a measure is the “kaizen team” that was launched around chocolate waste reduction in the Kilchberg plant, Switzerland. It was composed of people from the R&D, production, and maintenance departments.

Their first priority was a tablet molding line. A step-by-step approach called “defects reduction route” aimed at reducing the chocolate waste to a minimum. First, an in-depth analysis was conducted. Secondly, the team prioritized actions to be put in place. The main action was to standardize the speed and temperature of components of the molding line and train the operators accordingly. Lastly, the team controlled the results: chocolate waste decreased significantly. It took them twelve weeks to complete the project without the need for additional investments.

**WORK CULTURE**

Our commitment: we maintain an open work culture where respect, trust, and fair play characterize our working relationships. We foster teamwork and facilitate communication and understanding across all disciplines, business segments, and geographies to create a company of people who support each other for mutual success. We encourage, recognize, and reward individual innovation, personal initiative, and leadership of people throughout the organization.

Our **CREDO** and **Business Code of Conduct** set the basis for our work culture of respect, trust, and fair play. Lindt & Sprüngli is committed to ensuring that all directors, officers, members of management, supervisors, and employees demonstrate a level of professionalism that reflects the company’s commitment to our core values anchored in the company’s Credo: premium quality, commitment and qualification, consumer and customer orientation, environmental and social responsibility and long-term profitability. The principles outlined in the Business Code of Conduct provide firm, uncompromising standards that all employees are expected to model in their dealings with colleagues, customers, suppliers, and the general community.

To ensure coherent application, the Credo and Business Code of Conduct are available on our intranet, distributed to employees by means of the local Employee Handbooks and explained at onboarding days for new employees.

Employee satisfaction and engagement is crucial to Lindt & Sprüngli’s long-term success. Lindt & Sprüngli secures its future viability by attracting and retaining the best employees. This in turn helps us to reduce costs from employee turnover.

**EMPLOYEE SATISFACTION AND RETENTION**

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

Employee satisfaction and engagement is crucial to Lindt & Sprüngli’s long-term success. Lindt & Sprüngli secures its future viability by attracting and retaining the best employees. This in turn helps us to reduce costs from employee turnover.
Our regular employee surveys build the basis for continuous improvement. In the past years we have worked on the following key issues that were identified in the employee survey of 2012: fair remuneration, regular and consistent communication, and information about questions concerning the company. Also in 2016, our subsidiaries continued to work on these issues and implemented their respective action plans with necessary measures and initiatives. Examples for follow-up initiatives were:

- Implementing local training activities
- Establishing onboarding programs
- Providing global leadership trainings for senior management members
- Implementing a reward and recognition program
- Hosting local town hall meetings for communication purposes.

In September 2016, Lindt & Sprüngli once more conducted the global employee survey with a high participation rate of 87%. Overall, the results pointed towards a high job satisfaction, a strong sense of identification and commitment towards Lindt & Sprüngli and a strong feeling, that the employee's work contributes to the achievement of the company goals. We identified major strengths in the area of quality orientation, participation, and attractiveness. On the other hand, potential for improvements was identified in the area of personal development and working climate. In 2017, we will take a deep dive into the results and derive improvement measures.

**WORK-LIFE BALANCE**

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

The boundary between work and leisure blurs increasingly and finding the right work-life balance becomes more important. This topic was addressed locally by different initiatives. A special highlight this year in this area was reported by our subsidiary in France. They signed a charter for a better balance between professional and personal life for the employees, which was presented by the Executive Committee at the national sales convention. It states that the work environment needs to facilitate a good work-life balance and that new technology should make work more efficient without compromising private life.

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

**EMPLOYEE DEVELOPMENT AND TRAINING**

In a rapidly changing world, Lindt & Sprüngli needs the employees with the best qualifications to ensure competitiveness. In order to attract and retain high-performing employees, Lindt & Sprüngli aims to put emphasis on managing talent and developing employees. Major projects and achievements in 2016 were:

- **Talent management**: we further developed and enhanced our Talent Management process including annual Talent Management dialogues, yearly performance assessments & goal setting and a succession planning process. This allows leaders to align talent and build appropriate development plans that match the employee's needs with the demands of our business.

- **Employee development**: we further focused on individual development plans by applying our 70-20-10 model: 70% on-the-job experiences, 20% feedback and relationship, 10% formal individual training programs. As regards individual training programs, we offer, for example:
  - International Traineeships
  - Support of continued education and training
  - Life-long learning for continued employability
  - Increase in employee productivity
  - Promoting individual skills
  - Dual vocational system
  - Leadership trainings
  - International exchanges
  - Coaching and mentoring programs.
In 2016, we extended our International Traineeship Program in Operations to our subsidiaries in the United States. We furthermore started an International Traineeship Program to the area of finance.

— International Lindt & Sprüngli Academy: we continued developing the senior management program, in cooperation with the International Institute for Management Development (IMD).

In 2017, Lindt & Sprüngli will further invest in the International Lindt & Sprüngli Academy as well as in local educational programs.

**DIVERSITY AND EQUAL OPPORTUNITY**

Our commitment is to offer equal opportunities and foster diversity in employment, development, and advancement for those qualified. We are not discriminating in hiring and employment 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 applicable law.

We are convinced that all people should be treated fairly and do not tolerate discrimination. It is therefore our policy and practice to provide equal employment to individuals (employees and applicants). We foster and support diversity also in gender. Around 61% of our employees are women. Furthermore, we foster a diverse age split where the younger and older generation work well together and enrich each other.

<table>
<thead>
<tr>
<th>Age split in %</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;30</td>
<td>26.8</td>
<td>29.1</td>
</tr>
<tr>
<td>30–39</td>
<td>22.9</td>
<td>21.6</td>
</tr>
<tr>
<td>40–49</td>
<td>23.1</td>
<td>21.3</td>
</tr>
<tr>
<td>50–59</td>
<td>21.3</td>
<td>21.1</td>
</tr>
<tr>
<td>60+</td>
<td>5.9</td>
<td>6.8</td>
</tr>
</tbody>
</table>

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

Regular consultation and engagement with our employees and their representatives helps ensuring timely discussion of labor or management expectations as well as negotiating and implementing operational changes. Respect for the rights of employees to form and join trade unions and to bargain collectively is therefore self-evident for Lindt & Sprüngli.

Lindt & Sprüngli organizes an annual meeting – the European Works Council – where workers’ representatives from all Lindt & Sprüngli European Union subsidiaries and Switzerland are given the opportunity to exchange their opinions and meet with Group Management. The management of Lindt & Sprüngli International AG and the European Works Council meet usually once a year for a two-day meeting in Zurich. The agenda and to-be-sent documents are agreed between the chair of the European Works Council and the management. In 2016, the information and consultation referred mainly to the areas health & safety, training, economic and financial developments, investments, and sustainability.

Currently, Lindt & Sprüngli workers are collectively organized in Austria, France, Germany, Italy, Switzerland, and the USA (Ghirardelli).
OCCUPATIONAL HEALTH AND SAFETY

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

The improvement of safety at the workplace is a top priority for Lindt & Sprüngli. A healthy and safe work environment is a major driver of employee satisfaction and motivation. At the same time, workplace hazards lead to losses. By reducing workplace hazards we reduce absenteeism associated with lost time and resulting costs. In regular intervals, we conduct employee safety trainings to raise awareness and to strengthen the corporate safety culture.

Since 2008, Lindt & Sprüngli production companies reduced the number of lost-time accidents rate per 100,000 working hours by 89%. The progress we made during these years continued in 2016. The integration of Russell Stover is also quickly proceeding. Its safety key performance indicators are in line with the ones of the Group.

Among others, the Lindt & Sprüngli Production Way includes one pillar dedicated to safety which is the framework we use to coordinate our safety activities and practices. We use it to coordinate and disseminate our management approach to all functions of our companies. The mission of the pillar is to set a strong preventive safety culture, being proactive rather than reactive. To this end, we assess hazards and risks for individual job activities. This approach provides the identification, prioritization, and documentation of hazards and risks, and enables the appropriate application of individual measures, as well. The target is to eliminate the hazards or to mitigate the identified risks. In 2016, we further refined the safety pillar by adding a set of problem-solving tools to provide a consistent analysis of the accidents occurred. This is the key to avoid recurring events.

Furthermore, in 2016, we focused on our behavioral-based safety observation system. We strongly believe that an essential element of managing risks is the creation of an environment with effectively implemented working procedures. Therefore we need competent and well-motivated employees. We organized workshops and implemented improvement actions to drive safety by discipline and to raise our employees’ involvement. In so doing, our employees can contribute to a real safety culture in everyday activities.

CORRUPTION AND ANTI-COMPETITIVE BEHAVIOR

Our commitment is to not participate in any corrupt or anti-competitive behavior.

Lindt & Sprüngli commits to the principle of free competition and to strictly comply with all applicable domestic and international antitrust and competition laws. Further, Lindt & Sprüngli condemns any form of bribery and corruption. Continually monitoring corruption risks helps us protect our brand and reputation and, as a result, to provide enhanced value to customers, shareholders, and other stakeholders.

We are committed to ensuring that our employees demonstrate a level of professionalism that reflects the company’s commitment to our core values anchored in the ▶ CREDO and Business Code of Conduct specifying our expectations towards our employees. Given latest developments in legislative and best-practice procedures, the Board of Directors enacted in 2016 an updated version of the Business Code of Conduct to outline even more our commitment to adhere to the Lindt & Sprüngli core values and international standards. The new Business Code of Conduct shall be regarded as a set of principle rules reflecting a common behavior understanding, applicable in all jurisdictions. The main changes in this area included a strengthening of both the provisions on insider trading and competition law, a new provision on bribery and corruption and a practical guidance for the employees in each paragraph. The Business Code of Conduct is being implemented locally in all subsidiaries in eleven different languages.

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost-time accidents rate per 100,000 working hours</td>
<td>2.65</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Our vision: zero lost-time accidents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: figures cover only Lindt & Sprüngli production companies.

1 excluding Russell Stover
2 including Russell Stover

Other projects in some subsidiaries continued to be the development of health prevention plans such as a health check-up and employee assistance programs through a third-party organization, where employees receive confidential counseling sessions at no cost.
PHILANTHROPY

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

Lindt & Sprüngli understands the company as a corporate citizen and aims at overcoming today’s challenges in society. Our financial, in-kind, and time donations for communities contribute to local development around our Group.

Lindt & Sprüngli subsidiaries make numerous donations to organizations, associations, and social schemes. An example for our in-kind donations is our work with Tischlein deck dich, a Swiss organization that distributes food for people in need. Lindt & Sprüngli Switzerland has been donating surplus products to Tischlein deck dich for more than ten years. In 2016, the volume donated added up to more than 2,200 kg. Although chocolate can last for up to 15 months, Lindt & Sprüngli Switzerland does not donate products whose minimum shelf life has already been exceeded.

Lindt & Sprüngli further established the two charitable foundations, the > Lindt Cocoa Foundation and the > Lindt Chocolate Competence Foundation.
MEET OUR EMPLOYEES

The following employees are part of more than 13,000 individuals at Lindt & Sprüngli, who make sure that all products leaving our factories live up to our commitment to sustainable behavior along our value chain.

GUIDO STEINER
VP OPERATIONS, GROUP MANAGEMENT
LINDT & SPRÜNGLI INTERNATIONAL

In our operations we follow the Lindt & Sprüngli Production Way, our approach to continuously reduce all kinds of losses. Amongst others, it includes pillars like safety, quality, and education. In health and safety we are very proud of the great progress towards our vision of zero lost-time accidents. In many other areas too, we are focused on reducing losses of all kinds by involving more and more employees in the program, and we expect major improvements in the coming years. It is great to see the increasing number of employees in our companies working hard to improve our operations every day.

JENNY LAWRENCE
HR DIRECTOR
LINDT & SPRÜNGLI UK

Lindt &Sprüngli is a decentralized company. This gives us a lot of freedom to serve the specific needs of the UK employees. We are a dynamic team of around 300 inspiring people. I am passionate about fostering a culture that makes Lindt & Sprüngli UK a great place to work alongside this amazing team. This also includes recruiting and maintaining the best talents for lasting success. In addition to being talented, they must be a good fit for our values respect, excellence, recognition, teamwork, and continuous improvement. It makes me proud to see our people living up to these values every day.

PATRIZIA PIROTTA
R&D FOOD SAFETY DIRECTOR
LINDT & SPRÜNGLI IT

Lindt & Sprüngli has always strived to be a good corporate citizen. Since we developed our sustainability strategy in 2013, we have done so in a more coordinated and goal-oriented way. However, when Ecuador was struck by the earthquake in the past year, we wanted to help the almost 500 affected farmers of the Lindt & Sprüngli Framing Program quickly. Within weeks we coordinated relief measures and collected funds among the divisions. It is good to know that our company and its employees really take care of the farmers. I believe this is a good way of direct support that arrives where it matters.

SAMUEL BERNEGGER
VICE PRESIDENT OPERATIONS
GHIRARDELLI CHOCOLATE COMPANY

The production of chocolate requires energy mainly for heating and cooling. In addition, water is needed which is especially short in California. Hence, our environmental management serves a double bottom-line: the environmental and the financial returns. This motivates our employees to look for new ways to reduce the energy and water consumption of our processes. Because the ones working in production every day know best where improvements can be made.
LINDT & SPRÜNGLI

SAVINGS THROUGH HOT WATER RECOVERY
In 2016, Lindt & Sprüngli France installed an underground buffer tank to collect and reuse hot water. A preliminary analysis showed that wastewater was going to sewage at an average temperature of 50°C, while the plant was also using around 36,000 m³ of municipal water that had to be heated up to 60°C. The new underground tank now serves as a heat exchanger: it heats up the municipal water and cools the wastewater for sewage. Thereby, Lindt & Sprüngli France will be able to save EUR 38,000 per year and 200 tons CO₂e.

LINDT & SPRÜNGLI GERMANY

RAISING AWARENESS FOR HEALTHY AND SUSTAINABLE FOOD
Lindt & Sprüngli Germany has developed a range of activities that aim at promoting both the well-being and motivation of employees; a highly relevant success factor for the company. In 2016, Lindt & Sprüngli Germany focused on raising awareness for healthy and sustainable food. By providing changing motto weeks, the canteen ensured variety in the menu. The canteen started to offer vegan food for instance. While the employees were rather skeptical at the beginning, the feedback after one week was so positive that the Lindt & Sprüngli Germany canteen decided to continue offering menus such as vegan Bolognese in the future.

RUSSELL STOVER

DONATION OF CHOCOLATE-FILLED VALENTINE’S DAY HEART BOXES
In 2016, Russell Stover donated 130,000 chocolate-filled Valentine’s Day heart boxes to the Kansas City community on Valentine’s Day. The receiving regional food bank Harvesters provides food and related household products to more than 620 not-for-profit agencies including emergency food pantries, community kitchens, homeless shelters, children’s homes, and others. Andreas Pfluger, the President and CEO of Russell Stover, said he believes everyone deserves a treat every now and again, especially around the holidays.
SUSTAINABLY CONSUMED

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

Lindt & Sprüngli has a responsibility towards the consumers. We apply high standards to food safety, correct labeling, and consumer orientation to ensure our quality standards are met from the raw materials to the finished product. Only once the company is convinced that a finished product lives up to our high standards and is in impeccable condition, it leaves the factory. Lindt & Sprüngli will continue its efforts in re-search and development, packaging and logistics – in cooperation with our trade partners – to safeguard this quality all the way to the homes of our consumers. All measures in place are continuously reviewed and improved and allow our consumers to enjoy the products with a high degree of trust.

To earn this trust now and in the future, we mainly worked on the following two areas in 2016:

— We further optimized our quality control mechanisms. As a result, Lindt & Sprüngli manufacturing units passed independent food safety and quality management audits again with high marks.
We responded to more than 115,000 consumer contacts personally and made sure that the consumer feedbacks are fed into our internal processes. This ensured consumer satisfaction through direct contacts and products that address consumer needs.

PRODUCT QUALITY AND SAFETY

We are committed to adhering to superior measures to ensure product quality and safety. As producer of some of the world’s finest chocolates, we do not want to compromise on quality or food safety. Through the Lindt & Sprüngli Promise, we have committed ourselves to sustainable behavior along the value chain. Therefore we do not only carefully select the most premium ingredients from world-renowned growing regions, we also process and finish them with perfection.

The company has appropriate internal and external quality control mechanisms in place. This quality control includes stringent testing processes, conducted on different levels from raw materials to the finished product. Before shipping a product, we need to be convinced that the product lives up to our high standards and is in impeccable condition. During distribution, we make sure our products reach the consumer in the same condition. Therefore, a careful evaluation of the distribution channels that sell Lindt & Sprüngli products and store them is an important part of our quality control system.

All manufacturing units are subject to unannounced audits on an annual basis by AIB International. This independent organization has a long-standing reputation for elevating the food safety in the industry through its standards. Lindt & Sprüngli completed the AIB audits in 2016 with high marks, indicating that all food safety at the individual production sites is on a high level, regularly surveyed and controlled. In addition to the AIB Audits, food safety management systems and quality management systems are implemented at manufacturing units. Russell Stover Confections is working towards a standardized Food Safety Management System with the goal to be FSSC-22000-certified by the end of 2019.

Cadmium levels in Lindt & Sprüngli chocolate

Cadmium occurs naturally in soil. The cocoa plant absorbs cadmium from the soil—just like other plants, such as vegetables and cereals. Therefore, trace amounts of cadmium may be found in our products. However, those trace amounts are found in quantities acceptable for human consumption. Testing the cadmium content of cocoa beans is an integral part of the quality control in our sourcing process. The cocoa mass produced from the cocoa beans and used in our products is also regularly tested for cadmium. Limit values for cadmium content are defined in our product specifications and their strict observance is checked on a regular basis.

Lindt & Sprüngli conforms to all relevant requirements and recommendations that are available, such as those of the Codex Alimentarius.

Certified management systems for quality and food safety

<table>
<thead>
<tr>
<th>Lindt &amp; Sprüngli production sites</th>
<th>ISO 9000</th>
<th>ISO 22000 or FSSC 22000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindt &amp; Sprüngli Austria</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Lindt &amp; Sprüngli France</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Lindt &amp; Sprüngli Germany</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Lindt &amp; Sprüngli Italy</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Lindt &amp; Sprüngli Switzerland</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Lindt &amp; Sprüngli USA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Caffarel</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Ghirardelli</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Russell Stover</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Lindt & Sprüngli position on GMO

With regards to genetically modified food, Lindt & Sprüngli is not involved in any research or development and does not use ingredients that have been genetically modified or derived from genetically modified organisms, as long as non-modified materials are available. All LINDT, Caffarel, Kühlerle and Hofbauer products are non GM. Appropriate tests regularly monitor these products to ensure compliance with pertinent EU and Swiss regulations.

Extensive quality control in transportation

The Lindt Quality Guidelines specify temperature and humidity requirements for our products during storage and transportation. A strict temperature monitoring process is in place from our factories to the final distribution warehouse within our Intercompany Network. Humidity control is in place for all warehouses and for special sea freight trade lines crossing the equator. The Guidelines apply to all our owned or rented warehouses and to our representatives’ and dealers’ warehouses of finished goods.
CUSTOMER AND CONSUMER SATISFACTION

Customer and consumer satisfaction is key to our business success, today and tomorrow. To ensure that we meet our customers’ expectations, we continuously analyze their needs and their expectations, and implement the corresponding findings in our premium products. Thereby we ensure customer satisfaction and future success of Lindt & Sprüngli.

To find out about our consumers’ expectations, we test the taste and quality of our products with consumers on an international base. In 2016, more than 15,000 consumers tested our new and existing products. Their feedback helped us delivering a constant flow of new and inspiring products with the guaranteed Lindt & Sprüngli quality.

In addition, we monitored and tracked the emergence of new consumer trends and possible issues in relation to our products globally. Information on food, chocolate and sustainability related trends were shared with our subsidiaries. All Lindt & Sprüngli subsidiaries consider these global trends in addition to their local trends when developing new products.

Additionally, we are in touch with our consumers on a daily basis through our own retail network. Our sales people in around 370 Lindt & Sprüngli owned shops continuously identify their needs and expectations. Since 2015, we also collect the feedback of our sales people of our own retail network via an online form. The central consumer service department analyzes changes and makes sure the knowledge is used to satisfy consumer needs even better. Moreover, consumers can contact us directly, for example by using the feedback form that is included in our praline packaging. Lastly, we are in a daily contact with our consumers by over 60 social media channels answering inquiries personally and processing their feedback.

In 2016, our consumer service specialists recorded and handled more than 115,000 consumer contacts within the Group-wide system. We also introduced a new management process to ensure a highly professional and efficient consumer service. The resulting improvements will reduce the average handling time so that consumers have an even more responsive point of contact.

The overall satisfaction with our brands and products is measured constantly with more than 16,000 consumers in 16 countries every year. Our scores on chocolate quality and taste experience are excellent.

CONSUMER INFORMATION

We are committed to apply high standards to consumer information.

Consumers purchase chocolate according to their individual desires and needs. Decisional elements for choosing the product could be for example the percentage of cocoa or the ingredients list specifying also allergens. Transparent communication is therefore highly relevant for Lindt & Sprüngli and its consumers.

Lindt & Sprüngli is aware of its responsibility to ensure also minor concentrations of potential allergens such as hazelnuts or almonds, are clearly communicated to the consumer via the ingredient list or allergen information. Lindt & Sprüngli informs consumers by printing a clear warning on all products that may contain traces of specific allergens. In addition, we follow strict policies to avoid unwanted contamination of products. For example, we follow a peanuts-free environment at our premises.

A healthy diet is crucial to each consumer’s health. We recommend that chocolate should be eaten and enjoyed for indulgence, in reasonable amounts. Nutritional values of all Lindt & Sprüngli products are labeled on the packaging in accordance to national and international laws. We increased transparency further by publishing information about ingredients and nutritional values online.

In order to increase our communication about our sustainability efforts to consumers, we already integrate since 2015 an icon for the Lindt & Sprüngli Farming Program on the back of our packaging. As a next step, we incorporated in 2016 the Lindt & Sprüngli Farming Program into our multi-channel communication on what makes Lindt chocolate so exceptional, the Lindt Difference.

Lindt & Sprüngli is committed to be transparent about the products and their origins. Through various channels, interested consumers can find out easily where our ingredients come from and how we integrate sustainability in our business.
MEET OUR EMPLOYEES

The following employees are part of more than 13,000 individuals at Lindt & Sprüngli, who make sure that all products leaving our factories live up to our commitment to sustainable behavior along our value chain.

**ROLF FALLEGGER**
MARKETING & SALES, GROUP MANAGEMENT
LINDT & SPRÜNGLI INTERNATIONAL

Lindt & Sprüngli delights its consumers with all its premium chocolate products. With our products, the consumers can experience the incomparable, unique taste and fine melting texture. However, today’s consumers are rightfully expecting not just a superior chocolate experience but also a sustainably produced product that can be consumed with a good conscience. Therefore, we communicate to our consumers about all of the sustainability efforts which ensure that all products leaving our factories live up to our commitment to sustainable behavior along the value chain.

**OLIVER WOODBURN**
DIRECTOR RETAILMARKETING
LINDT & SPRÜNGLI CANADA

In our Lindt branded shops we have the wonderful opportunity to present consumers with our extensive product range and generate a memorable shopping experience for them. Furthermore we can tell them all about our Lindt Difference which describes in five steps why our products are so unique. One of the key points is the quality and sustainability of the cocoa beans.

**ROBERT ROCCO**
CONSUMER SERVICE MANAGER
LINDT & SPRÜNGLI USA

At Lindt & Sprüngli, we care deeply about the relationships we build with our consumers. Every consumer has the possibility to interact with us directly, and through various contact channels of their choice. This is why we know what consumers think about our products, how they enjoy them, and where they see room for improvement. My team makes sure that each consumer contact is personal, timely, and solution-oriented. We also collect the consumer feedback and forward it internally to improve consumer satisfaction continuously. It’s refreshing to be in touch with so many chocolate lovers each day!

**GABY GILGENBACH**
DIRECTOR R&D/QM
LINDT & SPRÜNGLI GERMANY

Developing and producing chocolate is a wonderful thing. However, it is much harder than one might think. Chocolate is very temperature-sensitive, which is a challenge during the different stages of the supply chain. It also needs to be impeccable and therefore food safety is one of our big topics. We continuously improve our processes and we check the quality of the products during the whole production chain. In my daily job I devote a lot of my time to find even better ways to uphold our high level of product safety.
CASE STUDIES – CONSUMED

ENSURING PRODUCT SAFETY
Due to its appearance and recycling aspect, glass packaging is very popular. However, it poses a significant food safety risk since glass containers are one of the most challenging types of packaging to inspect. The primary contaminant is glass, the same material and density as the packaging itself. In order to improve product safety of Caffarel’s glass-packaged spread cream, the production line was relocated and an X-ray system installed capable of detecting not only glass-in-glass contaminants but also contaminants such as metal, mineral stone, high-density plastic, and rubber compounds.

NON GENETICALLY MODIFIED PRODUCTS
While all Lindt, Caffarel, Küfferle, and Hofbauer branded products are already fully non GM, it is Ghirardelli’s objective to make all remaining Ghirardelli recipes non GMO by 2018. As of today, Ghirardelli products such as milk chocolate, semi-sweet chocolate, dark chocolate, baking powder, white chocolate, and white baking chips already qualify as non GM. Now Ghirardelli is working on making the remaining Ghirardelli products non GM.

ELIMINATING MINERAL OIL RESIDUES
Mineral oil residues may occur almost everywhere in the environment and may therefore get into food in a variety of ways. While Lindt & Sprüngli fully complies with the strict local food laws, it takes this issue very seriously and has initiated an action plan to achieve the greatest possible reduction of even the slightest mineral oil residues. As part of this initiative Lindt & Sprüngli is examining the entire supply chain from the harvest through to the sale of finished products so as to identify potential sources of mineral oil traces and implement necessary measures.
With regards to raw materials, we will focus on expanding our Lindt & Sprüngli Farming Program – both in terms of intensifying the existing Programs as well as expanding them geographically. In 2017, we aim at strengthening the farmer groups in Ghana to foster ownership and working on innovative solutions providing access to agricultural products and services. In Ecuador and Madagascar, we aim at increasing the number of farmers participating in the Program and at improving the services delivered. Concerning cocoa butter, we will continue to closely follow the projects in place, and work on solutions for their expansion. In Turkey, we strive to increase our share of hazelnuts stemming from Sustainability Programs.

Concerning our packaging material, Lindt & Sprüngli will integrate additional key suppliers into the Supplier Sustainable Practice Program and increase the support activities for suppliers assessed in 2016. It is the goal of Lindt & Sprüngli to systematically develop the sustainable production practices of all key packaging suppliers in Asia in the coming years.

In 2017, we will continue with the integration of Russell Stover. Our focus will be the launch of additional energy-saving projects. We will also establish a structured way to exchange the energy-saving projects, realized and planned, within our engineering managers network. It is our goal to learn from the experiences made within the Lindt & Sprüngli Group, to exchange best practices and to consider the environmental impact of projects carried out. The consistency of our actions will be ensured by our Lindt & Sprüngli Production Way program. It structures all our processes and ensures that we minimize any kind of losses in our operations. Concerning employee’s safety, we will further develop and invest in behavioral processes, as a key to succeed.

Regarding our employees, our priorities are to further develop our Senior Management Leadership program at IMD, extend the International Traineeship Program as well and to work on relevant action points / measures from the global employee survey.

In 2017, we will work towards making the remaining Ghirardelli and Russell Stover products non GM. We will also continue to extend the use of palm oil certified according to the RSPO segregation model in all Group companies.

We will implement corrective actions whenever they contribute to keeping consumer complaints at lowest levels. Our ongoing assurance will continue and, if indicated, specific quality and food safety programs will be extended along the supply chain.

In terms of improved communication, we are launching a new microsite about the Lindt & Sprüngli Farming Program that is addressing all relevant stakeholders. The new site is very interactive and consumer-friendly.
The significance Lindt & Sprüngli attaches to responsible corporate behavior is reflected in the way it is dealt with: at the top management level and monitored by a Board of Directors’ committee.

The Sustainability Committee of the Board consists of three members of the Board of Directors. It is responsible for the development and adaption of all globally valid corporate policies in this area, and monitors compliance with legal aspects. The committee has advisory as well as preparatory competences and meets as often as business requires, at least once a year.

The Group Management ensures the implementation of the strategic decisions taken in the Sustainability Committee of the Board. Sustainability Management coordinates all sustainability activities within Lindt & Sprüngli and supports the Sustainability Executive Team, comprising HR, Marketing, Legal, Quality, Research & Development / Quality Assurance, Operations, as well as Corporate Communications departments, in implementing activities.

The Sustainability Executive Team meets every two to three months and reaches out to Lindt & Sprüngli subsidiaries to ensure implementation is in line with guidelines from Lindt & Sprüngli International. Each Lindt & Sprüngli Group company has one sustainability representative to ensure consistent communication channels between the Group and the respective subsidiary. In addition, each subsidiary has appointed one responsible for health and safety and one for environmental management.
ABOUT THIS REPORT

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

The Communication on Progress is being published to provide stakeholders with information about Lindt & Sprüngli goals, measures, and progress. It relates to the period from January 1 to December 31, 2016; the effective date for all facts and figures is December 31, 2016. Except where otherwise stated, all facts and figures cover the Lindt & Sprüngli brands Lindt, Ghirardelli, Russell Stover, Whitman’s, Pangburn’s, Caffarel, Hofbauer, and Küfferle. Where not otherwise stated, the facts and figures cover all production, distribution, and marketing sites, as well as regional Lindt & Sprüngli offices.

The Communication on Progress has been developed with due regard to materiality of the issues and stakeholder expectations. The reporting principles of the Global Reporting Initiative (GRI) G4 were considered for the development of this report.

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The expectations expressed in this annual report are based on assumptions. The actual results may vary from these. The Sustainability Report is published in English and German, whereas the English version is binding.
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.